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

ANNUAL AUDIT REPORT

on the

LAND BANK OF THE PHILIPPINES

For the years ended December 31, 2023 and 2022

EXECUTIVE SUMMARY

INTRODUCTION

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

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

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

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

The Parent and its subsidiaries (Group) are engaged in the business of banking, financing, leasing, real estate, insurance brokering and other related services to personal, commercial, corporate and institutional clients. The Group's products and services include deposit-taking, lending and related services, treasury and capital market operations, trade services, payments and cash management, and trust services.

On 25 June 2021, President Rodrigo R. Duterte signed Executive Order No. 142 entitled, "Approving the Merger of the Land Bank of the Philippines (LBP) and the United Coconut Planters Bank (UCPB), and the Acquisition by the LBP of the Special Preferred Shares of the Philippine Deposit Insurance Corporation (PDIC) in the UCPB."

On 24 September 2021, the Parent acquired 12 Billion Special Preferred Shares of UCPB held by the PDIC by issuing a 20-year Certificate of Indebtedness (COI) with face value and fair value of at the time of acquisition amounting to P12 Billion and P4,038,227,868.42, respectively. The issuance of the COI represented 88.91 per cent of the total voting rights in UCPB.

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

The Parent has a total manpower of 12,285 consisting of 1,600 officers and 10,685 operating staff as of December 31, 2023, deployed as follows:

	Officers	Staff	Total
Head Office	1,002	7,868	8,870
Branches/Field Units	598	2,817	3,415
	1,600	10,685	12,285

SCOPE AND OBJECTIVES OF AUDIT

The audit covered the examination, on a test basis, of the accounts, financial transactions and operations of the Group and the Parent for the period January 1 to December 31, 2023 in accordance with the International Standards of Supreme Audit Institutions to enable us to express an opinion on the fairness of presentation of the Parent's financial statements (FS) and the Group's FS for the years ended December 31, 2023 and 2022. Also, we conducted our audit to assess compliance with pertinent laws, rules and regulations, as well as adherence to prescribed policies and procedures.

FINANCIAL HIGHLIGHTS

(In thousand pesos)

I. Financial Position

	Group			Parent		
	2023	2022 As Restated	Increase	2023	2022 As Restated	Increase
Assets	3,301,493,797	3,159,241,563	142,252,234	3,278,810,951	3,137,826,839	140,984,113
Liabilities	3,019,584,728	2,935,421,459	84,163,269	3,000,656,092	2,917,669,451	82,986,641
Equity	281,909,070	223,820,105	58,088,965	278,154,859	220,157,388	57,997,471

II. Results of Operations

	Group			Parent		
	2023	2022 As Restated	Increase/ (Decrease)	2023	2022 As Restated	Increase/ (Decrease)
Income	138,514,348	115,843,689	22,670,659	135,312,570	115,961,533	19,351,038
Personal Services	22,403,745	19,464,173	2,939,572	21,149,541	18,728,610	2,420,931
MOOE	31,483,867	34,231,461	(2,747,594)	30,292,847	32,390,659	(2,097,812)
Financial Expenses	42,551,272	35,814,987	6,736,285	42,172,366	35,537,579	6,634,787
Net Income	42,075,464	26,333,068	15,742,395	41,697,816	29,304,685	12,393,131
Other Comprehensive Income	14,237,455	(18,646,221)	32,883,676	14,248,605	(19,162,751)	33,411,356
Total Comprehensive Income	56,312,918	7,686,847	48,626,071	55,946,421	10,141,934	45,804,487

III. Budget and Utilization

Parent	Budget 2023	Budget 2022	Utilization 2023	Utilization 2022
Personnel Services	23,087,208	22,915,596	19,845,911	19,228,296
Maintenance and Other Operating Expenses	37,677,672	30,615,485	31,524,643	27,331,972
Financial Expenses	16,582,000	13,767,000	34,527,504	15,507,004
Capital Outlay	7,584,169	10,155,184	2,461,717	7,286,020
	84,931,049	**77,453,265**	**88,359,775**	**69,353,292**

AUDITOR'S OPINION

The Auditor rendered an unmodified opinion on the fairness of presentation of the LANDBANK and its subsidiaries (Group) and of LANDBANK financial statements for the years ended December 31, 2023 and 2022.

SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

1. The balance of Loans and Receivables account transferred from UCPB to LANDBANK, with a carrying amount of P45.154 billion as at December 31, 2023, includes 10,348 borrowers' accounts totaling P9.900 billion not supported with Promissory Notes and other relevant documents/information that would establish existence and completeness of loan accounts, contrary to Paragraph 2.12 of the 2018 Conceptual Framework for Financial Reporting, thus, affecting the faithful representation of the balance of Loans and Receivables account as at December 31, 2023.

We recommended that Management undertake all remedies to support the balances of the 10,348 borrowers' accounts transferred from UCBP to LANDBANK, totaling P9.900 billion as at December 31, 2023, with complete and relevant documents/information to establish faithful representation of the balance of Loans and Receivables account.

2. Intragroup accounts totaling P112.843 million were not fully eliminated in the consolidated financial statements as at December 31, 2023, due to incomplete reconciliation and unresolved discrepancies in the balances of intragroup accounts, and differences in the accounting policies applied by the LANDBANK and its subsidiaries for like transactions, contrary to paragraph B86 of the Philippine Financial Reporting Standards (PFRS) 10, thus, affecting the faithful representation of the balances of affected accounts in the consolidated financial statements as at December 31, 2023.

We recommended and Management agreed that:

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

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

c. Consider inclusion in the guidelines the uniform accounting policies to be applied by LANDBANK and its subsidiaries.

3. Sundry Debits and Sundry Credits of LANDBANK Branches totaling P77.678 million and P12.834 million, respectively, as at December 31, 2023, were not cleared or reversed to the proper accounts within the reglementary period of five banking days, contrary to LANDBANK Executive Order (EO) No. 039, series of 2019, thus, faithful representation of the balances of affected accounts in the financial statements as of and for the period ending December 31, 2023 was not established.

We recommended and Management agreed to require the:

a. Branches to complete the verification and clearing of all Sundry Debits and Sundry Credits as of December 31, 2023 and submit to the Accounting Units the necessary documents for their reversal;

b. Accounting Units to reverse sundry accounts as of December 31, 2023, verified and cleared by the Branches; and

c. Branch Banking Support Units to monitor transactions booked as Sundry Debits and Sundry Credits to ensure timely reversal and adjustments in accordance with paragraphs C.4 and C.7 of the general guidelines of LANDBANK Executive Order No. 039, series of 2019.

4. The Automated Tellering Machine (ATM) / Cash Deposit Machine (CDM) shortages and overages amounting to P35.597 million and P41.580 million, respectively, remained unresolved for more than three banking days to over 360 days as at December 31, 2023, contrary to LANDBANK Executive Order (EO) No. 58 series of 2020.

We recommended and Management agreed that the Branch Heads:

a. Coordinate with their respective Accounting Centers, and resolve Overages and Shortages as of December 31, 2023;

b. Conduct independent review of the recorded ATM overages and shortages to (a) determine frequency; (b) determine if booking/reversal are in accordance with the guidelines; (c) establish unusual pattern, (d) reshuffle personnel; and (e) request investigation, if necessary, in accordance with LANDBANK EO No. 58, Series of 2020; and

c. Comply with the resolution of all ATM/CDM overages and shortages within three banking days from retrieval date, in accordance with LANDBANK EO No. 58, Series of 2020.

5. Accounts Receivable totaling P32.949 million as at December 31, 2023, representing indemnification sought by LANDBANK against a service provider for breaches, resulting in numerous invalid transactions via LANDBANKPay, remained not

collected, contrary to LANDBANK Administrative Order No. 018, Series of 2019 and Section 2 of Presidential Decree (PD) No. 1445 on safeguarding of assets against losses.

We recommended and Management agreed to execute all remedies available to the LANDBANK to recover the Accounts Receivable amounting to P32.949 million from the service provider.

STATUS OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

The total audit suspensions and disallowances as at December 31, 2023 was P2.850 billion, broken down as follows:

Parent	Suspensions	Disallowances	Total
Head Office	0	2,813,197,815.27	2,813,197,815.27
Regional Offices/Branches	23,894,411.77	13,246,978.96	37,141,390.73
	23,894,411.77	**2,826,444,794.23**	**2,850,339,206.00**

There were no audit charges as at December 31, 2023.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Out of the 46 audit recommendations embodied in the prior years' Annual Audit Report, 34 were implemented and 12 were not implemented of which five are reiterated in Part II of this report and seven were closed.

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PART I - AUDITED FINANCIAL STATEMENTS

REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Corporate Government Audit Sector
Cluster I – Banking and Credit

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Land Bank of the Philippines
Manila City

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of the Land Bank of the Philippines and its subsidiaries (the Group), and of Land Bank of the Philippines (the Parent), which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Group and of the Parent as at December 31, 2023 and 2022, and their financial performance and their cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group and of the Parent Bank in accordance with the Revised Code of Conduct and Ethical Standards for Commission on Audit Officials and Employees (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 2.1 to the financial statements, which states that the financial statements have been prepared in accordance with the PFRSs/Philippine Accounting Standards (PAS), except for the specific provision of PFRS 9 on recognition of modification gain/loss in profit or loss when modification does not result in the derecognition of a financial asset, in adherence with the Bangko Sentral ng Pilipinas (BSP) Financial Reporting Package. The impact on the financial statements of the Parent's approach to amortize rather than recognize outright gain or loss is discussed in Note 2.5.1a. Our opinion is not modified in respect of this matter.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Bank's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Bank to cease to continue as a going concern.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under the Revenue Regulations No. 15-2010 in Note 27 and BSP Circular No. 1074 in Note 39 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and the BSP, respectively, and is not a required part of the basic financial statements. Such supplementary information is the responsibility of the Parent and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT

MARIE FRANCES HAZEL S. ACEBEDO
Supervising Auditor

June 28, 2024

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Land Bank of the Philippines and Subsidiaries (the Group)** and the **Land Bank of the Philippines (the Parent)** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2023 and 2022 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

RALPH G. RECTO
Chairman of the Board

MA. LYNETTE V. ORTIZ
President and Chief Executive Officer

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

Signed this ______ day of ______________ 2024

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BAGONG PILIPINAS

LAND BANK OF THE PHILIPPINES
STATEMENTS OF FINANCIAL POSITION
December 31, 2023 and 2022
(In Philippine Peso)

	NOTE	GROUP		PARENT	
		2023	2022 As Restated	2023	2022 As Restated
ASSETS					
Cash and other cash items	6	49,021,210,950	51,093,909,679	48,115,983,089	50,440,553,932
Due from Bangko Sentral ng Pilipinas	7	411,367,040,708	568,924,698,774	409,447,208,215	566,640,049,889
Due from other banks	8	7,738,260,460	18,608,577,727	9,562,385,261	20,501,057,254
Interbank loans receivable	9	23,441,446,813	14,674,497,972	23,441,446,813	14,674,497,972
Securities purchased under agreements to resell	10	250,322,322,646	29,199,764,104	249,736,154,774	28,747,260,221
Fair value thru profit or loss	11	20,656,974,270	19,069,167,492	20,457,050,174	18,924,595,398
Fair value thru other comprehensive income	12	479,034,781,224	442,211,398,690	477,448,302,967	441,449,432,840
Hold to collect - net	13	764,892,685,505	848,862,188,560	761,729,696,422	845,562,971,634
Loans and receivables - net	14 & 21	1,179,434,486,013	1,104,484,511,820	1,161,240,746,144	1,086,589,291,047
Investments in subsidiaries	15	0	0	5,654,367,708	5,654,367,708
Investment property - net	16	14,212,036,694	13,708,019,525	13,046,580,412	12,537,068,242
Property and equipment - net	17	11,379,341,237	10,711,794,544	10,466,497,954	10,105,321,811
Right-Of-Use Assets	18	2,941,545,933	3,452,684,007	2,261,330,481	2,779,552,148
Non-current assets held for sale		944,813,733	938,382,076	930,784,098	915,525,537
Other intangible assets - net	19	1,476,973,551	1,992,566,249	1,409,317,016	1,927,797,415
Other assets - net	20	67,113,654,272	17,678,369,828	67,308,283,645	17,623,076,032
Deferred income tax	26	17,516,223,159	13,631,032,309	16,554,816,270	12,754,419,707
TOTAL ASSETS		**3,301,493,797,168**	**3,159,241,563,356**	**3,278,810,951,443**	**3,137,826,838,787**
LIABILITIES AND EQUITY					
Liabilities					
Deposit liabilities	22	2,896,748,397,914	2,767,321,049,139	2,882,399,391,632	2,753,618,779,979
Bills payable	23	15,829,033,783	33,488,882,866	13,614,450,450	31,593,982,866
Bonds payable	24	4,672,721,488	4,543,923,875	4,672,721,488	4,543,923,875
Derivative liabilities		11,936,320	8,570,935	11,936,320	8,570,935
Finance Lease Payment Payable	18	3,008,996,482	3,570,025,965	2,676,326,982	3,300,342,892
Treasurer's, Manager's and Cashier's checks		2,668,403,475	3,669,797,857	2,614,624,377	3,617,829,923
Payment order payable		99,096,244	280,519,967	99,096,244	280,519,967
Marginal deposits		765,690,633	177,973,762	765,690,633	177,973,762
Cash letters of credit		20,540,019,166	18,192,335,451	20,540,019,166	18,192,335,451
Other liabilities	25	75,240,432,068	104,168,378,800	73,261,834,677	102,335,191,105
Total Liabilities		**3,019,584,727,573**	**2,935,421,458,617**	**3,000,656,091,969**	**2,917,669,450,755**
Equity	34				
Common stock		163,787,711,308	163,787,711,308	163,787,711,308	163,787,711,308
Paid-in surplus		101,098,220	101,098,220	101,098,220	101,098,220
Retained earnings free		58,188,683,026	29,947,894,645	56,780,824,653	25,425,089,320
Retained earnings reserve		15,351,295,444	15,483,642,214	13,541,374,740	13,541,374,740
Undivided profits		42,074,646,450	26,332,148,035	41,697,815,954	29,304,684,759
Revaluation increment		61,200,000	61,200,000	0	0
Other Comprehensive Income					
Net unrealized gains on securities available for sale		2,305,896,446	(12,175,686,352)	2,237,276,268	(12,240,086,455)
Remeasurement of retirement benefit obligation		(38,918,257)	(14,992,553)	0	0
Translation Difference and Others		11,030,705	237,733,085	8,758,331	237,516,140
Others		6,500,000			
Minority Interest		59,926,253	59,356,137	0	
Total Equity		**281,909,069,595**	**223,820,104,739**	**278,154,859,474**	**220,157,388,032**
TOTAL LIABILITIES AND EQUITY		**3,301,493,797,168**	**3,159,241,563,356**	**3,278,810,951,443**	**3,137,826,838,787**

The Notes on pages 11 to 109 form part of these financial statements.

LAND BANK OF THE PHILIPPINES
STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2023 and 2022
(In Philippine Peso)

	NOTE	GROUP 2023	GROUP 2022 As Restated	PARENT 2023	PARENT 2022 As Restated
INTEREST INCOME					
Loans		76,202,803,047	51,642,282,701	74,947,148,058	50,509,917,546
Investments	36(a)	44,024,864,302	39,070,866,036	43,821,401,428	38,941,341,949
Due from Bangko Sentral ng Pilipinas		5,020,206,992	2,840,780,038	4,945,755,318	2,763,129,865
Deposit in banks		240,068,331	59,069,882	293,076,877	75,274,540
Others		312,013,680	331,987,669	139,492,957	173,428,441
		125,799,956,352	93,944,986,326	124,146,874,638	92,463,092,341
INTEREST EXPENSE					
Deposit liabilities		32,965,773,110	13,588,808,848	32,739,615,027	13,461,189,046
Borrowed funds		1,084,796,561	1,098,095,454	949,545,327	1,027,101,193
Bonds payable		679,313,029	754,506,176	679,313,029	754,506,176
Finance Lease Payment Payable		61,293,237	69,151,629	177,438,022	199,404,154
Others		0	56,787,510	0	56,787,510
		34,791,175,937	15,567,349,617	34,545,911,405	15,498,988,079
NET INTEREST INCOME		91,008,780,415	78,377,636,709	89,600,963,233	76,964,104,262
PROVISION FOR CREDIT AND IMPAIRMENT LOSSES	14 & 21	7,760,095,965	20,247,636,893	7,626,454,679	20,038,590,514
NET INTEREST INCOME AFTER PROVISION FOR CREDIT AND IMPAIRMENT LOSSES		83,248,684,450	58,129,999,816	81,974,508,554	56,925,513,748
OTHER OPERATING INCOME					
Dividends		1,112,340,311	1,064,512,946	1,103,857,293	1,054,950,998
Fees and commission		4,471,923,734	4,219,972,611	3,961,665,576	3,581,723,151
Foreign exchange gains from revaluation		250,332,851	3,253,600,885	250,332,855	3,253,601,208
Gain from dealings in foreign currency		703,592,766	764,555,867	703,592,766	764,555,867
Gain from sale/redemption/reclass of non-trading of FA and Liab	36(b)	606,869	43,922,381	0	43,380,681
Gain on financial assets at fair value thru profit or loss	36(c)	1,322,380,256	0	1,318,736,329	0
Gain on financial assets & liabilities designated at FV thru P/L	36(d)	26,992,658	0	26,899,333	0
Miscellaneous income	35	4,826,222,411	12,552,138,023	3,800,611,624	14,800,228,296
		12,714,391,856	21,898,702,713	11,165,695,776	23,498,440,201
OTHER OPERATING EXPENSES					
Compensation and fringe benefits		22,403,745,265	19,464,173,291	21,149,541,332	18,728,610,307
Taxes and licenses		8,653,783,187	7,548,801,825	8,487,658,809	7,381,789,022
Loss on financial assets at fair value thru profit or loss	36(c)	0	3,223,633,191	0	3,218,508,804
Loss on financial assets & liabilities designated at FV thru P/L	36(d)	55,400	31,562,951	0	31,562,951
Depreciation and amortization		3,780,914,495	3,739,787,881	3,636,463,915	3,557,021,459
Rent		378,163,511	1,211,590,245	466,261,910	1,217,474,407
Miscellaneous expenses	37	19,972,597,961	20,915,147,904	19,101,330,290	19,557,028,877
		55,189,259,819	56,134,697,288	52,841,256,256	53,691,995,827
INCOME BEFORE INCOME TAX		40,773,816,487	23,894,005,241	40,298,948,074	26,731,958,122
PROVISION FOR INCOME TAX	26	2,525,072,168	721,720,448	2,400,591,183	573,935,462
INCOME TAX BENEFIT	26	(3,826,719,401)	(3,160,783,429)	(3,799,459,063)	(3,146,662,099)
NET INCOME		42,075,463,720	26,333,068,222	41,697,815,954	29,304,684,759
Attributable to:					
Equity of the Parent Bank		42,074,646,450	26,332,148,035		
Non Controlling Interests		817,270	920,187		
		42,075,463,720	26,333,068,222		
NET INCOME		42,075,463,720	26,333,068,222	41,697,815,954	29,304,684,759
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	34				
Items that may not be reclassified to Profit or Loss:					
Change in net unrealized gain/(loss) on equity securities at FVOCI		4,370,559,498	(1,156,101,820)	4,377,016,209	(1,174,821,969)
Remeasurement of retirement benefit obligation		(23,925,704)	(5,434,799)		
Translation adjustment and Others		(226,702,380)	137,815,535	(228,757,809)	136,365,978
Others		6,500,000			
		4,126,431,414	(1,023,721,084)	4,148,258,400	(1,038,455,991)
Items that may be reclassified to Profit or Loss:					
Change in net unrealized gain/(loss) on debt securities at FVOCI		10,111,023,299	(17,622,500,061)	10,100,346,513	(18,124,294,665)
		10,111,023,299	(17,622,500,061)	10,100,346,513	(18,124,294,665)
		14,237,454,713	(18,646,221,145)	14,248,604,913	(19,162,750,656)
Attributable to:					
Equity of the Parent Bank		14,238,022,755	(18,645,900,256)		
Non Controlling Interests		(568,042)	(320,889)		
		14,237,454,713	(18,646,221,145)		
TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR		56,312,918,433	7,686,847,077	55,946,420,867	10,141,934,103

The Notes on pages 11 to 109 form part of these financial statements.

LAND BANK OF THE PHILIPPINES STATEMENTS OF CHANGES IN EQUITY - GROUP
For the years ended December 31, 2023 and 2022
(In Philippine Peso)

	Common Stock (Note 34) Shares	Common Stock (Note 34) Amount	Paid-In Surplus	Retained Earnings Free	Retained Earnings Reserve (Note 34)	Undivided Profits	Revaluation Increment	Other Comprehensive Income (Loss) (Note 34)	Minority Interest	TOTAL
Balance, December 31, 2021, as restated	537,907,777	53,790,777,708	101,098,220	49,796,368,195	85,839,433,625	37,389,098,417	61,200,000	6,693,275,325	2,000,426,471	235,671,677,961
Prior Period Adjustments				(2,601)						(2,601)
Balance, December 31, 2021, as restated	537,907,777	53,790,777,708	101,098,220	49,796,365,594	85,839,433,625	37,389,098,417	61,200,000	6,693,275,325	2,000,426,471	235,671,675,360
Beg. Balance UCPB Subsidiaries				1,730,556,651	377,924,421					2,108,481,072
Net income during the year						26,332,148,035				26,332,148,035
Net unrealized gain/(loss) on securities								(18,258,008,895)		(18,258,008,895)
Transfer to retained earnings free				37,389,098,417		(37,389,098,417)				0
Closure of Minority Interest in UCPB									(2,000,426,471)	(2,000,426,471)
Minority Interest in UCPB Savings Bank									59,356,137	59,356,137
Transfer to retained earnings reserve				(93,363,438)	93,363,438					0
Conversion of Unrestricted RE to Paid-up Capital of the Nat'l Gov't. as appvd by the Office of the President per memo dtd. 02.14.22	428,169,336	42,816,933,600		(42,816,933,600)						0
Transfer of RE-Reserve to RE-Free per Bd. Res. No. 22-165				67,180,000,000	(67,180,000,000)					0
Conversion of Unrestricted RE to Paid-up Capital of the Nat'l Gov't. per LBP Bd. Res. 22-165 dtd 03.09.22	671,800,000	67,180,000,000		(67,180,000,000)						0
Write off of investment accounts booked under FVOCI				(9,688,522)				9,688,522		0
Reversal of depreciation expense on ROPA per Bd. Res. 2022-351				(1,160,908,020)						(1,160,908,020)
Fx currency translation for the accrual of ERP payments				135,353,624				(135,353,624)		0
Gain on sale of Equity Investment				394,927,884				(394,927,884)		0
Revised capitalization threshold for Bank Premises, Furnitures, Fixtures & Equipment per Bd. Res 22-924				(481,394,774)						(481,394,774)
Payment of dividends to the National Government				(8,629,651,170)						(8,629,651,170)
BIR Audit Tax Deficiency				(1,332,434)						(1,332,434)
Re-appropriation of RE Reserve-General Provision to Retained earnings-Free				4,986,855,520	(4,986,855,520)					0
Transfer from UCPB Reserve General Provision					1,339,776,250					1,339,776,250
Reclassification of Gain on UCPB merger				(9,976,940,476)						(9,976,940,476)
Currency translation difference and others				(1,921,221,351)				137,815,535		(1,783,405,816)
Prior period adjustments				776,343,562						776,343,562
Remeasurement of retirement benefit obligation								(5,434,799)		(5,434,799)
Balance, December 31, 2022	1,637,877,113	163,787,711,308	101,098,220	30,118,067,467	15,483,642,214	26,332,148,035	61,200,000	(11,952,945,820)	59,356,137	223,990,277,561
Prior Period Adjustments				(170,172,822)						(170,172,822)
Balance December 31, 2022, as Restated	1,637,877,113	163,787,711,308	101,098,220	29,947,894,645	15,483,642,214	26,332,148,035	61,200,000	(11,952,945,820)	59,356,137	223,820,104,739
Net income for CY 2023						42,074,646,450			570,116	42,075,216,566
Transfer of 2022 net income to retained earnings-free				26,332,148,035		(26,332,148,035)				0
Payment of Dividend				(244,281,641)						(244,281,641)
Transferred from Retained Earnings Reserve				132,414,436	(132,346,770)					67,666
Revised capitalization threshold for Bank Premises, Furnitures, Fixtures & Equipment per Bd. Res 22-924				(41,759,183)						(41,759,183)
Fx currency translation for the accrual of ERP payments				95,387,884				(95,387,884)		0
Gain on sale of Equity Investment per BSP Cir. 708 s. 2011				28,390,437				(28,390,437)		0
Prior Period Adjustments on Accounting for Leases of former UCPB Branches per Bd Res. 23-352				(3,969,096)						(3,969,096)
Prior period adjustments on recomputation of former UCPB Leases as required by PFRS 3 per Bd. Res 23-745				(260,253,019)						(260,253,019)
Net unrealized gain/(loss) on securities								14,611,861,118		14,611,861,118
Miscellaneous Liability transferred from former UCPB various legal cases				31,587,187						31,587,187
Remeasurement of retirement benefit obligation								(23,925,704)		(23,925,704)
Prior Period Adjustments				2,096,593,438						2,096,593,438
Currency translation difference				74,529,903				(226,702,379)		(152,172,476)
Balance, December 31, 2023	1,637,877,113	163,787,711,308	101,098,220	58,188,683,026	15,351,295,444	42,074,646,450	61,200,000	2,284,508,894	59,926,253	281,909,069,595

The Notes on pages 11 to 109 form part of these financial statements.

LAND BANK OF THE PHILIPPINES STATEMENTS OF CHANGES IN EQUITY - PARENT
For the years ended December 31, 2023 and 2022
(In Philippine Peso)

	Common Stock (Note 34) Shares	Common Stock (Note 34) Amount	Paid-in Surplus	Retained Earnings Free	Retained Earnings Reserve (Note 34)	Undivided Profits	Other Comprehensive Income (Loss) (Note 34)	TOTAL
Balance, December 31, 2021, as restated	**537,907,777**	**53,790,777,708**	**101,098,220**	**48,365,915,835**	**84,368,454,010**	**24,956,754,124**	**7,160,180,341**	**218,743,180,238**
Net income for CY 2022						29,304,684,759		29,304,684,759
Transfer of 2021 net income to retained earnings-free				24,956,754,124		(24,956,754,124)		0
Net unrealized gain/(loss) on securities							(18,778,523,648)	(18,778,523,648)
Conversion of Unrestricted RE to Paid-up Capital of the Nat'l Gov't. as appvd by the Office of the President per memo dtd. 02.14.22	428,169,336	42,816,933,600		(42,816,933,600)				0
Transfer of RE-Reserve to RE-Free per Bd. Res. No. 22-165				67,180,000,000	(67,180,000,000)			0
Conversion of Unrestricted RE to Paid-up Capital of the Nat'l Gov't. per LBP Bd. Res. 22-165 dtd 03.09.22	671,800,000	67,180,000,000		(67,180,000,000)				0
Transfer from UCPB Reserve General Provision					1,339,776,250			1,339,776,250
Write off of investment accounts booked under FVOCI				(9,688,522)			9,688,522	0
Reversal of depreciation expense on ROPA per Bd. Res. 2022-351				(1,160,908,020)				(1,160,908,020)
Payment of dividends to the National Government per Bd. Res. 22-376				(8,449,273,026)				(8,449,273,026)
Fx currency translation for the accrual of ERP payments				135,353,624			(135,353,624)	0
Gain on sale of Equity Investment				394,927,884			(394,927,884)	0
Revised capitalization threshold for Bank Premises, Furnitures, Fixtures & Equipment per Bd. Res 22-924				(481,394,774)				(481,394,774)
Re-appropriation of RE Reserve-General Provision to RE-Free				4,986,855,520	(4,986,855,520)			0
Reclassification of gain on UCPB merger				(1,339,776,250)				(1,339,776,250)
Prior Period Adjustments				774,355,174				774,355,174
Currency translation difference				68,901,351			136,365,978	205,267,329
Balance, December 31, 2022	**1,637,877,113**	**163,787,711,308**	**101,098,220**	**25,425,089,320**	**13,541,374,740**	**29,304,684,759**	**(12,002,570,315)**	**220,157,388,032**
Net income for CY 2023						41,697,815,954		41,697,815,954
Transfer of 2022 net income to retained earnings-free				29,304,684,759		(29,304,684,759)		0
Revised capitalization threshold for Bank Premises, Furnitures, Fixtures & Equipment per Bd. Res 22-924				(41,759,183)				(41,759,183)
Fx currency translation for the accrual of ERP payments				95,387,884			(95,387,884)	0
Gain on sale of Equity Investment per BSP Cir. 708 s. 2011				28,390,437			(28,390,437)	0
Prior Period Adjustments on Accounting for Leases of former UCPB Branches per Bd Res. 23-352				(3,969,096)				(3,969,096)
Prior period adjustments on recomputation of former UCPB Leases as required by PFRS 3 per Bd. Res 23-745				(260,253,019)				(260,253,019)
Net unrealized gain/(loss) on securities							14,601,141,043	14,601,141,043
Management Fee on various program				350,473,307				350,473,307
Miscellaneous Liability transferred from former UCPB various legal cases				31,587,187				31,587,187
Prior Period Adjustments				1,768,251,802				1,768,251,802
Currency translation difference				82,941,255			(228,757,808)	(145,816,553)
Balance, December 31, 2023	**1,637,877,113**	**163,787,711,308**	**101,098,220**	**56,780,824,653**	**13,541,374,740**	**41,697,815,954**	**2,246,034,599**	**278,154,859,474**

The Notes on pages 11 to 109 form part of these financial statements.

LAND BANK OF THE PHILIPPINES
STATEMENT OF CASH FLOWS
For the year ended December 31, 2023
(In Philippine Peso)

	Group		Parent	
	2023	**2022 As restated**	**2023**	**2022 As restated**
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	122,941,320,822	93,383,358,321	121,308,501,637	88,827,721,530
Interest paid	(32,560,038,609)	(14,525,136,329)	(32,367,079,821)	(14,373,023,138)
Fees and commission	4,471,923,734	4,219,972,611	3,961,665,576	3,581,723,151
Gains on Financial Assets & Liab - Fair Value Through Profit or Loss	1,322,380,256	(3,223,633,191)	1,318,736,329	(3,218,508,804)
Gains on Financial Assets & Liabilities Designated at FV Thru P/L	26,937,258	(31,562,951)	26,899,333	(31,562,951)
Gain from dealings in foreign currency	703,592,766	764,555,867	703,592,766	764,555,867
Miscellaneous Income	4,826,222,411	12,552,138,023	3,800,611,624	14,800,228,296
General and administrative expenses	(47,005,454,023)	(46,786,943,472)	(45,037,378,412)	(43,328,022,046)
Operating income/(loss) before changes in operating assets and liabilities	**54,726,884,615**	**46,352,748,879**	**53,715,549,032**	**47,023,111,905**
Changes in operating assets and liabilities				
(Increase) Decrease in operating assets	(8,757,986,625)	(3,188,748,375)	(8,757,986,625)	(3,188,748,375)
Interbank Loans Receivable	(1,524,376,094)	13,014,658,348	(1,469,210,759)	12,465,077,133
Fair Value Through Profit or Loss	(80,160,822,003)	(98,087,821,370)	(79,747,785,576)	(240,467,116,544)
Loans and Receivable	510,241,775	0	518,221,667	0
Other Intangible Assets	(211,709,149)	(654,795,893)	(199,869,200)	(1,131,262,058)
Other Assets	(49,451,908,443)	(9,234,120,742)	(49,698,882,457)	(10,756,795,268)
Deferred Income Tax	(3,885,190,850)	(3,936,268,607)	(3,800,396,563)	(6,182,471,982)
Increase (Decrease) in operating liabilities				
Deposit liabilities	129,427,348,775	199,365,570,659	128,780,611,653	485,198,401,250
Derivative Liabilities	3,365,385	(341,064,862)	3,365,385	(340,514,897)
Payment Order Payable	(181,423,723)	19,940,839	(181,423,723)	19,940,839
Marginal Deposits	587,716,871	(335,719,096)	587,716,871	(272,630,615)
Cash Letters of Credit	2,347,683,715	3,971,446,003	2,347,683,715	13,863,000,583
Treasurer's, Manager's & Cashier's Checks	(1,001,394,382)	312,093,443	(1,003,205,546)	1,226,128,213
Other liabilities	(37,909,938,810)	27,437,948,323	(37,729,440,232)	35,225,527,315
Net cash generated from (used in) operations	**4,518,491,057**	**174,695,867,549**	**3,364,947,642**	**332,681,647,499**
Income taxes paid	(86,300,427)	(73,297,376)	0	0
Net cash generated from (used in) operating activities	**4,432,190,630**	**174,622,570,173**	**3,364,947,642**	**332,681,647,499**
CASH FLOWS FROM INVESTING ACTIVITIES				
(Additions to)/Disposals of property and equipment	(2,694,626,272)	(4,326,923,331)	(2,362,814,106)	(5,383,759,680)
(Additions to)/Disposals of investment property	(1,543,750,043)	(4,308,536,663)	(1,440,084,627)	(5,555,485,549)
(Additions to)/Disposal of Non-Current Assets Held for Sale	(6,431,657)	4,281,362,986	(15,258,561)	(393,274,582)
Dividends received	1,112,340,311	1,064,512,946	1,103,857,293	1,054,950,998
Gain from investment securities	606,869	43,922,381	0	43,380,681
Decrease (increase) in:				
Fair Value Through Other Comprehensive Income	(22,331,342,539)	155,154,156,039	(21,514,962,429)	114,879,186,185
Hold to Collect	84,226,760,436	(220,960,664,793)	84,090,543,753	(242,373,997,809)
Investment in Subsidiaries	0	0	0	(317,299,617)
Investment in associates	0	121,775,654	0	0
Net cash generated from/(used in) investing activities	**58,763,557,105**	**(68,930,394,781)**	**59,861,281,323**	**(138,046,299,373)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash dividends paid	(240,728,096)	(8,629,651,170)	0	(8,449,273,026)
Capital infusion from National Government	0	109,996,933,600	0	109,996,933,600
Other charges to capital	5,599,365,835	(117,612,538,564)	5,621,751,828	(106,992,358,806)
Increase (decrease) in:				
Bills and acceptances payable	(17,750,601,975)	7,691,965,986	(18,070,285,308)	7,813,822,311
Bonds payable	128,797,613	(4,510,382,779)	128,797,613	(4,510,382,779)
Finance lease payment payable	(561,029,483)	0	(624,015,910)	0
Net cash generated from/ (used in) financing activities	**(12,824,196,106)**	**(13,063,672,927)**	**(12,943,751,777)**	**(2,141,258,700)**
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	250,332,851	3,253,600,885	250,332,855	3,253,601,208
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**50,621,884,480**	**95,882,103,350**	**50,532,810,043**	**195,747,690,634**

The Notes on pages 11 to 109 form part of these financial statements.

LAND BANK OF THE PHILIPPINES
STATEMENT OF CASH FLOWS
For the year ended December 31, 2023
(In Philippine Peso)

	Group		Parent	
	2023	**2022 As restated**	**2023**	**2022 As restated**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
Cash and other cash items	51,093,909,679	54,351,919,143	50,440,553,932	47,435,011,722
Due from Bangko Sentral ng Pilipinas	568,924,698,774	475,030,892,501	566,640,049,889	393,384,744,904
Due from other banks	18,608,577,727	25,918,936,571	20,501,057,254	13,960,454,520
Securities purchased under agreements to resell	29,199,764,104	16,643,098,719	28,747,260,221	15,801,019,516
	667,826,950,284	**571,944,846,934**	**666,328,921,296**	**470,581,230,662**
CASH AND EQUIVALENTS AT END OF YEAR				
Cash and other cash items	49,021,210,950	51,093,909,679	48,115,983,089	50,440,553,932
Due from Bangko Sentral ng Pilipinas	411,367,040,708	568,924,698,774	409,447,208,215	566,640,049,889
Due from other banks	7,738,260,460	18,608,577,727	9,562,385,261	20,501,057,254
Securities purchased under agreements to resell	250,322,322,646	29,199,764,104	249,736,154,774	28,747,260,221
	718,448,834,764	**667,826,950,284**	**716,861,731,339**	**666,328,921,296**

The Notes on pages 11 to 109 form part of these financial statements.

LAND BANK OF THE PHILIPPINES
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022
(All amounts in Philippine Peso unless otherwise stated)

1. Corporate Information

The Land Bank of the Philippines ("LANDBANK" or "Parent") is a financial institution wholly-owned by the National Government (NG). The Parent was established in 1963 as the financial intermediary of the Land Reform Program of the government. Later, it became the first universal bank by charter with expanded commercial banking powers to sustain its social mission of spurring countryside development.

The Parent is a depository bank of the government and its various instrumentalities. The Parent services the requirements of the NG, local government units and Government-Owned and Controlled Corporations (GOCCs). As of December 31, 2023, 65 per cent of the deposit portfolio came from the government while the rest came from private depositors.

The Parent and its subsidiaries (Group) are engaged in the business of banking, financing, leasing, real estate, insurance brokering and other related services to personal, commercial, corporate and institutional clients. The Group's products and services include deposit-taking, lending and related services, treasury and capital market operations, trade services, payments and cash management, and trust services.

The Parent's principal office of business is located at the LANDBANK Plaza, 1598 M.H. Del Pilar corner Dr. J. Quintos Streets, Malate, Manila.

2. Summary of Material Accounting Policies

2.1 Statement of Compliance

The consolidated financial statements of the Group and of the Parent have been prepared in compliance with the Philippine Financial Reporting Standards (PFRSs) except for the specific provisions of PFRS 9 on the recognition of modification gain or loss in profit or loss when modification does not result in the derecognition of a financial asset in adherence with the Bangko Sentral ng Pilipinas (BSP) Financial Reporting Package.

The accompanying comparative financial statements of the Parent were authorized for issue by the Parent's Board of Directors on June 26, 2024 while those of the subsidiaries were approved for issue by their respective Board of Directors on various dates.

2.2 Basis of Financial Statements Preparation

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

The financial statements of the Parent include the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). The financial statements individually prepared for these units are combined after eliminating inter-unit accounts.

The functional currency of RBU and FCDU is Philippine Peso and United States Dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated assets and liabilities in the RBU are translated in Philippine Peso based on the Bankers Association of the Philippines (BAP) closing rate prevailing at end of the year and at the BAP Weighted Average Rate for the year for income and expenses.

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

2.3 Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent and the following subsidiaries:

Name	Country of Incorporation	Principal Activity	% of Ownership 2023	% of Ownership 2022	Functional Currency
LBP Leasing and Finance Corporation	Philippines	Leasing	100%	100%	Philippine peso
LBP Insurance Brokerage, Inc.	Philippines	Insurance brokerage	100%	100%	Philippine peso
LBP Resources and Development Corporation	Philippines	Real estate	100%	100%	Philippine peso
Masaganang Sakahan, Inc.	Philippines	Trading	100%	100%	Philippine peso
Oversees Filipino Bank, Inc	Philippines	Banking	100%	100%	Philippine peso
UCPB Leasing and Finance Corporation	Philippines	Leasing	100%	100%	Philippine peso
United Foreign Exchange Corporation	Philippines	Trading	100%	100%	Philippine peso
LBP Securities, Inc	Philippines	Trading	100%	100%	Philippine peso
Green Homes Development, Inc	Philippines	Real estate	100%	100%	Philippine peso
UCPB Savings Bank, Inc	Philippines	Banking	97.55%	97.55%	Philippine peso

The consolidated financial statements were prepared using consistent accounting policies for like transactions and other events in similar circumstances. All significant inter-company balances and transactions have been eliminated in consolidation.

Acquisition of the United Coconut Planters Bank (UCPB) as Subsidiary and subsequent merger with LANDBANK

UCPB, a universal bank incorporated in the Philippines on May 10, 1963. On May 2, 2012, a resolution was unanimously approved at a special meeting of stockholders, extending the life of the UCPB for another 50 years from and after May 10, 2013, and for this purpose, amending the UCPB's Articles of Incorporation. On August 14, 2012, the Philippine Securities and Exchange Commission (SEC) approved the extension of the UCPB's corporate life for another 50 years up to 2063.

On June 25, 2021, President Rodrigo R. Duterte signed Executive Order No. 142 entitled, "Approving the Merger of the Land Bank of the Philippines (LANDBANK) and the UCPB, and the Acquisition by the LANDBANK of the Special Preferred Shares of the Philippine Deposit Insurance Corporation (PDIC) in the UCPB."

On September 24, 2021, the Parent acquired 12 billion Special Preferred Shares of UCPB held by the Philippine Deposit Insurance Corporation (PDIC) by issuing a 20-year Certificate of Indebtedness (COI) with face value and fair value of at the time of acquisition amounting to P12 billion and P4,038,227,868.42, respectively. The issuance of the COI represented 88.91 per cent of the total voting rights in UCPB.

At the acquisition date, the Parent classify/designate the identifiable assets acquired and liabilities assumed as necessary on the basis of the contractual terms, economic conditions, its operating or accounting policies and other pertinent conditions as they exist at the acquisition date.

LANDBANK on boarded a total of 2,343 former UCPB employees; 101 reported in Head Office while majority in the field offices.

Gain on Bargain Purchase

The Group recognized a Gain on Bargain Purchase on acquisition date amounting to P11,999,456,312 while on merger date, the Parent recognized a Gain on Bargain Purchase amounting to P10,511,702,503, representing the excess of the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed over the aggregate of the consideration transferred. The gain is recognized in the Profit/Loss under Miscellaneous Income account.

Gain on Bargain Purchase arising from the acquisition has been recognized as follows:

Fair value (provisional) of identifiable net assets	P18,038,110,651
Non-Controlling Interest, based on their proportionate interest in the recognized amounts of the assets and liabilities	(2,000,426,471)
Consideration transferred	(4,038,227,868)
Gain on bargain purchase	11,999,456,312

Gain on Bargain Purchase arising from the merger has been recognized as follows:

Fair value of identifiable net assets	P15,049,783,205
Consideration transferred (Note 24)	(4,538,080,702)
Gain on bargain purchase	10,511,702,503

Identifiable assets acquired and liabilities assumed

The Parent measured the net identifiable assets acquired and the liabilities assumed on acquisition date at provisional amounts amounting to P18,038,110,651. After the acquisition date, the Parent have reflected adjustments to the provisional amount on new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. The measurement period is within one year from acquisition date. The Parent has determined the fair values of UCPB's net identifiable assets and liabilities and the total acquisition/transaction related costs as at acquisition date and merger date. As of the merger date, fair value of the net identifiable assets and liabilities is at P15,049,783,205.

	Amount
Assets Acquired	
Cash on Hand	4,623,651,616
Check and Other Cash Items	27,998,046
Due from BSP	66,892,685,537
Due from Other Banks	11,098,141,249
Investments	49,753,085,192
Loans Receivables	150,358,495,875
Equity Investments	4,069,311,139
Property and Equipment	6,930,274,518
Real and Other Properties Acquired	1,691,476,503
Other Assets	12,062,370,483
	307,507,490,158
Liabilities Assumed	
Deposit Liabilities	269,136,638,741
Other Liabilities	23,321,068,212
	292,457,706,953
Net Assets	**15,049,783,205**

The Parent measures at the acquisition and merger dates components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets at provisional amounts. The non-controlling interest at acquisition date stood at 11.09 per cent or P2,000,426,471 while at the merger date, all the non-controlling interests were acquired by the Parent by setting-up accounts payable to the non-controlling shareholders.

The Parent recognized net loss of UCPB amounting to P139,592,917 covering result of operations from the acquisition date included in the statement of comprehensive income for the reporting period, while it recognized a combined entity net income for the current reporting period as though the acquisition date for all business combinations that occurred during the year had been as of the beginning of the annual reporting period amounting to P18,513,178,686.

2.4 Adoption of New and Amended PFRS

The Group and the Parent adopted for the first time the following new PFRS, amendments to PAS or PFRS, interpretation and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2023. The application of these amendments had no significant impact on the Group and the Parent's financial statements.

Amendment to PAS 1 and PFRS Practice Statement 2, Disclosure Initiative – Accounting Policies

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies; and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The Group applies the guidance of materiality in disclosing information in the financial statement that could reasonably be expected to influence decisions of the stakeholders. However, information should not be obscured by aggregating or by providing immaterial information. Materiality considerations apply to all parts of the financial statements, and even a standard requires a specific disclosure, materiality considerations do apply.

Amendment to PAS 8, Definition of Accounting Estimates

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

Amendment to PAS 12, Deferred Tax related to Assets and Liabilities from a Single Transaction

The amendments introduce an exception to the initial recognition exemption in PAS 12, narrowing its scope, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

Standards issued but not yet effective

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

Effective beginning on or after January 1, 2024

PAS 1 (Amendments), **Presentation of Financial Statements, Classification of liabilities as current or non-current** ***(effective from January 1, 2024)***

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

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period

- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively.

PFRS 16 (Amendments), Leases, Lease Liability in a Sale and Leaseback (effective from January 1, 2024)

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

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

The amendment applies to annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. Earlier adoption is permitted.

PFRS 17 – Insurance Contracts (effective on or after January 1, 2025)

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

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

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

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

PAS 21 (Amendments), Lack of Exchangeability (effective on or after January 1, 2025)

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

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

2.5 Material Accounting Policies

2.5.1 Financial Instruments

PFRS 9, Financial Instruments

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

I. Classification and Measurement

a. Debt Financial Assets

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

For debt financial assets that meet the SPPI test, classification at initial recognition will be determined based on the business model under which these instruments are managed. Debt instruments that are managed on a "hold to collect and for sale" basis will be classified as financial assets measured at FVOCI. Debt instruments that are managed on a "hold to collect" basis will be classified as investment securities at amortized cost.

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

b. Equity Financial Assets

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

c. Financial liabilities

The classification and measurement of financial liabilities remain essentially unchanged from the current PFRS 9 requirements. Changes in fair value of FVO liabilities attributable to changes in own credit risk are to be presented in OCI.

d. Derivatives

Derivatives are initially recognized at fair value and classified as financial assets/liabilities measured at FVTPL under PFRS 9.

II. Expected Credit Loss (ECL) Assessment

ECL Assessment shall be applied to the following exposures:

a. Loans and receivables measured at amortized cost;
b. Investments in debt instruments that are measured at amortized cost;
c. Investments in debt instruments that are measured at FVOCI;
d. Due from BSP and Due from Other Banks;
e. Credit commitments and financial guarantee contracts that are not measured at FVTPL; and
f. Other Financial Assets measured at amortized cost (Accounts Receivables, etc.)

A. Staging Assessment

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

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

Treasury exposures shall be classified into the following stages:

STAGE	CHARACTERISTICS	ECL ASSESSMENT
Stage 1	Credit exposures with no SICR risk since initial recognition, with low credit risk, or with external credit rating of investment grade	12 month
Stage 2	Credit exposures with SICR since initial recognition as follows:	Lifetime

STAGE	CHARACTERISTICS	ECL ASSESSMENT
	1. exposures with external credit rating downgraded from investment grade to speculative/non-investment grade; or 2. exposures with risk ratings downgraded by at least two rating grades	
Stage 3	Credit exposures with objective evidence of impairment or has defaulted	Lifetime

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

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

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

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

B. ECL Parameters and Methodologies

The Parent adopts the ECL parameter-based estimation approaches as an impairment methodology and conducts the ECL calculation every quarter (i.e. March, June, September and December of each year). The ECL rate is determined by the following parameters:

1. Exposure at Default (EAD) is defined as the total credit exposure to a borrower or counterparty at the time of default. Parent used outstanding balances of credit exposures as of cut-off date plus accrued interest receivables.

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

a. Internal Credit Risk Rating - PD is estimated based on issuer/borrower rating grade produced by internal rating models adopted from the methodology for Loans.

b. External Credit Risk Rating - PD is based on issue/issuer rating grade provided by external ratings agencies such as Moody's, S&P, and Fitch. Moody's rating scale for external ratings is primarily used. For issuers with no rating from Moody's, ratings from other external credit rating agencies (e.g. S&P, Fitch) are extracted and these ratings are then mapped to Moody's rating scale. PD is then assigned corresponding to the external credit rating of the issue/issuer as provided by Moody's average cumulative default rates and recovery rates study. For exposures with maturity of less than one year, the PD is adjusted to reflect the actual term of exposures. PD Estimation already incorporates any Forward-Looking Overlays.

c. External Credit Rating for Benchmark/Comparable Companies - PD is based on issuer rating grade of benchmark or comparable companies. The methodology used in determining the ratings of benchmark companies is either of the following:

   1) Based on Bloomberg peers where Parent uses the equivalent ratings of the comparable companies sourced from the Relative Valuation function in Bloomberg; and

   2) Based on Industry average where the Parent uses the industry average credit rating where the issuer belongs.

   The external ratings of the comparable companies are mapped to Moody's rating scale. PDs are assigned corresponding to the external credit ratings of the issuer as provided by Moody's average cumulative default rates and recovery rates study. The average PD of the comparable companies is used as the forward-looking PD rate for the issuer company.

d. Credit Default Swaps Spread Curves

3. Loss Given Default (LGD) is the assigned loss estimate when a counterparty has defaulted, after all recoveries are taken into account. LGD depends on the transaction, not on the counterparty. It is computed as one (1) less recovery rate. LGD estimation for treasury exposures follows the same hierarchy used for PD estimation.

4. Forward-Looking Overlay

The Parent recognizes that while historical loss experience and recent economic conditions are a reasonable starting point for ECL analysis, these factors are not, by themselves, sufficient bases to determine the appropriate level of aggregate loss provision. Accordingly, the Parent considers any current factors that are likely to cause credit losses to differ from historical loss experience, including changes in the following:

- Lending policies and procedures, including underwriting standards and collection, charge-off, and recovery practices;
- International, national, and local economic and business conditions and developments, including the condition of various market segment;
- Trend volume and severity of past due loans and loans graded as low quality, as well as trends in the volume of impaired loans, troubled debt restructuring and other loan modifications;
- The experience, ability, and depth of lending management and staff;
- Changes related to new market segment and products;
- Quality of the Parent's loan review system and the degree of oversight by Senior Management and BOD;
- The existence and effect of any concentrations of credit, and charges in the level of such concentrations; and
- Credit risk profile of the portfolio as a whole, as well as the effect of external factors such as competition and legal and regulatory requirements on the level estimated credit losses in the Parent's current portfolio.

The Parent incorporated forward-looking overlay adjustment to the portfolio PD. Regression analysis is used to analyze the effects of movement of relevant macroeconomic and portfolio-specific factors to the portfolio PD. Prudent assumptions are explained in building the regression model. Experienced credit judgement is used within the following constraints:

- Experienced credit judgments shall be subject to established policies and procedure;
- With approved and documented analytical framework for assessing loan quality applied consistently over time;
- Estimates shall be based on reasonable and verifiable assumptions and supported by adequate documentation; and
- Assumptions concerning the impact on borrowers of changes in general economic activity, both favorable and unfavorable, shall be made with sufficient prudence.

This forward-looking overlay adjustment, with reasonable, established, and verifiable assumptions, is incorporated in the ECL estimation.

The use of 12-month forecasts suggest that regression models should be performed annually. This is to ensure timely recognition of the Parent's view on the macroeconomic conditions, both internationally and locally, to be applied in ECL calculation. In addition, changes in lending policies and procedures, legal and regulatory requirements, and new market products occurring within the year shall be noted by the Parent because these may affect the ECL calculation.

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

Parent's assessment of ECL on loans and other non-loan related accounts are disclosed in Note 40.

Foreign currency translation

Transactions and balances

The books of accounts of the RBU are maintained in Philippine Peso, while those of the FCDU are maintained in USD. For financial reporting purposes, the foreign currency-denominated monetary assets and liabilities in the RBU are translated in Philippine Peso based on the BAP closing rate prevailing at the statement of financial position date and foreign-currency denominated income and expenses at the prevailing exchange rate on date of transaction. Foreign exchange differences arising from revaluation and translation of RBU denominated assets and liabilities are credited to or charged against operations in the year in which the rates change.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

Date of recognition

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date - the date that an asset is delivered to or by the Group. Securities transactions are also recognized on settlement date basis. Derivatives and equity securities are recognized on trade date basis. Deposits, amounts due to banks and customers and loans are recognized when cash is received by the Group or advanced to the borrowers.

Initial recognition of financial instruments

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

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

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

a. Financial Assets at FVTPL

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

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

b. Financial Assets at FVOCI

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

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

(i) The asset is held within a business model whose objective is to hold the financial assets in order to both collect contractual cash flows and sell financial assets; and

(ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the outstanding principal amount.

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

Equity securities designated at FVOCI are those that the Group made an irrevocable election at initial recognition to present in OCI the subsequent changes in fair value. Dividends earned on holding equity securities at FVOCI are recognized in the Statement of Comprehensive Income as 'Dividends' when:

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

c. *Financial Assets at Amortized Cost*

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

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

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

d. *Loans and receivables, amounts due from BSP and other banks, interbank loans receivable and securities purchased under resale agreements*

These are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as other financial assets held for trading, designated as FVOCI investments. These are measured at amortized cost.

Determination of fair value

The fair value for financial instruments traded in active markets at the statement of financial position date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. In the absence of an available current bid and asking prices, the price of the most recent transaction is used because it provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which observable market prices exist, options pricing models and other relevant valuation models.

Derivative Instruments

The Parent enters into derivative contracts such as currency forwards and currency swaps to manage its foreign exchange exposure. These derivative financial instruments are initially recorded at fair value on the date at which the derivative contract is entered into and are subsequently remeasured at fair value. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as accounting hedges) are taken directly to the statement of comprehensive income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Derivative instruments are booked at its notional amount under contingent account on trade date and subsequently measured using the mark to forward methods. Any gains/(losses) arising from the market valuation are booked under asset account "Derivatives with positive fair value" if the market valuation is positive and under the liability account "Derivatives with negative fair value" if the market valuation is negative contra foreign exchange gain/(loss) account.

The Parent did not apply hedge accounting treatment for its derivative transactions.

Derecognition of Financial Assets and Liabilities

Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

Financial Liabilities. Derecognition of a financial liability of the Group happens when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

2.5.1a Modification of Contractual Cash Flows of Financial Assets

Restructured loans

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

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

As of December 31, 2023

PFRS 9		**LANDBANK's Approach**		
Financial Position		**Financial Position**		
Assets		*Assets*		
Restructured Loan	3,800,135,412	Restructured Loan	3,800,135,412	
Equity		*Liabilities*		
Retained Earnings-Free	3,553,162,284	Other Deferred Credits	3,800,135,412	**
Financial Performance		*** Shall be amortized and credited to Interest Income*		
Other Income				
Modification Gain	246,973,128			

The Parent's approach deviated from PFRS 9 regarding the outright recognition of modification gain or loss in the Statement of Comprehensive Income, nevertheless, the Parent ensures that the financial statements were fairly presented and compliant with the applicable PFRSs. As of December 31, 2023, the outstanding balance of ODC is P3.8 billion which is equivalent to 0.3 percent of the total loan portfolio of the Parent.

2.5.1b <u>Offsetting of financial assets and financial liabilities</u>

Offsetting of financial assets and financial liabilities are only made and the net amount are reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and the Group intends to either settle on a net basis, or to realize the asset and the liability simultaneously.

2.5.2 Fiduciary Activities

Assets and income arising from fiduciary activities together with related undertakings to return such assets to customers are excluded from the financial statements where the Group acts in a fiduciary capacity such as nominee, trustee or agent.

2.5.3 Subsequent Events

Any post-year-end event that provides additional information about the Group's position at the statement of financial position date (adjusting event) is reflected in the financial statements. Post-year-end events that are non- adjusting events, if any, are disclosed in the Notes to the Financial Statements, when material.

2.5.4 Impairment of Property and Equipment, Investment Property and Other Resources

At each reporting date, the Group assesses if there is any indication that the property and equipment and investment properties may be impaired.

Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

2.5.5 Investments in Subsidiaries

The Parent's investments in subsidiaries in which the Parent has control are accounted for under the cost method of accounting in the separate financial statements. These are carried in the statement of financial position at cost less any impairment in value.

2.5.6 Property and Equipment

Property and equipment of the Parent are carried at cost less accumulated depreciation and amortization and any impairment in value. When the assets are sold or retired, their cost and accumulated depreciation and amortization are eliminated from the accounts and any gain or loss resulting from their disposal is recognized in the profit or loss.

The initial cost of property and equipment comprises its purchase price, other expenditures incurred incident to the acquisition and any directly attributable cost of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance costs, are normally charged to profit and loss in the period in which the costs are incurred.

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

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

	Number of Years
Buildings	10 – 30
Furniture, fixtures and equipment	5 – 10
Leasehold rights	10 - 30*
Transportation equipment	7 – 10

**EUL shall depend on the length of the lease. It shall be the period of the lease or the EUL of the assets, as given, whichever is shorter.*

The useful life and depreciation and amortization methods are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

2.5.7 Investment Properties

Property acquired by the Group in settlement of loans through foreclosure or dation in payment, and that is not significantly occupied by the Group, is classified as investment property. Investment property comprises land and building.

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

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

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

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

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and impairment loss. Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on derecognition of an investment property are recognized in the profit and loss in the year of derecognition.

Expenditures incurred after the fixed investment properties have been put into operation, such as repairs and maintenance costs, are normally charged to expense in the period in which the costs are incurred.

Depreciation is calculated on a straight-line basis over 10 to 30 years, which is the estimated useful life of the investment properties.

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

2.5.8 Non-Current Assets Held for Sale

Non-current assets held for sale (NCAHS) include other properties (chattels, auto and real estate) acquired through repossession or foreclosure that the Group intends to sell within one year from the date of classification as held for sale.

The Group classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The Group is committed to a plan to sell these foreclosed assets and the assets are actively marketed for sale at a price that is reasonable in relation to their current fair values. The sale is to be expected to qualify as completed sale within one year from date of reclassification to NCAHS; that, a minimum ten per cent refundable earnest money based on the purchase price must be paid by the prospected buyer. In the event that the sale of the asset is extended beyond one year, the extension of the period required to complete the sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the control of the Group and there is sufficient evidence that the Group remains committed to sell the asset.

Assets classified as held for sale are measured at the lower of their carrying amounts immediately prior to their classification as assets held for sale and their fair value less costs to sell. The cost of assets foreclosed includes the carrying amount of the related loan less allowance for impairment at the time of foreclosure. The Group recognizes an impairment loss for any initial and subsequent write-down of the asset to fair value less cost to sell. Gain for any subsequent increase in fair value less cost to sell of an asset is recognized to the extent of the cumulative impairment loss previously recognized. Assets classified as held for sale are not subject to depreciation or amortization.

2.5.9 Intangible Assets

Computer software

The acquired computer software licenses of the Parent are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on the basis of the expected useful lives (three to five years) using the straight-line method.

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred.

2.5.10 Income Taxes

Current taxes of the Parent

The current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxing authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the statement of financial position date.

Deferred taxes of the Parent

The deferred tax is provided on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

a. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

b. In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular income tax, and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized except:

a. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

b. In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each statement of financial position date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Current tax and deferred tax relating to items recognized directly in equity are recognized in other comprehensive income and not in the Statement of Comprehensive Income.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred taxes relate to the same taxable entity and the same taxation authority.

2.5.11 Employee Benefits

A defined contribution plan is maintained under which the entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employees' service in the current and prior period. The standard requires an entity to recognize contributions to a defined contribution plan when an employee has rendered service in exchange for those contributions.

The Group maintains a defined contribution plan which provides for estimated pension benefits on its contributory retirement plan covering all regular employees.

Early Retirement Incentive Program (ERIP)

A retirement program approved by the Governance Commission for GOCCs (GCG) which aims to incentivize the early retirement of tenured employees or those suffering from incapacitating, debilitating and critical diseases or ailments with known actual or potential adverse impact on productivity and effectivity at work. The effectivity period of ERIP shall be from January 1, 2024 to December 31, 2025 only. As of December 31, 2023, the Parent has accrued expenses for ERIP amounting to P5,973,432,295.

2.5.12 Leases

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

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

Group is the lessee

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

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

Group is the lessor

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

2.5.13 Provisions

Provisions are recognized when the following criteria were met:

- The Group has a present obligation (legal or constructive) as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- Any of the following circumstances are present:
    a. The Group has already filed a Motion for Reconsideration of an adverse decision of the Supreme Court (SC);
    b. A decision has been rendered against the Group in a case governed by the Rule of Procedure for Small Claims Cases;
    c. A decision has been rendered against the Group in a case where the governing law or rules expressly provide that the decision is immediately final, executory and unappealable;
    d. An award has been issued against the Group in a case submitted to arbitration or other alternative modes of dispute resolution where the law, rules and/or submission agreement provide that the award is immediately final, executory and unappealable;
    e. Other similar or analogous circumstances
- A reliable estimate can be made of the amount of the obligation.

2.5.14 Contingent Liabilities and Contingent Assets

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

2.5.15 Revenue Recognition

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

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

This five-step model is as follows:

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

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

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

<u>Revenues within the scope of PFRS 15</u>

Service charges and penalties

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

Fees and commissions

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

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

   Fees earned for the provision of services over a period of time are accrued over that period. Commitment fees received to originate a loan are deferred and recognized as an adjustment to the effective interest rate. If the loan commitment expires, the fee is recognized as revenue on expiry.

b. Fee income from providing transaction services

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

Other income

Income from the sale of services of the Group is recognized upon completion of service.

Income from sale of properties is recognized upon completion of earnings process and the collectability of the sales price is reasonably assured under 'Gain/(Loss) on Sale/Derecognition of Asset' in the Statement of Comprehensive Income.

Rewards Program

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

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

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

Revenues outside the scope of PFRS 15

Interest income

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

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

Interest is recognized on impaired loans and other financial assets based on the rate used to discount future cash flows to their net present value.

Recovery on charged-off assets

The Parent's income arising from collections on accounts or recoveries from impairment of items previously written off is recognized in the year of recovery.

Dividend income

Dividend income is recognized in profit or loss when:

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

Rental income

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

2.5.16 Borrowing Costs

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

2.5.17 Segment Reporting

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

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

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

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

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in compliance with PFRS requires the Group to make estimates and assumptions that affect the reported amounts of resources, liabilities, income and expenses and disclosure of contingent resources and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

In the process of applying the Group's accounting policies, the following are the critical judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

<u>Leases</u>

Group as Lessor

The Group has entered into commercial property leases on its investment property portfolio and over various owned fixed assets. The Group has determined, based on an evaluation of the terms and conditions of the arrangements (i.e., the lease does not transfer ownership of the asset to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable and the lease term is not for the major part of the asset's economic life), that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Group as Lessee

The Group has entered into lease on premises it uses for its operations. The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Extension and termination options

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

Estimating the Incremental Borrowing Rate for lease liabilities

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

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

Impairment of Financial Assets

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

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

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

FVOCI Investments

If an FVOCI investment is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss on that security previously recognized in profit or loss – is removed from equity and recognized in the statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as FVOCI investment increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the statement of comprehensive income. The carrying values of FVOCI investments for the Group and Parent are P479,034,781,224 and P477,448,302,967 as of December 31, 2023 and P442,211,398,690 and P441,449,432,840 as of December 31, 2022, respectively.

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a. *Fair value of financial instruments (including derivatives) of the Parent*

The fair value of financial instruments that are not quoted in active markets are determined by using generally accepted valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by the Risk Management Group. All models are reviewed before they are used to ensure that outputs reflect actual data and comparative market prices. To the extent practicable, models use only observable data, however, areas such as credit risk (both own and counterparty), volatilities and correlations require Parent to make estimates. Changes in assumptions about these factors could affect reported fair values of financial instruments.

b. *Useful lives of property and equipment*

The Group determines the estimated useful lives and related depreciation charges for its property and equipment. The Parent will increase the depreciation charge where useful lives are less than previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. The carrying values of property and equipment of the Group and the Parent are P11,254,485,706 and P10,341,642,423 as of December 31, 2023 and P10,711,794,544 and P10,105,321,811 as of December 31, 2022, respectively.

c. *Allowance for Credit Loss*

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

4. Fair Value Hierarchy

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

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

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

Valuation Techniques:

1. Government debt securities

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

2. Corporate Bonds

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

3. Equity Securities

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

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

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

5. Foreign exchange contracts

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

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

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

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

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

As of December 31, 2023 and 2022, the fair value hierarchy of the Parent's assets and liabilities are presented below:

	As of December 31, 2023				
	Book Value	Level 1 a/	Level 2 b/	Level 3 c/	Total Fair Value
FINANCIAL ASSETS:					
FVTPL	**20,371,212,218**	**17,205,190,097**	**2,026,913,176**	**1,139,108,945**	**20,371,212,218**
Debt Securities	**16,248,618,327**	**16,248,618,327**	**0**	**0**	**16,248,618,327**
Domestic	14,262,168,171	14,262,168,171	0	0	14,262,168,171
FCDU	1,986,450,156	1,986,450,156	0	0	1,986,450,156
Equity Securities	**2,095,680,715**	**956,571,770**	**0**	**1,139,108,945**	**2,095,680,715**
Domestic	984,472,524	956,571,770	0	27,900,754	984,472,524
FX-Reg	1,111,208,191	0	0	1,111,208,191	1,111,208,191
Derivative w/ positive FV	**2,026,913,176**	0	**2,026,913,176**	0	**2,026,913,176**
FX-Reg	210,164,968	0	210,164,968	0	210,164,968
PLFD	1,674,146,261	0	1,674,146,261	0	1,674,146,261
FCDU	142,601,947	0	142,601,947	0	142,601,947
FVOCI	**472,049,113,164**	**462,469,670,142**	**10,038,131,641**	**1,725,267,457**	**474,233,069,240**
Debt Securities	**461,472,655,026**	**440,956,911,043**	**10,038131,641**	**0**	**450,995,042,684**
Domestic	381,457,545,946	371,886,612,394	3,332,419,575	0	375,219,031,969
FX-Reg	14,668,613,548	14,792,013,374	2,579,434,465	0	14,371,447,839
FCDU	65,346,495,532	57,278,285,275	4,126,277,601	0	61,404,562,876
Equity Securities	**10,576,458,138**	**21,512,759,099**	**0**	**1,725,267,457**	**23,238,026,556**
Domestic	7,872,511,379	20,718,539,865	0	772,966,752	**21,491,506,617**
FX-Reg	2,703,946,759	794,219,234	0	952,300,705	**1,746,591,939**
HTC	**756,187,946,219**	**725,263,311,038**	**4,112,770,176**	**2,498,257,047**	**731,874,338,261**
Debt Securities	**756,187,946,219**	**725,263,311,038**	**4,112,770,176**	**2,498,257,047**	**731,874,338,261**
Domestic	723,109,106,404	695,048,898,045	4,112,770,176	22,593,657	699,184,261,878
FX-Reg	14,560,143,343	12,332,736,306	0	1,771,726,785	14,104,463,091

FCDU	18,518,696,472	17,881,676,687	0	703,936,605	18,585,613,292
Total	**1,248,608,271,601**	**1,204,938,171,277**	**16,177,814,993**	**5,362,633,449**	**1,226,478,619,719**
FINANCIAL LIABILITIES:					
Bills Payable	**13,614,450,450**	**0**	**13,460,078,917**	**154,371,533**	**13,614,450,450**
BSP Rehabilitation Programs	23,400,825	0	0	23,400,825	23,400,825
Domestic Borrowings (ODA thru BTr)	130,970,708	0	0	130,970,708	130,970,708
Foreign Borrowings/ODA	13,460,078,917	0	13,460,078,917	0	13,460,078,917
Bonds Payable	**4,672,721,488**	**0**	**4,672,721,488**	**0**	**4,672,721,488**
Derivative Liabilities	**11,936,320**	**0**	**11,936,320**	**0**	**11,936,320**
	18,299,108,258	**0**	**18,144,736,725**	**154,371,533**	**18,299,108,258**

	As of December 31, 2022				
	Book Value	**Level 1 a/**	**Level 2 b/**	**Level 3 c/**	**Total Fair Value**
FINANCIAL ASSETS:					
FVTPL	**18,902,001,459**	**13,568,165,624**	**4,210,632,911**	**1,123,202,924**	**18,902,001,459**
Debt Securities	**13,568,165,624**	**13,568,165,624**	**0**	**0**	**13,568,165,624**
Domestic	10,795,034,454	10,795,034,454	0	0	10,795,034,454
FCDU	2,773,131,170	2,773,131,170	0	0	2,773,131,170
Equity Securities	**1,123,202,924**	**0**	**0**	**1,123,202,924**	**1,123,202,924**
Domestic	31,262,235	0	0	31,262,235	**31,262,235**
FX-Reg	1,091,940,689	0	0	1,091,940,689	**1,091,940,689**
Derivative w/ positive FV	**4,210,632,911**	0	**4,210,632,911**	0	**4,210,632,911**
FX-Reg	1,473,475,579	0	1,473,475,579	0	1,473,475,579
PLFD	2,593,563,842	0	2,593,563,842	0	2,593,563,842
FCDU	143,593,490	0	143,593,490	0	143,593,490
FVOCI	**450,498,166,234**	**426,485,203,201**	**9,097,592,363**	**2,657,382,542**	**438,240,178,106**
Debt Securities	**441,534,452,086**	**411,912,221,059**	**9,097,592,363**	**0**	**421,009,813,422**
Domestic	353,842,394,719	335,503,574,825	4,217,344,974	0	339,720,919,799
FX-Reg	11,979,944,437	11,027,070,108	176,419,836	0	11,203,489,944
FCDU	75,712,112,930	65,381,576,126	4,703,827,553	0	70,085,403,679
Equity Securities	**8,963,714,148**	**14,572,982,142**	**0**	**2,657,382,542**	**17,230,364,684**
Domestic	5,471,507,854	13,855,734,927	0	884,934,335	**14,740,669,262**
FX-Reg	3,492,206,294	717,247,215	0	1,772,448,207	**2,489,695,422**

	As of December 31, 2022				
HTC	**839,980,279,650**	**776,831,002,102**	**5,548,985,485**	**4,417,335,164**	**786,797,322,751**
Debt Securities	**839,980,279,650**	**776,831,002,102**	**5,548,985,485**	**4,417,335,164**	**786,797,322,751**
Domestic	788,065,395,690	730,300,436,049	5,548,985,485	26,351,206	735,875,772,740
FX-Reg	20,151,870,535	16,116,999,729	0	3,146,656,441	19,263,656,170
FCDU	31,763,013,425	30,413,566,324	0	1,244,327,517	31,657,893,841
Total	**1,309,380,447,343**	**1,216,884,370,927**	**18,857,210,759**	**8,197,920,629**	**1,243,939,502,315**
FINANCIAL LIABILITIES:					
Bills Payable	**31,593,982,866**	**0**	**31,425,871,026**	**168,111,840**	**31,593,982,866**
BSP Rehabilitation Programs	24,303,875	0	0	24,303,875	24,303,875
Domestic Borrowings (ODA thru BTr)	143,807,965	0	0	143,807,965	143,807,965
Foreign Borrowings/ODA	15,299,984,049	0	15,299,984,049	0	15,299,984,049
Deposit Substitute-Repurchase Agreement	16,125,886,977	0	16,125,886,977	0	16,125,886,977
Bonds Payable	**4,543,923,875**	**0**	**4,543,923,875**	**0**	**4,543,923,875**
Derivative Liabilities	**8,570,935**	**0**	**8,570,935**	**0**	**8,570,935**
	36,146,477,676	**0**	**35,978,365,836**	**168,111,840**	**36,146,477,676**

a/ Level 1 - quoted market price in active markets for identical assets or liabilities
b/ Level 2 - those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
c/ Level 3 - those with inputs for the asset or liability that are not based on observable market data (unobservable inputs)

		2023	2022
Financial Assets:			
FVTPL			
Equity Securities			
Domestic	Beginning Balance	31,262,235	32,262,236
Add/ (Deduct):			
Redemption/Payment		(1,636,516)	(1,000,000)
Write-Off		(1,724,959)	
Adjustment/Reconciliation		(6)	0
Domestic	Ending Balance	27,900,754	31,262,236
Fx-Reg	Beginning Balance	1,091,940,689	1,029,447,269
Add/ (Deduct):			
Valuation		19,267,502	62,493,420
Fx-Reg	Ending Balance	1,111,208,191	1,091,940,689
FVOCI			
Equity Securities			
Domestic	Beginning Balance	884,934,335	1,051,628,754
Add/ (Deduct):			
Valuation		(111,967,531)	342,481,846
Adjustment/Reconciliation		(52)	
Transferred from UCPB		0	51,530,088
Redemption/Payment		0	(555,488,940)
Write-Off		0	(5,217,413)
Domestic	Ending Balance	772,966,752	884,934,335

Fx-Reg	Beginning Balance	1,772,448,206	2,441,401,387
Add/ (Deduct):			
Valuation		(820,147,501)	(668,953,180)
Fx-Reg	Ending Balance	952,300,705	1,772,448,207

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

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

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

5. Segment Information

Business Segments

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

(a) Branch Banking Sector (BBS) and Digital Banking Sector (DBS)

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

(b) National Development Lending Sector (NDLS)

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

(c) Treasury and Investment Banking Sector (TIBS)

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

(d) Other Segments

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

PARENT'S STATEMENT OF PERFORMANCE	2023					2022 RESTATED
	BBS	NDLS	TIBS	OTHERS	TOTAL	
Income						
Loans	3,690,815,216	64,196,352,146	3,861,238,262	3,198,742,434	74,947,148,058	50,509,917,546
Investments	-	-	47,190,311,964	-	47,190,311,964	37,147,455,991
FX Profit/(Loss)	276,470,742	55,467,174	283,363,737	338,623,968	953,925,621	4,018,157,075
Others	3,750,785,260	3,176,321,709	5,985,680,089	-691,602,288	12,221,184,770	21,035,930,176
Total Income	**7,718,071,218**	**67,428,141,029**	**57,320,594,052**	**2,845,764,114**	**135,312,570,413**	**112,711,460,788**
Expenses:						
Financial Expenses						
Interest on Deposits	32,739,615,027	-	-	-	32,739,615,027	13,461,189,046
Interest on Borrowed Funds	-	426,940,518	151,636,598	370,968,211	949,545,327	1,027,101,194
Other Financial Costs	154,450,243	7,611,469	251,228	694,438,111	856,751,051	1,010,697,840
Total Financial Expenses	**32,894,065,270**	**434,551,987**	**151,887,826**	**1,065,406,322**	**34,545,911,405**	**15,498,988,080**
Manpower Costs						
Salaries and Wages						
Basic	6,452,690,966	1,638,761,134	162,174,686	5,919,503,800	14,173,130,586	12,996,829,232
Contractual	21,064,235	22,898,845	1,395,553	189,214,416	234,573,049	308,526,316
Fringe Benefits	1,816,685,467	449,329,181	41,377,173	4,933,872,469	7,241,264,290	6,025,348,008
Overtime	136,162,037	7,438,606	377,659	60,805,634	204,783,936	246,942,263
Seminars and Trainings	19,849,509	4,258,963	1,630,048	28,111,062	53,849,582	27,604,309
Total Manpower Costs	**8,446,452,214**	**2,122,686,729**	**206,955,119**	**11,131,507,381**	**21,907,601,443**	**19,605,250,128**
Other Operating Expenses						
Taxes & Insurances	10,770,474,577	4,112,174,246	3,997,551,908	16,241,409	18,896,442,140	18,783,784,393
Fees & Other Charges	649,632,094	25,184,103	102,867,810	1,382,962,675	2,160,646,682	1,757,136,965
Utilities	3,132,143,640	186,712,860	5,153,682	627,738,233	3,951,748,415	4,765,272,536

Business Development	148,754,423	53,975,223	1,599,106	234,435,875	438,764,627	403,281,450
Information Technology Expenses	159,234,325	155,475	21,521	1,062,395,408	1,221,806,729	1,170,818,400
Litigation/Asset Acquired Expenses	6,841,672	357,035,333	-	70,561,306	434,438,311	280,738,697
Miscellaneous Expenses	-36,035,271	51,029,505	53,811	178,295,950	193,343,995	118,620,044
Provision/Depreciation/Amortization	1,639,787,564	1,373,348,604	644,596	6,850,269,949	9,864,050,713	21,022,885,336
Total Other Operating Expenses	**16,470,833,024**	**6,159,615,349**	**4,107,892,434**	**10,422,900,805**	**37,161,241,612**	**48,302,537,821**
TOTAL COSTS	**57,811,350,508**	**8,716,854,065**	**4,466,735,379**	**22,619,814,508**	**93,614,754,460**	**83,406,776,029**
TOTAL BANK NET INCOME/LOSS	**-50,093,279,290**	**58,711,286,964**	**52,853,858,673**	**-19,774,050,393**	**41,697,815,954**	**29,304,684,759**

6. Cash and Other Cash Items

This account consists of:

	Group		Parent	
	2023	**2022**	**2023**	**2022**
Cash on hand	48,641,569,654	49,942,061,031	47,736,341,793	49,288,805,284
Checks and other cash items	16,644,854	32,956,379	16,644,854	32,956,379
Returned checks and other cash items	350,980,491	1,103,187,002	350,980,491	1,103,187,002
Miscellaneous checks and other cash items	11,292	2,800	11,292	2,800
Petty cash fund	11,998,696	15,300,694	11,998,696	15,200,694
Payroll fund	5,963	401,773	5,963	401,773
	49,021,210,950	**51,093,909,679**	**48,115,983,089**	**50,440,553,932**

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

7. Due from Bangko Sentral ng Pilipinas

This account represents the Group's demand and special deposits in local currency maintained with BSP to meet reserve requirements and to serve as clearing account for interbank claims consistent with BSP guidelines.

This account consists of:

	Group		Parent	
	2023	**2022**	**2023**	**2022**
Due from BSP- Regular-DDA	315,613,538,185	190,997,450,516	315,078,968,654	190,294,744,608
Due from BSP- Regular-ODA	50,400,000,000	336,784,000,000	50,000,000,000	336,200,000,000
Due from BSP- Regular-TDA	45,273,924,176	40,997,000,000	44,289,964,912	40,000,000,000
Due from BSP- Small Enterprises	2,136,312	2,136,312	2,136,312	2,136,312
Due from BSP- Others	8,648,969	8,648,969	8,648,969	8,648,969
Accrued Interest Receivable	68,793,066	135,462,977	67,489,368	134,520,000
	411,367,040,708	**568,924,698,774**	**409,447,208,215**	**566,640,049,889**

8. Due from Other Banks

This account consists of:

	Group		Parent	
	2023	2022 AS Restated	2023	2022
Deposit with local banks	359,158,930	552,040,754	2,145,540,135	2,425,303,594
Deposit with foreign banks	7,384,134,364	18,061,337,232	7,384,134,364	18,061,337,232
Allowance for Credit Losses	(5,038,369)	(4,802,892)	(5,727,480)	(4,802,892)
Accrued Interest Receivable	5,535	5,535	38,444,444	19,222,222
Allowance for Credit Losses	0	(2,902)	(6,202)	(2,902)
	7,738,260,460	**18,607,450,435**	**9,562,385,261**	**20,501,057,254**

The Group maintains nostro accounts on global basis with 20 and 36 foreign depository banks totaling 22 and 37 bank accounts in 2023 and 2022, respectively, the most significant of which are as follows:

2023	2022
1. JP Morgan Chase Bank	1. JP Morgan Chase Bank
2. Wells Fargo	2. Deutsche Bank
3. Standard Chartered Bank, N.Y.	3. Wells Fargo
4. Bank of New York	4. Standard Chartered Bank, N.Y.
5. Bank of America N.Y.	5. Clearstream Bank

9. Interbank Loans Receivables

This account consists of:

	Group		Parent	
	2023	2022	2023	2022
Foreign Banks	23,421,510,000	14,663,565,000	23,421,510,000	14,663,565,000
Allow. For Credit Losses	0	(41,608)	0	(41,608)
Accrued Interest Receivable	19,936,813	10,974,597	19,936,813	10,974,597
Allow. For Credit Losses	0	(17)	0	(17)
	23,441,446,813	**14,674,497,972**	**23,441,446,813**	**14,674,497,972**

The interbank loans receivable will mature within 30 days from date of investment with range of interest rates at December 31, as follows:

	2023	2022
Foreign	3.73% to 5.50%	0.01% to 4.35%

10. Securities Purchased under Agreements to Resell

This account consists of:

	Group		Parent	
	2023	2022	2023	2022
Domestic				
Reverse Repurchase-BSP	250,215,976,621	26,536,835,743	249,629,845,744	26,084,420,709
Repo Lending-Private	0	2,650,860,167	0	2,650,860,167
Accrued Interest Receivable	106,346,025	12,068,194	106,309,030	11,979,345
	250,322,322,646	**29,199,764,104**	**249,736,154,774**	**28,747,260,221**

Reverse Repurchase with BSP carry interest rate at 6.39 per cent and 5.50 per cent as at December 31, 2023 and 2022, respectively. Reverse Repurchase with BPI carries an interest rate at seven per cent as at December 31, 2022 while was no outstanding reverse repurchase transaction with private counterparty as of December 31, 2023.

11. Fair Value Thru Profit or Loss (FVTPL)

This consists of:

	Group		Parent	
	2023	2022	2023	2022
Government Securities – Domestic	14,460,766,156	10,795,034,454	14,262,168,171	10,795,034,454
Government Securities – Foreign	1,986,450,156	2,773,131,170	1,986,450,156	2,773,131,170
Private Securities – Domestic	984,472,524	174,694,885	984,472,524	31,262,235
Private Securities – Foreign	1,111,208,191	1,091,940,689	1,111,208,191	1,091,940,689
Derivative with positive fair value	2,026,913,176	4,210,632,911	2,026,913,176	4,210,632,911
Accrued Interest Receivable	87,164,067	23,733,383	85,837,956	22,593,939
	20,656,974,270	**19,069,167,492**	**20,457,050,174**	**18,924,595,398**

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

	2023			2022		
Domestic	2.38%	To	6.88%	2.38%	to	6.25%
Foreign	0.25%	To	5.95%	1.54%	to	4.19%

FVTPL includes the foreign exchange (FX) Risk Cover of the Parent's borrowings from multilateral agencies amounting to P1,674,146,261 and P2,593,563,842 in 2023 and 2022, respectively, which is treated as a derivative financial instrument per BSP Monetary Board Resolution No. 1063 dated August 14, 2008.

Under a Memorandum of Agreement between the NG (thru the Department of Finance) and the Parent, the former shall guarantee and assume the FX risk relating to foreign currency denominated borrowings from multilateral agencies (i.e. World Bank, Asian Development Bank, JICA, etc.) which are relent in local currencies. The fair value changes on the FX Risk Cover are reported immediately in the statement of comprehensive income. As of December 31, 2023, the outstanding notional amount of the FX Risk Cover amounted to JPY16,373,612,355 and EUR20,828,730.

Prior to 2007, the value of the FX Risk Cover as an option derivative varies on the movement of the foreign exchange rates of the Bills Payable. Beginning 2007, in accordance with Monetary Board Resolution No. 1063 dated August 14, 2008, the Parent applied the standard option valuation model approach which resulted in a decrease in the derivative asset amounting to P919,417,581 in 2023 and P357,854,118 in 2022.

The derivative with positive fair value comprise of the following:

	2023	2022
FX Risk Cover	1,674,146,261	2,593,563,842
Debt Warrants	142,601,947	143,593,490
Forward Contracts	210,164,968	1,473,475,579
	2,026,913,176	**4,210,632,911**

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

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

12. Fair Value Through Other Comprehensive Income (FVOCI)

This account consists of:

	Group		Parent	
	2023	2022	2023	2022
Government				
Domestic	373,347,686,506	336,141,217,103	371,886,612,394	335,503,574,825
Foreign	73,626,625,392	78,852,324,548	73,626,625,392	78,852,324,548
Private				
Domestic	24,944,489,782	19,081,409,475	24,823,926,193	18,958,014,237
Foreign	3,895,905,261	4,926,264,496	3,895,905,261	4,926,264,496
Accrued Interest Receivable	3,220,703,025	3,210,245,828	3,215,862,469	3,209,317,494
Allow. For Credit	(628,742)	(62,759)	(628,742)	(62,759)
	479,034,781,224	**442,211,398,691**	**477,448,302,967**	**441,449,432,841**

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

	2023			2022		
Domestic	2.38%	To	9.25%	2.38%	To	8.13%
Foreign	0.13%	To	10.63%	0.13%	To	10.63%

In 2023, the Parent disposed equity securities at FVOCI with total carrying value of P187,875,370 and recognized a gain on disposal charged against Retained Earnings of P16,206,861. The Parent sold its investments in equity securities as the target fair value of the listed stocks based on discounted cash flow model has been reached. Likewise, disposition of equity investment in countryside financial institution was made to recover the Parent's matured principal investment.

The net gains or losses on FVOCI equity securities classified as FVOCI amounted to P12,773,367,141 and P8,266,650,534 as of December 31, 2023 and 2022, respectively.

Domestic – Private securities

i. Manila Electric Company (MERALCO) shares

LANDBANK and SMC Global entered into a Share Purchase Agreement (SPA) on 2 December 2008. Under the SPA, LANDBANK will transfer and convey 46,596,596 MERALCO shares to San Miguel Corporation (SMC) Global for a consideration of P4,193,693,640.00 (priced at P90 per share) and a fixed term interest of P553,847,140.06. The SPA was not implemented because the shares were levied on execution on a just compensation case against LANDBANK.

On 14 December 2011, the Supreme Court (SC) directed MERALCO to reinstate the shares in LANDBANK's name. LANDBANK was only able to recover 38,635,950 shares.

For failure of the Bank to implement the SPA, SMC Global filed before the Regional Trial Court (RTC) a Complaint for Specific Performance and Damages against LANDBANK on 3 July 2014.

On March 18, 2021, the RTC rendered its decision in favor of SMC Global, ordering LANDBANK and other defendants, jointly and severally, to:

1. Immediately implement the Share Purchase Agreement;
2. Pay SMC Global attorney's fees in the amount of P5 million and for damages in the amount of P5 million plus six per cent legal interest from date LANDBANK is adjudged in delay in the implementation of the Share Purchase Agreement until fully paid;
3. Pay the costs of suits.

On April 30, 2021, LANDBANK filed its Notice of Appeal.

LANDBANK filed its Appellant's Brief before the Court of Appeals (CA) on July 27, 2022. On November 3, 2022, the CA rendered its Decision affirming the RTC. LANDBANK filed its Motion for Reconsideration (MR) on December 2, 2022.

On March 20, 2023, the CA rendered a Resolution denying LANDBANK's MR.

On May 26, 2023, LANDBANK filed a Petition for Review on Certiorari before the SC.

On December 11, 2023, the LANDBANK received the SC Resolution denying its appeal.

On December 27, 2023, the LANDBANK filed its Motion for Reconsideration (MR).

To date, the LANDBANK's MR is still pending before the SC. Relatedly, please note that the *LANDBANK v. Suntay* case involving the recovery of the remaining shares is likewise pending before the SC.

ii. Private securities include investment in equity securities which are irrevocably designated at FVOCI as these are held for long-term strategic purpose rather than for trading.

These equity securities include listed stocks, shares in recreational clubs, investment in countryside financial institutions (CFI) and other non-marketable equity securities.

Foreign – Private securities

Metro Rail Transit Corporation (MRTC) preference shares

Total FVOCI accounts of the Parent include investment of US$19,584,623.61 (P1,091,940,689.38) in MRTC preference shares and US$31,780,317.76 (P1,771,911,616.71) in Unsecuritized Equity Rental Payments, respectively.

In 2008, the NG, as confirmed through Executive Order No. 855 dated January 18, 2010, instructed LANDBANK and the Development Bank of the Philippines (DBP) to acquire majority interest in MRTC as a result of the recommendation made by the inter-agency Committee tasked to review the MRT III project. In the same year, the LANDBANK Board of Directors approved the purchase of MRTC interests in the form of unsecuritized portion of the Equity Rental Payment (ERP), MRT Bonds, and Preference Shares issued by MRT III Funding Corporation. LANDBANK together with DBP completed its acquisition in May 2009, collectively owning around 80 per cent of MRTC interests. LANDBANK owns approximately 37.77 per cent economic interest in MRTC.

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

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

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

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

	Acquisition Cost As of December 31, 2023 (In US Dollars)	Book Value As of December 31, 2023 (In US Dollars)	Percentage in MRTC
▪ MRT III Bonds	29,682,609	44,696,199	
▪ MRT III Preferred Shares	54,000,000	20,068,777	
Securitized ERPs	83,682,609	64,764,976	26.65%
Unsecuritized ERPs	16,599,972	17,185,780	11.12%
	100,282,581	**81,950,756**	37.77%

The decrease in the investment in unsecuritized ERP was brought about by the refund of US$1,433,535 (equally shared by the Parent and DBP) received from a third party in 2010. The refund represents cash that was already in the account of the third party, hence this did not affect the LANDBANK's percentage of economic interest in MRTC. Another refund of US$1,381,747 was received by the Parent and DBP in early 2011 representing Accrued ERPs.

The Parent's Accumulated market gains/ (losses) on FVOCI government and private issues amounted to P2,295,754,799 and (P12,250,519,914) as of December 31, 2023 and 2022, respectively.

Outstanding equity securities at FVOCI as of December 31, 2023 and 2022 generated dividends amounting to P1.10 billion and P1.05 billion, respectively for the Parent. Dividends amounting to P0.05 million and P0.01 million were recognized in 2023 and 2022, respectively, for the disposed securities at FVOCI.

Fair Value of FVOCI-Equity Securities as of December 31, 2023, as follows:

FVOCI Equity Securities	**Fair Value**
Listed Stocks	21,154,699,099
Shares in Sports Clubs.	358,060,000
Rural Banks	3,457,007
INMES	1,721,810,450
	23,238,026,556

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

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

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

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

As of December 31, 2022, government securities aggregating P18,170,337,471 were used as security for bills payable of the LANDBANK relative of the outstanding repurchase agreement with various foreign banks amounting P16,125,886,977 while there was no outstanding repurchase transaction as of December 31, 2023.

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

Loss allowance on FVOCI that has accumulated in the net unrealized gain/(loss) account amounted to P53,320,192 and P17,901,674 as of December 31, 2023 and 2022, respectively.

13. Hold to Collect (HTC)

This account consists of:

	Group		Parent	
	2023	2022 As Restated	2023	2022 As Restated
Government				
Domestic	721,342,226,008	784,936,365,866	718,335,563,155	781,798,711,553
Foreign	29,217,225,485	46,011,832,463	29,217,225,485	46,011,832,463
Private				
Domestic	4,923,978,367	6,422,778,831	4,773,543,249	6,266,684,137
Foreign	3,584,764,330	5,903,051,497	3,584,764,330	5,903,051,497
Allow. For Credit Losses	(730,299,699)	(709,599,758)	(730,249,699)	(709,115,405)
Accrued Interest Receivable	6,563,920,392	6,306,663,011	6,557,979,280	6,300,710,739
Allow. For Credit Losses	(9,129,378)	(8,903,350)	(9,129,378)	(8,903,350)
	764,892,685,505	**848,862,188,560**	**761,729,696,422**	**845,562,971,634**

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

	2023			2022		
Domestic	2.38%	to	18.25%	2.38%	to	18.25%
Foreign	0.25%	to	10.63%	0.13%	to	11.63%

14. Loans and Receivables

This account consists of:

	Group		Parent	
	2023	2022 As Restated	2023	2022 As Restated
Interbank loans receivable	50,724,674,862	34,823,016,845	50,724,674,862	34,823,016,845
Allowance for credit losses	(282,580,608)	(161,720,380)	(282,580,608)	(161,720,380)
	50,442,094,254	34,661,296,465	50,442,094,254	34,661,296,465
Loans to Government	207,559,810,661	166,996,728,111	208,909,166,786	168,240,149,593
Allowance for credit losses	(226,308,550)	(13,619,142)	(226,308,550)	(13,619,142)
	207,333,502,111	166,983,108,969	208,682,858,236	168,226,530,451
Agrarian Reform and other Agriculture Loans	50,072,135,894	162,708,235,473	49,310,488,142	161,910,457,089
Allowance for credit losses	(103,206,601)	(5,415,396,490)	(8,837,189)	(5,385,139,726)
	49,968,929,293	157,292,838,983	49,301,650,953	156,525,317,363
Microfinance Loans	19,567,938,188	19,556,683,633	19,567,938,109	19,556,683,554
Allowance for credit losses	(1,024,837,727)	(442,409,374)	(1,024,837,648)	(442,409,296)
	18,543,100,461	19,114,274,259	18,543,100,461	19,114,274,258
SME/MSE Loans	64,427,476,964	63,754,060,525	62,825,404,137	61,679,424,211
Allowance for credit losses	(4,960,601,521)	(4,282,967,919)	(4,459,866,742)	(3,402,707,764)
	59,466,875,443	59,471,092,606	58,365,537,395	58,276,716,447
Contract to Sell	19,812,594,326	21,653,257,171	19,076,210,367	20,883,897,564
Allowance for credit losses	(3,605,810,974)	(2,804,931,234)	(3,424,898,318)	(2,619,770,858)
	16,206,783,352	18,848,325,937	15,651,312,049	18,264,126,706
Loans to Private Corporation	706,168,763,297	584,317,906,156	700,282,403,260	578,876,092,420
Allowance for credit losses	(27,089,239,098)	(36,590,765,397)	(25,659,081,244)	(35,389,914,399)
	679,079,524,199	547,727,140,759	674,623,322,016	543,486,178,020
Loans to Individuals for Housing Purposes	28,671,747,511	32,009,591,828	25,622,678,418	28,867,295,267
Allowance for credit losses	(3,998,117,602)	(3,346,984,525)	(3,907,355,647)	(3,260,376,990)
	24,673,629,909	28,662,607,303	21,715,322,771	25,606,918,277
Loans to Individual for Personal Use	64,526,865,291	59,589,132,159	60,311,832,455	55,468,221,964
Allowance for credit losses	(3,612,068,462)	(1,611,986,784)	(3,328,909,422)	(1,442,810,141)
	60,914,796,829	57,977,145,375	56,982,923,033	54,025,411,823
Loans to Individual for Other Purposes	7,816,429,372	3,323,582,780	6,025,748,731	1,421,620,549
Allowance for credit losses	(1,400,736,965)	(123,495,206)	(1,375,838,269)	(62,815,282)
	6,415,692,407	3,200,087,574	4,649,910,462	1,358,805,267
Loans & Receivable-Others-non-residents-FCDU	261,731,669	310,567,773	261,731,669	310,567,773
Allowance for credit losses	(48,554,573)	(12,031,852)	(48,554,573)	(12,031,852)
	213,177,096	298,535,921	213,177,096	298,535,921
General loan loss provision	(13,707,093,477)	(7,185,755,438)	(13,604,196,188)	(7,044,924,773)
	1,159,551,011,877	1,087,050,645,184	1,145,567,012,538	1,072,799,132,697
Accrued interest receivable	14,597,657,240	12,088,621,223	14,327,485,313	11,825,132,061
Allowance for credit losses	(1,627,914,055)	(929,052,961)	(1,537,853,603)	(867,987,047)
	12,969,743,185	11,159,568,262	12,789,631,710	10,957,145,014
Accounts receivable	6,634,847,552	3,379,719,696	2,652,082,518	2,256,442,796

	Group		Parent	
	2023	2022 As Restated	2023	2022 As Restated
Allowance for credit losses	(2,027,956,236)	(1,720,389,015)	(1,438,298,006)	(1,245,130,026)
	4,606,891,316	1,659,330,681	1,213,784,512	1,011,312,770
Sales contract receivable	1,902,918,746	1,939,092,929	1,683,863,790	1,737,645,840
Allowance for credit losses	(200,556,804)	(107,355,745)	(191,283,904)	(99,287,515)
	1,702,361,942	1,831,737,184	1,492,579,886	1,638,358,325
Due from ARF	177,737,498	183,288,712	177,737,498	183,288,712
Lease contract receivable	489,492,873	2,824,360,854	0	0
Allowance for credit losses	(62,752,678)	(224,472,586)	0	0
	426,740,195	2,599,888,268	0	0
	1,179,434,486,013	**1,104,484,511,820**	**1,161,240,746,144**	**1,086,589,291,047**

The Parent's interest rates on loans in 2023 range from 0.01 to 19.98 per cent for peso denominated loans and from 0.82 to 9.75 per cent for foreign currency denominated loans.

Allowance for credit losses

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

	2023	2022 As Restated
Balance, January 1	59,238,240,602	26,694,890,846
Provision	7,598,683,731	19,999,186,313
Write-offs	(577,581,109)	(991,024,350)
Transfers and other adjustments	(8,908,078,826)	13,535,187,793
Balance, December 31	**57,351,264,398**	**59,238,240,602**

As of December 31, 2023 and 2022, the breakdown of Gross Loans as to secured and unsecured follows:

	Parent			
	2023		2022	
	Amount	%	Amount	%
Secured loans:				
Guarantee of the Republic of the Philippines	103,609,749,018	8.61	107,506,146,959	9.50
Various guarantees	296,299,765,839	24.63	280,993,365,855	24.82
Various mortgages	344,829,439,868	28.67	303,802,457,987	26.84
	744,738,854,725	61.91	692,301,970,801	61.16
Unsecured loans	458,179,322,211	38.09	439,735,456,027	38.84
Gross loan at amortized cost	1,202,918,276,936	100.00	1,132,037,426,828	100.00

Non-performing loans (NPLs) included in the total loan portfolio of the Parent are presented below as net of specific allowance for credit losses on NPLs in compliance with BSP Circular No. 772 and 941, which amends regulations governing non-performing loans.

	2023	2022
Total NPLs	68,663,266,849	58,723,557,050
Allowance for credit losses	(29,915,596,368)	(18,522,358,922)
Net NPLs	38,747,670,481	40,201,198,128

15. Investment in Subsidiaries

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

Name	2023	2022
Overseas Filipino Bank, Inc.	2,108,992,000	2,108,992,000
LBP Leasing and Finance Corporation (formerly LBP Leasing Corporation)	310,252,630	310,252,630
LBP Insurance Brokerage, Inc.	52,500,000	52,500,000
LBP Resources and Development Corporation	51,467,436	51,467,436
Masaganang Sakahan, Inc.	24,554,941	24,554,941
UCPB Leasing & Finance Corp.	1,393,465,252	1,393,465,252
UCPB Savings Bank, Inc.	1,981,688,477	1,981,688,477
LBP Securities, Inc. (formerly UCPB Securities, Inc.)	237,550,439	237,550,439
Green Homes Development Inc.	334,831,317	334,831,317
Total	6,495,302,492	6,495,302,492
Allowance for credit losses	(840,934,784)	(840,934,784)
Net	**5,654,367,708**	**5,654,367,708**

Overseas Filipino Bank, Inc. (OFBI)

Pursuant to the directive of Malacañang Executive Order (EO) No. 44 dated September 28, 2017, the Parent through Investment and Loan Committee Resolution No. 18-088 and Board Resolution No. 18-119 approved the capital infusion of up to P1,701,000,000 into OFBI. The initial infusion in the amount of P428,992,000 was released on July 06, 2018. Further, the OFBI per Board Resolution No. 2018-73 has approved the increase in Authorized Capital Stock (ACS) amounting P3.5 billion where P3 billion is allocated as common shares and P0.5 billion as preferred shares. The increase in ACS was approved by BSP on July 02, 2019 while the Certificates of Approval of Increase of Capital Stock and Filing of Amended Articles of Incorporated were approved by the Securities and Exchange Commission on March 18, 2021. The same EO directed the Philippine Postal Corporation and Bureau of Treasury to transfer their respective OFBI shares to the Parent at zero value. The shares were transferred in March 2018 and the investment was recorded at zero value based on the fair value of the net assets on acquisition date as determined by a third-party valuation advisor.

In 2022 LANDBANK Board of Directors and as affirmed by the Corporate Secretary dated March 28, 2022, the LANDBANK Board Resolution (LBR) No. 18-886 dated November 13, 2018 superseded the LBR 18-119, and mentioning that the capital infusion of P1,680,000,000 is on top of the P428,992,000 capital infused initially by the Parent last July 06, 2018 or prior to the release of LBR No. 18-886. Acting on the letter of OFBI for the capital infusion plan sent to the Parent and through the instruction of Investment Banking Group (IBG), the remaining balance and final tranche amounting to P407,992,000 was released and booked last May 26, 2022.

United Coconut Planters Bank (UCPB)

In 2021, through Presidential Directive under Executive Order (EO) 142 Series of 2021, the Parent acquired the Philippine Deposit Insurance Corporation's (PDIC) Special Preferred Shares (SPS) totaling 88.91 per cent in the amount of P4,038,227,868 for the voting shares in the UCPB with total par value of P12 billion.

Following the full acquisition of UCPB and the issuance of COI to PDIC, the same was reversed thru the Parent's Accounting Transaction Unit on March 02, 2022 for proper consolidation of books.

The resulting full acquisition of UCPB, its subsidiaries namely UCPB Savings Bank, UCPB Leasing and Finance Corporation, UCPB Securities, Inc. and Green Homes Development Inc. were eventually transferred to the Parent and booked last July 18, 2022. All are 100 per cent owned by the Parent except for UCPB Savings Bank which is at 97.55 per cent.

The Parent measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

National Livelihood Development Corporation (NLDC)'s Investment in Northern Foods Corporation (NFC)

- On September 02, 2015 pursuant to Memorandum Order (MO) No. 85 NLDC was abolished and directed that all of its assets and liabilities be transferred to LANDBANK. The liquidation and winding up of NLDC's operations were undertaken until December 31,2017 and the transfer of its assets and liabilities to LANDBANK was completed on June 29, 2018. NLDC's investment in NFC totaled to P84,905,000.00 representing 81.21 per cent of ownership of NLDC. The said investment has been fully provided with allowance for credit losses resulting to zero value in the books of NLDC based on the terminal audit report of COA as of December 31, 2017. Hence, the NFC investment was not part of the total assets that was transferred to LANDBANK.

- On December 09, 2020, COA issued an Audit Observation Memorandum (AOM) recommending the recognition of the correct cost of equity investment in NFC, the corresponding allowances for credit losses in the books of LANDBANK and provide the sufficient and required disclosures in the Parent's financial statements.

- On February 02, 2023, a meeting was conducted attended by representatives from LANDBANK, COA and GCG to discuss the cited COA AOM. In the said meeting LANDBANK emphasized its position on not to book said investment due to its zero value and NFC's abolition pursuant to MO No. 58 series of 2021 where LANDBANK will eventually request for write-off of this investment. Further, per Section 376-A of the MORB, limits the equity ownership in NFC, a non- allied enterprise to just 35 per cent. However, COA pointed out that in compliance with existing auditing rules, the recording of the subject equity investments in the books of LANDBANK should be made. In view of diverse opinions, LANDBANK, COA and GCG agreed to seek for BSP's regulatory guidance pertaining to the subject investment.

- On March 10, 2023, LANDBANK wrote BSP requesting for guidance on the recognition of NFC investment in the books of LANDBANK and clarification on the prescribed limit under Section 376-A of the MORB.

- On May 12, 2023, LANDBANK received the response from BSP with the following comments on the matter:

  1. BSP agrees with COA to:

     a. record the equity investment and the corresponding allowance for credit losses in the books of LANDBANK;
     b. provide the required disclosures on the investment in NFC in the Notes to Financial Statements of LANDBANK;
     c. cause the transfer of NFC shares of stocks to LANDBANK, subject to compliance with the ceiling under Section 376-A of the Manual of Regulations for Banks (MORB).
     d. write-off the equity investment in NFC, subject to compliance with the provision of Section 143 of the MORB, considering the abolition of NFC per MO No. 58 dated December 01, 2021.

  2. On compliance with the prescribed ceiling on equity investment, BSP stated that LANDBANK can only acquire 35 per cent of the total equity of NFC and the same should not exceed 35 per cent of NFC's voting stock. This is pursuant to Section 27 of the General Banking Law (GBL) as implemented by Section 376-A of the MORB.

  3. With respect to the remaining 65 per cent of the equity investment of NFC, BSP suggested to refer the same to the Technical Working Group (TWG) which was created to resolve issues on the transfer of equity investment of the defunct NLDC in NFC taking into consideration of the above cited prescribed limit.

- On May 23, 2023, LANDBANK provided copy of the letter from BSP to GCG referring to the TWG the necessary actions to be undertaken relative to the remaining 65 per cent of the equity of NFC.

- LANDBANK's investment in NFC will be consolidated in the group when the decision/action of the TWG on the issues concerning NLDC's equity investment in NFC is rendered.

- On January 02, 2024 LANDBANK received the response from GCG thru Disposition and Asset Management Office about the limitation of LANDBANK to acquire only up to 35 per cent of the total equity investment in NFC, informing the bank that they have requested comments from the Department of Finance (DOF) through a letter dated July 28, 2023. However, they have yet to receive a response from the DOF.

- On April 05, 2024, the NFC-TWG issued Resolution No. 2024-01 endorsing the voluntary or involuntary dissolution of the NFC, as may be deemed applicable by the SEC under the Revised Corporation Code.

16. Investment Property

This account consists of:

	Group					
	2023			2022 As Restated		
	Land	Building	Total	Land	Building	Total
At Cost						
At January 1	8,693,525,805	10,453,304,050	19,146,829,855	7,452,457,069	7,091,293,791	14,543,750,860
Additions/(Disposals)	267,525,172	83,489,511	351,014,683	3,406,932,144	5,972,012,960	9,378,945,104
Transfers/Adjustment	(8,224,089)	14,308,267	6,084,178	(2,165,863,408)	(2,610,002,701)	(4,775,866,109)
At December 31	8,952,826,888	10,551,101,828	19,503,928,716	8,693,525,805	10,453,304,050	19,146,829,855
Accumulated depreciation						
At January 1	0	4,316,125,724	4,316,125,724	0	3,108,234,211	3,108,234,211
Depreciation	0	685,432,056	685,432,056	0	713,233,071	713,233,071
Transfers/Adjustment	0	(483,139,298)	(483,139,298)	0	494,658,442	494,658,442
Accumulated Depreciation At December 31	0	4,518,418,482	4,518,418,482	0	4,316,125,724	4,316,125,724
Allowance for Losses at December 31	676,094,370	97,379,171	773,473,540	754,211,054	368,473,552	1,122,684,606
Net book value	**8,276,732,519**	**5,935,304,175**	**14,212,036,694**	**7,939,314,751**	**5,768,704,774**	**13,708,019,525**

	Parent					
	2023			2022 As Restated		
	Land	Building	Total	Land	Building	Total
At Cost						
At January 1	8,074,273,930	9,724,025,451	17,798,299,381	5,202,916,395	4,401,181,582	9,604,097,977
Additions/(Disposals)	232,163,713	112,200,736	344,364,449	2,877,704,785	5,323,917,669	8,201,622,454
Transfers/Adjustment	(6,716,589)	14,308,267	7,591,678	(6,347,250)	(1,073,800)	(7,421,050)
At December 31	8,299,721,054	9,850,534,454	18,150,255,508	8,074,273,930	9,724,025,451	17,798,299,381
Accumulated depreciation						
At January 1	0	4,161,923,573	4,161,923,573	0	1,038,046,863	1,038,046,863
Depreciation	0	656,881,060	656,881,060	0	609,042,753	609,042,753
Transfers/Adjustment	0	(465,052,468)	(465,052,468)	0	2,514,833,957	2,514,833,957
At December 31	0	4,353,752,165	4,353,752,165	0	4,161,923,573	4,161,923,573
Allowance for Losses at December 31	655,765,477	94,157,454	749,922,931	733,551,132	365,756,434	1,099,307,566
Net book value	**7,643,955,577**	**5,402,624,835**	**13,046,580,412**	**7,340,722,798**	**5,196,345,444**	**12,537,068,242**

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

As of December 31, 2023 and 2022, the carrying value of investment properties still subject to redemption amounted to P45,079,319 and P568,718,439, respectively, for the Parent. Investment properties with on-going cases amounted to P1,828,721,682 and P1,417,601,587 as of December 31, 2023 and 2022, respectively. Properties amounting to P34,947,412 and P96,585,504 as of December 31, 2023 and 2022, respectively, are agricultural lands covered by the government's agrarian reform program.

In 2023 and 2022, the rental income (included under 'Miscellaneous Income' in the statements of comprehensive income) on investment properties, which are leased out under operating leases, amounted to P193,800 and P1,865,432, respectively, for the Parent. In 2023 and 2022, the Parent's direct operating expenses, consisting of depreciation and amortization and repairs and maintenance (included under 'Miscellaneous Expense' in the statements of comprehensive income) pertaining to investment properties amounted to P656,881,060 and P609,042,753, respectively.

17. Property and Equipment

This account consists of:

GROUP	LAND	BUILDING UNDER CONSTRUCTION	BUILDING	LEASEHOLD RIGHTS & IMPROVEMENT	TRANSPORTATION EQUIPMENT	FURNITURE & OFFICE EQUIPMENT	EQUIPMENT UNDER LEASE	OTHERS	2023	2022 (As Restated)
At Cost										
At January 1	2,951,373,859	409,281,528	6,074,706,369	1,725,551,005	680,251,592	9,900,293,610	684,464,069	1,263,091,964	23,689,013,996	22,936,919,596
Additions	3,139,294	323,555,462	61,086,649	143,691,594	390,494,311	1,263,892,989	298,318,800	272,267,543	2,756,446,642	7,557,583,742
Disposal	0	0	0	(5,418,667)	(59,682,218)	(178,767,179)	(36,158,383)	(5,739,478)	(285,765,925)	(2,003,276,700)
Transfers / reclass	2,601,823	29,839,736	153,208,801	(52,148,115)	(121,210,683)	(300,779,778)	(3,989,179)	(167,002,571)	(459,479,966)	(4,802,212,642)
At December 31	**2,957,114,976**	**762,676,726**	**6,289,001,819**	**1,811,675,817**	**889,853,002**	**10,684,639,642**	**942,635,307**	**1,362,617,458**	**25,700,214,747**	**23,689,013,996**
Accumulated Depreciation/ Impairment Loss										
At January 1	0	418,875	3,722,827,523	865,229,632	385,202,536	7,020,201,097	408,308,027	499,870,822	12,902,058,512	13,600,012,596
Depreciation/ Amortization	0	548,964	261,939,669	154,245,355	(15,582,436)	754,764,131	12,262,017	278,979,352	1,447,157,052	1,989,477,610
Disposal	0	0	0	(7,315,813)	(71,863,957)	(154,081,587)	(31,602,367)	(5,500,682)	(270,364,406)	(1,078,828,071)
Transfers / reclass	0	0	510,567,809	1,607,590	107,061,326	(261,162,123)	(2,916,723)	(236,117,495)	119,040,384	(1,608,603,623)
Impairment Loss	0	0	0	0	0	0	0	0	0	0
At December 31	**0**	**967,839**	**4,495,335,001**	**1,013,766,764**	**404,817,469**	**7,359,721,518**	**386,050,954**	**537,231,997**	**14,197,891,542**	**12,902,058,512**
Allow for Losses	0	0	33,119,258	1,289,797	10,043,043	26,603,718	-	51,926,152	122,981,968	75,160,940
Net Book Value	**2,957,114,976**	**761,708,887**	**1,760,547,560**	**796,619,256**	**474,992,490**	**3,298,314,406**	**556,584,353**	**773,459,309**	**11,379,341,237**	**10,711,794,544**

PARENT	LAND	BUILDING UNDER CONSTRUCTION	BUILDING	LEASEHOLD RIGHTS & IMPROVEMENT	TRANSPORTATION EQUIPMENT	FURNITURE & OFFICE EQUIPMENT	EQUIPMENT UNDER LEASE	OTHERS	2023	2022 (As Restated)
At Cost										
At January 1	2,810,090,148	403,502,404	5,874,030,230	1,556,021,829	652,655,180	9,564,892,806	415,835,377	1,199,564,798	22,476,592,772	19,806,021,470
Additions	3,139,294	323,555,462	46,437,406	130,483,091	366,330,686	1,246,703,311	0	264,244,474	2,380,893,724	7,035,444,953
Disposal	0	0	0	(5,418,667)	(58,600,544)	(187,819,365)	0	0	(251,838,576)	(1,999,948,808)
Transfers / reclass	2,601,823	29,839,736	153,208,801	(50,892,415)	(121,884,960)	(281,956,790)	(3,989,179)	(167,403,044)	(440,476,028)	(2,364,924,843)
At December 31	**2,815,831,265**	**756,897,602**	**6,073,676,437**	**1,630,193,838**	**838,500,362**	**10,341,819,962**	**411,846,198**	**1,296,406,228**	**24,165,171,892**	**22,476,592,772**
Accumulated Depreciation/ Impairment Loss										
At January 1	0	0	3,609,158,088	762,966,510	367,762,362	6,732,632,766	371,701,608	452,409,102	12,296,630,436	10,968,459,804
Depreciation/ Amortization	0	0	253,441,043	130,853,133	(18,810,343)	740,495,853	11,635,231	269,453,447	1,387,068,364	1,672,184,531
Disposal	0	0	0	(7,315,813)	(70,782,284)	(152,493,812)	0	(3,644,924)	(234,236,833)	(1,074,673,103)
Transfers / reclass	0	0	509,465,462	1,607,590	106,387,047	(251,879,873)	(2,916,723)	(236,034,995)	126,628,508	730,659,204
Impairment Loss			0	0	0	0	0	0	0	0
At December 31	**0**	**0**	**4,372,064,593**	**888,111,420**	**384,556,782**	**7,068,754,934**	**380,420,116**	**482,182,630**	**13,576,090,475**	**12,296,630,436**
Allow for Losses	0	0	33,119,258	1,289,797	10,043,043	26,277,800	-	51,853,565	122,583,463	74,640,525
Net Book Value	**2,815,831,265**	**756,897,602**	**1,668,492,586**	**740,792,621**	**443,900,537**	**3,246,787,228**	**31,426,082**	**762,370,033**	**10,466,497,954**	**10,105,321,811**

Depreciation and amortization of the Group amounting to P1,447,157,052 and P1,989,477,610 and of the Parent amounting to P1,387,068,364 and P1,672,184,531 in 2023 and 2022, respectively, are included in depreciation and amortization expense in the Statements of Comprehensive Income.

The Parent's office equipment, furniture and vehicles with carrying amount of P183,231,787 and P55,689,218 in 2023 and 2022, respectively, are temporarily idle. The carrying amounts of properties which are held for disposal are P157,225,958 and P44,829,089 in 2023 and 2022, respectively, while the carrying amount of fully depreciated assets still in use are P5,020,142,513 and P191,716,377 in 2023 and 2022, respectively.

18. Leases

Parent as lessee

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities as of December 31, 2023 for the Parent is as follows:

	Within 1 Year	After 1 Year but not more than 5 Years	More than 5 Years	Total
Finance Charge	191,137,275	290,375,213	90,269,317	**571,781,805**
Finance Lease Liability	830,777,457	1,440,511,448	405,038,077	**2,676,326,982**
Lease Payment	1,021,914,732	1,730,886,661	495,307,394	**3,248,108,787**

As of December 31, 2023, the Parent recognized interest expense on lease liabilities (included in the Statements of Comprehensive Income) amounting to P177,438,022 and rent expense from short-term leases and leases of low-value assets amounting to P466,261,910.

Right-of-use assets as of December 31, 2023 consist of the following:

GROUP	2023			2022
	Cost	Accumulated Depreciation	Net Booked Value	
Building	4,473,812,960	(1,823,089,940)	2,650,723,020	2,996,871,138
Transportation Equipment	399,022,050	(110,707,825)	288,314,225	449,197,163
Office Equipment	0	0	0	729,657
IT Equipment	3,148,633	(639,945)	2,508,688	5,886,049
Total	**4,875,983,643**	**(1,934,437,710)**	**2,941,545,933**	**3,452,684,007**

PARENT	2023			2022
	Cost	Accumulated Depreciation	Net Booked Value	
Building	3,722,479,911	(1,751,972,343)	1,970,507,568	2,303,300,331
Transportation Equipment	399,022,050	(110,707,825)	288,314,225	453,370,531
Office Equipment	0	0	0	729,657
IT Equipment	3,148,633	(639,945)	2,508,688	22,151,629
Total	**4,124,650,594**	**(1,863,320,113)**	**2,261,330,481**	**2,779,552,148**

Parent as lessor

The Parent has entered into commercial property leases with various tenants on its investment property portfolio and part of LANDBANK premises. Various lease contracts include escalation clauses. Rent income from leases is included in the Miscellaneous Income of the Parent and part of Note 35.

Future minimum rentals receivable under non-cancellable operating leases as at December 31, 2023 are as follows:

	Within 1 Year	After 1 Year but not more than 5 Years	More than 5 Years	Total
Operating Lease	1,437,290	1,400,067	0	2,837,357

19. Other Intangible Assets

This account consists of:

	Group		Parent	
	2023	**2022 As Restated**	**2023**	**2022**
Balance at the beginning of the year	**1,993,239,749**	**1,770,175,415**	**1,928,470,915**	**1,189,435,007**
Additions	302,295,471	1,188,875,875	290,455,522	1,131,262,058
Disposals	(85,283,940)	(544,040,488)	(85,283,940)	
Amortization for the year	(727,361,347)	(421,771,053)	(718,409,099)	(392,226,150)
Balance at the end of the year	**1,482,889,933**	**1,993,239,749**	**1,415,233,398**	**1,928,470,915**
Allow for Losses	(5,916,382)	(673,500)	(5,916,382)	(673,500)
Net book value at end of year	**1,476,973,551**	**1,992,566,249**	**1,409,317,016**	**1,927,797,415**

20. Other Assets

This account consists of:

	Group		Parent	
	2023	**2022 Restated**	**2023**	**2022 Restated**
Sundry debits	1,555,930,664	9,659,785,731	1,601,798,662	9,615,511,593
Prepaid expenses	727,418,216	585,592,932	571,571,093	444,333,598
Documentary stamps	585,519,976	544,771,411	584,825,858	543,755,617
Stationery & supplies on hand	291,008,727	230,749,702	285,490,696	227,927,062
Accounts receivable bank officers & employees-net	112,250,621	176,855,881	111,674,516	175,656,459
Inter-office float items	94,357,507	183,750,297	94,357,507	183,750,297
Deferred Charges	35,705,752	61,380,606	0	0
Others	63,739,497,490	6,266,125,671	64,086,599,994	6,462,783,809
Allowance for credit losses	(28,034,681)	(30,642,403)	(28,034,681)	(30,642,403)
	67,113,654,272	**17,678,369,828**	**67,308,283,645**	**17,623,076,032**

The Others account under Other Assets includes Miscellaneous Assets, Due from FCDU/RBU-Fx Reg-Clearing account and Shortages.

21. Allowance for Credit Losses and Impairment Losses

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

	2023	2022
Balance at beginning of year:		
Interbank Loans Receivables (Note 9)	41,625	0
Loans (Note 14)	59,238,240,602	26,694,890,846
Investments (Note 12, 13 & 15)	1,559,016,298	1,518,586,638
Receivables from customers and Other assets	3,565,964,676	2,934,176,162
Contingent (Note 32)	570,971,538	491,173,088
	64,934,234,739	31,638,826,734
Provisions charged to operations	7,626,454,679	20,038,590,514
Accounts charged off and others	(597,533,069)	(999,848,145)
Transfer/adjustments	(8,244,197,177)	14,256,665,636
	(1,215,275,567)	33,295,408,005
Balance December 31	**63,718,959,172**	**64,934,234,739**
Balance at end of year:		
Interbank Loans Receivables (Note 9)	0	41,625
Loans (Note 14)	57,351,264,398	59,238,240,602
Investments (Note 12, 13 & 15)	1,580,942,603	1,559,016,298
Receivables from customers and other assets (Note 8, 9, 14, 16, 17, 19 & 20)	4,197,891,996	3,565,964,676
Contingent (Note 32)	588,860,175	570,971,538
	63,718,959,172	**64,934,234,739**

With the foregoing level of allowance for credit losses, the Parent believes that it has sufficient allowance to cover any losses that the Parent may incur from the non-collection or non-realization of its loans and receivables and other risk assets.

The account includes provision for credit losses/impairment losses of the Parent as follows:

	2023	2022
Loans (Notes 14)	7,598,683,731	19,999,186,313
Investments	0	31,615,837
Receivables from customers and other assets	27,770,948	7,788,364
Contingent	0	0
	7,626,454,679	**20,038,590,514**

In 2022, higher set up of provision for loans was provided to cover the past due loan accounts from UCPB and to protect the asset quality of the Parent.

Prior Period Error

The Expected Credit Losses (ECL) model as of September 30, 2022 was not able to reliably measure the probable losses affecting selected loan accounts. The same was not subjected to impairment testing thereby affecting the financial statement for the year ended December 31, 2022. This error was due to inappropriate/inadvertence application of historical loss rates and the exclusion of forward-looking information for these types of accounts as required under PFRS 9 – Financial Instruments. As a result, the value of the net loans and receivables of these loan accounts and the resulting net income was overstated. The error was corrected by adding supplemental provisions and restating each of the affected financial statement line items for prior period, in accordance with PAS 8.

The following summarize the effects of the restatement on the financial statements for the year ended December 31, 2022.

Statement of Financial Position – Parent

Line Item	As Previously Reported	Adjustment	As Restated
Assets			
Allowance for Credit Loss (Note 14)			
Loans to Private Corp	(21,193,886,295)	(14,196,028,104)	(35,389,914,399)
Accrued Interest Receivable	(1,296,657,178)	428,670,131	(867,987,047)
Accounts Receivable	(1,504,637,828)	259,507,802	(1,245,130,026)
Sales Contract Receivable	(87,927,419)	(11,360,096)	(99,287,515)
General Provision (Note 14)	(10,810,822,225)	3,765,897,452	(7,044,924,773)
Total Adjustment on Asset		**(9,753,312,815)**	
Liabilities and Equity			
Other Liabilities - Provision for Credit and Impairment Losses (Note 25)	544,101,219	26,870,317	570,971,536
Undivided Profit - Provision for Credit Losses	(10,258,407,382)	(9,780,183,132)	(20,038,590,514)
Total Adjustment on Liabilities and Equity		**(9,753,312,815)**	

Statement of Comprehensive Income – Parent

Line Item	As Previously Reported	Adjustment	As Restated
Provision for Credit and Impairment Losses	(10,258,407,382)	(9,780,183,132)	(20,038,590,514)
Adjustment on Net Income		**(9,780,183,132)**	

The correction of this error and the associated restatement of prior period financial statements ensure that the financial statements provide a true and fair view in accordance with PAS 8. The Parent has taken steps to prevent the recurrence of such error in the future periods. Accordingly, the subsequent ECL calculations were conducted and applied in accordance with the Parent's revised policy in line with PFRS 9, updating the Allowance for Credit Losses for the year ended December 31, 2023.

Due to the complexities involved and the impracticability of effecting the impact on Deferred Tax Assets arising from this restatement, no adjustment has been made in current or prior period. The Parent believes that the impact on Deferred Tax Asset would not be material to the financial statement.

The calculated ECL for Treasury Exposures as of September 2023 increased from P740.83 million to P801.70 million. The table shows the computed ECL for 2023 and 2022:

INVESTMENTS (In Thousand P)	TOTAL		STAGE 1		STAGE 2		STAGE 3	
	2023[1/]	2022[2/]	2023[1/]	2022[2/]	2023[1/]	2022[2/]	2023[1/]	2022[2/]
Due from Other Banks & IBLR	**5,775.61**	**4,847.42**	**5,772.94**	**4,845.30**	**2.67**	**2.12**	**0**	**0**
Due from Foreign Banks	4,902.85	3,968.29	4,902.85	3,968.29	0	0	0	0
Due from Local Banks and FIs	830.83	816.59	828.16	814.47	2.67	2.12	0	0
Repo-Cash Margin	0	20.91	0	20.91	0	0	0	0
Inter-bank loan and receivables	41.93	41.63	41.93	41.63	0	0	0	0
FVOCI debt investments	**56,137.53**	**17,964.43**	**53,570.65**	**7,987.13**	**2,566.88**	**9,977.30**	**0**	**0**
Foreign Debt Securities	44,485.94	0	44,485.94	0	0	0	0	0
Private Securities	11,651.59	17,964.43	9,084.71	7,987.13	2,566.88	9,977.30	0	0
HTC investments	**739,788.71**	**718,018.76**	**45,244.89**	**17,056.49**	**0**	**6,418.45**	**694,543.82**	**694,543.82**
Foreign Debt Securities	16,379.54	0	16,379.54	0	0	0	0	0
Private Securities								
Local	721,688.07	712,980.79	27,144.25	12,949.64	0	5,487.33	694,543.82	694,543.82
Foreign	1,721.10	5,037.97	1,721.10	4,106.85	0	931.12	0	0
TOTAL	**801,701.85**	**740,830.61**	**104,588.48**	**29,888.92**	**2,569.55**	**16,397.87**	**694,543.82**	**694,543.82**

1/ Result for the ECL calculation of Treasury exposures as of September 2023 is the basis for the allowance for 2023
2/ Result for the ECL calculation of Treasury exposures as of September 2022 is the basis for the allowance for 2022

The calculated ECL for Loans, Other Exposures and Off-Balance Sheet as of September 2023 increased from ₱52,241.43 million to ₱60,101.92 million. The table shows the computed ECL for 2023 and 2022:

LOANS, OTHER EXPOSURES & OFF-BALANCE SHEET ITEMS (in Millions)	TOTAL		STAGE 1		STAGE 2		STAGE 3	
	2023[1/]	2022[2/]	2023[1/]	2022[2/]	2023[1/]	2022[2/]	2023[1/]	2022[2/]
Loans	**57,551.94**	**50,099.21**	**12,942.63**	**10,789.17**	**11,633.01**	**7,010.50**	**32,976.30**	**32,299.54**
Corporates	34,894.31	25,856.05	7,469.95	6,094.49	8,462.46	5,614.33	18,961.90	14,147.23
Financial Institutions	6,716.79	6,382.23	3,568.91	3,007.46	299.65	603.58	2,848.23	2,771.19
Government	1,215.74	1,018.93	1,047.09	892.10	0	9.15	168.65	117.68
Retail Loans	2,244.45	2,104.67	539.34	417.81	62.90	118.52	1,642.21	1,568.34
Others	12,480.65	14,737.33	317.34	377.31	2,808.00	664.92	9,355.31	13,695.10
Other Exposures	**1,980.42**	**1,598.12**	**15.46**	**21.65**	**89.82**	**401.88**	**1,875.14**	**1,174.59**
Sales Contract Receivable	397.57	93.91	6.69	5.90	12.30	2.17	378.58	85.84
Accounts Receivable	1,582.85	1,504.21	8.77	15.75	77.52	399.71	1,496.56	1,088.75
Off-Balance Sheet Items	**569.56**	**544.10**	**569.56**	**544.10**	**0**	**0**	**0**	**0**
Loan Commitments	523.14	503.47	523.14	503.47	0	0	0	0
Trade and Trust Receipts	24.98	23.48	24.98	23.48	0	0	0	0
Financial Guarantees	21.44	17.15	21.44	17.15	0	0	0	0
TOTAL	**60,101.92**	**52,241.43**	**13,527.65**	**11,354.92**	**11,722.83**	**7,412.38**	**34,851.44**	**33,474.13**

[1/] *Result for the ECL calculation of Loans, Other Exposure and Off-Balance Sheets as of September 2023 is the basis for the allowance for 2023*

[2/] *Result for the ECL calculation of Loans, Other Exposure and Off-Balance Sheets as of September 2022 is the basis for the allowance for 2022*

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

22. Deposit Liabilities

This account consists of:

	Group		Parent	
	2023	2022	2023	2022
Domestic				
Demand deposits	1,388,726,395,982	1,369,814,859,810	1,386,348,122,451	1,367,248,584,084
Savings deposits	1,390,366,943,698	1,252,079,860,367	1,383,789,894,612	1,245,155,575,705
Time certificate of deposits	9,056,095,929	24,704,987,879	3,645,152,965	20,492,670,701
	2,788,149,435,609	2,646,599,708,056	2,773,783,170,028	2,632,896,830,490
Foreign				
Savings deposit –FCDU/EFCDU	32,908,187,663	33,343,559,991	32,922,475,819	33,344,168,397
Time certificate of deposit- FCDU/EFCDU	75,690,774,642	87,377,781,092	75,693,745,785	87,377,781,092
	108,598,962,305	120,721,341,083	108,616,221,604	120,721,949,489
	2,896,748,397,914	**2,767,321,049,139**	**2,882,399,391,632**	**2,753,618,779,979**

The Parent's domestic deposit liabilities earn annual fixed interest rates ranging from 0.05 to 4 per cent and 0.05 to 0.75 per cent in 2023 and 2022, respectively. Foreign deposit rates range from 0.03 to 0.50 per cent and from 0.03 to 0.50 per cent in 2023 and 2022, respectively. In 2023 and 2022, P1,860,554,986,870 or 65 per cent and P1,866,335,527,916 or 68 per cent, respectively, of the Parent's deposit portfolio came from the government while the rest came from private depositors.

23. Bills Payable

This account consists of:

	Group		Parent	
	2023	2022	2023	2022
Bangko Sentral ng Pilipinas	23,400,825	24,303,875	23,400,825	24,303,875
Domestic borrowings	2,345,554,041	2,038,707,965	130,970,708	143,807,965
Deposit Substitute-Repurchase Agreement	-	16,125,886,977	-	16,125,886,977
Foreign Borrowings ODA	13,460,078,917	15,299,984,049	13,460,078,917	15,299,984,049
	15,829,033,783	33,488,882,866	13,614,450,450	31,593,982,866

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

Creditor/Funder	2023	2022
World Bank/IBRD	6,340,418,876	7,106,567,736
Asian Development Bank (ADB)	105,517,898	174,994,999
Japan International Cooperation Agency (JICA)	5,740,221,549	6,727,202,525
Kreditanstalt fur Wiederaufbau (KfW)	1,273,920,594	1,291,218,789
	13,460,078,917	15,299,984,049

The total ODA foreign borrowings of P13,460,078,917 is guaranteed by the NG. Foreign borrowings relent in local currency amounting to P7,693,035,171 are provided with foreign exchange (FX) Risk Cover by the NG. This has historical value of P8,729,514,453. The Parent's foreign borrowings from multilateral and bilateral agencies have maturities ranging from 15 to 40 years.

Interest rates on foreign and domestic borrowings in 2023 range from 0.01 per cent to 6.46 per cent and 4.75 per cent, respectively.

The Parent's Bills Payable is as follows:

	Bills Payable	
Balance, Jan 01, 2023		31,593,982,866
Availments	0	
Payments	(17,979,532,416)	(17,979,532,416)
Balance, Dec 31, 2023		**13,614,450,450**

24. Bonds Payable

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

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

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

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

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

  As of December 31, 2023, the principal has an outstanding balance of P11.4 billion.

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

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

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

As of December 31, 2023, the principal has an outstanding balance of P0.39 billion.

The Parent's Bonds Payable is as follows:

	2023	2022
Balance, Jan. 01 (Net of Unamortized Discount)	4,543,923,875	9,054,306,654
Issuance to ROP (Net of Unamortized Discount)		368,876,754
Amortization payment	(328,028,531)	(5,300,000,000)
Amortization of discount	456,826,144	420,740,467
Balance, Dec. 31	4,672,721,488	4,543,923,875

25. Other Liabilities

This account consists of:

	Group		Parent	
	2023	2022 As Restated	2023	2022 As Restated
Accrued interest, fringe benefits, taxes and other expense payable	18,919,726,497	12,717,156,833	19,257,893,266	12,906,848,125
Other Deferred Credits	3,800,135,412	3,553,162,283	3,800,135,412	3,553,162,283
Accounts payable	33,396,150,747	56,394,676,683	32,782,598,210	55,812,091,073
Due to Agrarian Reform Fund	11,991,941	86,454,685	11,991,941	86,454,685
Sundry credits	2,165,448,917	16,148,899,360	2,223,130,582	16,114,657,915
Unearned income	1,540,997,198	1,068,605,911	70,659,417	86,388,313
Withholding tax payable	826,428,078	611,165,375	797,967,984	588,220,573
Miscellaneous liabilities	8,179,426,530	8,516,335,549	8,186,247,688	8,345,503,883
Provision for estimated credit Losses	677,279,202	623,923,252	588,860,175	570,971,538
Others	5,722,847,546	4,447,998,869	5,542,350,002	4,270,892,717
	75,240,432,068	104,168,378,800	73,261,834,677	102,335,191,105

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

Miscellaneous Liabilities mostly consists of security deposits on leased vehicle.

The Others account include Outstanding Acceptance, Due to Treasury of the Philippines, other taxes and licenses payable, Due from FCDU/RBU-Fx Reg-Clearing account, Overages and Unclaimed Balances.

The Parent's Outstanding Acceptance account is as follows:

	Outstanding Acceptance	
Balance, Jan 01, 2023		120,940,163
Availments	356,887,077	
Payments	(447,639,969)	(90,752,892)
Balance, Dec 31, 2023		**30,187,271**

26. Income and Other Taxes

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

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

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

FCDU offshore income (income from non-residents) derived by depository banks under the expanded foreign currency deposit system is exempt from income tax while gross onshore interest income (income from residents) from foreign currency loans under the Expanded Foreign Currency Deposit System is subject to ten per cent final tax. Interest income derived by resident individual or corporation on deposits with other FCDUs and Offshore Banking Units (OBU) are subject to 15 per cent final tax.

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

	Group		Parent	
	2023	2022	2023	2022
Current:				
Normal/MCIT	2,510,207,772	723,502,772	2,401,528,683	573,935,462
	2,510,207,772	723,502,772	2,401,528,683	573,935,462
Deferred	(3,811,855,005)	(3,162,565,753)	(3,800,396,563)	(3,146,662,099)
Provision for Income Tax	(1,301,647,233)	(2,439,062,981)	(1,398,867,880)	(2,572,726,637)

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

	Group		Parent	
	2023	2022	2023	2022
Statutory income tax	8,598,515,411	9,055,953,159	8,488,765,147	8,910,971,840
Additions to (reductions in) income taxes arising from:				
Non-deductible interest expense	3,079,876,854	2,597,076,654	3,079,876,854	2,597,073,886
Other Deductible/Non-deductible Expense	1,437,466,994	888,408,555	1,425,662,049	936,221,865
FCDU Income	(1,291,733,476)	(1,174,210,485)	(1,291,733,476)	(1,174,210,485)
Tax exempt & tax paid income	(13,540,320,248)	(12,927,395,550)	(13,514,657,187)	(12,973,466,539)
Others	414,547,232	(878,895,314)	413,218,733	(869,317,204)
	(1,301,647,233)	**(2,439,062,981)**	**(1,398,867,880)**	**(2,572,726,637)**

The net deferred income tax asset reported by the Parent amounted to P16,554,816,270 and P12,754,419,707 for CY 2023 and 2022, respectively while the subsidiaries recognized deferred tax assets of P961,406,889 and P876,612,602 for CY 2023 and 2022, respectively.

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

	Parent	
	2023	2022
Deferred tax asset:		
Provision for credit and impairment losses	16,190,507,467	13,639,577,497
Accrued expenses	276,122,536	60,441,770
Loss on fair value thru profit and loss	157,916,353	0
	16,624,546,356	13,700,019,267
Deferred tax liability:		
Gain on fair value thru profit and loss	0	123,933,591
Foreign exchange gain from revaluation	69,730,086	821,665,969
	69,730,086	945,599,560
Net Deferred Tax Asset	**16,554,816,270**	**12,754,419,707**

27. Supplementary Information Required Under Revenue Regulations (RR) Nos. 19-2011 and 15-2010

Supplementary information Under RR No. 19-2011

In addition to the required supplementary information under RR No. 15-2010, on December 9, 2011, the Bureau of Internal Revenue (BIR) issued RR No. 19-2011 (and as further amended by RR No. 2-2014 dated January 24, 2014) which prescribes the new annual income tax forms that will be used for filing effective taxable year 2011. Specifically, companies are required to disclose certain tax information in their respective notes to financial statements. For the taxable year December 31, 2023, the Parent reported the following revenues and expenses for income tax purposes:

Revenues	
Services/operations	69,320,283,090
Non-operating and taxable other income:	
Trading and securities gain	3,520,925,895
Service charges, fees and commissions	3,862,970,272
Income from trust operations	251,111,992
Others	2,095,161,442
Total Revenues	**79,050,452,691**
Expenses	
Cost of Services:	
Compensation and fringe benefits	10,074,933,764
Others	30,015,314,947
Total Cost of Services	**40,090,248,711**
Itemized deductions:	
Compensation and fringe benefits	8,223,652,950
Taxes and Licenses	8,306,155,248
Documentary Stamps Used	4,954,069,096
Depreciation and amortizations	1,128,127,638
Security, messengerial and janitorials	1,878,807,276
Information Technology Expenses	1,121,621,625
Bad Debts	45,952,828
Fees and Commission	1,066,864,895
Communications, Light and Water	602,460,893
Litigation/Asset Acquired Expenses	424,213,110
Miscellaneous	56,986,011
Management and professional fees	164,296,060
Office Supplies	77,502,642
Rent	140,746,805
Representation and entertainment	176,512,580
Transportation and Travel	233,984,635
Insurance	170,118,010
Repairs and Maintenance	137,998,751
Donations and Charitable Contributions	63,965,480
Advertising	166,064,319
Fuel and Oil	70,142,421
Freight Expense	91,503,102
Trainings and seminars	30,651,064
Membership Fees and Dues	10,749,666

Directors Fee	5,816,000
Fines. Penalties & Other Charges	5,117,657
Periodicals and Magazines	8,483
Total Itemized Deductions/Expenses	**29,354,089,245**
Total Expenses	**69,444,337,956**
Net Taxable Income	**9,606,114,735**

Supplementary information Under RR No. 15-2010

On November 25, 2010, the BIR issued RR No. 15-2010 to amend certain provisions of RR No. 21-2002 which provides that starting 2010 the notes to financial statements shall include information on taxes, duties and license fees paid or accrued during the taxable year.

In compliance with the requirements of the BIR hereunder are the information on taxes and license fees paid or accrued during the taxable year.

I. The documentary stamp tax (DST) on loan instruments and other transactions subject thereto for the tax period 2023 are as follows:

Documents / transactions	DST Paid
Debt instruments, bonds, certificate of time deposits	7,704,832,020
Original issue of shares of stocks	238,180
Mortgages, pledges, deed of assignments/trust	780,831,950
Foreign bills of exchange, letters of credit	161,690,145
Banks, checks, drafts and telegraphic transfer/others	126,297,162
Acceptance of bills of exchange	60,740,870
On Assignments and renewal of certain instruments	20,142,426
Others	2,261,226
Total DST Paid	**8,857,033,979**

II. All other taxes, local and national, paid for the tax period 2023:

National	
Percentage taxes (GRT)	7,461,812,764
Fringe benefits tax	0
National taxes	101,149,625
Total National Taxes	7,562,962,389
Local	
Real estate tax	74,425,579
Local business tax	94,381,915
Mayor's Permit/Municipal License/Other Regulatory Fees/License Permit	178,313,708
Other local taxes	11,013,731
Total Local Taxes	358,134,933
Total National and Local Taxes	**7,921,097,322**

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

Tax on Compensation and benefits	1,828,449,633
Creditable withholding taxes	564,821,933
Final withholding taxes	4,789,509,974
	7,182,781,540

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

Tax Credits against Income Tax	4,834,823,360
Tax Credits against Gross Receipts Tax	337,587,958
	5,172,411,318

28. Retirement Cost

The Parent has separate funded contributory defined contribution retirement plans covering all its officers and regular employees. Under the retirement plans, all concerned officers and employees are entitled to cash benefit after satisfying certain age and service requirements. Total expenses charged against operations in 2023 and 2022 amounted to P581,236,932 and P907,400,462, respectively.

29. Related Party Transactions

In the ordinary course of business, the Parent has loan transactions with certain directors, officers, stockholders and related interests (DOSRI). Existing banking regulations limit the amount of individual loans to DOSRI, 70 per cent of which must be secured by their respective deposits and book value of their respective investments in the Parent. In the aggregate, loans to DOSRI generally should not exceed the respective total unimpaired capital or 15 per cent of total loan portfolio, whichever is lower, of the Parent.

BSP Circular No. 547 dated September 21, 2006 prescribed the DOSRI rules for government borrowings in government-owned or controlled banks. Said circular considered as indirect borrowings of the Republic of the Philippines (ROP), loans, other credit accommodations and guarantees to: (a) Government-Owned and Controlled Corporations (GOCCs); and (b) Corporations where the ROP, its agencies/departments/ bureaus, and/or GOCCs own at least 20 per cent of the subscribed capital stocks.

Total outstanding DOSRI loans of the Parent as of December 31, 2023 amounted to P103,784,548,218 of which P103,597,144,438 are government borrowings covered by BSP Circular No. 547.

The following are the percentage of DOSRI loans:

	2023	**2022**
Total DOSRI Loans	103,784,548,218	108,987,482,220
Unsecured DOSRI Loans	4,872,473	0
% of DOSRI Loans to Total Loans	7.03%	9.30%
% Unsecured DOSRI to Total DOSRI	0.005%	0
% of Past due DOSRI to Total DOSRI	0	0
% Non-performing DOSRI to Total DOSRI	0.002%	0.001%

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

	2023				2022			
	Key Management Personnel	Subsidiaries	Others (GOCCs, Provident Fund and Rural Banks)	Total	Key Management Personnel	Subsidiaries	Others (GOCCs, Provident Fund and Rural Banks)	Total
Receivable from customers	15,264,281	1,516,768,535	105,316,481,346	106,848,514,162	15,946,273	1,716,373,300	107,727,775,126	109,460,094,699
Other Assets	0	2,119,059,018	0	2,119,059,018	0	2,000,000,000	0	2,000,000,000
Deposit liabilities	0	1,454,278,892	0	1,454,278,892	0	1,365,403,169	0	1,365,403,169
Other liabilities	0	1,243,913,774	0	1,243,913,774	0	1,084,924,683	0	1,084,924,683
	15,264,281	**6,334,020,219**	**105,316,481,346**	**111,696,705,531**	**15,946,273**	**6,166,701,152**	**107,727,775,126**	**113,910,422,551**

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

	LLFC	LIBI	LBRDC	MSI	OFBI	ULFC	UFEC	LSI	GHDI	USBI	Total 2023	2022
Due from Other Bank					2,000,000,000						**2,000,000,000**	**2,000,000,000**
Loans & Receivable	1,177,576,163	3,986,071	194,227,358		124,695,190	16,283,753					**1,1516,768,535**	**1,716,373,300**
Other Assets	72,852,930		18,439,502		46,018,508						**137,310,940**	
Deposit Liabilities	36,366,014	358,250,140	73,872,498	23,056,160	71,717,395	374,862,775	4,495,556	67,898,174	313,463,218	130,296,962	**1,454,278,892**	**1,365,403,169**
Other Liabilities	656,660,267		466,435,362		133,505,908						**1,256,601,537**	**1,084,924,683**

	2023	**2022**
Interest income	139,804,979	60,273,696
Interest expense	(128,775,348)	(138,168,084)
Other income	4,387,356	19,755,385
Other expenses	(165,377,090)	(168,240,628)

Compensation of key management personnel:

	Group		Parent	
	2023	**2022**	**2023**	**2022**
Short-term employee benefits	399,190,225	379,729,447	316,554,159	307,596,098
Post-employment benefits	49,433,684	55,621,749	47,635,314	53,649,606
Other long-term benefits	121,888,114	124,576,499	121,888,114	124,576,499
	570,512,023	**559,927,695**	**486,077,587**	**485,822,203**

Terms and conditions of transactions with related parties:

The Parent's related party transactions with its subsidiaries as of December 31, 2023 and December 31, 2022 amounted to P111,665,765,846 and to P113,910,422,551, respectively. There have been no guarantees provided or received for any related party receivables or payables. For the years ended December 31, 2023 and 2022, the Group has not made any provision for doubtful accounts relating to amounts owed by related parties. This assessment is undertaken each financial year through examination of the financial position of the related party and the market in which the related party operates.

30. Trust Operations

The Parent is authorized under its Charter to offer trust services and administer trust funds through its Trust Banking Group. The Parent accepts funds entrusted by clients and undertakes as trustee to invest such funds in acceptable securities or other investment outlets. Trust funds or assets under management of the Parent under its trust operations amounted to P571,511,959,260 and P523,578,034,176 as of December 31, 2023 and 2022, respectively.

Summary of Assets under Management is as follows:

	2023 (Unaudited)	**2022 (Unaudited)**
Special Purpose Trust	56,164,144,197	247,553,879
Other Fiduciary Accounts	462,670,965,436	473,009,584,222
Agency	35,804,958,531	35,258,305,235
Trust	16.871,891,096	15,062,590,840
	571,511,959,260	**523,578,034,176**

In compliance with the requirements of the General Banking Law, government securities with total face value of P1,900,000,000 in 2023 and P1,350,000,000 in 2022 are deposited with BSP as security for the Parent's faithful performance of its fiduciary obligation.

31. Derivative Financial Instruments

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

Freestanding Derivatives

Currency Forwards

As of December 31, 2023, the Parent's outstanding notional amount of the currency sell forward/swap agreements with maturity of less than nine months amounted to P35,093,745,000 with market value of P34,887,069,846 while currency bought forward amounted to P284,700,000 with a market value of P277,211,630.

Over the Counter Interest Rate Option Contract Bought

As of December 31, 2023, the Parent's outstanding notional amount of the debt warrants bought to mature on November 29, 2032 amounted to P125,681,691 with market value of P142,601,947.

Foreign Exchange (FX) Risk Cover

The FX Risk Cover on foreign borrowings is a derivative financial instrument per BSP Monetary Board Resolution No. 1063 dated August 14, 2008 and its fair value changes are reported in the statement of comprehensive income. As of December 31, 2023, the Parent's outstanding notional amount of the FX Risk Cover amounted to JPY16,373,612,355 and EUR20,828,730.

Embedded Derivatives

Embedded Credit Derivatives

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

Embedded Optionalities in Debt Investments

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

Embedded Currency Derivatives

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

32. Commitments and Contingent Liabilities

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

The Group is contingently liable for lawsuits or claims filed by third parties which are either pending decision by the courts or under negotiation, the outcome of which is not presently determinable. In the opinion of the Parent and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material effect on the Group's financial statements.

The following is a summary of various commitments and contingencies at their equivalent peso revalued amounts arising from off-balance sheet items which the Parent has contracted:

	Parent	
	2023	**2022**
Trust Department accounts	571,511,959,260	523,578,034,176
Commitments	191,500,935,522	154,011,556,154
Standby/commercial letters of credit	25,655,319,482	20,896,524,503
Derivatives	42,995,560,841	47,402,045,748
Outstanding guarantees	2,869,885,338	1,899,078,731
Spot exchange contracts	5,703,110,000	446,040,000
Late deposits received	701,755,727	818,654,800
Outward bills for collection	3,550,499,424	47,115,712
Liability Indemnity Fund	74,950,227	74,950,227
Others	21,326,653,659	20,241,725,136
	865,890,629,479	**769,415,725,187**

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

Municipal Development Fund

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

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

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

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

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

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

Breakdown of MDFO Fund balance amounting to P11,993,421,012.70 as of December 31, 2023 is shown below:

Assets	Amount *(in Peso)*	Recorded as
Funds in LANDBANK Trust	3,589,009,331.94	
Operating Fund	551,980,086.44	Accounts Payable – Government Entities

Net Loan Balance		
Loans Receivables	7,716,845,992.17	MCA
Interest Receivables	16,828,150.23	MCA
Other Receivables (Penalty)	48,828,628.68	MCA
Other Payables (Excess Payment of LGUs)	(3,478,176.76)	MCA
Government Securities		
Treasury Bonds	73,407,000.00	
	11,993,421,012.70	

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

33. Financial Performance

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

	2023	2022
Net interest margin ratio	3.14%	2.94%
Return on average assets	1.30%	1.02%
Return on average equity	16.74%	13.35%

34. Equity

As of December 31, 2023, the Parent's authorized capital stock consisted of 2 billion common shares with par value of P100 per share totaling P200 billion.

In accordance with Section 3 of Malacañang Executive Order No. 198, series of 2016, the Parent's authorized capital was increased to P200 billion divided into 2 billion common shares with par value of P100 per share. With the increase in par value per share from P10 to P100, the number of shares issued decreased from 1,197,100,000 to 119,710,000.

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

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

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

	Group		Parent	
	2023	2022	2023	2022
	(Amounts in millions)			
Reserve for trust business	5,045.00	5,045.00	5,045.00	5,045.00
Reserve for contingencies	5,102.50	5,102.50	5,002.50	5,002.50
Reserve for PPE and software acquisition	64.98	64.98	0.00	0.00
Reserve for retirement fund and insurance	33.36	33.36	0.00	0.00
Reserve for business expansion	1,330.00	1,330.00	0.00	0.00
Reserve for others	3,775.45	3,907.80	3,493.87	3,493.87
	15,351.29	**15,483.64**	**13,541.37**	**13,541.37**

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

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

	Group				
	Re-measurement of retirement benefit obligation	Net Unrealized Gain/(loss) on AFS securities	Translation Adjustment and Others	Others	Total
Balance, as of January 1, 2023	(14,992,553)	(12,175,686,352)	237,733,085	0	(11,952,945,820)
Increase/(Decrease) in CY 2023	(23,925,704)	14,481,582,798	(226,702,380)	6,500,000	14,237,454,714
Balance, as of December 31, 2023	**(38,918,257)**	**2,305,896,446**	**11,030,705**	**6,500,000**	**2,284,508,894**

	Group			
	Re-measurement of retirement benefit obligation	Net Unrealized Gain/(loss) on AFS securities	Translation Adjustment and Others	Total
Balance, as of December 31, 2021	(9,557,754)	6,602,915,529	99,917,550	6,693,275,325
Increase/(Decrease) in CY 2022	(5,434,799)	(18,778,601,881)	137,815,535	(18,646,221,145)
Balance, as of December 31, 2022	**(14,992,553)**	**(12,175,686,352)**	**237,733,085**	**(11,952,945,820)**

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

	Parent		
	Net Unrealized Gain/(loss) on AFS securities	Translation Adjustment and Others	Total
Balance, as of January 1, 2022	7,059,030,179	101,150,162	7,160,180,341
Increase/(Decrease) in CY 2022	(19,299,116,634)	136,365,978	(19,162,750,656)
Balance, as of December 31, 2022	**(12,240,086,455)**	**237,516,140**	**(12,002,570,315)**

Capital Management

The overall capital management objective of the Group is to create a more efficient capital structure while ensuring compliance with externally imposed capital requirements. All Business Unit of the Group are aware of the corresponding capital charge for the losses that could arise from any transaction or business they undertake.

The Group manages its capital by maintaining strong credit ratings and healthy capital ratios to support its business and sustain its mandate. Adjustments to the Group's capital structure are made in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

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

Regulatory Qualifying Capital

Under existing BSP regulations, the Parent's compliance with regulatory requirements and ratios is determined based on the amount of the Parent's unimpaired capital (regulatory net worth) as reported to the BSP.

In addition, the risk-based capital ratio of a Parent, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10 per cent for both stand-alone basis (head office and branches) and consolidated basis (Parent and subsidiaries engaged in financial allied undertakings but excluding insurance companies). Qualifying capital and risk-weighted assets are computed based on BSP regulations. Risk-weighted assets consist of total assets less cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the Monetary Board (MB) of the BSP.

The Parent adopted BASEL III CAR computation pursuant to BSP Circular No. 781 effective January 31, 2014. FVOCI and FVTPL Equity were included as regulatory adjustments/deduction to Tier 1 capital.

	Group		Parent	
	2023	**2022**	**2023**	**2022**
	(Amounts in millions)			
Tier 1 Capital	267,249	211,539	266,768	210,591
Tier 2 Capital	13,346	7,206	13,144	7,045
Less: Required Deductions	32,669	24,847	39,417	29,150
Total Qualifying Capital	247,926	193,898	240,495	188,486
Risk Weighted Assets	1,509,177	1,340,572	1,470,773	1,305,580

	Group		Parent	
	2023	2022	2023	2022
	(Amounts in millions)			
Common Equity Tier 1 Ratio (CET1)	15.54%	13.93%	15.46%	13.90%
Total Capital Adequacy Ratio (CAR)	16.43%	14.46%	16.35%	14.44%

The regulatory qualifying capital of the Parent consists of Tier 1 (core) capital, which comprises paid-up common stock, retained earnings, current year profit less required deductions such as unsecured credit accommodations to DOSRI, deferred income tax, other intangible assets, equity investments and investment in non-marketable securities. Tier 2 (supplementary) capital includes general loan loss provision.

The BSP thru its letter dated December 23, 2020 granted the Parent regulatory relief in the form of non-deduction of the Parent's equity investment in MRTC in the computation of its Common Equity Tier 1 (CET1), Capital Adequacy Ratio (CAR) and Basel III Leverage Ratio (BLR) until the maturity of the equity securities on August 14, 2025.

In support of the Bayanihan Law, BSP issued Memorandum No. M-2020-034 reducing the Credit Risk Weight for Loans to Micro-, Small-, and Medium-sized Enterprises (MSMEs) from 75 per cent to 50 per cent until December 31, 2021 and extended until June 30, 2023 per BSP Circular No. 1164 dated January 5, 2023.

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

BASEL III Leverage Ratio

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

Basel III Leverage Ratio Common Disclosure Template
Summary Comparison of Accounting Assets vs. Leverage Ratio Exposure
As of December 31, 2023
(Amounts in millions)

Item		Leverage Ratio Framework	
		Group	Parent
1.	Total consolidated assets as per published financial statements	3,289,525.430	3,270,171.630
2.	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation		
3.	Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure		
4.	Adjustments for derivative financial instruments	902.379	902.379
5.	Adjustments for securities financial transactions (i.e., repos and similar secured lending)	0.000	0.000
6.	Adjustments for off-balance sheet items (i.e., conversion to credit equivalent amounts of off-balance sheet exposures)	107,174.090	106,938.775
7.	Other adjustments	-18,721.093	-25,668.734
8.	**Leverage ratio exposure**	**3,378,880.806**	**3,352,344.050**

Basel III Leverage Ratio Common Disclosure Template

As of December 31, 2023
(Amounts in millions; Ratios in per cent)

	Item	Leverage Ratio Framework	
		Group	Parent
	On-balance sheet exposures		
1	On-balance sheet items [1/]	3,300,945.619	3,281,891.515
2	Asset amounts deducted in determining Basel III Tier 1 Capital	-32,668.614	-39,416.550
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**3,268,277.005**	**3,242,474.965**
	Derivative exposures		
4	Replacement Cost associated with all derivatives transactions	2,027.930	2,027.930
5	Add-on amounts for Potential Future Exposure associated with all derivative transactions	902.379	902.379
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework [2/]		
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions) [2/]		
8	(Exempted CCP leg of client-cleared trade exposures) [2/]		
9	Adjusted effective notional amount of written credit derivatives	0.000	0.000
10	(Adjusted effective offsets and add-on deductions for written credit derivatives)		
11	**Total derivative exposures (sum of lines 4 to 10)**	**2,930.309**	**2,930.309**
	Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting)	499.401	0.000
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)2/		
14	CCR exposures for SFT assets	0.000	0.000
15	Agent transaction exposures [3/]		
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	**499.401**	**0.000**
	Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	250,533.700	248,626.031
18	(Adjustments for conversion to credit equivalent amounts)		
19	**Off-balance sheet items**	**107,174.091**	**106,938.775**
	Capital and total exposures		
20	**Tier 1 capital**	**234,580.217**	**227,351.434**
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**3,378,880.806**	**3,352,344.050**
	Leverage ratio		
22	**Basel III leverage ratio**	**6.94%**	**6.78%**

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

Non-controlling Interests

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

Prior Period Error

In compliance with PAS 8, the balances of the following accounts were restated to reflect corrections of prior period errors as of and for the year ended December 31, 2022.

Statement of Financial Position – Parent

Line Item	As Previously Reported	Adjustment	As Restated
Assets			
Loans and Receivables - net	1,092,789,441,578	(6,200,150,531)	1,086,589,291,047
Investment Property	12,566,053,420	(28,985,178)	12,537,068,242
Other Assets	23,687,046,951	(6,063,970,919)	17,623,076,032
Total Assets	**3,150,119,945,415**	**(12,293,106,628)**	**3,137,826,838,787**
Liabilities and Equity			
Other Liabilities	108,469,945,621	(2,834,411,624)	105,635,533,997
Total Liabilities	2,920,503,862,379	(2,834,411,624)	2,917,669,450,755
Undivided Profit	38,763,379,763	(9,458,695,004)	29,304,684,759
Total Equity	229,616,083,036	(9,458,695,004)	220,157,388,032
Total Liabilities & Equity	**3,150,119,945,415**	**(12,293,106,628)**	**3,137,826,838,787**

Statement of Comprehensive Income - Parent

Line Item	As Previously Reported	Adjustment	As Restated
Miscellaneous Income	14,478,740,168	321,488,128	14,800,228,296
Provision for Credit and Impairment Losses	10,258,407,382	9,780,183,132	20,038,590,514
Net Income	38,763,379,763	(9,458,695,004)	29,304,684,759

Statement of Changes in Equity – Parent

Line Item	As Previously Reported	Adjustment	As Restated
Capital	229,616,083,036	(9,458,695,004)	220,157,388,032

35. Miscellaneous Income

This account is composed of:

	Group		Parent	
	2023	2022 As Restated	2023	2022 As Restated
Gain from sale/derecognition of non-financial assets	1,780,675,394	3,169,188,066	1,733,717,239	3,094,878,127
Rent income	144,191,288	80,208,412	19,557,070	3,466,916
Miscellaneous income	2,839,166,131	9,188,363,583	1,988,155,095	11,592,139,000
Recovery on charged-off assets	62,189,598	114,377,963	59,182,220	109,744,253
	4,826,222,411	**12,552,138,023**	**3,800,611,624**	**14,800,228,296**

Miscellaneous Income includes recovery on charged off assets, gain on bargain purchase and income on renewal fees, fines and penalties.

36. Investment Income

The Investment Income of the Parent consists of:

a. Interest Income

	2023	2022
FVOCI	13,189,578,490	10,738,421,896
FVTPL	568,769,718	132,442,250
HTC	30,063,053,220	28,070,477,803
	43,821,401,428*	**38,941,341,949***

**Interest Income using the effective interest rate method.*

b. Gain/(Loss) on Sale/Redemption/Derecognition of Financial Assets and Liabilities for FVOCI amounting to P43,380,681 in CY 2022 while there was no sale in CY 2023.

c. Gain/(Loss) on Financial Assets and Liabilities-FVTPL

	2023	2022
Realized Gain/(Loss) from Sale/Derecognition	1,188,586,680	124,559,815
Unrealized Gain/(Loss)-Mark-to-Market	(601,089,071)	1,055,878,587
Realized Gain/(Loss) from Sale/Derecognition-Derivative-FX	466,163,648	(4,843,361,001)
Realized Gain/(Loss) from Foreign Exchange Transactions Derivative	265,075,072	444,413,795
	1,318,736,329	**(3,218,508,804)**

d. Gain/(Loss) on Financial Assets and Liabilities-DFVTPL

	2023	2022
Gain/(Loss) on Financial Assets and Liabilities-DFVTPL	26,899,334	(31,562,951)

Fees earned from securities brokering, advisory, underwriting, arranging and asset management activities amounted to P170,798,219 and P137,480,509, in 2023 and 2022, respectively. On the other hand, expenses incurred relative to BTr maintenance fees, RTGS and PHILPASS fees amounted to P28,355,463 and P27,198,280 in 2023 and 2022, respectively.

37. Miscellaneous Expenses

This account is composed of:

	Group		Parent	
	2023	2022 As Restated	2023	2022
Finance Charges	336,317	405,144	0	0
Management and other professional fees	207,788,734	246,396,047	164,296,060	188,014,251
Supervision fees	902,636,665	826,398,172	895,278,966	819,563,357
Fines, penalties and other charges	21,497,265	28,317,853	5,117,657	3,018,747
Insurance	5,509,604,276	5,299,497,936	5,456,224,469	5,239,255,424
Fees and commission expense	1,094,588,396	750,155,492	1,085,198,333	733,618,160

	Group		Parent	
	2023	2022 As Restated	2023	2022
Litigation/asset acquired expenses	462,014,187	317,535,043	434,438,312	280,738,696
Other Expenses	11,774,132,121	13,446,442,217	11,060,776,493	12,292,820,242
	19,972,597,961	**20,915,147,904**	**19,101,330,290**	**19,557,028,877**

Other Expenses mainly include security, clerical, messengerial and janitorial services, information technology expenses, documentary stamps used and other bank expenses.

38. Events After Reporting Period

Dividend Payment to the National Government

RA No. 7656 or the Dividend Law requires GOCCs including Government Financial Institutions to declare and remit cash dividends annually to the NG. On April 30, 2024, the Parent remitted cash dividend of P32,119,045,158 to the NG representing 50 per cent of LANDBANK's 2023 net earnings as approved by the LANDBANK Board of Directors per Bd. Res. No. 24-201 dated April 11, 2024.

39. Report on the Supplementary Information Required under BSP Circular No. 1074

Supplementary Information Under BSP Circular No. 1074

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

(1) Basic quantitative indicators of financial performance *(Note 33)*
(2) Description of capital instrument issued *(Note 34)*
(3) Significant credit exposure as to industry/economic sector *(Note 40)*
(4) Breakdown of total loans as to: (i) security (secured, including type of security, and unsecured), and (ii) status (performing and non-performing per product line) *(Note 14)*
(5) Information on related party loans *(Note 29)*
(6) Secured Liabilities and Assets Pledged as Security
The following are the carrying values of government debt securities pledged and transferred under Securities Sold Under Repurchase Agreement (SSURA) transactions of the Parent:

	2023		2022	
Particulars	Transferred Securities	SSURA	Transferred Securities	SSURA
Investment securities at FVOCI	0	0	18,170,337,471	16,125,886,977

(7) Nature and amount of contingencies and commitments arising from off-balance sheet items *(Note 32)*

40. Financial Risk Management

CREDIT RISK MANAGEMENT

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

Maximum Credit Risk Exposure

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

On-Balance Sheet (BS) Items	2023 (In ₱ Millions)							
	CEA	0%	20%	50%	75%	100%	150%	TOTAL
Cash on Hand	55,462	55,462	0	0	0	0	0	55,462
Checks & Other Cash Items (COCI)	17	0	17	0	0	0	0	17
Due from Bangko Sentral ng Pilipinas (BSP)	410,033	410,033	0	0	0	0	0	410,033
Due from Other Banks	7,310	0	186	7,108	0	16	0	7,310
Debt Securities Designated at FVTPL	16	0	0	0	0	16	0	16
Other Financial Assets Mandatorily Measured at FVPL	1,111	0	0	0	0	1,111	0	1,111
Financial Assets at FVOCI	456,972	384,612	3,039	67,279	0	2,042	0	456,972
Debt Securities at Amortized Cost	763,738	737,521	6,242	18,401	0	1,574	0	763,738
Loans & Receivables	1,094,520	0	11,559	30,342	69,925	948,575	34,119	1,094,520
1. Interbank Loans Receivables	73,932	0	11,246	12,196	0	50,467	23	73,932
2. Loans & Receivables - Others	1,020,588	0	313	18,146	69,925	898,108	34,096	1,020,588
a. Non-defaulted exposures								0
a.1. Sovereign Exposures	0	0	0	0	0	0	0	0
a.2. LGUs and Public Sector Entities	104,642	0	0	0	0	104,642	0	104,642
a.3. Government Corporation	1,800	0	0	0	0	1,800	0	1,800
a.4. Corporates	723,335	0	0	0	0	723,335	0	723,335

On-Balance Sheet (BS) Items	2023 (In ₱ Millions)							
	CEA	0%	20%	50%	75%	100%	150%	TOTAL
a.5. Microfinance/Small and Medium Enterprises	70,993	0	313	0	69,925	553	202	70,993
a.6. Loans to individuals for Housing Purposes	20,262	0	0	18,146	0	2,116	0	20,262
a.7 Loans to Individuals	60,821	0	0	0	0	60,821	0	60,821
b. Defaulted Exposures								-
b.1. Housing Loans	4,841	0	0	0	0	4,841	0	4,841
b.2. Other than Housing Loans	33,894	0	0	0	0	0	33,894	33,894
Other Loans and Receivables 1/	**250,322**	**250,322**	**0**	**0**	**0**	**0**	**0**	**250,322**
Sales Contract Receivable (SCR)	**1,708**	**0**	**0**	**0**	**0**	**536**	**1,172**	**1,708**
Real & Other Properties Acquired (ROPA)	**12,501**	**0**	**0**	**0**	**0**	**0**	**12,501**	**12,501**
Total Exposures Excluding Other Assets	**3,053,710**	**1,837,950**	**21,043**	**123,130**	**69,925**	**953,870**	**47,792**	**3,053,710**
Other Assets	**88,070**	**257**	**0**	**0**	**0**	**87,813**	**0**	**88,070**
Total Exposures, Including Other Assets	**3,141,780**	**1,838,207**	**21,043**	**123,130**	**69,925**	**1,041,683**	**47,792**	**3,141,780**
Total On-BS RWA not covered by CRM	**0**	**0**	**4,208**	**61,565**	**52,444**	**1,041,685**	**71,687**	**1,231,589**
Total On-BS RWA covered by CRM	**0**	**0**	**17**	**279**	**0**	**0**	**0**	**296**
Total On-BS RWA	**0**	**0**	**4,225**	**61,844**	**52,444**	**1,041,685**	**71,687**	**1,231,885**

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

Off-BS Items	2023 (In ₱ Millions)							
	CEA	0%	20%	50%	75%	100%	150%	TOTAL
A. Direct credit substitutes	**3,525**	**0**	**0**	**50**	**0**	**3,475**	**0**	**3,525**
Risk-weighted amount	**0**	**0**	**0**	**25**	**0**	**3,475**	**0**	**3,500**
B. Transaction-related contingencies	**95,393**	**0**	**0**	**0**	**0**	**95,393**	**0**	**95,393**
Risk-weighted amount	**0**	**0**	**0**	**0**	**0**	**95,393**	**0**	**95,393**
C. Trade-related contingencies	**5,267**	**0**	**0**	**4,073**	**0**	**1,194**	**0**	**5,267**
Risk-weighted amount	**0**	**0**	**0**	**2,037**	**0**	**1,194**	**0**	**3,231**
D. Other commitments								**0**
Risk-weighted amount	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total Off-BS Exposures	**104,185**	**0**	**0**	**4,123**	**0**	**100,062**	**0**	**104,185**

Counterparty RWA In the Trading Book	CEA	0%	20%	50%	75%	100%	150%	TOTAL
Exchange Rate Contracts	**2,787**	**2,223**	**0**	**26**	**0**	**538**	**0**	**2,787**
Risk-weighted amount	**0**	**0**	**0**	**13**	**0**	**538**	**0**	**551**
TOTAL	**2,787**	**2,223**	**0**	**26**	**0**	**538**	**0**	**2,787**

On-Balance Sheet (BS) Items	2023 (In ₱ Millions)							
	CEA	0%	20%	50%	75%	100%	150%	TOTAL
Less: General Loan Loss Provision (in excess of the amount permitted to be included in Tier 2)								458
TOTAL		106,972	2,223	4,225	65,993	52,444	1,142,285	71,687 1,338,339

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

Credit Exposures and Credit-Related Commitments

As of December 31, 2023, LANDBANK's Gross Loans & Receivables (GLR) amounted to P1,094,520 million, net of credit risk mitigation which consists mainly of prime collaterals such as deposit holdout, GS and sovereign guarantees. Majority of the exposures are Corporates, followed by LGUs/Public Sector Entities/Government Corporations and MSMEs which stood at P723,335 million (66.09%), P106,442 million (9.72%) and P70,993 million (6.49%), respectively. The Parent also holds substantial receivables from Repurchase Agreements, Certificates of Assignment/Participation with Recourse, and Securities Lending and Borrowing Transactions amounting to P250,322 million.

On the other hand, the Parent has P104,185 million outstanding Off-Balance Sheet Exposures. These exposures are mainly composed of general guarantees of indebtedness (e.g., financial standby letters of credit - domestic and foreign), performance bonds and warranties related to particular transactions, and contingencies arising from the movement of goods and trust transactions. Outstanding derivative exposures are mainly over-the-counter foreign exchange option contracts.

The Parent's Total Credit RWA amounted to P1,334,101 million which represents 88.40 per cent of the Parent's Aggregate RWA of P1,509,177 million.

Management of Credit Risk

Credit Risk Management aims to adequately manage the risk of financial loss arising from the failure of borrowers or counterparties to settle their obligations in accordance with the terms and conditions of the duly approved contractual agreement.

This involves the identification, measurement and monitoring of actual or potential losses and the implementation of appropriate measures, including the setting up of applicable limits to keep credit risk exposures within the Parent's risk appetite or the acceptable level of credit risk that it is willing to accept in pursuit of its lending plans and programs.

The Parent also manages the credit risk inherent in the entire portfolio as well as the risk in individual credits or transactions and the correlation of credit risk with other risks. The effective management of credit risk is a critical component of a comprehensive approach to RM and essential to the long-term success of the Parent.

The Parent manages credit risk through a structured framework duly approved by the LANDBANK Board that sets out policies and procedures covering the identification, measurement, control, and monitoring of credit risk. Accordingly, approval of credit application goes through prescribed loan approving levels which, depending on the transaction or amount of loan applied, could be elevated to the Credit Committee a Management-level Committee, the Investment & Loan Committee (ILC) and up to the

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

To effectively monitor and maintain the quality of its loan portfolio, the Parent conducts annual qualitative and impairment reviews to assure proper loan classification and setting-up of valuation reserves. As of December 31, 2023, the Parent's net Non-Performing Loan (NPL) stood at P38,747.67 million or 3.22 per cent of the total loan portfolio of P1,202,918.28 million.

Credit Risk Rating

LANDBANK's Credit Risk Engine System (CRES) serves as the main platform for the automated development of statistically-based credit rating models which will be used to conduct credit ratings of borrowers to help determine their creditworthiness. The Parent undertakes continuing development and implementation of the CRES scoring facility to provide support to its ongoing initiatives for the adoption of applicable banking regulations and global best practices and approaches in Credit Risk Management.

The Parent has developed and implemented the following statistical-based credit scoring models using CRES:

- Application Scoring Model for Individual Home Buyers
- Application Scoring Model for Salary Loan Availers
- Behavioral Scoring Model for LGUs
- Behavioral Scoring Model for MSMEs
- Behavioral Scoring Model for Large Enterprise
- Behavioral Scoring Model for Cooperatives
- Application Scoring Model for Credit Card
- Behavioral Scoring Model for Partner Financial Institutions (PFIs)

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

Credit Risk Monitoring

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

Collateral and Other Credit Enhancements

The Parent adopts cash flow lending principles and collateral is not the primary factor in granting credit. The required amount and type of collateral and other credit enhancements to mitigate credit exposures depend primarily on the results of the holistic and prudent credit assessment. When needed, the Parent diligently evaluates the enforceability, realizable value, and marketability of offered collaterals. The Parent's Credit Manual and CPIs provide guidelines on the acceptability of loan collateral and maximum valuation for each type of collateral.

The primary collaterals accepted are Holdout on Deposits, Government Securities, Real Estate Mortgage and Chattel Mortgage. The Parent also accepts government guarantees, cross suretyship from corporations and other eligible guarantees. In the case of agricultural and agriculture-related loans that are vulnerable to the effects of climate and weather disturbances, borrowers are encouraged to avail of crop insurance guarantees and other insurance mechanisms to shield them from these risks.

Credit Stress Test

LANDBANK regularly conducts stress testing of individual large exposure and its loan portfolio taking into account plausible risk events with a high probability of occurrence. Utilizing such scenarios with documented assumptions, tests are done to determine the magnitude of impact on the Parent's loan portfolio, on the Credit RWA, and finally on the Common Equity Tier 1 (CET1) Ratio. Stress testing also includes prescribed regulatory tests such as Uniform Stress Testing and REST. Likewise, various loan portfolio assessments and reviews are conducted to determine the impact of a certain event and government regulation on the Parent's loan portfolio, past due ratio and CET 1. Results of the stress testing, together with the action plans, are escalated to the ILC and RiskCom.

Risk concentrations of the maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The Parent has established concrete guidelines and procedures relative to managing, monitoring and reporting large exposures and credit risk concentrations in accordance with the rules and regulations issued by the BSP.

As of December 31, 2023, the Parent's qualifying capital covering credit risk is P240.496 billion.

On the other hand, the Parent's Single Borrower's Limit (SBL) is pegged at P4.706 billion for direct lending.

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

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

The BSP considers that credit concentration exists when total loan exposure to a particular industry exceeds 30 per cent of total loan portfolio. As of December 31, 2023 and 2022, the Parent does not have credit concentration in any particular industry.

As of December 31, 2023 and 2022, information on the concentration of credit as to industry based on carrying amount is shown below:

	Parent			
	2023		**2022 Restated**	
	Amount	%	Amount	%
Financial intermediation	149,810,309,637	12	111,872,323,358	10
Agriculture, hunting and forestry	67,303,973,138	6	71,371,746,292	6
Real estate, renting and business activities	163,668,078,624	13	157,991,064,957	14
Public administration and defense	107,577,893,790	9	94,008,596,285	8
Manufacturing	85,161,401,365	7	82,974,066,746	7
Community, social and personal services	12,648,892,552	1	15,707,626,840	1
Electricity, gas and water	164,040,245,280	13	186,893,077,362	16
Wholesale & retail trade, repair of motor vehicles, motorcycles & personal and household goods	105,401,592,018	9	100,830,212,865	9
Transport, storage and communication	41,355,079,332	3	104,387,091,874	9
Construction	103,734,209,939	8	98,843,377,116	9
Private households	60,333,932,854	5	55,466,368,524	5
Hotel and restaurant	19,854,887,578	2	21,192,091,350	2
Others	145,449,290,829	12	45,163,348,260	4
	1,226,339,786,936	**100**	**1,146,700,991,829**	**100**
Allowance for losses	**(57,351,264,398)**		**(59,238,240,602)**	
	1,168,988,522,538		**1,087,462,751,227**	

BASEL III LIQUIDITY COVERAGE RATIO DISCLOSURE (In Single Currency, Absolute Amount)
As of December 31, 2023

Nature of Item	**Weighted Amount**	
	Group	**Parent**
A. Total Stock of High-Quality Liquid Assets (After Cap)	**1,894,835,659,174.66**	**1,888,272,336,407.16**

A.1 Stock of Level 1 Assets	1,884,146,740,395.15	1,877,587,625,127.65
A.2 Stock of Level 2 Assets	10,688,918,779.51	10,684,711,279.51
A.3 Total Stock of High-Quality Liquid Assets (Before Cap)	**1,894,835,659,174.66**	**1,888,272,336,407.16**
A.4 Adjustment for 40% Cap on Level 2 Assets	0.00	0.00
B. Total Net Cash Outflows	**987,508,983,947.21**	**983,301,400,922.91**
B.1 Total Expected Cash Outflows	1,086,521,463,150.09	1,082,033,024,668.97
B.2 Total Expected Cash Inflows Before Ceiling	99,012,479,202.88	98,731,623,746.06
B.3 Adjustment for 75% Ceiling on Cash Inflows	0.00	0.00
B.4 Total Expected Cash Inflows After Ceiling	99,012,479,202.88	98,731,623,746.06
C. Liquidity Coverage Ratio	**191.88%**	**192.03%**

BASEL III NET STABLE FUNDING RATIO DISCLOSURE (In Single Currency, Absolute Amount)
As of December 31, 2023

Nature of Item	Weighted Amount	
	Group	Parent
A. Available Stable Funding	**1,822,333,596,575.65**	**1,808,662,631,235.66**
Capital	280,539,587,443.67	279,912,387,926.07
Retail Deposits	451,871,286,885.82	441,673,683,050.60
Wholesale Deposits	1,071,603,089,900.40	1,069,621,806,695.60
Secured and Unsecured Funding	18,259,920,230.12	17,454,753,563.39
Other Liabilities and Equities	59,712,115.65	0.00
B. Required Stable Funding	**1,205,795,507,233.86**	**1,196,046,289,515.11**
NSFR High-Quality Liquid Assets (HQLA)	111,163,467,909.11	111,000,984,297.39
Deposits Held at Other Financial Institutions	5,177,451,020.46	5,137,475,823.91
Performing Loans and Non-HQLA Securities	841,975,438,368.47	833,454,312,592.08
Other Assets	239,174,701,781.18	238,168,145,902.77
Off-Balance Sheet Exposures	8,304,448,154.65	8,285,370,898.95
C. Net Stable Funding Ratio	**151.13%**	**151.22%**

Assessment on SICR since Initial Recognition

ECL assessment/provisioning shall cover all financial assets booked as amortized cost/hold to collect (AC/HTC) and fair value through other comprehensive income (FVOCI) such as:

1. Loans and receivables, and other financial assets that are measured at AC;

2. Investments in debt instruments that are measured at AC/HTC and FVOCI;

3. Credit commitments and financial guarantee contracts (e.g., unutilized credit lines, undrawn approved term loans, etc.) that are not measured at fair value through profit or loss (FVPL); and

4. Due from BSP and Due from Other Banks.

The Parent's exposures shall be classified into three (3) stages as follows:

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

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

<u>Individually Assessed Loans (for loans with outstanding balance of P10 million and above)</u>

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

<u>Collectively Assessed Loans (for exposures other than those subject to individual assessment)</u>

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

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

31-90 days	Substandard (Underperforming)	2
91-120 days	Substandard (Non-Performing)	3
121-360 days	Doubtful	3
Over 360 days	Loss	3

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

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

NOTES:

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

b. *Unsecured Non-Loan A/Rs shall refer to Various Receivables, and Foreign Currency Deposit Unit (FCDU)/Expanded FCDU.*

ACL Adjustment

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

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

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

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

Definition of Default

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

- Loans, investments, receivables, or any financial asset shall be considered non-performing, even without any missed contractual payments, when it is considered impaired under existing accounting standards (i.e., PAS 39/IFRS 9), and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any;
- Classified as doubtful or loss, in litigation;
- All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than ninety (90) days from contractual

due date (excluding cure period not exceeding 30 days), or accrued interests for more than ninety (90) days have been capitalized, refinanced, or delayed by agreement;

- Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after it has become past due (or om the 11th day if with cure period not exceeding 10 days); and,
- Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained.

The Parent defined default as:

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

Policy in Writing-Off of Accounts

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

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

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

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

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

Credit Rating and ECL Calculation Process for former UCPB loan accounts

a. The LANDBANK credit rating process using the Credit Risk Engine System (CRES) shall be used to rate UCPB borrowers for credit transactions (i.e., line renewals, new/additional loan facilities, credit line/term loan review and other credit transactions).

b. The UCPB Expected Credit Loss (ECL) Models and calculation procedures for Auto Loan shall be adopted. CRMD shall conduct assessment of the models and shall propose revisions, if needed.

c. LANDBANK parameters, policies and procedures in the ECL calculation shall be used for UCPB loans booked/processed at the UCPB Silverlake-Axis Integrated Banking System (SIBS). ACL adjustments for UCPB loans shall be made through Specific Impairment Testing using the existing guidelines

d. Booking Units handling the UCPB SIBS shall provide report to CRMD for calculation of the ECL on a monthly basis. Calculated ECL shall be provided to the Controllership Group for booking.

CREDIT RISK ON INVESTMENTS

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

a. Investments in debt instruments that are measured at amortized cost;
b. Investments in debt instruments that are measured at fair value through other comprehensive income (FVOCI); and
c. Due from Bangko Sentral ng Pilipinas and Due from Other Banks.

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

Concentration of Credit Risk

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

In Million Pesos

Location	2023	2022
Philippines	1,684,303.55	1,520,976.34
USA	28,654.90	25,237.20
Indonesia	22,325.53	26,407.61
Asia	15,686.24	13,078.61
Europe	6,670.25	7,414.20
Others	6.75	87.85
Total	**1,757,647.22**	**1,593,201.81**

Credit Risk Exposures

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

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

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

INVESTMENTS
(As of September 2023)

EXPOSURE-AT-DEFAULT
(in P Million)

	TOTAL	STAGE 1	STAGE 2	STAGE 3
Due from BSP and SPURA				
External Credit Rating				
Baa2 or equivalent	527,994.56	527,994.56	0	0
Due from Other Banks & IBLR				
Internal Credit Rating				
Prime	4.83	4.83		
High Grade	0.25	0.25		
Watchlist	0.50	0.50		
External Credit Rating				
Aaa or equivalent	5,911.47	5,911.47	0	0
Aa1 or equivalent	150.48	150.48	0	0
Aa2 or equivalent	5,383.81	5,383.81	0	0
Aa3 or equivalent	7,619.72	7,619.72	0	0
A1 or equivalent	12,879.93	12,879.93	0	0
Baal or equivalent	0.01	0.01	0	0
Baa2 or equivalent	55.91	55.91	0	0
Baa3 or equivalent	20.22	20.22	0	0
Ba2 or equivalent				
Benchmarking	0.65	0	0.65	0
Baa2 or equivalent	2,018.00	2,018.00	0	0
Unrated	2.30	2.30	0	0

FVOCI debt investments

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

INVESTMENTS (As of September 2022)	**EXPOSURE-AT-DEFAULT (In P million)**			
	TOTAL	**STAGE 1**	**STAGE 2**	**STAGE 3**
Due from BSP and SPURA				
External Credit Rating				
Baa2 or equivalent	294,208.20	294,208.20	0	0
Due from Other Banks, Repo – Cash Margin, & IBLR				
External Credit Rating				
Aaa or equivalent	5,286.02	5,286.02	0	0
Aa1 or equivalent	51.37	51.37	0	0
Aa2 or equivalent	5,195.05	5,195.05	0	0

INVESTMENTS (As of September 2022)	EXPOSURE-AT-DEFAULT (In P million)			
	TOTAL	STAGE 1	STAGE 2	STAGE 3
Aa3 or equivalent	9,153.32	9,153.32	0	0
A1 or equivalent	7,773.53	7,773.53	0	0
A2 or equivalent	910.47	910.47	0	0
Baa1 or equivalent	14.19	14.19	0	0
Baa2 or equivalent	55.90	55.90	0	0
Baa3 or equivalent	15.28	15.28	0	0
Ba2 or equivalent	0.65	0	0.65	0
Benchmarking				
Baa1 or equivalent	2,014.11	2,014.11	0	0
Unrated	16.70	16.70	0	0
FVOCI debt investments				
Internal Credit Rating				
Prime	1,219.85	1,219.85	0	0
High Grade	815.53	815.53	0	0
Good	717.27	717.27	0	0
External Credit Rating				
Aaa or equivalent	7,289.40	7,289.40	0	0
Aa2 or equivalent	276.83	276.83	0	0
A1 or equivalent	289.76	289.76	0	0
A2 or equivalent	584.58	584.58	0	0
Baa2 or equivalent	434,765.68	434,765.68	0	0
Benchmarking				
A3 or equivalent	1,378.65	1,378.65	0	0
Baa1 or equivalent	1,101.12	1,101.12	0	0
Baa2 or equivalent	13.83	13.83	0	0
Ba1 or equivalent	916.54	0	916.54	0
B1 or equivalent	765.10	0	765.10	0
HTC investments				
Internal Credit Rating				
High Grade	2,890.84	2,890.84	0	0
Good	1,457.73	1,457.73	0	0
External Credit Rating				
Aaa or equivalent	7,597.54	7,597.54	0	0
Aa2 or equivalent	58.32	58.32	0	0
Aa3 or equivalent	1,849.37	1,849.37	0	0
Baa2 or equivalent	795,686.94	795,686.94	0	0
Benchmarking				
A3 or equivalent	556.50	556.50	0	0

INVESTMENTS (As of September 2022)	**EXPOSURE-AT-DEFAULT (In P million)**			
	TOTAL	**STAGE 1**	**STAGE 2**	**STAGE 3**
Baa1 or equivalent	6,383.94	6,383.94	0	0
Baa2 or equivalent	160.99	160.99	0	0
Ba1 or equivalent	951.24	0	951.24	0
Ba3 or equivalent	84.92	0	84.92	0
Unrated	694.54	0	0	694.54
TOTAL	**1,593,201.80**	**1,589,788.81**	**2,718.45**	**694.54**

As of 30 September 2023, the Parent's total treasury exposure is P1,757.65 billion. Due from BSP and SPURA increased from P294.21 billion to P527.99 billion while Due from Other Banks decreased from P14.24 billion to ₱14.12 billion. The Parent's FVOCI debt and HTC investments decreased from P450.13 billion to P437.21 billion and from P818.37 billion to P758.18 billion, respectively.

The Parent's exposure classified as Stage 1, Stage 2, and Stage 3 amounted to P1,756.20 billion, P0.76 billion, and P0.69 billion, respectively. The table below presents the Parent's exposure for 2023 and 2022:

INVESTMENTS *(In Million Pesos)*	**TOTAL**		**STAGE 1**		**STAGE 2**		**STAGE 3**	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Due from BSP and SPURA	527,994.56	294,208.20	527,994.56	294,208.20	0	0	0	0
Repo-Cash Margin	0	262.48	0	262.48	0	0	0	0
Due from Other Banks	14,122.22	14,243.65	14,121.57	14,243.00	0.65	0.65	0	0
Interbank Loans and Receivables	19,925.86	15,980.46	19,925.86	15,980.46	0	0	0	0
FVOCI debt investments	437,421.30	450,134.14	436,665.45	448,452.50	755.85	1,681.64	0	0
HTC investments	758,183.28	818,372.87	757,488.74	816,642.17	-	1,036.16	694.54	694.54
TOTAL	**1,757,647.22**	**1,593,201.80**	**1,756,196.18**	**1,589,788.81**	**756.50**	**2,718.45**	**694.54**	**694.5**

MARKET RISK MANAGEMENT

Market Risk Management Framework

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

The Parent uses a combination of risk sensitivities, Value-at-Risk (VaR), stress testing, Common Equity Tier 1 (CET1) ratio and capital metrics to manage market risks and establish limits. The LANDBANK Board, RiskCom and the Asset and Liability Committee (ALCO), define and set the various market risk limits for each trading portfolio. The Treasury and Investment Banking Sector (TIBS), particularly the Financial Markets Group (FMG) which manages the Parent's trading units as well as the Asset and Liability Management Group (ALMG) which manages the liquidity and reserve positions, conducts risk-taking activities within limits and ensures that breaches are escalated to the Senior Management for appropriate action.

A management alert is activated whenever losses during a specified period equal or exceed specified management alert level. The Parent controls and minimizes the losses that may be incurred in daily trading activities through the VaR, Management Action Triggers (MATs) and Stop Loss. Positions are monitored on a daily basis to ensure that these are maintained within established position limits to control losses. Position limits are subordinated to MATs, VaR and Stop Loss limits. Macaulay and Modified Duration are used to identify the interest rate sensitivity of the Bond Portfolio of the Parent. In the same way, certain subsidiaries of the Parent independently quantify and manage their respective market risk exposures by maintaining their respective RM system and processes in place.

Market Risk Weighted Assets

As of December 31, 2023, the LANDBANK's Total Market RWA stood at P17,635 million, broken down as follows:

PARTICULARS	AMOUNT (IN MILLIONS)
Interest Rate Exposure	2,679
Equity Exposure	1,913
FX Exposure	5,238
Options	7,805
Total Market RWA	17,635

The Total Market RWA represents 1.17 per cent of the Parent's Aggregate RWA of P1,509,177 million.

Managing Market Risk Components

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

1. Interest Rate Risk in the Trading Book

   Interest Rate Risk represents exposures to instruments whose values vary with the level or volatility of interest rates as a result of market making and portfolio taking. LANDBANK continues to manage interest rate risk in trading activities through factor sensitivities and the use of VaR and stress testing. Government Securities (GS) and Foreign Securities

(FS) are subject to daily mark-to-market and controlled through risk limits such as position, VaR, MATs and Stop Loss.

2. Equity Price Risk Management

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

3. FX Risk Management

   Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in FX rates. Using the Philippine peso as the functional currency, the Parent monitors daily the currency positions to ensure that these are within established limits.

Market Risk Measurement and Validation Tools

1. Value-at-Risk (VaR)

   VaR is a statistical approach for measuring the potential variability of trading revenue. It is used to measure market risk in the trading book under normal conditions, estimating the potential range of loss in the market value of the trading portfolio, over a one-day period, at 99 per cent confidence level, assuming a static portfolio.

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

   The VaR both at portfolio and across portfolio level are monitored. Daily VaR calculations are compared against VaR limits which is the monetary amount of risk deemed tolerable by the Parent. The Parent also determines Diversified VaR that takes into account the diversification effect in which all losses in all securities in a portfolio are imperfectly correlated.

2. Stress Test

   RM models have recently become the main focus of RM efforts in the banking industry where banking activities are exposed to changes in fair value of financial instruments. However, the Parent believes that the statistical models alone do not provide reliable method of monitoring and controlling risk because these models (while relatively sophisticated) have several known limitations, at the same time, do not incorporate the potential loss caused by very unusual market events. Thus, the VaR process is complemented by Stress Testing to measure this potential risk.

   Stress Test is a RM tool used to determine the impact on earnings and capital of market movements considered “extreme”, i.e., beyond “normal” occurrence. The Parent utilizes Stress Tests to estimate possible losses which the VaR does not capture.

The Parent's Market Risk Stress Test analyzes the impact of major risks that emerge out of the different scenarios, considering adverse and probable risk events, on activities related to Treasury's trading and investment portfolios. This seeks to establish how far the Parent can absorb certain levels of stress, to explore the events that could cause a significant impact to the Parent and to assess its vulnerabilities and capability to deal with shocks such as price risk, interest rate risk, and FX risk.

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

3. Model Validation

Back-Test

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

Under the back-testing process, exception occurs if mark-to-market (MTM) and trading loss exceeds the result of the model-generated risk measure. The number of exceptions is noted and the model is classified into one of the three zones as follows:

ZONE CLASSIFICATION	NUMBER OF EXCEPTIONS
safe/green zone	zero to four exceptions
non-conclusive/yellow zone	five to nine exceptions
problematic/red zone	10 or more exceptions

Back-testing results are presented to the ALCO and the RiskCom which examine the actual performance of portfolios against VaR measures to assess model accuracy and to enhance the risk estimation process in general.

Model Review

Risk models used in managing market risk are subjected to model review being done by Risk Modeling and Quantitative Analytics Unit (RMQAU) of MLRMD. On the other hand, Internal Audit Group (IAG) is tasked to do model audit of RM models.

LIQUIDITY RISK MANAGEMENT

Liquidity Risk Management Framework

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

The Parent considers liquidity risk based on market and funding liquidity risk perspectives. Trading or market liquidity risk refers to the inability to unwind positions created from market, exchanges, and counterparties due to temporary or permanent factors. It is the risk that the Parent cannot easily offset or eliminate a position at the market price because of inadequate market depth or through market disruption.

Funding liquidity risk is the risk that the Parent will not be able to meet efficiently both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the Parent. Funding liquidity risk is being monitored and controlled through the classification of maturities of assets and liabilities over time bands and across functional currencies as reflected in the Liquidity Gap Report (LGR).

The LANDBANK Board exercises oversight through ROC and has delegated the responsibility of managing the overall liquidity of the Parent to the ALCO. The ALCO and the Treasury Investment Banking Sector (TIBS) are responsible for the daily implementation and monitoring of relevant variables affecting the Parent's liquidity position. The ALCO review the assets and liabilities position on a regular basis and, in coordination with the TIBS, recommends measures to promote diversification of its liabilities according to source, instrument and currency to minimize liquidity risks resulting from concentration in funding sources.

The Risk Management Group (RMG), through the Market and Liquidity Risk Management Department (MLRMD) is responsible for the oversight monitoring of the Parent's liquidity risk positions and ensures that reports on the Parent's current risk are prepared and provided to ALCO and ROC in a timely manner.

The Parent performs a comprehensive liquidity risk measurement and control using the LGR, covering the bank-wide balance sheet, as a tool. Risk models used in liquidity RM are subjected to independent model validation as conducted by MLRMD - Risk Modeling & Quantitative Analytics Unit (RMQAU) and model audit by the IAG.

Liquidity Risk Measurement

The Parent manages the liquidity risk using the following tools:

1. Liquidity Gap Report (LGR)
   The Parent conducts liquidity gap analysis using the LGR. This risk measurement tool is used in identifying the current liquidity position and the Parent's ability to meet future funding needs. It categorizes balance sheet items according to estimated maturities of assets and liabilities to determine any future mismatch such as long-term assets growing faster than long term liabilities.

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

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

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

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

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

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

As of December 31, 2023, the Parent has in its possession a comfortable level of highly liquid assets and identified fund sources to cover for liquidity risk that may arise in the earlier tenor buckets. Most assets (particularly loans and investments) have long term maturities.

The Parent has established guidelines for liquidity risk limit setting to enable it to properly and prudently manage and control liquidity risk, consistent with the nature and complexity of its business activities, overall level of risk and its risk appetite.

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

2. Liquidity Stress Test

The Parent conducts regular stress testing and scenario analysis to further assess the Parent's vulnerability to liquidity risk. This activity supplements the risk models used by the Parent which simulates various probable to worst-case scenarios happening in the industry that would affect LANDBANK. The following are the stress testing conducted by the Parent:

- Liquidity Stress Test/Scenario Analysis
- FX Regular Stress Test
- Foreign Currency Deposit Unit (FCDU) Stress Test

3. Liquidity Coverage Ratio (LCR)

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

The Parent computes the LCR using the BSP prescribed formula:

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

Where:

HQLA - Refer to assets that can be converted easily and immediately into cash at little or no loss of value in private markets to meet the Parent's liquidity needs during times of stress.

Total Net Cash Outflows - Pertains to the sum of the stressed outflow amounts less the sum of the stressed inflow amounts, with the inflow amounts limited to 75 per cent of outflow amounts.

PARTICULARS	31 December (In Million Pesos)	
	2023	2022
High Quality Liquid Assets	1,888,272	1,813,654
Total Net Cash Outflows	983,301	854,680
LCR	192.03%	212.20%

As of December 31, 2023, the Parent's LCR is higher than the 100 per cent minimum requirement for the CY 2023.

INTEREST RATE RISK IN THE BANKING BOOK

Interest Rate Risk in the Banking Book Management Framework

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

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

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

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

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

In addition, model validation is also being done by the Risk Modeling and Quantitative Analytics Unit (RMQAU) of MLRMD to check for any enhancements or calibrations needed to the models.

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

Interest Rate Risk in the Banking Book Measurement Models

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

1. Earnings-Based Measure: The Parent uses the EaR to estimate changes in net interest income under a variety of interest rate scenarios over a 12-month horizon. As of December 31, 2023, the NII impact of change in interest rates amounted to P30,777.34 million

2. Economic Value-Based Measure: The Parent uses the EVEaR to assess the impact of changes in interest rates over the remaining life of its assets, liabilities and off-balance sheet items. As of December 31, 2023, the EVEaR impact of change in interest rates amounted to P9,872.22 million

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

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

Key Behavioral and Modelling Assumptions

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

1. Current Account and Savings Account (CASA) Repayment

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

2. Term Deposits subject to Early Termination

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

3. Fixed Rate Loans subject to Prepayment

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

4. Drawing Pattern of Credit Lines and Credit Cards

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

Interest Rate Shocks and Stress Scenarios

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

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

<u>OPERATIONAL RISK MANAGEMENT</u>

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

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

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

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

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

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

Despite the threat of the COVID-19 pandemic, the Parent was able to continuously conduct business and provide services while ensuring the health and safety of personnel and clients. Various emergency preparedness and business continuity measures consistent with the Parent's BCP were implemented. The challenges encountered by business units nationwide and the lessons learned during the unprecedented pandemic were also considered in the review and enhancement of the Parent's BCP called Pandemic Response Plan.

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

Embedding of ORM across the institution is manifested with the banking units (BUs) becoming aware of the specific operational risks they are confronted with. Taking a proactive stance in managing and escalating breaches as soon as they occur strengthens governance and enhances the oversight of these risks. BUs and Subsidiaries conduct risk self-assessment using various RM tools to quantify potential operational losses which serve as their dashboard in monitoring operational risk. RMG regularly monitors and escalates to Senior Management and RiskCom the results of ORM processes.

Operational Risk Exposure

LANDBANK currently uses the Basic Indicator Approach (BIA) for calculating the capital charge for operational risk under Pillar 1. The formula is based on the average Gross Revenues of the Parent for the last three years to calculate the Operational Risk Weighted Assets (ORWA). As of 31 December 2023, the Parent's Total ORWA using the Basic Indicator Approach was P157.44 billion or 10.43 per cent of the Parent's Aggregate Risk Weighted Assets (RWA) of P1,509.18 billion. With the sustained Gross Revenues of the Parent relative to its expanding business operations, ORWA is expected to increase annually.

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

The simulation conducted by the Parent for 2023 using its historical loss data resulted in a lower operational capital charge by P3.89 billion and P11.41 billion using the Standardized Measurement Approach (SMA) and Advanced Measurement Approach (AMA)-based Internal Capital Assessment (ICA), respectively, compared to the computed operational capital charge of P15.74 billion using the BIA.

Results of these capital exercises further ratify that the actual operational risk of the Parent is much lower than what it currently charges for its Pillar 1 capital as both models have consistently resulted in lower figures than the BIA. The lower capital charge will allow LANDBANK to lend more to its mandated sector especially small farmers and fishers, micro, small and medium enterprises, countryside financial institutions and local government units.

CONSUMER PROTECTION RISK MANAGEMENT SYSTEM (CPRMS)

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

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

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

PART II - OBSERVATIONS AND RECOMMENDATIONS

OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL ISSUES

1 The balance of Loans and Receivables account transferred from UCPB to LANDBANK, with a carrying amount of P45.154 billion as at December 31, 2023, includes 10,348 borrowers' accounts totaling P9.900 billion not supported with Promissory Notes and other relevant documents/information that would establish existence and completeness of loan accounts, contrary to Paragraph 2.12 of the 2018 Conceptual Framework for Financial Reporting, thus, affecting the faithful representation of the balance of Loans and Receivables account as at December 31, 2023.

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

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

1.2 Pursuant to Executive Order No. 142 dated June 25, 2021 signed and approved by President Rodrigo Duterte, directing the merger between Land Bank of the Philippines (LANDBANK) and United Coconut Planters Bank (UCPB), LANDBANK acquired the majority shares of the UCPB and the latter became the former's subsidiary in September 2021. Subsequently, on March 1, 2022, the merger took effect, with the LANDBANK as the surviving entity, hence, UCPB was dissolved and its assets and liabilities were transferred to LANDBANK. Among the assets transferred to the LANDBANK were Loans and Receivables amounting to P142,929,577,710.47 as of February 28, 2022, consisting of 85,611 borrowers' accounts.

1.3 In CY 2022, an Audit Observation Memorandum was issued on the non-completion of the pre-merger and merger activities required by LANDBANK Executive Order No. 109, particularly the conduct of inventory of loan documents to support the existence and completeness of the Loans and Receivables balance transferred from UCPB to LANDBANK. Recommendation to complete the inventory was undertaken by Management.

1.4 In March 31, 2024, the physical inventory of the Promissory Notes (PN) covering the loan accounts was completed and the results are as follows:

STATUS	No. of PNs		
	National Development Lending Sector (NDLS)	Branch Banking Sector (BBS)	TOTAL
In Bank's Custody	66,924	3,440	70,364
Closed Accounts	4,879	20	4,899
Not in Custody	8,112	2,236	10,348
TOTAL	**79,915**	**5,696**	**85,611**

1.5 Verification of the results of the physical inventory disclosed that the 70,364 accounts tagged as "In Bank's Custody" are borrowers' accounts for which PNs were duly accounted and in LANDBANK's custody. The 4,899 borrowers' accounts tagged as "Closed Accounts" in SIBS-SL system, the UCPB Subsidiary Ledger system, are either fully paid as of March 31, 2024 or were already transferred to the Symbols, the LANDBANK loans SL system, and completely supported with credit and loan documents. The 10,348 accounts tagged as "Not in Custody " are borrowers' accounts the PN's of which were not located/missing and the Loan Operations Management Department (LOMD) claimed were not existing even before the transfer from UCPB to LANDBANK.

1.6 According to LOMD, LANDBANK has valid claims over the 10,348 accounts without PNs since some are supported by collaterals, and that they can provide the billing history. They also added that some borrowers are religiously paying their obligations, while 25 per cent of the total accounts are written off. However, there were no documents provided to support the accounts written off, accounts covered with collaterals and those religiously paying their obligations. We were not able to apply other alternative procedures to confirm the existence and completeness of the balances of the 10,348 loan accounts, due to the absence of relevant information.

1.7 The absence of PNs may raise questions on the enforceability of the loan and increase risk of disputes between the parties regarding the terms and conditions of the loan or credit agreement. Without clear and proper documentation, it could be challenging to resolve disagreements over issues such as interest rates, repayment schedules, or the existence of collateral. For loans secured by collateral, such as real estate or personal property, the lack of loan and credit documentation will affect LANDBANK's ability to enforce its security interest over the collateral.

1.8 The absence of PNs and other relevant information to establish the reliability of the balance of the 10,348 transferred borrower's accounts from UCPB to LANDBANK amounting to P9,899,513,371.12, affected the faithful representation of the Loans and Receivables balance as at December 31, 2023.

1.9 In response to our initial recommendation, LOMD and the Lending Support Department (LSD) sought legal opinion from the Banking Legal Services Department (BLSD) on legal remedies for accounts with missing PNs. Among the remedies available based on BLSD's opinion are as follows:

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

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

1.10 **We recommended that Management undertake all remedies to support the balances of the 10,348 borrowers' accounts transferred from UCBP to LANDBANK, totaling P9.900 billion as at December 31, 2023, with complete and relevant documents/information to establish faithful representation of the balance of Loans and Receivables account .**

1.11 NDLS committed to require all Lending Units to request borrowers in current status to re-execute a new PN, and for those in past due status, demand letters will be sent and legal remedies, as advised, will be pursued. LOMD committed to submit documents and, in coordination with NDLS, also committed to provide quarterly update on the status of implementation of actions taken.

2. Intragroup accounts totaling P112.843 million were not fully eliminated in the consolidated financial statements as at December 31, 2023, due to incomplete reconciliation and unresolved discrepancies in the balances of intragroup accounts, and differences in the accounting policies applied by the LANDBANK and its subsidiaries for like transactions, contrary to paragraph B86 of the Philippine Financial Reporting Standards (PFRS) 10, thus, affecting the faithful representation of the balances of affected accounts in the consolidated financial statements as at December 31, 2023.

2.1 Paragraphs B86 (c) and B87 of the Application Guidance of the (PFRS) 10 on Consolidated Financial Statements states:

a. x x x
b. x x x

c. <u>Eliminate in full</u> intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions <u>between entities of the group</u> (profits or losses resulting from intragroup transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full). x x x

Uniform accounting policies

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

2.2 The issue on variances in the intragroup accounts was also raised in the audit of the CY 2022 financial statements. Management informed that they were faced with challenges on the conduct of regular reconciliation and monitoring of intragroup transactions, thus, recommendations to address the issue were not fully implemented.

2.3 In the group financial statements for CY 2023, the LANDBANK posted eliminating entries totaling P27,607,931,264.86 for similar transactions with the ten subsidiaries of the LANDBANK. A total, however, of P112,842,547.72, composed of discrepancies in the intragroup account between the LANDBANK and its subsidiaries amounting to P111,738,335.14, and between subsidiaries amounting to P1,104,212.58, were not reconciled, thus, not eliminated from the consolidated financial statements.

2.4 The discrepancies in the intragroup accounts between the books of the LBP and its subsidiaries, LLFC, LBRDC, OFBI, LSI and USB, totaling P111,738,335.14 not reconciled, thus, not eliminated from the consolidated financial statements for CY 2023, are as follows:

LLFC

Account per LANDBANK	***Account per Subsidiaries***	***Audited amount per LANDBANK***	***Audited amount per Subsidiaries***	***Amount not Eliminated (Absolute value)***
Accrued interest Receivable	Accrued Interest Payable	9,281,942.30	9,157,371.00	124,571.30
Finance Lease Payment Payable & Accrued Expense	Net Finance Lease Receivable	399,613,426.38	423,988,227.00	24,374,800.62
Payables	Receivable	310,733,065.68	289,442,648.00	21,290,417.68
Receivable	Payables	12,203,508.74	14,885,754.00	2,682,245.26
Interest Income	Interest Expense	62,980,333.98	63,716,094.00	735,760.02
Total		**794,812,277.08**	**801,190,094.00**	**49,207,794.88**

LBRDC

Account per LANDBANK	***Account per Subsidiaries***	***Audited amount per LANDBANK***	***Audited amount per Subsidiaries***	***Amount not Eliminated (Absolute value)***
Accrued interest Receivable	Accrued interest payable	371,849.00	334,664.10	37,184.90
Payables	Receivable	460,665,334.40	476,813,291.48	16,147,957.08
Receivable	Payables	18,699,698.68	18,434,496.45	265,202.23
Total		**479,736,882.08**	**495,582,452.03**	**16,450,344.21**

OFBI				
Account per LANDBANK	***Account per Subsidiaries***	***Audited amount per LANDBANK***	***Audited amount per Subsidiaries***	***Amount not Eliminated** (Absolute value)*
Receivable	Payables	133,807,626.79	133,505,908.00	301,718.79
Payables	Receivable	133,153,457.71	132,964,566.71	188,891.00
Interest expense	Interest Income	63,138,320.82	78,888,889.00	15,750,568.18
Fees and Commission Income	Fees and Commission expense	4,780,000.00	4,387,356.00	392,644.00
Total		**334,879,405.32**	**349,746,719.71**	**16,633,821.97**

LSI				
Account per LANDBANK	***Account per Subsidiaries***	***Audited amount per LANDBANK***	***Audited amount per Subsidiaries***	***Amount not Eliminated** (Absolute value)*
Receivable	Payables	10,682,140.16	–	10,682,140.16
Total		**10,682,140.16**	**–**	**10,682,140.16**

USB				
Account per LANDBANK	***Account per Subsidiaries***	***Audited amount per LANDBANK***	***Audited amount per Subsidiaries***	***Amount not Eliminated** (Absolute value)*
Receivable	Payables	18,764,233.92	undetermined	18,764,233.92
Total		**18,764,233.92**	**undetermined**	**18,764,233.92**

2.5 In addition to the discrepancies above, we also noted that the transactions between two subsidiaries were not identified, reconciled, and eliminated in the group financial statements. Transactions between subsidiaries are also intragroup transactions which require full elimination. The following are the discrepancies amounting to P1,104,212.58, on sample transactions between subsidiaries, not included in the eliminating entries:

LIBI				
Account on LIBI	***Account per Counterparty Subsidiaries***	***Audited Amount per LIBI***	***Audited Amount per Counterparty Subsidiaries***	***Amount not Eliminated** (Absolute value)*
Receivable	Payable (LLLFC)	843,600.93	–	843,600.93
Receivable	Payable (LBRDC)	83,313.19	–	83,313.19
Payable	Receivable (LBRDC)	703,191.00	732,954.00	29,763.00
Total		**1,630,105.12**	**732,954.00**	**956,677.12**

LBRDC				
Account on LBRDC	***Account per Counterparty Subsidiaries***	***Audited Amount per LBRDC***	***Audited Amount per Counterparty Subsidiaries***	***Amount not Eliminated** (Absolute value)*
Receivable	Payable (LIBI)	732,954.00	703,191.00	29,763.00
Receivable	Payable (OFB)	207,227.54	325,000.00	117,772.46
Total		**940,181.54**	**1,028,191.00**	**147,535.46**

2.6 In the consolidation of the financial statements, we noted that there is no proper identification and reconciliation of specific similar transactions before the elimination process. The practice is simply eliminating the lower amount between intragroup accounts at the account level.

2.7 Management also disclosed that significant differences in the balances of intragroup transactions were mostly due to the differences in the accounting policies of the LANDBANK and the subsidiaries. One example is the accounting for the construction/renovation projects of various LANDBANK branches undertaken by LBRDC, wherein LBRDC recognizes the receivables as soon as billing statements, based on the percentage of completion of the constructions/renovation projects as determined by their Construction Management Department (CMD), are sent to the Procurement Management and Engineering Department (PMED) of LANDBANK. The billings are, however, yet for validation by PMED and corresponding payable is only recognized after inspection of the project and determination of the percentage of completion, which is different from the percentage of completion used as basis for the billings provided by LBRDC, thus, resulting in the discrepancy in the intragroup accounts between the LANDBANK and LBRDC. We also noted that while the subsidiaries had already accrued their receivables from the LANDBANK, the LANDBANK is yet to record the payable pending receipt of the billing statement.

2.8 The incomplete reconciliation of intragroup transactions, unresolved discrepancies in the intragroup accounts between the LANDBANK and its subsidiaries and between subsidiaries, and the non-adjustment of the effects of the different accounting policies applied between the LANDBANK and its subsidiaries resulted in the incomplete elimination of intragroup balances in the consolidated financial statements , thus affecting the faithful representation of the balances of affected accounts in the consolidated financial statements as at December 31, 2023. This is contrary to B86 and B87 of PFRS 10 on Consolidated Financial Statements.

2.9 On May 31, 2024, the Operations Sector approved their guidelines on the accounting for intragroup transactions per Sector Order No. 81 s. 2024. In the said guidelines, LANDBANK's subsidiaries shall submit the Schedule of Subsidiary's Intragroup Transactions (SSIT) supported by copies of billing statements to the concerned booking units every 10th banking day after end of reference month. The booking units are responsible in the reconciliation of intragroup balances recorded in their respective booking centers, and in providing the reconciliation reports and supporting schedules to the FAD Accounting Standards Unit every 15th banking day after the reference quarter for the preparation of the eliminating entries on a quarterly basis. However, we noted that the guidelines do not include a provision addressing differences in accounting policies between the LANDBANK and subsidiaries.

2.10 We recommended and Management agreed that:

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

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

c. Consider inclusion in the guidelines the uniform accounting policies to be applied by LANDBANK and its subsidiaries.

3 Sundry Debits and Sundry Credits of LANDBANK Branches totaling P77.678 million and P12.834 million, respectively, as at December 31, 2023, were not cleared or reversed to the proper accounts within the reglementary period of five banking days, contrary to LANDBANK Executive Order (EO) No. 039, series of 2019, thus, faithful representation of the balances of affected accounts in the financial statements as of and for the period ending December 31, 2023 was not established.

3.1 Paragraph 15 of Philippine Accounting Standards (PAS) 1 on Presentation of Financial Statements provides that "*Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expense set out in the Framework*".

3.2 LANDBANK EO No. 039, Series of 2019 - Guidelines on Monitoring and Reporting of Sundry Accounts provides the following:

B. Definition of Terms

Sundry Debits	*items and transactions which cannot be immediately classified under any Debit account.*
Sundry Credits	*items and transactions which cannot be immediately classified under any Credit account.*

C. General Guidelines

*1. **Sundry Debits** and **Sundry Credits** shall only be used, if at the time of recording/booking, the transactions cannot be immediately classified to any debit or credit account in the Financial Management System-General Ledger (FMS-GL).*

2. All transactions booked under the Sundry Accounts shall be properly accounted and monitored by the Accounting Units.

xxx

*4. Transactions booked in the Sundry accounts **shall be cleared within five (5) banking days** from the date of entry in the FMS-GL.*

xx x

7. *Sundry Credits shall be booked as* ***Miscellaneous Income after one year from the date of Booking****. Reconciled accounts previously charged to income shall be reclassified/adjusted accordingly subject for approval per Codified Approving/Signing Authorities*

3.3 Review and analysis of the Schedules of Sundry Debit and Sundry Credit Accounts of LANDBANK Branches showed debits and credits not cleared for more than five days to more than one year totaling P77.678 million and P12.834 million, respectively, as at December 31, 2023. Breakdown is presented below:

Branches	Sundry Debit	Sundry Credit	Total
NCR	43,725,333.51	977,732.51	44,703,066.02
Region II	1,155,734.87	1,169,594.54	2,325,329.41
Region IV-A	0.00	72,392.61	72,392.61
Region V	705,235.42	3,409,309.01	4,114,544.43
Region VIII	14,071.08	0.00	14,071.08
Region IX	28,491,477.87	4,885,473.49	33,376,951.36
Region X	14,105.39	1,640.83	15,746.22
Region XI	594,429.31	927,482.17	1,521,911.48
Region XII	116,907.76	98,853.00	215,760.76
Region XIII	11,115.00	6,537.61	17,652.61
CAR	2,849,509.25	1,284,922.97	4,134,432.22
Total	**77,677,919.46**	**12,833,938.74**	**90,511,858.20**

3.4 Further evaluation revealed that Sundry Credits totaling P1,702,810.47 had been recorded for 365 days or more which is contrary to paragraph C.4 of the above-mentioned LANDBANK EO, prescribing that transactions booked in the Sundry accounts shall be cleared within five banking days from the date of entry in the FMS-GL and Sundry Credits booked for more than one year from the date of Booking shall be recorded as Miscellaneous Income.

3.5 The concerned Branch personnel informed that outstanding sundry accounts were not reversed within the set period due to lack of supporting documents, pending reconciliation, and awaiting approvals for adjustments.

3.6 Sundry accounts shall only be used if, at the time of recording/booking, the transactions cannot be immediately classified to any debit or credit account in the Financial Management System-General Ledger.

3.7 The Sundry Debits and Sundry Credits totaling P77.678 million and P12.834 million, respectively, as at December 31, 2023, which were not cleared or reversed to the proper accounts affected the faithful representation of the balances of related assets, liabilities, income and expense accounts in the financial statements as at December 31, 2023. This is also not consistent with LANDBANK EO No. 039, series of 2019, on the Guidelines on Monitoring and Reporting of Sundry Accounts.

3.8 **We recommended and Management agreed to require the:**

a. Branches to complete the verification and clearing of all Sundry Debits and Sundry Credits as of December 31, 2023 and submit to the Accounting Units the necessary documents for their reversal;

b. Accounting Units to reverse sundry accounts as of December 31, 2023, verified and cleared by the Branches; and

c. Branch Banking Support Department to monitor transactions booked as Sundry Debits and Sundry Credits to ensure timely reversal and adjustments in accordance with paragraphs C.4 and C.7 of the general guidelines of LANDBANK Executive Order No. 039, series of 2019.

3.9 Management informed that one per cent and 76 per cent of the outstanding Sundry Debits and Sundry Credits, respectively, were already reversed by concerned Branches as of May 30, 2024. Adjustments will be validated by the Audit Teams in CY 2024.

4 Dormant Deposit Accounts with an aggregate amount of P232.254 million for Domestic and $1.053 million for FCDU, inactive for more than 10 years, were not reclassified to Other Credits – Unclaimed Balances account, resulting in the overstatement of Deposit Liabilities and understatement of Other Liabilities by the same amounts as at December 31, 2023.

4.1 The BSP Financial Reporting Package defines:

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

4.2 Further, Section C of the Branch Operations Manual provides for the Handling of Dormant Deposit Accounts, of which Section C specifically prescribes that:

> *1. xxx*
>
> *2. xxx*
>
> *3. Every end of November, TMG shall generate Unclaimed Balances Report (with Report ID STUNCLMD for SA, and IMUNCLMD for CA) to identify the Peso and Dollar accounts which have no financial transaction initiated by/for the depositor for at least ten (10) years.*
>
> *4. For Peso and Foreign Currency Accounts, the Branch of Account shall: xxx*
>
> *d. **Reclassify the account as "Other Credits - Unclaimed Balances" account, for both Peso and Foreign Currency Deposit accounts after ten (10) years from the date of last transaction** every 1st banking day of December*

4.3 Review of the Deposit Liabilities accounts of various LANDBANK Branches disclosed that the following Domestic and FCDU Deposit accounts amounting to P232,254,437.69 and $1,053,484.41, respectively, have remained inactive for more than 10 years as of November 30, 2023 but were not reclassified to Other Credits – Unclaimed Balances account as at December 31, 2023:

Region	No. of Branches	Domestic (Php)		FCDU ($)	
		No. of Accounts	Sum of Balances	No. of Accounts	Sum of Balances
NCR	83	4050	142,691,403.26	353	665,661.20
Region I	6	467	13,237,288.70	28	51,807.17
Region II	4	64	1,721,545.69	6	4,823.64
Region III	13	547	17,632,422.23	54	97,736.85
Region IV	25	1166	22,796,082.67	55	75,226.99
Region V	5	351	4,491,629.58	7	20,141.10
Region VI	7	307	4,378,233.57	18	22,896.60
Region VII	9	323	6,814,898.09	45	58,082.16
Region VIII	2	301	1,048,100.26	5	14,715.16
Region IX	4	289	3,258,016.77	5	19,828.88
Region X	5	313	9,816,872.91	9	9,048.16
Region XI	4	65	2,176,093.27	9	10,533.23
Region XII	3	83	2,191,850.69	2	2,983.27
Total	**170**	**8,326**	**232,254,437.69**	**596**	**1,053,484.41**

4.4 Inquiry with the Systems Implementation Department - Retail Banking Support Unit (SID-RBSU), the User Administrator of Integrated Documents and Reports Archival and Retrieval System (IDRARS), revealed that dormant accounts originally transferred from the UCPB Branch Delivery System (BDS) to LANDBANK CA/SA Systematics (Deposit System), were not accounted for in the Unclaimed Balances Report as the dates of dormancy were incorrectly defined in the LANDBANK system. When SID attempted to correct the original opening date of the accounts and the date of the last transaction, the date of last maintenance or date of that attempt to correct appeared in the report. Thus, reclassification of the dormant deposit accounts to *"Other Credits - Unclaimed Balances" account* was not performed. The Unclaimed Balances Report is generated by the IDRARS every November for accounts that have been dormant for 10 years or more.

4.5 The Branch Banking Support Department - Branch Policy Support Unit directed LANDBANK Branches via email to review the UCPB/CASA Alphabetical Listing of Dormant Accounts, generated from Paper Vision. This review particularly targets corporate accounts, aiming to identify dormant accounts without activity for 10 years or more which were not included in the Unclaimed Balances Report in IDRARS. However, review was not also performed due to the challenges of identifying dormant accounts from numerous deposit accounts. Inquiry with select Branches, also revealed that they have overlooked to reclassify some dormant deposit accounts to Unclaimed/Other Credits-Unclaimed Balances.

4.6 The non-reclassification to Other Credits – Unclaimed Balances of dormant deposit accounts, inactive for ten years or more, is contrary to the Branch Operations Manual and LANDBANK EO No. 083, Series of 2017, and resulted in the overstatement of the Deposit Liabilities Domestic and FCDU accounts by P232,254,437.69 and $1,053,484.41, respectively, and understatement of the Other Liabilities account by the same amount as at December 31, 2023.

4.7 **We recommended and Management agreed to reclassify Domestic and FCDU deposit accounts amounting to P232,254,437.69 and $1,053,484.41, respectively, which have been dormant for ten years or more to Other Credits – Unclaimed Balances account.**

4.8 Adjustments to be made in CY 2024 will be monitored and validated by the Audit Teams.

B. NON-FINANCIAL ISSUES

5. **Unclaimed Balances of Peso and Foreign Currency Deposit accounts amounting to P153.178 million and $0.864 million, respectively, dormant for ten years or more, were not escheated in CY 2023 in favor of the National Government, contrary to Presidential Decree (PD) No. 679.**

5.1 PD No. 679, provides:

> ***"Section 1***, *"Unclaimed Balances", x x x, shall include credits or deposits of money, bullion, security or other evidence of indebtedness of any kind, and interest thereon with banks, buildings and loan associations, and trust corporations, as hereinafter defined, in favor of any person known to be dead or who has not made further deposits or withdrawals during the preceding ten years or more. Such unclaimed balances, together with the increase and proceeds thereof, shall be deposited with the Treasurer of the Philippines to the credit of the Government of the Republic of the Philippines to be used as the National Assembly may direct.*
>
> ***"Section 2***. *x x x within the month of January of every odd year, all banks, building and loan associations, and trust corporations shall forward to the Treasurer of the Philippines a statement, under oath, of their respective managing officers, of all credits and deposits held by them in favor of persons known to be dead, or who have not made further deposits or withdrawals during the preceding ten years or more, x x x."*

5.2 The General Guidelines under LANDBANK EO No. 83, series of 2017 on Guidelines in Handling Dormant Deposit Accounts provides:

> *10. Reports*
>
> *xxx*
>
> *e. The accounts classified as "Other Credits – Unclaimed Balances" shall be removed from the books of the Branch of Account not later than the first week of January of every odd year (i.e., 2021, 2023, etc.) by transferring the account balance through Interbranch Transaction Online System (IBTOLS) as follows:*
>
> *1) For Peso Deposit accounts, the account balance shall be transferred to Administrative Accounting Department (AAD); while*

2) *For Foreign Currency Deposit accounts, the account balance shall be transferred to FDRD.*

5.3 Section C of the Branch Operations Manual, on the Handling of Dormant Deposit Accounts, prescribes:

> 6. *The Branch of Account shall prepare the SUBA (Exhibit 8.10) every December to document the details of dormant accounts which have already been removed from the books of the Branch and are subject for escheatment.*
>
> *11. Escheatment in Favor of the Republic of the Philippines*
>
> *a. <u>For unclaimed dormant Peso and Foreign Currency Deposit accounts considered for escheatment</u>, the Final Notice (as stated under Item E.5) shall be sent to the depositor at least sixty (60) days prior to the filing of the SSUB to BTr.*
>
> *b. <u>Filing of SSUB to BTr shall be facilitated by AAD on or before the last week of January of every odd year.</u> Booking and monitoring of unclaimed balances transferred by Branches shall be handled by AAD for Peso accounts and FDRD for Foreign Currency accounts.*

5.4 Of the dormant accounts not yet reclassified to Other Credits – Unclaimed Balances accounts, as discussed in the preceding audit observation, Domestic and FCDU Deposit accounts, amounting to P153,178,286.46 and $864,174.46, respectively, are already due for escheatment in CY 2023. It was verified that the Sworn Statement of Unclaimed Balances (SSUB) for the following Domestic and FCDU Dormant Deposit accounts was not prepared and filed with the BTr in CY 2023, hence the dormant accounts were not escheated in favor of the government.

Region	No. of Branches	Domestic (Php)		FCDU ($)	
		No. of Accounts	Sum of Balances	No. of Accounts	Sum of Balances
NCR	83	2309	93,000,315.76	290	564,135.81
REGION I	6	322	7,793,861.17	23	47,428.81
REGION II	4	18	470,980.70	3	1,893.73
REGION III	13	321	11,250,715.33	34	51,018.67
REGION IV	25	822	17,058,749.89	40	62,449.69
REGION V	5	222	2,580,791.06	7	20,141.10
REGION VI	7	181	2,508,002.18	11	19,679.37
REGION VII	9	180	4,358,231.81	36	47,693.02
REGION VIII	2	240	558,088.09	5	14,715.16
REGION IX	4	201	2,350,474.28	4	19,293.70
REGION X	5	191	8,088,056.73	7	7,342.25
REGION XI	4	41	1,388,582.21	5	5,399.88
REGION XII	3	57	1,771,437.25	2	2,983.27
Total	**170**	**5105**	**153,178,286.46**	**467**	**864,174.46**

5.5 It was noted that the above accounts were not removed from the books of the Branches not later than the first week of January 2023 and transferred to the AAD and the FDRD, thus, escheatment proceedings were not initiated. The Statements of Unclaimed Balances Accounts (SUBA), required to be prepared by the Branch of Account every December to document the details of dormant accounts which have already been removed from the books of the Branch and are subject for escheatment, were also not prepared.

5.6 The SID also disclosed that Facilities Management Department (FMD), which is tasked with sending formal notifications to depositors, was unable to send the Final Notices required, particularly the Notice of Reclassification to Unclaimed Balances. Consequently, preparation by AAD and filing with the BTr of the SSUB on or before the last week of January 2023 was not undertaken.

5.7 The dormant accounts amounting to P153,178,286.46 for Domestic and $864,174.46 for FCDU, not reported to the Bureau of the Treasury for escheatment in CY 2023, is contrary to PD 679. These dormant accounts will be part of the accounts for escheatment in CY 2025.

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

a. The Facilities Management Department prepare and issue final notices to inform affected account holders on the reclassification of their accounts to Unclaimed Balances;

b. The Branches, transfer accounts classified as "Other Credits – Unclaimed Balances", to Administrative Accounting Department for Peso accounts and to Foreign and Domestic Remittance Department for Foreign Currency accounts and prepare the Summary of Unclaimed Balances Accounts to document the details of transferred dormant accounts which are subject for escheatment in CY 2025; and

c. The Administrative Accounting Department prepare and file the Sworn Statement of Unclaimed Balances with the BTr on or before the last week of January 2025.

6. The Automated Tellering Machine (ATM) / Cash Deposit Machine (CDM) shortages and overages amounting to P35.597 million and P41.580 million, respectively, remained unresolved for more than three banking days to over 360 days as at December 31, 2023, contrary to LANDBANK Executive Order (EO) No. 58 series of 2020.

6.1 LANDBANK EO No. 58, Series of 2020, on handling of ATM/CDM Overages and Shortages, prescribes that *overages and shortages from daily balancing or cash retrieval shall be recognized and booked upon discovery and the same shall be investigated and resolved at the Branch level.* Further, said EO provides that *unaccounted ATM/CDM overages or shortages shall be reversed to "Miscellaneous Income or Expense" immediately upon approval in accordance with the provisions of the Codified Approving and Signing Authority (CASA)*, and that *ATM/CDM overage or shortage resulting from the daily balancing's time difference may be temporarily booked to Sundry Account subject to immediate reversal once investigated and resolved.* ***Overages and shortages during the***

cash retrieval shall be investigated and resolved within three (3) banking days from retrieval date.

6.2 Review of the Schedules of ATM Outstanding Shortages and Overages of several Branches showed a total of P35,597,301.15 and P41,579,620.00 in shortages and overages, respectively, that remained unresolved for more than three banking days as at December 31, 2023:

Regions	Shortages	Overages	Total
II	116,700.00	96,600.00	213,300.00
III	611,900.00	849,000.00	1,460,900.00
IV-A	220,000.00	-	220,000.00
V	19,700.00	-	19,700.00
VI	411,800.00	446,400.00	858,200.00
VIII	631,100.00	69,900.00	701,000.00
IX	31,579,001.15	33,612,040.00	65,191,041.15
XI	1,760,100.00	6,022,450.00	7,782,550.00
XII	185,100.00	184,730.00	369,830.00
XIII	61,900.00	250,000.00	311,900.00
CAR	-	48,500.00	48,500.00
Total	**35,597,301.15**	**41,579,620.00**	**77,176,921.15**

6.3 It was gathered from LANDBANK Branches that the delays in transaction posting in the books were due to late submission of the ATM/CDM reports to the Accounting Unit which was attributed to the unavailability of ATM/CDM transaction details or reports from the LANDBANK Automated Teller Machine Reconciliation System (LARS) during system downtime, among other factors. These circumstances precluded Branches from performing timely reconciliation and preparation of the ATM/CDM reports. LARS is an upgrading and enhancement of the LANDBANK ATM Hosts. Automatic retrieval/pull of Electronic Journal (EJ) File and Terminal Readings (TR) from the ATM and the sending to the Remote ATM reading server for uploading to Integrated Documents and Reports Archival and Retrieval System (IDRARS, now LARS) are facilitated through the software facility, Remote Automated Teller Machine (ATM) Reading System (RARs).

6.4 It was also explained that reconciliations were performed daily but due to high volume of reconciling items coupled with late and non-uploading of EJ file, it was really difficult for the Branches to meet the set deadline. In order to catchup with the reconciliation, some Branches created ATM Task Force Recon. The daily balancing of ATM/CDM transactions were done manually due to the unavailability of the remote EJ pulling in the LARS. System Feedback Forms were also sent to ATM Operations Support Department (AOSD) to address the error in the manual generation and extraction of the reports.

6.5 The same issue was raised in the audit of CY 2022 accounts and transactions, and in response, the Branch Banking Support Department (BBSD) informed that RARS was already decommissioned and replaced with the ATM Monitoring Solutions (AMS) and that there have been regular checks of the status of the remote pulling of EJs from the AMS up to the uploading of the same to the LARS. They also informed that upon notice of untoward incident affecting the remote pulling of the EJ, a memo advisory is immediately posted on the LANDBANK Workplace to inform all Branches for actions relating to manual copying of EJs and daily ATM balancing and reconciliation. They added that, in order to reduce the downtime of AMS and to improve the remote pulling of EJs from the ATM, the TMG-NOD upgraded the memory capacity from 92.00 GB to 128 GB and increased the memory count of the AMS and the memory used capacity of the server from 88% to 65%. During isolated cases where no remote EJ occurred, and as part of workaround, they explained that the Transaction Log File generated by the ATM Information Switching Technology (ATM-IST) may be used by the branches for the daily balancing and reconciliation of ATM transactions.

6.6 Validations in the last quarter of CY 2023, however, showed that there were still several instances that the system was unable to remotely generate the EJ. It was noted that BBSD advisories were issued in October to December 2023 to all branches informing the unavailability of the remote retrieval of EJ. As a result, if the AMS does not function properly, LARS is unable to facilitate the automatic reconciliation and balancing, and settlement of ATM and CDM Transactions. In these instances, the Branches use manual procedures for reconciliation, causing delay in the reconciliation of undispensed cash withdrawn in the ATM and crediting of the undispensed amount to clients' accounts.

6.7 The Branch Group Heads acknowledged that there have been issues in the monitoring and reconciliation of ATM Overages and Shortages in some of the Branches. As part of the Branch retooling, Branches were reminded on the proper handling of ATM Overages and Shortages. BBSD also clarified that it is not the LARS which causes long outstanding ATM Overages and Shortages, but the monitoring of the same. Hence, the reduction of Overages and Shortages, Accounts Receivable (AR)/Accounts Payable (AP) and Sundry Accounts was included as five per cent of the Branches' and Branches Groups' Key Results Area (KRA) for 2024. They also informed that the standard procedures on the resolution and proper monitoring of booked ATM overages and shortages are being reiterated to the Branches during the conduct of face-to-face Back to Basic on Branch Supervision Seminar from April 13 to July 20, 2024.

6.8 The lack of faithful compliance with the handling of ATM/CDM overages and shortages, resulted in overages and shortages of P35,597,301.15 and P41,579,620.00, respectively, which remained unresolved from three to over 360 days as at December 31, 2023, contrary to LANDBANK EO No. 58 series of 2020.

6.9 **We recommended and Management agreed that the Branch Heads:**

a. Coordinate with their respective Accounting Centers, and resolve Overages and Shortages as of December 31, 2023;

b. Conduct independent review of the recorded ATM overages and shortages to (a) determine frequency; (b) determine if booking/reversal are in accordance with the guidelines; (c) establish unusual pattern, (d) reshuffle personnel; and (e) request investigation, if necessary, in accordance with LANDBANK EO No. 58, Series of 2020; and

c. Comply with the resolution of all ATM/CDM overages and shortages within three banking days from retrieval date, in accordance with LANDBANK EO No. 58, Series of 2020.

6.10 Branch Banking Sector committed to resolve ATM overages and shortages and make the appropriate reversals by end of 3rd quarter of CY 2024.

7. **Accounts Receivable totaling P32.949 million as at December 31, 2023, representing indemnification sought by LANDBANK against a service provider for breaches, resulting in numerous invalid transactions via LANDBANKPay, remained not collected, contrary to LANDBANK Administrative Order No. 018, Series of 2019 and Section 2 of Presidential Decree (PD) No. 1445 on safeguarding of assets against losses.**

7.1 Section 2 of PD No. 1445 provides that:

> *Section 2. Declaration of Policy. It is the declared policy of the State that all resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguarded against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy and effectiveness in the operations of government. The responsibility to take care that such policy is faithfully adhered to rests directly with the chief or head of the government agency concerned.*

7.2 Moreover, Section C.2 of LPB Administrative Order No. 018, Series of 2019, on Guidelines on Accounts Receivable, states:

> *C. General Guidelines*
>
> *Xxx*
>
> *2. A/R shall be collected immediately upon incurrence.*

7.3 To carry out one of its e-banking services, LANDBANK has LANDBANKPay which is a customer-enabled mobile application that facilitates opening of a virtual (cardless) transactional MasterCard prepaid account that offers mobile-based payment services which stores payment card information in a mobile device. It is a convenient way of making in-store and in-app payments, peer-to-peer payments, fund transfers and other e-Commerce transactions using a smartphone.

7.4 LANDBANK has procured the services of a provider of the LANDBANKPay Mobile Payment Application. The service provider, in turn, has its solutions provider for the LANDBANKPay Mobile Payment Application Project.

7.5 As at December 31, 2023, the Accounts Receivable – Various account has a total balance of P33,925,167.22. Review of the schedule of the said account disclosed that P32,949,000.00 or 97.12 per cent pertains to receivable from the service provider. This represents the payment made by LANDBANK to its merchant for the successful bills payment transactions via LANDBANKPay for the period May 3-27, 2023 thru Link.Biz Portal, which was booked on July 17, 2023.

7.6 The recognition of the receivable from the service provider was based on the established breach of obligations and warranties by a negligent act or omission, pursuant to the following provision in Item 6 of the Fifth Addendum to the Managed Services Agreement (POS Facility) entered into by the service provider and LANDBANK, which reads:

> *Section 13.4 is hereby inserted, to wit:*
>
> *13.4 **A party who breaches any of its obligations or warranties under this Agreement shall indemnify the aggrieved party on demand against losses, liabilities, expenses and/or damages caused by any negligent act or omission or willful misconduct of the offending party, its employees, agents or subcontractors.** The offending party's liability, whether in contract, delict or otherwise, for all losses, liabilities, expenses and/or damages arising from this Agreement, shall be limited to direct damages." (emphasis ours)*

7.7 In particular, the breach referred to was allegedly a bug in the system which was acknowledged by the service provider, thru its solutions provider, that the issue was not reported in the System Integration Testing/ User Acceptance Testing carried out prior to moving to product launching.

7.8 The alleged negligent act resulted in numerous invalid bills payments transactions via LANDBANKPay wherein the amount deducted from the client's account representing payment was significantly lower than the actual bill amount paid to the merchant/biller. This was due to the negative value appearing on the bill fee/ transaction fee which should always have positive values. Details shown below:

Transaction Date	Count	Total Amount Debited from Clients Account	Bill Fee/ Transaction Fee	Bill Amount paid to Merchants/ Billers
May 06-08, 2023	23	828.00	(4,579,222.00)	4,580,050.00
May 09, 2023	14	601.00	(3,499,399.00)	3,500,000.00
May 11, 2023	16	662.00	(3,999,338.00)	4,000,000.00
May 12, 2023	17	655.00	(4,249,345.00)	4,250,000.00
May 13-15, 2023	30	1,275.00	(7,498,725.00)	7,500,000.00
May 16, 2023	30	1,110.00	(7,498,890.00)	7,500,000.00
May 17, 2023	19	645.00	(4,749,355.00)	4,750,000.00
May 18, 2023	26	890.00	(6,499,110.00)	6,500,000.00
May 19, 2023	10	300.00	(2,499,700.00)	2,500,000.00
Total	**185**	**6,966.00**	**(45,073,084.00)**	**45,080,050.00**

7.9 Of the total P45,080,050.00 invalid bills payments transactions noted, the amount of P32,949,000.00 was successfully settled by Merchant to its billers. The amount being claimed by Merchant from LANDBANK pertain to transactions via LANDBANKPay from May 3-27, 2023.

7.10 Review of documents provided by Management, relative to the invalid transactions and actions taken, revealed the following:

a. On May 23, 2023, personnel from AOSD-Validation, Processing and Settlement Division have reported, through issuance of System Feedback Form (SFF) addressed to Issuing and Acquiring Product Management Unit (IAPMU), a unit of Digital Solutions and Product Management Group (DSPMG), numerous invalid Merchant transactions that occurred via LANDBANKPay from May 06-19, 2023 as stated in the above table.

b. The said SSF was responded by IAPMU by issuing a corresponding Project Management Report (PMR), elevating the incident noted for checking and resolution of E-Banking Systems Department (eBSD) and the solutions provider.

c. In the email reply from the Chief Operating Officer of the solutions provider dated June 01, 2023, they informed that corrective actions were undertaken to address the issue, and disabled, as a precautionary measure, the affected accounts and transactions that have been identified. Moreover, a fix to prevent further occurrences was applied on May 27, 2023. Resumption of the LANDBANKPay is at the call of LANDBANK.

d. On June 13, 2023, the Management Committee, under ManCom Resolution No. 2023-(06)-20, approved the settlement of the initial financial obligation of P32,949,000.00 to Merchant as presented by DSPMG. The amount represents the bills payment transaction via LANDBANKPay already settled by Merchant to its billers based on the daily reports viewed in their Merchant Payment Inquiry (MPI). This however, had no corresponding settlement to LANDBANK from respective LANDBANKPay Account holders. Consequently, in a memorandum dated July 12, 2023, DSPMG instructed MCMD to recognize the said amount under *Accounts Receivable – Service Provider.*

e. On October 05 and November 06, 2023, MCMD issued the first and second collection letters, respectively, addressed to the President/CEO of the service provider demanding payment of the subject receivable. On December 6, 2023, LANDBANK and the service provider met to discuss the settlement of the outstanding receivable and the service provider cooperated for the resolution of the issue on the outstanding receivables.

f. Following the said meeting, a letter from the service provider dated December 20, 2023 was received by LANDBANK requesting the complete records and transcripts of the investigation and audit conducted by LANDBANK and the solutions provider in relation to the issue encountered by the LANDANKPay, as well as other relevant documents including, but not limited to, information security audit, change ticket(s), readiness checklists, User Acceptance Test results, defects log and other system related reports.

g. The IAPMU Personnel informed that LANDBANK had already provided the requested documents/reports to the service provider and that LANDBANK will set again a meeting with the service provider to discuss the matter.

7.11 We also gathered that, on September 15, 2023, the LANDBANKPay was decommissioned pursuant to Management Committee Resolution No. 2023-(07)22. Despite the actions taken by LANDBANK, the receivable from the service provider remained unsettled as at December 31, 2023.

7.12 The Accounts Receivable totaling P32,949,000.00, representing indemnification sought by LANDBANK against the service provider for breaches resulting in numerous invalid transactions via LANDBANKPay, which remained uncollected for more than 90 days as of December 31, 2023 is contrary to LANDBANK Administrative Order No. 018, Series of 2019. This is also not in accordance with Section 2 of Presidential Decree (PD) No. 1445 on safeguarding of assets against losses.

7.13 We recommended and Management agreed to execute all remedies available to the LANDBANK to recover the Accounts Receivable amounting to P32,949,000.00 from the service provider.

8. **Unexpended balance of the fund transfers from the Department of Transportation (DOTr) amounting to P11.166 million remained not returned to the DOTr as of December 31, 2023, or 302 days after the expiration of the Automated Fare Collection System (AFCS) EMV Contactless Pilot Production Testing Project, contrary to the Memorandum of Agreement between LANDBANK and DOTr and COA Circular No. 94-013.**

8.1 COA Circular No. 94-013 dated December 13, 1994 - Rules and Regulations in the Grant, Utilization and Liquidation of Funds Transferred to Implementing Agencies was issued to ensure that: (a) the transfer is properly taken up in the books of both agencies, (b) the transferred funds are used only for the intended purpose, and (c) proper accounting and reporting are made of the utilization of the funds.

8.2 Item 4.9 of the Circular provides that *The Implementing Agency (IA) shall return to the Source Agency (SA) any unused balance upon completion of the project.*

8.3 On November 6, 2020, LANDBANK and Department of Transportation (DOTr) executed a Memorandum of Agreement (MOA) for the implementation of the Automated Fare Collection System (AFCS) EMV Contactless Pilot Production Testing (PPT) Project. Under Section I.2 of the MOA, LANDBANK and DOTR will convene for the conduct of a PPT of a Transit System for a period of six (6) to nine (9) months. On March 4, 2022, First Amendment to the MOA changed and amended Section I.2 of the MOA to LANDBANK and DOTr. Section XIV, Effectivity of the First Amendment to the MOA, states - *This MOA shall take effect upon signing of this First Amendment and shall remain in full force and take effect for a period of twelve (12) months x x x,'* thus, effectivity was extended until March 4, 2023.

8.4 The AFCS is a program of the government that aims to automate and modernize the fare collection system in the Philippines for the greater convenience and safety of the passengers and public drivers by initiating the use of contactless fare payment instruments.

8.4 Under the amended MOA, the DOTr and LANDBANK shall enter into a Source Agency – Implementing Agency (SA-IA) arrangement wherein LANDBANK shall open a non-interest-bearing funding account where the fund representing the Project Cost will be deposited. Utilization of the fund from the said account shall be governed by COA Circular No. 94-013 as amended by COA Circular Nos. 2012-001 and 2016-002 and other relevant circulars and issuances.

8.5 The amended MOA includes a provision that - *The LANDBANK shall return the unused fund allocated by the end of the funding validity and/or as may be determined by the DBM pursuant to the Guidelines of the Cash Budgeting System.*

8.5 The LANDBANK, as IA of the Project, issued LANDBANK Executive Order (EO) No. 046, Series of 2022 - Interim Guidelines in Handling AFCS Transit Acquiring Transactions (Pilot Production Testing) to provide the detailed operational procedures and documentary requirements in the implementation of the Project. Under this EO, the *LANDBANK shall return to the DOTr any unutilized portion of the funds.*

8.6 Pursuant to the MOA, on November 24, 2022, the DOTr transferred funds amounting to P14,253,051.20 to LANDBANK DOTC Branch for the implementation of the PPT Project. The fund received by LANDBANK was deposited in the AFCS Project Fund account maintained with the LANDBANK Cash Department. The receipt of fund transfer was recognized under the Accounts Payable – Government Entity account maintained in the project's separate subsidiary records and Deposit Liabilities under the books of LANDBANK Cash Department.

8.7 During the project's implementation, utilization from the AFCS Project Fund for the period September 2022 to February 2023 amounted to P3,086,527.74. This consists of disbursements amounting to P1,375,572.24 and P1,734,896.62 paid on December 27, 2022 and May 5, 2023, respectively, and fund reversal on December 29, 2023 amounting to P23,941.12, pertaining to the December 27, 2022 disbursements. The disbursements from the Project Fund were supported with LANDBANK Billing Statements, approved LOIs, invoices from suppliers, and Reports of Disbursements duly certified correct by the LANDBANK Accountant, and approved by the PCMD Head. A photocopy of the AFCS deposit account's bank statement showing the said charges/disbursements was provided to the audit team in lieu of the required validated debit advice per MOA.

8.7 Based on the Project's subsidiary records, the balance of the Fund amounted to P11,166,523.46 as of December 31, 2023. It was noted that the unexpended balance of the fund was not yet reverted to the DOTr and is still reflected in LANDBANK bank statement as of January 31, 2024.

8.8 According to Management, they are committed to liquidate the funds and explained that, as per Section IV of the MOA (Mobilization and Demobilization), parties must have complied with all their obligations before the MOA can be considered terminated, that is, it is deemed terminated only after the POS terminals including accessories are returned by the PUV operators to LANDBANK in good working condition. PUV operators are required to surrender the POS, along with complete accessories by the conclusion of May

2024. They also informed that the DOTr and LTFRB have agreed with the deinstallation, then the cost incurred or the ultimate billings will be forwarded to DOTr for approval before payment to the service provider.

8.9 During the exit conference, the Digital Banking Sector of LANDBANK updated that they have already fully recovered the POS terminals from the PUV operators but were not able to recover the chargers and the SIM, so they are still waiting whether DOTr will allow LANDBANK to charge them the P50,000 that the service provider is charging LANDBANK for the lost chargers. It was also emphasized that the AFCS was terminated midway through the project and LANDBANK was informed only in August of 2023. When DOTr terminated the project, the contract with the POS provider was on-going. They further informed that the remaining balance of the fund was not yet returned due to charges to the project fund which need the confirmation of the DOTr.

8.10 An audit of the utilization of the project fund has not yet been conducted because the required complete supporting documents are not yet submitted to COA.

8.11 It was also gathered that LANDBANK has no policy/guidelines setting out procedures and controls on the receipt, utilization/disbursement, monitoring and reporting of all funds received from the National Government and Other Government Agencies, consistent with the requirements of COA Circular No. 94-013 dated December 13, 1994 – Rules and Regulations in the Grant, Utilization and Liquidation of Funds Transferred to Implementing Agencies, and other applicable rules and regulations.

8.12 The delay in the liquidation and return of the unexpended balance of the fund transfer from the DOTr amounting to P11.166 million to the National Treasury, through the DOTr, is not consistent with the requirements of COA Circular No. 94-013 and the provisions of the MOA.

8.13 We recommended and Management agreed to:

a. Expedite liquidation process and return to the DOTr the unexpended balance of the Fund Transfer to comply with the MOA on the AFCS PPT Project and COA Circular No. 94-013, and

b. Consider the issuance of policy/guidelines setting out the procedures and controls on the receipt, utilization/disbursement, monitoring and reporting of all funds received from the National Government and Other Government Agencies, consistent with the requirements of COA Circular No. 94-013 dated December 13, 1994, and other applicable rules and regulations.

Gender and Development (GAD)

9. **LANDBANK's GAD Agenda, which shall serve as basis in identifying programs, activities, and projects to be undertaken to achieve the GAD goals and outcomes, remained not completed/finalized contrary to PCW-NEDA-DBM Joint Memorandum No. 2012-01 and PCW Memorandum Circular No. 2018-04.**

9.1 PCW-NEDA-DBM Joint Memorandum Circular (JMC) No. 2012-01 on Guidelines for the Preparation of Annual Gender and Development (GAD) Plans and Budgets and Accomplishment Reports to Implement the Magna Carta of Women provides the following:

> *5.1 Set the GAD agenda or identify priority gender-issues and/or specific GAD mandates and targets to be addressed over a one-year or three-year term by the central office in consultation with regional offices, bureaus and attached agencies. This GAD agenda shall be the basis for the annual formulation of PAPs to be included in the GPB of the department and its attached agencies, bureaus, regional offices and units.*
> *X x x*
>
> *8.2 The GFPS of the agency shall review all submitted GPBs and as needed, provide comments or recommendations for revision. Agency review of GPBs shall focus on the alignment of the GAD plan with the GAD agenda and the correctness and alignment of the entries in each column of the GPB template, e.g. if the proposed activities respond to the identified gender issue or cause of the issue, the issues are correctly identified or formulated, if there are clear indicators and targets, if the proposed budget is realistic, if the number of proposed activities are doable within the year, among others. The GFPS shall then submit the final GPBs and the corresponding GAD ARs to PCW for review and endorsement to DBM. (underscoring ours)*

9.2 In addition, PCW Memorandum Circular No. 2018-04 dated May 4, 2018 provides that the GAD Agenda is the agency's strategic framework and plan on gender mainstreaming, and achieving gender equality and women's empowerment (GEWE). It shall:

> a. *serve as basis in identifying programs, activities, and projects to be undertaken to achieve the GAD goals and outcomes;*
>
> b. *provide the monitoring and evaluation (M&E) framework for assessing GAD results and outcomes that shall be the basis for strengthening the mainstreaming of a GAD perspective in the agency's operations and programs; and*
>
> c. *be formulated in a participatory, consultative and inclusive process. It shall consider the results from consultations with women target beneficiaries as well women's groups/organizations working on the sector and other concerned stakeholders, and the identified gaps resulting from gender analysis.*

9.3 Review disclosed that LANDBANK's GAD Agenda remained not completed/finalized as of December 31, 2023. This issue on non-completion of the GAD Agenda was already raised during the CY 2021 and 2022 audits. Management informed then that the GAD Agenda was crafted as part of the planning session undertaken by the members of LANDBANK's GAD Focal Point System-Technical Working Group (GFPS-TWG) via their alternates. Management explained that the formal expression of the GAD mission had to be deferred pending instruction on policy directions for the next years, considering the impending change of leadership in the National Government which may impact LANDBANK, and that the merger between LANDBANK and the United Coconut Planters Bank has to be factored in.

9.4 In CY 2023, the Employee Relations Division (ERD), the TWG Secretariat, has repeatedly sought for the Management Committee's (ManCom) approval of the GAD GFPS, extending until April 2024 per our latest communication. The coordination process was the cited reason for the unsuccessful attempts in CY 2023. The ERD further updated that the GAD Agenda will undergo another recalibration after ManCom's approval of the reconstitution of the GAD-TWG and reassignment of handling client-focused PAPs to the Strategic and Knowledge Management Group, the Chairman of LANDBANK's GFPS-TWG. In its reply dated May 22, 2024, ERD stated that the process of collecting information for the GAD Agenda entails an extensive coordination with different Bank units responsible for implementing the PAPs. The size of LANDBANK in terms of office network, staff complement and customer base as well as the diversity of the operations and clients, was cited as a valid concern that remains to be resolved.

9.5 In addition, the constant recalibrations are the result of various factors, such as but not limited to the change of LANDBANK's leadership in CY 2023 and alignment to the initiatives of the National Government and LANDBANK's mother agency, the Department of Finance. Thus, some programs had to be temporarily held in abeyance, resulting in changes in the GAD Plans and Budget (GPB) and the GAD Accomplishment Report (GAD AR). ERD explained that such programs will still be considered in the recalibration of the GAD Agenda and Strategic Plan including budget allocation during their years of execution.

9.6 ERD also pointed out that even without an approved GAD Agenda, LANDBANK still implements PAPs in pursuit of its mandate and in support of the programs of the National Government. The programs reported in the GAD AR and GPB are evaluated following the same process set forth in the PCW-NEDA-DBM Joint Circular No. 2012-01. Direct GAD PAPs are reported to the GMMS while other PAPs are reviewed using the HGDG Tool and reported as part of LANDBANK's attributed programs.

9.7 Management, however, committed to undertake enhancements in institutional mechanisms to ensure that GAD plans, programs and deliverables are accomplished, and finalize LANDBANK's GAD Agenda in CY 2024.

9.8 The absence of the GAD Agenda, to serve as basis in identifying programs, activities, and projects to be undertaken to achieve the GAD goals and outcomes, and to provide the monitoring and evaluation (M&E) framework for assessing GAD results and outcomes, is not consistent with PCW Memorandum Circular No. 2018-04 and PCW-NEDA-DBM Joint Memorandum Circular No. 2012-01.

9.9 We recommended and Management agreed to require the GFPS TWG to complete/finalize the LANDBANK GAD Agenda in CY 2024 in compliance with PCW-NEDA-DBM Joint Memorandum Circular (JMC) No. 2012-01 and PCW Memorandum Circular No. 2018-04.

Compliance with Republic Act No. 7656

10. LANDBANK

LANDBANK Board of Directors in its Board Resolution No. 24-201 dated April 11, 2024 approved the declaration of cash dividends for CY 2023 net income in the amount of P32.12 billion and remitted on April 30, 2024 to the Bureau of Treasury (BTr).

10.1 Subsidiaries

In compliance with Republic Act No. 7656, three subsidiaries declared and remitted cash dividends totaling P351.362 million to the Bureau of the Treasury (BTr) for CY 2023 net income, details as follows:

Name of Subsidiaries	Amount (In million pesos)
LBP Insurance Brokerage, Inc.	247.541
LBP Leasing and Finance Corporation	87.545
LBP Resources and Development Corporation	16.276
Total	**351.362**

Compliance with Tax Laws

11. Taxes withheld for the month were remitted on or before the 10th day of the following month, except those withheld for the month of December which were remitted on or before the 15th day of January of the following year.

11.1 In compliance with Tax Laws, information on taxes and licenses paid or accrued during the taxable year 2023 were disclosed in Part I of this report, specifically under Note 26 to the Financial Statements. The taxes withheld from compensation and benefits amounting to P1.828 billion were remitted to the Bureau of Internal Revenue in accordance with the deadlines on payment/remittance of taxes prescribed by the National Internal Revenue Code.

Philhealth and Pag-ibig Premiums

12. In CY 2023, LANDBANK complied with Title III Rule III, Section 18 of the Implementing Rules and Regulations of Republic Act (R.A) No. 7875 as amended in the payment of national health insurance premium contributions to the Philhealth.

12.1 LANDBANK also complied with Rule VII, Section 3 of the Implementing Rules and Regulations of R.A. No. 9679 in the collection and remittance of contributions to the Pag-ibig Fund.

GSIS Contributions and Remittances

13. In CY 2023, LANDBANK complied with the rules and regulations implementing the GSIS Act of 1997, particularly on the collection and remittance of contributions to GSIS as follows:

a. Mandatory monthly contribution of covered employees and employer in accordance with Section 18 of the GSIS Act of 1997; and

b. Remittance of employees' and employer's contributions and employees' compensation premium within the due date pursuant to Section 19 of the GSIS Act of 1997.

STATUS OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

14. The total audit suspensions and disallowances as at December 31, 2023 was P2.850 billion, broken down as follows:

LANDBANK	Suspensions	Disallowances	Total
Head Office	0	2,813,197,815.27	2,813,197,815.27
Regional Offices/Branches	23,894,411.77	13,246,978.96	37,141,390.73
TOTAL	**23,894,411.77**	**2,826,444,794.23**	**2,850,339,206.00**

14.1 The total disallowances of P2.826 billion consists of P2.800 billion Priority Development Assistance Fund and Development Acceleration Program from National Livelihood Development Corporation, P0.013 billion payments of benefits and allowances of LANDBANK Board of Directors, officers and employees, and P0.013 billion payments for other expenses which are not in accordance with existing laws, rules and regulations. Management has pending appeals with the Commission on the audit disallowances, in accordance with the Revised Rules and Procedures of the Commission on Audit.

14.2 The total suspensions of P23.894 million issued by Audit teams in Regions I, VI, and IX pertain to payments of various expenses without complete supporting documents.

14.3 There were no audit charges as at December 31, 2023.

PART III - STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Out of the 46 audit recommendations embodied in the prior years' Annual Audit Report, 34 were implemented and 12 were not implemented of which five are reiterated in Part II of this report and seven were closed.