



2018 ANNUAL REPORT

**LBP (Land Bank of the Phil.)
INSURANCE BROKERAGE, INC.**

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Roxas, Legaspi Village Makati City, Metro
Manila Philippines 1229

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lbp-insurance.com

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To provide accessible, competitively priced and responsive insurance services to all LBP borrowers and clients.

To efficiently facilitate processing of insurance requirements originated by LBP Lending Center Account Officers and LBP Branches.



To be among the top 10 insurance brokerage in terms of premium produced by 2022.

MESSAGE FROM THE PRESIDENT & CEO

The year of the Dog (2018) was the year when LIBI focused its business on the year's characteristics. Thus, we focused on building loyalties with reliable partners and focused on strengthening its core values of Honesty, Truthfulness, and Customer Service.

It was also a year of major accomplishments for Operational Efficiency by securing its ISO 9001:2015 certification for Quality Management System on December 27, 2018. We intend to make Quality and Efficiency as our way of life. Doing the right things, the right way will lead to major improvements in LIBI.

We also appointed (for the first time ever) an Account Officer (AO) for the Head Office and for Davao City, Davao del Sur, and Tagum City. We want to bring LIBI closer to its clients by providing personalized service and customer care. We expect Lanie Llanes, our AO, to carry on with her task in a uniquely LANDBANK way of service.

Major financial breakthroughs were likewise achieved with a net income after tax of ₱93.51 Million, another first in the history of LIBI. We will continue to get the best terms from our principals through transparent and mutually beneficial business relationships.

For 2019, we intend to appoint AO's in Cebu, Cagayan de Oro and Isabela subject to emerging demands for servicing of clients' needs.

Investments in government securities and bonds reached ₱1.052 billion with a growth of 9.07% over 2017, with a consistent policy implementation that all excess funds be placed in interest-earning securities through LBP.

We are excited that 2019 will usher in more positive business accomplishments with the Build, Build, Build program of the government.



FINANCIAL HIGHLIGHTS

	2018	2017	INCREASE (DECREASE)	%
INSURANCE	135.98	112.57	23.41	20.80
INVESTMENTS	36.64	33.09	3.55	10.73
FOREX¹	0	2.66	(2.66))	(100.00)
Gain from Forex Exchange	0	0.16	(0.16)	(100.00)
On the non-operating income	1.43	1.39	.04	2.88
TOTAL REVENUE	174.05	149.87	24.18	16.13

¹ Forex operations was discontinued in May 2017 due to lack of accredited Forex Corporation counterparties that resulted to continuous decline in its trading operations and not meeting its target for the last five years.

STATEMENT OF FINANCIAL POSITION

	Note	2018	2017
ASSETS			
Current Assets			
Cash and cash equivalents	4	107,186,726	128,648,801
Receivables, net	5	72,248,225	81,637,069
Inventories	6	128,196	87,927
Other Current Assets	7	11,831,152	5,458,833
Total Current Assets		191,394,299	215,832,630
Non-current Assets			
Receivables, net	5	43,968,999	44,748,015
Financial Assets	8	1,027,593,682	964,882,758
Investment property	9	998,316	998,882,758
Property and Equipment, net	10	26,242,145	23,147,319
Intangible asset	11	4,897,322	2,132,634
Deferred Tax Assets	25	4,016,383	3,870,148
Other Non-Current Assets	7	2,297,816	2,101,215
Total Non-Current Assets		1,110,014,663	1,041,880,404
TOTAL ASSETS		1,301,408,962	1,257,713,034

FINANCIAL HIGHLIGHTS

LIABILITIES AND EQUITY

Current Liabilities

Financial Liabilities	12	129,561,199	174,481,168
Inter-Agency Payables	13	9,179,934	5,867,439
Trust liabilities	14	51,220,166	24,895,547
Provisions	15	5,455,681	4,265,703
Other payables	16	42,927	439,373
Total Current Liabilities		195,459,907	209,949,230

Non-Current Liabilities

Financial Liabilities	12	44,765,010	44,644,530
Trust Liabilities	14	7,117,875	5,009,640
Provisions	15	2,819,935	7,709,551
Total Non-Current Liabilities		54,702,820	57,363,721

TOTAL LIABILITIES		250,162,727	267,312,951
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Equity

Share capital	17	300,000,000	300,000,000
Retained earnings	18	751,246,235	690,400,083
Total Equity		1,051,246,235	990,400,083

TOTAL LIABILITIES AND EQUITY		1,301,408,962	1,257,713,034
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OPERATIONAL HIGHLIGHTS



INSTITUTIONAL VIABILITY AND VITALITY

I. LIBI CORPORATE GOVERNANCE STRUCTURE

A. LIBI BOARD COMPOSITION

LBP (Land Bank of the Phil.) Insurance Brokerage, Inc. (LIBI) was organized as a wholly-owned subsidiary of the Land Bank of the Philippines on October 22, 1981. LIBI was primarily established to service the bank's insurance requirements, its subsidiaries, its clients/borrowers and other government offices. It was created to engage in the business of general insurance broker- age management and consultancy services on insurance-related activities to its clients. LIBI is governed by a Board of Directors with eleven (11) seats. The LIBI Board is chaired by Mr. Alan V. Bornas and Mr. Tomas T. De Leon as President & CEO of LIBI. As of 31 December 2018 the Board is composed of the following:

Mr. Alan V. Bornas CHAIRMAN
MEMBERS TOMAS T. DE LEON, JR. REYNAULD R. VILLAFUERTE YOLANDA D. VELASCO JENNIFER A. TANTAN DAISY M. MACALINO PAMELA B. FELIZARTA EUSEBIO A. CORTEZ BENJAMIN G. SALANATIN

B. RESPONSIBILITIES, DUTIES AND FUNCTIONS OF THE BOARD

1. GENERAL RESPONSIBILITY

It is the Board's responsibility to foster the long-term success of the Corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders and other stakeholders.

The Board formulates the Corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.

2. DUTIES AND FUNCTIONS

To ensure a high standard of best practice, the Board conducts itself with honesty and integrity in the performance of the following duties and functions:

- a. Appoint competent, professional, honest and highly-motivated management officers in accordance with the Fit and Proper Rule. Adopt an effective succession planning program for Management for approval of the GCG.
- b. Provide sound strategic policies and guidelines on major capital expenditures. Establish programs that can sustain the Corporation's long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance.
- c. Ensure that the Corporation complies with all applicable laws, regulations and best business practices.
- d. Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the Corporation. If feasible, the Corporation's CEO shall exercise oversight responsibility over this program.
- e. Identify the stakeholders who are directly affected by the operations of the Corporation, and formulate a clear policy on delivery of accurate, timely and effective information to its stakeholders.
- f. Adopt a system of internal checks and balances.
- g. Identify key risk areas and performance indicators and monitor these factors with due diligence to enable the Corporation to anticipate and prepare for possible threats to its operational and financial viability.
- h. Formulate and implement policies and procedures that shall ensure the integrity and transparency of related party transactions between and among the Corporation and its parent company, joint ventures, subsidiaries, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationship by members of the Board.
- i. Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.
- j. Establish and maintain an alternative dispute resolution system in the Corporation that can amicably settle conflicts or differences between the Corporation and its stockholders and the Corporation and third parties, including the regulatory authorities.
- k. Properly discharge Board functions by meeting regularly. The meetings should be duly recorded through the minutes of the meeting. Independent views during Board meetings shall be given due consideration.
- l. Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation and by-laws, and in accordance with existing laws, rules and regulation; and
- m. Appoint a Compliance Officer who shall have the rank of at least officer level. In the absence of such appointment the Corporate Secretary, shall act as Compliance Officer.

C. BOARD IN ACTION

The Board of Directors in its first meeting for 2018 set the calendar of Board meeting to every 4th week of the month. The Board acted upon the following resolutions for CY 2018.

The Board reviewed, evaluated and monitored progress and/or endorsed the following resolutions:

Board Resolution No.	PARTICULARS
2018-001-001	Amendment on Letter B of LIBI's Operations Manual under Chapter 10 on Billing and Collection, Item No. 2 Accrued Service Fees Receivable
2018-001-002	Schedule of Executive Committee and Board of Directors Meeting for CY2018
2018-001-003	Procurement of Airline Tickets through the Procurement Service
2018-001-004	Advance deposit payment of ₱250,000.00
2018-002-005	Issuance of LIBI's Financial Statements for CY2017
2018-002-006	Guidelines and Procedures in the Issuance of Authority to Travel Abroad – Personal
2018-002-007	Adoption of the Amendments to the Interim Performance-Based Bonus for CY2016
2018-002-008	Additional Processes and Amendments to the Manual Operations of LIBI regarding Claims Process
2018-002-009	Amendment to LIBI's Operations Manual regarding Bidding Process
2018-002-010	Proposal of Management for the Reversal of Long Outstanding Extra Remuneration Receivable from GSIS amounting to ₱5,330,159.88
2018-003-011	Proposed Target of LIBI for CY2018
2018-004-012	Grant and payment of ₱1,000.00 adjustment in the annual uniform/clothing allowance of regular employees of LIBI from ₱5,000.00/employee to ₱6,000.00/per employee
2018-004-013	Recommendation of Management to authorize Ms. Shirley A. Palapal, Ms. Antonette C. Serapio, as well as Mr. Niño S. Ramos and Ms. Renalyn P. Caneja as LIBI's Official representatives to the Orientation/Workshop on GOCC Monitoring System (GMS), GOCC Leadership Management System (GLMS) and Management Information Service (MIS) respectively
2018-004-014	Validation Result of the 2016 Performance Scorecard of LIBI with an over-all score of 81.02%
2018-004-015	Proposal in formulating a Cybersecurity Protocol to be assisted by the Technology Management Group of LANDBANK
2018-004-016	Proposal for LIBI to adopt the FY2017 PBB System in accordance with EO No. 80, s.2012 and GCG Memorandum Circular No. 2017-01
2018-004-017	Declaration of Cash Dividend in the amount of THIRTY NINE MILLION SEVEN HUNDRED THIRTY SEVEN THOUSAND SIXTY THREE & 24/100 ONLY (₱39,737,063.24)
2018-004-018	Disposition of 2017 Net Income and Retained Earnings
2018-005-019	Recommendation for the endorsement to LBP-FID of the application for accreditation of MAPFRE/Insular Life
2018-006-020	Election of the following Directors and Officers as Corporate Officers of LIBI
2018-007-021	Declaration of additional Cash Dividend for CY2017 amounting to ONE HUNDRED SIXTY ONE THOUSAND NINE HUNDRED TWO & 36/100 ONLY (₱161,902.36)
	Amendments to LIBI's Operations Manual particularly (i) Chapter 10 Billing and Collection, Section D Monitoring of A/P Trade (Advance Payments); (ii) Treatment of stale checks under Chapter 12, Section E. Checks and AFT Disbursement ; and (iii) Setting up limits and the approving authorities on the reversal of accrued service fees receivable due to cancellation/endorsements of A/R-Trade and preparation of CM under Chapter 10 Billing and Collection, General Guidelines on Section A Billing

Board Resolution No.	PARTICULARS
2018-007-022	Authorization and Implementation provided by the Governance Commission for GOCCs (GCG) for the adoption of the Compensation Framework under E.O. No. 36, s.2017
2018-007-023	Recommendation of the Management for the continuous grant and implementation of the allowances, benefits and incentives authorized under Congress' Joint Resolution 4 (J.R. No. 4)
2018-009-024	Supplemental budget for the Customer Satisfaction Survey to be conducted by the Development Academy of the Philippines (DAP) amounting to ONE MILLION TWENTY SEVEN THOUSAND EIGHT HUNDRED EIGHTY SIX & 64/100 ONLY (₱1,027,886.64)
2018-010-025	Amendments to LIBI's Operations Manual on the conduct of periodic bidding among accredited insurers based on their risk exposure limit for specific type of insurance product/services
2018-010-026	Performance Evaluation System (PES) for CY2019 for submission to GCG
2018-010-027	Proposed Target of LIBI for CY2019
2018-010-028	Hiring of Mr. Raymund Francis I. Aldeguer as General Manager of LIBI
2018-011-029	Additional Funding of FIFTEEN MILLION FIVE HUNDRED THOUSAND PESOS (₱15,500,000.00) for the Retirement Fund of LIBI
2018-011-030	Proposal for the creation of plantilla position for an Internal Auditor
2018-011-031	Resignation of Atty. Rey Andre C. Olegarto as Member of LIBI Board of Directors
2018-011-032	Proposal to adopt the Group Year Renewal Term Life Insurance Coverage for LIBI employees
2018-011-033	Results of the examination conducted by the Insurance Commission on LIBI's 2017 Financial Condition
2018-012-034	Performance Evaluation (PES) for CY2019 for submission to GCG
2018-013-035	Recommendation for the endorsement to LBP-FID of the application for accreditation of the The Mercantile Insurance Co., Inc.
2018-013-036	Competency Assessment Result of all LIBI employees for CY2018

2018 PERFORMANCE SCORECARD

Component		Agreed		LIBI Submission		GCG Validation		Rating	
Objective/Measure		Rating Scale	Target	Weight	Actual	Rating	Actual	Rating	
Financial	SO 1	Ensure Sustainable Financial Growth							
	SM 1	Net Income After Tax (NIAT)	Lower than 72.21M=0%; 72.21-75.0=10%; 75.01-77.8=20%; 77.81-80.66=25%; Above 80.67M = 30%	80.67 Million	30%	93.57 Million	30%	93.57 Million	30%
	Sub-total				30%		30%		
Customers / Stakeholders	SO 2	Improve Service Delivery							
	SM 2	Percentage of Satisfied Customers	(Actual / Target) x Weight 0% = if less than 80%	90% of respondents gave LIBI atleast Satisfactory rating (upper two boxes of 5-point rating scale)	10%	83.59%	9.29%	83.59%	9.29%
	SO 3	Provide wider market reach for Bancassurance Products for financial viability							
	SM 3	Increase Premium Volume	(Actual / Target) x Weight	699.15 Million	20%	714.82 Million	20%	714.82 Million	20%
Sub-total				30%		29.29%		29.29%	
Internal Process	SO 4	Improve Efficiency and Quality of Insurance Process							
	SM 4	Average Turn-around Time in Insurance Policy	1-((Actual-Target) / Target) x Weight	19 working days from request for quotation by Lending Unit	10%	19.62 working days	9.67%	Cannot be validated	0%
	SO 5	Enhance existing processes comparable with the industry							
	SM 5	Improve Processes to Quality Management System	All or Nothing	Attain ISO 9001:2015 Certification for the ff. processes: 1. Marketing 2. Accounting 3. Administration	10%	LIBI is ISO Certified 9001:2015	10%	ISO 9001:2015 Certification for Provisions of Insurance Brokering and Claims Processing	10%
Sub-total				20%		19.67%		10%	
Learning and Growth	SO 6	Develop strategic skills & competence of officers and staff							
	SM 6	Percentage of Employees Meeting Required Competencies	(Actual/Target) x Accomplishment	100% of employees have met the required competency level for Core Competencies	10%	100% of employees have met the required competency level for Core Competencies	10%	100% of employees have met the required competency level for Core Competencies	10%
	SO 7	Enhance IT infrastructure							
SM 7	Improvement of existing computer system	All or Nothing	100% Implementation of Structured Re-cabling of Data center, and Network Security	10%	100% Implementation of Structured Re-cabling of Data center, and Network Security	10%	100% Implementation of Structured Re-cabling of Data center, and Network Security	10%	
Sub-total				20%		20%		20%	
Total				100%		98.96%		89.29%	

D. BOARD PERFORMANCE AND ATTENDANCE

DIRECTOR'S ATTENDANCE FORM FOR THE PERIOD JANUARY TO DECEMBER 2018

BASIC INFORMATION						
<i>Name of Board Member</i>	<i>Position</i>	<i>Incumbency*</i>	<i>Date of Most Recent Appointment</i>	<i>Committee Membership (Executive Committee)</i>	<i>Committee Membership (Audit & Risk Committee)</i>	<i>Committee Membership (Governance Committee)</i>
Alan V. Bornas	Chairman			Tomas T. de Leon, Jr.	Yolanda D. Velasco	Alan V. Bornas
Tomas T. de Leon, Jr.	President & CEO/ Member-BOD			Reynauld R. Villafuerte	Jennifer A. Tantan	Tomas T. de Leon, Jr.
Reynauld R. Villafuerte	Member			Yolanda D. Velasco	Daisy M. Macalino	Jennifer A. Tantan
Yolanda D. Velasco	Member			Pamela B. Felizarta	Eusebio A. Cortez	Reynauld R. Villafuerte
Daisy M. Macalino	Member				Benjamin G. Salanatin	Pamela B. Felizarta
Jennifer A. Tantan	Member					Rey Andre C. Olegario
Pamela B. Felizarta	Member					
Rey Andre C. Olegario	Member					
Eusebio A. Cortez	Member					
Benjamin G. Salanatin	Member		April 25, 2018			

MATERIAL SUBMISSION OF BOARD OF DIRECTORS MEETING

Deliveries of material for Board of Directors/Commissioners schedule meetings is three (3) calendar days before the meeting but in some cases the material is deliver one (1) days before the meeting.

VISION AND MISSION

The Vision and Mission of the LIBI was discussed and approved by the members of the Board of Directors during the LIBI's Strategic Planning Presentation with Pres. Alex Buenaventura on March 02, 2017.

D. BOARD PERFORMANCE AND ATTENDANCE (CONT.)

GOVERNING BOARD MEETING AND ATTENDANCE								
<i>Name of Board Member</i>	<i>Total</i>	<i>Actual</i>	<i>%</i>	<i>Date of Board Meeting</i>				
				1/31/18	2/28/18	3/26/18	4/25/18	6/1/18
Alan V. Bornas	14	13	92.86	P	A	OB	P	P
Tomas T. de Leon, Jr.	14	14	100	P	P	P	P	P
Reynauld R. Villafuerte	14	14	100	P	P	P	P	P
Yolanda D. Velasco	14	14	100	P	P	P	P	P
Daisy M. Macalino	14	12	85.71	P	P	A	P	P
Jennifer A. Tantan	14	14	100	P	P	P	P	P
Pamela B. Felizarta	14	12	85.71	P	P	P	P	P
Rey Andre C. Olegario**	11	4	36.36	A	A	A	P	P
Eusebio A. Cortez	14	13	92.86	P	P	P	A	P
Benjamin G. Salanatin*	11	11	100				P	P
*Assumes office on April 25, 2018								
**Resigned effective October 2018								

GOVERNING BOARD MEETING AND ATTENDANCE (CONT.)									
<i>Name of Board Member</i>	<i>Date of Board Meeting</i>								
	6/27/18	7/5/18 SPLBRD	7/25/18	8/30/18	9/27/18	10/8/18 SPLBRD	10/30/18	11/21/18	12/19/18
Tomas T. de Leon, Jr.	P	P	P	P	P	P	P	P	P
Reynauld R. Villafuerte	P	P	P	P	P	P	P	P	P
Alan V. Bornas	P	P	P	P	P	P	P	P	P
Yolanda D. Velasco	P	P	P	P	P	P	P	P	P
Daisy M. Macalino	P	P	A	P	P	P	P	P	P
Jennifer A. Tantan	P	P	P	P	P	P	P	P	P
Pamela B. Felizarta*	P	A	P	P	P	A	P	P	P
Rey Andre C. Olegario*	P	A	A	A	P	A			
Eusebio A. Cortez*	P	P	P	P	P	P	P	P	P
German S. Caccam**	P	P	P	P	P	P	P	P	P
*Assumed office on May 30, 2017 & August 30, 2017									
**Replaced by Rey Andre C. Olegario									

LEGENDS:

P – Present, NA – Not Applicable, A – Absent, OB – Official Business

E. TRAINING AND CONTINUING EDUCATION BY THE BOARD

LIBI encourages the members of the Board of Directors to attend continuous professional education programs. The members of the Board of Directors, on their own initiative or upon the recommendation of the company, may request for their participation in certain professional programs, trainings and seminars.

For 2018, some of LIBI Board of Directors attended various training and seminars conducted by different training centers including our mother company Land Bank of the Philippines. Below are the list of training that they attended:

Below are the lists of training that they attended:

DIRECTORS	TRAININGS	CONDUCTED BY
Alan V. Bornas	Strategic Planning & Strategic Execution	LANDBANK
	SAS Leaders Exchange Conference	SAS Institute Inc.
	Inaugural Forum of AFS-IT	AFS Intercultural
	AML Updating LEAP	LANDBANK
	Corporate Governance Orientation Program for GOCCs	GOVERNANCE COMMISSION FOR GOCCs (GCG)
	ANC Leadership Series	Martha Stewart
	Impact of Train Law on Gov't Banks	LANDBANK
Tomas T. de Leon, Jr. Reynauld R. Villafuerte Yolanda D. Velasco Daisy M. Macalino Jennifer A. Tantan Rey Andre C. Olegario Eusebio A. Cortez Benjamin G. Salanatin	NO TRAININGS ATTENDED	
Atty. Pamela B. Felizarta	MCLE	Somerset Olympia

F. THE BOARD COMMITTEES

A. Executive Committee

The Executive Committee is composed of four (4) members of the Board, with the Chairman of the Board being the Committee Chairman.

The Executive Committee, in accordance with the authority granted by the Board, or during the absence of the Board, act by a vote of a least two-thirds (2/3) of its members on such specific matters within the competence of the Board as may from time to time be delegated to the Executive Committee in accordance with LIBI's Articles of Incorporation and By-Laws, except with respect to:

- Approval of any action for which shareholders' approval is also required;
- Filling of vacancies on the Board or in the Executive Committee;
- Amendment or repeal of By-Laws or the adoption of new By-Laws;
- Amendment or repeal of any resolution of the Board which by its express terms cannot be amended or subject to repeal;
- Distribution of cash dividends; and
- Exercise of powers delegated by the Board exclusively to other committees.

The LIBI Executive Committee is chaired by Director Tomas T. de Leon, Jr. with members namely: Director Reynauld R. Villafuerte, Director Pamela B. Felizarta and Director Yolanda D. Velasco.

Executive Committee Meeting																
Name of Board Member	Total	Actual	%	Date of Committee Meeting												
				1/17/18	2/26/18	3/26/18	4/18/18	5/11/18 SPLXCOM	5/15/18	6/20/18	8/14/18	9/24/18	10/1/18 SPLXCOM	10/23/18	11/20/18	12/14/18
Tomas T. de Leon, Jr.	13	13	100	P	P	P	P	P	P	P	P	P	P	P	P	P
Reynauld R. Villafuerte	13	13	100	P	P	P	P	P	P	P	P	P	P	P	P	P
Yolanda D. Velasco	13	13	100	P	P	P	P	P	P	P	P	P	P	P	P	P
Pamela B. Felizarta	13	11	84.61	A	P	P	P	P	A	P	P	P	P	P	P	P

LEGENDS:

P – Present, NA – Not Applicable, A – Absent, OB – Official Business

EXECUTIVE COMMITTEE ACTIVITIES

ExCom Resolution No.	PARTICULARS
2018-001-001	Recommendation of GM Rodolfo Pestaño to insured from Malayan Insurance Co. instead of GSIS the newly procured service vehicle of LIBI
2018-001-002	Schedule of Executive Committee and Board of Directors' Meeting for CY2018
2018-001-003	Procurement of Airline Tickets through the Procurement Service Advance deposit payment of ₱250,000.00
2018-001-004	Amendment on Letter B of LIBI's Operations Manual under Chapter 10 on Billing and Collection, Item No. 2 Accrued Service Fees Receivable
2018-002-005	Guidelines and Procedures in the Issuance of Authority to Travel Abroad – Personal
2018-002-006	Adoption of the Amendments to the Interim Performance-Based Bonus for CY2016
2018-002-007	Additional Processes and Amendments to the Manual Operations of LIBI regarding Claims Process
2018-002-008	Amendment to LIBI's Operations Manual regarding Bidding Process
2018-002-009	Proposal of Management for the Reversal of Long Outstanding Extra Remuneration Receivable from GSIS amounting to ₱5,330,159.88
2018-003-010	Grant and payment of ₱1,000.00 adjustment in the annual uniform/clothing allowance of regular employees of LIBI from ₱5,000.00/employee to ₱6,000.00/per employee
2018-003-011	Proposal for salary step increase of Ms. Divine S. Apo from PG4, Step7.5 to PG4, Step 9.5
2018-004-012	Recommendation of Management to authorize Ms. Shirley A. Palapal, Ms. Antonette C. Serapio, as well as Mr. Niño S. Ramos and Ms. Renalyn P. Caneja as LIBI's Official representatives to the Orientation/Workshop on GOCC Monitoring System (GMS), GOCC Leadership Management System (GLMS) and Management Information Service (MIS) respectively
2018-004-013	Change of employment status of Mr. Maxwell M. Soriano from probationary to permanent status
2018-005-014	Change of employment status of Mr. Kerwin C. Sarvida from probationary to permanent status
2018-006-015	Amendments to LIBI's Operations Manual particularly (i) Chapter 10 Billing and Collection, Section D Monitoring of A/P Trade (Advance Payments); (ii) Treatment of stale checks under Chapter 12, Section E. Checks and AFT Disbursement ; and (iii) Setting up limits and the approving authorities on the reversal of accrued service fees receivable due to cancellation/endorsements of A/R-Trade and preparation of CM under Chapter 10 Billing and Collection, General Guidelines on Section A Billing
2018-006-016	Change of employment status of Mr. Brendon Chloe S. Cabajes from probationary to permanent status
2018-006-017	Change of employment status of Ms. Quen Stefanie S. Ngoho from LBPSC Contractual to probationary status

EXECUTIVE COMMITTEE ACTIVITIES

ExCom Resolution No.	PARTICULARS
2018-006-017	Change of employment status of Ms. Quen Stefanie S. Ngoho from LBPSC Contractual to probationary status
2018-006-018	Change of employment status of Mr. Marvin A. Llorin from probationary to permanent status
2018-007-019	Grant of financial assistance in the amount of FIFTY THOUSAND PESOS (₱50,000.00) to the family of the late General Manager Rodolfo V. Pestaño
2018-008-020	Change of employment status of Ms. Angela S. Gravador from Direct contractual to probationary status
2018-009-021	Amendments to LIBI's Operations Manual on the conduct of periodic bidding among accredited insurers based on their risk exposure limit for specific type of insurance product/services
2018-009-022	Supplemental budget for the Customer Satisfaction Survey to be conducted by the Development Academy of the Philippines (DAP) amounting to ONE MILLION TWENTY SEVEN THOUSAND EIGHT HUNDRED EIGHTY SIX & 64/100 ONLY (₱1,027,886.64)
2018-009-023 (CANCELLED)	Re-hiring of Mr. Constancio Arriesgado as Driver of LIBI
2018-009-024	Promotion of the following Marketing personnel: 1. Sherelyn Globio – from Marketing Clerk to Account Mktg. Asst. 2. Art Bryan C. Gonzales – from Claims Clerk to Claims Assistant 3. Robin S. Macaraliay – from Marketing Clerk to Account Mktg. Asst.
2018-010-025	Additional Funding of FIFTEEN MILLION FIVE HUNDRED THOUSAND PESOS (₱15,500,000.00) for the Retirement Fund of LIBI
2018-010-026	Proposal to adopt the Group Year Renewal Term Life Insurance Coverage for LIBI employees
2018-010-027	Proposal for the creation of plantilla position for an Internal Auditor
2018-010-028	Promotion of the following Accounting personnel: 1. Girlie B. Parao – from Accounting Clerk to Account Assistant 2. Carla Marielle B. Cruz – from Collection Clerk to Collection Assistant 3. Merriesan B. Pador – from Remittance Analyst to Remittance Specialist I
2018-010-029	Proposed Memorandum of Agreement between the insurance companies and LIBI regarding the former's conformity with the issuance of Confirmation of Coverage (COC) by the latter pending issuance/release/transmittal/receipt of the physical policy from the concerned insurance company
2018-010-030	Amendments to LIBI's Operations Manual on the conduct of periodic bidding among accredited insurers based on their risk exposure limit for specific type of insurance product/services
2018-011-031	Proposed CY2019 Performance Evaluation System per Summary of Discussions during the November 8, 2018 Technical Panel Meeting with GCG regarding LIBI's 2019 proposed Performance Scorecard
2018-012-032	Proposed implementation guides and mechanics for the CSR initiative/stakeholder support for SCWs and other non-regular personnel performing services to LIBI
2018-012-033	Change of employment status of Ms. Quen Stefanie Ngoho from probationary to permanent status

B. Audit & Risk Committee

The Audit & Risk Committee is composed of at least five (5) members of the Board, who shall preferably have accounting and finance background, one (1) of whom shall be an independent director and another with audit experience. The Chair of the Audit Committee is an independent director.

Duties and Responsibilities of Audit & Risk Committee:

- Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring or compliance with applicable laws, rules and regulations;
- Perform oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Corporation. The Committee shall receive regularly from the Management of information on risk exposures and risk management activities;
- Perform oversight functions over the Corporation's internal and external auditors. It should ensure that the internal and external auditors act independently from each other and that both auditors are given unrestricted access to all records, properties, and personnel to enable them to perform their respective audit functions;
- Review the annual internal audit plan to ensure its conformity with the objectives of the Corporation;
- Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit;
- Organize an internal audit department, and consider the appointment of an independent internal auditor;
- Monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, including financial reporting control and information technology security;
- Review the reports submitted by the internal and external auditors;
- Review the quarterly, half-year and annual financial statements before submission to the Board, with particular focus on the following matters:
 - ◆ Any change/s in accounting policies and practices
 - ◆ Major judgmental areas
 - ◆ Significant adjustments resulting from the audit
 - ◆ Going concern assumptions
 - ◆ Compliance with accounting standards
 - ◆ Compliance with tax, legal and regulatory requirements
- Coordinate, monitor and facilitate compliance with laws, rules and regulations;

- Evaluate and determine the non-audit work of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work shall be disclosed in the Corporation's Annual Report;
- Establish and identify the reporting line of the Internal Auditor to enable them to properly fulfill their duties and responsibilities. They shall functionally report directly to the Audit Committee. The Audit Committee shall ensure that in the performance of the work of the Internal Auditor, they shall be free from interference by outside parties.
- Perform oversight risk management functions specifically in the areas of managing credit, market, liquidity, operational, legal, reputational and other risks of LIBI, and crisis management, which shall include receiving from Senior Management periodic information on risk exposures and risk management activities;
- Develop the Risk Management Policy of LIBI, ensuring compliance with the same and ensure that the risk management process and compliance are embedded throughout the operations of LIBI, especially at the Board and Management level; and
- Provide quarterly reporting and updating the Board on key risk management issues as well as ad hoc reporting and evaluation on investment proposals.

LIBI Audit & Risk Committee is chaired by Director Yolanda D. Velasco with the following members: Director German S. Caccam, Director Daisy M. Macalino, Director Jennifer A. Tantan, Director Eusebio A. Cortez.

AUDIT & RISK COMMITTEE MEETING										
Name of Board Member	Total	Actual	%	Date of Committee Meeting						
				1/31/18	5/3/18	6/1/18	8/14/18	9/27/18	10/30/18	11/29/18
Yolanda D. Velasco	7	7	100	P	P	P	P	P	P	P
Daisy M. Macalino	7	7	100	P	P	P	P	P	P	P
Jennifer A. Tantan	7	6	85.71	P	A	P	P	P	P	P
Eusebio A. Cortez**	7	7	100	P	P	P	P	P	P	P
Benjamin G. Salanatin*	5	4	80			P	P	P	P	A

*Assumes as Member of Audit & Risk Committee on June 1, 2018

LEGENDS:

P – Present, NA – Not Applicable, A – Absent, OB – Official Business

BOARD COMMITTEE – AUDIT & RISK COMMITTEE

Activities from January 1 – December 31, 2018

The Committee reviewed, evaluated and monitored progress and/or endorsed to the Board the following:

Date of Meeting	ACTION TAKEN
January 31, 2018	Discussed the KRA of Claims Personnel
May 3, 2018	Discussed the following: <ul style="list-style-type: none">- Retained Earnings- 2018 RCSA- Performance Contract of LIBI employees- Proposed Budget for CY2018
June 1, 2018	Discussed the following: <ul style="list-style-type: none">- Outstanding past COA Audit Findings- Rating Results based on new Parameters for Rank & File and Officers- Performance contract for 2018 for Rank & File and officers
August 14, 2018	Discussed the following: <ul style="list-style-type: none">- Risk Management Oversight Structure- Schedule of Accounts Receivable Trade- Aging of Accounts Receivable (ESL) from Philippine Prudential Life Insurance
September 27, 2018	Discussed the following: <ul style="list-style-type: none">- Outstanding past COA Audit Findings- PTWAR and OPAR- Updates on Accounts Receivable- Updates on PFO Accounts Receivable Trade- Memorandum of LBP Accountability Assessment Committee
October 30, 2018	Deliberation and discussion of Insurance Commission Examination of 2017 Statement of Financial Condition
November 29, 2018	Deliberation and discussion of issues and concerns with Provident Fund Office, Mortgage Banking Department I & II

C. Governance Committee

The Governance Committee shall assist the Board of Directors in fulfilling its corporate governance responsibilities. The Committee shall be composed of at least three (3) members of Board, and chaired by the Chairman of the Board.

Duties and Responsibilities of Governance Committee:

- Oversee the periodic performance evaluation of the Board and its committees and Management;
- Conduct an annual self-evaluation of the performance of each member;
- Decide whether or not a Director is able to adequately carry out his/her duties, bearing in mind the director's contribution and performance (e.g., competence, candor, attendance, preparedness and participation). Internal guidelines shall be adopted to address the competing time commitments in case when directors serve on multiple boards;
- Recommend the continuing education of Directors, the assignment of the directors to Board Committees, the succession plan for the Executive Officers, and the remuneration consistent with corporate and individual performance; and
- Recommend the manner by which the Board's performance may be evaluated and propose an objective performance criteria. Such performance indicators shall address how the Board can enhance long-term shareholder value.

LIBI Corporate Governance Committee is chaired by Director Tomas T. de Leon, Jr. with members namely: Director Reynauld R. Villafuerte, Director Jennifer A. Tantan, Director Pamela B. Felizarta and Director Rey Andre C. Olegario.

LEGENDS:

CORPORATE GOVERNANCE COMMITTEE MEETING					
<i>Name of Board Member</i>	Total	Actual	%	Date of Committee Meeting	
				4/25/18	11/29/18
Alan V. Bornas	2	1	50	A	OB
Tomas T. de Leon, Jr.	2	2	100	P	P
Reynauld R. Villafuerte	2	2	100	P	P
Jennifer A. Tantan	2	1	50	A	P
Pamela B. Felizarta	2	1	50	P	A
Rey Andre C. Olegario*	1	1	100	P	
*Resigned effective October 2018					

P – Present, NA – Not Applicable, A – Absent, OB – Official Business

BOARD COMMITTEE – CORPORATE GOVERNANCE COMMITTEE

Activities on February 10 and October 25, 2017

The Committee reviewed, evaluated and monitored progress and/or endorsed to the Board the following:

Date of Meeting	ACTION TAKEN
April 25, 2018	Discussed the Data Privacy Policy
November 29, 2018	Updates on the Philippine Prudential Life by Atty. Francis Batalla

G. EVALUATION OF THE BOARD'S PERFORMANCE

The Governance Commission for GOCCs (GCG) developed a measurement to assess the performance of the Board of Directors. The internet-based Performance Evaluation for Directors (iPED) System was created to increase the level of confidentiality and security in the information being given by the directors. Each director accomplishes the Director Performance Review (DPR) Forms online and submits directly to the GCG through the iPED System annually. The DPR, one of the components of the Performance Evaluation for Directors in the GOCC Sector, appraises the performance of individual members of the GOCC Governing Board. The results of the iPED shall be annually evaluated and deliberated upon by the Board in a duly constituted meeting. This was implemented in 2015 which covered the performance evaluation for directors since 2014.



Performance Evaluation for Directors (iPED) System

Welcome to iPED!

The iPED is developed by the Governance Commission for GOCCs (GCG) to effectively implement the Performance Evaluation for Directors in the GOCC Sector (PED). This tool is designed to facilitate a more stable, confidential, secure, and reliable database system that will house the performance reviews of all the members of the Governing Boards of various Government-Owned or -Controlled Corporations (GOCCs) under the jurisdiction of GCG. Pursuant to GCG MC No. 2014-03 (3rd Issue), all *Ex Officios*, their duly designated Alternates, and Appointive Directors are required to encode their self and peer ratings, comments, and assessments in the iPED.

COVERAGE:

The iPED shall cover all Members of the GOCC Governing Board - *Ex Officio*, their designated Alternates, and Appointive Directors. Provided, however, that in the case of the Appointive Director, he or she has served no less than three (3) months as such in the GOCC Governing within one (1) calendar year.

NOTE:

The iPED shall only be accessed by the intended user and shall not be shared to anyone. All information provided herein shall be treated with strict and utmost confidentiality.

Log In

Email

Password

Submit

[Forgot password?](#)

For iPED demo accounts, please log in to <http://ipeddemo.gcg.gov.ph>

Website Link: <http://iped.gcg.gov.ph/>

In accordance with GCG Memorandum Circular No. 2014-03 (3rd Issue) with subject of Performance Evaluation for Directors (PED) issued on October 26, 2015.

Link: https://gcg.gov.ph/site/public_files/gcg1455098110.pdf



LIBI WORKFORCE



MANAGEMENT AND HUMAN RESOURCES

By the end of 2018, LIBI had thirty fifty-two (52) regular employees with only five (5) officers heading the complement of forty-seven (47) personnel assigned to Insurance operations. LIBI had five (5) contractual employees assigned at the Insurance Division.

LIBI EMPLOYEE FORCE

2013 – 2018

	2014	2015	2016	2017	2018
Officers	1	1	3	3	5
Insurance	34	35	37	41	47
Forex	4	4	4	0	0
TOTAL	39	40	44	44	52

Implementing a code of ethics or conduct involves communicating the policies and guidelines to all LIBI staff by providing any necessary preparation to ensure they understand the code. The code should be practiced and promoted by the Administrative Unit. LIBI monitors compliance with the code by securing Code of Conduct Compliance Commitment Certificate to all directors, officers, and employees of LIBI.

LIBI employees and Board of Directors has received, read and understood the Code of Conduct by accomplishing the Code of Conduct Compliance Commitment Certificate.

As part of LIBI's continuing program to develop its human resources, LIBI employees were sent to attend the following training programs:

COURSE/SEMINAR TITLE	NO. OF PARTICIPANTS
Basic Non-Life Insurance Course	11
Basic Leadership Program - MDP	1
Basic Life Insurance Course	1
Basic Microinsurance Course	1
Bitdefender Enablement	2
Comprehensive Internal Quality Audit Training Workshop	7
Construction All Risk & Erection All Risk Insurance	31
Customer Service Workshop	1
Developing Emotional Quotient	1



MANAGEMENT AND HUMAN RESOURCES

COURSE/SEMINAR TITLE	NO. OF PARTICIPANTS
Data Privacy Act for Officers Briefing	3
Effective Business Correspondence	1
Enterprise Wide Risk Management	1
Executive Assistant Training	1
FOI Program Orientation and eFOI Technical On-boarding	4
GFA Special Orientation on the AirAisa System Portal	2
GFA-Cebu Pacific BIZ Product Update	2
Improving Grammar in Business in Business Writing	1
Intermediate Course on Fire Insurance	5
Masterclass on Writings Minutes of Meetings	3
Operations Management	1
Orientation and Workshop on the GLMS of the Integrated	2
Orientation on R.A. 9710 (Magna Carta of Women) and VAW Laws	39
Orientation/Refresher on Performance Management in the GOCC Sector	4
Overview of the Insurance Industry	1
Personal Branding Seminar	41
Personality Development and Social Graces	1
Principles & Practice of Non-Life Insurance Accounting	7
Project Management	1
Special Business Writing Course	12
Suretyship Lecture	18
Training on Gender Analysis and the Harmonized Gender and Development Guidelines	2
Training on the use of the revised Agency Procurement	2
Training the Trainer	1
Understanding Insurance Financial Statements	1

HUMAN RESOURCES MANAGEMENT

LIBI Healthcare Services

LIBI employees enjoyed healthcare coverage administered by a Health Maintenance Organization (HMO) - MediCard Philippines, Inc. MediCard offers a wide-range of services, benefits and privileges. Members are eligible to avail their benefits in MediCard's Accredited Hospitals and clinics and, in some cases, services may also extend to non-accredited hospitals and clinics. LIBI provides health related benefits to its employees who had undergone specific procedures, sustained injuries due to work-related accidents, or critical/debilitating medical conditions to facilitate recovery and rehabilitation.

Nationwide Earthquake Drill

LIBI staff and employees with National Disaster Risk Reduction and Management Council (NDRRMC) participated in the 2nd Quarter Nationwide Simultaneous Earthquake Drill (NSED) held on June 21, 2018. LIBI officers and employees covered their heads as they join the 2nd quarter nationwide simultaneous earthquake drill at the Washington Park open area in Makati City. LIBI management aims to promote disaster preparedness through the public's participation in the NSED. It generally seeks to test the efficiency and usefulness of the preparation, response and recovery plans, systems and policies. This exercise could encourage the entire Philippine citizenry and the whole of government to strengthen disaster preparedness initiatives further.

Monthly Pest Control

LIBI maintains a safe environment for LIBI staff and visitors through the conduct of monthly Pest Control activities that minimize the spread of disease and germs from common office pests. Often the location and age of an office building will have an impact on the likelihood of a pest problem. Specific areas of an office can face a more significant threat from particular pests.

Insurance Coverages

Insurances are as important as security in the workplace. LIBI takes all the precautionary steps to protect its critical assets, data, and employees. LIBI renewed their insurance policies annually. Endorsements and additional coverage are necessary to make sure that all insurable assets of LIBI are protected. These steps will lead to a transfer of its risk to the insurance provider. Below are the insurance coverages that LIBI had:

Insurance Type	Coverage (₱)	Particulars
Errors & Omission	12,000,000.00	1st Layer: Php4,000,000.00 2nd Layer: Php4,000,000.00 3rd Layer: Php4,000,000.00 Deductible: Php5,000.00 each and every loss
Personal Accident	24,500,000.00	
Comprehensive General Liability	2,937,500.00	
Motor	3,094,190.00	
Fire	3,977,291.99	1) Various Office Furniture & Fixtures: Php237,735.17 2) Building Improvements: Php3,739,556.82
Electronic Equipment Insurance (EEI)	947,047.29	Various Electronic Equipment (see attached schedule) - Php947,047.29
Bond	500,000.00	Surety Bond for Key Personnel
Term Life Insurance		Group Year Renewal Term Life Insurance Coverage for LIBI employees



2018 MANILA BAY CLEAN-UP

As a solid manifestation of corporate social responsibility, the MBC and its volunteers have joined other establishments in the yearly holding of Land Bank's Manila Bay Clean-Up Program that started in 2009. The fun run aims to generate funds to institute systematic long-term solutions to environmental sanitation problems that have beset the country's coastal resources and tributaries.

Manila Bay Clean Up celebrate the Zero Waste Month. Zero Waste is an advocacy that promotes designing and managing products and processes to avoid and eliminate the volume and toxicity of waste materials. It is a goal that is economical, efficient and visionary to guide people in having a resourceful lifestyle, in which discarded materials can be re-designed as resources for other to use. The celebration of Zero Waste Month as declared under Presidential Proclamation No. 760 and is pursuant to Republic Act (RA) 9003, also known as the Ecological Solid Waste Management Act of 2000. The National Solid Waste Management Commission (NSWMC) is the lead office tasked to implement RA 9003. It oversees the implementation of appropriate solid waste management plans by end-users and local government units.

LIBI participates in the celebration of "Zero Waste Month" along with coordination of Manila Bay Sunset Partnership Program, Inc. on January 27, 2018 in Las Piñas Parañaque Critical Habitat and Ecotourism Area (LPPCHEA). The program was lead by Senator Cynthia Aguilar-Villar through its Villar Foundation.





FINANCIAL HIGHLIGHTS

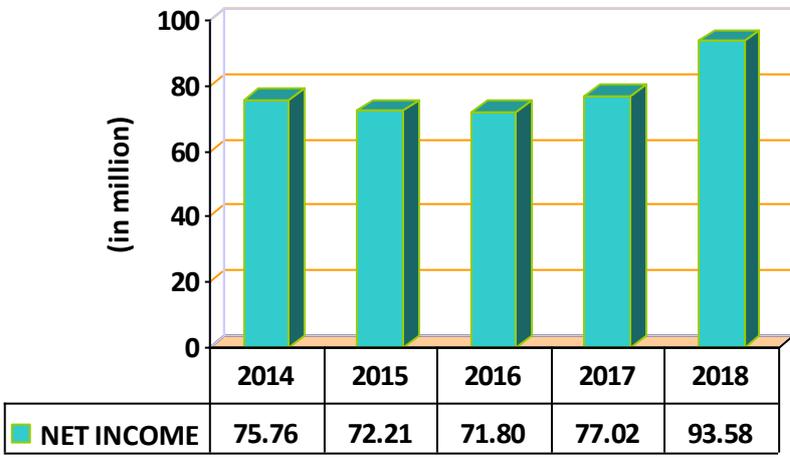


HIGHLIGHTS OF ACTIVITIES & INITIATIVES – 2017

- For CY2018, LIBI realized a net income after tax (NIAT) of P93.58 million, an increase of P16.56 million or 21.50 per cent compared to the PY2017 NIAT of P77.02 million. CY2018 NIAT surpassed the 2018 NIAT target of P80.67 million by 16 per cent or P12.91 million. Return on Equity (ROE) for CY2018 is 9.17 per cent, while Return on Asset (ROA) is 7.31 per cent. Both were higher by 1.23 per cent and 1.15 per cent respectively, compared to last year's ROE of 7.94 per cent and ROA of 6.16 per cent. Per capita income is P1.83 million, higher by 7.02 per cent or P0.120 million than the per capita income of P1.71 million last year.
- Net premium volume produced during the year reached P714,822,059 representing an increase of 16.89 per cent or P103,318,128 compared to last year's P611,503,931 net premium volume. This is due to the increase in LBP Branches Livelihood Loan Saver (LLS) and LandBank Mobile Loan Saver (LMLS) releases. Likewise, increase in volume in loan releases for both LBP Agricultural Development Lending Sector (ADLS) and Provident fund Department (PFD).
- Net service fees for this year of P135.98 million is P24.41 million or 20.79 per cent higher compared to last year's net service fee of P112.57 million.
- Investment portfolio as at December 31, 2018 amounted to P1,052.43 billion. This represents an increase of 87.55 million or 9.07 per cent compared to last year's investment portfolio of P964.88 million. Interest income this year of P36.64 million is P3.55 million or 10.72 per cent higher compared to last year's interest income of P33.09 million.
- Collection efficiency on Accounts Receivable-Trade this year is 92.75 per cent, an improvement of 2.22 per cent compared to last year's 90.53 per cent.
- Cash dividend declared and paid to the National Government for CY2018 amounted to P48.24million.
- The total operating and administrative expenses are within the budget. Hence, total expenses for the year of P 56.07 million has a positive variance of P17.25 million or 23.53 per cent against the budget of P73.32 million.



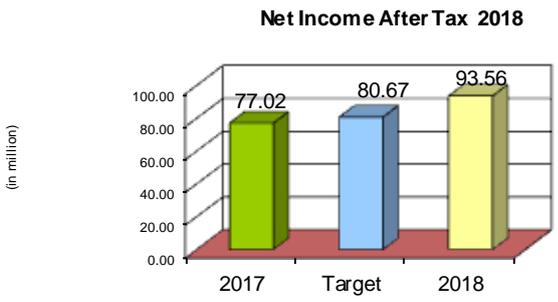
02 OPERATING AND FINANCIAL REVIEW



This year's financial result is higher than last year's performance by 21.50 per cent or ₱16.56 million, from ₱77.02 million Net Income after Tax (NIAT) in year 2017 to this year's ₱93.58 million NIAT. Other income derived from interest from long-term investments in government securities and savings deposits amounted to ₱36.64 million, 10.73 per cent or ₱3.55 million higher against last year's figure of ₱33.09 million.

NIAT of ₱93.58 million was above the target NIAT of ₱80.67 million by 16 per cent or ₱12.91 million. This was attributed to the positive variance of 5.92 per cent or ₱7.60 million on the actual accomplishment of ₱135.98 million net fees and commission income against the target of ₱128.38 million net fees and commission income. Likewise, a favorable variance or cost savings of 23.53 per cent or ₱17.25 million on the actual total expenses for the year of ₱56.07 million against the ₱73.32 million budgeted expenses for the year.

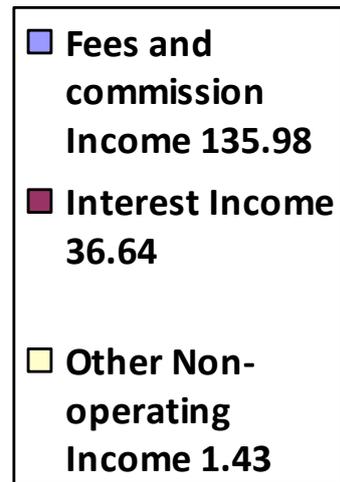
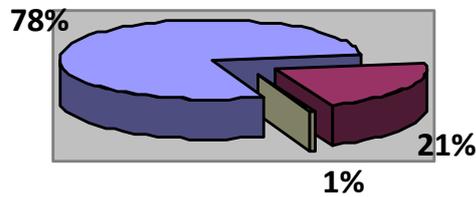
Actual total revenue for the year of ₱174.05 million represented a net increase of 16.13 per cent or ₱24.18 million compared with the total revenue last the year of ₱149.87 million. The increase is due to the positive variances against 2018 targets. Actual net fees and commission income of ₱135.98 million is 20.80 per cent or ₱23.41 million higher than last year's net fees and commission income of ₱112.57 million. Interest income derived from investment of government securities amounted to ₱36.64 million represented an increase of 10.73 per cent or ₱3.55 million compared last year's Interest income of ₱33.09 million.



Revenue sources are as follows:

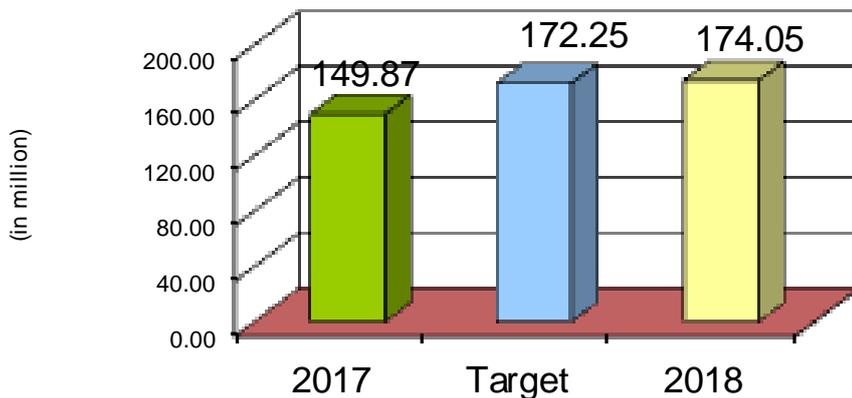
REVENUE SOURCES (in ₱MM)

	2018	2017	Increase (Decrease)	%
Insurance	135.98	112.57	23.41	20.80
Investments	36.64	33.09	3.55	10.73
Forex ^{∧1}	0	2.66	(2.66)	(100.00)
Gain from Forex Exchange	0	0.16	(0.16)	(100.00)
On the non-operating income	1.43	1.39	0.04	2.88
Total Revenue	174.05	149.87	24.18	16.13



^{∧1} Forex operations was discontinued in May 2017 due to lack of accredited Forex Corporation counterparties that resulted to continuous decline in its trading operations and not meeting its target for the last five years.

Total Revenue 2018

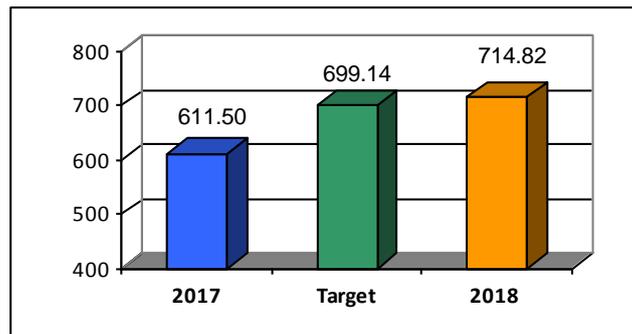




PREMIUM PRODUCTIONS

LIBI's net premium volume produced for 2017 of ₱611.50 million represents an increase of ₱34.21 million or 5.93 per cent higher compared to last year's ₱577.29 net premium volume. This was primarily due to the significant increase in premium from loan releases from Agricultural Development Lending Sector (ADLS). LIBI's net premium volume produced for year 2018 of ₱714.82 million represents an increase of 16.89 per cent or ₱103.32 million higher compared to last year's ₱611.50 net premium volume. It is also higher compared with the 2018 target premium of ₱699.15 million by 2.42 per cent or ₱15.67 million. The positive variances were due to the increase in MBP Branches Livelihood Loan Saver (LLS) and LandBank Mobile Loan Saver (LMLS) releases. Likewise, the increase in volume in loan releases for both from Agricultural Development Lending Sector (ADLS) and Provident Fund Department (PFD).

PREMIUM VOLUME 2018



PREMIUM VOLUME (NET OF OTHER CHARGES) & COMMISSION (BUSINESS SOURCE 2017 VS. 2016) (IN ₱ MM)

	Premium		%	Commission		%
	2018	2017		2018	2017	
Branches	310.50	225.78	37.52	71.94	52.41	37.26
ADLS	275.02	259.96	5.79	51.05	45.58	12.00
PFO	52.35	38.52	35.90	11.74	8.34	40.77
LBP Visa & Others	45.87	36.46	25.81	8.88	7.61	16.69
Subsidiaries	19.61	38.63	(49.24)	4.41	5.00	(11.80)
Direct	11.47	12.15	(5.96)	3.13	5.32	(14.16)
Total	714.82	611.50	16.89	151.15	124.26	21.64

LBP Branches topped both this year's business sources in in premium volume and in commission. ADLS is on the second spot for both premium volume and in commission while PFO comes third.

**PREMIUM BUSINESS VOLUME
(PER INSURANCE LINE)
(IN ₱ MM)**

	2018	2017	Increase (Decrease)	%
Life	380.79	275.33	105.46	38.30
Fire	175.59	150.52	25.07	16.66
Motor	57.84	59.31	(1.47)	(2.48)
Engineering	48.87	51.16	(2.29)	(4.48)
Liability	17.76	32.78	(15.02)	(45.82)
Floater	15.53	17.74	1.23	8.60
Marine	9.41	14.30	(8.33)	(46.96)
Personal Accident	5.49	4.81	(0.69)	(19.60)
Bonds	2.05	2.83	(2.76)	(57.38)
Crop	1.26	2.51	(1.25)	(49.80)
MSPR	0.23	0.21	0.02	9.52
Total	714.82	611.50	103.32	16.89

LBP Insurance Brokerage, Inc. improved its ranking among 63 Insurance Brokers by one step higher on both premium produced and commission earned for year 2017 compared to year 2016 as per Insurance Commission's statistics reports posted in their website. Statistics reports for 2018 are not yet available.

	Rank
Based on Premium Produced	16
Based on Commission Earned	15

COLLECTIONS AND REMITTANCES

The total collections of ₱724.69 million for the period represent 92.75 per cent collection rate of the net production volume booked (net of cancellations) for the year of ₱781.37 million. This year's collection rate improved by 2.22 per cent compared to last year's collection rate of 90.53 per cent. As of December 31, 2018, collectible accounts for 2018 transactions amounted to ₱56.68 million. For prior years 2012 to 2017 accounts, a total of ₱42.39 million remains outstanding, ₱41.16 million are unexpired premium of Employees Salary Loan (ESL) collectible from Philippine Prudential Life Insurance (PPLI), ₱0.64 million represents premium from Philippine Phoenix Insurance (PPI) which is now under liquidation and the remaining ₱0.59 million are outstanding LBP Head Office accounts.

**ANALYSIS OF RECEIVABLES
(PHP MM)**

	2014	2015	2016	2017	2018
Premium (net of cancellation)	539.96	601.21	639.73	690.07	781.37
Total Collections	465.68	506.51	572.93	624.74	724.69
Collection Rate	86.24%	84.25%	89.55%	90.53%	92.75%
Receivables, end	74.28	94.70	66.80	65.33	56.68

On the status of Accrued Service Fees Receivable, P18.47 million remains outstanding as of year-end. P9.19 million from current year remains outstanding while prior year's accrual has a balance of P9.28 million.

Total premium remittances made to the principals (insurance companies) amounted to P613.28 million or 88.69 per cent of the liability during the period of P691.45 million, making the balance within current status excluding the unexpired ESL premium which remained unpaid by PPLI and PPI (these insurance companies are under liquidation by the Insurance commission.)

STATUS OF CLAIMS FILED BY CLIENTS

Clients insured filed a total of 1,222 claims in 2018. By the end of the year, 916 claims were settled representing 74.96 per cent of the total claims while 306 claims remain outstanding. Of the 306 claims pending, 170 claims are awaiting additional documents, 65 claims are being evaluated by the insurers while 71 claims are for order of payment.

For the previous years 2001 to 2016 outstanding 350 claims, 81 claims are GSIS accounts while 269 claims are from private insurers mostly from PPLI and Phoenix.



CORPORATE SOCIAL RESPONSIBILITY



CORPORATE SOCIAL *responsibility*

A. MEMBERSHIP TO MANILA BAY S.U.N.S.E.T PARTNERSHIP PROGRAM (MBSPPi)

To continue supporting the activities and programs of LAND BANK OF THE PHILIPPINES that improve and safeguard the state of the environment for future generations, LIBI released financial support in the amount of FIFTY THOUSAND PESOS (₱50,000.00) to Manila Bay S.U.N.S.E.T Partnership Program, Inc. (MBSPPi). The said fund was used for the sustainable programs of MBSPPi for CY2018 as follows: a. Quarterly clean-up of Manila Bay, and b. other fund raising activities

MANILA BAY CLEAN UP, JANUARY 2018





CORPORATE SOCIAL *responsibility*

B. CUSTOMER’S HEALTH & SAFETY

LIBI should aim to ensure a safe and healthy working environment for all its stakeholders especially their clients and visitors. LIBI should comply with all relevant local legislation or regulations, and best practice guidelines recommended by national health and safety authorities. The staff should be informed regarding the policies and practices of LIBI in order to maintain a healthy, safe and enjoyable environment.

LIBI continued and intensified what it had initiated in CY2016 regarding improving its efficiency and quality of insurance process through shortening the turn-around time of every transaction with the end view of continuous quality improvement in our operations and delivery of service. This project

C. ANNUAL CUSTOMER SATISFACTION SURVEY

As part of the initiative for continual improvement, LIBI conducts its Customer Satisfaction Survey annually. Two hundred sixty-two (262) respondents participated in the survey. The overall satisfaction rating of the customers of LIBI was 83.59% or satisfactory. Results are shown in the table below.

Satisfaction Level	Number of Respondents	Percentage (in %)
Very Satisfied	69	26.34
Satisfied	150	57.25
Neither Satisfied nor dissatisfied	33	12.59
Dissatisfied	10	3.82
Very Dissatisfied	0	0
TOTAL	262	100

AUDITED

FINANCIAL STATEMENTS



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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
LBP Insurance Brokerage, Inc.
12th Floor, SSHG Law Center
105 Paseo de Roxas
Legaspi Village, Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **LBP Insurance Brokerage, Inc. (LIBI)** (a wholly-owned subsidiary of Land Bank of the Philippines), which comprise the statements of financial position as at December 31, 2017 and 2016, 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 a summary of significant accounting policies and other explanatory information.

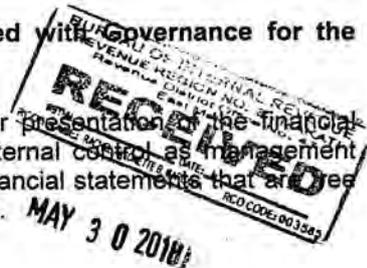
In our opinion, the financial statements present fairly, in all material respects, the financial position of the LIBI as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with International Standards of Supreme Audit Institutions (ISSAI). 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 LIBI in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Philippine Public Sector, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 PFRS, 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 LIBI'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the LIBI'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 ISSAI 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 ISSAI, 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 LIBI's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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.

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MAY 30 2018
RCO CODE: 903583

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 supplemental information in Note 26 to the 2017 financial statements is presented for the purpose of filing with the Bureau of Internal Revenue and is not a required part of the financial statements. Such supplementary information is the responsibility of management 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


ROCHIE J. FELICES
Supervising Auditor

April 11, 2018



MAY 3 0 2018



LBP INSURANCE BROKERAGE, INC.
(A LANDBANK Subsidiary)

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

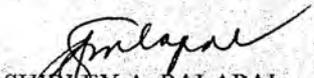
The Management of LBP (Land Bank of the Phil.) Insurance Brokerage, Inc. is responsible for preparation of financial statements as at December 31, 2017 and 2016, including the additional components attached thereto in accordance with the prescribed financial reporting framework indicated therein. The responsibility includes designing and implementing controls relevant to the preparation and fair presentation of financial statements that are free from material statement whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements before such statements are issued to the regulations, creditors and other users.

The Commission on Audit has audited the financial statements of the LBP (Land Bank of the Phil.) Insurance Brokerage, Inc. in accordance with the International Standards of Supreme Audit Institutions and has express its opinion on the fairness of presentation upon completion of such audit, in its report to the Board of Directors.


TOMAS T. DE LEON, JR.
Chairman of the Board/Officer

April 10, 2018
Date Signed


SHIRLEY A. PALAPAL
Accounting Head

April 10, 2018
Date Signed


RODOLFO V. PESTANO
General Manager/
Authorized Representative

April 10, 2018
Date Signed
RECEIVED
BUREAU OF INTERNAL REVENUE
East Makati Office No. 47
MAY 30 2018
R/O CODE: 003583

LBP INSURANCE BROKERAGE, INC.

(A wholly-owned subsidiary of Land Bank of the Philippines)

CONDENSED STATEMENTS OF FINANCIAL POSITION**AS AT DECEMBER 31, 2018 and 2017**

(In Philippine Peso)

	Note	2018	2017
ASSETS			
Current Assets			
Cash and Cash Equivalents	4	107,186,726	128,648,801
Receivables, net	5	72,248,225	81,637,069
Inventories	6	128,196	87,927
Other Current Assets	7	11,831,152	5,458,833
Total Current Assets		191,394,299	215,832,630
Non-Current Assets			
Receivables, net	5	43,968,999	44,748,015
Financial Assets	8	1,027,593,682	964,882,758
Investment Property	9	998,316	998,315
Property and Equipment, net	10	26,242,145	23,147,319
Intangible Assets	11	4,897,322	2,132,634
Deferred Tax Assets	25	4,016,383	3,870,148
Other Non-Current Assets	7	2,297,816	2,101,215
Total Non-Current Assets		1,110,014,663	1,041,880,404
Total Assets		1,301,408,962	1,257,713,034
LIABILITIES			
Current Liabilities			
Financial Liabilities	12	129,561,199	174,481,168
Inter-Agency Payables	13	9,179,934	5,867,439
Trust Liabilities	14	51,220,166	24,895,547
Provisions	15	5,455,681	4,265,703
Other Payables	16	42,927	439,373
Total Current Liabilities		195,459,907	209,949,230
Non-Current Liabilities			
Financial Liabilities	12	44,765,010	44,644,530
Trust Liabilities	14	7,117,875	5,009,640
Provisions	15	2,819,935	7,709,551
Total Non-Current Liabilities		54,702,820	57,363,721
Total Liabilities		250,162,727	267,312,951
EQUITY			
Share Capital	17	300,000,000	300,000,000
Retained Earnings	18	751,246,235	690,400,083
Total Equity		1,051,246,235	990,400,083
Total Liabilities and Equity		1,301,408,962	1,257,713,034

The Notes on pages 9 to 41 form part of these financial statements.

LBP INSURANCE BROKERAGE, INC.
(A wholly-owned subsidiary of Land Bank of the Philippines)
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017
(In Philippine Peso)

	Note	2018	2017
Income			
Service and Business Income	19	172,619,637	148,320,581
Gains	24.1	0	158,596
Other Non-Operating Income	24.1	1,433,869	1,391,997
Total Income		149,871,174	149,871,174
Expenses			
Personnel Services	20	(33,332,453)	(33,332,453)
Maintenance and Other Operating Expenses	21	(15,334,969)	(15,334,969)
Financial Expenses	22	(86,314)	(86,314)
Non-Cash Expenses	23	(5,229,939)	(5,229,939)
Total Expenses		(56,075,276)	(54,026,472)
Net Income Before Tax		117,978,230	95,844,702
Income Tax Expense	25	(24,402,050)	(18,826,295)
Net Income After Tax/			
Total Comprehensive Income		93,576,180	77,018,407

The Notes on pages 9 to 41 form part of these financial statements.

LBP INSURANCE BROKERAGE, INC.
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016
(In Philippine Peso)

	Share Capital (Note 17)	Retained Earnings		TOTAL
		Appropriated (Note 18)	Unappropriated	
BALANCE AT JANUARY 1, 2017	300,000,000	158,000,000	452,248,031	910,248,031
CHANGES IN EQUITY FOR 2017				
Add/(Deduct):				
Declaration of Cash Dividend			(37,758,827)	(37,758,827)
Other Adjustments			1,021,689	1,021,689
Appropriations		19,000,000	(19,000,000)	0
Reversal of Appropriations		(2,000,000)	2,000,000	0
Net Income for the year			77,018,407	77,018,407
BALANCE AT DECEMBER 31, 2016	300,000,000	175,000,000	515,400,083	990,400,083
CHANGES IN EQUITY FOR 2017				
Add/(Deduct):				
Declaration of Cash Dividend			(39,898,966)	(39,898,966)
Other Adjustments			13,074,079	13,074,079
Additional Funding for Retirement Fund			(5,905,141)	(5,905,141)
Appropriations		183,350,000	(183,350,000)	0
Reversal of Appropriations		(38,200,000)	38,200,000	0
Net Income for the year			93,576,180	93,576,180
BALANCE AT DECEMBER 31, 2017	300,000,000	320,150,000	431,096,235	1,051,246,235

The Notes on pages 9 to 41 form part of these financial statements.

LBP INSURANCE BROKERAGE, INC.
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017
(In Philippine Peso)

	Note	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Proceeds from Sale of Foreign Currencies		0	1,230,465,102
Cash Received from Advance Payment of Premium		587,847,623	393,618,227
Collection of Income/Revenue		241,051,852	305,789,506
Collection of Receivables		2,602,876	3,918,415
Total Cash Inflows		831,502,351	1,933,791,250
Cash Outflows			
Payment for the Purchase of Foreign Currencies		0	(1,228,820,674)
Payment of Premiums to Insurance Companies		(672,243,303)	(562,038,812)
Payment of Expenses		(61,080,706)	(37,693,401)
Purchase of Inventories		(418,725)	(347,974)
Prepayments		(3,060,673)	(7,368,854)
Payments of Accounts Payable		(4,010,859)	(5,975,866)
Remittance of Personnel Benefit and Mandatory Deduction		(3,146,596)	(720,429)
Grant of Financial Assistance/Subsidy/Contribution		0	(403,613)
Payment of Income Taxes		(26,274,098)	(28,414,622)
Total Cash Outflows		(770,234,960)	(1,871,784,245)
Net Cash Provided by Operating Activities		61,267,391	62,007,005
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Inflows			
Proceeds from Sale of Property, Plant & Equipment		0	4,060
Proceeds of Matured Investments		1,853,219,403	2,593,113,537
Receipt of Interest Earned from Investments		38,272,449	34,028,702
Total Cash Inflows		1,891,491,852	2,627,146,299
Cash Outflows			
Purchase of Property, Plant, Equipment		(7,077,570)	(2,822,877)
Purchase of Intangible Assets		(2,774,257)	
Placement of Investments		(1,924,470,525)	(2,762,710,926)
Total Cash Outflows		(1,934,322,352)	(2,765,533,803)
Net Cash Used in Investing Activities		(42,830,500)	(138,387,504)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Outflows			
Payment of Cash Dividends	18	(39,898,966)	(37,758,827)
Cash Used in Financing Activities		(39,898,966)	(37,758,827)
Effects of Exchange Rate Changes on Cash and Cash Equivalents		0	158,596
Net Decrease in Cash and Cash Equivalents		(21,462,075)	(113,980,730)
CASH AND CASH EQUIVALENTS, JANUARY 1	4	128,648,801	242,629,531
CASH AND CASH EQUIVALENTS, DECEMBER 31	4	107,186,726	128,648,801

The Notes on pages 9 to 41 form part of these statements.

LBP INSURANCE BROKERAGE, INC.

(A wholly-owned subsidiary of Land Bank of the Philippines)

NOTES TO FINANCIAL STATEMENTS

(All Amounts in Philippine Peso unless otherwise stated)

1. CORPORATE INFORMATION

1.1 Corporate Background

The LBP Insurance Brokerage, Inc. (LIBI) was organized as a wholly-owned subsidiary of Land Bank of the Philippines (LBP) on October 22, 1981 under Securities and Exchange Commission (SEC) Registration No. 105764. On May 16, 1983, its Articles of Incorporation was amended increasing the number of directors of the Board from 9 to 11. This was further amended on October 17, 1994 increasing the LIBI's authorized capital stock from P20,000,000 to P300,000,000 and revising its secondary purpose.

- To act as insurance broker for life, health, accident, motor car, casualty, surety and fidelity, marine cargo and hull, comprehensive liability insurance and other insurance coverage allied with and incident to the above-mentioned lines, and
- To engage in management and consultancy work on insurance and in this connection, to hold, own, purchase, acquire, underwrite, obtain participation in and manage the business of any corporation, partnership or equity.

Its secondary purpose is to engage in the business of buying and selling of foreign currencies; and buying, selling, importing, exporting and/or dealing in any manner, at wholesale or retail of goods and merchandise. However, the secondary purpose particularly the business of buying and selling of foreign currencies was discontinued on 18 May 2017 per Board Resolution No. 2017-004-016.

The LIBI's registered and principal office of business is located at the 12th Floor SSHG Law Centre Building, 105 Paseo de Roxas St., Legaspi Village, Makati City.

1.2 Authorization for Issue of the 2017 Financial Statements

The financial statements of LIBI for the years ended December 31, 2018 and 2017 were authorized for issue by the Board of Directors on January 31, 2019 in Board Resolution No. 2019-001-001 dated January 31, 2019 and was signed by the Chairman of the Board and President/CEO on April 10, 2019.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared on the basis of historical cost except for Investment in government securities which are stated at amortized cost using effective interest method.

The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

The financial statements have been prepared on the basis of historical cost except for Investment in government securities which are stated at amortized cost using effective interest method.

The Statement of Cash Flows is prepared using the direct method.

The financial statements are presented in Peso, which is the country's functional currency.

Amounts are rounded off to the nearest peso, unless otherwise stated.

The preparation of financial statements in compliance with the adopted PAS requires the use of certain accounting estimates. It also requires the entity to exercise judgment in applying the entity's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effects are disclosed in Note 15.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Accounting

The financial statements are prepared on accrual basis in accordance with PFRS.

3.2 Financial Instruments

The application of the provisions of PFRS 9 is deferred and effective for annual period beginning January 1, 2019. Meanwhile, LIBI consider the reasonable and supportable information available in order to determine the credit risk of the account. The computation of Expected Credit Loss (ECL) using the Hold to Collect business model on investments amounting to P1,027,593,682 resulted to an insignificant ECL amounting to P76,871 for investments in DBP Tier 2. However, the business model for managing financial assets will still be presented to the LIBI's Board of Directors for approval.

a. Financial Assets

Initial recognition and measurement

Initial recognition and measurement

Financial assets within the scope of PAS 39 – Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables or available-for-sale financial assets, as appropriate. The LIBI determines the classification of its financial assets at initial recognition.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace are recognized on the trade date, i.e. the date that the LIBI commits to purchase or sell the asset.

The LIBI's financial assets include cash and cash equivalents and investment securities at amortized cost.

LIBI's existing policy is to invest excess funds in government securities (GS) because the servicing and repayments are fully guaranteed by the National Government.

Investments in GS - Fixed Treasury Notes and Retail Treasury Bonds are stated at amortized cost using effective interest method.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

1. Loans and Receivables

LIBI acts as an agent in placing the insurable risks of its clients with insurers and as such, is not liable as principal for amounts arising from such transactions. However, Accounts Receivable (Premium Receivables) were recognized upon issuance of Statement of Accounts. Accrual of service fees from accredited insurers are based on premium production.

To fairly present the net realizable value of Accrued Service Fees Receivable and Other Receivables, allowances for impairment have been provided. The allowances were then determined based on the aging schedule multiplied by the rate or per cent of loss experienced by LIBI.

2. Held-to-Maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the LIBI has the positive intention and ability to hold it to maturity.

After initial measurements, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in the statement of comprehensive income.

Derecognition

The LIBI derecognizes a financial asset or, where applicable, a part of a financial asset or part of LIBI of similar financial assets when:

1. The contractual right to the cash flows from the financial asset expired or waived; and
2. The LIBI has transferred its contractual rights to receive the cash flows of the financial assets, or retains the contractual rights to receive cash flows of the financial assets but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the condition set forth in PAS 39 – Financial Instruments: Recognition and Measurement; and either the entity has:

- Transferred substantially all the risks and rewards of ownership of the financial asset; or
- Neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has transferred the control of the asset.

Impairment of financial assets

The LIBI assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset an incurred (“loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include the following:

1. The debtors or a group of debtors are experiencing significant financial difficulty;
2. Default or delinquency in interest or principal payments;
3. The probability that debtors will enter bankruptcy or other financial reorganization; and
4. Observable data indicates a measurable decrease in estimated future cash flows e.g. changes in arrears or economic conditions that correlate with defaults.

a. Financial assets at amortized cost

For financial assets carried at amortized cost, the LIBI first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the LIBI determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of comprehensive income. Loans, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collaterals have been realized or transferred to the entity. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive income.

b. Financial Liabilities

Initial recognition and measurement

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

The LIBI's financial liabilities include insurance premium payable, accounts payable and other financial liabilities.

Subsequent measurement

Financial liabilities are subsequently measured at amortized cost.

Derecognition

A financial liability is derecognized when the obligation under the liability expires or is discharged or cancelled.

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 the statement of comprehensive income.

3.3 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash in bank, deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

3.4 Accounts Receivables

LIBI acts as an agent in placing the insurable risks of its clients with insurers and as such, is not liable as principal for amounts arising from such transactions. However, Accounts Receivable (Premium Receivables) is recognized upon issuance of Statement of Accounts. Accrual of service fees from accredited insurers are based on premium production.

3.5 Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory is received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Inventories are recognized as an expense when consumed in the ordinary course of operations of the LIBI.

3.6 Investment Property

Investment property is measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment property are measured using the cost model and are depreciated over their estimated useful life.

Investment property is derecognized on disposal or when permanently withdrawn from use and no future economic benefit or service potential is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

Transfers are made to or from investment property only when there is a change in the use.

3.7 Property and Equipment

Recognition

An item is recognized as property and equipment (PE) if it meets the characteristics and recognition criteria as PE.

The characteristics of PE are as follows:

- a. Tangible items;
- b. Held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- c. Expected to be used during more than one reporting period.

An item of PE is recognized as an asset if:

- a. It is probable that future economic benefits or associated with the item will flow to the entity; and
- b. The cost or fair value of the item can be measured reliably; and cost is at least P15,000

Measurement at recognition

An item recognized as property and equipment is measured at cost. A PE acquired through non-exchange transaction is measured at its fair value.

Cost includes the following:

- a. purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- b. expenditure that is directly attributable to the acquisition of the items; and
- c. initial estimate of the costs of dismantling and removing the items and restoring the site of which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period for the purposes other than to produce inventories during the period.

Subsequent Measurement

After recognition, all PE are stated at cost less accumulated depreciation and impairment losses.

When significant parts of PE are required to be replaced at intervals, LIBI recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major repair/replacement is done, its cost is recognized in the carrying amount of the PE as a replacement if the recognition criteria are satisfied.

Depreciation

Each part of an item of PE with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognized as expense unless it is included in the cost of another asset.

a. Initial recognition of depreciation

Depreciation of an asset begins when it is available for use such as when it is in the location and condition necessary for it to be capable the manner intended by management.

For simplicity and to avoid proportionate computation, the depreciation is for one month if the PE is available for use on or before the 15th of the month. However, if the PE is available for use after the 15th of the month, depreciation will start on the succeeding month.

b. Depreciation Method

The straight line method of depreciation is adopted.

i. Estimated useful life

The LIBI uses the life span of PE prescribed by COA in determining the specific estimated useful life for each asset based on its experience as follows:

	Number of Years
Building	20
Information Technology	5
Furniture, Fixtures and Equipment	5
Motor Vehicle	7

ii. Residual Value

The LIBI uses a residual value equivalent to at least five percent of the cost of the PE.

Impairment

An asset's carrying amount is written down to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable amount or recoverable service amount.

Derecognition

The LIBI derecognizes items of PE and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognized.

3.8 Intangible Assets

Recognition and measurement

Intangible assets are recognized when the items are identifiable non-monetary assets without physical substance; it is probable that the expected future economic benefits or service potential that are attributable to the assets will flow to the entity; and the cost or fair value of the assets can be measured reliably.

Intangible assets acquired separately are initially recognized at cost.

If payment for an intangible asset is deferred beyond normal credit terms, its cost is the cash price equivalent. The difference between this amount and the total payments is recognized as interest expense over the period of credit unless it is capitalized in accordance with the capitalization treatment permitted in PAS 23, Borrowing Costs.

Recognition of an expense

Expenditure on an intangible item is recognized when it is incurred unless it forms part of the cost of an intangible asset that meets the recognition criteria of an intangible asset.

Subsequent measurement

The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets with a finite life are amortized over their useful lives.

The straight line method is adopted in the amortization of the expected pattern of consumption of the expected future economic benefits or service potential.

An intangible asset not yet available for use is assessed for impairment annually and whenever there is an indication that the assets may be impaired.

The amortization period and the amortization method, for an intangible asset with a finite useful life, are reviewed at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on an intangible asset with a finite life is recognized in the statement of comprehensive income as the expense category that is consistent with the nature of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the profit or loss when the asset is derecognized.

3.9 Provisions, Contingent Liabilities and Contingent Assets

a. Provisions

Provisions are recognized when (1) the Corporation has a present obligation (legal or constructive) as a result of a past event; (2) it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and (3) a reliable estimate can be made of the amount of the obligation.

Where the LIBI expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense pertaining to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are reviewed at each reporting date, and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provisions are reversed.

b. Contingent Liabilities

The LIBI does not recognize a contingent liability, but discloses details of any contingencies in the notes to financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

c. Contingent Assets

The LIBI does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the LIBI in the notes to financial statements.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

3.10 Changes in Accounting Policies and Estimates

The LIBI recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

The LIBI recognizes the effects of changes in accounting estimates prospectively through the statement of comprehensive income.

The LIBI corrects material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by:

- a. Restating the comparative amounts for prior period(s) presented in which the error occurred; or
- b. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

3.11 Foreign Currency Transactions

Transactions in foreign currencies are initially recognized by applying the spot exchange rate between the functional currency and the foreign currency at the transaction date.

At each reporting date:

- a. Foreign currency monetary items are translated using the closing rate;
- b. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- c. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Exchange differences arising (a) on the settlement of monetary items, or (b) on translating monetary items at rates different from those at which they are translated on initial recognition during the period or in previous financial statements, are recognized in the statement of comprehensive income in the period in which they may arise, except as those arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation.

3.12 Income

Income is recognized to the extent that it is probable that the economic benefits will flow to LIBI and that revenue can be reliably measured.

Beginning 2008, LIBI recognizes commission income pertaining to service fees from private insurers based on premium billings upon rendition of brokering services to the assured and upon issuance of policies by the insurer. Accrual method is used in recognizing commission income from insurers.

Interest Income from investments is recognized using the effective interest method.

Gain or losses arising from trading of foreign currency are reported in the statement of comprehensive income.

3.13 Income Taxes

Income tax on the profit for the year comprises current tax only. Income tax is recognized in the statement of comprehensive income. Current income tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted as of the reporting date, and any adjustment to tax payable in respect to previous years.

Deferred Tax Asset refers to tax consequence attributable to differences between the financial reporting bases of assets and liabilities. It is measured using the tax rate applicable to taxable income in the year in which those temporary differences are expected to be recorded or settled. Deferred Tax Asset is recognized to the extent of the realization of the related Income Tax Benefit through future taxable income.

3.14 Employee Benefits

In compliance with the provisions of the Retirement Law [Republic Act (R.A.) No. 7641], which requires corporation to provide retirement benefits for their employees, and the National Internal Revenue code (R.A. No. 8424), which allows tax deductibility of employer's contributions for the retirement benefits of its employees, LIBI has established a retirement fund pursuant to Board Resolution No. 2010-006-012 dated July 30, 2010. The retirement benefit plan is a defined benefit plan and is non-contributory.

The set-up of Retirement Fund Liability was approved by the Board of Directors on September 01, 2010 per Board Resolution No. 2010-007-013.

LIBI appropriated its Retained Earnings from 2000 to 2008 a total amount of P10,000,000 for retirement benefit plan. On July 18, 2011, the Retirement Fund was finally set-up by LIBI of which the LBP-TBG was appointed as Trustee of the fund. LIBI treated this fund as off books in accordance with PAS 26, Accounting and Reporting by Retirement Benefit Plan. The monitoring of this Fund would be done by the LIBI Administrative Head, which would be checked periodically by the Accounting Head.

The cost of defined benefit plan is determined by using actuarial valuation; hence, LIBI engaged the services of a duly certified independent actuarial firm on December 30, 2010. Revaluation of LIBI's Retirement Plan was done on January 01, 2015 by E. M Zalamea Actuarial Services, Inc. Due to the impact of implementation of Salary Standardization Law (SSL) effective CY2017 on the retirement fund, LIBI again engaged the services of the same actuarial firm. Below are the actuarial assumptions and valuation results as of December 31, 2017:

STATEMENT OF ACTUARIAL ASSUMPTIONS

Valuation Date	December 31, 2017	
Effective Date	January 1, 2010	
Investment Rate	4% p.a. compounded annually	
Mortality Rate	The 2001 CSO Table Generational (Scale AA, Society of Actuaries)	
Disability Rate	The Disability Study, Period 2, Benefit 5 (Society of Actuaries)	
Salary Projection Rate	8% p.a. compounded annually	
Normal Retirement Age	Age 60	
Projected Retirement Benefit	22.5 days Pay per year of service in accordance with R.A. 7641	
Funding Method	Accrued Benefit Actuarial Cost Method (Projected Unit Credit)	
Manner of Payment	Lump Sum	
Withdrawal Rates	<u>Age</u>	<u>Rate</u>
	19 - 24	7.50%
	25 - 29	6.00%
	30 - 34	4.50%
	35 - 39	3.00%
	40 - 44	2.00%
	≥ 45	0.00%

SUMMARY OF ACTUARIAL VALUATION RESULTS

As of December 31, 2018

	MALE	FEMALE	COMBINED
1. Number of Lives Covered	20	25	45
2. Average Age in Years	37.2	37.9	37.6
Average Years of Remaining Working Life of the Employee Group			22.4
3. Average Years of Past Service	7.5	11.7	9.8
4. Annual Covered Payroll (ACP)	7,419,780	9,550,992	16,970,772
5. Past Service Liability (PSL)	8,002,504	17,275,444	25,277,948
6. Annual Normal Cost (ANC)	857,325	1,252,095	2,109,420
7. ANC as percentage of ACP/Funding Rate [(6) ÷ (4)]	11.6%	13.1%	12.4%
8. Total Fund Net Assets			9,782,183*
9. Unfunded Past Service Liability [(5) – (8)]			15,495,765

SUMMARY OF VESTED BENEFITS

As of December 31, 2017

	MALE	FEMALE	COMBINED
Number of Lives Eligible			
Compulsory Retirement	0	0	0
Optional Retirement	1	5	6
Voluntary Retirement	8	9	17
Total	9	14	23
Vested Benefit (VB)			
Compulsory Retirement	0	0	0
Optional Retirement	1,141,473	7,022,086	8,163,559
Voluntary Retirement	2,910,277	4,445,127	7,355,404
Total	4,051,750	11,467,213	15,518,963
Total Fund Net Amount			9,782,183
Fund as a percentage of VB [(3) ÷ (2)]			63%

*As of December 31, 2017, the Fund can pay only 63 per cent of the benefits, assuming all eligible employees will avail of their vested benefits during the valuation period.

Based on the result of the valuation, the proposal of the management for the additional funding to cover the Unfunded Past Service Liability amounting to P15,500,000 (item number 9 under summary of valuation results) was approved by the members of the Board on October 20, 2018 per Board Resolution No. 2018-010-25 dated October 20, 2018. As of December 31, 2018, a total P8,000,000 was transferred to LBP-TBG. The remaining P7,500,000 will be transferred to LBP- TBG upon availability of funds in year 2019. The approval of the additional funding is covered by the appropriated amount of P20,000,000 in the Retained Earnings appropriations.

Out of the original 39 eligible employees, 15 employees availed of the Retirement Fund, wherein retirement benefits totaling to P8,248,203 were withdrawn from the Fund as at December 31, 2018. Under the Statement of Financial Position provided by LBP-TBG showed that the balance of the Retirement Fund as at December 31, 2017 is P15,804,617, such balance is already gross of the P8,000,000 additional funding. Accumulated income since the transfer of the Fund on July 18, 2011 to the LBP-TBG reached P2,273,629, gross of the Net Unrealized Gains/Losses of P235,943 as of date.

3.15 Related Parties

The parent company, Land Bank of the Philippines (LBP), regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the LIBI, or vice versa.

A member of key management is regarded as related party such as the corporate secretary who is an employee of the parent company, LBP.

4. CASH AND CASH EQUIVALENTS

This account consists of:

	2018	2017
Cash on Hand	50,000	50,000
Cash in Bank-Local Currency	82,293,598	128,598,801
Cash in Bank-Foreign Currency	24,843,128	0
Total	107,186,726	128,648,801

Cash equivalent consists of investment in 90-day Treasury Bills with an interest rate of 5.2 per cent. It was invested on November 15, 2018 and will mature on February 13, 2019.

5. RECEIVABLES

This account consists of:

	2018			2017		
	Current	Non-Current	Total	Current	Non-Current	Total
Accounts Receivable	56,681,259	42,516,605	99,197,864	66,396,489	43,223,916	109,620,405
Accrued Service Fees Receivable	9,145,556	9,322,231	18,467,787	9,156,804	9,524,710	18,681,514
Allowance for Impairment-Accrued Service Fees Receivable	(1,823,188)	(9,232,998)	(11,056,186)	(1,204,962)	(9,363,772)	(10,568,734)
Net Value-Accrued Service Fees Receivable	7,322,368	89,233	7,411,601	7,951,842	160,938	8,112,780
Interest Receivable	7,645,005	0	7,645,005	7,208,380	0	7,208,380
Inter-Agency Receivable-SSS	36,400	0	36,400	0	0	0
Sub-total	71,685,032	42,605,838	114,290,870	81,556,711	43,384,854	124,941,565
Other Receivables						
Receivable-Disallowances/Charges	0	1,363,161	1,363,161	0	1,363,161	1,363,161
Other Receivables	563,193	0	563,193	80,358	0	80,358
Sub-total	563,193	1,363,161	1,926,354	80,358	1,363,161	1,443,519
Total	72,248,225	43,968,999	116,217,224	81,637,069	44,748,015	126,385,084

Accounts Receivable and Accrued Service Fees Receivable accounts include outstanding premium receivable from the assured whose insurance policies have been issued by insurance companies that are now under liquidation. Below is the breakdown:

Insurance Company	Premium ¹	Accrued Service Fee ²
Unexpired Premium from Philippine Prudential Life Ins. (PPLICI)	40,876,291	9,023,564
Long Outstanding Receivable – Easy Home Loan (EHL) PPLICI	283,214	45,516
Long Outstanding Receivable - Philippine Phoenix	638,173	129,338
Total	41,797,678	9,198,418

Relative to the termination of LIBI's insurance business with PPLICI on September 2013 which the latter did not concur, the PPLICI filed a complaint on March 7, 2016 against the LBP and LIBI to the Regional Trial Court Branch 155, Pasig City docketed as Civil Case No. 75133 for sum of money relating to unpaid premiums by LIBI from 2013 to 2016.

Latest update on the case is as of February 04, 2019. The case was called for the hearing on the continuation of the presentation of plaintiff's evidence. Both the plaintiff's counsel and Land Bank's counsel were present while the counsel for the defendant LIBI was non-appearance. However, there is a Motion for Cancellation and Postponement of Hearing filed by the counsel of the plaintiff on the ground that she would still need some time to confer with her next witness, a former employee of PPLICI. In the interest of justice, the court granted the postponement and reset the hearing on April 08 and 15, 2019 at 8:30 in the morning. The judge warned the counsel for the plaintiff that these two settings would be the last settings given to the plaintiff to present their witness. Counsel for Land Bank was already notified in open court while notice was sent to counsel for the defendant LIBI.

Reconciliation of carrying amounts of Allowance for Impairment - Accrued Service Fee Receivable for CY 2018:

Particulars	2018	2017
At January 1	10,568,734	19,948,859
Provisions for the year	1,823,188	2,455,719
	12,391,922	22,404,578
Adjustment:		
Reversal of allowance on accounts not qualified per GSIS pre-qualification (with other perils and premium payments received beyond the 30-day period)		(2,185,269)
Reversal of allowance due to non-payment of extra remuneration by GSIS		(5,330,160)
Reversal of allowance on Extra Remunerations from GSIS for years 2007-2013 due to subsequent collections		(1,162,945)
Reversal of CYs 2016 and 2015 provisions on accrued service fees receivable from private insurance due to collection		(3,157,470)
Reversal of CYs 2017, 2016 and 2015 provisions on accrued service fees receivable from private insurance due to collection (Note 25)	(1,335,736)	
	1,335,736	11,835,844
At December 31	11,056,186	10,568,734

6. INVENTORIES

This account consists of inventories held for consumption, namely:

	2018	2017
Office supplies inventory	79,498	59,170
Accountable forms inventory	42,152	21,364
Non-accountable forms	6,546	7,393
	128,196	87,927
	2018	2017
Carrying Amount, January 1	87,927	80,195
Additions/Acquisitions during the year	415,531	347,974
Consumption during the year	(375,262)	(340,242)
Carrying Amount, December 31	128,196	87,927

Reconciliation of carrying amounts:

7. OTHER ASSETS

This account consists of:

	2018			2017		
	Current	Non-Current	Total	Current	Non-Current	Total
Prepayments	11,831,152	2,106,623	13,937,775	5,365,408	2,003,446	7,368,854
Deposits	0	191,193	191,193	93,425	97,769	191,194
Total	11,831,152	2,297,816	14,128,968	5,458,833	2,101,215	7,560,048

The prepayments consist of tax withheld receivable, creditable withholding taxes, prepaid insurance and other prepayments.

8. FINANCIAL ASSETS

This account consists of investment securities at amortized cost. Below is the summary of changes in this account during the year:

As at December 31, 2018

	Retail Treasury Bonds	Fixed Treasury Notes	DBP Tier II	Treasury Bills	Total
Balance, January 1, 2018	620,899,192	268,983,566	75,000,000	0	964,882,758
Additional investment	34,922,594	29,576,356	0	0	64,498,950
Amortization of discount	0	364,858	0	0	364,858
Amortization of premium	(1,677,766)	(475,118)	0	0	(2,152,884)
Investment sold/collected	0	0	0	0	0
Balance, December 31, 2018	654,144,020	298,449,662	75,000,000	0	1,027,593,682

As at December 31, 2017

	Retail Treasury Bonds	Fixed Treasury Notes	DBP Tier II	Treasury Bills	Total
Balance, January 1, 2017	552,524,935	150,521,747	75,000,000	19,795,792	797,842,474
Additional investment	70,000,000	118,704,661	0	29,763,532	218,468,193
Amortization of discount	0	238,699	0	430,603	669,302
Amortization of premium	(1,625,743)	(481,541)	0	0	(2,107,284)
Investment sold/collected	0	0	0	(49,989,927)	(49,989,927)
Balance, December 31, 2017	620,899,192	268,983,566	75,000,000	0	964,882,758

Held to maturity investments of LIBI carry interest rates at December 31 as follows:

	2018	2017
Retail Treasury Bonds	6.125%, 4.875%, 4.625%, 3.500%	6.125%, 3.50% and 4.625%
DBP-Tier II	4.875%	4.875%
Fixed Treasury Notes	5.500%, 3.60%, 3.50% and 3.375%	3.375%, 3.50% and 3.60%

Board Resolution No. 2014-009-027 dated October 29, 2014 approved the request of LBP Leasing and Finance Corporation (LLFC), for the assignment of LIBI's P500,000,000 worth of government securities – Retail Treasury Bonds as partial collateral for LLFC's existing short term loan from Land Bank of the Philippines. The Deed of Assignment by way of security was executed on October 31, 2014 by and between LIBI and LLFC for a period of two years. In consideration of the assignment, LLC shall pay LIBI a guarantee/assignment fee equivalent to 1/8 of 1 per cent or P625,000 per annum or P52,083.33 per month. The guarantee/assignment fee is being paid by LLFC on a quarterly basis. However, due to the maturity of the Retail Treasury Bonds on August 19, 2015 and March 03, 2016 totaling P82,855,000, the assignment fee was reduced to P530,638.92 per annum or P44,219.91 per month which was based on the remaining amount of P424,511,129.56 with the same guarantee/assignment fee rate. LLFC did not request for replacement of the matured assigned investment.

9. INVESTMENT PROPERTY

This account consists of assets acquired through dacion en pago from the former employee with outstanding obligation amounting to P998,316. The dacioned properties consist of two parcels of land containing a total area of 5,847 square meters are located at Catbalogan, Western Samar. The appraised value of these properties amounted to P2,924,000 per appraisal report of the LBP Property Valuation and Credit Information Department dated 22 May 2017.

10. PROPERTY AND EQUIPMENT

This account consists of the following:

As at December 31, 2018

	Office Equipment	Information and Communication Technology	Furniture and Fixtures	Building	Motor Vehicles	Total
Cost, January 1	5,780,512	4,430,899	2,411,296	38,670,505	4,425,107	55,718,319
Acquisitions	5,960,178	789,178	328,215	0	0	7,077,571
Disposal	0	0	0	0	0	0
Cost, December 31	11,740,690	5,220,077	2,739,511	38,670,505	4,425,107	62,795,890
Accumulated De- preciation, January 1	4,142,420	516,750	2,027,469	23,697,624	2,186,737	32,571,000
Depreciation	1,383,998	249,213	77,148	1,802,596	469,790	3,982,745
Adjustments	0	0	0	0	0	0
Accumulated De- preciation, December 31	5,526,418	765,963	2,104,617	25,500,220	2,656,527	36,553,745
Net Carrying Amount, December 31	6,214,272	4,454,114	634,894	13,170,285	1,768,580	26,242,145

As at December 31, 2017

	Office Equipment	Information and Communication Technology	Furniture and Fixtures	Building	Motor Vehicles	Total
Cost, January 1	5,717,187	3,175,368	2,394,689	38,670,505	3,349,214	53,306,963
Acquisitions	474,846	1,255,531	16,607	0	1,075,893	2,822,877
Disposal	(411,521)	0	0	0	0	(411,521)
Cost, December 31	5,780,512	4,430,899	2,411,296	38,670,505	4,425,107	55,718,319
Accumulated Depreciation, January 1	4,138,260	390,063	1,983,557	21,786,604	1,862,961	30,161,445
Depreciation	368,826	126,687	43,912	1,911,019	323,776	2,774,220
Adjustments	(364,666)	0	0	1	0	(364,665)
Accumulated De- preciation, December 31	4,142,420	516,750	2,027,469	23,697,624	2,186,737	32,571,000
Net Carrying Amount, December 31	1,638,092	3,914,149	383,827	14,972,882	2,238,370	23,147,319

11. INTANGIBLE ASSETS

This account consists of the cost of computer software upgrade of the LIBI's existing Integrated Insurance Business System (IIBS) version 3.3 to 4.0 web version systems which development is in progress. The total cost of the project is P6,439,219. The project duration to upgrade the LIBI IIBS was extended until March 19, 2018. However, the project was further extended to several times due to system incident reports (SIRs) that were encountered during testing and have to be resolved prior to retesting again and also due to the delay in the migration of data. Latest schedule to Go Live is on March 19, 2019. As of December 31, 2018, the down payment amounted to P2,084,790.

Another intangible asset procured during the year is the Online Insurance Application system with Virtual Assistant (CHATBOT) which will help clients in facilitating their insurance queries and needs. However, it is not yet fully operational due to its dependencies on IIBS upgraded version.

LIBI's upgraded payroll system costing P143,528 was fully operational in September 2018. Amortization expense for four months amounting to P9,568 was recognized using the straight method over a useful life of five (5) years.

12. FINANCIAL LIABILITIES

This account consists of:

	2018			2017		
	Current	Non-Current	Total	Current	Non-Current	Total
Insurance/Reinsurance Premium Payable	74,417,074	44,270,488	118,687,562	114,522,179	44,116,065	158,638,244
Accounts Payable	47,104,622	494,522	47,599,144	52,996,230	525,921	53,522,151
Due to Officers and Employees	8,925	0	8,925	144	2,544	2,688
Other Financial Liabilities						
Handling Fees Payable ⁴	8,030,578	0	8,030,578	6,962,615	0	6,962,615
Total	129,561,199	44,765,010	174,326,209	174,481,168	44,644,530	219,125,698

Insurance/Reinsurance Premium Payable pertains to insurance premiums payable to insurance companies as at December 31, 2018.

Accounts Payable includes unreleased checks and authority to debit totaling P46,073,237 for payment of insurance premiums to various insurance companies that remain under the custody of the Cashiering Unit as at December 31, 2018 awaiting corresponding tax certificates (BIR Form 2307) from various insurance companies. This also includes accrual of expenses awaiting billing from suppliers.

Due to Officers and Employees pertains to tax refunds to officers and employees.

Other Financial Liabilities pertains to handling fees payable to LBP units, lending centers, branches which are due every March and September of the year.

13. INTER-AGENCY PAYABLES

This account consists of:

	2018	2017
Due to BIR	521,361	449,739
Value Added Tax Payable	1,133,040	1,549,698
Income Tax Payable	7,525,533	3,868,002
Total	9,179,934	5,867,439

14. TRUST LIABILITIES

This account consists of:

	2018			2017		
	Current	Non-Current	Total	Current	Non-Current	Total
Customer's Deposits Payable ¹	51,220,166	6,812,675	58,032,841	24,645,547	4,784,440	29,429,987
Guaranty/Security Deposits Payable	0	305,200	305,200	250,000	225,200	475,200
Total	51,220,166	7,117,875	58,338,041	24,895,547	5,009,640	29,905,187

The Customer's Deposits Payable pertains to advance payments of premiums by clients/assured awaiting issuance of insurance policies and/or matching of premium invoices. Transactions representing excess payments of premiums are also recorded under this account awaiting instruction from assured/LBP for refund or application to future renewal of policies.

15. PROVISIONS

This account consists of:

	2018			2017		
	Current	Non-Current	Total	Current	Non-Current	Total
Leave Benefits Payable	836,814	2,819,935	3,656,749	1,036,896	2,539,485	3,576,381
Pension Payable ¹	2,109,420	0	2,109,420	753,293	1,341,566	2,094,859
Other Provisions ²	2,509,447	0	2,509,447	2,475,514	3,828,500	6,304,014
Total	5,455,681	2,819,935	8,275,616	4,265,703	7,709,551	11,975,254

Pension Payable pertains to the accrual of Annual Normal Cost (ANC) under the Accrual Benefit Valuation Method.

Other Provisions refers to the estimated Performance Based Bonus (PBB) of LIBI's officers and staff and the Performance Based Incentive (PBI) of LIBI's Board of Directors for CY2018.

16. OTHER PAYABLES

This account consists of Undistributed Collection, which pertains to credit advices issued by the bank as of the close of the transaction date. However, LIBI had not issued yet official receipt thereof due to lack of details.

17. SHARE CAPITAL

As at December 31, 2018, the total authorized, paid, issued and outstanding shares are 3,000,000 shares with par value of P100.

18. RETAINED EARNINGS

Cash dividend of P39,737,063 was declared and approved on April 26, 2018 per Board Resolution Nos. 2018-004-0017. An additional cash dividend declaration of P161,903 was approved per Board Resolution No. 2018-004-021 due to the revised computation of cash dividend under Department of Finance Revised Implementing Rules and Regulation to R. A. 7656, "an act requiring GOCC to declare Dividends to the National Government. Hence, a total of P39,898,966 cash dividend was remitted to the Bureau of Treasury on May 08, 2018 and June 18, 2018, respectively.

The Board in its Resolution No. 2018-004-0018 dated April 26, 2018 approved the reversal of a total appropriations of P38,200,000 because its purpose had already been served or did not materialized.

Appropriation for Risk Modeling System (did not materialized)	P 27,000,000
Appropriation for VRF air-conditioning system	8,000,000
Appropriation for 2 units Motor Vehicles	3,000,000
Appropriation for CCTV camera	200,000
	P 38,200,000

As at December 31, 2018, total appropriations amounted to P320,150,000 detailed as follows:

Particulars	Amount
Appropriations for procurement of office space	P 150,000,000
Appropriation for non-collection of refund of premium from Prudential Life	63,000,000
Appropriation for other contingencies	30,000,000
Appropriation for additional Retirement fund due the SSL implementation	20,000,000
Appropriation for the technology and computer upgrades	18,000,000
Appropriation for the reversal of related service fee	15,000,000
Appropriation for trainings and seminars for ISO/GQMSS certification	3,000,000
Appropriation for replacement of lighting system and replacement of office ceiling	3,000,000
Appropriation for Virtual Assistant (Chat Bot)	3,000,000
Appropriation for Document Management System	3,000,000
Appropriation for Career Program in Life/Non-life Insurance Data Analytics/Non-life Actuarial Science	3,000,000
Appropriation for Directors' Training on Good Governance	2,000,000
Appropriation for one vehicle for employees' service	1,600,000
Appropriation of premium internet gateway service	1,000,000
Appropriation for procurement of office equipment, furniture and fixtures	1,000,000
Appropriation for email system upgrade	800,000
Appropriation for structured cabling of data	750,000
Appropriation for PABX	700,000
Appropriation for replacement of carpets	500,000
Appropriation for Operating System and Microsoft Office 2016	500,000
Appropriation for Anti-Virus system	300,000
	P 320,150,000

Other adjustments to the Retained Earnings for CY 2018 and 2017 are presented below:

CY2018

Accounts Affected	Particulars	Amount
Other Provisions	Reversal of 2015, 2016 and 2017 PBI of Board	4,470,900
Other Provisions	Reversal of 2016 and 2017 PBB of LIBI employees due to failed ratings from GCG	1,834,014
Accounts Payable - Accrued Expenses	Reversal of excess accrual on estimates for 2017	5,404,790
Accounts Payable - Accrued Expenses	Reversal on the excess accrual on 2017 Audit Fee	430,260
Allowance for probable losses-Accrued Service Fee Receivable (ASFR) and Deferred Tax Asset	Reversal of allowance for probable losses and corresponding deferred tax asset due to collection and non-payment of accrued service fee in prior years	1,335,736
Deferred Tax Asset	Reversal of deferred tax asset relating to allowance for probable losses on COA disallowance	(400,721)
		13,074,979

CY2017

Accounts Affected	Particulars	Amount
Allowance for probable losses-Accrued Service Fee Receivable (ASFR) and Deferred Tax Asset	Reversal of allowance for probable losses and corresponding deferred tax asset due to collection and non-payment by the GSIS of accrued service fee in prior years	1,155,004
Deferred Tax Asset	Reversal of deferred tax asset relating to allowance for probable losses on COA disallowance	(133,315)
		1,021,689

19. SERVICE AND BUSINESS INCOME

	2018	2017
Service Income		
Fees and Commission Income	150,641,800	123,645,238
Other Discounts	(14,660,223)	(11,071,174)
Net Fees and Commission Income	135,981,577	112,574,064
Business Income		
Interest Income	36,638,060	33,090,385
Other Business Income	0	2,656,132
Total Business Income	36,638,060	35,746,517
Total	172,619,637	148,320,581

The fees and commission income were derived from performance of services to customers/clients, while the other discounts pertains to the handling expenses /incentives given to LBP branches, groups, units and subsidiaries for appraisal, inspection of property to be insured and for performance of other administrative matters such as collection of payments of insured properties.

Interest income pertains to earnings from investments at amortized cost such as Retail Treasury Bonds, DBP-Tier II, Fixed Treasury Notes and Treasury Bills and from current and savings depository accounts.

Other Business Income was derived from buying and selling, and brokering of foreign currencies.

LIBI-Forex discontinued its business operations effective 19 May 2017 per Board Resolution No. 2017-004-016 dated 18 May 2017.

20. PERSONNEL SERVICES

	2018	2017
<i>Salaries and Wages</i>		
Salaries and Wages-Regular	18,012,836	17,999,671
Salaries and Wages-Contractual	478,603	911,798
	18,491,439	18,911,469
<i>Other Compensation</i>		
Other Bonuses and Allowances		
Mid-year Bonus	2,349,586	784,800
Performance Based Bonus	1,856,997	746,757
Rice Allowance	650,900	1,277,050
Medical, Dental and Hospitalization	598,000	507,000
Productivity Enhancement Incentive	235,500	240,000
Christmas Raffle	0	1,750,000
Anniversary Bonus	0	306,000
Teller's Allowance	1,800	7,200
	5,692,783	5,618,807
Overtime and Night Pay	1,598,658	2,526,302
Year-End Bonus	1,223,223	1,559,598
Personnel Economic Relief Allowance (PERA)	656,627	0
Representation Allowance	563,750	522,000
Transportation Allowance	381,500	279,000
Clothing/Uniform Allowance	251,143	162,009
Meal Subsistence Allowance	247,250	0
Cash Gift	229,000	218,000
Longevity Pay	34,929	169,714
	10,878,863	11,055,430
<i>Personnel Benefit Contributions</i>		
Employees Compensation Insurance Premium	647,703	558,217
PhilHealth Contributions	175,240	112,763
Pag-IBIG Contributions	55,700	49,450
	878,643	720,430
<i>Other Personnel Benefits</i>	2,630,192	2,645,124
Total	32,879,137	33,332,453

The other personnel benefits pertain to the money value of leave credits that were earned by LIBI personnel and the ANC under Note 15 Provisions - Pension payable.

21. MAINTENANCE AND OTHER OPERATING EXPENSES

	2018	2017
Training and Scholarship Expenses	945,522	173,160
Travelling Expenses	642,736	751,294
Supplies and Materials Expenses		
Office Supplies Expenses	575,366	582,257
Accountable Forms Expenses	160,384	125,133
Non-Accountable Forms	4,826	2,746
	740,576	710,136
Utility Expenses		
Electricity Expenses	841,895	901,442
Water Expenses	141,521	107,692
	983,416	1,009,134
Communication Expenses		
Postage and Courier Services	1,062,771	693,980
Telephone Expenses	405,393	433,097
Internet Subscription Expenses	145,679	179,127
	1,613,843	1,306,204
Professional Fees		
Other Professional Services	1,211,836	46,852
Auditing Services	660,571	1,026,748
Legal Services	240,000	240,000
	2,112,407	1,313,600
Other General Services		
Other General Services	513,275	840,573
Security Services	228,458	249,288
Janitorial Services	0	29,747
	741,733	1,119,608
<i>Repairs and Maintenance</i>		
Repairs and Maintenance-Machinery and Equipment	700,256	16,013
Repairs and Maintenance-Transportation Equipment	219,844	223,296
Repairs and Maintenance-Furniture, Fixture and Books	99,428	7,219
Repairs and Maintenance-Semi-Expendable Machinery and Equipment	40,509	15,536
	1,060,037	262,064
Taxes, Insurance Premium and Other Fees		
Taxes, Duties and Licenses	1,338,980	1,366,560
Insurance Expenses	532,974	186,675
	1,871,954	1,553,235
Other Maintenance and Operating Services		
Directors' and Committee Members' Fees	3,746,000	3,796,000
Representation Expenses	1,166,950	1,548,726
Advertising, Promotional and Marketing	207,630	29,010
Rent/Lease Expenses	154,123	280,843
Membership Dues and Contribution to Organizations	12,000	12,000
Subscription Expenses	6,740	4,050
Donations	0	403,613
Other Maintenance and Operating Expenses	1,264,449	1,062,292
	6,557,892	7,136,534
Total	17,270,116	15,334,969

22. FINANCIAL EXPENSES

	2018	2017
Other Financial Charges	80,342	61,994
Bank Charges	30,180	24,320
Total	110,522	86,314

Other Financial Charges pertains to broker's fee and other incidental charges in placement or sale of investment securities.

23. NON-CASH EXPENSES

	2018	2017
<i>Depreciation</i>		
Depreciation-Building	1,802,596	1,911,019
Depreciation-Office Equipment	1,383,998	368,826
Depreciation-Motor Vehicles	469,790	323,776
Depreciation-Information and Communication Technology	249,213	126,687
Depreciation-Furniture and Fixtures	77,148	43,912
	3,982,745	2,774,220
<i>Amortization</i>		
Amortization-Intangible Assets (Note 11)	9,568	0
<i>Impairment Loss</i>		
Impairment Loss-Receivables (Note 5)	1,823,188	2,455,719
<i>Non-cash Expenses</i>		
Loss on sale of unserviceable property and equipment	0	42,797
Total	5,815,501	5,272,736

24. NON-OPERATING INCOME, GAINS OR LOSSES

24.1 Non-Operating Income/Gain

	2018	2017
Gains		
Gain from Forex	0	158,596
Other Non-Operating Income		
Rental income	810,000	810,000
Miscellaneous Income	623,869	581,997
Total	1,433,869	1,391,997

25. INCOME TAX EXPENSE

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

	2018	2017
Income tax expense	24,949,007	19,563,011
Income tax benefit	(546,957)	(736,716)
	24,402,050	18,826,295

Reconciliation of Income before income tax against taxable income is as follows:

	2018	2017
Income before income tax	117,978,230	95,844,702
Non-deductible expenses		
Impairment loss-loans and receivables	1,823,188	2,455,720
Non-taxable income and income subjected to final tax:		
Interest income	(36,638,060)	(33,090,385)
	(34,814,872)	(30,634,665)
Net taxable income	83,163,358	65,210,037
Income tax rate	30%	30%
Income Tax Expense	24,949,007	19,563,011

Deferred tax asset/Income tax benefit is computed as follows:

	2018	2017
Balance, beginning of year	3,870,148	6,817,500
Reversal of CYs 2017, 2016 and 2015 provisions on accrued service fees receivable from private insurance due to collection (Note 5)	1,335,736	(3,157,470)
Reversal of provisions on receivable-extra remuneration due to collection:		
PY2013 accrued extra remuneration	0	(969,607)
PY2011 accrued extra remuneration	0	(12,676)
PY2010 accrued extra remuneration	0	(9,727)
PY2009 accrued extra remuneration	0	(69,781)
PY2008 accrued extra remuneration	0	(41,281)
PY2007 accrued extra remuneration	0	(59,873)
	0	(1,162,945)
Reversal not qualified per GSIS pre-qualification (with other perils and premium payments received beyond the 30-day period):		
PY2013 accrued extra remuneration	0	(565,590)
PY2012 accrued extra remuneration	0	(675,953)
PY2011 accrued extra remuneration	0	(383,331)
PY2010 accrued extra remuneration	0	(214,394)
PY2009 accrued extra remuneration	0	(331,542)
PY2008 accrued extra remuneration	0	(10,682)
PY2007 accrued extra remuneration	0	(3,777)
	0	(2,185,269)
Reversal due to non-payment of extra remuneration by GSIS:		
PY2013 accrued extra remuneration	0	(324,948)
PY2012 accrued extra remuneration	0	(437,762)
PY2011 accrued extra remuneration	0	(1,056,927)
PY2010 accrued extra remuneration	0	(1,747,635)
PY2009 accrued extra remuneration	0	(854,622)
PY2008 accrued extra remuneration	0	(52,304)
PY2007 accrued extra remuneration	0	(855,962)
	0	(5,330,160)
Total reversals	(1,335,736)	(11,835,844)
Provision for probable losses recorded at year end:		
Accrued service fees receivable from private insurance recorded October 2017 to August 31, 2018 (Note 5)		
Accrued service fees receivable from private insurance recorded in CYs 2015, 2016 and January to September 2017		2,455,719
	487,452	9,380,125
Prevailing income tax rate		
Deferred tax asset/income tax benefit reversed at year end		
	146,236	(2,814,037)
Reversal of deferred tax asset on allowance provided		
to the receivable from COA disallowance		(133,315)
Balance, end of year	4,016,384	3,870,148

Income tax benefits shall be deducted from the LIBI's future tax obligations to the extent of the amount of provision for accrued service fees receivable that will have no economic benefits to the Corporation.

26. SUPPLEMENTARY INFORMATION ON REVENUE REGULATION

In compliance with the requirements set forth in RR 15-2010, hereunder are the information on taxes, duties and license fees paid and accrued during the taxable year.

LBP Insurance Brokerage, Inc. is a VAT- registered Corporation with VAT output tax declaration of P18,209,274 based on actual collections during the year of service fees and rental income amounting to P151,743,950. Actual VAT paid for the year amounted to P16,522,463 after applying Input Tax of P1,636,622 and creditable withholding tax of P50,189. The VAT payable of P1,133,040 (Note 13) was remitted in the following month/year. Government VAT of P886,518 withheld from payments to suppliers of goods and services was also remitted to the BIR within the reglementary period.

Changes in the balance of the input tax are as follows:

Balance, beginning of year		898,793
Current year's purchases:		
Capital goods	1,152,759	
Goods other than for resale or manufacture	303,956	
Services lodged under other accounts	1,002,325	
Input taxes claimed for the year	(1,636,622)	822,418
Balance, end of year		1,721,211

B. Other taxes and licenses recorded under Taxes and licenses account are as follows (Note 21):

Local		
Mayor's permit		942,522
Real property tax		188,049
Real estate tax		101,353
Community tax certificate		10,500
Electrical and occupancy permit fee		830
Barangay clearance		2,570
		1,245,824
National		
License and filing fee – Insurance Commission		52,269
Soliciting fee license issued to an insurance broker		30,300
Registration of motor vehicle at LTO		7,587
Certification fee for tax exemption for retirement plan		2,000
BIR annual registration		500
Certification 2016 Audited Financial Statements		500
		93,156
		1,338,980

C. The income taxes/withholding taxes paid/accrued for the year amounted to:

Corporate tax	
Income Tax	4,741,744
Creditable withholding tax at source (paid in advance by LIBI and used as tax credits)	20,207,263
	24,949,007
Tax on compensation and benefits	2,754,377
Expanded withholding tax from suppliers	696,179
	28,399,563

The income tax payable as of December 31, 2018 amounted to P7,525,533 (Note 13).

There are outstanding Letter Notices (LN) No. 047-RLFTRS-12-00-00402 and No. 047-RLF-11-00-00123 dated June 10, 2014 and January 28, 2013, respectively regarding the discrepancies resulting from Reconciliation of Listing for Enforcement (RELIEF) and Third Party Matching – Tax Reconciliation system (TRS) as declared in LIBI’s tax returns filed for CY2012 and 2011 particularly VAT returns filed by suppliers. The required documents needed to refute the findings were forwarded to the BIR.

27. RELATED PARTY DISCLOSURES

The financial statements include various transactions with its parent and affiliated companies. The more significant related party transactions, arising from normal course of business include the following:

a. To defray expenses in the appraisal, inspection of property to be insured and other administrative matters such as collection of insurance premium payments of insured properties; handling fees are given to LIBI’s clients, the LBP units, branches and subsidiaries. For the current year, handling fee accrued and payable to LBP units, branches and subsidiaries reached 14,660,223 (Note 19).

b. Compensation of key management personnel for 2018 and 2017 are as follows:

	2018	2017
For the President and General Manager		
Total salaries and wages	2,447,634	3,152,400
Total short-term employee benefits (RA, PEI, per diem, bonuses, medical benefits)	1,263,676	1,282,143
	3,711,310	4,434,543
For Corporate officers who are employees of the parent company, LBP:		
Total short-term employee benefits (per diems and reimbursable expenses)	164,000	174,500
	3,875,310	4,609,043

c. A Trust Agreement was made and entered into by and between LBP Insurance Brokerage, Inc. (LIBI) and LBP – Trust Banking Group (LBP-TBG) on July 18, 2011 thereby appointing the latter as the Trustee of the LIBI’s Retirement Benefit Plan. The essential terms and conditions of the agreement are as follows:

- The Trustor (LIBI) shall deliver and pay to the Trustee such sums representing the annual contributions of the Trustor as provided in the Plan, starting with the contribution for the current year in the amount of PESOS: Ten Million One Thousand Pesos (Php10,001,000.00).
- The Trustor hereby waives all its rights and interest to the money or properties which are and will be paid or transferred to the Fund, to the extent required to provide the benefits pursuant to the Plan.
- The Trustee shall hold the title to the Fund to be held in trust for the purpose stated in and subject to all the terms and conditions of the Agreement as well as the Plan, which shall be deemed part of this Agreement. The Trustee shall invest and re-invest the Fund, together with all increments and proceeds in fixed-income government securities like Treasury Bills or Notes, Agrarian Reform Bonds, Retail Treasury Bonds, BSP Special Deposit Account and other financial instruments duly guaranteed by the Republic of the Philippines; deposit arrangements/special deposit account with reputable banks including the Trustee’s own commercial banking sector; and common or preferred shares of stocks, bonds or note issued by blue-chips private and government-owned corporations. Other investment outlets shall require prior written approval of the Trustor.
- To cause any asset acquired from the investment/reinvestment of the Fund to be held, registered and issued in its own name as Trustee or in the name of its nominee, provided, that the books and records of the Trustee shall at all times show that all such properties are part of the Fund. To pay all costs, fees, charges and such other expenses connected with the investments, administration, reservation and maintenance of the Fund and to charge the same to the Fund.
- In the management of the fund, the Trustee shall pay to the beneficiaries the benefits under the Plan upon written advice of the Trustor. To keep and maintain books of accounts and/or records of the management and operations of the Fund, which the Trustor or its authorized representative may inspect from time to time. At the end of every calendar quarter, to submit the financial reports, investment activity reports or such other reports as may be requested by the Trustor. The Trustee shall administer the funds held in trust with such degree of skill and care as a prudent man would exercise in the conduct of an enterprise of like character and with similar aims.
- For its services, the Trustee shall be entitled to a fee equivalent to 0.75 per cent per annum of the average total assets of the Fund, computed daily and collected at the end of each quarter. The Trustee is hereby authorized to debit its fees from the Fund. The above fee is quoted with the understanding that the same may be reviewed at the request of either party and adjusted in a mutually satisfactory basis.

- Except for fraud, bad faith or gross negligence, the Trustee shall not be liable for any losses or depreciation in the value of the Fund resulting from investments or reinvestments thereof as authorized herein, or from the performance of any act in accordance with the provision of the Agreement. This Agreement shall not guarantee a yield, return of income on the investment/reinvestments of the Fund as the same can fall as well as rise depending on prevailing market conditions and is not covered by Philippine Deposit Insurance Corporation. Losses, if any, shall be for the account of the Trustor (pursuant to Section X409.1 of the Manual of Regulations for Banks-Part IV).
- The Agreement shall remain in full force and effect until the termination of the Plan unless sooner terminated by either party hereto by giving thirty days advance notice to the other.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

LIBI recognizes the importance of an effective financial risk management program and a Risk Management Manual was finalized and approved by the members of the Board in 2009.

The objective of the Manual is to serve as basis and reference for consistent risk management that is applicable to all employees of LBP Insurance Brokerage, Inc. (LIBI). It aims to create a culture of risk-awareness, not risk-aversion based on the prudential framework required by BSP circulars. It provides a general set of risk principles delegated to each business unit through its reporting and approval procedures.

An Audit and Risk Management Committee was created to be primarily responsible for the development and oversight of the risk management programs of LIBI which include oversight of management functions and approval of proposals regarding LIBI's policies, procedures and best practices relative to asset and liability management, credit, market and business operations risks ensuring that: (a) insurance requirements of its parent, Land Bank of the Philippines, and their lending units are passed on to LIBI; (b) system of limits remain effective; and (c) immediate corrective actions are taken whenever limits are breached or whenever necessary.

As part of identification risk, the following are classified as major risks that LIBI manages in the course of its business.

Market Risk

Market risk can be generally defined as risk of loss, immediate or over time, due to adverse, fluctuations in price or market value of instruments, products and transactions in LIBI's overall portfolio. Market risks are central focus of risk measurement methodologies and limits, as well as gauge by which LIBI can determine returns it will require for its activities.

Net premium volume produced during the year reached P714,822,059 representing an increase of 16.89 per cent or P103,318,128 compared to last year's P611,503,931 net premium volume. This was due to the increase in LBP Branches Livelihood Loan Saver (LLS) and LandBank Mobile Loan Saver (LMLS) releases. Likewise, increase in volume in loan releases for both LBP Agricultural Development Lending Sector (ADLS) and Provident Fund Department (PFD).

Net service fees from insurance brokering for the year of P135,981,577 is P23,407,513 or 20.79 per cent higher compared to last year's P112,574,064 net service fees (Note 19).

LIBI, as a subsidiary of LBP, has already captured LBP as market for its products and services. Nonetheless, LIBI continues to intensify its campaign to solicit more direct business from private corporations and other government entities.

Liquidity Risk

It is the risk that LIBI will be unable to make a timely payment of any of its financial obligations to customers or counterparties in any currency. Trading Liquidity risk refers to inability to unwind positions created from markets, exchanges and counterparties due to temporary or permanent factors.

Prudent liquidity risk management implies sufficient cash and cash equivalents and marketable securities. Insurance cash inflows from operations and readily marketable government securities investments provide the bulk of LIBI's liquidity buffer.

Interest Rate Risk

This is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. LIBI's fixed rate investments in held-to-maturity investments are exposed to such risk. Interest income derived from investments and savings deposits this year of P36,638,060 was higher by 10.72 per cent or equivalent to P3,547,675 compared to last year's interest income of P33,090,385 (Note 19).

It is the policy of LIBI to invest excess funds in government securities (GS) where the servicing and repayments are fully guaranteed by the government. The investment in GS may be placed with the LBP Treasury and Investment Banking Group or LBP Trust Banking Group.

LIBI's Investment Committee observes diversified GS portfolio, varied maturity spectrum and optimum yields in deciding the type and term of investment. When yields of GS are expected to go down, LIBI buys long-term GS in order to lock-in on high yielding GS. Conversely, when yields are expected to go up, it buys short-term GS to stay liquid and be able to switch to high yielding GS when rates start to pick up.

LIBI's principal financial instruments comprise of cash deposits, held-to-maturity investments consisting primarily of investment in government securities like Retail Treasury Bonds and DBP Tier-II (Note 8). These are not subjected to mark-to-market valuation but impairment testing is being done on HTM in RTBs.

Total investments at amortized cost as at December 31, 2018 is P1,027,593,682 which is 78.96 per cent of the LIBI's total assets of P1,301,408,962. Liquid assets of P107,186,726 are 0.548 times the current liabilities of P195,459,907.

The table below summarizes the Maturity Profile of the Corporation's Assets and Liabilities.

	Up to 3 mos.	3 to 6 mos.	6 mos. to 1 year	More than 1 year	TOTAL
Cash and Cash equivalents	107,186,726	0	0	0	107,186,726
Receivables, net	38,660,445	18,026,364	15,561,416	43,968,999	116,217,224
Inventories	18,482	68,422	41,292	0	128,196
Financial Assets				1,027,593,682	1,027,593,682
Investment Property				998,316	998,316
Property and Equipment, net				26,242,145	26,242,145
Intangible Assets				4,897,322	4,897,322
Deferred Tax Assets				4,016,383	4,016,383
Other Assets	7,981,477	2,272,942	1,576,733	2,297,816	14,128,968
Total Assets	153,847,130	20,367,728	17,179,441	1,110,014,663	1,301,408,962
LIABILITIES					
Financial Liabilities	115,373,943	6,374,600	7,812,656	44,765,010	174,326,209
Inter-agency payables	9,179,934	0	0	0	9,179,934
Trust liabilities	39,069,434	8,340,013	3,810,719	7,117,875	58,338,041
Provisions	5,455,681	0	0	2,819,935	8,275,616
Other payables	42,927	0	0	0	42,927
Total Liabilities	169,121,919	14,714,613	11,623,375	54,702,820	250,162,727
Asset-Liability Gap	(15,274,789)	5,653,115	5,556,066	1,055,311,843	1,051,246,235



Return on Equity (ROE) for CY 2018 is 9.17 per cent, while Return on Asset (ROA) is 7.31 per cent, higher by 1.23 per cent and 1.15 per cent compared to last year's ROE of 7.94 per cent and ROA of 6.16 per cent, respectively. Likewise, per capita income is P1.83 million, higher by 7.02 per cent or P0.120 million compared to the per capita income of P1.71 million last year.

Credit Risk

A. Direct Credit Risk is the risk that a customer or counterparty will be unable to pay obligations on time or in full as expected or previously contracted, subjecting LIBI to a financial loss. It lasts for the entire tenor and is set at full amount of a transaction. The possibility of non-collection of Accounts Receivable within one year is moderate due to intensified collection through faster sending of Statement of Accounts thru fax, email, mail and frequent follow-ups by phone. LIBI's collection rate of 92 per cent for the current year is one per cent higher than the 91 per cent collection rate last year.

B. Management has negotiated with Land Bank of the Philippines for the advance payment of policies by the branches/lending units.

29. COMMITMENT

LIBI has renewed its Full Service and Maintenance Agreement (FSMA) with Fuji Xerox Philippines, Inc. for another term of 48 months that commenced on July 11, 2017 and shall expire on July 11, 2021. New and upgraded equipment had been installed to replace the old model. The renewed FSMA contains same terms and conditions as with previous one.

THE LIBI BOARD OF DIRECTORS

As of December 31, 2018



TOMAS T. DE LEON, JR. Chairman

Birthdate:	April 5, 1949
Age:	67 years old
Date of Appointment::	July 1, 2012
Educational Attainment:	
Post Graduate:	Masters in Business Administration Ateneo Graduate School of Business Graduated: 1976
College:	AB Economics Ateneo de Manila University Graduated: 1972
Others:	Special Courses in Management/ Leadership Ateneo Center for Continuing Education
Directorship: No other directorship	

Mr. Tomas Tarnate de Leon, Jr. sits as the Chairman of the Board of LBP Insurance Brokerage, Inc. (LIBI) since July 1, 2012.

Mr. De Leon spent the earlier years of his career gaining management experience from the Insular Life-FGU Group of Companies from 1972 to 1974, the Family Bank & Trust Company from 1978 to 1980, and as Senior Associate at the Louis A. Allen Associate from 1981 to 1989.

Currently, he is the Chairman of the Metro Rail Transit Corporation (MRTC). He is a stockholder of the Bacolod Real Estate Development Corporation (BREDCO). He is also the director of IT service provider Data Trail Corporation.

He previously served as a member of the Board of Directors of the LANDBANK Realty Development Corporation (LBRDC), and as Chairman and President of the Philippine Society for Training and Development and the Asian Regional Training and Development Organization.

THE LIBI BOARD OF DIRECTORS

As of December 31, 2018



YOLANDA D. VELASCO

Director

Birthdate:	February 29, 1952
Age:	64 years old
Date of Appointment:	May 31, 2011
Educational Attainment:	
College:	Certificate Course on Financial Management Colombo Plan Bureau Institution of Financial Management and Research Madras, India 1987
	Master in Business Administration (40 units) Ateneo Graduate School of Business Makati, 1979
	Bachelor of Science in Business Administration and Accountancy (BSBAA) University of the Philippines, 1973
PROFESSIONAL AND CIVIL SERVICE ELIGIBILITIES	CPA Board Examination CPA License No. 26400 Issue date: September 4, 1974
Directorship: No other directorship	

Mrs. Yolanda Dillague Velasco has been a Member of the Board of the Corporation since May 31, 2011. She held the position of Senior Vice-President/Group Head – Controllership Group of the LAND BANK OF THE PHILIPPINES when she retired on February 1, 2016.

Mrs. Velasco has been the Collection Assistant and Inventory Financing Clerk of Filinvest. Mrs. Velasco was the Chairperson, Membership Committee of the Banker’s Institute of the Philippines (BIP) from 2009-2010 then Director from 2010-2011. From 2011-2012 she was the Director of Audit Committee of the BIP. Mrs. Velasco was also a Director of the Government Association of Certified Public Accountants from 2011-2012.

THE LIBI BOARD OF DIRECTORS

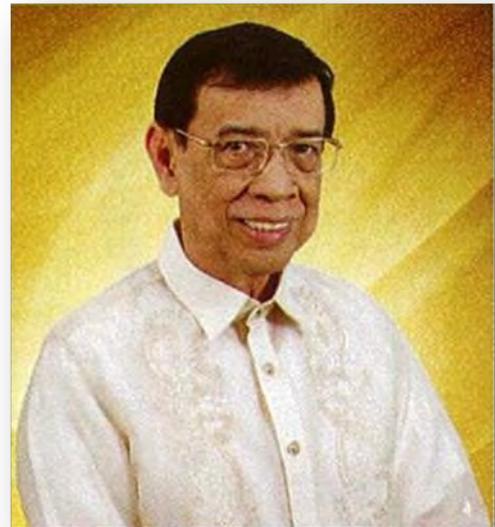
As of December 31, 2018



ATTY. REYNAULD R. VILLAFUERTE

Director

Birthdate:	April 18, 1952
Age:	64 years old
Date of Appointment:	July 1, 2012
Educational Attainment:	
College:	Bachelor of Science in Communication Ateneo de Zamboanga, 1973 Bachelor of Laws Zamboanga A.E. College, 1975
Graduate Studies:	Bachelor of Laws/Master in Business Administration Adamson University/University of Sto. Tomas, 1977 - 1980
Professional and Civil Service Eligibilities	Bar Exam IBP License No. 30819, 1981
Directorship: No other directorship	



Atty. Reynauld Ruiz Villafuerte was first appointed as Member of the LIBI Board on July 1, 2012. He has been the Corporate Secretary and Legal Counsel of the Corporation from 1993-2012.

Atty. Villafuerte held the position of Senior Vice-President/Corporate Secretary of the Legal Services Group of the LAND BANK OF THE PHILIPPINES when he retired on August 1, 2016.

THE LIBI BOARD OF DIRECTORS

As of December 31, 2018



ALAN V. BORNAS
Director

Mr. Alan Vidamo Bornas had been a Member of the LIBI Board since July 1, 2012. He is the Senior Vice-President of the LAND BANK OF THE PHILIPPINES heading the Technology Management Group. Mr. Bornas has been with LANDBANK since 1988. He had been the Treasurer of the Brentwood Heights Townhouses Homeowners Association from January 2006 up to present.

Birthdate:	April 25, 1966
Age:	50 years old
Date of Appointment:	July 1, 2012
Educational Attainment:	
College:	Bachelor in Computer Science University of the Philippines, 1987
Directorship: Land Bank of the Philippines (LBP)	

THE LIBI BOARD OF DIRECTORS

As of December 31, 2018



JENNIFER A. TANTAN

Director

Mrs. Jennifer Almazan Tantan was appointed member of the Board on July 1, 2014. Before her appointment, she was the Assistant Treasurer from 1998-2000, Treasurer from 2001-2005 and Chairman of the Investment Committee from February 1, 2015 to November 4, 2014 of LIBI. She is the Senior Vice-President of the LAND BANK OF THE PHILIPPINES heading the North-National Capital Region Branches Group (NCRBG) when she retired on April 1, 2016.



Birthdate:	January 11, 1955
Age:	61 years old
Date of Appointment:	July 1, 2014
Educational Attainment:	
College:	BS Accountancy University of Sto. Tomas, 1975
Graduate Course:	Master of Business Administration (25 units) Ateneo Graduate School Leadership Development Program (6 units) Ateneo Graduate School Diploma in Business Development Concordia Internal College (Canada), 2013 Master of Business Administration College of the Holy Spirit of Manila, 2014
Directorship:	No other directorship

THE LIBI BOARD OF DIRECTORS

As of December 31, 2018



DAISY M. MACALINO
Director

Mrs. Daisy Montalbo Macalino was appointed to the LIBI Board on July 1, 2012. She last held the position of Senior Vice-President heading the Visayas Lending Group of the LAND BANK OF THE PHILIPPINES when she retired on September 1, 2016.

Before joining LANDBANK, Ms. Macalino worked with the Rizal Commercial Banking Corporation (RCBC) from February 1979 – September 1979. She has been with the Philippine National Bank (PNB) from 1979 – 1987. She also worked with Colvent, Inc. from 1987 – 1988

Birthdate:	June 4, 1957
Age:	59 years old
Date of Appointment::	July 1, 2012
Educational Attainment:	
College:	Bachelor of Science in Commerce Major in Accounting St. Paul College Quezon City, 1978
	Leadership and Management Program Ateneo de Manila University, 2002 – 2003 MBA (Top Executive Program) Pamantasan ng Lungsod ng Maynila, 1994 – 1995
	Master in Business Administration Polytechnic University of the Philippines, 1993 – 1994
Directorship: No other directorship	

THE LIBI BOARD OF DIRECTORS

As of December 31, 2018



Atty. Pamela B. Felizarta Director

Atty. Pamela B. Felizarta was appointed to the LIBI Board on July 1, 2016. She is connected at Smart Communications, Inc.

Before joining as LIBI Board of Director he held the follSmart Communications, Inc., Atty. Felizarta worked with Housing and Urban Development Coordinating Council as Deputy Secretary General/Legal/ADM from 2004 to 2010, She has been the Vice-President, Legal/ADM of National Home Mortgage Finance Corporation from 2001 to 2004. She also worked with the following Office/Company:

- Abenson Inc./Waltermart as Labor Relations Officer/Corporate Counsel from 1999-2001
- Soo Gutierrez Leogardo Lee Law Offices as Legal Assistant from 1995-1999

Birthdate:	June 25, 1968
Age:	50 years old
Date of Appointment::	July 1, 2016
Educational Attainment:	
College:	Bachelor of Science in Commerce Major in Economics St. Scholastica's College, 1989
Graduate Studies	Bachelor of Laws/Juris Ateneo de Manila University, 1997
Professional and Civil Service Eligibilities	BAR Passer, 1999 Career Service Eligibility Exam-Professional, 2004 Career Executive Officer Rank VI, 2007
Directorship: No other directorship	

THE LIBI BOARD OF DIRECTORS

As of December 31, 2018



Eusebio A. Cortez Director

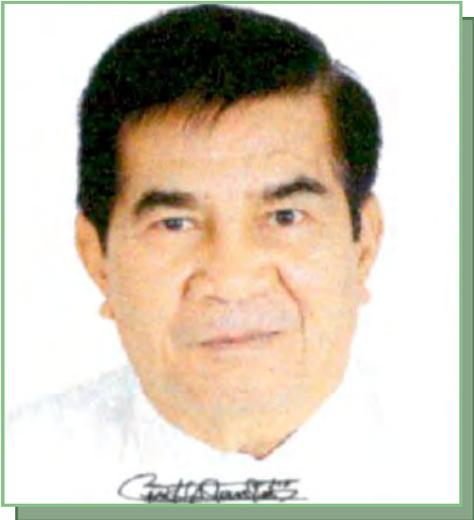
Mr. Eusebio A. Cortez was appointed to the LIBI Board on July 1, 2017. He presently hold the position of Manager from GNG Finders Housing Services. He has been with the Mabini Bakery Supply as Manager from 2011-2013. He has been the Owner of Ramos Dental Clinic from 1992-2000.

He also worked as with Prudential Bank as Savings/Current Bookkeeper from 1982-1984. Teller/Customer Service of American Express Bank from 1985-1990 and worked as Teller of Merchants National Bank from 1990-1991.

Birthdate:	August 14, 1959
Age:	59 years old
Date of Appointment::	July 1, 2017
Educational Attainment:	
College:	(Course) Holy Angel University, 1980
Directorship: No other directorship	

THE LIBI BOARD OF DIRECTORS

As of December 31, 2018



Atty. Benjamin G. Salanatin Director

Atty. Benjamin G. Salanatin was appointed to the LIBI Board on April 25, 2018.

He presently worked as Project Manager with RG Salanatin Construction, Inc. He practice his profession as Attorney V in Agrarian Legal Office in Landbank from 1990-2009. He also worked as Managing Partner with Abayon Silva Salanatin and Associates from 2009 - 2015.

Birthdate:	November 5, 1948
Age:	70 years old
Date of Appointment:	April 25, 2018
Educational Attainment:	
College:	University of the East, 1974 Bachelor of Laws Bar/Board Eligibility (RA1080)
Directorship: No other directorship	



**LBP (LANDBANK OF THE PHIL.)
INSURANCE BROKERAGE, INC.
(LIBI)
(A LANDBANK Subsidiary)**

**12/F SSHG Law Centre Bldg., 105 Paseo de Roxas, Legaspi Village, Makati City 1209
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Telefax: 893-7224; 818-7794; 817-1564
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Regulated by the Insurance Commission**