

2004 Annual Report

A Fusion of Traditional Service and Modern Banking



LAND BANK OF THE PHILIPPINES

"Ang Bangkong May Damdaming Bayan"

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About the Cover

A Fusion of Traditional Service and Modern Banking

The cover showing a corn that metamorphosed into a computer keyboard symbolizes how LANDBANK's service to its clients and stakeholders has evolved through the years. While LANDBANK continues to be a major lender to its priority sectors and other clients, it has taken advantage of the latest technology and introduced innovations to meet their growing needs amid a highly challenging and fast-paced environment.

All these form part of our bank's continuing commitment to serve you in the best and most effective way we can.

Vision

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

Mission

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

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

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

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

LBP BUSINESS GOALS



Financial Highlights

(in Billion Pesos)	2004	2003	2002	2001	2000
Total Resources	287.7	267.9	250.8	229.4	208.2
Liquid Assets	68.2	56.8	56.4	68.2	86.5
Earning Assets	234.4	212.8	194.8	189.3	180.8
Loan Portfolio (Net)	134.6	119.8	105.4	107.6	106.4
Investments (Net)	100.8	95.3	90.3	69.6	57.3
Deposit Liabilities	214.9	184.9	179.5	168.5	149.4
Demand	74.3	68.8	69.8	60.2	58.6
Savings	118.6	96.7	91.8	84.0	70.6
Time	22.0	19.4	17.9	24.3	20.0
Capital	21.0	22.1	20.8	18.9	16.6
Gross Revenues	21.4	18.5	17.9	20.0	16.8
Interest Income on Loans	10.2	8.5	8.1	10.8	11.2
Income on Investments	8.2	7.6	7.5	7.0	4.5
Net Income (in P M)	2,250.7	2,001.2	1,658.6	1,507.7	508.9
Return on Average Equity %	10.46	9.34	8.25	9.24	3.19
Return on Average Assets %	0.81	0.77	0.69	0.69	0.25

LBP Gross Loan Portfolio

(in Billion Pesos)	2004	2003	Share to Total (2004)
SECTORS			
Farmers and Fisherfolk	16.3	12.9	13%
Microenterprises and SMEs	17.2	16.6	14%
Agribusiness	18.2	14.9	15%
Agri-infrastructure (LGUs)	11.5	8.9	9%
Agri-related Projects (GOCCs)	9.5	5.4	8%
Livelihood Loans	2.4	2.5	2%
Environment-related Projects	2.3	3.1	2%
TOTAL PRIORITY SECTOR LOANS	77.4	64.3	62%
Other LGU Loans	8.4	8.2	7%
Other GOCC Loans	8.3	7.1	7%
Infrastructure Development	5.5	5.6	4%
Housing	5.7	6.3	5%
Schools and Hospitals	1.4	1.4	1%
Others	18.3	21.9	15%
TOTAL NON PRIORITY SECTOR LOANS	47.6	50.5	38%
TOTAL LBP LOAN PORTFOLIO	125.0	114.8	100%

Message of the President of the Philippines

My warmest greetings to the board, management and staff of the Land Bank of the Philippines as you come up with your 2004 Annual Report.

I commend LANDBANK for its many years of successful and dedicated service to the Filipino people. By keeping itself sound and viable, LANDBANK has remained a pillar in the banking sector and has performed its mandate in helping chart our economic recovery.

Our Administration is for a strong banking sector committed to assisting Philippine agriculture and enterprises. I laud your Bank for its strong program of providing loans to our small farmers, fisherfolk, SMEs and microenterprises, agribusiness, agri-infrastructure and related projects. Indeed, this is in line with our desire to fast-track countryside development and assist Philippine business.

I count on LANDBANK to play a more crucial role in promoting trade and economic activity in the midst of serious economic challenges. Our local communities will be assured of growth, enabling them to successfully compete in the global market with LANDBANK providing them support.

Let us redouble our efforts to beat the odds and achieve our goal of a better future for our countrymen.

More power and MABUHAY!


GLORIA MACAPAGAL-ARROYO

MANILA
May 2005



Chairman's and President's Report



Sec. Juanita D. Amatong
CHAIRMAN (Nov. 2003 - Aug. 2004)



Luis P. Lorenzo, Jr.
CHAIRMAN (Sept. 2004 - March 2005)

Your Bank maintained a steady course in 2004, anchoring its strategies on its three interconnected and equally important business goals for the medium term: pursuit of mandate, institutional viability and customer service.

The year 2004 was marked by numerous events, some with far-reaching implications on our country.

After months of uncertainty, the business climate improved with the election and proclamation of President Gloria Macapagal-Arroyo as the highest official of the land. She then began her fresh mandate with a 10-point priority development agenda that focused on job creation, the decentralization of progress and a more efficient bureaucracy, among others.

The smoke had barely cleared when other challenges began to unfold: a drop in the country's credit rating, a burgeoning government deficit that necessitated belt-tightening measures, floods that wreaked havoc in Southern Luzon areas and the threat of terrorism.

On the positive side, our economic growth was better than expected, with our gross domestic product hitting 6.1 percent in 2004 compared to 4.5 percent in 2003. The agricultural, forestry and fishery sectors accounted for 20 percent of the total GDP. The sin tax law was also passed covering tobacco products and liquors.

The banking industry proved resilient as well. Some banks, including LANDBANK, took advantage of landmark legislation like the Special Purpose Asset Vehicle (SPAV) law to strengthen its financial standing. Competition remained intense with many players in the industry offering electronic and mobile banking, tapping the expanding OFW market and investing in automation to improve service delivery and efficiency.

FOCUSING ON THREE MAIN GOALS

Amid all this, your Bank maintained a steady course in 2004, anchoring its strategies on its three interconnected and equally important business goals for the medium term: pursuit of mandate, institutional viability and customer service.

Ending 2003 with record highs in terms of performance, we set our sights on higher and greater targets in all three areas.

More than simply satisfied, we wanted our customers to be delighted. We also aimed for an even more impressive financial performance in order to strengthen our long-term financial viability. Finally, we sought to further empower our mandated clients and enable them to become our government's partners in achieving progress and development for our nation.

PURSUING THE MANDATE AS A COUNTRYSIDE DEVELOPMENT FINANCIAL INSTITUTION

As a financial institution with a social mission, remaining competitive while staying true to our mandate has been a continuous challenge. Still, we have managed this tough balancing act as evidenced by the continued expansion of our loan portfolio in favor of our priority sectors: the farmers and fisherfolk, SMEs and microenterprises, livelihood loans and agri-business, agri-infrastructure, agri- and environment-related projects.

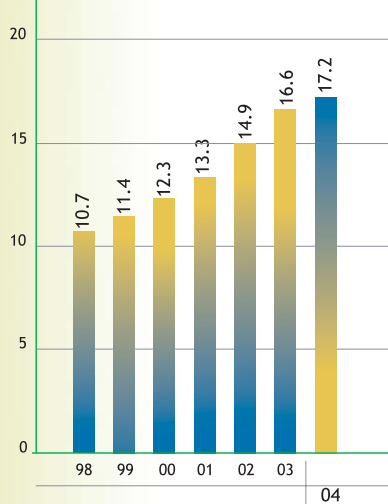
As of end-2004, our total loans to these sectors amounted to P77 billion, representing 62 percent of our P125 billion loan portfolio. We are particularly proud to have successfully increased our loan exposure to our priority clients for three years running.

We are also currently the largest lender to SMEs and microenterprises. Our total outstanding loans to this sector amounted to P17.2 billion, a growth of 4 percent from P16.6 billion in 2003. The loans helped more than 14,000 beneficiaries start or improve their business undertakings. Of the P17.2 billion, P12.4 billion was released

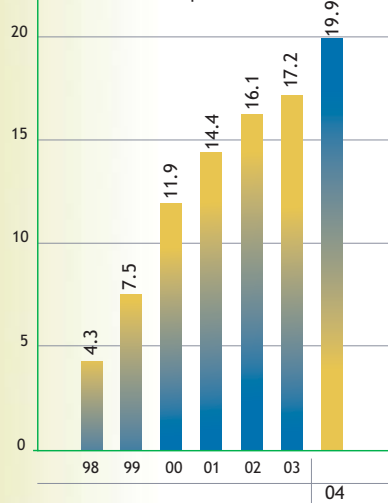


Gary B. Teves
PRESIDENT AND CEO

LBP LOANS OUTSTANDING TO MICROENTERPRISES & SMEs
in billion pesos



LBP LOANS TO LOCAL GOVERNMENT UNITS
in billion pesos



by LANDBANK under the SME Unified Lending Opportunities for National Growth program or SULONG, exceeding our 2004 target of P9 billion by 38 percent.

In recognition of the significant contribution of small and medium enterprises to the country, we launched our first Gawad Entrepreneur awards in 2004. Grand prize winners included the Namuhje Integrated Farms of Malabing Valley, Nueva Ecija, producers of Satsuma and pomelo orange varieties (sole proprietorship/partnership category); Asia Embroidery of Parañaque City, Metro Manila (corporation) and Aklan's Boneless Bangus of Numancia, Aklan (Entrepre-youth).

We also recognized the need of local government units for an alternative source of development financing, especially in light of the national government's financial difficulties. Consequently, we continued helping our LGUs build crucial agri-infra-structure projects and provide basic services, such as water systems, school buildings and farm-to-market roads. Our total outstanding loans to LGUs amounted to P19.9 billion as of end-2004. Agri-related loans accounted for 57 percent or P11.5 billion.

Through the support we provide at the local levels, we help the national government decentralize progress, decongesting urban centers in Manila and fast-tracking rural development.

As a co-implementing agency of CARP, we approved 30,409 hectares of total land transfer claims for payment for the year. This brings to 167,215 hectares the total land transfer claims approved for payment since 2001. Our aggressive collection efforts also bore fruit. Our total agrarian reform receivables (ARR) collections from farmer beneficiaries in 2004 reached P208.7 million, 32 percent higher than the previous year's collection of P158.4 million.

Payments from the national government totaling P7.3 billion also significantly reduced our CARP cash advances, a source of financial strain for the bank in the past years. As of end-2004, our advances were down to only P884 million, the lowest in six years, which allowed us to fulfill our covenant with the World Bank for our CARP advances not to exceed P1 billion.

Since we believe that modernization is essential to remain competitive in an increasingly global economy, we continued our active support for the government's Agriculture and Fisheries Modernization Program or AFMA. In 2004, LANDBANK releases for AFMA totaled P19.8 billion, 109 percent of our P18.2 billion commitment for 2004 and 10 percent higher than the P18 billion released in 2003. This helped generate more than 185,000 new jobs in the agricultural sector.

ENSURING LONG-TERM INSTITUTIONAL STABILITY AND VIABILITY AS A UNIVERSAL BANK

With our strong financial showing in 2004, your bank proved that with clear direction and prudent management, the business of development financing could be profitable.

We attained a record net income of P2.25 billion in 2004, surpassing our target by P100 million and exceeding our 2003 net income of P2 billion by 12 percent. In doing so, we set another record for the bank's profitability, having exceeded our net income targets for four years in a row.

A 15 percent increase in revenues from P18.5 billion to P21.4 billion drove the growth in our net income, offsetting the 16 percent increase in our expenses of P19.1 billion.

2004 also saw the successful sale of LANDBANK's P13.5 billion worth of non-performing loans under the Special Purpose Vehicle Law. The sale was considered a

landmark transaction for the country in terms of size, number of bidders and importance. More importantly, it also laid down the foundation for other government-owned corporations and private financial institutions to dispose of their non-performing assets.

With this sale, your bank improved its NPL ratio from 12.8 percent in December 2004 to 6.9 percent in March 2005. More importantly, we can now use the proceeds of the sale to address our priority sectors' expanding demand for loans.

LANDBANK reinforced its standing as among the country's top 5 commercial banks in 2004 in terms of major financial indicators. Our total deposits rose by 16 percent from P184.9 billion to P214.9 billion. Assets increased by 7 percent from P268 billion to P288 billion. Our capital slightly decreased by 5 percent from P22.1 billion to P21 billion due to the redemption of the National Development Company's preferred shares worth P2 billion.

To boost our risk management system, we continued implementing our Business Continuity Plan and held relevant training programs for the Board, senior management and field personnel in coordination with the Asian Institute of Management - JBF Center for Banking and Finance.

In response to the national government's call for austerity, we adopted various cost-cutting measures, which resulted in total savings of P265 million, nearly double our target of P134 million. Belt-tightening measures we undertook included limiting overtime, travel and company celebration expenses, as well as cutting our fuel and utility costs.

In support of the national government's revenue generation efforts, we remitted P600 million in cash dividends to the national government for our 2003 net income of P2 billion.

The quick and easy tax payment programs we implemented also underscored our continued support for the government's tax collection efforts. We partnered with the Bureau of Internal Revenue on the Electronic Tax Payment System, enabling taxpayers to pay their taxes online 24/7. We were also the official and exclusive collection agent for the BIR's Annual Business Registration payments through Globe Telecom's Mobile Payment System.

OUR VALUED ASSETS

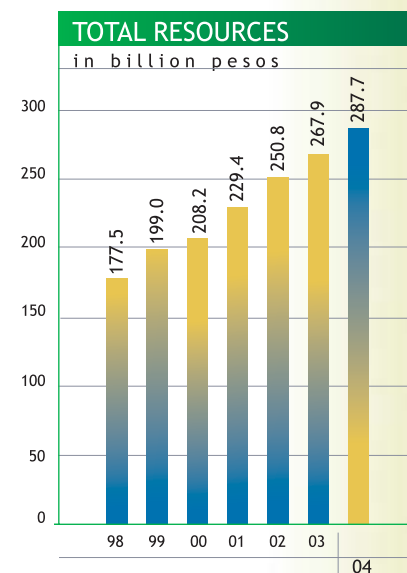
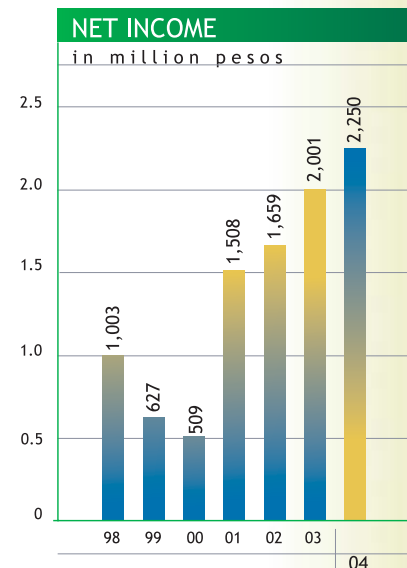
The foundation of a highly effective organization lies in the quality of its people. Much of what we achieved during the year was made possible by our employees' determination, perseverance and willingness to help achieve our goals. In recognition of this, we implemented our Merit Increase Program for qualified employees.

We also approved the regularization of 556 contractual and daily paid workers. We continue to remain cognizant of our goal to streamline our organization and have implemented various work improvement programs and automation projects for improved operational efficiency.

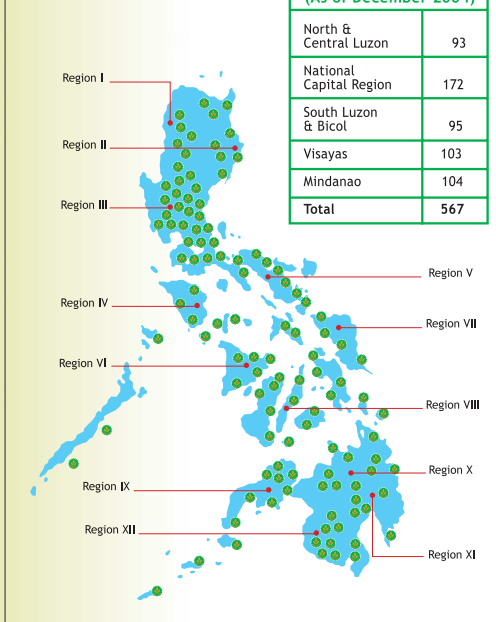
YEAR OF THE CUSTOMER

In 2004, LANDBANK focused on major initiatives and programs aimed to improve our customer service so that we could stand at par with the best in the industry.

We undertook an aggressive ATM deployment program, installing 259 new ATMs by end-2004 and bringing our total ATM network to 567 from only 308 in 2003. This is the



LBP ATM NETWORK



most number of ATMs installed by any bank in the country in a single year. Our interconnection with Megalink also allowed our ATM cardholders to transact through more than 3,500 ATMs nationwide.

We have also begun pilot-testing new projects such as I-Access, our Internet banking facility and the Efficient Service Machine, a payment kiosk for individual and institutional payees of the BIR, SSS, HDMF and NHMFC.

CHARTING NEW COURSES

Your continued trust and confidence inspire us to achieve new heights of excellence. In the next four years, we envision a bigger, better and stronger LANDBANK.

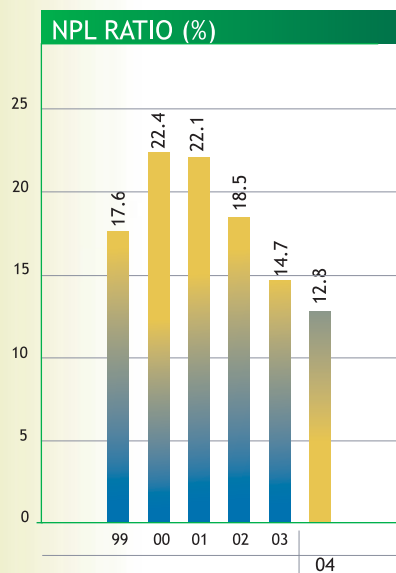
We want to intensify our impact on our top priority clients – the farmers and fisherfolk and the microenterprises and SMEs – through increased credit assistance and capability-building programs.

We want to strengthen our position in the industry in terms of major performance indicators. Apart from continuing to manage our expenses and pursuing our austerity program, we will undertake major low-cost deposit generation campaigns. We will also bolster our capital in compliance with increasingly stringent international banking standards. Over the medium- to long-term, we will explore options such as amending our charter to allow private investors and multi-lateral financial institutions with similar philosophies and principles to become equity stakeholders of the bank.

Lastly, we will vigorously pursue E-banking and automation in our quest to deliver efficient and world-class banking to our clients – be they seasoned executives in the metropolis or hard-working farmers in the countryside.

While these new initiatives will allow us to better compete with our peers, we believe that our long-term competitive advantage will rest largely on living up to our slogan- “*Ang bangkong may damdaming bayan.*” In order to do this, we need to go on building and maintaining a reputation as a bank that truly cares for its clients and employees.

We have worked tirelessly towards this goal in 2004 and achieved considerable success. Rest assured that we will continue working to develop communities and improve lives, particularly in the countryside. This is the lasting legacy we hope to build in the years to come for our people and our country.



JUANITA D. AMATONG

Chairman (November 2003 - August 2004)

LUIS P. LORENZO, JR.

Chairman (September 2004 - March 2005)

GARY B. TEVES

President and CEO

A collage of office scenes featuring several people in professional attire. In the top left, a woman in a blue shirt smiles. In the top right, a woman in a white shirt talks on a phone. In the bottom left, a man in a white shirt works at a computer. In the bottom right, a man in a white shirt looks upwards. A large, semi-transparent yellow gear is overlaid on the center of the collage. The background is a mix of blue and yellow tones.

Customer Service on a Whole New Level

Serving our clients well has always been foremost in our minds. This is why the products and services we offer — whether on our own or in tandem with our development partners — always consider their most important needs and their aspirations for their families and their communities.

In our more than 40 years of development banking, we have learned that combining personalized service with the benefits of modern technology works best in getting our job done and in reaping the results we have envisioned for our clients and for our country.

SME Unified Lending Opportunities for National Growth (SULONG)

LAND BANK OF THE PHILIPPINES
 Loan Requirements

SME Unified Lending Opportunities for P
CLIENT INFORMATION SHEET
 SME Borrower Information for National Growth

PERSONAL INFORMATION
 To fill up with the Borrower's Complete Name

NAME
 First Name: _____
 Middle Initial: _____
 Last Name: _____

DATE OF BIRTH
 Month: _____ Day: _____ Year: _____

STATUS
 Single _____ Married _____

EDUCATIONAL ATTAINMENT
 Highest Education: _____
 School Graduated: _____
 School List Attached: _____

EMPLOYMENT
 Present Employer: _____
 Position: _____
 Date of Hire: _____
 Type and Nature of Business: _____
 Type and Nature of Business: _____
 Date of Start: _____
 Date of Termination: _____

OTHER BUSINESS INTERESTS
 Name of Business: _____
 Position: _____
 Date of Start: _____
 Date of Termination: _____

MEMBERSHIP IN ASSOCIATIONS
 Name of Association: _____
 Position: _____
 Date of Start: _____
 Date of Termination: _____

STATEMENT OF ASSETS AND LIABILITIES
 Assets (For real estate and Company)
 Type of Property: _____ Location: _____
 Value: _____

Please provide details for all properties if any.



“Compared with other facilities, SULONG provides lower interest rates. We were able to secure assistance for our working capital requirements and expand our business through this program that helps small enterprises like ours.”

—Ms. Heidi Fuentes, proprietor,
SH Stone Arts and Crafts of Cubacub, Mandaue City, Cebu



When the eldest of their three children reached third year high school in 1999, Saturnino and Heidi Fuentes thought their salaries as employees were no longer sufficient for the growing needs of their family. Saturnino was a mechanical engineer in a gas plant and Heidi was a chemist, in-charge of quality control in a galvanizing firm.

Saturnino retired from his job in 1999. With P20,000 in capital he got from his retirement pay, he and his wife put up their own business called SH Stone Arts and Crafts. They produced garden pots, furniture and home décor pieces made of stone, resin, wood, wrought iron, and fiber glass which were sent as samples to exporters. When the initial fund ran out, Heidi's sister financed their subsequent projects as sub-contractors of export firms.

As the volume of orders from exporters increased, the couple was driven to take risks. Heidi had to resign from her job to work full time for their business and they had to seek assistance from formal financial institutions for their working capital requirements.

SH Stone Arts and Crafts in Mandaue City was among the first batch of borrowers in Cebu who availed of the SME Unified Lending Opportunities for National Growth or SULONG program.

SULONG was created in support of the National SME Development Plan, through the collaboration of government financial institutions or GFIs. Under this lending program, simplified and

standardized lending procedures and guidelines are used in evaluating the loan applications of SMEs.

SMEs like SH Stone Arts and Crafts make up more than 99 percent of enterprises in the Philippines, employ almost 70 percent of our work force, and are generally considered among the drivers of our local economy.

LANDBANK's total loans to SMEs as of end-December 2004 amounted to P17.2 billion. The Bank is also the largest contributor to SULONG, lending 46.4 percent of the total amount of P27 billion released to 15,880 SMEs by the GFIs.

The Fuenteses had been continuously availing of loans under SULONG since the program started in 2003. From LANDBANK, they had borrowed and paid for their loans 12 times as of end-2004. Their latest loan of P950,000 through a credit line of P2.5 million under SULONG is serving as additional working capital to sustain the demands for their products which are mostly shipped to markets in the Middle East and the United States. Depending on the monthly volume of orders, 30 to 100 workers are being employed to fabricate the products.

In 2004, SH Stone Arts and Crafts became a runner-up in the Sole Proprietorship/Partnership Category of the first Gawad Entrepreneur launched by LANDBANK. With sustained determination and proper management, the Fuenteses hope to be able to further expand their business in the years to come.



“In the past, the residents of Alfonso XIII, Quezon [Palawan] had to hike several kilometers just to be able to fetch clean drinking water. With the establishment of the Bliss, Quezon Water and Sanitation Facility, our fellow Palaweños now have access to potable water, 24-hours a day, right at the comfort of their own homes. This has indeed made a big difference in the lives of our constituents.”

—Joel T. Reyes, Governor, Province of Palawan

In Palawan – known as the biggest among the country’s 80 provinces and the Philippines’ last environmental sanctuary – half of its 431 barangays have little or no access at all to potable water.

This was the case in the simple fishing community of Barangay Alfonso XIII in Quezon town, a three-hour drive south of Puerto Princesa City.

For their primary source of water, the local residents relied heavily on communal faucets which rationed water twice a day. Artesian wells were limited. For some, rainfall was an alternative. But in most cases, local residents bought water from neighboring barangays to suffice their domestic needs.

In January 2004, the Bliss, Quezon Water and Sanitation Facility, a barangay-level water system was inaugurated. The facility was established by the LGU of Palawan using a portion of its P200 million loan from LANDBANK under the Water District Development Project or WDDP.

The WDDP is a US\$25.9 million facility funded by the World Bank for on-lending to local government units outside of Metro Manila for the establishment of their own water supply, sewerage, sanitation and drainage projects.

“Getting water was very hard and expensive in the past. We bought water for P3 per container or an average of P15 per day, per household,” narrates Councilor Wilson Paciones, who also serves as the local manager of the water facility. “With the Bliss Water System, our total average water consumption has gone down to only P67.50, from as high as P450 monthly.”

“Matagal na naming pangarap na magkaroon ng sariling mapagkukunan ng malinis na tubig. Napakalaking tulong talaga nito sa amin. (It has long been our dream to have our own source of clean water. This is certainly a big help to us),” Agrepina Amoso, 65, a mother of two further attests.

After only a year of operation, the Bliss, Quezon Water System and Sanitation Facility, which is one of the major projects under the LGU’s Unlad Palawan Program, now serves 461 households.

Other LGUs throughout the country have taken advantage of the WDDP facility to address their constituents’ basic needs. Thus far, six local government units have availed of LANDBANK’s WDDP to support various water and sanitation programs to uplift the lives of the rural folk and bring forth progress in their respective communities.



LBP-B2B Strategic E-Commerce Program



“The roadshow conducted by LANDBANK and B2Bpricenow.com in Dipolog City was perfect timing as our co-op was scouting for a possible business at that time to replace the health clinic we are managing. We saw B2B as a good opportunity to market our products such as rice grains, fruits, vegetables, fish and seafoods. This will also enable us to have access to prevailing market prices so we need not travel far to go to the trading center in the city or rely on the price dictated by traders.”

—Teresita Gravino, Chairman, Gata Daku Multi-Purpose Cooperative;
Barangay Chairman, Gata Daku, Clarin, Misamis Occidental



For the members of Gata Daku MPC of Clarin, Misamis Occidental, selling their fresh catch and farm produce during harvest time has become difficult since everybody sells practically the same thing in the Clarin Public Market. Just like other vendors, they also had to depend on the traders for the prices of their produce.

The co-op is optimistic that all these will soon cease to become a problem thanks to B2Bpricenow.com. B2Bpricenow is a virtual marketplace for agricultural and other produce which enables farmers, cooperatives, and small entrepreneurs to do online trading via the Internet. The website helps farmers offer their goods online, eliminating middlemen who traditionally do the trading and sometimes profit more than the farmers themselves.

In a roadshow co-sponsored by LANDBANK for its assisted cooperatives in the area, Gata Daku MPC was among those who signified their intention to have a B2B center established in their office. Co-op members not being techno-savvy posed no problem with the briefing and hands-on training provided by the technical staff of B2B and LANDBANK.

After seeing how simple on-line trading works, the co-op members readily agreed to pool funds for the project. The co-op has allocated around P500,000 for the initial purchase of computer units and other needed equipment. LANDBANK and B2Bpricenow.com, Inc. will provide assistance for the renovation of the coop’s former medical clinic which will become the site of new B2B center. Furthermore, the bank’s Development Assistance Center based in Ozamis City will also closely help the co-op with regards to all the administrative and technical requirements.

The new B2B center which has been fully operational since the first quarter of 2005 has 12 computers with Internet connection (some equipped with web cameras), a printer, photocopier, fax machine and other basic facilities. This is the first B2B center in the country to be owned and managed by a cooperative.

The establishment of the B2B center is part of the Strategic E-Commerce Program implemented by LANDBANK and the B2Bpricenow.com, Inc. for LANDBANK-assisted cooperatives. A roadshow on the Connectivity Phase of the program has been conducted nationwide to encourage more cooperatives to put up their own B2B center.



“Our ATM payroll account with LANDBANK enabled us to save a lot of time in preparing and issuing checks to about 2,700 teachers in the whole division of Sarangani. In the past, we paid more than P200,000 to purchase checkbooks that were good for about five months. Thanks to the ATM put up by LANDBANK, we can now do away with that. It’s also safer and definitely time-saving for our teachers who can now get their hard-earned salaries late in the evening, weekends and holidays.”

—Deborah Adrales, Schools Division Superintendent
(DepEd - Division of Sarangani)

Signing more than 2,000 checks every month is a very tedious and time-consuming task for the head of one of DepEd’s provincial divisions in the country. Apart from the time spent in signing each individual check, the issuance of checks to all the teachers by their respective district supervisors would take about several days. Fortunately for all the teachers and administrative staff in the province of Sarangani, that became a thing of the past when the DepEd Provincial Office in Alabel, Sarangani availed of LANDBANK’s ATM payroll system facility.

Located in the southernmost tip of mainland Mindanao, Sarangani is home to more than 400,000 people of diverse culture and religion. It is composed of seven municipalities with Alabel as the provincial capital.

As the only commercial bank in Alabel, LANDBANK saw the need to extend greater banking convenience to its clients in the area and nearby towns composed mostly of teachers, government workers and small business owners.

In May 2004, LANDBANK installed the first ever ATM in Sarangani province. Located within the provincial capitol, the ATM

in Alabel was one of the 259 new ATMs put up by LANDBANK as part of its aggressive ATM deployment program in 2004. As of year-end, the Bank had a total of 567 ATMs nationwide which is the third largest ATM network in the country.

The schools’ administrative staff and officials who have been relieved of manual payroll preparations are not the only ones enjoying the convenience brought by the LANDBANK ATM facility.

Teachers now have access to their deposit accounts 24 hours a day, 7 days a week. The user-friendly machine also affords them the privacy and security they need when withdrawing their salaries.

Like other cardholders, they can also make use of the LANDBANK ATM’s built-in Electronic Payment System or EPS feature that will automatically enable them to do cashless shopping in more than 5,500 accredited merchants nationwide.

And with LANDBANK’s interconnection with the Expressnet and Megalink consortium, cardholders – whether they are in the metropolis or in the remotest towns – can now access their account through any of the more than 3,500 ATMs all over the country.

ATM Deployment Program



LANDBANK

ALABEL

REGI

LANDBANK

PROVINCIAL CAPITOL
SARANGANI

LANDBANK Phone Access



"LANDBANK's Phone Access is very beneficial for me, especially as I am working. I check the status of my account even at night. It indeed makes banking very accessible and possible anytime, anywhere."

—Ms. Estela Panopio, LANDBANK depositor and Phone Access user



Juggling her roles as a mother, wife, and employee, Ms. Estela Panopio hardly finds the chance to do chores that would eat up major chunks of her time — such as frequently tracking her banking transactions over-the-counter.

Her major responsibility consists of looking after her family and working as the secretary of the president of the Philippine Army Finance Center Producers Integrated Cooperative or PAFCPIC in Taguig City.

Estela's job at PAFCPIC requires her to spend most of her time at the co-op's main office. PAFCPIC, which serves more than 40,000 members nationwide, conducts business Mondays to Fridays, from 8:30 in the morning, until 5:30 in the afternoon. Her work schedule usually leaves very little chance for Estela to attend to her personal banking needs.

Thankfully, LANDBANK Phone Access allows her to do banking transactions using her landline or cellular phone even at the comfort of her own home or office, anytime. Immediately after opening her LANDBANK ATM and checking account in February 2004, Estela enrolled for the LANDBANK Phone Access.

Previously catering only to Metro Manila customers, LANDBANK Phone Access was made available to clients in selected provinces in 2004.

By simply dialing 405-7000 for those in the NCR or 1-800-10-405-7000 (toll-free) outside Metro Manila, Phone Access enrollees can enjoy several features including balance inquiry, fund transfer, and bill payment. They can also request for their month-to-date statement to be sent to them through fax; report lost or stolen cards; change their telephone access numbers; and learn more about other LANDBANK products. Phone Access also allows clients to speak with phonebankers, request for checkbooks or make inquiries on the status of the checks they issued.

Like PAFCPIC which has been a LANDBANK client for years, Estela maintains her account with LANDBANK. She is one of the 91,265 LANDBANK Phone Access enrollees all over the country as of end-2004. In a survey conducted recently to assess its service quality, Estela gave LANDBANK Phone Access an "Excellent" rating.



Operational Highlights



For the year 2004, LBP adopted the theme “Pursuing Our Mandate With Enhanced Customer Service.” This theme re-affirms LBP’s strong commitment to its social mandate while continuously improving its services to all its various clients.



Pursuing the Mandate

Pursuant to the call of Her Excellency President Gloria Macapagal-Arroyo to create jobs and strengthen agriculture, LANDBANK continued to focus its financing and other initiatives to the agricultural sector and microenterprises, small and medium enterprises (MSMEs). LANDBANK also continued to work with development partners such as: local government units (LGUs) cooperatives and countryside financial institutions (CFIs) in providing development financing for the economic activities of the aforementioned sectors.

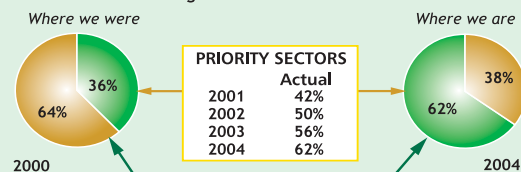
A. CONTINUED EXPANSION OF LOANS TO THE PRIORITY SECTORS

One of LBP's landmark accomplishments was the transformation of its loans to the priority sectors. From only a 36% share in 2000, loans to the priority sectors reached 62% or P77.4 billion of LBP's total loan portfolio of P125 billion in 2004 (exclusive of interbank loans and loans to the Bangko Sentral ng Pilipinas). The 62% share exceeded the Bank's 2004 target of 60% and is only three percentage points lower than the ultimate target share of 65%.

LBP Strategic Thrust (2000-2004)

Loan portfolio expansion for the priority sectors: small farmers & fisherfolk, microenterprises & SMEs, livelihood loans, agribusiness, agri-infrastructure, agri-related and environment-related projects

Sustaining Loan Portfolio Transformation



Other infrastructure, housing, schools and hospitals, commercial and industrial, and non-agri-related projects of GOCCs and LGUs.

STRATEGIC THRUST - INCREASING SHARE OF LOANS TO PRIORITY SECTORS

Sector	As of Dec 2004 (P B)	As of Dec 2003 (P B)	% Inc./ (Dec.)	% Share to Total Loans (2004)
1. Farmers and Fisherfolk	16.3	12.9	26.2	13
2. Agribusiness	18.2	14.9	22.5	15
3. Microenterprises and SMEs	17.2	16.6	3.6	14
4. Agri-Infrastructure (LGUs)	11.5	8.9	28.4	9
5. Agri-Related Projects (GOCCs)	9.5	5.4	75.9	8
6. Livelihood Loans	2.4	2.5	(3.4)	2
7. Environment-Related Projects	2.3	3.1	(26.9)	2
Total Priority Sector Loans	77.4	64.3	20.3	62
8. Other LGU Loans	8.4	8.2	2.2	7
9. Other GOCC Loans	8.3	7.1	16.7	7
10. Infrastructure Development	5.5	5.6	(2.7)	4
11. Housing	5.7	6.3	(8.7)	5
12. Schools and Hospitals	1.3	1.4	(3.4)	1
13. Others	18.3	21.9	(16.2)	15
Total Non-Priority Sector Loans	47.6	50.5	(5.8)	38
TOTAL LBP Loan Portfolio	125.0	114.8	8.8	100

SMALL FARMERS AND FISHERFOLK

• Credit Assistance to Small Farmers and Fisherfolk

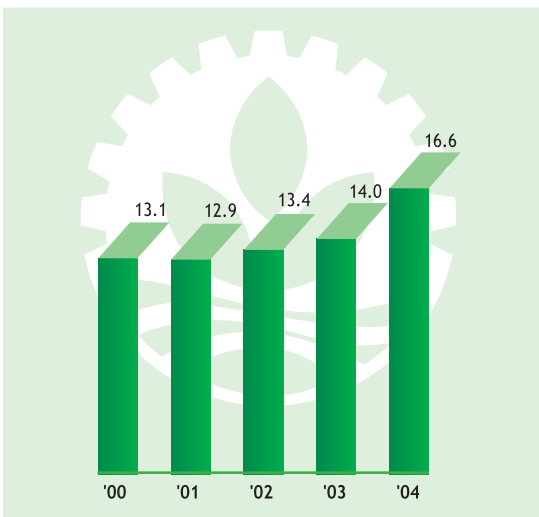
In 2004, loan releases to small farmers and fisherfolk reached P16.6 billion. These loans were lent through 1,138 partner co-ops and 420 CFIs (rural banks, cooperative banks, and development banks) and Quedancor.

These loans benefited more than 430,000 small farmers and fisherfolk. The P16.6 billion is 19% higher than the P14.0 billion released in 2003. In 2004, LANDBANK and Quedancor also worked



LOAN RELEASES TO SMALL FARMERS AND FISHERFOLK

(IN P BILLIONS)



together to provide P3.0 billion in credit assistance to self-help groups of farmers who are not members of cooperatives.

• Support to the Agriculture and Fisheries Modernization Act (AFMA) Program

In support to the AFMA program, LBP released P19.8 billion in credit support and technical assistance. The P19.8 billion is 9% higher than the P18.2 billion committed for 2004. LBP's credit outreach benefited about 410,000 small farmers and fisherfolk and generated an estimated 185,000 new jobs in the agricultural sector.

• Capability and Institution-Building Programs

In delivering credit support to the country's farmers and fisherfolk through the co-ops, LBP undertakes activities designed to enhance the capabilities of these co-ops in their operations. These capabilities are designed to make them more sustainable as social and economic entities.

Integrated Rural Financing (IRF) Program - The IRF is an integrated and comprehensive financing program for small farmers and fisherfolk covering 34 provinces. As of end 2004, the program

CREDIT AND TECHNICAL ASSISTANCE UNDER AFMA PROGRAM—2004

AFMA Components	Target 2004 (P Million)	Actual 2004 (P Million)	% Accomplishment	No. of Farmer-Beneficiaries
1. Irrigation	500	26.7	5	634
2. Post-harvest facilities	500	448.3	90	1,589
3. Other infrastructure	400	327.0	82	–
4. Production, processing manufacturing	10,500	12,278.8	117	180,498
5. Farmers-fisherfolk marketing assistance	6,580	6,549.3	99	225,754
Total (Credit Assistance)	18,030	19,629.1	109	408,475
6. Capability-building of farmers and fisherfolk COOP's & LGUs	170	171.1	101	–
Total (Technical Assistance)	170	171.1	101	–
Grand Total	18,200	19,800.2	109	408,475

No. of jobs generated=185,579

had assisted 566 coops, 153 of which are classified as Class A and B. In the process, some 222,565 farmers and non-farmers also benefited from the program as shown by the additional capital and savings raised amounting to P136 million and P152 million, respectively.

Cooperative Financial Intermediation Development Program (CFIDP) - Launched in 1995, this program was adopted from the German technology of institutionalizing financial intermediary operations among bank-assisted coops (BACs). CFIDP aims to upgrade savings mobilization among co-ops by instilling the habit of voluntary savings among members that would eventually provide the coops the capacity to create and sustain credit and financial services to all their members. As of December 31, 2004, the program was able to mobilize savings amounting to P876.1 million from its member-depositors.

Cooperative Strengthening Assistance Program for Agrarian Reform Beneficiaries (CSAP) - CSAP is a partnership between LBP and the Department of Land Reform (DLR) aimed at strengthening Agrarian Reform Community (ARC) coops. CSAP covers eight provinces, namely: Quirino, Cagayan, Palawan, Aklan, Misamis Occidental, Surigao del Norte, Bukidnon and Camarines Norte. As of end 2004, total coop membership reached 11,246, of which 8,336 are agrarian reform beneficiaries. Total credit availed reached P35 million.

LANDBANK-LGUs Coop Strengthening Partnership Program - This program is aimed at forging partnerships with LGUs in providing technical assistance to co-ops operating in the localities of partner-LGUs. For 2004, 486 coops were assisted and 21 tie-ups with LGUs

were finalized. As of end-2004, LBP has forged a total of 190 partnerships with various LGUs nationwide.

Gawad sa Pinakatanging Kooperatiba (Gawad PITAK) - To motivate co-ops to enhance their sustainability, LANDBANK recognizes outstanding coops for their exemplary performance and role in creating a positive impact in the rural and urban areas. In 2004, the Gawad PITAK national winners were:

- Agri-Based Category
 - First Place - Diffun Credit & Development Cooperative in Quirino Province;
 - Second Place - Landan People's Multi-Purpose Cooperative in South Cotabato;
 - Third Place - Dumanjug Multi-Purpose Cooperative in Cebu;
 - Fourth Place - Emmanuel Multi-Purpose Cooperative in Batangas; and
 - Fifth Place - Masisit-Dacal Livelihood Cooperative in Cagayan Province

FOREIGN-FUNDED CREDIT PROGRAMS FOR SMALL FARMERS AND FISHERFOLK
As of 31 December 2004

Source and Program	Purpose of Loan	Amount of Loan	Amount of Drawdown	Status
Japan Bank for International Cooperation (JBIC) - Rural Farmers and Agrarian Support Credit Program	To finance crop production and fixed asset acquisition of CARP beneficiaries in targeted agrarian reform communities	US\$ 86.8 M	US\$ 86.8 M	Cumulative loan releases – P3.6 B; Reflows – P0.4 B
Asian Development Bank (ADB) - Small Farmers Credit Project	To contribute to the improved productivity and income of small farmers and strengthen the rural financial system	US\$ 75.0 M	US\$ 75.0 M	Cumulative loan releases – P2.9 B; Reflows – P1.5 B
JBIC-AJDF-Small Farmers Credit Project	To provide financial assistance to small farmers and fisherfolk cooperatives to strengthen their production base and increase the income-generating capacity of cooperative members	US\$ 57.7 M	US\$ 57.7M	Cumulative loan releases – P1.5 B; Reflows – P0.2 B

- **Non-Agri-Based Category**

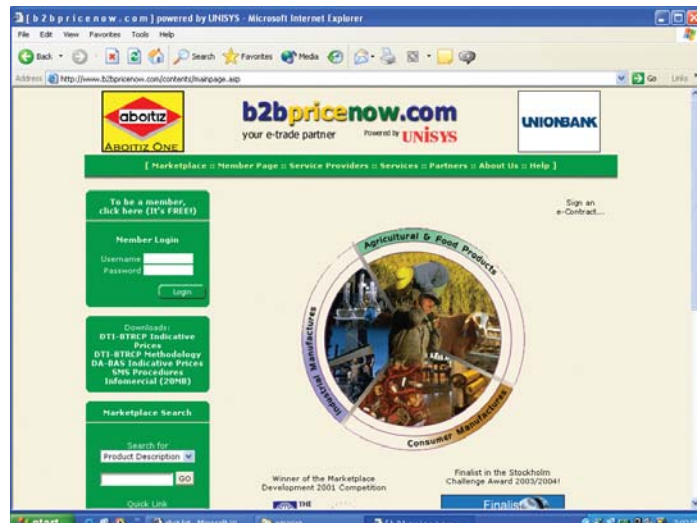
- First Place - St. Jude Multi-Purpose Cooperative in Lucena City;
- Second Place - Novaliches Development Cooperative in Quezon City;
- Third Place - San Dionisio Credit Cooperative in Parañaque City;
- Fourth Place - El Grande Multi-Purpose Cooperative in Davao City; and
- Fifth Place - Gubat St. Anthony Cooperative in Sorsogon Province

Key Cooperative Strategy (KCS) - The KCS seeks to identify, strengthen and accredit at least one (1) Key Cooperative (KC) per municipality nationwide. As of year-end 2004, a total of 111 KCs have been accredited by LBP. A total of 39,362 new members were accepted by the KCs and a total of 2,334 good paying members were absorbed from 330 inactive coops.

- **Marketing and Technical Assistance Programs**

LBP's assistance to small farmers and fisherfolk through various marketing programs, capability-building activities and other technical support services as a necessary component of credit assistance, is aimed at promoting self-reliance and self sustainability.

Marketing Assistance - The *LBP-B2Bpricenow.com* is an Internet-based marketing system that provides timely and relevant market information and promotes direct linkages



among farmer and fisherfolk co-ops and institutional buyers.

In 2004, LBP implemented the connectivity phase of the program - with the conduct of roadshows in Luzon, Visayas and Mindanao - aimed at promoting the establishment of business-to-business or B2B centers in participating co-ops.

Technology Promotion Centers (TPCs) and Enterprise-Capability Building - LANDBANK continued to support technology transfers to co-ops through nine existing TPCs. These TPCs were created together with state universities and colleges, local government units and other agencies with similar program thrusts. The TPCs provide a venue for the validation and effective promotion of agricultural production and post-production technologies for commercial adoption by co-ops, SMEs, and other Bank clients.

Of the nine TPCs, three are in Northern Luzon, two in Southern Luzon, two in Visayas, and two in Mindanao. Technology focus of the TPCs include agriculture (lowland, highland, upland, urban, livestock and feed grains, root crops and fiber crops), aquatic and fishery products.

Integrated Cooperative Farming Systems (ICFS) - ICFS is a corporate farming approach implemented under a cooperative set-up. It is characterized by the integration of farm operations (pre-production, production, processing and marketing) as a single business under one management. Among its objectives are economies of scale, adoption of modern farming technology and farming system, increased productivity, income, and social benefits of cooperative members.

FOREIGN-FUNDED CREDIT PROGRAMS FOR SMALL AND MEDIUM ENTERPRISES
As of 31 December 2004

Source and Program	Purpose of Loan	Amount of Loan	Amount of Drawdown	Status
World Bank-Agricultural Loan Fund	To provide for the financing of agricultural/agri-business investments intended to hasten development and support economic growth in the country	US\$ 120 M	US\$ 120 M	Cumulative loan releases – P3.5 B involving 768 PFI sub-borrowers; Reflows – P3.4 B
World Bank-Countryside Loan Fund I	To finance agri-related production, food or agro-processing services, and manufacturing that generates employment and exports. Projects should be located outside Metro Manila.	US\$ 150 M	US\$ 150 M	Cumulative loan releases – P12.7 B involving 1,057 PFI sub-borrowers
World Bank-Countryside Loan Fund II	To provide medium and long-term loans to finance private investment in the countryside	US\$ 150 M	US\$ 150 M	Cumulative loan releases – P8.5 B involving 1,205 PFI sub-borrowers
World Bank-Countryside Loan Fund III	To finance viable sub-projects: a. US\$130 M for wholesaling to PFIs b. US\$15 M for retailing to LBP's clients c. US\$5 M for on-lending to PCFC for relending thru MFIs	US\$ 150 M	US\$ 111.3 M	Cumulative loan releases – P5.3 B involving 389 PFI sub-borrowers

MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs)

LBP recognizes microenterprises and SMEs as the lifeblood of the economy by creating job opportunities especially for the poor and the semi-skilled.

• **Loans to Microenterprises and SMEs**

Credit support to microenterprises and SMEs reached P17.2 billion in 2004, a 4% increase over the P16.6 billion loans outstanding in 2003. Of the total loans, P11.8 billion or 71% were directly lent to SMEs. Indirect loans of P5.4 billion or 29% were granted through the various wholesale lending windows such as the Agricultural Loan Fund (ALF) and the Countryside Loan Fund (CLF). These loans were on lent through participating financial institutions and other partners such as the Philippine Business for Social

Progress (PBSP) and the People's Credit and Finance Corporation (PCFC).

For 2004, an increment of 11,193 SME projects were financed in various industries (agro-processing, trading, manufacturing, and services). During the year, an additional 472,576 microfinance borrowers who are mostly poor women entrepreneurs were also financed.

Part of the above mentioned loans were lent out under the national government's credit flagship program SME Unified Lending Opportunities for National Growth program or SULONG. Under SULONG, LBP released P12.4 billion in 2004, benefiting more than 11,000 SMEs nationwide. The P12.4 billion is 38% higher than the P9.0 billion targeted for 2004. LBP is the biggest contributor to SULONG.

FOREIGN-FUNDED CREDIT PROGRAMS FOR MICROENTERPRISES
As of 31 December 2004

Source and Program	Purpose of Loan	Amount of Loan	Amount of Drawdown	Status
ADB and International Fund for Agricultural Development-Rural Micro-enterprise Finance Project	Relent to PCFC for onlending to micro-finance institutions to provide credit to the rural poor in order to finance livelihood projects using the Grameen Bank approach adapted to Philippine conditions	US\$ 31.2 M	US\$ 30.6 M	Cumulative loan releases – P1.4 B
KFW-LBP-PBSP Small, Micro and Cottage Enterprise Credit Project I	Relent to PBSP for onlending to intermediary financial institutions to finance investments in fixed assets and working capital of small and microenterprises	US\$ 9.2 M	US\$ 9.2 M	Cumulative loan releases – P251.1 M
KFW-LBP-PBSP Small, Micro and Cottage Enterprise Credit Project II	Relent to PBSP for onlending to intermediary financial institutions to support the development of micro and small enterprises by allowing them access to credit to finance fixed assets and working capital investments	US\$ 3.2 M	US\$ 3.2 M	Cumulative loan releases – P140.0 M
WB-Micro-finance Loan Fund	To provide funds to PCFC for on-lending to conduit-microfinance institutions	US\$ 5.0 M	US\$ 5.0 M	Cumulative loan releases – P267.2 M

In 2004, LBP launched its first-ever recognition program for outstanding SMEs. Through the "Gawad Entrepreneur," LBP aims to honor the exemplary performance and significant achievements of its SME clients particularly in harnessing economic activities in the community. It also seeks to provide them with incentives to further improve their operations and be at par with international standards.

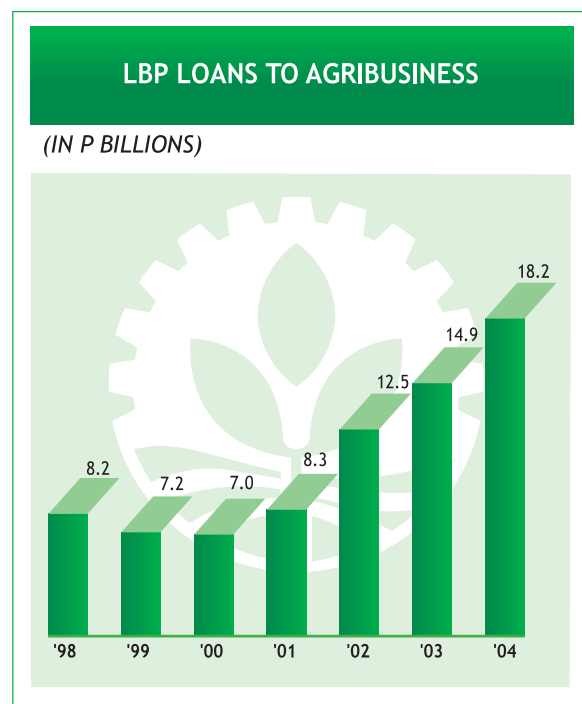
The 2004 Gawad Entrepreneur winners are:

- Sole Proprietorship/Partnership Category - Namujhe Integrated Farms of Nueva Vizcaya
- Corporation Category - Asia Embroidery, Inc. of Parañaque City

In addition to the major award categories, an "Entrepre-Youth" special citation was conferred to an SME organized and managed by an entrepreneur aged 18 to 30 years old. This special citation was conferred to Reva Grace & Roberto Sazon, Jr. of Aklan's Boneless Bangus of Numancia, Aklan.

LOANS FOR AGRIBUSINESS

Another key player in job generation in the agricultural sector are the private agribusiness enterprises, which LBP also supports.



FOREIGN-FUNDED CREDIT PROGRAMS FOR LOCAL GOVERNMENT UNITS As of 31 December 2004				
Source and Program	Purpose of Loan	Amount of Loan	Amount of Drawdown	Status
JBIC-LGU Support Credit Program	To augment sources of development funds for LGUs through the extension of credit assistance	US\$ 55.3 M	US\$ 27.6 M	Cumulative loan releases – P1.5 B
WB-Water District Development Project	To support the government in its reform of the water and sanitation sector and address problems of inadequate sanitation and sewerage facilities of LGUs	US\$ 25.9 M	US\$ 13.6 M	Cumulative loan releases- P618.3 M
JBIC-Metro Cebu Development Project III	To reduce the incidence of poverty and accelerate economic growth in Metro Cebu through the reclamation of an additional 330 hectares for industrial and export processing use	US\$ 109.6 M	US\$ 109.2 M	Cumulative loan releases – P4.7 B
ADB-Mindanao Basic Urban Services Sector	To provide financing for urban infrastructure and services initiated by Mindanao LGUs	US\$ 35.5 M	US\$ 2.1 M	Cumulative loan releases – P119.0 M

Projects financed by LBP include poultry, fruit processing, citrus and tobacco production, sugar milling, fertilizer, farmlots development, food processing and cold storage services. Loans to this sector amounted to P18.2 billion in 2004, 22% higher than the P14.9 billion loans provided the previous year.

LOANS FOR AGRI-INFRASTRUCTURE PROJECTS OF LOCAL GOVERNMENT UNITS (LGUs)

LBP recognizes the vital role and capabilities of LGUs as local partners in bringing progress to their respective communities. LANDBANK thus offers various lending facilities as alternative funds to augment traditional sources such as the Internal Revenue Allotment and other internally-generated revenues.

LBP is the principal source of development financing for LGUs. Over the years, LBP credit assistance to agri-related projects of LGUs has expanded vigorously, reaching P11.5 billion in 2004, 28% higher than the P8.9 billion recorded in 2003. As of end-December 2004, LBP provided loans to 471 LGUs covering 37 provinces, 52 cities and 382 municipalities nationwide. Agri-infrastructure and other agri-related projects funded include the construction of farm-to-market roads, irrigation systems, public markets, transport and commodity terminals, waterworks and drainage system, abattoir and slaughterhouses.

Overall, LANDBANK loans to LGUs (including non-agri related projects) reached P19.9 billion which is 16% higher than the previous year's P17.1 billion.

LOANS TO AGRI-RELATED PROJECTS OF GOVERNMENT-OWNED AND CONTROLLED CORPORATIONS (GOCCs)

As of end-2004, loans to finance food and agri-related projects of government-owned-and-controlled corporations such as the National Food Authority and Philippine Coconut Authority totaled P9.5 billion. This was a 76% increase over the P5.4 billion lent to GOCCs in 2003. Loans to the Quedan and Rural Credit Guarantee Corporation reached P3.6 billion in 2004.

LOANS TO ENVIRONMENT-RELATED PROJECTS

LANDBANK also supports environmental projects of the private sector in the preservation and conservation of environmental resources. Loans to finance environment-related projects amounted to P2.3 billion as of end-2004.

LIVELIHOOD LOANS

LANDBANK also promotes salary loan arrangements with both government and private employers to assist salaried employees for their livelihood financing among other needs. In 2004, loans under this initiative amounted to P2.4 billion.

B. SUPPORTING THE COMPREHENSIVE AGRARIAN REFORM PROGRAM (CARP)

LANDBANK is an implementing agency of CARP and is tasked with valuing CARP-covered lands, in compensating owners of acquired private agricultural lands, in assisting landowners or bondholders in their various concerns and in collecting land amortizations from farmer-beneficiaries.

CARP LAND TRANSFER OPERATIONS

In terms of its land valuation function, LANDBANK processed a total of 4,884 land transfer claimfolders received from the Department of Land Reform. Out of these, about 4,455 net processable claims were further evaluated resulting in the valuation of 4,054 land transfer claims covering 30,409 hectares in 2004. The total value of land transfer claims approved amounted to P2.6 billion.

LANDOWNERS COMPENSATION AND ASSISTANCE

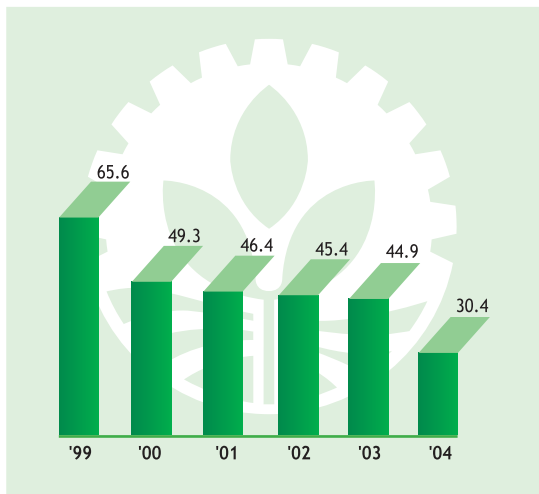
For 2004, LANDBANK, on behalf of the National Government, paid a total of P3.6 billion as compensation to owners of CARP-covered private agricultural lands. The cash component amounted to P1.1 billion, redeemed CARP bonds amounted to P1.8 billion while interest payments amounted to P700 million.

FOREIGN-FUNDED CREDIT PROGRAMS FOR ENVIRONMENT-RELATED PROJECTS As of 31 December 2004

Source and Program	Purpose of Loan/Grant	Amount of Loan	Amount of Drawdown	Status
ADB-Air Pollution Control Credit Facility	To improve air quality in Metro Manila and other urban cities and provide resources for the purchase and installation of air emission control equipment	US\$ 27.7 M	US\$ 5.8 M	Cumulative loan releases – P297.9 M
ADB-Industrial Forest Plantation Project	To finance the development of industrial forest plantations	US\$ 13.2 M	US\$ 13.2 M	Cumulative loan releases – P428.2 M
WB-Ozone Depleting Substances Phase-Out Project*	To reduce and phaseout ozone-depleting substance consumption in the country	US\$ 10.8 M	US\$ 10.8 M	Cumulative releases – US\$ 10.8 M
WB-Integrated Protected Areas Project*	To enforce conservation laws and resource management in 10 priority habitats of endangered plants and animals through the promotion of livelihood activities as alternative source of income	US\$ 16.3 M	US\$ 12.0 M	Cumulative releases – US\$ 12.0 M
*Grant				

CARP LAND TRANSFER OPERATIONS COVERING PRIVATE AGRICULTURAL LANDS 1999-2004

(IN THOUSAND HECTARES)



LANDBANK also assisted CARP-covered landowners and bondholders in the encashment of their CARP bonds for various financing needs. In 2004, total CARP bonds traded under LANDBANK's Bond Trading Board reached P861 million and assisted more than 3,500 bondholders. The average selling price of the bonds rose to 93.8% in 2004 from 88.4% in 2003.

LAND AMORTIZATION COLLECTIONS FROM CARP FARMER BENEFICIARIES

For year 2004, LANDBANK's land amortization collections from CARP farmer-beneficiaries totaled P208.7 million, 32% higher than the previous year's collections of P158.4 million.

CASH ADVANCES FOR CARP

By end-2004, the National Government, through the Department of Budget and Management (DBM) and the Bureau of Treasury (BTr), released a total of P7.3 billion as reimbursement of LANDBANK's advances for CARP landowners' compensation. As a result, LANDBANK's advances went down to P884 million, the lowest level in six years since January 1999.

C. OTHER DEVELOPMENTAL LOANS

LANDBANK also extends loans to finance projects for public utilities, schools and hospitals, and other developmental projects of local government units and government-owned and controlled corporations.

INFRASTRUCTURE AND PUBLIC UTILITIES

LBP outstanding loans for infrastructure amounted to P5.5 billion in 2004 which is 3% lower than the P5.6 billion in 2003 as LANDBANK continued to shift its portfolio to agri-related projects. The loans were utilized in the development of tollways, telecommunication facilities and power generation projects.

SCHOOLS AND HOSPITALS

As of end-2004, LBP outstanding loans to schools and hospitals amounted to P1.3 billion, 3% lower than the P1.4 billion in 2003.

OTHER DEVELOPMENTAL PROJECTS OF LGUS AND GOCCS

LBP outstanding loans for developmental projects (other than those agri-related) of LGUs and GOCCs amounted to P16.7 billion in 2004. This is 9% higher than the P15.3 billion in 2003. The loans were used to finance LGU and GOCC projects that are developmental in nature.





Enhancing Customer Service

The year 2004 saw LANDBANK taking its various customer service programs and projects to the next level by aggressively working to satisfy the range of banking service requirements and the increasing sophistication of its clients' needs. LANDBANK invested heavily on staff training even as it acquired and launched various electronic banking facilities. LANDBANK's huge investments on information technology earned for it a citation from IT Resource Philippines magazine as the number one IT user in the country in 2004.

A. GOVERNMENT CASH MANAGEMENT SERVICING

As the official government depository bank holding 65% of total government deposits, LANDBANK focused on its automation efforts to address the massive and wide array of banking transactions of the government and its various instrumentalities.

MODIFIED DISBURSEMENT SCHEME

In 2004, LANDBANK processed 80% of the Notice of Cash Allocations (NCAs) released by the Department of Budget and Management (DBM). Thus, LANDBANK processed about 3 million checks and facilitated the disbursements of some P461 billion to the various government agencies using the Modified Disbursement Scheme (MDS).

The MDS system of LANDBANK ensured the timely payments and fund releases by the various instrumentalities of the government nationwide, especially in terms of funding for development projects and salaries of government employees.

CONTINUOUS FORM CHECKS (CFCs)

To support the issuance by selected government agencies and instrumentalities (who are yet to avail of LANDBANK's ATM payroll system) in terms of payment for personnel salaries and other benefits, LBP processed 4.5 million checks amounting to P23.3 billion.

REMITTANCE AND OTHER COLLECTIONS

As the collection arm of government agencies and instrumentalities, LANDBANK accepted 926,465 transactions

In addition, LANDBANK accommodated 2.9 million over-the-counter (OTC) transactions equivalent to P33.8 billion of tax collections from non-large taxpayers. In total, LANDBANK processed 2.9 million tax payment-related transactions thereby contributing P42.9 billion in tax collections to the Bureau of Internal Revenue.

For the Bureau of Customs (BOC), LANDBANK processed 147,195 transactions for total collections of P14.8 billion in tariffs and duties. Thus, for 2004, LANDBANK assisted the BIR and the BOC in collecting a total of almost P58 billion in revenues for the national government.



representing P1.4 billion worth of collections for SSS. LANDBANK also processed a total of 4.23 million transactions corresponding to P51.1 billion of remittance and collections for the Philippine Health Insurance Corporation, Home Development Mutual Fund, National Home Mortgage Finance Corporation, among other government agencies.

B. GOVERNMENT REVENUE GENERATION AND BORROWINGS

LBP performs a very significant function for the Philippine government in terms of collecting taxes and borrowings.

COLLECTION OF TAXES

Through its Electronic Tax Filing and Payment System (ETPS), LANDBANK processed 8,030 payments equivalent to a total of P9.1 billion from large and non-large taxpayers.

RETAIL TREASURY BONDS

LBP also helps the government raise funds from the public. LBP acted as Joint Issue Manager and one of the Selling Agents for the three- and five-year Retail Treasury Bonds (RTBs) in July 2004. LBP sold the RTBs to 1,676 investors. In the process, LANDBANK generated more than 7% of the P41.7 billion funds raised through the RTBs.

RTBs are considered as the best and safest investment tool, meant for the small or retail investor.

International Operations and Foreign Remittances of OFWs

For 2004, LANDBANK's total volume of international remittance transactions grew by 66% amounting to US\$ 2.4 billion from US\$ 1.4 billion in 2003. Total OFW remittances reached US\$ 812 million in 2004.

To provide a stronger international remittance network, LBP expanded its tie-ups with correspondent banks now totaling 1,755 in 124 countries while maintaining 35 depository banks in 15 countries and overseas offices.

Developing and Enhancing Alternative Delivery Channels

In 2004, LANDBANK strongly pursued its goal of expanding its delivery network to serve its clientele more efficiently and as a way to reduce branch lobby traffic. This was done through the development or enhancement of alternative electronic channels such as the Automated Teller Machines (ATMs), phonebanking, and cash acceptance machines.

MORE AUTOMATED TELLER MACHINES FOR LBP DEPOSITORS

As a banner project for customer service in 2004, LANDBANK installed 259 new ATMs bringing the total ATMs to 567. This is the third largest ATM network in the country. The rollout of 259 new ATMs is the highest ever achieved by a Philippine bank. This project was aimed at servicing the Bank's 1.5 million ATM cardholders across the country by providing easier and more convenient access to their deposit accounts.

In addition, LANDBANK completed its tie-ups with the Megalink ATM consortium giving LANDBANK depositors access to an additional 1,500 Megalink ATMs. Together with the more than 1,800 ATMs of Expressnet, LANDBANK ATM cardholders now have access to a total of more than 3,300 ATMs all over the country.



WIDER COVERAGE OF PHONE ACCESS

The phonebanking facility for depositors or Phone Access widened its coverage nationwide by extending its services to various provinces. As of October 2004, the phonebanking system was made available in Benguet, La Union, Pampanga, Pangasinan, Cebu, Iloilo, Negros Occidental, Guimaras, Misamis Oriental, Davao, and Davao del Norte.

As of end 2004, Phone Access registered a total of 91,265 enrollees. Phone Access was also able to process 522,669 transactions in 2004 or an average of 1,460 transactions per day.

EFFICIENT SERVICE MACHINES (ESMs)

In 2004, LANDBANK pilot-launched the implementation of its cash acceptance machines called the "Efficient Service Machine" or ESM. The ESM is a cost effective payment solution for private merchants and various government agencies' collection services requirements. The ESM provides payment convenience for clients who need not wait long in branch lobby queues.

INTERNET BANKING FOR DEPOSITORS

LANDBANK expanded its delivery channels through the introduction of an internet banking system, named the LANDBANK I-Access, for ATM and checking account depositors. This facility enables depositors to effect balance inquiries, fund transfers, bills payment, among others, via the internet. I-Access was pilot launched in November 2004. In 2005, LANDBANK intends to expand the functionality and features of this system and market coverage.

BUILDING EFFICIENT OPERATIONS SYSTEMS

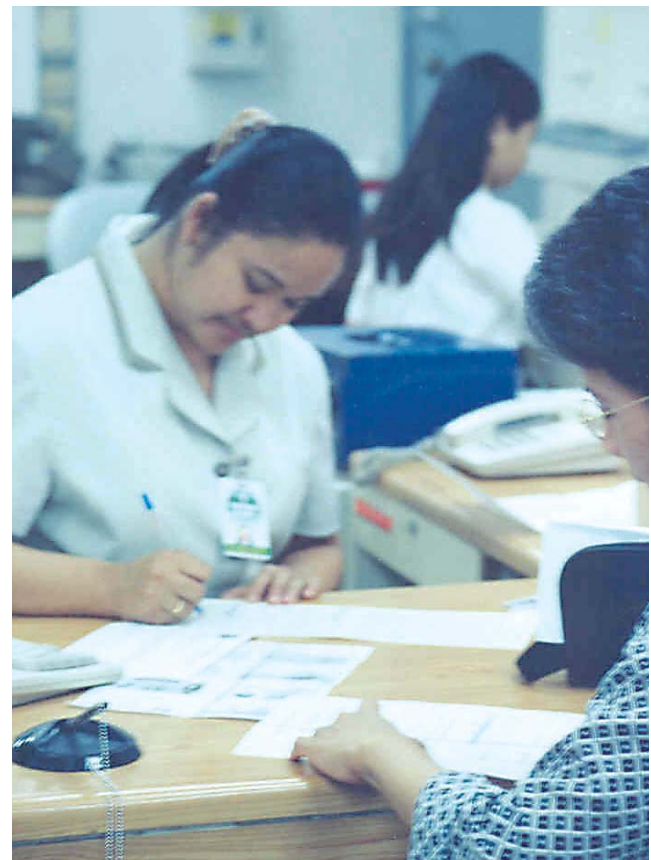
Taking an aggressive stance on the use of information technology to support its core processes and business goals, LANDBANK embarked on various automation projects



in 2004 and has undertaken ICT re-organizational alignment and strengthening. The major ICT projects in 2004 are as follows:

1. The centralized general ledger system (One GL) which aims to facilitate the timely generation of financial statements and reports. This will achieve a straight-through processing of transactions.
2. The development of the centralized Customer Information System and Central Liability System (CIS/CLS) which will be a single repository of customer information. The CIS contains customer demographic information, relational account information, and deposit balances. The CLS carries information about outstanding loan balances, letters of credit, trust receipts, bills purchased and the Bank's equity investments in a client company.
3. The Total Investment Accounting and Portfolio Management System which will facilitate the processing of trust banking transactions. LBP signed a licensing agreement with Sun Guard Asia Pacific last July 2004.

4. The new Global Remittance System procured from Total Information Management Corp. and Cash Tech Solutions India. The development of the Remittance System Project started in July 2004 with full implementation in 2005. This will support the Bank's thrust in expanding OFW remittances.
5. The Legal Management Information System which will enhance case tracking and expedite the processing of legal cases including CARP land valuation cases.
6. The SYMBOLS Loans System which will also cover long-term commercial loans. LBP engaged the services of System Access to further automate loans processing.
7. The procurement of a new data warehouse system together with the engagement of a systems integrator and data warehouse implementer. In July 2004, the Central MIS Implementation Plan was also approved. When fully developed, the system will achieve straight-through preparation of MIS reports and support management's decision-making process. The data warehouse system is also envisioned to provide for the IT infrastructure needs of LANDBANK related to its BASEL II compliance.





Strengthening Institutional Viability

A. FINANCIAL HIGHLIGHTS

NET INCOME

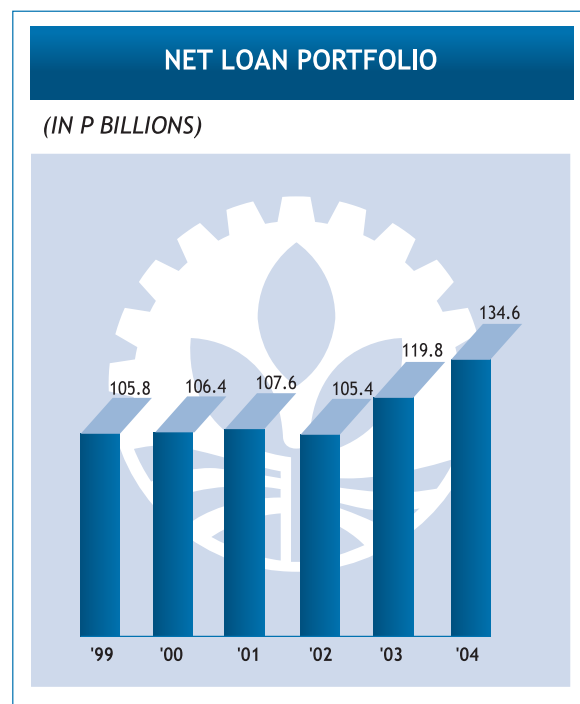
Net income for 2004 was registered at P2.25 billion, the highest ever recorded in the history of LANDBANK. This was a 12% increase from 2003's net income of P2.0 billion. LANDBANK is now on its fourth year of continued increase in profitability, a solid proof of its strength and resilience especially amid the challenging environment of 2004.

REVENUES AND EXPENSES

Gross revenues in 2004 grew by a hefty 15% to P21.4 billion from the P18.5 billion recorded the previous year. The growth was primarily derived from the higher income from loans and investments.

Interest income on loans grew significantly by 20% to P10.2 billion from P8.5 billion in 2003 as the net loan portfolio grew by 12.4% to P134.6 billion from P119.8 billion in 2003.

Interest income on investments increased by 17% to P7.6 billion. Average volume of investments for the year grew by 6% to P76.7 billion. The average yield rate improved from 7.4% to 8.3% in 2004.



Total expenses increased by 16% to P19.1 billion. This was mainly due to the 41% rise in interest expense on deposits from P3.8 billion in 2003 to P5.3 billion in 2004. Average daily balance of the deposit portfolio in 2004 reached a high of P211.7 billion from P188.7 billion in 2003.

Cost of borrowings increased by 19% to P1.7 billion even as the Bank's borrowings contracted by 15% to P32.0 billion. This was due to the payout of maturing obligations and the Bank's thrust to rationalize borrowings and source low-cost and long-term funds for the Bank's lending activities. The overall interest expense rose by

B. FINANCIAL RESOURCE MOBILIZATION

TOTAL ASSETS

LANDBANK's total assets expanded to P287.7 billion in 2004, 7% higher than the previous year's level of P267.9 billion. The increase was solely driven by higher deposit base (up by 16% to P214.9 billion).

For more than 10 years, LANDBANK has remained among the top five largest banks in the Philippines in terms of assets.



35% to P7.0 billion in 2004 generally due to the rise in both global and domestic interest rates.

Manpower cost, a major component of the general and administrative expense, expanded by 21% to P4.9 billion due to the provisions for the Separation Incentive Program and the merit incentive-based salary adjustments on the implementation of Pay Plan III.

IMPLEMENTATION OF AUSTERITY MEASURES

In response to the government's call for austerity as provided for under Administrative Order 103, LANDBANK instituted measures to manage expenditures resulting in total savings of about P265 million for year 2004.

Among the measures undertaken was the reduction by 10% of the costs of consultants, technical assistants and contractual employees which generated for LBP some P 86 million in savings.

With the implementation of LBP's Environmental Management System in its quest for ISO 14001 Certification, consumption of fuel, water, office supplies, electricity and other utilities were reduced resulting to P56 million in savings. Energy-efficient lights and fixtures were installed, the use of Internet facilities was maximized and conservation programs for water and power uses were also implemented.

SOURCES OF FUNDS

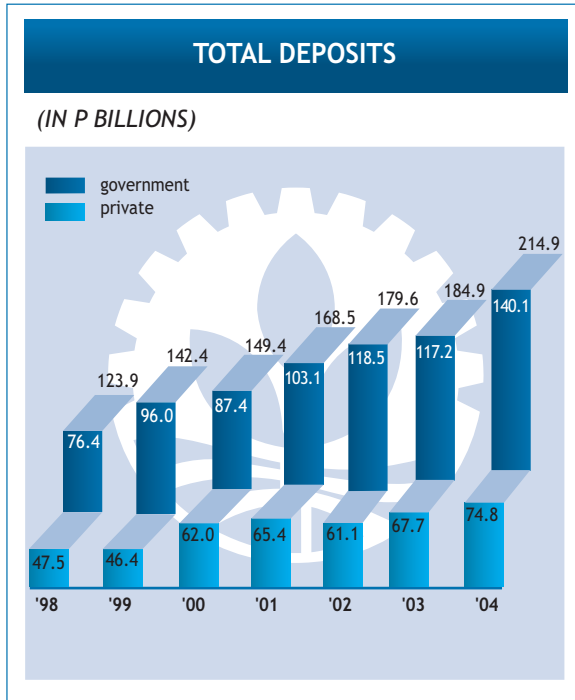
Deposits, the Bank's principal source of funds, comprised 75% of total resources of the Bank. The Bank was able to generate an additional P30 billion in deposits over 2003's deposit level of P184.9 billion. The remarkable turnout in deposits was achieved through aggressive marketing and the enhancement of alternative delivery channels.

Government deposits remained at a 65% share given the role of LBP as the premier government depository bank. Total deposits from the private sector stood at P74.8 billion. Low cost deposits of P112.9 billion comprised 53% of the total deposit portfolio at yearend 2004.

Bills Payable decreased by 15% to P32 billion at end-December 2004. Of the P32 billion, about P25.1 billion or 78% were sourced from multilateral and bilateral institutions namely, the World Bank, the Asian Development Bank, the Japan Bank for International Cooperation, and KfW of Germany.

Capital funds went down by 5% to P21 billion as of end-December 2004 from the P22.1 billion registered in December 2003. The reduction was largely due to the redemption of the matured preferred shares issued to the National Development Company

STRENGTHENING INSTITUTIONAL VIABILITY



amounting to P2.0 billion and the remittance of P600 million cash dividends to the National Government for the Bank's 2003 net income.

APPLICATION OF FUNDS

Net Loan Portfolio increased by 12% to P134.6 billion in December 2004 from P119.8 billion in December 2003. Loans to the priority sectors grew to P77.4 billion representing 62% of the gross loan portfolio of the Bank.

Net Investments reached a hefty P100.8 billion or a 6% increase from P95.3 billion in 2003. Investments in Bonds and Other Debt Instruments (IBODI), a major component of the investment portfolio, expanded by 14% to P80.6 billion by end-December 2004.

TRUST BANKING SERVICES

The Trust Banking Group (TBG) of LANDBANK continued its strong performance by exceeding targets in its major key result areas. TBG's performance was led by a 36% growth in trust assets to P18.4 billion, exceeding its P18 billion target. Income of Trust Banking Group posted a growth of 14% to P72.3 million while total

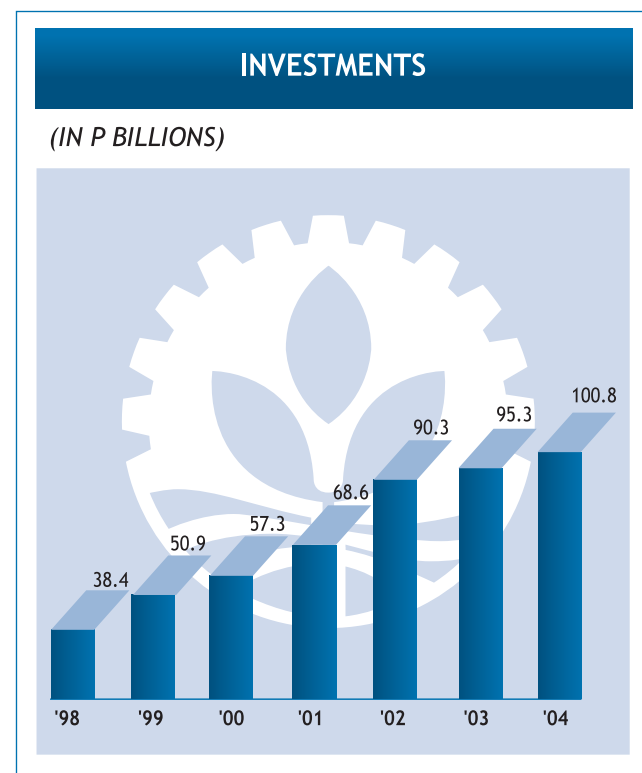
expenses contracted to P27.2 million. This performance improved TBG's industry ranking to 9th place from its 11th position the previous year.

TBG's 2004 performance was partly due to initiatives like the creation of trust structures for mandated clients like government agencies and government-owned and controlled corporations where TBG acted as special vehicle and collateral trustee for bond issuances amounting to P7.9 billion.

C. ENSURING ASSET QUALITY

LOAN PORTFOLIO QUALITY

LANDBANK's overall loan portfolio quality improved by end-2004 as the non-performing loans (NPL) ratio improved to 12.8% from the 14.7% level in December 2003. This ratio is net of non-performing loans fully covered by allowance for probable losses amounting to P3.9 billion. In absolute terms, non-performing loans declined by P628 million or 3% to P22.7 billion in December 2004. The 12.8% NPL



ratio is at par with the industry NPL ratio of 12.7% as of end-December 2004.

With the adoption of a highly conservative loan loss provisioning formula, LBP's valuation reserves to non-performing loans reached 73.6% in December 2004. This coverage ratio is much higher than the commercial banking system average of 60.4%.

Non-performing assets (NPA) slightly contracted by 3% to P39.1 billion at year-end 2004 although ROPOA grew slightly by P567 million to P17.0 billion.

The Bank's NPA coverage ratio (valuation reserves to non-performing assets) improved from 46.9% in December 2003 to 48.5% in December 2004. LBP's ratio is much better than the industry NPA ratio of 35.6% in December 2004.

LANDBANK scored a landmark transaction for the country in terms of size and number of bidders when it sold via an open and highly transparent bidding process some P13.5 billion (equivalent to US\$241 million) worth of non-performing loans under the Special Purpose Vehicle law last November 10, 2004. The competitive auction resulted to two pools of NPLs being awarded to two winning investors – Deutsche Bank-Cargill Financial Services International, Inc. and J. P. Morgan. Following Bangko Sentral's requirements and guidelines, the actual booking of said transactions were completed in the first quarter of 2005.

UPGRADING RISK MANAGEMENT PRACTICES AND CAPABILITIES

LANDBANK has continuously developed its risk management infrastructure by putting in place additional risk control measures, enhanced credit monitoring systems, and upgraded risk management capabilities to effectively strengthen compliance to regulatory and legal requirements and more importantly, to promote institutional viability and enhance competitiveness over the long-run.

Risk Management Process

LANDBANK continues to recognize the crucial importance of establishing a sound risk management process within its organizational structure. The Bank has instituted a risk management structure that is essentially a top-down process with the Board of Directors as the highest approving authority for all risk policies.

The Bank has adequately maintained an effective system of guidance and risk assessment control through its various committees such as the Audit and Risk Management Committee (ARMCOM), the Asset and Liability Committee (ALCO) and the Investment and Loan Executive Committee (ILEC).

Part of the risk implementation and monitoring process is the Risk Management Group (RMG), an independent unit within the bank's risk management structure. RMG is tasked with the oversight of all major risk areas (credit, treasury, market and liquidity, operations, systems).

Internal Credit Risk Rating System

The Credit Policy and Risk Management Department (CPRMD) took the lead in putting in place the Internal Credit Risk Rating System (ICRRS) for corporate credit clients with asset size of more than P15 million. The LBP Board of Directors approved the Bank's ICRRS on December 7, 2004 in compliance with BSP Circular No. 439 of 2004 that puts emphasis on the role of the Board of Directors in risk management.

The implementation of the ICRRS in January 2005 is expected to improve the Bank's credit risk assessment and management system. In particular, the ICRRS will be used as a tool in appropriately defining and segregating the Bank's loan portfolios into standard levels of quality in order to uniformly assess their risk profiles at different levels.

Computerized Central Liability and Customer Information System

A fundamental element in credit risk analysis is access to comprehensive information about loan accounts. The Bank, through the Customer Information/Central Liability System Project Team, developed a computerized central liability and customer information system capable of providing pertinent information on loan accounts.

Liquidity and Market Risks Initiatives

Through the initiatives of the Treasury Risk Management Department (TRMD), further enhancements were introduced for effective measurement and monitoring of the Bank's liquidity position.

The preparation of LANDBANK's Liquidity Gap Report was enhanced with the formulation of procedural guidelines approved by the Board of Directors in September 2004. Further, robust risk databases were established on historical daily volatilities, Treasury Bond auction results, quarterly rate comparison as well as trading gain movements for easy access and monitoring.

Instilling a Proactive Risk Management Culture

Recognizing the importance of developing a risk management culture to ensure effective risk management, LANDBANK has

STRENGTHENING INSTITUTIONAL VIABILITY

embarked on several risk awareness activities involving risk management units, business and operations groups as well as the LBP Board of Directors and senior management.

In October 2004, the LBP Board of Directors and senior management underwent a training and application workshop on risk management in the banking industry conducted by the Asian Institute of Management-JBF Center for Banking and Finance. The training enabled the Board and senior management to attain a common understanding of the major risks inherent in the banking industry while emphasizing on the Board of Directors' central role in the risk management process.

During the year, the Business Risk Management Department also conducted 20 in-house sessions on risk management for concerned units or groups highlighting the impact of major risks in the banking industry, identification of LBP's risk profile that need specific attention and the re-orientation of strategic issues to effectively manage risk information.

Corporate Governance

In order to have a more focused and specialized audit, the Internal Audit Group was reconfigured into three units – Field Operations Audit Department (FOAD), Head Office and Systems Technology Audit Department (HOSTAD) and Credit Review Department (CRD).

FOAD conducts management and operations audit of branches,



Accounting Centers, Development Assistance Centers and Agrarian Operation Centers. Management and operations audit of Head Office units, as well as IT audit, is being handled by HOSTAD. CRD handles the credit review of Account Management Group, Program Lending Group, Accounts Recovery Group, Lending Centers and other units with credit-related functions.

The Internal Audit Group surpassed its target in 2004 and was able to audit 552 banking units and systems (Head Office and field units). In addition, the services of a consultant were engaged to enhance the IT auditors' skills in Systems Development and Application Systems Audit.

Strengthening Human Capital

LANDBANK considers its human capital as a major pillar of its long-term institutional viability as well as a source of its long-term competitiveness. As such, LANDBANK implemented various human resource development-oriented initiatives in 2004 as follows:

- Conducted 304 in-house training and development programs and implemented 492 domestic and 18 foreign training programs;
- Developed a competency framework integrated into the Human Resource Information System (HRIS) as basis of the Succession Program;
- Integrated 119 new personnel into the regular workforce, promoted 517 personnel, assisted 252 retired personnel via a Separation Incentive Program while streamlining the headcount to 7,650 from 7,954 in 2003;
- Implemented the modified Merit Incentive Program as well as the Productivity Achievement Award linking incentives to institutional and individual-level performances;
- Increased benefit for Loss of Life or Disability while in the performance of official duties and increased traveling per diem for personnel undertaking fieldwork; and
- Implemented health-maintenance programs including the "3 PM Banat Buto Program" and improving LBP's health-care related policies.

Subsidiaries and Attached Entities

In addition to its countryside development partners, LANDBANK utilizes its subsidiaries and attached agencies in the pursuit of its three business goals.

In the pursuit of its mandate, LANDBANK provides technical assistance to small farmers and fisherfolk in the form of marketing support through Masaganang Sakahan, Incorporated (MSI) and in terms of institutional building support through the LBP Countryside Development Foundation, Incorporated (LCDFI).

In reaching microentrepreneurs and agrarian reform communities, LANDBANK utilizes the financing as well as institution-building capabilities of the People's Credit and Finance Corporation (PCFC) and the National Livelihood Support Fund (NLSF).

In terms of enhancing customer service, the LBP Realty and Development Corporation (LBRDC) assists LANDBANK in providing customer-friendly facilities by way of undertaking construction, installation, renovation and maintenance works for LBP branches, Head Office and ATM facilities. The LBP Insurance Brokerage, Incorporated (LIBI) and LBP Leasing Corporation (LLC) provide insurance brokering and leasing services, respectively, for the convenience of LANDBANK clients.





Masaganang Sakahan, Inc. (MSI)

Masaganang Sakahan, Inc. supports LANDBANK's mandate by providing marketing assistance to small farmers and fisherfolk. Through MSI's palay and milled rice procurement program, the MSI supported 40 cooperatives and their 14,000 farmer beneficiaries and 50 SMEs in marketing their produce by way of procuring P87.8 million worth of palay and rice in 2004.

Palay and rice procurement through the Payment-in-Kind (PIK) scheme also enabled MSI to help LBP in loan payment collection. Total collections through the PIK scheme reached P36.9 million.

For 2004, despite the stiff competition posed by other rice traders, MSI maintained the patronage of its clients. MSI also established business relationships with 16 new clients from which it generated additional gross revenues of P11.5 million. This contributed to an increase of 12% in gross revenues from P114.7 million in 2003 to P128.6 million and a net income after tax of P4.8 million in 2004. Meanwhile, total resources grew by 8% from P85.5 million in 2003 to P92.4 million. Total equity increased by 4% to P62.8 million from P60.1 million in 2003.



LBP Countryside Development Foundation, Inc. (LCDFI)

The LBP Countryside Development Foundation, Inc. is LANDBANK's partner in providing institutional capability building to small farmers and fisherfolk cooperatives and to countryside financial institutions (CFIs) such as rural banks, thrift banks and cooperative banks.

In 2004, LCDFI conducted nine batches of regular training courses on remedial management, branch banking, strategic planning, credit administration and customer relations for CFIs. The Foundation also handled six batches of customized training courses for specific CFI clients, among them the Rural Bankers Association of the Philippines (RBAP).

Training and other capability building services were also extended to cooperatives. Training modules for key coop trainers, small farmers and fisherfolk were developed and implemented. An LCDFI pool of trainers was also established.

LCDFI expanded its clientele in 2004 to include Overseas Filipino Workers (OFWs). In partnership with the Overseas Workers Welfare Administration (OWWA), LCDFI conducted several pre-departure orientation seminars to performing artists, skilled workers and domestic helpers as part of its OFW Reintegration Program.

LCDFI continues to implement LBP's corporate philanthropic activities as program administrator for a number of scholarship programs. In 2004, it was able to boost its scholarship fund by sourcing additional support from legislators. The number of scholars supported under the GAWAD-PATNUBAY and Scholarship Incentive Program for Agricultural Growth (SIPAG) increased to 50 from 43 in 2003.

LCDFI produced and published developmental communication materials as guide for cooperatives. It distributed 2,300 manuals to LBP field units

including audit manuals, pre-membership seminar manuals and standard chart of accounts for cooperatives.



People's Credit and Finance Corporation (PCFC)

The People's Credit and Finance Corporation (PCFC), a microfinance company established to provide affordable lending facilities to the marginalized sectors of the Philippine population, maintained active partnership with 199 microfinance institutions (MFIs) composed of rural banks, cooperative banks, cooperatives and non-government organizations (NGOs).

Total credit lines made available to these MFIs as of year-end 2004 amounted to P6.0 billion while cumulative loan releases reached P6.8 billion. The outstanding loan portfolio as of 31 December 2004 stood at P2.9 billion with actual cumulative outreach (active borrowers) numbering almost 1.4 million. About 95% of these borrowers are women.

PCFC's network of MFIs operates in all of the 80 provinces of the country, all the 115 cities and 1,263 or 84% of the total number of municipalities of 1,495.

In 2004, PCFC was able to raise P168.7 million additional funds from various sources such as Development Bank of the Philippines, Upland Development Program of the Department of Agriculture and Advocates of Cotabato Rural Development.

PCFC also conducted capacity building activities to further strengthen its staff and partner MFIs. These activities included four department-specific trainings, one internal training for officers and staff (two batches), 33 external trainings for partner MFIs and coordinated 32 MFI conferences, exposure trips and dialogues.

Operations audit of 37 MFIs were done during the year as part of the continuing program of PCFC to expand and enhance MFI accounts management, audit and credit review and risk assessment.

As part of its information campaign, PCFC collaborated with the Philippine Information Agency in the production of television commercials, radio plugs and newspaper ad placements to increase people's awareness on microfinance.



National Livelihood Support Fund (NLSF)

In supplementing LBP's programs in livelihood credit and micro-finance, capability building, SME financing and community development services, NLSF continued its thrust in 2004 with its annual number of beneficiaries increasing by 36.5% to 41,205 from 30,174 in 2003.

Cumulative loan releases rose 143% to P468.3 million from P192.6 million in 2003. Growth in loan releases was noted in the following programs:

- Livelihood Credit Assistance Program (LCAP), up by 140% to P398.5 million from P165.9 million. Borrowers and beneficiaries of the program increased to 32,137 individuals from 15,354;

- Youth Entrepreneurship Financing Facility Program (YEFFP), grew by 792% to P15.4 million from P1.7 million. Borrowers and beneficiaries increased to 704 young entrepreneurs from 644;
- Special Tie-up Programs (STUP), rose by 180% to P35.2 million from P12.6 million. Borrowers and beneficiaries of the program increased to 1,218 individuals from 765;
- Under the SME Financing Program or the "Isang Bayan, Isang Produkto, Isang Milyon Piso (1M1), a loan of P1 million each was granted to the local governments of Lubuagan (Kalinga Apayao), Mulanay (Quezon), Naga (Camarines Sur) for their priority livelihood projects benefiting 2,875 individuals.

NLSF accredited 53 new conduits, bringing to 120 the total number of active NLSF fund conduits. There are 115 conduits engaged in microfinance and five conduits for SME development programs.

In support of its credit programs, NLSF strengthened its interventions to enhance skills and technical preparedness of potential and existing borrowers in livelihood, entrepreneurship and cooperative development. Eight Community Business Development Centers (CBDCs), the primary capability building arm of NLSF, were established in Davao, Calbayog, Palawan, Cavite, Baguio, Zambales, Cagayan Valley and Quezon.

Loans collection rate remains high at 99.4% in 2004 resulting to a gross income of P167.7 million, up from P136.1 million in 2003. Net income increased substantially by 18% to P110.3 million compared to the previous year's P 93.4 million.

LBP Leasing Corporation (LLC)



Also supplementing LANDBANK's support to its countryside partners and clients, LBP Leasing Corporation extends developmental leases to SMEs, agribusiness enterprises, government agencies and rural banks. After a few years of consolidating operations and strengthening its financial position, LLC started to focus on growth in year 2004. The initial results of these growth initiatives resulted in record achievements in LLC's history.

For the first time in its more than 20 years of existence, LLC breached the P50.0 million mark in net income when it recorded a net income after tax of P50.9 million for 2004. This was more than 17% higher than the P43.4 million net income realized in 2003. This also represents a return on average equity of 9.2% and return on average assets of 4.6%.

LLC also finally crossed the P 500 million mark for new accounts booked for the year. Total bookings for 2004 reached a total of P565.3 million, higher by almost 90% compared to the new accounts booked in 2003. LLC portfolio grew to P828.5 million in 2004 from P677.1 million last year.

In 2004, LLC significantly reduced its gross past due rate to 5.8% from 8.9% at the start of the year. Non-performing loans were reduced from P60.2 million in 2003 to P48.0 million by year-end. The net past due rate

was less than 1% as of end-2004 although the ROPOA level increased from P35.9 million in 2003 to P44.6 million in 2004.

LLC made significant investments in facilities, systems, and information and communications technology (ICT) infrastructure to support sustainable growth in the coming years. LLC finalized the purchase arrangement for the 15th floor of the SSHG Law Centre in Makati City that will be the permanent office of the Corporation.



LBP Insurance Brokerage, Inc. (LIBI)

LIBI handles general insurance, brokerage management, consultancy services in all insurance-related activities and foreign exchange trading activities for the Bank's clients.

In 2004, LIBI maintained its standing as one of the top ranking insurance brokers in the country for three consecutive years. LIBI posted a 5% increase in net income from P 54.5 million in 2003 to P56.9 million in 2004. Total assets went up by 7% from P441.4 million in 2003 to P472.2 million in 2004. Stockholders equity correspondingly increased by 17% to P396.4 million from P339.0 million last year.

As an indicator of stability, LIBI saw an increase in its investment portfolio by almost 9% from P351.6 million in 2003 to P382.4 million in 2004.

In 2004, LIBI completed the upgrade of its computer systems to reduce processing time and generate more information to its clients. It also streamlined the billing and collection procedures to address internal revenue-related concerns. In addition, LIBI implemented control mechanisms in the maintenance of client records. Claims servicing was also enhanced and regularly monitored by management.

LBP Realty Development Corporation (LBRDC)



LBRDC is LANDBANK's construction and project development arm. It is primarily focused on servicing LBP's needs in branch construction, renovation and relocation, in the installation of Automated Teller Machines (ATMs), in maintenance work for the Head Office, and in the disposal, development, maintenance and repair works of the bank's ROPOAs.

In 2004, LBRDC completed 41 branch construction and renovation projects, fitted out 230 ATMs nationwide and completed residual Head Office building works.

In 2004, LBRDC generated P257 million from the sale and brokerage of LBP's 177 ROPOA accounts. During the year, LBRDC successfully completed and turned over its first condominium project, the LB One Condominium, a 4-storey 31 unit residential condominium building.

LBRDC also sustained its operational and financial strength. With intensive cost reduction efforts, it lowered its construction cost ratio to 64.5% from its 70% target and reduced manpower by 23% to post a net income of P28.6 million. This enabled LBRDC to again declare cash dividends to LBP worth P5.2 million for 2004.

Board of Directors



Luis P. Lorenzo, Jr.
CHAIRMAN
(September 2004 - March 2005)

Luis P. Lorenzo, Jr. served as the Chairman of the Board of the Land Bank of the Philippines from September 2004 until March 2005. He also served as the Presidential Adviser for Jobs Generation and the Chairman of the Quedan and Rural Credit Guarantee Corporation (Quedancor) in concurrent capacity. He played a significant role in the administration's goal of creating six to ten million jobs and developing one to two million hectares of productive lands. Before LANDBANK, he used to be the Secretary of the Department of Agriculture where he performed a significant role in crafting the Key Commodity Roadmaps which became the mainframe of DA's agricultural programs.

Gary B. Teves
VICE CHAIRMAN

Gary B. Teves is the President and CEO and the Vice Chairman of the Board of Directors of LANDBANK. Under his leadership, the bank's financial performance improved dramatically, recording a historic high net income of P2.2 billion in 2004 and its loan portfolio shifted in favor of priority sectors. Prior to joining the bank, he was the Representative of Negros Oriental for three consecutive terms during which he authored significant legislations on trade, investment, fiscal and financial reforms, and countryside development. He also served as the private sector representative of the Economic Coordinating Council, the Executive Branch's highest policy-making body on economic issues

Juanita D. Amatong
CHAIRMAN
(November 2003 - August 2004)

Juanita D. Amatong became the Secretary of Finance and Chairman of the Board of the Land Bank of the Philippines from November 2003 to August 2004. She holds the distinction of being the first woman executive director of the World Bank Group from 1996-October 1998. She was also given the Philippine Legion of Honor with a degree of officer by the President of the Philippines in June 1998 for her "excellent and meritorious services" rendered during the peace negotiations with the Moro National Liberation Front. She finished her business administration degree from Silliman University (cum laude) and her MA in Economics and Public Administration from the Syracuse University in New York, USA.

Patricia A. Sto. Tomas
DIRECTOR

Patricia A. Sto. Tomas is the Secretary of Labor and Employment. She served as consultant in government agencies including the Department of Health, National Defense, Social Welfare and Development, and Agriculture. As former Chairman of the Civil Service Commission, she initiated reforms that included providing equal opportunities for female employees as well as incorporating the merit and fitness principles for entry to government posts. In her present post, she continues to lead the POEA in setting up innovative welfare and protective mechanisms for OFWs that even became the model for other countries. Presently, she is the Commissioner of the Global Commission on International Migration.

Rene C. Villa
DIRECTOR

Rene C. Villa is the Secretary of the Department of Land Reform. A lawyer by profession, he started his government service in January 2001 as Presidential Assistant and later as Regional Development Officer for Western Visayas (WV) with the rank of undersecretary. At present, he also serves as cabinet officer for regional development in Western Visayas, Romblon and Palawan and sits as director in QUEDANCOR. He used to co-host "Hangpanay", a community service TV program and teach law at the University of San Agustin's College of Law in Iloilo City.



Arthur C. Yap
DIRECTOR

Arthur C. Yap is the Secretary of Agriculture and is one of the youngest to be appointed to the cabinet of President Gloria-Macapagal Arroyo. A lawyer by profession, he first entered government service in August 2001 as President and CEO of the Philippine International Trading Corporation (PITC). Under his stewardship, PITC's multi-million deficit was overturned, making it earn from its operations for the first time in 10 years. He was later appointed as the Administrator of the National Food Authority and as the Chairman of the Food Terminal, Inc. and then as DA Undersecretary for Luzon Operations in concurrent capacity. In his two years of stewardship at the NFA, he is recognized for bringing back the NFA to the forefront of the government's self-sufficiency program.

Albert C. Balingit
DIRECTOR

Albert C. Balingit is the private sector representative to the LBP Board. Before LANDBANK, he held various positions such as President of the Pangasinan Realty Corporation and Director of the Dagupan City Water District. He also served as president of the Rotary Club of Dagupan East. In 2004, he chaired LANDBANK's NPA Portfolio Auction Sale Bids and Awards Committee which was behind the successful landmark transaction in the banking industry that involved the disposal of some P13 billion worth of the bank's non-performing loans.

Ananias F. Loza
DIRECTOR

Ananias F. Loza is the representative of the agrarian reform beneficiaries at the LANDBANK Board. He was a member of the Governing Council of Philippine Council for Agriculture, Forestry and Natural Resources Research and Development (PCARRD) and was the chairperson of SANDIGAN, a farmer's organization. He is the National President of Pambansang Kilusan ng Samahan Magsasaka (PAKISAMA), a non-government organization and member of its Mutual Benefit Association Board of Trustees. He is also a Board of Trustees member of the Lingap para sa Kalusugan ng Sambayanan (LIKAS, Inc.) – a Sorsogon-based NGO.

George J. Regalado
DIRECTOR

George J. Regalado was appointed private sector representative to the LBP Board of Directors in August 2004. Prior to LANDBANK, he served as director at the Office of the Majority Floor Leader at the House of Representatives and at the Mindanao Peace and Development Fund. In 1993, he became the adopted son of the Association of Muslim in Region XI and was conferred the honorary title of "Datu." Currently, he is a consultant of the First Congressional District Office in Davao City and head of the Management Team for South Luzon Culinary Cuisine, Inc.

Romeo B. Taruc
DIRECTOR

Romeo B. Taruc is the agrarian reform beneficiaries representative in the LBP Board of Directors. As a doctor of medicine, he served as public health consultant at the Angeles Mayor's Office and Office of the Governor. He also served as Councilor for four terms at the Angeles City Council. At present, he is the President of the Pampanga Specialist Center.

Management Team



(L-R) Gary B. Teves, Antonio T. Hernandez, Alfonso B. Cruz Jr., Gilda E. Pico, Rodrigo B. Supeña

Senior Officers

INSTITUTIONAL BANKING SECTOR

Seated (L-R)

Omar T. Salvo
Catherine T. Magana
Jaime B. Rebultan
Rosario C. Arnaldo
Cecilia C. Borromeo

Standing (L-R)

Jose Carmelo C. Nograles
Carlos T. Castro
Jose Abelardo F. Agregado



OPERATIONS SECTOR/ EXECUTIVE SECTOR

Standing (L-R)

Manuel C. Piczon
Gabriel M. Jayme
Roberto S. Vergara
Julio D. Climaco Jr.
Jocelyn D. Cabreza
Teresita E. Cheng
Reynauld R. Villafuerte
Yolanda D. Velasco

(Seated L-R)

Alan V. Bornas
Estela E. Correa
Andres C. Sarmiento



Senior Officers

CORPORATE SERVICES & SUBSIDIARIES SECTOR

(L-R)

Aristeo A. Lat, Jr.
Bueno B. Castillo
Marilyn M. Tiongson
Jesus F. Diaz
Conrado B. Roxas
Manuel H. Lopez



AGRARIAN & DOMESTIC BANKING SECTOR

(L-R)

Ma. Victoria A. Reyes
Cresencio R. Selispara
Carmelita M. Hain
Raymundo M. Almario
Simeona S. Guevarra
Wilfredo C. Maldia
Nenita H. Veran



ADBS-AREA/REGIONAL HEADS

Standing (L-R):
Erasmus T. Cruz
Edna S. Famorca
Romeo D.R. Mercado
Ananias O. Lugo, Jr.

Seated (L-R):
Erlinda Z. Velasquez
David P. Camaya
Carmencita A. Bayot



ADBS-AREA/REGIONAL HEADS

Standing (L-R):
Demetrio R. Opinion
Daisy M. Macalino
Wilhelmino G. Agregado
Jennifer A. Tantan
Donato C. Endencia

Seated (L-R):
Romeo C. Castro
Rogelio G. Decal



ADBS-AREA/REGIONAL HEADS

Standing (L-R):
Edward John T. Reyes
Stella Maris C. Yusay
Wesly C. Magnaye
Delia M. Ladao
Sambutuan B. Abdul

Seated (L-R):
Iniego R. Varon
Ruel Z. Romarate
Joselito P. Gutierrez



List of Officers (As of June 30, 2005)

PRESIDENT AND CEO
Margarito B. Teves

LEGAL SERVICES GROUP
FVP Manuel C. Piczon
VP Reynauld R. Villafuerte
AVP Rosemarie M. Osoteo

INTERNAL AUDIT GROUP
FVP Jocelyn D. Cabreza

RISK MANAGEMENT GROUP
VP Teresita E. Cheng
VP Gabriel M. Jayme
AVP Racquel R. Rimonte

STRATEGIC PLANNING GROUP
FVP Julio D. Climaco, Jr.
AVP Romeo Glenn B. Sumido, Jr.

TECHNOLOGY MANAGEMENT GROUP
VP Alan V. Bornas
AVP Antonio V. Hugo, Jr.
AVP Cecilia C. Sazon
AVP Ma. Teresa B. Villalonga

TRUST BANKING GROUP
VP Roberto S. Vergara
AVP Felix L. Manlangit

CORPORATE AFFAIRS DEPARTMENT
AVP Agustin Frederick A.
Apilado

PHYSICAL SECURITY OFFICER
AVP Ricardo M. Pasamba

COMPLIANCE MANAGEMENT OFFICER
VP Edna P. Hingco

OFFICE OF THE PRESIDENT
AVP Ma. Cecilia C. Abante

AGRARIAN AND DOMESTIC BANKING SECTOR

SEVP Gilda E. Pico

NORTHERN AND CENTRAL LUZON
BRANCHES GROUP:
SVP Simeona S. Guevarra
VP David P. Camaya
VP Erasmo T. Cruz
VP Romeo D.R. Mercado
VP Erlinda Z. Velasquez
AVP Lolita C. Cruz
AVP Edna L. Juan
AVP Domingo S. Losa
AVP Filipina B. Monje
AVP Mernilo C. Ocampo
AVP Francisco A. Pasado

NCR BRANCHES GROUP:
SVP Nenita H. Veran
VP Wilhelmino G. Agregado
VP Romeo C. Castro
VP Daisy M. Macalino
VP Demetrio R. Opinion
AVP Evangeline A. Balboa
AVP Annalene M. Bautista

AVP Elizabeth M. Cruz
AVP Zenaída C. Dabu
AVP Renato G. Eje
AVP Paz M. Facun
AVP Ma. Lorena S. Flores
AVP Rene Ricardo T. Imperial
AVP Leila C. Martin
AVP Ramon R. Monteloyola
AVP Romulo P. Soriao
AVP Laura B. Tangangco
AVP Jennifer A. Tantan
AVP Leticia P. Villa

SOUTHERN LUZON AND BICOL BRANCHES
GROUP:
FVP Cresencio R. Selispara
FVP Edna S. Famorca
AVP Carmencita A. Bayot
AVP Renato M. Chico
AVP Mauricio C. Feliciano
AVP Alex A. Lorayes
AVP Ananias O. Lugo, Jr.
AVP Delfin S. Macaraeg
AVP Chita J. Medina

VISAYAS BRANCHES GROUP:
FVP Stella Maris C. Yusay
VP Edward John T. Reyes
VP Iniego R. Varon
AVP Manuel Jose Mari S.
Infante

MINDANAO BRANCHES GROUP:
SVP Wilfredo C. Maldia
FVP Delia M. Ladao
VP Sambutuan B. Abdul
VP Joselito P. Gutierrez
VP Wesly C. Magnaye
VP Ruel Z. Romarate
AVP Jossie D. Nicart
AVP Floriza L. Sumajit

DEVELOPMENT ASSISTANCE DEPARTMENT
VP Donato C. Endencia

FIELD UNITS SUPPORT DEPARTMENT
VP Carmelita M. Hain

LANDOWNERS COMPENSATION AND
ASSISTANCE GROUP
FVP Ma. Victoria A. Reyes
VP Ricardo S. Arlanza

PROGRAM MANAGEMENT DEPARTMENT
VP Liduvino S. Geron

SYSTEMS IMPLEMENTATION DEPARTMENT
AVP Ana S. Concha

ATM BUSINESS MANAGER
AVP Edna A. Atienza

INSTITUTIONAL BANKING AND SUBSIDIARIES SECTOR

SEVP Alfonso B. Cruz, Jr.

AVP Rosario S. Domingo
AVP Melissa S. Marnauag

ACCOUNT MANAGEMENT GROUP
SVP Cecilia C. Borromeo
VP Jose Abelardo F. Agregado
AVP Ma. Celeste A. Burgos

ASSET RECOVERY GROUP
FVP Omar T. Salvo

GLOBAL BANKING DEPARTMENT
VP Rosario C. Arnaldo
AVP Ramon K. Cervantes
AVP Manuel I. Inserto

PROGRAM LENDING GROUP
VP Carlos T. Castro
AVP Noemi P. Dela Paz

TREASURY AND INVESTMENT BANKING
GROUP
VP Catherine T. Magana
VP Jaime B. Rebutan, Jr.
AVP Alex J. Macapagal

SUBSIDIARIES AND FOUNDATION:

LBP INSURANCE BROKERAGE, INC.
President Jesus F. Diaz
Gen. Manager Aristeo A. Lat, Jr.

LBP LEASING CORPORATION
President and General
Manager Manuel H. Lopez

LBP REALTY AND DEVELOPMENT
CORPORATION
Pres. & Gen. Manager
Bueno B. Castillo

LBP COUNTRYSIDE DEVELOPMENT
FOUNDATION, INC.

Executive Director/
Gen. Manager
Erlinda Carolina-Ramos

MASAGANANG SAKAHAN, INC.
OIC Ma. Socorro Carandang

OPERATIONS AND CORPORATE SERVICES SECTOR

EVP Jose Carmelo C. Nograles

CONTROLLERSHIP GROUP
SVP Andres C. Sarmiento
AVP Rosario B. Belmonte
AVP Ma. Eloisa C. Dayrit
AVP Emerita E. Olayvar

BANKING SERVICES GROUP
FVP Yolanda D. Velasco
AVP Carolina Q. Briñas

HUMAN RESOURCE MANAGEMENT GROUP
FVP Marilyn M. Tiongson
AVP Vivian C. Bedrijo
AVP Lorna P. Garcia
AVP Voltaire Pablo P. Pablo

BANKING OPERATIONS GROUP
VP Estela E. Correa
AVP Maria Edelwina D. Carreon
AVP Zenaida A. Dayao
AVP Winston Rochel L. Galang

FACILITIES MANAGEMENT AND GENERAL
SERVICES GROUP
VP Conrado B. Roxas
AVP Norlinda S. Plazo

Auditor's Report



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines

The Board of Directors
Land Bank of the Philippines
Manila

We have audited the accompanying statement of condition of the Land Bank of the Philippines as of December 31, 2004 and the related statements of income and expenses and cash flows for the year then ended. These financial statements are the responsibility of Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with laws, Commission on Audit (COA) and International Organization of Supreme Audit Institution (INTOSAI) standards and applicable generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Land Bank of the Philippines as of December 31, 2004 and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

Without qualifying our opinion, we draw attention to item nos. 1 and 2 of the Comments and Observations on the Bank's procedures in the recording of foreign loan drawdowns at telegraphic transfer buying rate and payments at selling rate instead of the internal reference rate which resulted in the subsequent realization of foreign exchange profit, understatement of bills payable and guarantee fees, overstatement of finance charges, excessive Foreign Exchange Risk Cover (FXRC) claim collected from the Bureau of Treasury (BTR) and understatement of FXRC fee paid to the BTR. The condition was partly brought about by vague provisions in the Memorandum of Agreement (MOA) which issue has been elevated to the Department of Finance for final interpretation.

COMMISSION ON AUDIT

A handwritten signature in black ink, appearing to read "Tito S. Nabua".

TITO S. NABUA
Cluster Director

March 29, 2005

Statement of Condition

December 31, 2004 and 2003
(In Thousand Pesos)

	2004		2003	
RESOURCES				
Cash and other cash items	P	7,417,108	P	6,662,257
Due from Bangko Sentral ng Pilipinas (Note 4)		12,123,272		9,986,622
Due from other banks (Note 5)		1,292,334		1,965,705
Due from PCHC couriers (Note 6)		268,812		455,753
Loan portfolio-net (Notes 2a and 7)		134,582,401		119,821,406
Investment portfolio-net (Notes 2b, 2c & 8)		100,837,223		95,341,498
Bank premises, furniture, fixtures and equipment-net (Notes 2d and 9)		5,052,455		4,824,289
Real and other properties owned/ acquired-net of allowance for probable losses of P2,212,036 in 2004 and P1,899,349 in 2003 (Note 2e)		14,829,182		15,510,539
Other resources-net (Note 10)		11,295,934		13,312,148
	P	287,698,721	P	267,880,217
LIABILITIES AND CAPITAL FUNDS				
Liabilities				
Deposit liabilities (Note 11)	P	214,905,279	P	184,921,636
Due to Bangko Sentral ng Pilipinas		101,746		90,552
Due to local banks		130,667		238,841
Treasurer's/cashier's/manager's/ gift checks and expense checks		842,430		689,938
Payment orders payable		559,056		1,010,934
Outstanding acceptances executed by/or for the account of this bank		22,174		884,503
Bills payable (Notes 2f and 12)		32,055,002		37,625,002
Marginal deposits		374,833		689,160
Cash letters of credit		1,391,595		1,216,062
Accrued interest and other expenses payable (Note 13)		3,198,960		2,191,892
Unearned income and deferred credits		4,494,030		3,774,359
Due to Philippine Crop Insurance Corporation		1,791		5,840
Due to Treasurer of the Philippines		42,519		25,589
Other liabilities (Note 14)		8,627,398		12,443,939
		266,747,480		245,808,247
Capital Funds (Note 15)				
Issued				
1,000,000 common shares		10,871,000		10,000,000
20,000 preferred shares		-		200,000
Paid-in surplus		101,098		1,901,098
Surplus-free		5,130,236		3,518,164
Surplus-reserve		2,759,387		4,165,412
Undivided profits		2,250,674		2,001,183
Net unrealized gain on securities available for sale		(161,154)		286,113
		20,951,241		22,071,970
	P	287,698,721	P	267,880,217

See accompanying Notes to Financial Statements.

Statement of Condition

Land Bank of the Philippines and Subsidiaries
December 31, 2004
(In Thousand Pesos)

	CONSOLIDATED		SOLO	
RESOURCES				
Cash and other cash items	P	7,419,876	P	7,417,108
Due from BSP		12,123,272		12,123,272
Due from other banks		1,405,271		1,292,334
Due from PCHC couriers		268,812		268,812
Loan Portfolio-net		134,586,700		134,582,401
Investment Portfolio-net		99,884,112		100,837,223
Bank premises, furniture, fixtures and equipment, Net		5,248,314		5,052,455
Real and other properties owned/acquired, Net		14,873,790		14,829,182
Other resources-Net		12,444,251		11,295,934
TOTAL RESOURCES	P	288,254,398	P	287,698,721
LIABILITIES AND CAPITAL FUNDS				
Liabilities				
Deposit liabilities	P	214,868,207	P	214,905,279
Due to Bangko Sentral ng Pilipinas		101,746		101,746
Due to local banks		130,667		130,667
Treasurer's/cashier's/manager's/gift & expense checks		842,430		842,430
Payment orders payable		562,523		559,056
Outstanding acceptances executed by/or for the account of this bank		22,174		22,174
Bills payable		32,055,002		32,055,002
Marginal deposits		374,833		374,833
Cash letter of credit		1,391,595		1,391,595
Accrued interest and other expense payable		3,203,678		3,198,960
Unearned income and deferred credits		5,046,810		4,494,030
Due to PCIC		1,791		1,791
Due to Treasurer of the Philippines		42,519		42,519
Other liabilities		8,659,759		8,627,398
		267,303,734		266,747,480
Capital Funds				
Issued, 100,000,000 common shares		10,871,000		10,871,000
Paid-in surplus		114,804		101,098
Surplus-free		5,067,637		5,130,236
Surplus-reserve		2,759,857		2,759,387
Undivided profits		2,298,520		2,250,674
Net Unrealized Gains/ (Losses) on Securities Available for Sale		(161,154)		(161,154)
		20,950,664		20,951,241
TOTAL LIABILITIES AND CAPITAL FUNDS	P	288,254,398	P	287,698,721

See accompanying Notes to Financial Statements.

Statement of Income and Expenses

For the Years Ended December 31, 2004 and 2003
(In Thousand Pesos)

	2004	2003
INTEREST INCOME		
Loans	P 10,228,987	P 8,492,955
Investments	7,567,526	6,465,046
Due from Bangko Sentral ng Pilipinas	247,688	237,472
Deposits in banks	5,235	8,256
Others	69,613	33,167
	18,119,049	15,236,896
INTEREST EXPENSE		
Deposits	5,291,252	3,757,322
Borrowed funds	1,717,022	1,445,862
Others	17,393	9,699
	7,025,667	5,212,883
NET INTEREST INCOME	11,093,382	10,024,013
PROVISION FOR PROBABLE LOSSES (Note 16)	1,739,746	2,869,353
NET INTEREST INCOME AFTER PROVISION FOR PROBABLE LOSSES	9,353,636	7,154,660
OTHER INCOME		
Service charges/fees	856,375	499,232
Profit on sale or redemption of investments	613,458	1,129,633
Foreign exchange profit	565,049	699,419
Dividends	76,413	31,084
Bank commission	72,461	79,496
Income - Trust Dept.	67,617	61,665
Trading gain	37,669	23,561
Other income	990,431	768,625
	3,279,473	3,292,715
OTHER EXPENSES		
Compensation/fringe benefits	4,865,963	4,016,598
Taxes & licenses	818,071	463,705
Insurance	566,944	488,270
Depreciation/amortization	466,031	394,016
Litigation/acquired assets expenses	251,667	370,470
Finance charges	197,006	165,323
Banking fees	101,824	90,552
Other expenses	3,056,457	2,304,104
	10,323,963	8,293,038
NET INCOME BEFORE INCOME TAX	2,309,146	2,154,337
PROVISION FOR (benefit from) INCOME TAX (Notes 2h and 18)	58,472	153,154
NET INCOME	P 2,250,674	P 2,001,183

See accompanying Notes to Financial Statements.

Statement of Income and Expenses

Land Bank of the Philippines and Subsidiaries
For the Year Ended December 31, 2004
(In Thousand Pesos)

	CONSOLIDATED		SOLO	
INTEREST INCOME				
Loans	P	10,255,848	P	10,228,987
Investments		7,574,079		7,567,526
Due from the Bangko Sentral ng Pilipinas		247,688		247,688
Deposits in banks		5,962		5,235
Others		126,040		69,613
		18,209,617		18,119,049
INTEREST EXPENSE				
Deposits		5,291,141		5,291,252
Borrowed funds		1,717,022		1,717,022
Others		16,501		17,393
		7,024,664		7,025,667
NET INTEREST INCOME		11,184,953		11,093,382
PROVISION FOR PROBABLE LOSSES		1,742,854		1,739,746
NET INTEREST INCOME AFTER PROVISION FOR PROBABLE LOSSES		9,442,099		9,353,636
OTHER INCOME				
Profit on sale or redemption of investments		613,721		613,458
Foreign exchange profit (loss)		567,076		565,049
Service charges/fees		871,241		856,375
Dividends		76,413		76,413
Bank commission		72,461		72,461
Income - Trust Dept.		67,617		67,617
Trading gain (loss)		37,669		37,669
Other income		1,033,181		990,431
		3,339,379		3,279,473
OTHER EXPENSES				
Compensation/Fringe benefits		4,903,195		4,865,963
Taxes & Licenses		823,661		818,071
Insurance		568,077		566,944
Depreciation/Amortization		471,489		466,031
Litigation/acquired assets expenses		253,139		251,667
Finance charges		197,006		197,006
Banking fees		101,823		101,824
Other expenses		3,090,930		3,056,457
		10,409,320		10,323,963
NET INCOME (LOSS) BEFORE INCOME TAX		2,372,158		2,309,146
PROVISION FOR INCOME TAX		73,638		58,472
NET INCOME	P	2,298,520	P	2,250,674

See accompanying Notes to Financial Statements.

Statement of Changes in Capital Funds

For the Years Ended December 31, 2004 and 2003
(In Thousand Pesos)

	Common Stock		Preferred Stock		Surplus Free	SURPLUS		Undivided Profits	Net Unrealized Gain/(Loss) on Securities	TOTALS
	Shares	Amount	Shares	Amount		Paid-in Surplus	Surplus Reserve			
Balance, December 31, 2002	950,000	P9,500,000	20,000	P200,000	P3,378,980	P1,901,098	P3,661,412	P1,658,551	P466,116	P 20,766,157
Net income during the year								2,001,183		2,001,183
Payment of cash dividends					(464,000)					(464,000)
Transfer to surplus free					1,658,551			(1,658,551)		-
Additional reserve for trust business					(4,000)		4,000			-
Reversal of interest on LBRDC term loan					(51,367)					(51,367)
Net unrealized gain on securities									(180,003)	(180,003)
Stock dividend	50,000	500,000			(500,000)					-
Sinking fund for the redemption of preferred shares					(500,000)		500,000			-
Balance, December 31, 2003	1,000,000	10,000,000	20,000	200,000	3,518,164	1,901,098	4,165,412	2,001,183	286,113	22,071,970
Net income during the year								2,250,674		2,250,674
Payment of cash dividends					(814,111)					(814,111)
Transfer to surplus free					2,001,183			(2,001,183)		-
Additional reserve for trust business					(4,000)		4,000			-
Additional reserve for contingencies					(200,000)		200,000			-
Redemption of NDC's preferred shares			(20,000)	(200,000)		(1,800,000)				(2,000,000)
Net unrealized loss on securities									(447,267)	(447,267)
Stock dividends	87,100	871,000			(871,000)					-
Sinking fund for the redemption of preferred shares					1,500,000		(1,500,000)			-
50% cash settlement of the tax diverted payments							(110,025)			(110,025)
Balance, December 31, 2004	1,087,100	P 10,871,000	-	P -	P 5,130,236	P 101,098	P 2,759,387	P 2,250,674	P (161,154)	P 20,951,241

See accompanying Notes to Financial Statements.

Statement of Cash Flows

For the Years Ended December 31, 2004 and 2003
(In Thousand Pesos)

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest income	P 18,119,050	P 15,236,896
Interest expense	(7,025,667)	(5,212,883)
Bank commission, service charges & fees	928,835	578,728
Other income	1,623,097	1,529,709
General and administrative expenses	(9,857,932)	(7,899,022)
Changes in operating resources and liabilities: (Increase)/decrease in amounts of:		
Loans	(14,502,750)	(16,129,932)
Trading account securities	(54,287)	76,617
Underwriting accounts	50,000	60,743
Other resources	2,318,176	(4,752,259)
Increase/(decrease) in amounts of:		
Deposit liabilities	29,983,643	5,471,035
Accrued interest and other expenses payable	941,648	(11,152)
Other liabilities	(3,196,648)	6,789,398
Net cash generated from/(used in) operations	19,327,165	(4,262,122)
Income taxes paid	(115,769)	(56,098)
Net cash provided by/(used in) operating activities	19,211,396	(4,318,220)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net acquisitions of property and equipment	(569,592)	(447,360)
Dividends received	76,413	31,084
Profit from sale or redemption of investments	613,458	1,129,633
Trading gain	37,669	23,561
(Increase)/decrease in amounts of:		
Investments in bonds and other debt instruments	(10,316,842)	(9,899,519)
Equity investments	(357,108)	120,882
Available-for-sale- securities	3,667,902	4,519,496
Net cash used in investing activities	(6,848,100)	(4,522,223)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends paid	(814,111)	(464,000)
Other charges to capital	(2,557,292)	(231,370)
Increase in other borrowings	(6,854,830)	3,463,328
Net cash provided by/(used in) financing activities	(10,226,233)	2,767,958
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,137,063	(6,072,485)
CASH AND CASH EQUIVALENTS, beginning of year	19,630,402	25,702,887
CASH AND CASH EQUIVALENTS, end of year (Note 3)	P 21,767,465	P 19,630,402

See accompanying Notes to Financial Statements.

Acknowledgments

- All the clients and development partners featured in this annual report
- The following LANDBANK units:
 - Fort Bonifacio Branch
 - Cebu Lending Center
 - Office of the Regional Head - SocSKSarGen
 - Atabel, Sarangani Branch
 - Palawan Lending Center
 - Development Assistance Center IX - Zamboanga City
 - Development Assistance Office - Ozamis City

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