

**LAND BANK OF THE PHILIPPINES**  
Ang Bangkong May Damdaming Bayan

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## About the Cover



In 2008, the Land Bank of the Philippines marked its 45th anniversary -- celebrated in various cultures around the globe as sapphire year. Its rich history, its many triumphs amid adversities, and its wide range of products and services that are relevant and responsive to the needs of our people and country are the many facets of LANDBANK. Just as in a precious stone, inherent in its goals is a lustrous, noble mission of helping make countryside development a reality and being one with the Filipino in working towards abundance and prosperity.

# *Vision*

LANDBANK shall be the dominant financial institution in countryside development, committed to the highest standards of ethics and excellence in the service of the Filipino people.

# *Mission*

We shall continue to provide timely financial and technical support for our farmers, fisherfolk and other priority sectors.

We shall deliver innovative products and services that are consonant with ecological enhancement and effectively address our clients' needs.

We shall embody professionalism and integrity, providing our employees with a work environment that encourages growth and rewards excellence.

LANDBANK is committed to improving the lives of all its stakeholders and working with them to lead the country to economic prosperity.



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## Financial Highlights

(In Billion Pesos)

	2008	2007	2006	2005	2004
Total Resources	436.7	383.7	362.4	322.9	306.4
Liquid Assets	116.0	99.8	99.8	90.0	68.2
Earning Assets	291.4	278.9	255.4	251.2	234.4
Loan Portfolio (Net)	211.2	164.9	157.1	143.2	139.0
Investments (Net)	117.8	123.9	113.3	108.2	99.5
Deposit Liabilities	333.5	287.4	267.7	242.8	214.9
Demand	128.1	102.7	95.7	81.1	74.3
Savings	191.9	169.1	152.5	135.2	118.6
Time	13.0	15.6	19.5	26.3	22.0
LTNCD	0.5				
Capital	39.3	41.7	38.3	26.7	23.1
Gross Revenues	28.6	28.0	27.0	29.1	22.9
Interest Income on Loans	12.3	11.4	12.5	11.5	10.2
Income on Investments	12.0	9.2	8.5	8.2	8.2
Net Income (in P M)	5,024.8	4,221.8	4,156.2	3,019.9	2,705.0
Return on Average Equity %	15.36	11.91	14.52	12.14	12.70
Return on Average Assets %	1.29	1.13	1.29	1.00	0.90

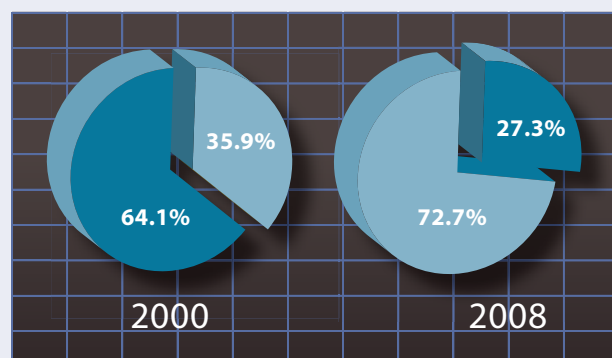
## LANDBANK GROSS LOAN PORTFOLIO

(In Billion Pesos)

PRIORITY SECTORS	2008	Share to Total (%)
Farmers and Fisherfolk	21.4	12
Microenterprises and SMEs	18.5	11
Agribusiness	20.4	11
Agri-infrastructure (LGUs)	19.7	11
Agri-related Projects (GOCCs)	24.9	14
Livelihood Loans	3.3	2
Environment-related Projects	16.0	9
Socialized Housing	2.1	1
Schools and Hospitals	3.3	2
<b>Total Priority Sector Loans</b>	<b>129.6</b>	<b>73</b>
OTHER SECTORS		
Other LGU Loans	10.1	6
Other GOCC Loans	3.4	2
Infrastructure Development	7.3	4
Housing	3.1	1
Others	24.8	14
<b>Total - Other Loans</b>	<b>48.7</b>	<b>27</b>
<b>Total Loan Portfolio (Regular)</b>	<b>178.3</b>	<b>100</b>

## SHARE OF PRIORITY SECTORS

2000	2001	2002	2003	2004	2005	2006	2007	2008
35.9%	42.1%	49.8%	56.0%	60.5%	66.0%	68.3%	72.8%	72.7%



## Message of the President of the Philippines



### TEN-POINT AGENDA TO “BEAT THE ODDS”

- B** – Balanced budget  
**E** – Education for all  
**A** – Automated elections  
**T** – Transport and digital infrastructure to connect the country
- T** – Terminate the MILF and NPA conflicts  
**H** – Heal the wounds of EDSA  
**E** – Electricity and water for all barangays
- O** – Opportunities for 10 million jobs  
**D** – Decongest Metro Manila  
**DS** – Develop Clark and Subic

MALACAÑAN PALACE  
MANILA

Congratulations to the men and women of the Land Bank of the Philippines for your remarkable performance in 2008, making **LANDBANK's** sapphire year a true milestone.

Further expanding your loan portfolio amid challenging times provided the much needed assistance to sectors that serve as key drivers of our economy. Your priority sectors – the small farmers and fisherfolk, micro, small and medium enterprises, agribusiness, agri-infrastructure, other agri- and environment-related projects, livelihood, socialized housing and schools and hospitals – to which the larger portion of **LANDBANK's** resources are directed, continue to play significant roles in the development of the countryside. Thus, I laud **LANDBANK** for your continued commitment to working hand in hand with them.

In the last 45 years, **LANDBANK** has lived up to its unique character as a financial institution with a social mandate. Your sound financial and business fundamentals have been instrumental in achieving our goals of developing the countryside and bringing progress to our fellow Filipinos.

Again, congratulations and *mabuhay!*

  
GLORIA MACAPAGAL-ARROYO





## Chairman's and President's Report

GARY B. TEVES  
*Chairman*

*LANDBANK has adopted the theme  
"Transforming Challenges into  
Opportunities" to summarize our  
strategic thrusts and direction for 2008.*

# Turning Our Sapphire Year into A TRUE GEM





LANDBANK made 2008 another historic year. As we celebrated our 45th anniversary, we took pride in having turned our sapphire year into a true gem – a shining period of many triumphs and achievements in the various facets of our operations.

In the latter part of 2008, most countries around the world felt the impact of a financial crisis so immense that it was likened to the Great Depression of the 1930s. Caused largely by the US sub-prime mortgages, the global credit crunch led to business failures, unemployment, dwindling consumer wealth, and major decline in economic activities.

Unlike advanced economies, the Philippines was spared from the full gravity of the crisis. But while less vulnerable, the country is not entirely unaffected. We need to continue building on our internal strengths to ensure our ability to weather the subsequent effects of the economic storm.

It is timely that LANDBANK has adopted the theme “Transforming Challenges into

Opportunities” to summarize our strategic thrusts and direction for 2008. The year also marked the start of implementing our new set of strategies for the new five-year business plan (2008-2012) captured in the words WE CARE:

**W**idening credit outreach to small farmers and fisherfolk  
**E**nhancing customer service through effective delivery of products and services and expanding consumer and retail lending

**C**ontinuous strengthening of our human resource

**A**ugmenting LANDBANK’s support to CARP

**R**etain the Bank’s top 5 ranking and strategically position LANDBANK as the dominant government universal bank

**E**nforcing good governance and risk management

With the continued support of our clients, partners, employees and other stakeholders,

LANDBANK made 2008 another historic year. As we celebrated our 45th anniversary, we took pride in having turned our sapphire year into a true gem – a shining period of many triumphs and achievements in the various facets of our operations. We believe that clear goals, the proper mindset, and resolute actions helped us transcend the obstacles and seize the year’s prospects.

#### Rarity and distinction

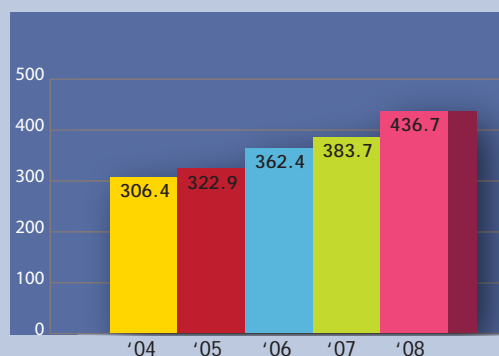
Our dual functions of fulfilling our social mandate and maintaining profitable operations make LANDBANK rare, and distinct among the commercial banks in the Philippines. We focus on directing the greater part of our resources to our priority sectors – the small farmers and fisherfolk, micro, small and medium enterprises, agribusiness, agri-infrastructure

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## TOTAL ASSETS

[in P Billions]





GILDA E. PICO  
*President and CEO*

*The loans to  
priority sectors  
increased to  
₱129.6 billion  
from ₱96.5  
billion in 2007,  
up by 34 percent  
or ₱33.1 billion.*



# A Shining Period of Many **TRIUMPHS** & ACHIEVEMENTS





LANDBANK gave greater emphasis on expanding credit to our mandated clients, the small farmers and fisherfolk. For 2008, our loan releases to these sectors amounted to ₱23.5 billion, which is 29 percent higher than the ₱18.2 billion released in 2007.

projects of local government units, other agri-related projects, environment-related projects, schools, and hospitals. As of end-2008, LANDBANK loans to these priority sectors reached 72.7 percent of our total regular loan portfolio of ₱178.3 billion. The loans to priority sectors increased to ₱129.6 billion from ₱96.5 billion in 2007, up by 34 percent or ₱33.1 billion.

As several banking and financial institutions experienced weak growth in their loan portfolio during difficult times, LANDBANK continued expanding its loan portfolio in 2008. With our continued support for the undertakings of our priority sectors, we hope to help stimulate economic and livelihood activities that would have multiplier effects in the

development of the country. From ₱134.6 billion as of end-2007, our total regular loan portfolio as of end-2008 reached ₱178.3 billion, for a significant increase of 37 percent.

LANDBANK also gave greater emphasis on expanding credit to our mandated clients, the small farmers and fisherfolk. For 2008, our loan releases to these sectors amounted to ₱23.5 billion, which is 29 percent higher than the ₱18.2 billion released in 2007.

Apart from credit support, new policies and programs were launched in response to the pressing needs of the agricultural sector that included the rising costs of production inputs. LANDBANK supported the national government's rice productivity and food sufficiency programs.

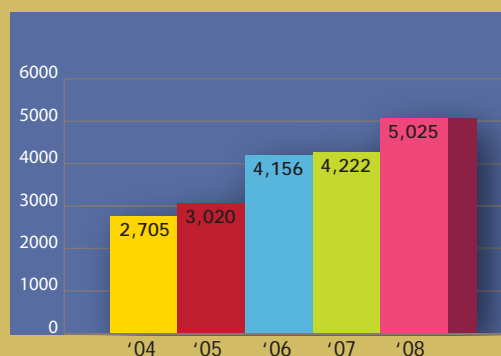
We have expanded our credit conduits to include rice millers, input suppliers and other SMEs engaged in agribusiness. We have also adopted concessional interest rates at 8.5 and 7.0 percent per annum for loans of farmers' organizations and SMEs, respectively. We also increased our loan ceilings per hectare for inbred and hybrid rice to ₱37,000 and ₱42,000, respectively.

To further encourage private financial institutions to support the agricultural productivity program, the Agricultural Guarantee Fund Pool was created, which LANDBANK now administers. The Fund guarantees loans of borrowers engaged in the production of palay and other food commodities.



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**NET INCOME**  
[in P Billions]





Recognizing that our stability depends largely on the support of our customers and other stakeholders, we continued embarking on programs that would enhance the quality of service we provide to them.

In keeping with our role as a government financial institution, LANDBANK served as a channel of the national government's pro-poor programs in 2008. Among these programs were the Ahon Pamilyang Pilipino and Pantawid Kuryente: Katas ng VAT programs in partnership with the Department of Social Welfare and Development.

#### **Strength and durability**

As we aggressively continued with our developmental efforts, LANDBANK has, on the other hand, scored gains in our other performance indicators. We have achieved a net income level that was the highest ever for the institution. Our 2008 net income of ₱5.02 billion was 19 percent or ₱800 million higher than our ₱4.22 billion net income in 2007. We are proud to note that LANDBANK achieved the second highest net income among local banks, and is one of only two local banks to post a positive net income growth rate among the country's ten biggest banks in 2008.

We maintained our strong balance sheet as we continued to increase our assets, deposits and capital adequacy ratio (CAR). As of end-2008, LANDBANK's assets stood at ₱434 billion, 14 percent more than the ₱382 billion for 2007. Deposits increased by 16

percent or ₱46.2 billion to ₱333.3 billion from ₱287.1 billion a year ago. From 14.0 percent in 2007, our CAR strengthened further to 14.5 percent in 2008. Moreover, our return-on-equity improved from 11.9 percent in 2007 to a high 15.6 percent in 2008 which is one of the highest ROE among the commercial banks.

Our asset quality likewise improved with the continued decline in our non-performing loans (NPL). In 2008, our NPLs were reduced to ₱6.5 billion, a 6 percent decrease from ₱6.9 billion in 2007. Our NPL ratio also dropped from 4.2 percent in 2007 to a low 2.9 percent in 2008.

#### **Useful and flexible**

Recognizing that our stability depends largely on the support of our customers and other stakeholders, we continued embarking on programs that would enhance the quality of service we provide to them. Part of our efforts is to improve the accessibility of our products and services and provide greater banking convenience to our clients.

We continued to develop and promote our electronic banking channels. As of end-2008, our phone banking facility, Phone Access, had 871,146 enrollees, up by 31.5 percent from 662,408

enrollees in 2007. We have also increased the number of LANDBANK ATMs to 813 in 2008 from 777 in 2007, affording greater access to our nearly 2.7 million ATM, e-Card and Cash Card holders.

In 2008, our retail internet banking facility, iAccess, was also launched. Now, our clients may conduct banking transactions, such as balance inquiry, bills payment and funds transfer, 24 x 7, via [www.lbpiaaccess.com](http://www.lbpiaaccess.com).

Apart from expanding the range of our products, services, and delivery channels, we work diligently at improving our systems and processes, consistent with our goal of achieving service excellence. We started the shift from the traditional to the risk-based internal audit approach in 2008. This new approach aligns our audit process with international standards. Through it, we can effectively zero in on threats and risks and therefore, come out with more effective internal controls for the critical areas of our operations.

Moreover, having successfully secured ISO 9001:2000 certification for the Quality Management System (QMS) of our wholesale lending and trust banking processes, we sought



LANDBANK was among the institutions cited during the 10th Philippine Quality Awards held in Malacañan Palace for our exemplary organizational performance and commitment to service excellence.

the expansion of our ISO-certified QMS to our other critical processes. For 2008, LANDBANK expanded the coverage to include the branch banking operations of our PEZA-Roxas Boulevard Branch, ATM operations in Metro Manila, and lending operations of our Public Sector Department and Pampanga Lending Center.

#### **Lustrous and valuable**

LANDBANK's lustrous performance in 2008 was affirmed by the several institutions that bestowed awards for our various initiatives. Our commitment to customers as well as the recognitions we receive serve as inspiration to continue with our efforts to excel.

On February 28, 2008, LANDBANK was among the institutions cited during the 10th Philippine Quality Awards held in Malacañan Palace for our exemplary organizational performance and commitment to service excellence. LANDBANK was one of only three government institutions honored for institutionalizing a QMS and securing ISO 9001:2000 certificates.

Meanwhile, the Association of Development Financing Institutions in Asia and the Pacific or ADFIAP bestowed recognition to LANDBANK's Environmental

Due Diligence System under the Environmental Development Category of its 2008 Outstanding Development Project Awards held in Tehran, Iran.

At home, we have successfully expanded the scope of our ISO 14001:2004-certified Environmental Management System or EMS to cover not only the LANDBANK Plaza, but also 10 branches in Metro Manila. LANDBANK branches and units all over the country are now adopting the EMS best practices of these ISO-certified units.

Other recognitions and citations we received in 2008 include two Anvil Awards of Merit and one Anvil Plaque of Recognition from the Public Relations Society of the Philippines, and one Philippine Quill Award from the International Association of Business Communicators-Philippines for our public relations and communications programs and projects. The Social Security System also conferred the Best Paying Commercial Bank award to LANDBANK during the 2008 Balikat ng Bayan Award which coincided with the SSS' 51st anniversary.

#### **Our precious partnership**

From its creation 45 years ago, LANDBANK has grown in size and scope as one of the country's

leading universal banks. With a positive trend in key indicators, we are confident that we will be able to sustain our good performance even in the face of a volatile economy.

Like a valuable jewel, LANDBANK has taken on an important role in the country's rural development. We reaffirm our commitment to ensure our stability in order to provide the needed support to the national government's development agenda. Likewise, in the coming years, we will further intensify our support to our clients, and work with our partners and employees in turning worthy endeavors into reality. Your continued trust in LANDBANK and our partnership are the precious bonds that hold together our hope for a more prosperous and developed Philippine countryside.



GARY B. TEVES  
Chairman



GILDA E. PICO  
President and CEO





# GEARED TOWARDS RESPONSIBLE PROGRESS





In keeping with its mandate to spur countryside development, Land Bank of the Philippines ardently moves forward with its mission to make a difference in the lives of Filipinos in rural areas. Fueled by this same passion, the Bank embarks on corporate social responsibility (CSR) projects which complement its developmental efforts by providing holistic service to the community, environment, and the country as a whole.

CSR is increasingly given priority as part of LANDBANK's commitment to promote a greener, better, and more progressive society and ultimately foster an improved quality of life for Filipinos of present and future generations. In line with this, a CSR Task Force was created in 2007 to provide support to the Management Committee in the planning, coordination and monitoring of the Bank's CSR activities.

LANDBANK'S corporate social responsibility is mainly anchored on environmental protection and community development facilitated through six major projects, namely: Adopt-a-Watershed, Tree Planting, Manila Bay Clean-up, the adoption of six coastlands/wetlands, the Tulong Aral scholarship program and the Scholarship Incentive Program for Agricultural Growth (SIPAG).



## Adopt-a-Watershed/ Tree-Planting Programs

A world without freshwater may be difficult to imagine for as long as we still have water flowing directly to our homes. We often hear experts point out that if we do not protect and preserve the planet's freshwater resources; we may eventually run out of enough water to live by. However, very few of us take this warning seriously, not realizing the gravity of the situation and its implications, especially on the quality of life of future generations.

The Philippine ecosystem is not in any way impervious to these environmental threats, as many of its forestlands and watersheds are already denuded while widespread water pollution and careless water usage only worsen the situation.

LANDBANK, refusing to sit on the problem, heeded the pressing call to protect the country's remaining freshwater resources through one of its major CSR initiatives – the Adopt-a-Watershed Program. A partnership with the Department of Environment and Natural Resources (DENR), the program cements the Bank's commitment to protect the country's natural forests and watersheds through the adoption of six watersheds in the country.

LANDBANK committed to protect the following watersheds: Angat-Ipo River in Bulacan, Bago River in Negros Occidental, Binahaan River in Leyte, Lasang River in Davao del Norte, Magat River in Nueva Vizcaya, and Silway River in South Cotabato. Enjoining its employees to take part in this noble cause, LANDBANK sees to it that regular clean-up and tree-planting activities are conducted in the watersheds.

This year, more than 70 Landbankers from the head office trooped to the Angat-Ipo Watershed in Norzagaray, Bulacan for the fourth tree planting and clean-up activity in the area. Narra and Mahogany seedlings were planted over the four-hectare land adopted by the Bank since 2006.

Landbankers from the Visayas likewise marched to the Bago River Watershed in Don Salvador Benedicto, Negros Occidental and planted 800 seedlings of eucalyptus, narra, and fruit trees.

Also a major CSR initiative of the Bank, tree-planting has already become an annual tradition among head office and field unit employees. In celebration of the Bank's 45th anniversary, LANDBANK volunteers from across the country proceeded to their selected sites, parks, public schools, and other public areas to plant trees.

Continuously molding its employees to become socially aware and environmentally responsible, LANDBANK regularly enjoins volunteers from Metro Manila, Luzon, Visayas, and Mindanao units to participate in the weeding and tree planting activities organized regularly by the Bank.

## Manila Bay Clean-Up



Another key environmental initiative of the Bank is the annual Manila Bay Clean-up, which is now a major anniversary activity wherein employees from the Head Office and NCR branches gather to clean the Manila Bay.

On its fifth year in 2008, the program was expanded through the signing of a Memorandum of Agreement (MOA) between LANDBANK and its program partners, namely: the Manila City Government, DENR, Manila Yacht Club (MYC), and the 101st Squadron of the Philippine Coast Guard Auxiliary (PCGA). LANDBANK helped in financing the construction of trash traps in Remedios and Padre Faura in Manila and shouldered the fuel and the annual engine-tune up expenses of the trash boats of the MYC and PCGA which remove debris from the trash traps and the Manila North Harbor.

This expanded program serves to ensure the sustainability of the Bank's efforts in cleaning and protecting the Manila Bay. Hoping to spread the spirit of CSR, LANDBANK is likewise actively urging more establishments and institutions, particularly those holding offices near the Manila Bay area, to take part in the project.

## Adopt-a-Coastland/ Wetland



One of the Bank's recent environmental CSR programs is its adoption of six coastlands / wetlands and bird sanctuaries in the country: the Cabusao Avian Sanctuary in Camarines Sur, the Guiuan Wetland in Eastern Samar, Lake Mainit in Surigao del Norte, the Las Piñas-Parañaque Critical Habitat and Eco-Tourism Area in Metro Manila, the Olango Wetland Sanctuary in Cebu and the Vitali Wetland in Zamboanga.



Experts note that more than a hundred species of birds from Central Asia migrate to warmer countries including the Philippines from October to April during the height of the winter cold. Another project in partnership with DENR, LANDBANK adopted the six bird sanctuaries to supplement the government's efforts in protecting and conserving the environment.

The Bank has committed to take care of portions of the adopted coastlands and wetlands by cleaning the surroundings of the bird sanctuaries and planting mangroves and other suitable plants species.

## Tulong Aral Scholarship

As part of its commitment to community development, particularly the development of the Filipino youth, LANDBANK this year pledged a total of P4 million to support 100 scholars through secondary education. Spearheaded by Petron Foundation in partnership with LANDBANK, the Department of Social Welfare and Development and the Department of Education, the Tulong Aral Scholarship Program aims to address poverty in the country by educating Filipino children.

LANDBANK employees, through the LBP Employees Association and the Middle Management Officers' Association, Inc. committed 50 percent of their accumulated one hour's worth of earnings in CY 2006-2007 to support students from Mandaluyong, Parañaque, Pasay, Pateros, and Taguig. Meanwhile, the Bank donated the remaining P2 million to cover the total expenses of each scholar over a four-year period.

Aside from financial support, the Bank also provides the scholars with opportunities for field exposures such as study tours to LANDBANK-assisted cooperatives or successful small and medium enterprise clients to provide the students additional learning experiences.



## SIPAG

With cooperatives being a key client sector of the Bank, LANDBANK and the LANDBANK Countryside Development Foundation, Inc. launched a program designed to develop the capacity and competence of cooperative leaders, managers and middle-level management staff on the professional management of cooperatives.

Implemented in partnership with the Polytechnic University of the Philippines-College of Cooperative and the National Cooperative Movement, the Scholarship Incentive Program for Agricultural Growth (SIPAG) aims to keep local cooperatives resilient and help them maximize their opportunities in the local economy.

The SIPAG-PBDCM (Post-Baccalaureate Diploma on Cooperative Management) curriculum includes subjects like Co-op Values and Culture, Co-op Laws and Social Legislation and Taxation, Co-op Education and Program Designing, and Co-op Entrepreneurship.

## Continuous Commitment to the Community & Environment

It is often said that progress comes with greater responsibility. This is why, while LANDBANK remains steadfast in its drive towards development in the countryside, it continues to expand its horizon in search of new avenues through which it can contribute to the country's holistic progress.

Aside from striving to constantly improve its profits and grow its operations, LANDBANK also sets its goals on fostering a more socially-responsible culture among its employees, stakeholders, and the communities it serves and works with, in relentless pursuit of a better Philippines.

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# Expand Credit Outreach to Small FARMERS & FISHERFOLK



## A. Loans to the Priority Sectors

LANDBANK's commitment to its mandate has been fortified through years of relentlessly pursuing its social mission of promoting countryside development. This is quantified through its support to the priority sectors.

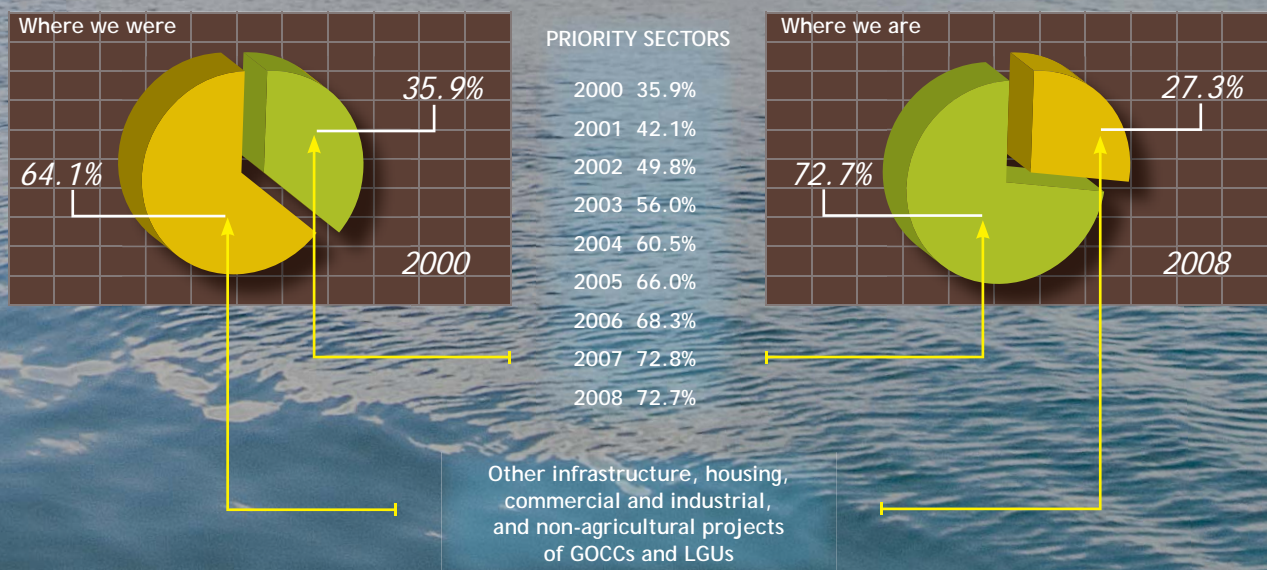
LANDBANK extended in 2008 a total of ₱129.6 billion or a 73 percent share in loans to the priority sectors out of the total regular loan portfolio of ₱178.3 billion. The continued growth in the share of loans to the priority sectors reflects its efforts to sustain the flow of more funds in the rural areas in pursuit of its commitment to sustainable growth of local economies.

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### STRATEGIC THRUST [2000-2008]

#### Loan Portfolio Transformation







- Loans for Small Farmers and Fisherfolk

In 2008, loan releases to small farmers and fisherfolk increased by 29.1 percent and reached ₱23.5 billion. These were lent through 1,052 accredited farmers and fisherfolk cooperatives and 400 countryside financial institutions (rural banks, cooperative banks, and development banks). There were more than 438,000 small farmers and fisherfolk benefited by these loans.

As of December 31, 2008, loans outstanding to small farmers and fisherfolk expanded by 18.9 percent and reached ₱21.4 billion. These represented 12 percent of the Bank's loan portfolio. These loans benefited a cumulative 3.1 million small farmers and fisherfolk nationwide. The bulk of these loans were utilized for crop production, particularly palay, corn, coconut, sugarcane and high-value crops. LANDBANK also financed other activities such as fishery, livestock production and trading.

### Credit Support Programs

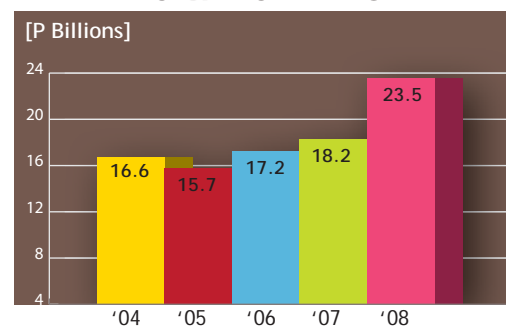
#### Agriculture and Fisheries Modernization Act Program

The Agricultural and Fisheries Modernization Act (AFMA) Program, enacted through Republic Act No. 8435, is aimed at modernizing the agriculture and fisheries sectors and preparing them for the challenges of globalization.

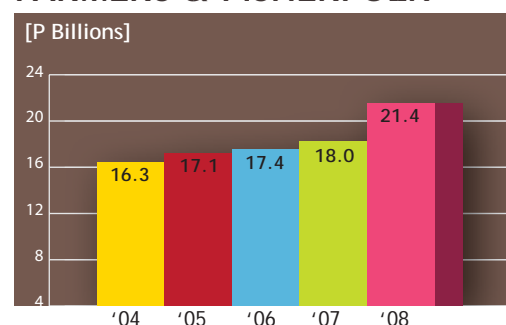
LANDBANK supports the AFMA program by providing credit support and technical assistance to the agriculture and fisheries sector.

In 2008, LANDBANK released ₱31.4 billion in credit support and technical assistance for AFMA. LANDBANK's credit assistance under this program

### LOAN RELEASES TO SMALL FARMERS & FISHERFOLK



### LOANS OUTSTANDING TO SMALL FARMERS & FISHERFOLK







reached more than 386,000 small farmers and fisherfolk and generated an estimated 477,373 new jobs in the agricultural sector.

#### Rice Productivity Program

LANDBANK's Rice Productivity Program supports the government's efforts to increase rice production and eventually achieve food self-sufficiency. Loans released for palay production in 2008 reached ₱9.3 billion and assisted 207,865 rice farmers through 1,526 conduits.

The following initiatives were also implemented in 2008:

- Adoption of a concessional interest rate of 8.5 percent per annum for palay production loans of farmers organizations and 7.0 percent for small and medium enterprise (SME) conduits;
- LANDBANK reduced interest rates by 1 percent as an incentive to Bank-assisted cooperatives which absorb at least 50 new farmers;

### CREDIT AND TECHNICAL ASSISTANCE UNDER AFMA PROGRAM 2008

AFMA COMPONENTS	LOANS GRANTED (in P Million)
1. IRRIGATION	51.3
2. POST-HARVEST FACILITIES	647.4
3. OTHER INFRASTRUCTURE	875.7
4. PRODUCTION, PROCESSING, MANUFACTURING	20,795.9
5. FARMERS-FISHERFOLK MARKETING ASSISTANCE	8,870.0
TOTAL [CREDIT ASSISTANCE]	31,240.3
6. CAPABILITY-BUILDING OF FARMERS & FISHERFOLK CO-OPs & LGUs	134.4
TOTAL [TECHNICAL ASSISTANCE]	134.4
GRAND TOTAL	31,374.7

*No. of jobs generated-477,373*

*No. of farmer-beneficiaries assisted-386,125*



- Increase of loan ceilings from ₱22,000 to ₱37,000 per hectare for inbred rice production and from ₱26,000 to ₱42,000 per hectare for hybrid rice; and
- Expansion of credit conduits to include other farmers organizations (such as irrigators' associations, NGOs) and SMEs (such as input suppliers and millers). LANDBANK now lends to these conduits and provides credit enhancements such as market contracts, crop insurance and guarantees.

The Bank also partnered with the Department of Agriculture (DA) and the House of Representatives to boost corn and palay production.

Under the agreement, LANDBANK will allocate funds equivalent to three times the amount to be contributed by the participating Representatives who will appropriate a portion of their Priority Development Assistance Fund to support corn and palay production in their respective congressional districts. The DA will identify areas suited for rice and corn production, provide technical assistance for the project and provide infrastructure such as irrigation facilities.

The total amount will be made available as credit on a wholesale basis to qualified farmers' organizations or through other eligible conduits.

### Agricultural Guarantee Fund Pool

To encourage private financial institutions to support the government's agricultural productivity program, the Agricultural Guarantee Fund Pool (AGFP) was created from contributions of government owned and controlled corporations (GOCCs), government financial institutions (GFIs) and government agencies. The fund aims to encourage lending to the agricultural sector by providing guarantee coverage to unsecured loans of small farmers and fisherfolk extended by credit conduits such as the rural, thrift and cooperative banks, SMEs and large corporations, irrigators' associations and other farmers organizations in the country.

As of December 31, 2008, the available amount for guarantee from contributions of GOCCs, GFIs, and the national government amounted to ₱3.8 billion. AGFP will leverage the fund twice, which means about ₱7.4 billion worth of loans can be covered. The total approved guarantee line for 49 credit conduits reached ₱1.2 billion.

### Development Advocacy Program

The Development Advocacy Program (DAP) uses non-traditional lending modalities such as receivables financing, purchase order financing, and household cashflow-based financing and credit enhancement instruments like market contracts or guarantee covers for working capital or fixed asset acquisition requirements of cooperatives, federations, associations, non-government organizations and SMEs with established markets.

As of December 31, 2008, loans released reached ₱1.4 billion and assisted 41,582 small farmers and fisherfolk.

### Agrifinance Solutions

Agrifinance Solutions (AGRISOL) is an enterprise-based and market-oriented approach in lending. The approach involved the study of the market, identification of commodities and linking with cooperatives capable of producing and supplying said commodities. The program was jointly implemented by LANDBANK and the Department of Agrarian Reform (DAR) with funding support from the World Bank.

AGRISOL aims to strengthen the institutional viability of Agrarian Reform Communities (ARCs) under the 2nd Agrarian Reform Communities Development Program of the DAR through enterprise-based and market-led financing intervention. Under the AGRISOL, generation of savings and capital build-up of ARC co-ops were also pursued for sustainability and better access to the lending facilities of formal financial institutions.

In 2008, loans released amounted to ₱674.5 million which benefited 29,664 agrarian reform beneficiaries.

### Unsecured Subordinated Debt Facility for Rural Banks

The Unsecured Subordinated Debt (USD) Facility is a unique development program where LANDBANK subscribes to the Tier 2 offering of LANDBANK-accredited countryside financial institutions (rural banks, thrift banks and cooperative banks) to improve their capital base, expand their agri-lending operations in the countryside and ensure long-term viability. In 2008, LANDBANK's approved subscription to the unsecured subordinated Tier 2 issuances of 15 CFI-availleurs amounted to ₱909.5 million. Total releases to eight CFIs reached ₱630.5 million.



### Technology Promotion Centers

The Technology Promotion Center program provides a venue for the validation and effective promotion of matured production and post-production technologies for the commercial adoption of Bank-assisted coops, SMEs and other clients.

As of December 31, 2008, there were nine commodity technologies that were commercialized:

- hybrid seed vegetable production (squash, ampalaya, cucumber);
- cassava flour processing;
- sweet potato production;
- hog raising project under contract growing;
- white glutinous corn;
- mariculture/polyculture of bangus, crabs and marine aquarium fishes;
- organic banana production and alternate trading system;
- organic sugarcane production and mudpress-based organic fertilizer; and
- geo-textile production

As of the same period, there were 24 technologies validated with total loans releases of ₱274.4 million to 86 technology adoptors (cooperatives, people's organizations and SMEs). A total of 10,822 small farmers and fisherfolk were assisted.

### LBP Micro-finance Program for Micro-finance Institutions

The Program for Micro-finance Institution (MFI) Retailers is a special wholesale financing window that provides credit support to various MFIs (cooperatives, CFIs and NGOs).

In 2008, total credit assistance extended by LANDBANK to microenterprises reached ₱3.7 billion. Of this amount, ₱1.6 billion were channeled to 96 MFIs and benefited 132,838 micro-borrowers. The remaining ₱2.1 billion were onlent to other partner-entities such as the People's Credit and Finance Corporation and the Philippine Business for Social Progress.

### **Capability and Institution-Building Programs**

In addition to the provision of credit support, LANDBANK also provides capability and institution-building assistance to farmers and fisherfolk cooperatives. These support services are aimed at

improving the economic viability and operational capabilities of cooperatives.

### Key Cooperative Strategy

The Key Cooperative Strategy (KCS) identifies, strengthens and accredits at least one Key Cooperative per municipality nationwide. This program considers that one strong cooperative is better than many weak ones.

In 2008, there were 176 key co-ops accredited by LANDBANK. Certificates of Good Standing were issued to 45 co-ops that entitled them to avail of credit incentives.

### Gawad sa Pinakatanging Kooperatiba

LANDBANK honors annually the country's outstanding agri- and non-agri based cooperatives that have been its partners in revitalizing rural economic growth.

The Gawad sa Pinakatanging Kooperatiba (Gawad PITAK), now on its 18th year, is a much-coveted award for LANDBANK-assisted cooperatives and has been regarded as the bar of excellence of successful cooperatives nationwide.

There were two main categories in the Gawad PITAK - the agri-based and non-agri based categories. The contenders were judged according to their impact to the community, overall operations, sustainability, and business relationship with LANDBANK.

#### 2008 GAWAD PITAK WINNERS – AGRI-BASED CATEGORY

- |              |  |
|--------------|--|
| First Place  | – Masisit-Dacal Livelihood Multi-Purpose Cooperative<br><i>Sanchez Mira, Cagayan</i> |
| Second Place | – San Joaquin Multi-Purpose Cooperative<br><i>Sarrat, Ilocos Norte</i>               |
| Third Place  | – Bago (Ibaan) Multi-Purpose Cooperative<br><i>Bago, Ibaan, Batangas</i>             |
| Fourth Place | – Tupi Integrated Agricultural Cooperative<br><i>Tupi, South Cotabato</i>            |
| Fifth Place  | – Cavite Farmers Feedmilling and Marketing Cooperative<br><i>Silang, Cavite</i>      |





### 2008 GAWAD PITAK WINNERS – NON-AGRI BASED CATEGORY

- First Place – Ligas Kooperatiba ng Bayan sa Pagpapaunlad  
*Malolos, Bulacan*
- Second Place – La Castellana I Personnel Multi-Purpose Cooperative  
*La Castellana, Negros Occidental*
- Third Place – Tuy Market Vendors and Community Multi-Purpose Coop  
*Tuy, Batangas*

### Micro-Agri Loan Product

The Micro-Agri Loan Product (MALP) is a microfinance facility which is focused on agricultural enterprise. The MALP operations manual was developed for CFIs.

In 2008, five MALP specialists were deployed to assist seven micro-finance institutions and showed significant results. Total loan releases reached ₱125.2 million benefiting 3,137 members. Outstanding loans were at ₱102.2 million.

### • Loans for Microenterprises and Small & Medium Enterprises

LANDBANK recognizes the significant role of micro-enterprises and small and medium enterprises (MSMEs) in generating employment and contributing to local area development.

In 2008, credit support to MSMEs reached ₱18.6 billion or 10 percent of the Bank's regular loan portfolio. Of the ₱18.6 billion loans, ₱3.7 billion were lent to micro-enterprises and ₱14.9 billion to SMEs.

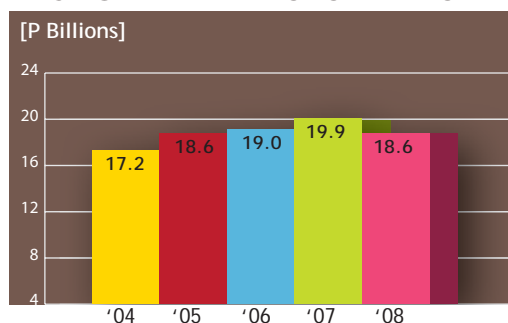
### Gawad Entrepreneur

The Gawad Entrepreneur is LANDBANK's recognition of the exemplary performance and significant achievements of LANDBANK-assisted small and medium enterprises particularly in boosting economic growth in their respective communities. Now on its 5th year, the award seeks to provide SMEs with incentives to further improve their operations and be at par with international standards.

### 2008 GAWAD ENTREPRENEUR WINNERS

- Entrepreneur of the Year – Concepcion & Relito Ignacio  
*San Jose, Nueva Ecija*
- Agri-based Category – Evelyn & Henry Agcaoili  
*Sta. Teresita, Cagayan*
- Non-Agri-based Category – Ms. Vicente Orodio  
*Pasong Tamo, Makati City*
- Special Citations:*
- SME Gabay at Patnubay – Ms. Eduarda V. Ayo  
*Capuy, Sorsogon*
- SME Kayamanan ng Pamayanan – Evelyn and Henry Agcaoili  
*Allacapan, Cagayan*

### LOANS OUTSTANDING TO MICROENTERPRISES AND SMEs



### • Loans for Agribusiness

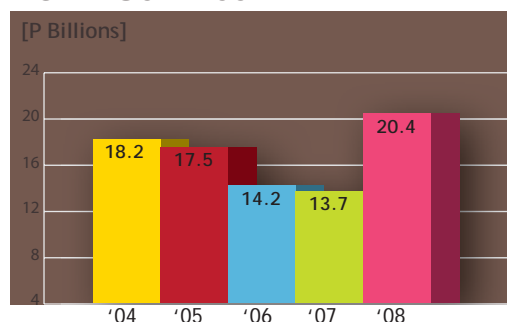
LANDBANK supports private agricultural business enterprises to help promote agricultural development and job generation in the agricultural sector.

Outstanding loans to agribusiness increased significantly by 49 percent and reached ₱20.4 billion. These represent 11 percent of the Bank's loan portfolio.





## LOANS OUTSTANDING TO AGRIBUSINESS



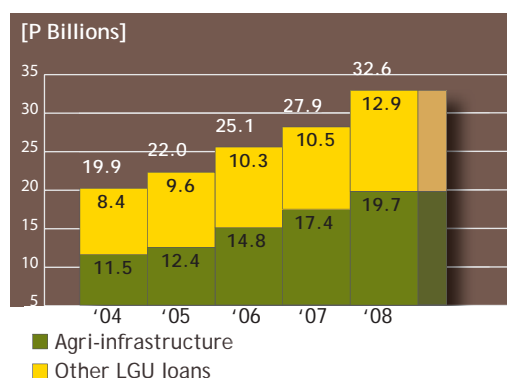
### • Loans for Agri-Infrastructure Projects of Local Government Units

LANDBANK is the largest provider of development financing to provinces, cities and municipalities.

LANDBANK provides loans to local government units (LGUs) to finance their agricultural infrastructure and other agri-related projects to increase efficiency of the agricultural sector.

LANDBANK's credit assistance to LGUs has expanded vigorously through the years. As of end-2008, LGU loans outstanding reached ₱32.6 billion or 17 percent higher than the ₱27.9 billion in 2007. Of this total, ₱19.7 billion financed agri-infrastructure and agri-related projects while ₱12.9 billion went to developmental and non-agri-related projects. These loans benefited 753 LGUs covering 50 provinces or 63 percent of the total provinces, 76 or 56 percent of the total cities and 627 municipalities or 42 percent of the total municipalities nationwide.

## LOANS TO LOCAL GOVERNMENT UNITS



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

### Foreign-funded Credit Programs for LGUs

In 2008, LANDBANK secured low cost funds for developmental projects of LGUs from the Kreditanstalt Fur Wiederaufbau (KfW) of Germany. The KfW-Community-Based Forest & Mangrove Management Program in Panay and Negros (US\$3.19 million) will provide financing for sustainable development projects, protection and utilization of forest resources in select watersheds.

LANDBANK also negotiated for a supplemental loan of US\$9.24 million under the KfW-LGU Investment Program which aims to improve LGU services and infrastructure facilities through the establishment of an efficient and sustainable longer term loan facility with LANDBANK.

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

As of end-2008, LANDBANK loans for agri-related projects of government-owned and controlled corporations (GOCCs) such as the National Food Authority, Philippine Coconut Authority and Local Water Utilities Administration totaled ₱24.9 billion. This is 92 percent higher than the ₱13.0 billion in 2007 and comprised 13 percent of the Bank's loan portfolio.

### • Loans for Environment-Related Projects

LANDBANK also offers credit for cleaner production and environment-friendly projects of business enterprises. As of end-2008, loans to finance environment-related projects amounted to ₱16.0 billion, a significant 31 percent increase from the ₱12.2 billion in 2007.







### Environment-related Credit Programs

LANDBANK increased its marketing efforts for renewable energy projects to help reduce dependence on imported and polluting fuels and sustain energy supply.

LANDBANK supported the government's Biofuels Act by financing renewal energy projects that serve as alternative sources of energy.

In May 2008, LANDBANK allocated ₱4.3 billion for jatropha production projects in Quezon Province. Under the agreement between LANDBANK and the Quezon LGU and the Philippine National Oil Company-Alternative Fuel Corporation, LANDBANK's loan assistance will fund the development of 100,000-hectare marginal lands identified for jatropha production.

LANDBANK also financed energy projects through its Renewable Energy for Wiser and Accelerated Resources Development Program (REWARD).

Total approved loans under the REWARD Program reached ₱5.3 billion as of December 31, 2008. Total outstanding loans stood at ₱2.6 billion. Projects financed include an integrated ethanol distillery plant, geothermal steam field, hydroelectric plant, mini-hydro power plants, and biogas system.

LANDBANK also negotiated for a US\$92.36 million loan with the European Investment Bank (EIB) and the Kreditanstalt Fur Wiederaufbau (KfW) of Germany to finance various environment-related projects.

The EIB-Renewable Energy and Climate Change Facility (US\$65.97 million) will provide financing for renewable energy, climate change mitigation and adaptation projects of cooperatives, LGUs, GOCCs and private enterprises.

The KfW-Credit Line for Energy Efficiency and Climate Protection (US\$26.39 million) will finance climate change and energy efficiency projects of LGUs, GOCCs, utility cooperatives and private enterprises.



## B. Intensifying Support to the Comprehensive Agrarian Reform Program

As an implementing agency of the Comprehensive Agrarian Reform Program (CARP), LANDBANK undertakes the valuation of CARP-covered lands, compensates owners of acquired private agricultural lands, assists landowners or bondholders in their various concerns, collects land amortizations from farmer-beneficiaries and provides financial and technical assistance to agrarian reform beneficiaries.

Under Republic Act No. 6657 or the Comprehensive Agrarian Reform Law of 1988, owners of private agricultural lands are paid 30 percent in cash and 70 percent in 10-year agrarian reform bonds earning interest aligned with 91-day Treasury bill rates. Lands awarded to CARP farmer-beneficiaries are paid in 30 annual amortizations at six percent interest per annum.

### • CARP Land Transfer Operations

In terms of land valuation, LANDBANK processed a total of 3,042 land transfer claim folders received from the Department of Agrarian Reform in 2008.

Of these, 2,722 land transfer claims covering 24,034 hectares were approved for payment. The total value of approved land transfer claims amounted to ₱2.6 billion.

### • Landowners Compensation and Assistance

As the financial intermediary of CARP, the Bank paid a total of ₱4.4 billion as compensation to owners of CARP-covered private agricultural lands in 2008. The cash component was at ₱1.9 billion, while redeemed bonds and interest payments amounted to ₱2.0 billion and ₱508.0 million, respectively.

LANDBANK also assisted CARP-covered landowners and bondholders in the encashment of their CARP bonds for various financing needs. There were more than 1,900 bondholders or landowners assisted by the Bank in selling ₱750.3 million in Agrarian Reform Bonds.

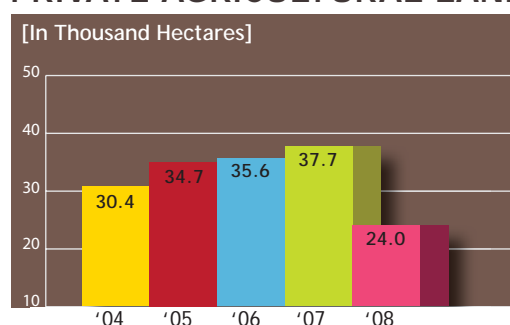
### • Land Amortization Collections from CARP Farmer-Beneficiaries

In 2008, land amortization collections from CARP farmer-beneficiaries totaled ₱146.8 million, 64 percent lower than the ₱402.7 million collected in 2007.

### • LANDBANK-administered Agrarian Reform Fund for CARP

In 2008 LANDBANK received ₱7.3 billion from the Department of Budget and Management and the Bureau of the Treasury. Of the ₱7.3 billion, the ₱3.5 billion represented payment for landowners' compensation, ₱1.2 billion for 2007 and 2008 operational support and ₱2.6 billion for bond servicing requirements on 10-year CARP bonds under the automatic appropriation.

## CARP LAND TRANSFER OPERATIONS PRIVATE AGRICULTURAL LANDS





# Customer **SERVICE**



In 2008, we challenged ourselves to enhance our customer service and adopt a more customer-centric organization through various initiatives: the launching of new e-banking channels and products; the upgrading of existing Bank systems and services; improving our business processes through the ISO 9001:2000 Quality Management System Program; and the realignment of some organizational units.









### • Retail Internet Banking - The LANDBANK iAccess

LANDBANK believes in giving power to its customers. This is made possible with LANDBANK iAccess, an e-banking innovation introduced in August 2008. An internet banking facility specifically for individual depositors, it aids in the expansion of the Bank's delivery channels and allows speedy and secure online banking through [www.lbpiaaccess.com](http://www.lbpiaaccess.com).

i-Access has both financial and non-financial services. Financial services include fund transfers, bills payment and checkbook requisition. The non-financial services provide account summary, account history, check status and returned check deposit inquiries and report of lost or stolen ATM card.

### • Institutional Internet Banking - The LANDBANK weAccess

LANDBANK owes it to its customers to understand their business and to listen to their needs. The LANDBANK weAccess is an internet banking facility for another set of our customers - our institutional clients, both in the private and government sectors.

Implemented in 2007, this facility offers convenience, efficiency and security of transactions to users.

The more salient service features include account information, funds management, institutional services, payroll services and current account services. Logging to [www.lbpweaccess.com](http://www.lbpweaccess.com) will present the various banking services to choose from, information to access and transact online.

As of December 2008, there were 79 institutions enrolled recording 337,349 transactions.

### • Corporate Viewing Facility - i-Corp

To improve availability of viewing and downloading of deposit account balances and transaction history, LANDBANK offers i-Corp, an online Windows-based viewing facility.

As of year end 2008, the i-Corp services 125 institutions with 696 users.

### • Phonebanking

Business does not hold still and so to keep pace with advancement, competitiveness and customer care, LANDBANK has Phone Access — a 24 x 7 telephone banking service for ATM and current account depositors.

LANDBANK stays with its customers. By simply dialing 405-7000 in NCR and toll-free number 1-800-







10-405-7000 outside NCR, we connect and provide them with the following banking transactions — bills payment, fund transfer, balance and last debit/credit transaction inquiry, checkbook requisition, bank statement request, check status/deposit inquiry and report of lost or stolen card.

Phonebanking enrollment and utilization increased significantly during the year. Enrollment reached 871,146, a 32 percent increase from the 662,408 enrollees of 2007. Phone Access serviced an average of 4,866 transactions daily in 2008.

## • Automated Teller Machines (ATMs) Deployment

For the past years, LANDBANK has projected itself with a dynamic presence, providing easier and more convenient access to its customers.



In 2008, the Bank installed an additional 36 brand new ATMs bringing the total ATMs to 813 nationwide. Majority of these ATMs or a total of 576 ATMs are located in the provinces — 127 in Northern and Central Luzon, 137 in Bicol and Southern Luzon, 148 in the Visayas and 164 are in Mindanao, while 237 ATMs service depositors in the National Capital Region.

Further, to better serve depositors through ATM availability and efficiency, 55 old ATM models were replaced.

The Bank's base of ATM cardholders also expanded significantly by 16 percent from 2.3 million to 2.67 million as of end-2008.

LANDBANK kept its 4th ranking in terms of ATM network in the Philippine banking industry. Being a member of Expressnet and interconnected with Megalink and Bancnet, LANDBANK cardholders have access to an additional 7,356 ATMs of other banks.





### • eCard

To widen the range of its card products and respond to customer requirements, LANDBANK developed the eCard.

The LANDBANK eCard has the features of an institutional identification card and an ATM card combined into one. For 2008, 6,806 eCards were issued to employees of partner-agencies (e.g. schools, hospitals, local government units) bringing a total of 71,247 eCard issuances as of end-2008.

### • Radio Frequency Identification (RFID)-Enabled Card

Because the Bank wants to be adaptive and stay ahead with its customers, it has launched a new card product. The RFID-enabled card is an enhanced eCard with an embedded microchip for storage of the cardholder's personal information.

Depending on the capabilities of the customer's RFID application software, the RFID-enabled card, in addition to being an identification card, ATM card and a debit card, can also be a multi-purpose card which can be used as a discount card, rewards card, time and attendance monitoring card and benefits card, among others.

The first to tap LANDBANK's RFID-enabled card was the Taguig City local government unit for its employees and residents. A total of 4,631 Taguig City Cards were issued in 2008.

### • Regular Cash Card

Improving customer service has always been a byword. LANDBANK has to do more with less and get the most out of technology. To be able to do so, the LANDBANK Cash Card, a stored-value card which can be used as a debit card was added to the Bank's products.

At any given time, the value stored in the card can be accessed through the ATM or via Point-of-Sale (POS) terminals.

There were 90,977 cash cards issued to government and private institutions in 2008. This included the 63,000 cash cards given out to family beneficiaries of the DSWD's Pantawid Pamilyang Pilipino Program to access their monthly financial aid.



### • OFW Cash Card

The Bank tries to be a motivator and an innovator. With the country's growing population of overseas Filipinos, LANDBANK, in partnership with SMART Communications, Inc., developed the OFW Cash Card to provide faster and cheaper remittance services to our OFWs.

The OFW Cash Card is an electronic debit card linked to a Smart mobile phone through which OFWs can transfer funds to their beneficiaries' accounts in a speed of a text message. A very safe, fast and affordable remittance channel, the OFW Cash Card was launched in seven areas -- Dubai, Hong Kong, Germany, Italy, Spain, Kuwait and Taiwan.

### • Electronic Tax Payment System (ETPS)

The Electronic Tax Payment System (ETPS) is a web-based application for online and real-time processing of tax payments to the Bureau of Internal Revenue.







The taxpayers are given the flexibility to choose the date and time to debit their account and to view their tax payments.

There were 1,842 large and non-large taxpayers enrolled in the system in 2008, a 42 percent increase from the 2007 enrollees.

### • Efficient Service Machine (ESM)

LANDBANK clients who transact their payments with the Bank no longer need to wait and queue at the branch lobbies. LANDBANK has the ESM, a self-service and automated cash acceptance machine.

The Bank's 29 convenient payment machines are located in selected branches and accepted 112,025 BIR tax remittance and Visa credit card payments in 2008.

## Support to the Government Sector

As the primary government depository bank, LANDBANK provides a full range of banking services to the government sector -- composed of national government agencies, the government-owned

and controlled corporations, the local government units, state universities and colleges, and various government instrumentalities.

### • Cash Management Service for the Government

#### Modified Disbursement Scheme

LANDBANK undertakes the disbursement system of the national government in coordination with the Department of Budget and Management and the Bureau of the Treasury. Eighty three percent of the national government's total cash disbursements were processed by the Bank. The volume of transactions in 2008 reached 3.7 million translating to ₱719.2 billion in aggregate cash disbursements. These disbursements include payment and fund releases to development projects, operating expenses, and salaries of government employees.

The Bank is taking a firm step towards managing government disbursements more effectively. It is investing in the development of the electronic MDS (eMDS), an internet-based facility that increases transaction efficiency and reduces processing time using the straight-through processing.





### Government Disbursements via Continuous Form Checks (CFCs)

For the year, LANDBANK processed 5.05 million check encashments amounting to P31.67 billion comprised mainly of payment of salaries and benefits of government personnel.

### Revenue Generation for the Government

LANDBANK performs a very significant function for the government in terms of revenue generation through the collection of taxes. In 2008, the tax collections of the Bank for the government totaled P105 billion.

For the Bureau of Internal Revenue alone, the Bank processed and remitted a total of P67 billion in taxes relating to 3.88 million transactions of which 3.69 million amounting to P39.86 billion were over-the-counter transactions through the branches. LANDBANK processed an average of 13,952 transactions daily in BIR tax collections.

The Bureau of Customs' participation in the revenue generation for the government through LANDBANK amounted to P38 billion in tariffs and duties. This translated to 184,458 payment transactions in 2008.

### Government Collection Services

LANDBANK also serves as a collection arm of various government agencies. Its collection services for the Philippine Health Insurance Corporation, Social Security System, Home Development Fund and the National Home Mortgage and Finance Corporation reached P108 billion for 4.7 million transactions in 2008.

## IT System and Automation Projects

Technology touches every part of the Bank's business. And because clients are its business, LANDBANK is determined to put them first, streamlining and integrating its technology with its customer requirements as top-of-mind.

For 2008, the Bank successfully completed and implemented the following major Information Technology (IT) projects in its work applications and business processes.

### • Consumer Terminal (CT) Branch Teller Upgrade

Real competitive advantage is when it can better serve its customers through its products and when it can keep pace with technological advancements. The Bank's major initiative for this was the upgrading of its current Teller System utilized by all LANDBANK branches nationwide. The upgraded version is a more user-friendly system with a wider range of application options to improve operating performance as well as resolve incompatibility concerns.

### • Interbranch Transaction Online System (IBTOLS)

The IBTOLS replaced the Bank's stand-alone system and captures and reconciles interbranch transactions (IBTs). The system provides the Bank with better management and control of interbranch transactions by eliminating, if not, reducing float items. This will also reduce the Bank's operational risks.

### • Subsidiary Ledger

LANDBANK makes sure that accurate and the most relevant data are available on time for management information and for regulatory reports. The Subsidiary Ledger System automated the handling of subsidiary ledgers (SLs) for other asset and liability accounts. This financial system was pilot-implemented in the latter part of 2008 and generates reports for MIS, SL accounts' monitoring, submission and compliance to the reportorial requirements of the Commission on Audit and the Philippine Deposit Insurance Corporation.

### • Upgraded Local Area Network For Head Office

All the necessary technologies should be available in the Bank's network to ensure better performance, high availability and increased visibility. With all the significant developments, the rapid pace of implementation of LANDBANK's large portfolio of applications and



to the support it needs for the growing network traffic caused by these applications, the Bank upgraded its Head Office Local Area Network (LAN) in March 2009.

## • Server Consolidation And Virtualization

Blade servers are the answer for the rapidly emerging technology; to address space constraints, reduce power consumption on a per server basis, and reduce overall management and maintenance costs.

The Technology Management Group migrated many of the Bank's stand-alone and rack-mounted Windows servers to the new Blade servers.

In addition, various application software running on different servers such as Lotus Notes, Symbols Loans Systems, Internet Banking, Subsidiary Ledger, Trust and HR Information Systems were consolidated into a few UNIX servers for more efficient operations and lower maintenance cost. It also allows for virtualization which enables LANDBANK to allocate IT resources dynamically.

## • Disk Storage System Upgrade

LANDBANK also upgraded its mainframe storage capacity to accommodate the anticipated growth in business transactions and new IT applications. More than 10 terabytes of disk space has been added to the IT infrastructure.

To reinforce the management and development of new IT projects, the Bank adopted the utilization of a new manual. The **System Development Life Cycle (SDLC) Manual** was developed in order to standardize, streamline and formalize the Bank's processes in the acquisition and development of Information Technology software or systems. The manual also provides guidelines in the execution of the SDLC activities, thus improving the quality of the delivery of systems development services.

The phases, activities, steps, roles and responsibilities, deliverables and control processes governing system acquisition/development are

defined in the SDLC manual. It covers the following system development phases: analysis, design, construct, test, implement and post-implement.

These systematic structures provide IT project managers with better management control.

## Trust Banking

Albeit the weakness in the economy in 2008, LANDBANK's Trust Banking Group ended 2008 with a strong performance.

Total assets under management grew by 25 percent to ₱54.5 billion from ₱43.5 billion in 2007. The Trust and Other Fiduciary Accounts (TOFAs) cornered the bulk of total assets at 69 percent with Investment Management Accounts (IMAs) posting the highest growth at 35 percent. As a result, the Bank's ranking in the trust industry rose from 7th place to 5th place as of yearend 2008.

Total income increased significantly by 19.5 percent to ₱90.25 million as IMAs contributed 39 percent of total income growth while TOFAs garnered a 54 percent share of the total income generated.

The Bank continues to focus to meet the needs of its partner-agencies such as the Department of Agriculture, Department of Agrarian Reform, Agricultural Credit Policy Council and the Local Government Units. Through LANDBANK's various trust services and products, their respective programs and endeavors were launched and implemented.

## ISO 9001:2008 Quality Management System Expansion to Core Banking Processes - Phases I & II

To further reinforce the culture of service quality, excellence and continual improvement and inspired by the gains achieved by the two pilot processes certified to ISO 9001, LANDBANK expanded the coverage of this program. Under the ISO-QMS Program Phase II, the processes for certification are







loan operations of the Public Sector Department and Pampanga Lending Center, branch banking operations of the PEZA (Roxas Boulevard) Branch; and ATM operations in Metro Manila.

In 2008, with technical assistance from the Development Academy of the Philippines, the Bank launched a series of pre-certification activities under Phase II – the initial gap assessment and the QMS awareness seminars.

The initial gap assessment established the groundwork for determining the extent of conformance of the current system and the processes in the Bank. The QMS Awareness Seminars provided guidance to the key officers and staff in each of the four core banking processes in understanding the intention of the standard and in developing the QMS documentation structure.

Sustaining quality management system for the two certified processes of the Bank under Phase I through internal quality audits and periodic third party surveillance audits also proved to be rewarding for LANDBANK. The Trust Banking Group and Wholesale Lending Department successfully passed two surveillance audits by Certification International Philippines in February and August 2008.

## Expand Consumer and Retail Banking

### • Livelihood Loans to Employees

To help the employees in the government and private sectors, LANDBANK provides credit support for their livelihood projects and business endeavors.

For 2008, the Bank's exposure under this program reached P3.3 billion, a 45 percent increase from the P2.3 billion in 2007. This is the highest growth rate since the program's inception in 1999. Livelihood loans have benefitted 110,000 employees.

### • Loans to Microenterprises

LANDBANK continues to provide financial support through various channels to microenterprises which are the smallest economic units in the country.

In 2008, credit assistance to microenterprises reached P3.7 billion; 43 percent or P1.6 billion channeled through 96 microfinance institution (MFI)-retailers, benefiting over 130,000 micro-borrowers. The remaining 57 percent or P2.1 billion was onlent to two major partners - the People's Credit and Finance Corporation and Philippine Business for Social Progress.

The credit assistance helped generate 131,919 jobs, a tremendous increase of 551 percent from the 20,256 jobs in 2005, the year when LANDBANK launched the Microfinance Program.

### • Other Credit Assistance

#### "Microfinance Program for Cooperatives of Government/Private Employees"

In support to the government's credit assistance to government and private employees, the Bank extended P3 billion in loans to 200 employee cooperatives benefiting 45,000 employee-borrowers.

#### Credit in Support to the Accelerated Hunger Mitigation Program of the Government

Through the Bank's Development Advocacy Program, an enterprise-based credit program, SMEs can avail of financing support for projects which are sustainable, viable, and with confirmed market contract and collection agreement with the Bank and/or guarantee under relaxed collateral requirements.

LANDBANK provided P10.1 billion credit support to nearly 280,000 micro-borrowers in 54 provinces identified as hunger-stricken based on the Social Weather Station survey.

Credit support to small and medium enterprises (SMEs) totaled P14.9 billion. The amount represents eight percent of the Bank's loan portfolio and benefited 12,876 SMEs, resulting to 250,018 jobs.



## • Housing Loans

Focused marketing and remedial management efforts in the past years paid off as the housing loan portfolio increased from P937 million in 2005 to P1.2 billion in 2008.

In June 2008, LANDBANK launched the *Bahay Para sa Bagong Bayani* (3B Program), a housing loan program with relaxed terms, simplified credit evaluation, approval and documentary requirements, all intended to help specifically our overseas Filipino workers to realize their dream of owning a house.

The Mortgage Loan Program was also enhanced to provide a facility for clients to make use of their real estate properties to fund business start ups, investments or education.

## Expand Market Niche in OFW Remittances

Foreign exchange sent home by our overseas Filipinos have been a vital source of revenue for the economy in the past decades. In 2008, LANDBANK forged new partnerships with two remittance companies and three foreign banks which facilitates the processing and distribution of remittances from the Asia Pacific, Middle East, North America, Canada and Europe.

Despite the onset of the worldwide economic crisis, the Bank still generated \$772 million in remittances during the year, a 31 percent improvement over the previous year's remittance volume of \$589 million. The Bank's remittance partners in 2008 also increased by 110, 87 percent higher than the 126 remittance partners posted in 2007.

The Bank's gross income generated from remittance business also grew by 17 percent or P25 million due to higher revenues from service charges and foreign exchange conversion. This directly contributed to an increased net income.



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	2008	2007	Growth Rate (%)
Remittance Volume (US\$ M)	772	589	31
Gross Income (P M)	168	143	17
Number of Remittance Partners	236	126	87





# Continue Strengthening **HUMAN RESOURCES**



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The year's record-breaking performance confirms the Bank's belief in its human resource – a unique yet diverse pool of talents, whose unified capabilities enabled it to achieve a stronger organization in 2008 amidst a very challenging external environment marked by heightened competition among banks and highly volatile economic conditions.

Human development efforts were continuously pursued and further strengthened. LANDBANK's strategic focus for the year was to invest substantially in its people through executing people management and continuing development programs across all levels as it believes these training and development interventions generate high levels of competencies and productivity among employees.

Almost 600 training programs benefiting 15,000 participants were rolled out in 2008 touching on culture-building, values orientation, customer service and Employee (Re)-Orientation. Technical and operational training courses on accounting,

credit, financial and business analysis were also offered to increase job competencies. During the year, doors were opened to field unit personnel to prepare them to assume branch banking functions and responsibilities. The Training Branch System was implemented with 21 training branches spread out among the various regions.

The Bank's Board of Directors and senior management also underwent various local and foreign trainings to strengthen corporate governance and leadership.

To ensure business continuity with a workplace composed of a ready pool of successors, a major training program, the Management Development Program (MDP), was conducted in September 2008 with 22 internal and external participants on an eight-month intensive classroom and on-the-job training. The second run will end in May 2009 with a third batch to be launched by September 2009.





Because change is inevitable in any organization, LANDBANK reinforced its Management Succession Plan with approval of its implementing guidelines in June 2008. The necessary data infrastructure has been completed under the Human Resource Information System-Personnel Development Module which provides the qualification catalogs and profile match-ups for filling up key or critical positions in the Bank.

The Bank has also introduced a simplified evaluation method for procedures and reduction in processing time for its hiring and promotion processes.

The integration of the philosophy on a healthy work-life balance to human resource management process plays an important role in promoting health awareness, camaraderie and a strong sense of motivation. For three consecutive years, the successful implementation of the Employee Wellness Program attests to the Bank's continuing support

to make its number one asset – its employees, draw productive and beneficial results.

In the area of employee relations, the Third Collective Negotiation Agreement (2008-2011) was successfully concluded in a record of 29 days and was signed and ratified on the Bank's 45th anniversary. Its implementation ensures that employees would continuously enjoy a competitive compensation package.

The Bank remains committed to promote employee volunteerism and provides its employees opportunities to share their resources with others. In 2008, it forged a partnership with the Department of Education, Department of Social Welfare and Development and Petron Foundation in supporting the high school education of 100 scholars through the "Tulong Aral" Program.





# Strengthen Corporate Governance and **ENHANCE RISK MANAGEMENT**

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In 2008, LANDBANK embarked on various initiatives to strengthen its risk management system and to develop a deeper awareness of its risk management culture across the organization. The Bank also made significant efforts to imbibe the principles of good governance as a corporate way of life and as a potent driving force that will strengthen its foundation and ensure institutional viability.



## Corporate Governance

Governance activities in 2008 focused on three major aspects – (1) strengthening the corporate governance structure and enhancing policies and practices; (2) implementing Risk-Based Internal Audit; and (3) reinforcing the compliance system.

As an industry's best practice and to further promote corporate governance, the Bank undertook the development of an annual performance rating system for the Board of Directors. The Institute of Corporate Directors (ICD) was commissioned to craft the self-assessment rating system for the Board and the four Board Committees – Audit Committee, Risk Management Committee, Corporate Governance Committee and Trust Committee. This was implemented in 2009.

LANDBANK truly recognizes the key role and active involvement of its Board of Directors and senior management in maintaining the high standards of corporate governance within the organization. Thus, it implemented a continuing multi-level capability enhancement program designed to enrich their knowledge and awareness on corporate governance policies and international best practices.

In addition, various internal and external training courses on risk management, audit, accounting and finance, treasury, trust operations, and organizational development rendered by reputable and professional institutions were provided to reinforce their competencies and proficiencies in the Bank's operations.

The Audit Committee, in behalf of the LANDBANK Board of Directors, oversees the material aspects of the Bank's reporting, control and audit function, except those especially related to the responsibilities of another committee of the Board. It also has oversight responsibilities in protecting the integrity of the Bank's financial statements; ensuring the Bank's compliance with legal and regulatory requirements; establishing internal auditors' qualifications and independence; and checking the performance of the Bank's internal audit functions and compliance.

Moreover, the Audit Committee has direct supervision over the Internal Audit Group and the Compliance Management Office.

Among the accomplishments of the Audit Committee in 2008 are the approval of the IT Audit Post-Implementation Review Manual and the amendments to the Audit Committee Charter as well as the new Quality Assurance and Improvement Program.

The Audit Committee is composed of five directors. It conducts regular monthly meetings. Overall attendance of the Audit Committee members in its 13 meetings in 2008 is 85 percent. Audit Committee Chairman George J. Regalado and Directors Albert C. Balingit and Ombre S. Hamsirani attained a perfect attendance record in 2008.

## Risk-Based Internal Audit

The approval of the Risk-based Internal Audit (RBIA) Manual in November 2008 marked the shift from the traditional to a risk-based approach in the Bank's internal audit system. The shift is a significant step in further improving its risk management, controls and governance processes.

The RBIA was pilot-tested in 18 units of the Bank to determine its effectiveness and efficiency as well as fine-tune the methodology based on the results. Roll-out of the new approach was completed in December 2008 and full implementation commenced in January 2009.

## Compliance Management

Growing concern with compliance management is a result of interlocking factors such as the Basel II Accord and more stringent regulatory laws and rules, in the midst of diverse and complex Bank products and services. This served as the impetus for the implementation of the Bank's Group-wide Compliance Management System Project (GCMSP).

Started in September 2008, the GCMSP will enhance compliance systems in key business units as well as expand oversight functions to include the Bank's subsidiaries. Activities for the year included a review of the existing compliance infrastructure and the conduct of compliance risk assessment. With the project's completion, the GCMSP will result to revised Bank-wide compliance procedures and adopt a strengthened compliance structure.





### Risk Management

Five years from the regulatory deadline, LANDBANK's risk management has advanced to a state where full compliance is within reach.

Taking its cue from the global financial debacle wrought by the overheating of the US sub-prime mortgages in 2008, the Bank's risk management took on a more proactive position to mitigate adverse effects on our risk assets.

The Bank's risk management in 2008 was a year of enhancements – improving what was started since the Risk Management Group was created in 2003 and giving new impetus to previous policies, procedures and processes. The reinvigoration entailed the introduction of new risk management programs and the updating of policies and procedures, all in the context of its corporate governance framework and in compliance with regulatory requirements.

### New Risk Management Programs

#### Credit Risk Engine System (CRES) Phase 1

CRES involves the automation of the internal rating systems for all clients of the Bank, classified into five streams — retail, corporate, local government units, small and medium enterprises and cooperatives with the generation of standard and management reports under the sixth stream.

These business monitoring reports track the effectiveness of the model-based decision and business information about LANDBANK's portfolio performance on credit scoring, as well as allow multi-dimensional analysis. On the other hand, management reports are risk rating reports customized for the Bank which aid the Loan Approving Group in analyzing its loan portfolio.

Implemented towards the end of 2007, the CRES Phase 1 project had an overall completion rate of 64 percent as of December 31, 2008. The Probability of Default model is a component of CRES Phase 1 and is being developed side by side with the rating systems.

#### Enterprise-wide Risk Management (ERM)

The ERM Program was started with an interactive activity on risk identification and assessment involving the Board and senior management. Utilizing the 92 risks inherent in a financial institution, we were able to trim down to 52 the Bank's risk universe. These became the basis for the risk prioritization activities done by senior management leading to the selection of the top 26 risks.

The top 26 risks were further subjected to a ranking considering their impact and the effectiveness of the Bank in managing such risks. This resulted to the following top five risks: Market Risk; Counterparty Credit Risk – Loans; IT Management Risk; People Risk; and Client Relationship Management Risk.

Immediately after the risks were prioritized, a risk inter-relationship modeling was undertaken to analyze interdependencies of risks and establish the high leverage risks. The activity determined if management of one risk significantly contributed to the management of another risk. The models were developed by the Risk Designates through a software provided by SGV & Co., the program's consultant.

Among the other outputs of the ERM Program for the year was the crafting of a Risk Dictionary, a compilation of customized definitions of the 52 risks. A Risk Dictionary was necessary to foster common understanding of the risks across the Bank as well as facilitate continuing discussions about risks.

The Bank's risk appetite was articulated through statements that conveyed our risk-taking disposition. Developed by senior management during the year, the Risk Appetite Statements underwent enhancement until it was finally re-stated and anchored to the Bank's strategic business goals.

#### Information Technology Risk Management Plan (ITRMP)

Information technology risks pose a grave threat that could adversely impact the Bank in diverse ways. The Bank's posture on IT risk is best quoted from our IT Risk Policy Statement:





*"In the fast evolving business environment where information technology is an essential tool not only in business processes but in enterprise viability as well, the LANDBANK management and its Board of Directors acknowledge the importance of IT risk management in protecting the Bank's assets and in controlling the impact of IT-related risks on the Bank and its business".*

The ITRMP provides for a mechanism that would protect against threats to information systems and technology while undertaking pre-determined responsive and remedial actions to prevent impairing effect on the Bank. It was created in accordance with the controls and standards of Basel II and of BSP Circular 511 and adheres to ISO 27001 – Information Security Management System.

## Policy Formulation, Review and Updating

On a regular basis, LANDBANK's risk management policies are reviewed to determine relevance to prevailing Bank conditions and are duly adjusted based on sound and rational judgment. In 2008, we made policy modifications mostly on treasury risk management as the market was characterized by volatility and conditions warranted prudence in managing investment-related risks.

A total of 34 policies and guidelines on market, interest rate, credit and liquidity risks were reviewed and updated - Liquidity Contingency Plan; Core Deposit, Repricing Gap; Earnings-at-Risk (EaR) Limits; and Preparation of Market Risk Profile Report and Off-Market Rates for Treasury Transactions, among others. Further, new policies and guidelines were issued for Economic Value of Equity, Counterparty Credit Risk Management, Stress Testing and Backtesting, and Independent Model Validation for Liquidity Gap Report and EaR.

The Bank also conducted a quarterly review of its credit manual to incorporate recent policy revisions and updates with seven credit policy issuances and 22 credit bulletins prepared and disseminated.

The Bank's Business Continuity Plan was updated to reflect current issues that could bear impact on operations and the attendant mechanisms to address these problems. Among the inclusions were: the Epidemic/Pandemic Diseases Prevention Preparedness and Response Plan; a Business Continuity Plan for E-Banking Products and Services; an enhancement of the existing Personnel and Building Safety Plan; and the improvement of the Field Units' Emergency Preparedness and Proper Response Plan.

## Risk Convergence - A Challenge in Corporate Governance

As LANDBANK seals the foundations of risk, compliance and control management, it now sets its sight on the challenging task of risk convergence. While this challenge endeavors to eliminate redundancies and duplications in risk, compliance and control activities, we stand to benefit from improved operating efficiencies and lower costs. In the absence of models, best practices and other benchmarks, risk convergence is a challenge the Bank will take on in the medium-term.





# SUBSIDIARIES and Foundation

## LANDBANK COUNTRYSIDE DEVELOPMENT FOUNDATION, INC.

The LANDBANK Countryside Development Foundation, Inc. (LCDFI), a non-stock, non-profit corporate foundation established in 1983, is the key partner of LANDBANK in its mission to spur countryside development particularly among its priority sectors such as the small farmers and fisherfolk, agrarian reform beneficiaries, countryside financial institutions, small and medium enterprises and overseas Filipino workers.

LCDFI offers training and capability-building for cooperatives and microfinance institutions. It provides manuals and research materials on cooperative operations. It also offers various assistance programs catering to OFWs such as insurance services, scholarships for OFWs' families, business skills trainings and aptitude upgrading, investment counseling and other financial services.

In 2008, it conducted 16 training workshops for microfinance institutions nationwide on credit investigation and appraisal, remedial management, leadership and supervision, micro agri-agra business development and value chain management. It also conducted training workshops to 13 batches of key cooperatives on the implementation of microfinance programs and modules on basic credit.

Under the Integrated Community Development Program (ICDP) through its Adopt-a-Town Project, LCDFI was able to sign up 127 program partners. In 2008, it successfully completed ICDP's annual review and assessment.

LCDFI presently provides scholarships to 40 grade school children of agrarian reform beneficiaries nationwide. In addition, pupils of five elementary schools were provided with ₱100,000 worth of school supplies under LCDFI's Gawad Patnubay Project using a special grant from LANDBANK.

## LBP INSURANCE BROKERAGE, INC.

LBP Insurance Brokerage, Inc. (LIBI) is a LANDBANK subsidiary tasked to perform general insurance, brokerage management and consultancy services on insurance-related activities for LANDBANK and its clients.

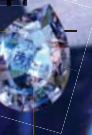
In 2008, LIBI increased its gross revenues by 15 percent or ₱14.61 million from ₱97.12 million in 2007 to ₱111.73 million. LIBI realized a net income after tax of ₱61.51 million with the insurance business contributing 88 percent or ₱54.28 million and foreign exchange trading accounting for 11 percent or ₱7.23 million.

LIBI's premium production for 2008 of ₱389.64 million represents a 23 percent increase over the previous year's production of ₱315.90 million. Likewise, commissions of ₱52.56 million is 37 percent higher compared to ₱38.44 million in 2007. This was largely attributed to the higher premium volume from private insurers of ₱237.52 million comprising 61 percent of LIBI's total premium production.

LIBI continued to service the insurance needs of its clients while maintaining its record of timely settling insurance claims. Out of 448 claims filed, LIBI











successfully settled 60 percent or 271 claims during the current year. Most of the outstanding claims as of yearend were filed in the last quarter of 2008.

Total trading income of the foreign exchange division amounted to ₱17.97 million, an increase of ₱4.73 million or 36 percent from the total income of ₱13.24 million in 2007. Total volume of US dollars traded for the year was US \$153.35 million or four percent lower from US \$159.92 in 2007. Brokering volume in 2008 was US \$36.36 million, an increase of US \$12.27 million or 51 percent to 2007's brokering volume of US \$24.09 million.

### LB REALTY DEVELOPMENT CORPORATION

The LANDBANK Realty Development Corporation (LBRDC) handles the Bank's construction and facility requirements particularly branch construction, relocation and renovation, and automated teller machine booth construction.

In addition, LBRDC helps the Bank in the disposal of non-performing assets by providing brokering services, real estate management and development of the Bank's foreclosed assets.

For 2008, LBRDC completed 23 LANDBANK branch renovation projects and 19 ATM fit-outs generating ₱85.98 million in construction revenues. LBRDC also facilitated the sale of 155 ROPA accounts valued at ₱293.34 million. LBRDC posted a net income of ₱15.36 million in 2008.

In 2008, LBRDC undertook activities aimed at enhancing operational efficiency and strengthening the organization like setting of performance standards, organizational streamlining and institutionalization of critical policies, systems and procedures. LBRDC also expanded its business lines to include project management and manpower services.

### MASAGANANG SAKAHAN, INC.

Masaganang Sakahan, Inc. (MSI) supports LANDBANK's mandate by providing timely and sustainable marketing assistance to the Bank's

priority clients, particularly the small farmers, fisherfolk and SMEs.

In 2008, MSI focused on its core business of rice trading. Despite the stiff competition posed by other rice traders, MSI through diligent efforts was able to maintain the patronage of its clients, recapture former clients and gain new clients. MSI continuously provides marketing assistance and services to the Bank's priority sectors. For 2008, the company was able to assist 48 SMEs and 27 cooperatives (with approximately 6,000 farmer beneficiaries) through the MSI palay and milled rice procurement program with a volume amounting to ₱156.9 million.

Palay and rice procurement through the payment-in-kind scheme enabled MSI to help LANDBANK in loan collection equivalent to ₱18.3 million.

The company's gross revenues increased by nine percent to ₱177.2 million compared to year 2007 revenues of ₱162.8 million. Net income after tax was at ₱2.85 million, six percent lower than the 2007 net income of ₱3.03 million.

Total resources of the company decreased by eight percent to ₱88.5 million compared to the previous year's ₱95.43 million. Total equity rose by four percent from ₱69.6 million in 2007 to ₱72.6 million in 2008.

### LBP LEASING CORPORATION

LBP Leasing Corporation (LBP Lease) provides leasing services through direct lease, lease purchase and operating leases. These leasing facilities make it easier for enterprises to expand, upgrade or modernize their operations. LBP Lease also extends support to farmers cooperatives and agrarian reform farmer beneficiaries by allowing them to acquire farm equipment and post-harvest facilities through a leasing facility.

For the year 2008, LBP Lease realized a record net income after tax of ₱84.4 million, exceeding the previous year's net income of ₱73.5 million by 15 percent. LBP Lease's resources stood at ₱1.9 billion while loan portfolio increased slightly from ₱1.37 billion in 2007 to ₱1.57 billion in 2008. This translated to a return on average equity of 10 percent and a return on assets of four percent.



LBP Lease was able to dispose almost 90 percent of the 317 service vehicles from the operating lease agreement with LANDBANK. It generated more than ₱32.0 million in total revenues against the ₱26.0 million target from the disposition program.

Further, the LANDBANK vehicle re-fleeting program was fully implemented in 2008 where LBP Lease provided 308 units. In 2008, LBP Lease also implemented property lease transactions with some government offices and started work on two new major property lease projects. These are expected to be completed by the middle of 2009.

## LBP REMITTANCE COMPANY (USA)

The LBP Remittance Company is a wholly-owned subsidiary of LANDBANK based in California, USA where 50 percent of the total Filipino population in the USA resides. Its main branch is in Panorama City within Los Angeles County which caters to the Southern California region. Another branch in San Francisco, California, established in October 2007, caters to the Filipinos in Northern California. The services offered by the two branches include direct credit to LANDBANK Peso or Dollar account, pick-up at any LANDBANK Branch, credit to other Bank Peso or Dollar Account and door-to-door delivery in Metro Manila and in the provinces.

LBP Remittance Co. also cross sells various products and services such as deposit and investment accounts as well as OFW Pabahay Programs. In addition, they also assist veterans and Social Security System pensioners in their banking needs.

To promote its remittance services to various Filipino communities and associations in California, the LBP Remittance Co. participated in various Filipino gatherings and events such as the Philippine Independence Day celebrations, gatherings of regional associations, notably the gathering of Filipino leaders in New York City with President Gloria Macapagal Arroyo as the guest of honor.

To expand its remittance volume, the company explored possible partnerships with remittance agents. In 2008, the company initiated talks with several remittance agents to service clients in other parts of California.

## LBP FINANCIAL SERVICES S.p.A. (Italy)

The LBP Financial Services S.p.A, established in 1995 with operations in Rome and Milan, Italy, offers remittance services to Filipinos working and living in Europe.

Despite the hurdles to entry of more Filipinos to the continent such as stricter laws on immigration and limits to access of foreign workers, the LBP Financial Services S.p.A. sustained its improving financial performance by registering an increase in income by €33,590 from €284,969 in 2007 to €318,559 in 2008. This is attributed to the extensive and aggressive marketing efforts of the company. Its main source of operating income is the remittance fee collected for services rendered and foreign exchange gains from transactions.

As part of its efforts to capture more remittance business from Filipino communities in other parts of Europe, the company sponsored Barrio Fiesta celebrations in London, Germany and Spain. It also co-sponsored a concert to coincide with the launching of the OFW Cash Card powered by Smart Communications.

Aside from deposit products, the company introduced the Long Term Negotiable Certificates of Deposit (LTNCD) Placement. The LTNCD obtained positive response from OFWs in Europe with initial placements amounting to P2.7 million. LBP Financial Services S.p.A. is also the collecting agency for SSS, OWWA, HDMF and DOLE. Banco Popular Español is the new partner of LBP Financial Services S.p.A.





# Board of Directors

**Hon. Gary B. Teves**  
Chairman, Secretary - Department of Finance

**Ms. Gilda E. Pico**  
Vice Chairman, President and  
CEO - Land Bank of the Philippines

**Hon. Mariano D. Roque**  
Secretary - Department of Labor and  
Employment

**Hon. Nasser C. Pangandaman**  
Secretary - Department of Agrarian Reform

**Hon. Arthur C. Yap**  
Secretary - Department of Agriculture

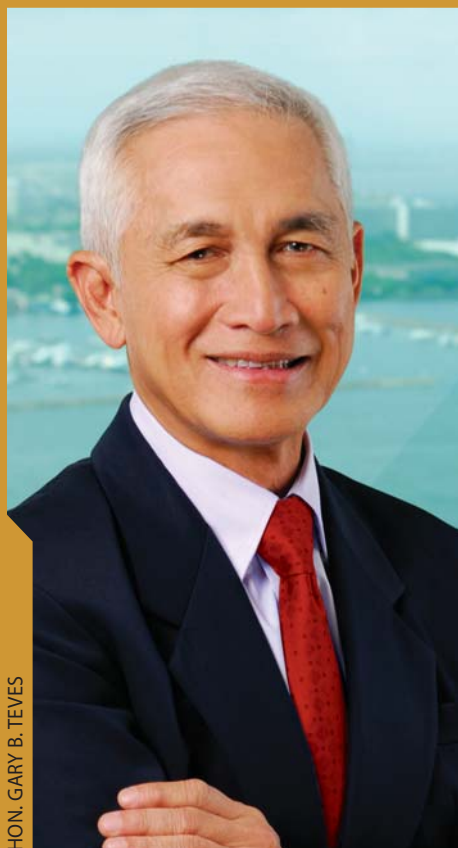
**Mr. Albert C. Balingit**  
Representative - Private Sector

**Mr. Ombre S. Hamsirani**  
Representative - Agrarian Reform  
Beneficiaries Sector

**Mr. George J. Regalado**  
Representative - Private Sector

**Mr. Cyril C. del Callar**  
Representative - Agrarian Reform  
Beneficiaries Sector  
(Oct. 27, 2008–present)

**Mr. Raymundo T. Roquero**  
Representative - Agrarian Reform  
Beneficiaries Sector  
(Jan. 28, 2008–Oct. 26, 2008)



HON. GARY B. TEVES



MS. GILDA E. PICO



MR. ALBERT C. BALINGIT



MR. OMBRE S. HAMSIRANI







HON. MARIANITO D. ROQUE



HON. NASSER C. PANGANDAMAN



HON. ARTHUR C. YAP



MR. GEORGE J. REGALADO



MR. CYRIL C. DEL CALLAR



MR. RAYMUNDO T. ROQUERO





# Management Team

**Gilda E. Pico**  
President and CEO

**Wilfredo C. Maldia**  
EVP, Agrarian and Domestic  
Banking Sector

**Simeona S. Guevarra**  
EVP, Corporate Services Sector

**Andres C. Sarmiento**  
EVP, Operations Sector

**Cecilia C. Borromeo**  
EVP, Institutional Banking  
and Subsidiaries Sector



GILDA E. PICO

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WILFREDO C. MALDIA



SIMEONA S. GUEVARRA



ANDRES C. SARMIENTO



CECILIA C. BORROMEO





## Executive Sector & Units Under the Board



**MANUEL C. PICZON**  
Senior Vice President



**JOCELYN D.G. CABREZA**  
First Vice President



**ALAN V. BORNAS**  
First Vice President



**JULIO D. CLIMACO, JR.**  
First Vice President



**RICARDO S. ARLANZA**  
Vice President

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**REYNAULD R. VILLAFUERTE**  
Vice President



**TERESITA E. CHENG**  
Vice President



**EDNA P. HINGCO**  
Vice President



**ANTONIO V. HUGO, JR.**  
Vice President



**AGUSTIN FREDERICK A. APILADO**  
Vice President

**EDUARDO B. CHAVES**  
Vice President  
*Not in photo*





# Agrarian & Domestic Banking Sector & Support Units

**Nenita H. Veran**  
Senior Vice President

**Cresencio R. Selispara**  
Senior Vice President

**Stella Maris C. Yusay**  
Senior Vice President

**Delia M. Ladao**  
Senior Vice President

**Marilyn M. Tiongson**  
First Vice President

**Liduvino S. Geron**  
First Vice President

**Carmelita M. Hain**  
First Vice President

**Ma. Victoria A. Reyes**  
First Vice President

**Wilhelmino G. Agregado**  
Vice President



NENITA H. VERAN



CRESENCIO R. SELISPARA



STELLA MARIS C. YUSAY



DELIA M. LADAO

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MARILYN M. TIONGSON



LIDUVINO S. GERON



CARMELITA M. HAIN



MA. VICTORIA A. REYES



WILHELMINO G. AGREGADO





NCR Branches Group - Area Heads



VP DAVID P. CAMAYA



VP DAISY M. MACALINO



FVP CARMENCITA A. BAYOT



VP JENNIFER A. TANTAN



VP LETICIA P. VILLA

North / Central & Southern Luzon Branches Group - Regional Heads



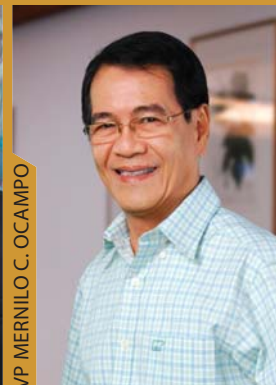
FVP EDNA S. FAMORCA



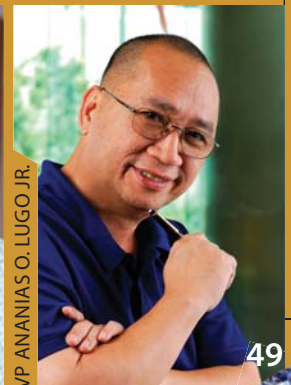
AVP BENJAMIN D. ACOSTA



VP ERASMO T. CRUZ



VP MERNILO C. OCAMPO



VP ANANIAS O. LUGO JR.

Visayas & Mindanao Branches Group - Regional Heads



ROMEO D. R. MERCADO



VP MAURICIO C. FELICIANO



VP MANUEL JOSE MARI S. INFANTE



RAMON R. MONTELOYOLA



VP RUEL Z. ROMARATE



AVP CAMILO C. LEYBA



VP WESLY C. MAGBAYE



VP SAMBUTAN B. ABDUL



VP JOSELITO P. GUTIERREZ





# Institutional Banking & Subsidiaries Sector



EDWARD JOHN T. REYES



ALEX HECTOR J. MACAPAGAL



ROBERTO S. VERGARA

**Edward John T. Reyes**  
First Vice President

**Alex Hector J. Macapagal**  
First Vice President

**Roberto S. Vergara**  
First Vice President

**Ma. Celeste A. Burgos**  
Vice President

**Noemi P. dela Paz**  
Vice President

**Gabriel M. Jayme**  
Vice President

**Carel D. Halog**  
Vice President

**Jose Abelardo F. Agregado**  
Vice President  
*Not in photo*



MA. CELESTE A. BURGOS



NOEMI P. DELA PAZ



GABRIEL M. JAYME



CAREL D. HALOG





# Heads of Subsidiaries and Foundation

**Illuminada L.E. Cabigas**  
President, LCDFI

**Carlos T. Castro**  
President and General  
Manager, LBRDC

**Atty. Jesus F. Diaz**  
President, LIBI

**Aristeo A. Lat, Jr.**  
General Manager, LIBI

**Manuel H. Lopez**  
President and General  
Manager, LBP Lease

**Erlinda C. Ramos**  
Executive Director, LCDFI

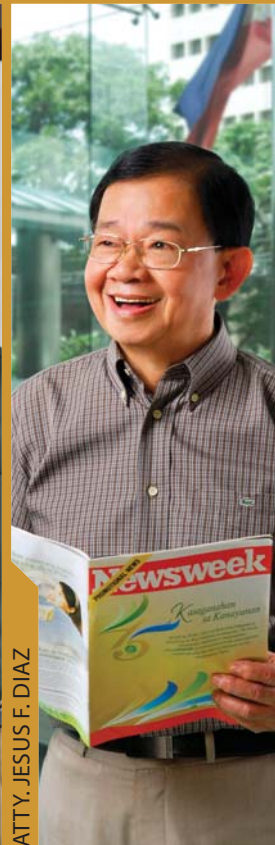
**Blesilda R. Macalalad**  
OIC, MSI



ILUMINADA L.E. CABIGAS



CARLOS T. CASTRO



ATTY. JESUS F. DIAZ



BLESILDA R. MACALALAD



ARISTEO A. LAT, JR.



MANUEL H. LOPEZ



ERLINDA C. RAMOS





## Operations Sector

**Yolanda D. Velasco**  
First Vice President

**Estela E. Correa**  
Vice President

**Conrado B. Roxas**  
Vice President



YOLANDA D. VELASCO



ESTELA E. CORREA



CONRADO B. ROXAS

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## Corporate Services Sector

**Romeo C. Castro**  
Vice President

**Ramon K. Cervantes**  
Vice President



ROMEO C. CASTRO



RAMON K. CERVANTES





# List of Officers and Department Heads

as of June 30, 2009

*President and CEO*  
Gilda E. Pico

## INTERNAL AUDIT GROUP

FVP Jocelyn D. G. Cabreza

*Field Operations Audit Department*  
AVP Bernardo P. Castro

*Credit Review Department*  
AVP Constance V. Manuel

*Head Office and Systems  
Technology Audit Department*  
Mr. Rodelio D. De Guzman

## LEGAL SERVICES GROUP

SVP Manuel C. Piczon

*Administrative Legal Department*  
VP Ricardo S. Arlanza

*Banking Legal Services Department*  
VP Reynauld R. Villafuerte

*Litigation Department*  
AVP Rosemarie M. Osoteo

*CARP Legal Services Department*  
AVP Noel B. Marquez

## RISK MANAGEMENT GROUP

VP Teresita E. Cheng

*Business Risk Management  
Department*  
AVP Cherry Ann R. Cruz

*Credit Policy and Risk Management  
Department*  
AVP Danilo E. Quilantang

*Treasury Risk Management  
Department*  
Ms. Rosemarie E. Sotelo – OIC

## STRATEGIC PLANNING GROUP

FVP Julio D. Climaco, Jr.

*Corporate Planning and Central MIS  
Department*  
VP Antonio V. Hugo, Jr.

*Customer Service and Product  
Development Department*  
Mr. Edgardo C. Ramirez

*Economics and Policy Studies  
Department*  
FVP Julio D. Climaco, Jr. –  
Concurrent Head

## TECHNOLOGY MANAGEMENT GROUP

FVP Alan V. Bornas

*Network Operations Department*  
AVP Cecilia C. Sazon

*Retail Banking Systems Department*  
AVP Ma. Teresa B. Villalonga

*e-Banking Systems Department/  
IT Program Management Office*  
AVP Randolph L. Montesa

*Data Center Management  
Department*  
Mr. Alden F. Abitona

*Enterprise Systems Department*  
Mr. Marcelino T. Cabahug

## TRUST BANKING GROUP

VP Eduardo B. Chaves

*Trust Operations Department*  
AVP Felix L. Manlangit

*Investment and Trading  
Department*  
AVP Josefino P. Cerin

*Trust Marketing Department*  
Ms. Susan D. R. Halili – OIC

## COMPLIANCE MANAGEMENT OFFICE

VP Edna P. Hingco

## CORPORATE SECRETARY

VP Reynauld R. Villafuerte –  
Concurrent Head

## CORPORATE AFFAIRS DEPARTMENT

VP Agustin Frederick A. Apilado

## PHYSICAL SECURITY OFFICE

AVP Ricardo G. Pasamba

## AGRARIAN AND DOMESTIC BANKING SECTOR

EVP Wilfredo C. Maldia

## Northern and Central Luzon Branches Group

SVP Cresencio R. Selispara

*Region I*  
AVP Filipina B. Monje

*Region II*  
VP Ramon R. Monteloyola

*Region III-A*  
VP David P. Camaya

*Region III-B*  
VP Mernilo C. Ocampo

## National Capital Region Branches Group

SVP Nenita H. Veran

*Area NCR-A*  
AVP Minda D. Rubio

*Area NCR-B*  
VP Daisy M. Macalino

*Area NCR-C*  
AVP Annalene M. Bautista

*Area NCR-D*  
VP Jennifer A. Tantan

*Area NCR-E*  
VP Leticia P. Villa

*Cash Department*  
Mr. Virgilio C. Paranal

*NCR Lending Center*  
Ms. Luz D. Abalos





# List of Officers and Department Heads

as of June 30, 2009

## *Southern Luzon Branches Group*

VP Wilhelmino G. Agregado

### *Region IV*

VP Mauricio C. Feliciano

### *Area IV-A*

AVP Raquel R. Rimonte

### *Area IV-B*

VP Ananias O. Lugo, Jr.

### *Region V*

AVP Renato G. Eje

## *Visayas Branches Group*

SVP Stella Maris C. Yusay

### *Region VI*

VP Manuel Jose Mari S. Infante

### *Region VII*

VP Ruel Z. Romarate

### *Region VIII*

AVP Alex A. Lorayes

## *Mindanao Branches Group*

VP Joselito P. Gutierrez - OIC

### *Region IX*

DM Cesar G. Magallanes - OIC

### *Region X*

VP Wesly C. Magnaye

### *Region XI*

VP Sambutan B. Abdul

### *Region XII*

AVP Camilo C. Leyba

## **CONSUMER AND E-BANKING GROUP**

FVP Marilyn M. Tiongson

*Debit Cards Management Department*

AVP Edna A. Atienza

*Electronic Products Department*

AVP Leila C. Martin

*Credit Card Administration Department*

AVP Rossana S. Coronel

## **LANDOWNERS COMPENSATION AND ASSISTANCE GROUP**

FVP Ma. Victoria A. Reyes

*Bond Servicing Department*

AVP Teresita V. Tengco

*Landowners Assistance and Policy Department*

AVP Leticia Lourdes A. Camara

*Landowners Compensation Department*

Mr. Antonio S. Macaraeg

## **FIELD UNIT SUPPORT GROUP**

FVP Carmelita M. Hain

*Systems Implementation Department*

AVP Ana S. Concha

*Field Operations Support Department*

Ms. Ela P. Gariando – OIC

*MIS and Planning Support Department*

Mr. Jaime G. Dela Cruz – OIC

## **PROGRAMS MANAGEMENT GROUP**

FVP Liduvino S. Geron

*Development Assistance Department*

Mr. Edgardo S. Luzano

*Programs Management Department I*

Mr. Hermeo G. Bautista

*Programs Management Department II*

Ms. Melinda C. Cruz

## **INSTITUTIONAL BANKING AND SUBSIDIARIES SECTOR**

EVP Cecilia C. Borromeo

## **ACCOUNTS MANAGEMENT GROUP**

FVP Edward John T. Reyes

*Corporate Banking Department I*

VP Jose Abelardo F. Agregado

*Corporate Banking Department II*

VP Ma. Celeste A. Burgos

*NCR SME Lending Department*

AVP Vilma V. Calderon

*Financial Institutions Department*

AVP Cielito H. Lunaria

*Public Sector Department*

AVP Lolita T. Silva

*Retail Lending Department*

Ms. Teresita F. Ison

## **INVESTMENT BANKING AND SPECIAL ASSETS GROUP**

VP Dante R. Tiña, Jr.

*Special Assets Department*

Ms. Ma. Jocelyn F. Alejandro

*Financial Assets Department*

Ms. Emillie V. Tamayo

*Investment Banking Department*

Mr. James A. Aldana – OIC

*Transaction Advisory and Support Department*

Ms. Myra-Lyn S. Peñalosa

## **OFW REMITTANCE GROUP**

FVP Roberto S. Vergara

*Domestic Remittance Marketing Department*

Mr. Jose James T. Figueras

*Overseas Remittance Marketing and Support Department*

Ms. Carolyn I. Olfindo





# List of Officers and Department Heads

as of June 30, 2009

## PROGRAM LENDING GROUP

VP Noemi P. Dela Paz

*Wholesale Lending Department*  
VP Gabriel M. Jayme

*International Fund Sourcing Department*  
AVP Lucila E. Tesorero

*Environmental Program and Management Department*  
Mr. Prudencio E. Calado III

## TREASURY GROUP

FVP Alex Hector J. Macapagal

*Local Currency Department*  
VP Carel D. Halog

*Foreign Exchange Department*  
AVP Christine G. Mota

*Assets and Liabilities Management Department*  
Ms. Joseny V. Alvarez- Guevarra  
–OIC

## LBP INSURANCE BROKERAGE, INC.

President Jesus F. Diaz  
General Manager Aristeo A. Lat, Jr.

## LBP LEASING CORPORATION

President and General Manager  
Manuel H. Lopez

## LB REALTY DEVELOPMENT CORPORATION

President and General Manager  
Carlos T. Castro

## LANDBANK COUNTRYSIDE DEVELOPMENT FOUNDATION, INC.

President Iluminada L.E. Cabigas  
Executive Director Erlinda C. Ramos

## MASAGANANG SAKAHAN, INC.

Ms. Blesilda R. Macalalad - OIC

## CORPORATE SERVICES SECTOR

EVP Simeona S. Guevarra

## FACILITIES AND PROCUREMENT SERVICES GROUP

VP Romeo C. Castro

*Procurement Department*  
AVP Norlinda S. Plazo

*Facilities Services Department*  
Ms. Dina Melanie R. Madrid

*Project Management and Engineering Department*  
Mr. Edwin A. Salonga

## HUMAN RESOURCE MANAGEMENT GROUP

VP Ramon K. Cervantes

*Employee Relations Department*  
AVP Voltaire Pablo P. Pablo III

*Personnel Administration Department*  
AVP Voltaire Pablo P. Pablo III –  
Concurrent Head

*Provident Fund Office*  
AVP Lorna P. Garcia

*Organizational Development Department*  
Mr. Emmanuel G. Hio, Jr.

## OPERATIONS SECTOR

EVP Andres C. Sarmiento

## BANKING OPERATIONS GROUP

VP Conrado B. Roxas

*Loans Implementation Department*  
AVP Maria Edelwina D. Carreon

*Credit Investigation and Appraisal Department*  
AVP Winston Rochel L. Galang

*Foreign and Domestic Remittance Department*  
Ms. Corazon A. Gatdula

*International Trade Department*  
Ms. Lydia R. De Asis

## BANKING SERVICES GROUP

VP Estela E. Correa

*MDS and Collections Management Department*  
AVP Carolina Q. Briñas

*ATM and Cash Management Department*  
AVP Ma. Inocencia C. Reyes

*Central Clearing Department*  
AVP Reynaldo C. Capa

## CONTROLLERSHIP GROUP

FVP Yolanda D. Velasco

*Agrarian Accounting Department*  
AVP Rosario B. Belmonte

*Financial Accounting Department*  
AVP Ma. Eloisa C. Dayrit

*Systems and Methods Department*  
AVP Emerita E. Olayvar

*Inter-Office Transactions Control Department*  
Ms. Celia G. Barreto

*Treasury Operations Department*  
Ms. Merceditas N. Oliva

*Administrative Accounting Department*  
Mr. Gerry D. Villalobos





# Independent Auditor's Report



**Republic of the Philippines**  
**COMMISSION ON AUDIT**  
Corporate Government Sector  
Cluster A – Financial

**The Board of Directors**  
**Land Bank of the Philippines**  
**Manila**

We have audited the accompanying financial statements of **Land Bank of the Philippines (LBP)** and its subsidiaries (referred to as the "Group") which comprise the balance sheet as at December 31, 2008, and the statement of income, statement of changes in capital funds and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Group as at December 31, 2008 and of its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards.

## **Emphasis of Matter**

We draw attention to item no. 1 of the Observations and Recommendations which describes our reservation on the Group's treatment of the Foreign Exchange Risk Cover (FXRC) provided in the Memorandum of Agreement into by and between the Land Bank of the Philippines and the National Government as an Over-the-Counter derivative call option contract to cover foreign exchange revaluation losses on foreign borrowings, resulting in an increase in total assets by P4,381.69 million in CY 2008. Likewise, we have concerns on the adoption of the "GARMAN-KOHLHAGEN" model to measure the derivative call option's fair value on account of the apparent uncertainty in the assumptions used, and, on the charging and accounting of the negative FXRC fees, which if shouldered by the National Government will effectively result in the non-payment of FXRC fee considered as call option premium, hence, tantamount to non-purchase of call option.

## **COMMISSION ON AUDIT**

Angelina B. Villanueva  
Director III

September 30, 2009





# Statement of Condition

December 31, 2008

(In thousand pesos)

	NOTE	GROUP	(As restated)	PARENT	(As restated)
ASSETS		2008	2007	2008	2007
Cash and other cash items	5	14,182,313	9,586,368	14,153,363	9,581,790
Due from Bangko Sentral ng Pilipinas		46,041,782	45,695,244	46,041,782	45,695,244
Due from other banks	6	2,992,694	974,828	2,956,953	932,942
Interbank loans receivable	7	4,607,380	18,877,668	4,607,380	18,877,668
Securities purchased under agreements to resell	8	32,000,000	24,698,539	32,000,000	24,698,539
Financial assets at fair value through profit or loss	9	9,452,988	5,170,035	9,452,988	5,170,035
Available for sale investments	10	67,770,157	101,588,120	67,556,423	101,380,876
Held to maturity investments	11	40,873,661	17,320,958	40,236,532	16,779,877
Loans and receivables	12 & 17	191,223,684	129,486,301	190,426,967	128,794,044
Investments in subsidiaries	13	-	-	577,709	577,709
Investment property	14	10,240,106	12,968,163	10,125,415	12,848,711
Property and equipment (net)	15	5,100,972	5,295,059	4,867,573	4,843,583
Non-current assets held for sale		1,049,483	18,094	1,031,644	-
Other resources - net	16	12,185,226	13,603,926	12,618,171	13,555,627
Deferred income tax	22	23,046	24,236	-	-
		437,743,492	385,307,539	436,652,900	383,736,645

## LIABILITIES AND CAPITAL FUNDS

Liabilities					
Deposit liabilities	18	333,354,071	287,194,563	333,529,992	287,404,735
Bills payable	19	35,463,998	28,940,675	35,191,998	28,889,675
Unsecured subordinated debt	20	7,128,000	6,192,000	7,128,000	6,192,000
Derivative liabilities		37,511	294	37,511	294
Deposits from other banks		11,353	11,134	11,353	11,134
Treasurers, Managers and Cashier's checks		805,765	698,195	805,765	698,195
Payment order payable		201,906	156,188	199,784	145,620
Marginal deposits		129,966	39,808	129,966	39,808
Cash letters of credit		1,000,360	1,371,404	1,000,360	1,371,404
Other liabilities	21	18,841,730	17,608,335	19,359,929	17,235,621
		396,974,660	342,212,596	397,394,658	341,988,486

Capital funds					
Common stock	30	11,971,000	11,971,000	11,971,000	11,971,000
Paid-in surplus		101,098	101,098	101,098	101,098
Revaluation increment		61,200	57,528	-	-
Surplus free		14,972,119	11,368,084	13,828,416	10,356,792
Surplus reserve		5,086,088	4,794,096	4,924,047	4,670,047
Undivided profits		5,174,142	4,378,781	5,024,823	4,221,831
Currency translation difference		114	577	-	-
Net unrealized gains on securities available for sale		3,403,071	10,423,779	3,408,858	10,427,391
		40,768,832	43,094,943	39,258,242	41,748,159
		437,743,492	385,307,539	436,652,900	383,736,645

The Notes form part of these financial statements.





# Statement of Income and Expenses

For the year ended December 31, 2008

(In thousand pesos)

	NOTE	GROUP	PARENT	
		(As restated)		(As restated)
		2008	2008	2007
<b>INTEREST INCOME</b>				
Loans		12,410,661	12,323,589	11,354,498
Investments		9,377,987	9,344,047	8,234,730
Due from Bangko Sentral ng Pilipinas		1,317,152	1,317,152	1,003,992
Deposit in banks		9,292	8,505	27,275
Others		156,813	120,149	117,773
		23,271,905	23,113,442	20,738,268
<b>INTEREST EXPENSE</b>				
Deposit liabilities		5,672,932	5,687,510	5,512,462
Borrowed funds		1,145,607	1,123,892	1,009,912
Unsecured subordinated debt		516,780	516,780	447,673
Others		34,465	34,465	1,289
		7,369,784	7,362,647	6,971,336
<b>NET INTEREST INCOME</b>		15,902,121	15,750,795	13,766,932
<b>PROVISION FOR CREDIT LOSSES</b>		25,033	10,477	593,867
<b>NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES</b>		15,877,088	15,740,318	13,173,065
<b>OTHER OPERATING INCOME</b>				
Gain on financial assets and liabilities - held for trading		-	-	2,605,414
Fees and commission		1,136,995	1,059,620	98,296
Gain from dealings in foreign currency		644,242	606,599	480,042
Dividends		109,770	109,715	95,786
Gain from investment securities		-	-	895,266
Foreign exchange gains from revaluation		-	-	3,836,307
Miscellaneous-net		1,200,115	1,129,599	1,851,609
		5,696,536	5,510,947	7,257,306
<b>OTHER OPERATING EXPENSES</b>				
Compensation and fringe benefits		5,757,208	5,680,735	5,543,210
Foreign exchange loss from revaluation		2,266,798	2,263,823	-
Taxes and licenses		1,865,142	1,828,645	1,490,999
Depreciation and amortization		1,512,397	1,496,934	1,143,873
Rent		528,460	523,093	591,053
Loss from investment securities		47,979	47,979	-
Loss on financial assets & liabilities - held for trading		-	-	2,483,511
Miscellaneous expenses		4,152,771	4,182,148	4,328,714
		16,130,755	16,023,357	15,581,360
<b>INCOME BEFORE INCOME TAX</b>		5,442,869	5,227,908	4,849,011
<b>PROVISION FOR INCOME TAX</b>	22	268,727	203,085	627,180
<b>NET INCOME</b>		5,174,142	5,024,823	4,221,831

The Notes form part of these financial statements.





# Statement of Cash Flow

For the year ended December 31, 2008

(In thousand pesos)

	Group		Parent	
	2008	(As restated) 2007	2008	(As restated) 2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Interest received	22,628,083	21,001,062	22,474,413	20,692,144
Interest paid	(6,893,062)	(7,308,150)	(6,888,017)	(7,319,188)
Fees and commission	1,136,995	98,296	1,059,620	98,296
Gain from dealings in foreign currency	644,242	497,932	606,599	480,042
Miscellaneous income	1,200,115	1,841,694	1,129,599	1,851,609
General and administrative expenses	(11,439,267)	(11,184,277)	(11,357,144)	(11,090,821)
<b>Operating income/(loss) before changes in operating assets and liabilities</b>	<b>7,277,106</b>	<b>4,946,557</b>	<b>7,025,070</b>	<b>4,712,082</b>
Changes in operating assets and liabilities				
(Increase) Decrease in operating assets				
Interbank loans receivable	14,270,288	(780,146)	14,270,288	(780,146)
Financial assets at fair value through profit or loss	(4,282,953)	1,768,299	(4,282,953)	1,768,299
Loans and receivable	(61,119,797)	(14,590,992)	(61,001,351)	(14,598,799)
Other resources	(486,087)	83,103	(972,626)	69,428
Increase (Decrease) in operating liabilities				
Deposit liabilities	46,159,508	19,649,940	46,125,257	19,708,140
Derivative liabilities	37,217	294	37,217	294
Marginal deposits	90,158	(177,249)	90,158	(177,249)
Treasurer's, Manager's & Cashier's Checks	107,570	38,766	107,570	38,766
Other liabilities	(349,376)	4,056,055	592,604	3,881,721
<b>Net cash generated from operations</b>	<b>1,703,634</b>	<b>14,994,627</b>	<b>1,991,234</b>	<b>14,622,536</b>
Income taxes paid	(182,760)	(239,746)	(153,340)	(207,540)
<b>Net cash generated from operating activities</b>	<b>1,520,874</b>	<b>14,754,881</b>	<b>1,837,894</b>	<b>14,414,996</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
(Additions) Disposals to property and equipment	(306,999)	(891,695)	(512,050)	(555,598)
(Additions) Disposals to investment property	2,592,537	1,917,273	2,589,840	1,926,617
Dividends received	109,770	95,979	109,715	95,786
Gain/(Loss) on financial assets & liabilities held for trading	2,605,414	(2,470,275)	2,605,414	(2,483,511)
Gain/(Loss) from investment securities	(47,979)	895,178	(47,979)	895,266
Decrease (increase) in:				
Available for sale investments	33,817,963	(18,752,328)	33,824,453	(18,701,813)
Held to maturity investments	(23,552,703)	6,331,446	(23,456,655)	6,297,957
<b>Net cash provided by/(used in) investing activities</b>	<b>15,218,003</b>	<b>(12,874,422)</b>	<b>15,112,738</b>	<b>(12,525,296)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Cash dividends paid	(442,000)	(1,000,000)	(442,000)	(1,000,000)
Other charges to capital	(7,164,868)	(322,348)	(7,176,825)	(295,764)
Increase (decrease) in:				
Bills and acceptances payable	6,460,599	(4,805,494)	6,239,599	(4,856,494)
Unsecured subordinated debt	936,000	(1,162,500)	936,000	(1,162,500)
<b>Net cash used in financing activities</b>	<b>(210,269)</b>	<b>(7,290,342)</b>	<b>(443,226)</b>	<b>(7,314,758)</b>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>				
	(2,266,798)	3,836,307	(2,263,823)	3,836,307
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>14,261,810</b>	<b>(1,573,576)</b>	<b>14,243,583</b>	<b>(1,588,751)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>				
Cash and other cash items	9,586,368	8,529,493	9,581,790	8,517,618
Due from Bangko Sentral ng Pilipinas	45,695,244	39,480,260	45,695,244	39,480,260
Due from other banks	974,828	855,921	932,942	836,507
Securities purchased under agreements to resell	24,698,539	33,662,881	24,698,539	33,662,881
	<b>80,954,979</b>	<b>82,528,555</b>	<b>80,908,515</b>	<b>82,497,266</b>
<b>CASH AND EQUIVALENTS AT END OF YEAR</b>				
Cash and other cash items	14,182,313	9,586,368	14,153,363	9,581,790
Due from Bangko Sentral ng Pilipinas	46,041,782	45,695,244	46,041,782	45,695,244
Due from other banks	2,992,694	974,828	2,956,953	932,942
Securities purchased under agreements to resell	32,000,000	24,698,539	32,000,000	24,698,539
	<b>95,216,789</b>	<b>80,954,979</b>	<b>95,152,098</b>	<b>80,908,515</b>

The Notes form part of these financial statements.





# Statement of Changes in Capital Funds - Group

December 31, 2008

(In thousand pesos)

	Common Stock		Surplus
	Shares	Amount	Free
Balance, Dec. 31, 2006	1,197,100	11,971,000	8,568,922
Net income during the year			
Net unrealized gain on securities			
Payment of cash dividends			(1,000,000)
Stock dividend		-	(135,259)
Transfer to surplus free			4,310,254
Transfer to/from surplus reserve			(49,009)
Additional reserve for trust business			(5,000)
Additional reserve for contingencies			(300,000)
Payment of tax deficiency			
Prior period adjustment			(142,003)
Closure of excess book value over cost of investment in subsidiaries			120,179
Revaluation increment on property			
Currency translation difference			
<b>Balance, Dec. 31, 2007</b>	<b>1,197,100</b>	<b>11,971,000</b>	<b>11,368,084</b>
Net income during the year			
Net unrealized loss on securities			
Payment of cash dividends			(442,000)
Stock dividend			(53,615)
Transfer to surplus free			4,378,781
Transfer to/from surplus reserve			(37,992)
Additional reserve for trust business			(4,000)
Additional reserve for contingencies			(300,000)
Contribution to the Agricultural Guarantee Fund Pool			
PFRS/prior period adjustment			45,240
Closure of Deferred income tax			(56,099)
Closure of excess book value over cost of of investment in subsidiaries			73,720
Revaluation increment on property			
Currency translation difference			
<b>Balance, Dec. 31, 2008</b>	<b>1,197,100</b>	<b>11,971,000</b>	<b>14,972,119</b>

The Notes form part of these financial statements.



Revaluation Increment	Paid-In Surplus	Surplus Reserve	Currency Trans. Difference	Undivided Profits	Net Unrealized Gain/(Loss) on Securities	TOTAL
57,528	101,098	4,535,190	(106)	4,310,254	10,017,798	39,561,684
				4,378,781		4,378,781
					405,981	405,981
						(1,000,000)
						(135,259)
				(4,310,254)		-
		49,009			-	
		5,000			-	
		300,000			-	
		(195,103)				(195,103)
		100,000				(42,003)
						120,179
						-
			683		683	
<b>57,528</b>	<b>101,098</b>	<b>4,794,096</b>	<b>577</b>	<b>4,378,781</b>	<b>10,423,779</b>	<b>43,094,943</b>
				5,174,142		5,174,142
					(7,020,708)	(7,020,708)
						(442,000)
						(53,615)
				(4,378,781)		-
		37,992			-	
		4,000			-	
		300,000			-	
		(100,000)				(100,000)
		50,000			95,240	(56,099)
						73,720
3,672					3,672	
			(463)			(463)
<b>61,200</b>	<b>101,098</b>	<b>5,086,088</b>	<b>114</b>	<b>5,174,142</b>	<b>3,403,071</b>	<b>40,768,832</b>







# Statement of Changes in Capital Funds - Parent

December 31, 2008

(In thousand pesos)

	Common Stock		Surplus Free
	Shares	Amount	
Balance, Dec. 31, 2006	1,197,100	11,971,000	7,635,588
Net income during the year			
Net unrealized gain on securities			
Payment of cash dividends			(1,000,000)
Transfer to surplus free			4,156,191
Additional reserve for trust business			(5,000)
Additional reserve for contingencies			(300,000)
Payment of tax deficiency			
Prior period adjustment			(129,987)
<b>Balance, Dec. 31, 2007</b>	<b>1,197,100</b>	<b>11,971,000</b>	<b>10,356,792</b>
Net income during the year			
Net unrealized loss on securities			
Payment of cash dividends			(442,000)
Transfer to surplus free			4,221,831
Additional reserve for trust business			(4,000)
Additional reserve for contingencies			(300,000)
Contribution to the Agricultural Guarantee Fund Pool			
PFRS/prior period adjustment			51,892
Closure of 2002 deferred income tax			(56,099)
<b>Balance, Dec. 31, 2008</b>	<b>1,197,100</b>	<b>11,971,000</b>	<b>13,828,416</b>

The Notes form part of these financial statements.



Paid-In Surplus	Surplus Reserve	Undivided Profits	Net Unrealized	TOTAL
			Gain/(Loss) on Securities	
101,098	4,460,150	4,156,191	10,020,885	38,344,912
		4,221,831		4,221,831
			406,506	406,506
				(1,000,000)
		(4,156,191)		-
	5,000			-
	300,000			-
	(195,103)			(195,103)
	100,000			(29,987)
<b>101,098</b>	<b>4,670,047</b>	<b>4,221,831</b>	<b>10,427,391</b>	<b>41,748,159</b>
		5,024,823		5,024,823
			(7,005,986)	(7,005,986)
				(442,000)
		(4,221,831)		-
	4,000		-	
	300,000		-	
	(100,000)			(100,000)
	50,000		(12,547)	89,345
				(56,099)
<b>101,098</b>	<b>4,924,047</b>	<b>5,024,823</b>	<b>3,408,858</b>	<b>39,258,242</b>





# Acknowledgments

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Personnel Administration Department  
Procurement Department

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Dojo Palines









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