

### LANDBANK OF THE PHILIPPINES Performance Highlights 2018

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LANDBANK further solidified its overall growth performance in 2018. This is amid domestic economic pressures that slowed down economic activity (GDP of 6.2% in 2018 versus 6.7% in 2017) given high inflation and slump in manufacturing and agriculture. Likewise, lingering global uncertainties contributed to the slowdown in GDP growth such as the strengthening of the US dollar, rising interest rates and escalation of the US-China trade dispute that added sluggishness to Philippine exports. Notwithstanding, while the Philippines missed its GDP target placed at 6.5% to 6.9%, the country remained as one of the fastest-growing economies in Asia in 2018.

On the back of a resilient and stable economy, LANDBANK continued to embark on various strategic pursuits and initiatives that resulted in the growth and expansion of the Bank's market reach leveraging on technological solutions, provision of service excellence in every facet of bank operations for its diversified clientele and attainment of financial strength and sustainability.

The following are LANDBANK's performance highlights reflecting strong and solid results that led to the Bank's achievement of operational and financial success in 2018:

- 1. Widened market coverage especially in the countryside for wider inclusivity.** Consistent with LANDBANK's vision to become the top universal bank that promotes inclusive growth, the Bank in 2018 made relentless efforts to bring its banking products and services closer to more Filipinos across the country, especially in the countryside where other commercial banks are not present.

LANDBANK remains to be the ONLY BANK that has established its presence in all of the 81 provinces in the country. In terms of municipalities, the Bank has physical presence (i.e., with branch, branch-lite and ATM) and reach (i. e, with loan exposure) in 1,189 municipalities or 80% of the total of 1,489 municipalities in the country with only 300 municipalities unreached as of year-end 2018. As regards cities, there are only five (5) cities without

LANDBANK presence and reach. These include Canlaon (Negros Oriental), Tayabas (Quezon), La Carlota (Negros Occidental), Himamaylan (Negros Occidental) and Naga (Cebu).

- *Launching of new lending programs for specific demographics.* The Bank diversified basic banking by launching new and appropriate lending programs to cater to specific demographics such as the Accessible and Sustainable Lending (ASL) Program for Small Farmers, Go Green Program, Market Vendors Lending Program, LANDBANK SPEED PUV Program, Lending Program for Rebel Returnees, and Young Entrepreneurs from School to Agriculture Program, among others.

**Accessible and Sustainable Lending Program for Small Farmers (ASL Farmers Program)** – This program is in compliance with Presidential Directive No. 2018-0176 which directs LANDBANK, in coordination with the DA and DAR, to reach out to more farmers (i.e., individual, agri-based cooperatives/associations, farmers/fisherfolk or their cooperatives with farm and marketing agreement with an agri corporative) and provide them with credit assistance for their various agricultural needs to include crop production, farm mechanization, post-harvest machineries and equipment, and processing facilities. Launched on 10 July 2018 in Nueva Viscaya with pilot areas in Isabela Lending Center (LC), Ilocos Sur LC, and Nueva Viscaya LC, the ASL Farmers Program will be implemented nationwide by all 44 Provincial Lending Centers in 2019. As of end-December 2018, the Bank released a total of P18.32 Million in loans benefitting 174 borrowers under the program.

**LANDBANK SPEED PUV Program** – This is a special loan program that aims to provide the necessary lending facility in financing the acquisition of modern and efficient public transport vehicles that will ensure the convenience and safe mobility of the riding public, following the general framework of National Government’s Public Utility Vehicles Modernization Program (PUVMP). The initial Program Fund of P1.5 Billion will extend financing to public transport cooperatives or corporations (with approved routes under the LTFRB Omnibus Franchising Guidelines) that will be affected by the Government’s PUVMP.

**LANDBANK Lending Program for Rebel Returnees** – LANDBANK and Task Force Balik-Loob (TFBL) forged a Memorandum of Agreement last 13 December 2018 to set the motion for the Lending Program for Rebel Returnees in support of the National Government’s Enhanced Comprehensive Local Integration Program (E-CLIP) aimed at assisting former rebels from the National People’s Army, National Democratic Front, Militia ng Bayan and the Communist Party of the Philippines who expressed their desire to abandon the armed struggle and become productive members of society. The Bank earmarked P500 Million in loan assistance to benefit 5,000 returnees for the first two years of implementation. Eligible projects include crop production, piggery, poultry, and other small businesses like furniture- making, tailoring, and sari-sari store. On top of the credit assistance, financial literacy and loan orientation seminars will be provided to ensure that the rebel returnees will have the basic knowledge to manage their businesses.

**LANDBANK Go Green Inclusive Financing for SMEs and LGUs** – In support of the National Government’s thrust in promoting energy efficiency solutions and packages for businesses, households and government offices in order to reduce the country’s electricity consumption, LANDBANK designed the LANDBANK Go Green Inclusive Financing for SMEs and LGUs to respond to the huge demand for accessible financing of viable and sustainable Energy Efficient Projects that will save energy, use renewable energy sources and contribute to the reduction of greenhouse gases to the environment. Specifically, these projects include non-fossil energy sources (e.g., roof top solar energy systems, wind mills/turbine system, waste to energy conversion systems/equipment), thermal insulation and heat exchanges systems, installation or adoption of energy efficient cooling systems/equipment, energy efficient lightings and rain collection or water recycling systems, green buildings, among others.

**Young Entrepreneurs from School to Agriculture Program (Yes! To Agriculture Program or YESAP)** - The YESAP is LANDBANK’s response to sustain the country’s aging agriculture sector by attracting “young blood” and professionalizing agriculture to make farming more profitable and viable. The program specifically aims to promote agri-entrepreneurship among the youth through the provision of credit and other support services as well as encourage enterprising young individuals to prioritize

farming and agri-business enterprises. The Bank allocated P500 Million for lending to eligible borrowers like Micro, Small and Medium Enterprises registered as sole proprietorship engaged in agriculture and fishery production, and in trading, processing, servicing and distribution of agricultural crops and commodities.

**LANDBANK Market Vendors Inclusive Lending Program** – This program aims to provide credit assistance to qualified market vendors in both public and private markets as these markets are vital economic enterprises that contribute to the income and general welfare of the country's various cities and municipalities. The Bank shall extend working capital to eligible market vendors as a means to help them grow and wean them away from loan sharks for their financing requirements.

- *Expansion of branch & ATM network and e-banking channels.* To provide customers with convenient access while extending its financial products and services to all provinces, cities and municipalities, the Bank increased its branches to 396 as of year-end 2018 from 379 as of year-end 2017. There were 17 additional provincial branches established which include Tuao (Cagayan); Cabagan (Isabela); Limay (Bataan); Atimonan (Quezon); Catanauan (Quezon); San Andres (Catanduanes); Cataingan (Masbate); Romblon (Romblon); Moalboal (Cebu); Muñoz Science City (Leyte); San Juan (Southern Leyte); Calamba (Misamis Occidental); Quezon (Bukidnon); Claver (Surigao del Norte); Samal Island (Davao); Kapatagan (Lanao del Norte); and Aurora (Zamboanga del Sur).

In 2018, the Bank's LEAFs (LANDBANK Easy Access Facility) which were established to extend banking services in the remote areas of the country were renamed to branch-lite in compliance with *BSP Circular No. 987, series of 2017*. Branch-lite is defined by the BSP as any permanent office or place of business that performs limited banking activities and records its transactions in the books of the Head Office or the branch to which it is annexed. There were 49 branch-lites in various municipalities nationwide in 2018 (29 in Luzon; 9 in the Visayas; 11 in Mindanao).

The Bank's ATM network grew from 1,777 as of year-end 2017 to 1,969 as of year-end 2018. This includes the installation of additional 192 ATMs nationwide. During the year, the Bank remained as the 3<sup>rd</sup> largest

bank in ATM network, next to BDO and BPI. Notable is the Bank's aggressiveness in deploying ATMs to municipalities which increased to 40.3% in 2018 from 36.5% in 2017.

The number of outstanding cardholders rose to 14.2 Million in 2018 from 12.9 Million in 2017 or 10.1% growth with total ATM transactions of 176,006,652 including interbank transactions of Bancnet accredited cards. Further, the Bank in 2018 has substantially complied with the BSP requirement to migrate to EMV chip-enabled ATM cards which reached 10,427,113 or 73.55% share to outstanding cardholders.

#### *Cash Transfer Programs*

LANDBANK serves as the distribution arm of the government's social welfare programs for the poorest sector of the country, such as the Conditional Cash Transfer (CCT), Unconditional Cash Transfer (UCT) and Pantawid Pasada Programs. The identified program beneficiaries under these programs were given ATM cards by the Bank where cash grants are credited on a monthly basis. To serve as conduits in cash disbursements, the Bank also partnered with accredited rural banks, cooperatives and NGOs. Mobile ATMs were likewise deployed in various areas to facilitate the cash distribution.

Under the CCT Program, LANDBANK has disbursed a total of P85.8 Billion to more than four million beneficiaries as of year-end 2018, with P52.7 Billion released through cash cards to 2.5 million beneficiaries. On the other hand, the Bank has disbursed P21.4 Billion to almost nine million beneficiaries under the UCT Program as of 31 December 2018.

For the Pantawid Pasada Program, a fuel subsidy program for the transport sector launched in 2018, the Bank distributed a total of P359.4 Million to 71,876 jeepney operators as of 31 December 2018.

LANDBANK continued to invest in alternative delivery channels through various electronic banking facilities in order to deliver real time financial services and adapt to the fast-changing and growing sophistication of customers. These include the internet-based banking facilities – iAccess (individual/retail customers with 39.2 Million transactions; P6.8 Billion) and weAccess (institutional customers with 9.9 Million; P228.4 Billion), Mobile Banking Application or MBA (35.5 Million transactions; P11.7 Billion),

Phone Banking (1.1 Million transactions; P139.7 Million), and Digital On-Boarding System or DOBS which is a web-browser based system that conveniently facilitates digital account opening and reduces the opening process from 30-45 minutes to 10-15 minutes. This was successfully piloted in 18 selected branches in 2018.

The Bank provides the National Government with financial services such as the Electronic Modified Disbursement Scheme or eMDS that automated government transactions such as transmission of Advice of Checks Issued and Cancelled and transfer of fund allocation, among others (1.1 Million transactions; P837.8 Billion), and the e-Tax Payment System (eTPS) which is a paperless tax filing system facilitated through the Electronic Filing and Payment System (eFPS) of the BIR via debit of an enrolled bank account. The Link.BIZ.Portal is another e-payment facility that allows online payment of clients from both private and government institutions. In 2018, total transactions reached 1.08 Million valued at P2.76 Billion (from 593,000 in 2017; P1.04 Billion).

- *Financial Inclusion (FI) Caravan.* On its 3<sup>rd</sup> year, the Financial Inclusion Caravan has succeeded in bringing the Bank's products and services closer to the countryside. In support of the National Government's thrust through the advocacy of the BSP on financial inclusion, LANDBANK embarked on six FI Caravans and was able to reach out to 2,860 unbanked individuals in San Gabriel (La Union), Liliw (Laguna), Orani (Bataan), Jala-Jala (Rizal), Burauen (Leyte), and Tantaran (South Cotabato). The Bank conducted financial literacy and provided training modules on basics of financial products and services as well as practical tips on savings, livelihood and business opportunities. Pre-loaded ATM cards called "ATM Ipon Account" with "zero initial deposit", "no minimum maintaining balance" and "waived dormancy fees" features were given to the participants. Since its pilot runs in 2016 and 2017, the FI Caravans reached out to a total of over 7,000 unbanked and underserved Filipinos from 17 municipalities to help them integrate into the economic mainstream.
- *LGU Summit.* In 2018, the Bank engaged various LGUs in order to promote inclusive growth through the LGU Forum. This is designed to expand the Bank's reach and at the same time strengthen partnerships with 34 fourth to sixth class municipalities comprising Regions 1 and 2,

and the Cordillera Autonomous Region. The Forum was conducted through group discussions where the Bank was able to introduce its various lending programs as well as the LGUs development projects. More LGU Fora will be held after the elections in May 2019.

- 2. Intensified lending to the Bank's Priority Sectors.** The expansion of Loans to the Priority Sectors<sup>1</sup> remains as a core strategy and priority thrust of LANDBANK in sustaining its financial viability while fulfilling its social mandate. In 2018, the Bank's regular loans posted a record-high growth of 33% to P799.2 Billion compared with the P601.2 Billion in 2017. This is the highest year-on-year growth reported since 2009. This is accounted for by the significant growth in the Bank's Loans to the Priority Sectors which surged by 30% to P734.4 Billion as of December 2018 from P564.1 Billion as of December 2017, and comprised 92% of the Bank's total Loans to All Sectors at P798.8 Billion.

Of the total Loans to All Sectors amounting to P798.8 Billion, agribusiness loans registered hefty growth of 83% from P82.6 Billion to P151.2 Billion during the year. This brought the Bank's total support for agriculture and fisheries (including loans to aqua-business and loans for agri-aqua related projects of LGUs and GOCCs) to grow by 25% to P172.7 Billion. For the Bank's mandated sector - the small farmers including Agrarian Reform Beneficiaries and their associations and the small fishers - loans reached P49.3 Billion from P45.2 Billion last year or 9% growth. The Bank also sustained expansion of loans to the National Government's Priority Programs which increased by 35% from P380.7 Billion to P512.4 Billion. The sectors benefitted by the Bank's financing programs include microenterprises and SMEs with P135.5 Billion or 51% growth, tourism with P22.1 Billion (151% growth), communications with P44.7 Billion (43% growth), and healthcare with P19.2 Billion (35% growth). Other sectors that registered significant increases are education (P8.1 Billion; 33% growth), utilities (P133.7 Billion; 27% growth), transportation (P51.7 Billion; 33% growth), and socialized, low-cost and medium-cost housing (P59.0 Billion; 23% growth).

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<sup>1</sup> LANDBANK's Priority Sectors include small farmers including agrarian reform beneficiaries and their associations, small fishers and their associations, agri-business, aqua-business, agri-aqua related projects of LGUs and GOCCs, MSMEs, communications, transportation, housing (socialized, low- and medium cost), education, health care, environment-related projects, tourism, utilities and other national government priority programs including PPP projects.

LANDBANK remains as the biggest credit provider to small farmers and fishers as well as the biggest lender to LGUs and MSMEs among government financial institutions.

Anchored on the LANDBANK vision *“to promote inclusive growth and improve the quality of life especially in the countryside through the delivery of innovative financial and other services in all provinces, cities and municipalities”*, the Bank’s lending operations became more meaningful as these generated positive impact on the quality of life and economic condition of local communities in terms of employment generation and provision of other livelihood opportunities. The tangible benefits derived from these activities for 2018 are as follows:



**1,142,109 households connected w/ potable water**



**4,238,245,085 additional kilowatts of power produced**



**29 hospitals built/renovated with  
2,015 additional hospital beds**



**41 school buildings built/renovated with  
427 additional classrooms**



**398.39 additional kilometers of farm-to-market roads**

- 3. Financial Sustainability.** LANDBANK closed the year 2018 with an all-time high net income of P15.5 Billion manifesting its sustained profitability as the Bank continued to expand support to the its priority sectors especially the small farmers, fishers, cooperatives, agribusiness, MSMEs and LGUs. The Bank managed to improve on its net income by 10% from P14.1 Billion in 2017.

In terms of deposits, the Bank’s robust performance was reflected in the continued build-up of its deposit base which expanded by 16.9% to P1.66 Trillion in 2018 from P1.42 Trillion in 2017. As the primary depository bank of the National Government, the bulk of deposits or 73% (P1.2 Trillion) were sourced from the government sector while the remaining 23% came from



the private sector. The Bank's financial strength as measured by its capital increased to P131.6 Billion or 25.8% from P104.6 Billion in 2017. This is due to P5.3 Billion increase in paid-up capital from the closure of the National Livelihood Development Corporation (NLDC) and higher retained earnings from the record net income. Likewise, ROE which stood at 13.1% remained significantly higher than the industry at 9.3% (as of September 2018).

Overall, LANDBANK retained its solid financial standing in the Philippine banking industry as one of the top five commercial banks in 2018. The Bank (Head Office and Branches only) ranked number 2 in deposits (P1.66 Trillion; 11.5% share to total UKB industry), number 3 in assets (P1.88 Trillion; 12.2% share) and number 4 in Loans (P803.3 Billion; 9.3% share) and Capital (P131.6 Billion; 6.5% share).

#### 4. Awards and Recognitions

In 2018, LANDBANK continued to reap more recognition from various award-giving bodies for its innovative programs and products, corporate social responsibility programs and quality management initiatives, to wit:

- **OUTSTANDING DEVELOPMENT PROJECT** for the “LANDBANK Financial Inclusion Caravan” project under the Financial Inclusion category conferred by the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) during its 41<sup>st</sup> Annual Meeting last February 2018 in New Delhi, India
- **SILVER ANVIL AWARD** under the Specialized Public Relations Programs – Advocacy Campaign Category for LANDBANK's Financial Inclusion Caravan at the 53<sup>rd</sup> Anvil Awards last April 2018 in Taguig City
- **OpenGov RECOGNITION OF EXCELLENCE 2018** for the establishment of the LANDBANK Inclusive Banking Center at the Land Transportation Franchising and Regulatory Board (LTFRB) head office in Quezon City
- **CERTIFICATE OF MERIT** from Global Sustainable Finance Network in recognition of the Bank's “Sikat Saka” program under the Outstanding Sustainable Project Financing category of the Karlsruhe Sustainable Finance Awards 2018

- **AWARDS OF EXCELLENCE** for the LANDBANK VOLUNTEERific Program and LANDBANK Financial Inclusion Caravan and **MERIT AWARD** for the LANDBANK 2017 Wall and Desk Calendars at the Philippine Quill Awards in 2018 conferred by the International Association of Business Communications (IABC) last July 2018 in Manila
- **OUTSTANDING CSF LENDING BANK** and **OUTSTANDING CSF PROGRAM PARTNER** from the Bangko Sentral ng Pilipinas during the 15<sup>th</sup> Awards Ceremony and Appreciation Lunch for BSP Stakeholders.
- **ENVIRONMENTAL IMPACT AWARD** of the 2018 Ang Susi Awards for the LANDBANK Ecobrick Program conferred by the Philippine Council of Associations and Association Executives
- **PHILIPPINE QUALITY AWARD** for Proficiency in Quality Management (Level 2) through the Program Administrator, the Department of Trade and Industry-Competitiveness Bureau
- **NATIONAL OUTSTANDING VOLUNTEER AWARD** in the Organization – Corporate category conferred by the Philippine National Volunteer Service Coordination Agency
- **RECOGNITION** given by the Department of Environment and Natural Resources (DENR) for the LANDBANK Gawad Sibol Program (GSP) as one of the most important partners in sustainable development and environmental preservation in its Recognition of Partners on the Sustainable Efforts on the Protection of the Environment Program