



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Ave., Quezon City
CORPORATE GOVERNMENT SECTOR
CLUSTER 1 – BANKING AND CREDIT

INDEPENDENT AUDITOR'S REPORT

The Board of Directors

Land Bank of the Philippines
Manila

We have audited the accompanying financial statements of **Land Bank of the Philippines (LBP), and its subsidiaries (referred to as the "Group")** which comprise the statements of financial position as at December 31, 2015 and 2014, and the statements of comprehensive income, statements of changes in capital funds and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of the **Group** as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Emphasis of Matter

We draw attention to Note No. 10 to the 2015 and 2014 Financial Statements which disclosed, among others, that the LBP's Available-for-sale - Domestic-Private investments account include unrestored 3,366,800 MERALCO shares with fair value of P1,077.376 million and P861.901 million in 2015 and 2014, respectively. Likewise, the corresponding cash and property dividends earned amounting to P212.647 million and P169.448 million in 2015 and 2014, respectively, and 9,488,394 shares of stock in Rockwell Land Corporation, respectively, were still unpaid to LBP.

To compel MERALCO to comply with the Supreme Court decision, LBP filed the Petition to Cite MERALCO and other Respondents in Indirect Contempt before the Supreme Court on April 14, 2015. On May 30, 2016, LBP filed its reply to the Comment of MERALCO.

Our opinion is not modified in respect of the above matter.

COMMISSION ON AUDIT


CORA D. MARQUEZ
Supervising Auditor

17 June 2016