LBP LEASING AND FINANCE CORPORATION

2015 ANNUAL REPORT

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CORPORATE PROFILE

The creation of LBP Leasing and Finance Corporation was in line with Section 21-A of Republic Act 337 or the General Banking Act that allows banks such as LANDBANK to invest in equities of companies with allied undertaking such as leasing activities.

VISION

The pioneering government finance company providing financing solutions to capital asset requirements of programs and projects in support of National Government Agenda, operating in all regions of the country by 2018.

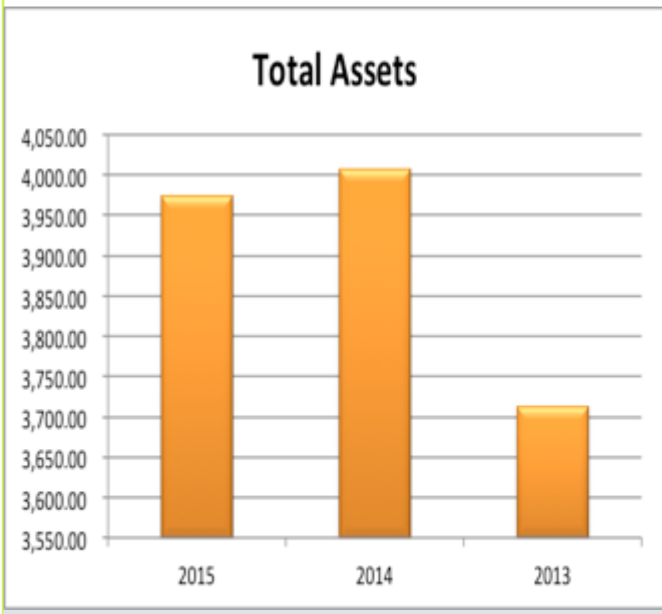
MISSION

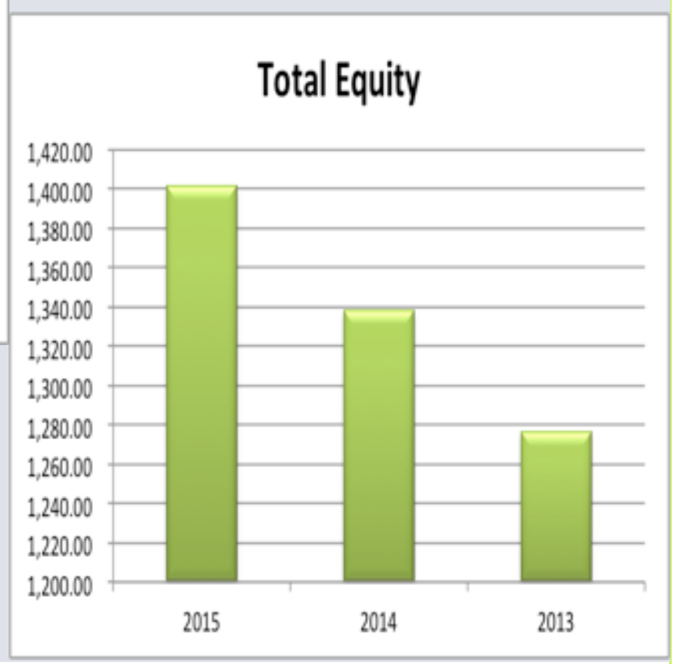
To provide innovative financial services that will facilitate access to capital assets that will enhance service efficiency of government offices and increase productivity and expand capacity of private enterprises.

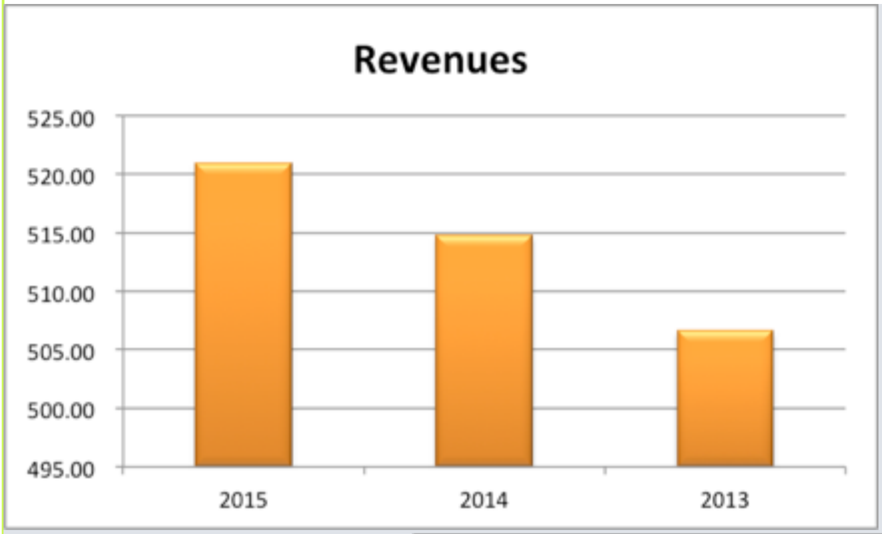
OPERATIONAL HIGHLIGHTS

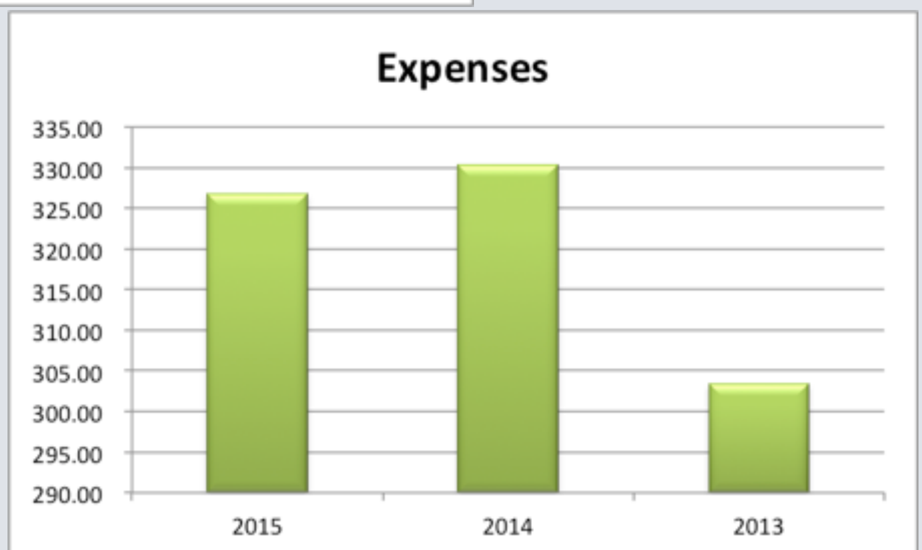
	AS OF YEAR-END		
	2015	2014	2013
Total Assets	3,974.47	4,006.97	3,712.32
Total Equity	1,401.88	1,338.26	1,276.68

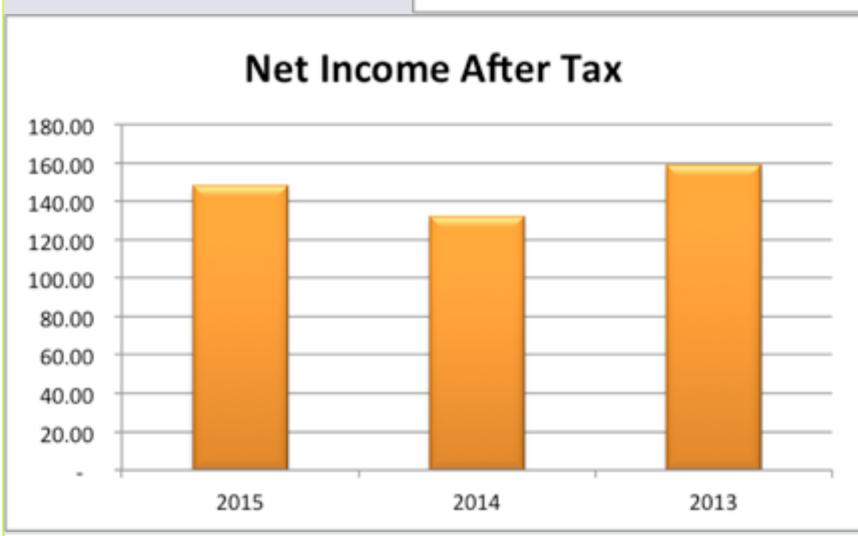
	FOR THE YEAR		
	2015	2014	2013
Gross Revenues	520.93	514.76	506.63
Total Expenses	326.78	330.35	303.48
Income Tax	45.83	52.25	44.42
Net Income After Tax	148.33	132.16	158.73






Revenues
525.00
520.00
515.00
510.00
505.00
500.00
495.00
2015
2014
2013


Expenses
335.00
330.00
325.00
320.00
315.00
310.00
305.00
300.00
295.00
290.00
2015
2014
2013


Net Income After Tax
180.00
160.00
140.00
120.00
100.00
80.00
60.00
40.00
20.00
-
2015
2014
2013

CORPORATE GOVERNANCE

LBP Leasing and Finance Corporation is committed to maintain a strong corporate governance culture across the organization by adhering to good governance practices. The Board of Directors, Management, employees and shareholders, believe that corporate governance is a necessary component to enhance its long-term value to its stakeholders and improve financial performance of the Corporation.

GOVERNANCE STRUCTURE

BOARD OF DIRECTORS

Composition

The BOD shall be composed of eleven (11) directors as provided in the Articles of Incorporation and By-Laws of the Corporation, at least two (2) of whom should be Independent Directors.

Independence of Directors

All directors exercise due diligence and independent judgment and make decisions objectively in the best interest of the Corporation.

The Chairman and the President/CEO are separate and distinct from each other to achieve a balance of authority, clear accountability and capacity for independent decision-making by the Board. The Chairman's primary responsibility is for leading the Board and ensuring its *effectiveness and adherence to good governance while the President/CEO is responsible for the supervision and direction of the day-to-day business affairs of the Corporation.*

Appointment of Directors

Being a wholly-owned subsidiary of Land Bank of the Philippines, the members of the Board of Directors (BOD) of LBP Leasing and Finance Corporation are all Appointive Directors and "shall be appointed by the President of the Philippines from a shortlist prepared by the GCG."

The term of office of each Appointive Director shall be for one (1) year, unless sooner removed for cause, however, each Appointive Director shall continue to hold office until the successor is appointed and qualified.

Responsibilities

The primary function of the BOD is to provide effective leadership and direction to enhance the long-term value of the Corporation to its shareholders and other stakeholders. The Board has the overall responsibility for reviewing the strategic plans and performance objectives, financial plans and annual budget, key operational initiatives, financial performance reviews and corporate governance practices.

The principal duties of the BOD include the following among others:

- *Determine the Corporation's purpose, its vision and mission and strategies to carry out its objectives;*
- *Establish the Corporation's business plans and strategies and monitor on a regular basis the implementation of these corporate strategies, policies, and business plans.*
- *Adopt a system of internal checks and balances within the BOD and/or its Committees. A review of the effectiveness of such system should be conducted to ensure the integrity of the decision-making and reporting process at all times;*
- *Identify key risk areas and key performance indicators and monitor these factors with due diligence;*
- *Install a process of selection to ensure a mix of competent officers and adopt an effective succession planning program for Management;*
- *Ensure that the Corporation complies with all relevant laws, regulations and codes of best business practices;*
- *Identify the Corporation's major and other stakeholders and formulate a clear policy on communicating or relating with them through an effective investor relations program;*
- *Properly discharge Board functions by meeting regularly. Independent views during Board meetings shall be given due consideration and all such meetings shall be duly minuted;*
- *Ensure that adequate procedure, systems and practices that protect the Corporation's assets and reputation are in place and are maintained.*

Meetings and Attendance

The BOD holds regular monthly meeting. In 2015, there were twelve (12) BOD meetings conducted to evaluate and approve various matters related to LLFC's operation.

Officers and employees who can provide additional insights into the matters to be discussed are requested to be present during the scheduled Board and Board Committee meetings.

Management also furnishes monthly reports to the Board to provide sufficient information as to the results of operations and other matters for information and action of the Board.

Summary of Board of Directors Attendance for the Year 2015

Name of Director	Position	No. of Meetings Attended) (Total of 12 meeting for 2015
Gilda E. Pico	Chairman	12
Silvestre M.C. Punsalan	Vice-Chairman	12
Domingo I. Diaz	Director	11
Manuel H. Lopez	Director	12
Cecilia C. Borromeo	Director	11
Andres C. Sarmiento	Director	11
Julio D. Climaco Jr.	Director	11
Edward John T. Reyes	Director	12
Alvin G. Dans	Independent Director	12
Rodrigo B. Supeña	Independent Director	12

Self-Assessment

The Board has implemented a process for assessing the effectiveness of the Board as a whole and the contribution by each individual director to the effectiveness of the Board on an annual basis.

The members of the Board conduct an annual self-rating to measure the performance of the Board and Management by accomplishing the Board Self-Assessment Questionnaire. The Chairman of the Board shall provide parameters for the assessment of the President and CEO.

The Board performance criteria are as follows:

- *Performance of Individual Directors*
- *Fullfillment of Board's Key responsibilities;*
- *Quality of Board – Management Relationship*
- *Effectiveness of Board Processes and Meetings*
- *Board Structure*

Likewise, by virtue of GCG MC No. 21014-03 the Board also performs the Performance Evaluation for Directors wherein they perform Self-Appraisal and Peer Appraisal as well as appraisal of the Chairman. GCG generates the rating forms submitted and provides the Board Chairperson with the rating for each Director.

Access to Information

Management recognizes the importance of ensuring the flow of complete, adequate and timely information to the directors on an on-going basis to enable the Board to make informed decisions in the discharge of their duties and responsibilities.

To allow directors sufficient time to prepare for the meetings, the Board materials are distributed at least three (3) working days in advance of the meeting. Any additional matter or information requested by the directors is promptly furnished.

Management's proposals to the Board for approval provide background information such as facts, resources needed, risk analysis and mitigation strategies, financial impact, regulatory implications, conclusions and recommendations.

Remuneration of the Board

Each director shall receive per diems, allowances, and incentives in accordance with the guidelines promulgated by the GCG.

BOARD COMMITTEES

To aid in complying with the principles of good corporate governance, the Board constituted four (4) Board Committees – the Executive Committee, Audit Committee, Corporate Governance Committee and Risk Management Committee. The composition and the roles of each committee including their meetings and attendance during the year are presented below:

Executive Committee

Composition

Members

Chairperson	*:*	*Silvestre Manuel C. Punsalan*
Members	*:*	*Manuel H. Lopez*
		Cecilia C. Borromeo
		Rodrigo B. Supeña
		Domingo I. Diaz
		*Alvin G. Dans**

**replaces Domingo I. Diaz as ExCom member effective February 2015*

Committee Role

The Executive Committee shall possess and may exercise all the powers on specific matters within the competence of the BOD particularly in the management and direction of the affairs of the Corporation and as may be delegated by the majority of the BOD subject to the limitations provided by the Corporation Code. In accordance with the CASA, the ExCom evaluates, approves or recommends to the Board credit proposals, credit policies for Board consideration, disposal of acquired assets and procurement and disposal of Corporate Assets.

Meetings and Attendance for the Year

The Committee met fourteen (14) times during the year 2015, with all members in attendance.

Audit Committee

Composition

Chairperson	*:*	*Rodrigo B. Supeña*
Members	*:*	*Andres C. Sarmiento*
		Silvestre Manuel C. Punsalan

Committee Role

The Audit Committee shall be responsible for overseeing senior management in establishing and maintaining adequate, effective and efficient internal control framework. It shall ensure that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets.

The Audit Committee shall also be responsible for the assessment of the reports from external auditors and regulatory agencies, and ensure that management judiciously and appropriately acts on recommendations on significant deficiencies and/or material weaknesses identified.

The Audit Committee in the exercise of their functional supervision of the Internal Audit Unit and Compliance Management Unit endorses to the Board the appointment or removal of the IAU and CMU Heads as well as appraise their performance.

For the year 2015, the Audit Committee has reviewed and assessed the adequacy of the Corporation's internal controls, risk management systems and regulatory compliance that were found to be adequate and acceptable. During their meeting in July 2015, the Committee also reviewed the COA Annual Audit Report for the year 2014 which include the audited financial statements together with the related Notes to the Financial Statement.

Meetings and Attendance for the Year

The Committee held six (6) in 2015, with all of its members present.

Corporate Governance Committee

Composition

Chairperson	:	*Alvin G. Dans*
Members	:	*Manuel H. Lopez*
		Julio D. Climaco, Jr
		Cecilia C. Borromeo

Committee Role

The Corporate Governance Committee assists the Board of Directors in fulfilling its corporate governance responsibilities and ensures the Board's effectiveness and its observance of corporate governance principles and guidelines.

The Committee shall also establish a formal and transparent procedure for developing a policy on remuneration of officers to ensure that their compensation is consistent with the Corporation's culture, strategy and business environment in which it operates, provided that the Corporation shall be covered by the Compensation and Position Classification System (CPCS) for GOCCs under R.A. 10149 as approved by the President of the Philippines.

During the year 2015, the Committee reviewed and endorsed to the Board 2014 Performance Based Incentive; the hiring and promotions of officers and realignment of personnel salaries and the Competency Framework for the Corporation.

The Committees also assessed the appropriation of Retained Earnings; the amended Articles of Incorporation and By-Laws that were subsequently approved by SEC in November 2015

Meetings and Attendance for the Year

The Committee met three (3) times during the year 2015, with all members in attendance.

Risk Management Committee

Composition

Chairperson	:	*Julio D. Climaco, Jr*
Members	:	*Edward John T.Reyes*
		Francisco C. Rola

Committee Role

The Risk Management Committee shall be primarily responsible for the development and oversight of the risk management programs of the Corporation. The Committee shall monitor the risk environment for the Corporation and provide direction for the activities to mitigate to an acceptable level the risks that may be adversely affect the Corporation's ability to achieve its goals.

For the year 2015, the RiskCom were able to discuss and review the Results of Impairment Testing; the Legal Risk Exposure the 2015 Risk Control Self-Assessment (RCSA) Matrix and Information Risk Asset Register, the concentration of risks by Sector, by Facility and by PSIC industry classification. The Committee also reviewed and endorsed to the BOD the Gap Analysis for BSP Circular 855 series 2014; the revision in the Risk Management Committee Charter; the Revised Risk Management Manual; the Revised Business Continuity Plan Manual (2015); the revision in the Annex of the Internal Credit Risk Rating System; the Revised Treasury Operations Manual and Guidelines on Classification, Handling, Access and Disclosure of Information Assets, all of which were subsequently approved by the BOD.

Meetings and Attendance for the Year

The Committee met four (4) times in 2015, with all members in attendance.

Internal Audit

The Internal Audit Unit under the direct supervision of the Audit Committee is tasked to provide independent assessment and reasonable assurance of the adequacy and effectiveness of the Corporation's system of internal controls, risk management and governance processes. It has implemented a risk-based approach in auditing major areas of operations. The Internal audit considers the risks identified and assessed from the risk management system in its annual audit plan.

The Internal Auditor reports directly to the Audit Committee who is responsible for the appointment and removal of the Internal Auditor. The scope of authority and responsibility of the internal audit function is defined in the Internal Audit Charter which was approved by the Audit Committee.

External Audit

The Commission on Audit (COA) is the external auditor of LLFC. The Philippine Constitution mandates that COA shall be the external auditor of all government institutions.

The COA assigns a team of COA auditors which shall have the power, authority and duty to conduct a comprehensive audit (financial, compliance and performance) of the Corporation's operations. The Corporation ensures that other non-audit work shall not be in conflict with the functions of the external auditor in accordance with COA rules and regulations.

Risk Management System

The Risk Management Unit is the one responsible for developing guidelines and policies for effective risk management of the Corporation. It is also responsible for identifying the key risk exposures, assessing and measuring the extent of risk exposures of the Corporation in the conduct of business on an enterprise wide basis. It performs independent monitoring and objective assessment of decisions to accept particular risks whether these are consistent with board approve policies on risk tolerance and the effectiveness of the corresponding risk mitigation measures.

The Corporation maintains a risk register which identifies the material risks and the internal controls in place to manage and mitigate the risks.

The risk register is reviewed annually by the Risk Management Committee.

The Risk Officer reports directly to the Risk Management Committee.

Compliance and Anti-Money Laundering

The Compliance Unit of the Corporation is responsible in ensuring compliance with existing laws, rules and regulations issued by BSP, SEC and other regulatory agencies. It also ensures timely submission of reports, issues advisories on new regulations or amendments, initiates policy pronouncements and implementation, provides training to employees and reports on significant compliance issues to the Management and the Board.

The Compliance Officer reports directly to the Audit Committee.

Continued…

Whistleblowing Policy

The Whistleblowing policy of the Corporation enables employees to report in good faith irregularities, misconduct or raise serious concerns internally with high-level of confidentiality and immunity so that appropriate remedial action could be taken. The guidelines also provide the rights of the whistleblower, protection of the whistleblowers, remedies and sanctions on the violation on the protection of confidentiality, retaliatory actions and false, misleading and malicious reports. It also emphasizes the oversight role of the Board particularly the Corporate Governance Committee in ensuring that the corporate governance principles are adhered to by employees.

Code of Ethics and Conduct

The Corporation institutionalizes the highest ethical standards through the strict implementation of the provisions of RS 6713, An Act Establishing a Code of Conduct and Ethical Standards for Public Officials and Employees. Board and Officers and Employees of LBP Leasing and Finance Corporation are among the Public Officials defined in the aforementioned law.

In addition, the Corporation also adopts a Code of Conduct and Employees Discipline to ensure the maintenance of administrative discipline among its officers and employees based on the principle that discipline is fundamental to its success as an organization and as a business concern.

Stakeholders' Interest

LBP Leasing and Finance Corporation had put in place various practices for the protection, fair treatment and dealings with all stakeholders.

Customers

LLFC is committed to providing the needs of its client's through quality service and relevant products and services that adds value to the client's business. The Corporation actively implements the Anti-Red Tape Act which prescribed the creation of Citizen's Charter which was made available to clients and the public assistance desk as well as the "No Noon Break Policy'. Because the Corporation strives for continuous improvement, it had adopted a system to address complaints and suggestions by clients.

Employees

LLFC continues to promote betterment of it its officers and employees by sending them to various training and development programs covering negotiations with clients, management development, compliance, leadership and governance.

The Corporation also provides healthcare benefits to its employees and conducts regular fellowship activities to continue to nurture positive relationship among its Directors, officers and employees.

Continued…

Community and Environment

Recognizing the need to continue to contribute to community and the environment, the Corporation actively supports the projects of Land Bank Countryside Development Foundation, Inc., a 100% owned subsidiary of Land Bank engaged in programs complementary to the bank's commitment to advance countryside development especially among farmers and fisher folk, agrarian reform beneficiaries, Countryside Financial Institutions, small and medium enterprises and Overseas Filipino Workers.

LLFC provided financial assistance of P2.0 million in 2014 for their Sustainable Integrated Organic and Natural Mini Farm Program also known as the Bangon Mini-Farm Program, a special program implemented in areas devastated by Typhoon Yolanda particularly areas in Samar and Leyte. The Program uses a systems approach consisting of a series of Training – Technology Transfer – Execution workshops in farming using natural, organic and microbial technology.

The Corporation also encouraged its employees to actively participate in the annual clean-up program of Manila Bay S.U.N.S.E.T. Partnership Program Inc., to promote and implement sustainable and supplementary efforts to improve the environmental quality of Manila Bay. This activity develops environmental awareness as well as reinforces commitment to corporate social responsibility. LLFC has committed to make annual contribution to help facilitate the implementation of projects and programs by the Manila Bay S.U.N.S.E.T. Partnership Program Inc.,.


LANDBANK
52
MANILA BAY SUNSET
Signing of Memorandum of Agreement for New Partners
LANDBANK
Makati Thursday Bowling Club
WEDNESDAY BOWLERS CLUB

THE BOARD OF DIRECTORS

GILDA E. PICO
Chairman

Mrs. Gilda E. Pico, 69 years old, has been a member of the Board of the Corporation since October 1996. She was elected and has been serving as Board Chairperson since August 2005.

Mrs. Pico is the first woman President and CEO of LANDBANK and the first Landbanker in career position to be appointed as head of the Bank. She is regarded as one of the pillars of LANDBANK, having contributed significantly in making it the country's premier financial institution in the countryside today.

She joined LANDBANK in 1981 as assistant vice president and gradually moved up to key positions until her appointment as full-fledged President and CEO in 2006. Since she assumed office, LANDBANK has remained among the country's top 5 universal banks with its unique role of promoting countryside development. She is focused on expanding the Bank's credit outreach to its priority sectors, primarily farmers and fisher folks, microenterprises and SMEs, rural banks and agriculture. Mrs. Pico also introduced major systems innovations and strategic partnerships that led to the Bank's support to the Government's centerpiece development programs and platforms for inclusive growth

In 2014, Mrs. Pico was named one of the country's Outstanding Entrepreneurs at the Asia Pacific Entrepreneurship Awards, a coveted award that honors outstanding business leaders in the region. She was also conferred with the 2015 "Outstanding CEO" Award by the Association of Development Financing Institutions in Asia and the Pacific, an award that recognizes Chief Executive Officers for their leadership, vision and achievement particularly in development banking.

Concurrently, Mrs. Pico is also the Chairperson of LBP Resources and Development Corporation, People's Credit and Finance Corporation, National Livelihood Development Corporation and a Director of Philippine Crop Insurance Corporation.

Ms. Pico, a Certified Public Accountant, graduated Magna cum laude with a degree in Bachelor of Science in Commerce from the College of Holy Spirit. She finished her Masters in Business Administration at the University of the East.

SILVESTRE MANUEL C. PUNSALAN JR.
Vice Chairman

Mr. Silvestre Manuel C. Punsalan Jr., 76 years old, has been a member of the Board since August 2001. He was elected as Vice Chairman of the Board of the Corporation in May 2003. He is also the Chairman of the Executive Committee.

Mr. Punsalan was Deputy Executive Director of the Presidential Management Staff (PMS) from 1977 to 1982. He was a Financial Adviser for MMDA's Office of the Chairman from 2001 to 2004. Prior to his MMDA post, he was a consultant for the DPWH Office of the Secretary.

Mr. Punsalan graduated with distinction from the Ateneo de Manila University where he obtained his Bachelor of Arts Degree Major in Economics and his Master in Business Administration.

MANUEL H. LOPEZ
President and CEO

Mr. Manuel H. Lopez, 60 years of age, joined the Corporation in 1996 as General Manager. He was appointed as President and CEO in May 2003 simultaneous with his appointment as a Director in the Board.

Prior to joining LBP Leasing and Finance Corporation, Mr. Lopez held various executive positions at the Technology Resource Center (TRC) from 1986. He was the Deputy Director General Designate of TRC from 1993 to 1994. Before joining TRC, Mr. Lopez worked in banks abroad and in the Philippines. Mr. Lopez is currently a Director of the SycipLaw Centre Condominium Corporation.

Mr. Lopez graduated from De La Salle University with degrees in BSBA Management and BSC Accounting. He also holds a degree in Masters in Business Administration from the University of the Philippines. He is a Certified Public Accountant.

DOMINGO I. DIAZ
Director

Mr. Domingo I. Diaz, 67 years old**,** has been a Member of the Board of Land Bank of the Philippines since October 2010. He concurrently sits as a Member of the Board of LBP Leasing and Finance Corporation where he was appointed in October 2010.

Prior to joining the public sector, Mr. Diaz worked in various capacities in companies in the Philippines and abroad. He was Principal and President of Diaz and Company and was President of American Consumer Laboratories Corp., both based in the U.S.A. He was Vice President of Ayala Corp. (Phil.) before he assumed the post of Managing Director of Ayala International PTE Ltd. In Singapore, Mr. Diaz was the Founding Director of Island Development Bank in Brunei and was also Managing Director of Sealion Hotels Ltd. Mr. Diaz was also a Director of various Ayala International Subsidiaries. He worked with Mobil Oil Phils. before joining Ayala International.

Mr. Diaz graduated from the Ateneo de Manila University with a degree in AB Economics. He earned his Master in Business Administration degree from the Amos Tuck School Darmouth College in the U.S.A.

RODRIGO B. SUPEÑA
Director

Mr. Rodrigo B. Supeña, 76 years old, was first appointed to the Board of the Corporation in 1998 and served as Director until 2011. In September 2014, Mr. Supeña was again appointed as a Member of the Board of LBP Leasing ad Finance Corporation.

Mr. Supeña was a Senior Vice President of the LANDBANK from 1997-2005. From 2008 up to the present, he is also serving as Independent Director of Country Builders Bank in Taguig City. He is also an Independent Director, since 2009, of Mabuhay Holdings and IRC Properties. Prior to joining LANDBANK, Mr. Supeña held various positions from 1963 to 1997 at the Bank of Philippine Islands where he was also designated as President of BPI Agribank (1986-1994) and Vice President at BPI Head Office (1994-1997).

Mr. Supeňa graduated Cum Laude from the Laguna College in 1960 with a BS Commerce degree. He also obtained his Master in Business Administration degree from the Ateneo Graduate School of Business in 1981.

CECILIA C. BORROMEO
Director

Mrs. Cecilia C. Borromeo has been a Member of the Board of the Corporation since October 1996. She is concurrently the Executive Vice President heading the Agricultural and Development Lending Sector of Land Bank of the Philippines.

Before joining LANDBANK in 1989, Mrs. Borromeo held various responsible positions in the public sector such as the Department of Trade and Industry; the Human Settlements Development Corporation; the KKK National Secretariat; and the Ministry of Human Settlements.

Currently, Mrs. Borromeo is also a Director of LANDBANK Countryside Development Foundation, Inc.

Mrs. Borromeo graduated from the University of the Philippines with a BS Agribusiness degree. She earned her Master in Business Administration Degree from the De La Salle Business School and completed her Advanced Bank Management course from the Asian Institute of Management.

JULIO D. CLIMACO, JR.
Director

Mr. Julio D Climaco, Jr., 58 years old, has been a Member of the Board since October 1996. He is an Executive Vice President of the Land Bank of the Philippines heading the Corporate Services Sector. Mr. Climaco joined LANDBANK in 1993.

He is also currently a Board Director of the Producers Savings Bank Corp. and an Alternate Director to the Board of the National Food Authority.

Prior to joining LANDBANK, Mr. Climaco worked at the Center for Research and Communication and at The Hongkong and Shanghai Banking Corp. He was also a Managing Consultant at Joaquin Cunanan & Co./Price Waterhouse.

Mr. Climaco holds a degree in Management of Financial Institutions from the De La Salle University. He also earned units in Master in Applied Business Economics from the University of Asia and the Pacific, formerly Center for Research and Communication (Manila).

EDWARD JOHN T.REYES
Director

Mr. Edward John T. Reyes, 58 years old**,** was appointed to the Board in May 2011. He is a Senior Vice President and the Head of Corporate Banking Group of Land Bank of the Philippines. He joined LANDBANK in 1994 and has held various executive positions in the Bank.

He is also concurrently the LBP representative for GM Bank of Luzon, Inc.

Before joining LBP, Mr. Reyes worked at the Development Bank of the Philippines (DBP) from 1988 to 1994 where he held various executive positions. Mr. Reyes graduated from the University of the Philippines in Diliman with a degree in BS Civil Engineering. He also earned units in MS Civil Engineering from UP.

ANDRES C. SARMIENTO
Director

Mr. Andres C, Sarmiento, 64 years of age, was appointed to the Board in May 2011. He is also an Executive Vice President of the Land Bank of the Philippines (LBP) heading the Operations Sector.

Mr. Sarmiento is also concurrently a Board Director of the Land Bank Countryside Development Foundation, Inc. and the Small Business Corporation. He also sits as a Member of the Board of the Food Terminal, Inc.

Mr. Sarmiento started working at LBP in 1975 and has held various executive positions in the Bank. Prior to joining LBP, he was Staff Auditor at Sycip, Gorres and Velayo and Co. from 1972 to 1973.

Mr. Sarmiento earned his degree in BSBA major in Accounting from the Philippine School of Business Administration. He is a Certified Public Accountant.

ALVIN G. DANS
Director

Atty. Alvin G. Dans, 64 years of age, was appointed to the LBP Leasing and Finance Corporation Board in September 2014 and took his oath of office in October 2014.

Three (3) years after his passing the bar in 1977, he was elected Mayor of his hometown, Isabela City. He was one of the youngest municipal mayors at the age of 28. He served for two terms from 1980 to 1986. He was also elected as Governor of the Province of Basilan and Congressman of the Lone District of Basilan from 1987 to 1992. He also served as Undersecretary of the Department of Interior and Local Government. He eventually became the Postmaster General of the Philippine Post Office.

He graduated from Lyceum of the Philippines with a degree of Bachelor of Arts and was a recipient of Outstanding Lyceum of the Philippines University Alumni Award in 2012 in the field of public service. He took up law in Silliman University.

LBP LEASING CORPORATION

(A LAND BANK SUBSIDIARY)

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **LBP LEASING AND FINANCE CORPORATION** is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2015 and 2014, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

The Commission on Audit, the independent auditors, examines the financial statements of the company in accordance with Philippine Public Sector Standards on Auditing, and in its report to the stockholders, expresses its opinion on the fairness of presentation upon completion of such examination.

Signature: Gilda E. Pico

GILDA E. PICO
Chairman of the Board

Signature:

MANUEL H. LOPEZ
President/CEO

Signature:

MA. LOURDES G. GONZAGA
VP/Chief Financial Officer

Signed this 23rd day of March 2016

15/F SycipLaw Center, No. 105 Paseo de Roxas, Makati City 1226, Philippines
Trunkline No.: 818-2200 • Fax No.: 819-6176 • Website: www.lbpleasing.com

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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
LBP Leasing and Finance Corporation
15th Floor, SSHG Law Center
105 Paseo de Roxas
Legaspi Village, Makati City

We have audited the accompanying financial statements of **LBP Leasing and Finance Corporation** (a wholly-owned subsidiary of Land Bank of the Philippines), which comprise the statements of financial position as at December 31, 2015 and 2014, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

COMMISSION ON AUDIT

CORA D. MARQUEZ
Supervising Auditor

23 March 2016

LBP LEASING AND FINANCE CORPORATION
(Formerly LBP Leasing Corporation)
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014
(In Philippine Peso)

	Note	2015	2014 As restated
ASSETS			
Current assets			
Cash and cash equivalents	6	42,977,083	42,720,257
Loans and receivables-net	8, 14	1,288,308,625	1,181,258,903
Other current assets	13	7,472,284	16,797,022
		1,338,757,992	**1,240,776,182**
Non-current assets			
Loans and receivables-net	8, 14	2,086,877,928	2,279,139,588
Investment property-net	9, 14	6,397,440	6,625,129
Equipment and other property for lease	10	444,317,578	383,609,313
Property and equipment	11	30,285,046	32,310,606
Non-current assets held for sale-net	12, 14	3,299,865	3,299,865
Other non-current assets	13	1,367,806	1,842,799
Deferred tax asset		63,165,234	57,765,234
		2,635,710,897	**2,764,592,534**
TOTAL ASSETS		**3,974,468,889**	**4,005,368,716**
LIABILITIES AND EQUITY			
LIABILITIES			
Current liabilities			
Bills payable	15	996,800,000	1,006,400,000
Deposit on lease contracts	20	134,552,487	130,443,866
Trade and other payables	16	112,381,778	96,283,889
Income tax payable		13,695,867	14,665,715
		1,257,430,132	**1,247,793,470**
Non-current liabilities			
Bills payable	15	1,200,959,295	1,314,109,423
Deposit on lease contracts	20	99,157,443	107,230,456
Retirement liability	21(b)	15,041,950	9,789,083
		1,315,158,688	**1,431,128,962**
		2,572,588,820	**2,678,922,432**
Equity			
Capital stock	17(a)		
Issued capital		485,552,550	485,552,550
Additonal paid-in capital		113,970,900	113,970,900
Treasury stock		(10)	0
		599,523,440	599,523,450
Retained earnings	17(b)		
Appropriated		600,000,000	0
Unappropriated		207,381,726	731,351,192
		807,381,726	731,351,192
Accumulated other comprehensive income (loss)			
Unrealized loss on available for sale securities	7	(4,077,500)	(4,077,500)
Remeasurement of retirement benefit obligation	21(b)	(947,597)	(350,858)
		(5,025,097)	(4,428,358)
		1,401,880,069	**1,326,446,284**
TOTAL LIABILITIES AND EQUITY		**3,974,468,889**	**4,005,368,716**

LBP LEASING AND FINANCE CORPORATION
(Formerly LBP Leasing Corporation)
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2015 and 2014
(In Philippine Peso)

	Note	2015	2014 As restated
INTEREST INCOME			
Leases	8, 20	327,242,646	342,188,754
Loans	8	140,476,646	120,249,966
Deposits in banks	6	149,873	213,389
Others	8	49,092	82,952
		467,918,257	462,735,061
INTEREST EXPENSE			
Borrowed funds	15	65,882,808	72,613,073
NET INTEREST INCOME		402,035,449	390,121,988
OTHER INCOME			
Operating leases	20	45,236,905	44,553,018
Other income	18	7,777,710	7,476,066
		53,014,615	52,029,084
DIRECT EXPENSES			
Security, messengerial, janitorial and contractual services	20	131,687,061	129,080,169
Provision for credit and impairment losses	14	18,000,000	14,000,000
Compensation and fringe benefits - Marketing operations	21(a)	11,753,160	12,435,911
Documentary stamp used		4,383,067	13,589,568
Insurance		9,162,451	7,907,621
Repairs and maintenance		4,530,335	4,902,345
Transfer mortgage and registration fees		1,200,442	5,660,146
Depreciation-equipment and other property for lease	10	7,630,917	5,195,276
		188,347,433	192,771,036
GROSS INCOME		266,702,631	249,380,036
GENERAL AND ADMINISTRATIVE EXPENSES			
Taxes and licenses		23,184,419	24,140,477
Compensation and fringe benefits	21(a)	21,549,127	16,836,610
Depreciation/amortization	11	4,121,249	5,586,419
Litigation/assets acquired expenses		5,661,575	3,194,015
Insurance		548,050	451,294
Other expenses	19	17,480,504	14,757,234
		72,544,924	64,966,049
NET INCOME BEFORE INCOME TAX		194,157,707	184,413,987
Income tax expense	23	45,828,398	52,250,406
NET INCOME		**148,329,309**	**132,163,581**
OTHER COMPREHENSIVE INCOME/(LOSS)			
Remeasurement loss on retirement benefit obligation	21(b)	**(596,739)**	**(454,681)**
TOTAL COMPREHENSIVE INCOME		**147,732,570**	**131,708,900**
EARNINGS PER SHARE	**26**	**P3.05**	**P2.72**

LBP LEASING AND FINANCE CORPORATION
(Formerly LBP Leasing Corporation)
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2015 and 2014
(In Philippine Peso)

	Issued Capital	Additional Paid-in Capital	Treasury Stock	Retained Earnings Unappropriated	Retained Earnings Appropriated	Accumulated Other Comprehensive	Total
		Note 17(a)		Note 17(b)			
Balance, 31 December 2013, as previously stated	**485,552,550**	**113,970,900**	**0**	**682,475,596**	**0**	**(5,316,147)**	**1,276,682,899**
Prior period adjustments				(3,911,093)		1,747,500	**(2,163,593)**
Transitional adjustments-Retirement liability				(7,403,223)		(405,030)	**(7,808,253)**
Balance, 31 December 2013, as restated	**485,552,550**	**113,970,900**	0	**671,161,280**	**0**	**(3,973,677)**	**1,266,711,053**
Cash dividend to National Government				(72,153,109)			(72,153,109)
Prior period adjustment				179,440			179,440
Net income for the year				132,163,581			132,163,581
Remeasurement loss on retirement benefit obligation						(454,681)	(454,681)
Balance, 31 December 2014, as restated	**485,552,550**	**113,970,900**	**0**	**731,351,192**	**0**	**(4,428,358)**	**1,326,446,284**
Appropriation for business expansion				(600,000,000)	600,000,000		**0**
Cash dividend to National Government				(72,298,775)			(72,298,775)
Reacquisition of common stock			(10)				(10)
Net income for the year				148,329,309			148,329,309
Remeasurement loss on retirement benefit obligation						(596,739)	(596,739)
Balance, 31 December 2015	**485,552,550**	**113,970,900**	**(10)**	**207,381,726**	**600,000,000**	**(5,025,097)**	**1,401,880,069**

LBP LEASING AND FINANCE CORPORATION
(Formerly LBP Leasing Corporation)
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2015 and 2014
(In Philippine Peso)

	Note	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		464,391,224	505,885,697
Other income received		7,047,559	6,121,650
Net cash received/(paid) to clients		30,905,541	(275,292,280)
Cash paid to settle expenses		(211,624,577)	(250,469,862)
Interest paid		(58,408,267)	(72,646,750)
Income taxes paid		(36,346,316)	(37,584,691)
Net cash generated from/(used in) operating activities		**195,965,164**	**(123,986,236)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Net acquisitions/disposal of property and equipment		(659,425)	(350,692)
Net cash used in investing activities		**(659,425)**	**(350,692)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings under line of credit agreement		1,563,300,000	2,365,800,000
Payment of long term debt		(1,686,050,128)	(2,149,636,239)
Reacquisition of shares	17a	(10)	0
Cash dividends paid	17b	(72,298,775)	(72,153,109)
Net cash provided by/(used in) financing activities		**(195,048,913)**	**144,010,652**
NET INCREASE IN CASH AND CASH EQUIVALENTS		256,826	19,673,724
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6	**42,720,257**	**23,046,533**
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	**42,977,083**	**42,720,257**

LBP LEASING AND FINANCE CORPORATION
(Formerly LBP Leasing Corporation)
(A wholly-owned subsidiary of Land Bank of the Philippines)
NOTES TO FINANCIAL STATEMENTS
(All amounts in Philippine Peso, unless otherwise stated)

1. GENERAL INFORMATION

1.1 Corporate Information

The LBP Leasing and Finance Corporation (LLFC or "the Corporation"), a wholly-owned subsidiary of Land Bank of the Philippines (LBP), was registered with the Securities and Exchange Commission on March 17, 1983 under SEC Registration No. 111115. It was granted a license to operate as a finance company on March 18, 1983.

The Corporation's name was changed from LBP Leasing Corporation (LLC) to LBP Leasing and Finance Corporation (LLFC) effective November 3, 2015.

LLFC's registered address is at the 15th Floor SyCip Law Center, No. 105 Paseo De Roxas, Makati City.

The principal activities of LLFC are as follows:

(a) To engage in direct leasing or financial leasing and to arrange or underwrite and administer leases of all kinds of equipment, machines, vehicles, facilities, appliances and all types of personal and real property;

(b) To engage in the business of financing merchandise particularly but not limited to appliance, automobile, and truck retail sales, agricultural machinery and equipment and to engage in the business of commercial, agricultural and industrial financing, factoring and/or leasing, in all other various forms, within and without the Republic of the Philippines;

(c) To extend credit facilities for and otherwise assist in the establishment, operation, development, expansion and/or reorganization of industrial, commercial, agricultural and other productive or profitable enterprises;

(d) To make loans with or without such security, as the Board of Directors may think fit within the limits allowed by law; and

(e) To raise funds for the Corporation's operations through the issuance of debt instruments and/or securitization of its assets.

1.2 Issuance of financial statements

The Board of Directors (BOD), through Resolution No. 16-013, approved and authorized for issuance the Corporation's financial statements as of and for the years ended December 31, 2015 and 2014 on February 24, 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Financial Statements Preparation

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

Statement of compliance

The financial statements of the Corporation have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) as issued by the Financial Reporting Standards Council, and adopted by SEC.

These financial statements are the Corporation's separate financial statements and the exemptions from consolidation of subsidiaries' financial statements have been used.

Basis of measurement

The financial statements have been prepared under the historical cost basis, except for available-for-sale investment which has been stated at fair value.

Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Corporation presents all items of income and expenses in a single statement of comprehensive income.

The Corporation presents its statements of financial position broadly in order of liquidity. Analysis regarding recovery (asset) or settlement (liability) within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in Note 24 to the financial statements.

Functional and Presentation Currency

These financial statements are presented in Philippine peso, the Corporation's functional and presentation currency, and all values are rounded to the nearest peso and represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Corporation are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the entity operates.

Use of judgments and estimates

The preparation of financial statements in compliance with PFRS requires the use of certain critical accounting estimates. It also requires the management to exercise judgment in the most appropriate application of the accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and its effects are disclosed in Note 3.

Changes in accounting policies and disclosures

a. New standards and amendments effective from January 1, 2015

The accounting policies adopted are consistent with those of the previous financial year except for the following new standards and amendments effective for the first time from January 1, 2015:

- Amendment to PFRS 13, Fair Value Measurement (amendment to the basis of conclusions only, with consequential amendments to the bases of conclusions of other standards)

This amendment states that issuing PFRS 13 and amending PFRS 9 and PAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.

The amendment has no significant impact on the Corporation's financial statements.

- Amendment to PAS 16, Property, Plant and Equipment

The amendment requires that when an item of property, plant and equipment is revalued the gross carrying amount be adjusted in a manner that is consistent with the revaluation of the carrying amount.

The amendment has no impact on the Corporation's financial statements because the Corporation measures its property, plant and equipment using the cost model.

- Amendment to PAS 24, Related Party Disclosures

The amendment states that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

The amendment has no significant impact on the Corporation's financial statements.

New Accounting Standard Effective after the Reporting Period Ended December 31, 2015

The Corporation will adopt the following PFRS when these become effective:

- Amendments to IFRS 11, Accounting for Acquisitions of Interests in Joint Operations

The amendments clarify the accounting for acquisitions of an interest in a joint operation when the operation constitutes a business such that the acquirer is required to apply all of the principles on business combinations in IFRS 3 and other IFRSs with the exception of those principles that conflict with the guidance in IFRS 11. Accordingly, a joint operator that is an acquirer of such an interest has to:

- measure most identifiable assets and liabilities at fair value;
- expense acquisition-related costs (other than debt or equity issuance costs);
- recognize deferred taxes;
- recognize any goodwill or bargain purchase gain;
- perform impairment tests for the cash generating units to which goodwill has been allocated; and
- disclose information required relevant for business combinations.

The amendments apply to the acquisition of an interest in an existing joint operation and also to the acquisition of an interest in a joint operation on its formation, unless the formation of the joint operation coincides with the formation of the business.

The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted but corresponding disclosures are required. The amendments apply prospectively.

Future adoption of these amendments will have no impact on the Corporation's financial statements.

- IFRS 14, Regulatory Deferral Accounts

The standard permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and statement of profit or loss and other comprehensive income, and specific disclosures are required.

The standard is effective for annual reporting periods beginning on or after January 1, 2016. Earlier application is permitted.

Future adoption of this standard will have no impact on the Corporation's financial statements.

- Amendments to PAS 16, Properties, Plant and Equipment

These amendments clarify that a depreciation method that is based on revenue generated by an activity that includes the use of an asset is not appropriate. This is because such methods reflects a pattern of generation of economic benefits that arise from the operation of the business of which an asset is part, rather than the pattern of consumption of an asset's expected future economic benefits.

The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted.

The above amendments will have no impact on the Corporation's financial statements because the Corporation's depreciation are not based on revenues.

- Amendments to PAS 38, Intangible Assets

These amendments introduce rebuttable presumption that a revenue-based amortization method for intangible assets is inappropriate for the same reasons as in PAS 16. However, the IASB states that there are limited circumstances when the presumption can be overcome:

- the intangible asset is expressed as a measure of revenue (the predominant limiting factor inherent in an intangible asset is the achievement of a revenue threshold); and
- it can be demonstrated that revenue and the consumption of economic benefits of the intangible asset are highly correlated (the consumption of the intangible asset is directly linked to the revenue generated from using the asset).

The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted.

Future adoption of these amendments will have no impact on the Corporation's financial statements.

- Amendments to PAS 27, Separate Financial Statements

The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

The amendments are effective for annual periods beginning on or after January 1, 2016, with earlier application being permitted.

Future adoption of these amendments will have no impact on the Corporation's financial statements.

- Amendments to PFRS 10, Consolidated Financial Statements and PAS 28: Investments in Associates and Joint Ventures (2011)

The amendments include the following:

- Amendment to PAS 28 (2011) so that the current requirements regarding the partial gain or loss recognition for transactions between an investor and its associate or joint venture only apply to the gain or loss resulting from the sale or contribution of assets that do not constitute a business as defined in PFRS 3 Business Combinations and the gain or loss resulting from the sale or contribution to an associate or a joint venture of assets that constitute a business as defined in PFRS 3 is recognized in full.

- Amendment to PFRS 10 so that the gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in PFRS 3 to an associate or joint venture is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

The amendments are to be effective for annual periods beginning on or after January 1, 2016.

Future adoption of these amendments will have no impact on the Corporation's financial statements.

Annual improvements to PFRS

The Annual Improvements to PFRSs contain non-urgent but necessary amendments to PFRS.

2012 To 2014 Cycle

- Amendment to PFRS 5, Non-current Assets Held for Sale and Discontinued Operations

The amendment adds specific guidance in PFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

The above amendment will not have an impact on the Corporation's financial statements.

- Amendments to PFRS 7, Financial Instruments: Disclosures

The amendments provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required and clarification on the applicability of the amendments to PFRS 7 on offsetting disclosures to condensed interim financial statements.

Future adoption of these amendments will have no impact on the Corporation's financial statements.

- Amendment to PAS 19, Employee Benefits

The amendment clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level).

The above amendment will not have a significant impact on the Corporation's financial statements.

- Amendment to PAS 34, Interim Financial Reporting

The amendment clarifies the meaning of 'elsewhere in the interim report' and requires a cross-reference.

The above amendment will have no impact on the Corporation's financial statements.

The above improvements are effective for annual periods beginning on or after January 1, 2016. However, early application of these improvements is permitted.

- Amendments to PFRS 10, PFRS 12 and PAS 28, Investment Entities: Applying the Consolidation Exception

The amendments address the issues that have arisen in relation to the exemption from consolidation for investment entities:

  - Whether an investment entity parent should account for an investment entity subsidiary at fair value, when the subsidiary provides investment-related services to third parties
  - The interaction between the investment entity amendments and the exemption from preparing consolidated financial statements requirements in PFRS 10.
  - Whether a non-investment entity must 'unwind' the fair value accounting of its joint ventures or associates that are investment entities.

An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by PFRS 12.

Future adoption of these amendments will have no impact on the Corporation's financial statements.

- Amendments to PAS 1, Presentation of Financial Statements

The amendments include the following:

Materiality. The amendments clarify that (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to the all parts of the financial statements, and (3) even when a standard requires a specific disclosure, materiality considerations do apply.

- Statement of financial position and statement of profit or loss and other comprehensive income. The amendments (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and (2) clarify that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

The amendments add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of PAS 1. The IASB also removed guidance and examples with regard to the identification of significant accounting policies that were perceived as being potentially unhelpful.

The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted. Application of the amendments need not be disclosed.

Future adoption of these amendments will have no impact on the Corporation’s financial statements.

• PFRS 9, Financial Instruments (2014)

This standard consists of the following three phases:

Phase 1: Classification and measurement of financial assets and financial liabilities

With respect to the classification and measurement under this standard, all recognized financial assets that are currently within the scope of PAS 39 will be subsequently measured at either amortized cost or fair value. Specifically:

- A debt instrument that (i) is held within a business model whose objective is to collect the contractual cash flows and (ii) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding must be measured at amortized cost (net of any write done for impairment), unless the asset is designated at fair value through profit or loss (FVTPL) under the fair value option.
- A debt instrument that (i) is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and (ii) has contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, must be measured at FVTOCI, unless the asset is designated at FVTPL under the fair value option.

- All other debt instruments must be measured at FVTPL.
- All equity investments are to be measured in the statement of financial position at fair value, with gains and losses recognized in profit or loss except that if an equity investment is not held for trading, an irrevocable election can be made at initial recognition to measure the investment at FVTOCI, with dividend income recognized in profit or loss.

This standard also contains requirements for the classification and measurement of financial liabilities and derecognition requirements. On major change from PAS 39 relates to the presentation of changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk for the liability. Under this standard, such changes are presented in other comprehensive income, unless the presentation of the effect of the change in the liability credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under PAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL is presented in profit or loss.

Phase 2: Impairment methodology

The impairment model under this standard reflects expected credit losses, as opposed to incurred credit losses under PAS 39. Under the impairment approach of this standard, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date to reflect changes in credit risk since initial recognition.

Phase 3: Hedge accounting

The general hedge accounting requirements for this standard retain the three types of hedge accounting mechanism in PAS 39. However, greater flexibility has been introduce to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of economic relationships. Retrospective assessment of hedge effectiveness is no longer required. Far more disclosure requirements about an entity's risk management activities have been introduced.

The standard is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted.

Future adoption of this standard will have no impact on the Corporation's financial statements.

- IFRS 15, Revenue from Contracts with Customers

The standard specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles-based, five-step model to be applied to all contracts with customers.

The standard is effective for annual reporting periods beginning on or after January 1, 2017. Earlier application is permitted.

The Management is still evaluating the impact of the new accounting standard on the Corporation's current revenue recognition.

2.2 Financial instruments

Initial recognition

A financial asset or financial liability is recognized in the statements of financial position when the Corporation becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The fair value of the consideration given or received is determined by reference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rate of interest for similar instruments with similar maturities. The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

Financial instruments are classified as financial assets and financial liabilities or equity instruments in accordance with the substance of the contractual agreement.

Classification of financial instruments

The Corporation classifies its financial assets as financial assets at fair value through profit and loss (FVPL), loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) financial assets. Financial liabilities are classified as financial liabilities at FVPL and other liabilities. The classification depends on the purpose for which the investments are acquired or liabilities are settled and whether these are quoted in an active market or not. Management determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every financial reporting date.

Classification of financial instruments between debt and equity

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual agreement. Interest relating to a financial instrument or a component that is a financial liability, are reported as expenses.

A financial instrument is classified as debt if it provides for a contractual obligation to deliver cash or other financial assets to another entity; or exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Corporation; or satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Corporation does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Determination of fair value

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

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

Day 1' difference

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Corporation recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Corporation determines the appropriate method of recognizing the 'Day 1' difference amount.

Financial assets

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as AFS or financial asset at FVPL. Loans and receivables are carried at amortized cost, less impairment in value. Amortization is determined using the effective interest rate method. Impairment provisions are recognized when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Corporation will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. Such provisions are recorded in a separate allowance account with the loss being recognized in the statement of comprehensive income. On confirmation that the receivables will not be collectible, the gross carrying value of the asset is written off and derecognized against the associated provision.

The Corporation's cash, loans and receivables, and accounts receivable – others, as disclosed in Notes 6, 8, and 13, respectively, are included in this category.

Cash pertains to cash on hand and in banks.

The loans and receivables account include the aggregate rental on finance lease transactions. Unearned income on finance lease transactions is shown as deduction from the "Loans and receivables" account in the statements of financial position.

AFS investments

AFS investments are non-derivative financial assets that are either designated in this category or are not classified in any of the other categories. AFS investments are carried at fair value in the statements of financial position and the unrealized gains or losses are recognized as other comprehensive income in AFS reserve shown in the statements of changes in equity until the investment is derecognized or the investment is determined to be impaired.

On derecognition or impairment, the cumulative gain or loss previously reported in AFS reserve is transferred to the statements of comprehensive income. Interest earned on holding AFS investments are recognized in the statements of comprehensive income using the effective interest rate method.

The Corporation's AFS financial asset pertains to the investment in shares of stock of Export and Import Bank (EIB).

Financial liabilities

The Corporation classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

Financial liabilities at FVPL

Financial liabilities are classified in this category if these result from trading activities or derivative transactions that are not accounted for as accounting hedges, or when the Corporation elects to designate a financial liability under this category. These are carried in the statements of financial position at fair value with changes in fair value recognized in the statements of comprehensive income.

The Corporation has no designated financial liability at FVPL.

Other financial liabilities

This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

The Corporation's bills payable, trade and other payables and clients' deposits on lease contracts as disclosed in Notes 15, 16 and 20, respectively, are included in this category.

Derecognition of financial assets and liabilities

Financial assets

A financial asset or, where applicable a part of a financial asset or part of a group of similar financial assets is derecognized when the rights to receive cash flows from the asset have expired; the Corporation retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or the Corporation has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of ownership of the asset, or has neither transferred nor retained substantially all the risks and rewards of ownership of the asset, but has transferred control of the asset.

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

Financial liabilities

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

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statements of comprehensive income.

Impairment of financial assets

Assessment of impairment

The Corporation assesses at each financial reporting date whether a financial asset or group of financial assets is impaired. It assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The determination of impairment losses for financial assets is inherently subjective because it requires material estimates, including the amount and timing of expected recoverable future cash flows. These estimates may change significantly from time to time, depending on available information.

Evidence of impairment

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Corporation on terms that it would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

Impairment on assets carried at amortized cost

Loans and receivables

The Corporation first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Corporation determines that no objective evidence of impairment exists for individually assessed asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics (by product type and industry) and collectively assessed for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment for impairment. Future cash flow in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flow reflect and are directionally consistent with changes in related observable data from period to period. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Corporation to reduce any differences between loss estimates and actual loss experience.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged against income. Interest income continues to be recognized based on the original EIR of the asset. Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to 'Provision for impairment losses' in the statements of comprehensive income.

Restructured Loans

Where possible, the Corporation seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR. The difference between the recorded value of the original loan and the present value of the restructured cash flows, discounted at the original EIR, is recognized in 'Provision for impairment losses' in the statement of comprehensive income.

Impairment on Available-for-Sale (AFS) Investment

For AFS investment, the Corporation assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired.

In the case of investments classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from profit or loss and recognized in other comprehensive income. Impairment losses recognized in other comprehensive income on equity instruments are not reversed through other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the statement of comprehensive income.

In the case of debt instrument classified as AFS investments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of "Interest Income" in the statement of comprehensive income. If subsequently, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of comprehensive income, the impairment loss is reversed through the statement of comprehensive income.

Impairment on asset carried at cost

If there is objective evidence that an impairment loss has been incurred on an asset carried at cost such as an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or of a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Reversal of impairment loss

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the statements of comprehensive income, to the extent that the carrying value of the asset does not exceed its cost or amortized cost at the reversal date.

2.3 Investment properties

Investment properties, which include land, are initially recorded at cost including transaction costs. Investment properties acquired in exchange of loans and receivables are recorded at the fair value of the properties on acquisition dates. Fair value is supported by market evidence and is determined by appraisers with sufficient experience with respect to both location and the nature of the investment property. Foreclosed properties are classified as "Investment properties" from foreclosure dates.

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are charged against current operations in the year in which costs are incurred. Depreciation is calculated on a straight-line basis using the useful life from the time of acquisition of investment properties ranging from 5 to 10 years.

Subsequent to initial recognition, investment properties, except land, are stated at cost less accumulated depreciation and any impairment in value. Land is stated at cost less any impairment in value.

Investment properties are derecognized when they have either been disposed of or when the investment properties are permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in “Gain on sale of properties” included under “Other Income” in the statement of comprehensive income in the period of retirement or disposal.

Transfers are made to investment properties when and only when, there is a change in use evidenced by ending of owner occupation and commencement of an operating lease to another party. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale.

2.4 Property and equipment and equipment and other property for lease (EOPL)

Property and equipment and EOPL are initially measured at cost. At the end of each financial reporting period, property and equipment and EOPL are measured at cost less any subsequent accumulated depreciation, amortization and impairment in value. The initial cost of an asset consists of its purchase price, directly attributable costs of bringing the asset to its working condition for its intended use and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent expenditures relating to an item of property and equipment and EOPL that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Corporation. The carrying amount of property and equipment and EOPL includes the cost of testing machinery to ensure that these function as intended and also all costs attributable to bringing the asset to the location and condition for it to be capable of operating. All repairs and maintenance costs are charged to operations during the year in which these are incurred.

Depreciation is computed using the straight-line method over the estimated useful life of the depreciable assets. Government agencies are guided by the revised estimated useful life of property and equipment prescribed under Annex A of COA Circular No. 2003-007 dated December 11, 2003, with selected property and equipment applicable to the Corporation as follows:

Property and Equipment	Estimated Useful Life
Buildings	10-20 years
Transportation equipment (motor vehicle)	7 years
Office equipment, furniture and fixtures	5-10 years
Other property and equipment	5 years

The same COA circular dictates that the residual value of property and equipment is fixed at ten per cent of the cost. The computation of the depreciation expense starts on the following month after the purchase/completion of property and equipment irrespective of the date within the month.

Equipment and other properties for lease are amortized over the terms of the leases or the estimated useful lives of the asset, whichever is shorter.

The carrying values of the property and equipment and EOPL are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, an impairment loss is recognized in the statement of comprehensive income.

An item of property and equipment and EOPL, including the related accumulated depreciation and impairment losses, if any, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in statement of comprehensive income in the period the item is derecognized.

2.5 Non-current assets held for sale

Non-current assets held for sale include foreclosed collateral of delinquent customers that the Corporation intends to sell within one year from the date of classification as held for sale.

The Corporation classifies assets as held for sale when their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable. For the sale to be highly probable the appropriate level of management must be committed to a plan to sell the asset and an active program to locate a buyer and complete the plan must have been initiated. Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale are carried at the lower of its carrying amount and fair value less costs to sell. Assets classified as held for sale are not subject to depreciation or amortization. If the Corporation has classified an asset as held for sale but the criteria for it to be recognized as held for sale are no longer satisfied, the Corporation shall cease to classify the asset as held for sale.

The gain or loss arising from the sale or re-measurement of held for sale assets is recognized as part of Other Income account in the statement of comprehensive income.

2.6 Other assets

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at cost. Subsequently, these are charged to statements of comprehensive income as they are consumed in operations or as they expire with the passage of time.

Prepayments are classified in the statement of financial position as current assets and expected to be incurred within one year, otherwise, prepayments are classified as non-current asset.

Other assets pertain to expenditures which have future economic benefits and are not identified as financial assets, prepayments, or equipment. These are classified as current in the statement of financial position since the benefit from such assets are expected to be realized within one year from the financial reporting date, otherwise, they are classified as non-current.

2.7 Intangibles

Intangible assets acquired are separately measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost net of the amortization.

Intangible assets are amortized over the estimated useful life ranging from 1 to 5 years following the straight-line method and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization expense on intangible assets is recognized in the separate statements if comprehensive income in the expense category consistent with the function of the intangible asset.

The Corporation's intangible asset account consists of computer software and is lodged under the other asset account.

2.8 Impairment of non-financial assets

At each financial reporting date, the Corporation reviews the carrying amounts of non-financial assets to determine whether there is any indication of impairment. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount of the assets is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to its present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Any impairment loss is recognized in the statements of comprehensive income.

An impairment loss is reversed if there has been change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of impairment loss is credited to current operations.

2.9 Trade and other payables

Trade and other payables are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest rate method. Trade and other payables classified as current liabilities are measured at the undiscounted amount of cash to be paid, which is normally the invoice amount.

2.10 Provisions and contingencies

The Corporation recognizes a provision if a present obligation, legal and constructive, has arisen as a result of a past event, payment is probable and the amount can be reliably measured. The amount recognized is the best estimate of the expenditure required to settle the present obligation at statement of financial position date, that is, the amount the Corporation would rationally pay to settle the obligation to a third party.

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the financial statements but disclosed in the notes to financial statements when an inflow of economic benefits is probable.

2.11 Dividends

Dividends are recognized when these become legally payable. Dividend distribution to equity shareholders is recognized as a liability in the Corporation’s financial statements in the period in which the dividends are declared and approved by the Corporation’s Board of Directors.

2.12 Equity

Common stock represents the nominal value of shares that have been issued.

Additional paid-in capital includes any premiums received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Treasury shares are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Corporation's equity holders until the shares are cancelled, reissued or disposed of.

Unrealized fair value gain (loss) on available-for-sale financial assets pertains to cumulative mark-to-market valuation of available-for-sale financial assets.

The Corporation's retained earnings account is composed of:

Appropriated retained earnings

Appropriated retained earnings represent the portion of retained earnings that have been set aside by action of the Board of Directors for a specific use.

Unappropriated retained earnings

Unappropriated retained earnings represent the amount of accumulated profits and gains realized out of the normal and continuous operations of the Corporation after deducting distributions to stockholders and transfers to capital stock or other accounts, and which are:

- Not appropriated by the Board of Directors for corporate expansion or projects;
- Not covered by a restriction for dividend declaration under a loan agreement; and
- Not required to be retained under special circumstances obtaining in the Corporation such as when there is a need for a special reserve for probable contingencies.

2.13 Revenue recognition

(a) Interest Income

For all financial instruments measured at amortized cost, interest income is recorded at the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument including any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. The adjusted carrying amount is calculated based on the original EIR. The change in carrying amount is recorded as "Interest Income" in the statement of comprehensive income.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income continues to be recognized using the original EIR applied to the new carrying amount.

The excess of aggregate lease rentals plus the estimated residual value over the cost of the leased equipment constitutes the "Deferred Leasing Income". Residual values represent estimated proceeds from the disposal of equipment at the time the lease is terminated. The deferred lease income is amortized over the term of the lease, commencing on the month the lease is executed, using the effective interest rate method.

(b) Income from operating leases

Rent income arising from operating leases is recognized on a straight-line basis over the lease term and is recorded as part of "Other Income" in the statement of comprehensive income.

(c) Penalties and service fees

Penalties and service fees are recognized when earned or accrued when there is a reasonable degree to its collectibility.

(d) Gain (Loss) on foreclosures

Gain (loss) on foreclosed asset is recognized upon collection of existing receivable through foreclosure of asset used as collateral wherein the fair market value of the asset received is greater (lesser) than the net carrying value of the receivable settled, respectively.

(e) Gain (Loss) from asset sold/exchanged

Gain (loss) on sale of asset sold/exchanged is recognized upon sale of an investment property, property and equipment or other properties acquired wherein the fair market value of the asset received is greater (less) than the outstanding balance of receivables sold.

(f) Other income

Other income is recognized in the period in which these are earned.

2.14 Costs and expenses recognition

Costs and expenses are recognized in profit or loss when decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen and that can be reliably measured. Expenses are recognized in profit or loss on the basis of a direct association between the costs incurred and the earning of specific items of income; a systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statements of financial position as an asset.

Expenses in the statements of comprehensive income are presented using the function of expense method. Cost of services are expenses incurred that are associated with services rendered. Operating expenses are cost attributable to administrative, marketing and other business activities of the Corporation.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a "qualifying asset" or an asset that necessarily takes a substantial period to get ready for its intended use or sale, are included in the cost of the asset. Other borrowing costs which consist of interest and other costs that the Corporation incurs in connection with borrowing of funds are recognized as expenses in the year in which these costs are incurred using the effective interest method.

2.15 Employee benefits

(a) Retirement benefit obligations

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Re-measurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the defined benefit liability or asset.

Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss. Re-measurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Re-measurements are not reclassified to profit or loss in subsequent periods. All re-measurements recognized in other comprehensive income account "Re-measurement gains (losses) on retirement plan" are not reclassified to another equity account in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Corporation, nor can they be paid directly to the Corporation. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Corporation's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Compensated absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of each reporting period. These are included in "Accrued Other Expenses Payable" account at the undiscounted amount that the Corporation expects to pay as a result of the unused entitlement.

2.16 Leases

Finance leases, where the Corporation transfers substantially all the risk and benefits incidental to ownership of the leased item to the lessee, are included in the statements of financial position under "Loans and Other Receivables" account. A lease receivable is recognized at an amount equal to the net investment in the lease. The difference between the gross lease receivable and the net investment in the lease is recognized as unearned finance income. All income resulting from the receivable is included as part of "Interest Income" in the statement of comprehensive income.

The Corporation is a lessor under finance leases.

Leases where the Corporation does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rentals are recognized as revenue in the year in which they are earned.

The Corporation is both a lessee and a lessor under operating leases.

2.17 Residual value of leased assets and deposits on lease contracts

The residual value of leased assets, which approximates the amount of lease deposit paid by the lessee at the inception of the lease, is the estimated proceeds from the disposal of the leased asset at the end of the lease term. At the end of the lease term, the residual value receivable of the leased asset is generally applied against the lease deposit of the lessee when the lessee decides to buy the leased asset.

2.18 Related parties

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. The key management personnel of the Corporation and post–employment benefit plans for the benefit of the Corporation's employees are also considered related parties.

2.19 Income tax

Current income tax

Current income tax assets and liabilities for the current and the prior periods are measured at the amount expected to be recovered from or paid to the taxing authority. The tax rates and tax laws used to compute for the amount are those that have been enacted or substantively enacted at the financial reporting date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred income tax

Deferred income tax is provided, using liability method, on all temporary differences at the financial reporting date between the tax bases of assets and liabilities and its carrying amounts for financial reporting purposes.

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

The carrying amount of deferred income tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Any adjustments are recognized in the statement of comprehensive income.

2.20 Earnings per share

Basic earnings per share (EPS) is calculated by dividing profit or loss for the period attributable to common shareholders by the weighted average number of common shares outstanding during the period, after giving retroactive effect to any stock dividend.

2.21 Events after the financial reporting date

Post year-end events up to the date of the auditors' report that provide additional information about the Corporation's position at financial reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements, when material.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the financial statements in compliance with Philippine Financial Reporting Standards requires management to make estimates, assumptions and judgments that affect the amounts reported in the financial statements and accompanying notes. The estimates, assumptions and judgments are based on management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from these estimates and assumptions used. The effect of any change in estimates will be reflected in the financial statements when these become reasonably determinable.

3.1 Estimates

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

Estimation of allowance for impairment loss on loans and receivables

The Corporation reviews its loans and receivables to assess impairment at least on an annual basis to assess whether provision for credit losses should be recorded in the statement of comprehensive income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance for credit losses.

In 2015 and 2014, management has assessed an amount of P204,725,776 and P186,725,776, respectively, as doubtful of collection. Accordingly, a provision for impairment was recognized in the statements of comprehensive income.

The carrying value of the Corporation's loans and receivables amounted to P3,375,186,553 and P3,460,398,491 as at December 31, 2015 and 2014, respectively, as disclosed in Note 8.

Estimation of useful lives of EOPL, property and equipment and investment properties

The Corporation estimates the useful lives of EOPL, property and equipment and investment properties based on the period over which the assets are expected to be available for use. The estimated useful lives of EOPL, property and equipment and investment properties are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of EOPL, property and equipment and investment properties is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of EOPL, property and equipment and investment properties would increase recorded operating expenses and decrease non-current assets.

The estimated useful lives of investment properties, EOPL and property and equipment are set out in Notes 2.3 and 2.4.

Estimation of impairment of Investment properties, EOPL, property and equipment and non-current assets held for sale

The Corporation assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Corporation considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

The Corporation recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the assets' net selling price or value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less cost to sell while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, the cash generating unit to which the asset belongs.

Allowance for impairment losses on Investment Properties amounted to P3,387,285 as of December 31, 2015 and 2014, while allowance for impairment losses on Non-Current Assets Held for Sale amounted to P5,415,033 in 2015 and 2014. There are no impairment losses on EOPL and Property and Equipment for the years 2015 and 2014.

The carrying values of the Corporation's non-financial assets are as follows:

	2015	2014
Investment Properties (Note 9)	**6,397,440**	6,625,129*
EOPL (Note 10)	**444,317,578**	383,609,313*
Property and Equipment (Note 11)	**30,285,046**	32,310,606
Non-current Assets Held for Sale (Note 12)	**3,299,865**	3,299,865

**As restated*

Estimation of liability for retirement benefits cost

The determination of the Corporation's pension cost is dependent on the selection of certain assumptions used by actuaries in calculating such amount. Those assumptions include, among others, discount rate, expected rate of return on plan assets and salary increase rate. In accordance with PFRS, actual results that differ from the assumptions used are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The retirement benefits cost charged to operations under "General and Administrative Expenses" account amounted to P4,656,128 and P1,834,038 as at December 31, 2015 and 2014, respectively, as disclosed in Note 21(a).

The related liability stands at P15,041,950 and P9,789,083 as at December 31, 2015 and 2014, respectively, as disclosed in Note 21(b).

Realizability of deferred income tax assets

The Corporation reviews its deferred tax assets at each financial reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred taxes to be utilized.

Deferred tax assets recognized amounted to P63,165,234 and P57,765,234 as at December 31, 2015 and 2014, respectively, as disclosed in Note 23.

Management believes that the amount is fully recoverable.

3.2 Judgments

In the process of applying the Corporation's accounting policies, Management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

Determination of functional currency

Based on the economic substance of the underlying circumstances relevant to the Corporation, the functional currency is determined to be the Philippine Peso. It is the currency that mainly influences the rendering of transport services and the cost of providing such services.

Classification of financial instruments

The Corporation classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

The Corporation's financial assets and liabilities are presented in Notes 4 and 5.

Determination of fair value of financial assets

The Corporation carries certain financial assets at fair value, which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the amount of changes in fair value would differ if the Corporation utilized a different valuation methodology. Any changes in fair value of these financial assets would affect profit and loss and equity.

Classification of leases

The Corporation has entered into various lease agreements both as a lessee and a lessor. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements.

As a lessor, total rental earned from operating leases amounted to P45,236,905 in 2015 and P44,553,018 in 2014, as disclosed in Notes 20 and 22.

Interest earned on finance lease arrangements amounted to P319,526,503 and P342,188,754 in 2015 and 2014, respectively, as disclosed in Notes 8 and 20 to the financial statements.

As a lessee, total rental expenses incurred from the leases amounted to P1,187,702 in 2015 and P89,600 in 2014, as disclosed in Note 20.

4. FINANCIAL RISKS AND CAPITAL MANAGEMENT OBJECTIVES AND POLICIES

Principal financial instruments

The Corporation's principal financial instruments comprise cash, loans and receivables, accounts receivable – others, AFS financial assets, bills payable, trade and other payables and deposit on lease contracts.

The Corporation has exposure to the following risks arising from financial instruments:

- Credit Risk
- Interest Rate Risk
- Liquidity Risk

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Corporation's risk management policies. The Committee reports regularly to the Board of Directors on its activities.

The risk management policies are established to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and activities by the Corporation.

The Audit Committee oversees how management monitors and ensures compliance with the risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks face by the Corporation. Risk management processes within the Corporation are audited by the Internal Audit Unit that examines both adequacy of the procedures and the Corporation's compliance with the procedures. The Internal Audit Unit discusses the results of all of its assessments with management and reports its findings and recommendations to the Audit Committee.

The Corporations' risk management policies are summarized below:

4.1 Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. This risk may further be classified as pre-settlement and settlement risk (PSR and SR, respectively). PSR is the risk that the obligor will fail to meet the terms of the contract and default before the contract's settlement date, prematurely ending the contract. SR, on the other hand, is the risk that the obligor will fail to deliver the terms of a contract with another party at the time of settlement. SR can be the risk associated with default at settlement and any timing differences in settlement between the Corporation and the counterparty. The management therefore carefully assesses and manages its exposures to both types of credit risks.

(a) Credit Risk Management

The Corporation manages credit risk by implementing adequate credit evaluation and approval processes as well as setting limits for individual borrowers, group of borrowers and industry segments. The Corporation maintains a general policy of avoiding excessive exposure in any particular sector of the Philippine economy. The Corporation actively seeks to increase its exposure to priority sectors as determined by its Parent Bank and other industry sector which it believes possess attractive growth opportunities. Conversely, it actively seeks to reduce its exposure in industry sectors where growth potential is minimal. Although the Corporation's leasing and financing portfolio is composed of transactions with wide variety of businesses, the results of operation and financial condition of the Corporation may be diversely affected by any downturn in these sectors as well as the Philippine economy in general.

The Corporation assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. In the Corporation's rating scale, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are reviewed and upgraded as necessary. The Corporation regularly validates the performance rating and their predictive power with regard to default events.

(b) Collateral and other credit risk mitigation

The amount and type of collateral required depends on an assessment of the credit risk of the obligor. The Corporation implements certain requirements regarding the acceptability of types of collateral and valuation.

Collateral comes in the form of financial and non-financial assets. The main types of collaterals obtained include liens over cash deposits, real estate properties, chattel mortgages and mortgages over residential properties. The Corporation also obtains guarantees from parent companies for loans of borrowing entities belonging to a group of companies.

The Corporation monitors market value of collateral, and request for additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowances for credit losses.

The following table shows the breakdown of receivables as to collateral:

	2015	2014 (As restated)
Secured		
Property under finance lease	**1,441,750,678**	1,729,189,055
Real estate mortgage	**472,941,183**	225,526,079
Chattel mortgage	**1,155,803,851**	936,697,604
	3,070,495,712	2,891,412,738
Unsecured	**509,416,617**	755,711,529
	P3,579,912,329	P3,647,124,2677

(c) Impairment assessment

The Corporation recognizes impairment losses based on the results of its specific (individual) and collective assessment of credit exposures. Impairment has taken place when there is a significant credit rating downgrade takes place, infringement of the original terms of the contract has happened, or when there is an inability to pay the principal or the interest beyond a certain threshold. These and other factors, either singly or in tandem with other factors, constitute observable events and/or data that meet the definition of an objective evidence of impairment.

(d) Maximum exposure to credit risk before collateral held or other credit enhancements

	2015		2014	
	Carrying Value	**Maximum Exposure**	Carrying Value	Maximum Exposure
Financial assets:				
Cash	**42,917,083**	**42,917,083**	42,690,257	42,690,257
Loans and receivables	**3,579,912,329**	**3,579,912,329**	3,647,124,267	3,647,124,267
Accounts receivable – others	**904,988**	**904,988**	613,525	613,525
AFS financial asset	**5,825,000**	**5,825,000**	5,825,000	5,825,000
	3,629,559,400	**3,629,559,400**	3,696,253,04949	3,696,253,04949

The preceding table represents the maximum credit risk exposure of the Corporation as at December 31, 2015 and 2014, without taking into account any collateral held or other credit enhancements as it is impracticable to determine the fair values of these collaterals held by the Corporation as security against its loans and receivables. The exposures set out above are based on gross carrying amounts as reported in the statements of financial position.

The Corporation does not have significant exposure to any individual customer or counter-party nor does it have any major concentration of credit risk related to any financial instrument. The credit exposure granted to Republic of the Philippines and/or its agencies/departments/bureaus are considered non-risk and not subject to any ceiling in accordance with BSP Circular No. 514.

The Corporation maintains its Cash in Bank in its Parent Bank and with other universal banks which are highly rated among the top ten in the country.

(e) Concentrations of risks of financial assets with credit risk exposure

The Corporation's main credit exposure at their carrying amounts, as categorized by industry sectors, follow:

As at December 31, 2015

	Cash	**Loans and receivables**	**Accounts receivable - others**	**Available for sale securities**
Agriculture, fishing and forestry	**0**	**39,375,732**	**0**	**0**
Wholesale and retail trade	**0**	**193,068,504**	**0**	**0**
Manufacturing	**0**	**11,870,648**	**0**	**0**
Public utilities	**0**	**283,068,798**	**0**	**0**
Services	**0**	**1,035,179,978**	**0**	**0**
Banks and other financial institutions	**42,917,083**	**420,941,965**	**0**	**5,825,000**
Real estate	**0**	**49,931,346**	**0**	**0**
Public sector	**0**	**881,137,251**	**0**	**0**
Others	**0**	**665,338,107**	**904,988**	**0**
Total	**42,917,083**	**3,579,912,329**	**904,988**	**5,825,000**
Less: Allowance for probable losses/fair value changes	**0**	**(204,725,776)**	**0**	**(5,825,000)**
	42,917,083	**3,375,186,553**	**904,988**	**0**

As at December 31, 2014

	Cash	Loans and receivables	Accounts receivable - others	Available for sale securities
Agriculture, fishing and forestry	0	30,001,093	0	0
Wholesale and retail trade	0	299,852,307	0	0
Manufacturing	0	31,594,773	0	0
Public utilities	0	290,270,188	0	0
Services	0	1,096,305,136	0	0
Banks and other financial institutions	42,690,257	506,283,709	0	5,825,000
Real estate	0	217,438,205	0	0
Public sector	0	923,700,901	0	0
Others	0	251,677,955	613,525	0
Total	42,690,257	3,647,124,2677	613,525	0
Less: Allowance for probable losses/fair value changes	0	(186,725,776)	0	(5,825,000)
	42,690,257	36,284,516,901	613,525	0

(f) Credit Quality of Financial Assets

The credit quality of financial assets, net of unearned lease income, interest and discount but gross of allowance for credit losses is as follows:

As at December 31, 2015

	Neither past due nor impaired	Impaired	Total
Cash	**42,917,083**	**0**	**42,917,083**
Loans and receivables	**3,375,186,553**	**204,725,776**	**3,579,912,329**
Accounts receivable – others	**904,988**	**0**	**904,988**
AFS financial asset	**0**	**5,825,000**	**5,825,000**
	3,419,008,624	**210,550,776**	**3,629,559,400**

As at December 31, 2014

	Neither past due nor impaired	Impaired	Total
Cash	42,690,257	0	0
Loans and receivables	3,460,398,491	186,725,776	3,647,124,2677
Accounts receivable – others	613,525	0	613,525
AFS financial asset	0	5,825,000	5,825,000
	3,503,702,2733	192,550,776	36,477,681,20249

Neither past due nor impaired

When entering into new markets or new industries, the Corporation focuses on businesses with good credit rating in order to minimize the potential increase in credit risk exposure. Loans and lease receivables that are neither past due nor impaired are due from accounts that have appropriate and strong credit history, with minimal account defaults and whose receivables are fully recoverable based on past experiences.

Past due but not impaired

Past due loans and lease receivables are not considered impaired, unless other information is available to the contrary. Collateralized past due are not considered impaired when cash flows that may result from foreclosure of the related collateral are higher than the carrying amount of the loans.

Impaired

Impaired loans and lease receivables includes accounts which are individually and collectively assessed for impairment. The total impairment provision for loans and lease receivable represents provision for individually and collectively impaired loans and lease receivables. Further information on impairment of loans and lease receivable is provided in Note 8.

4.2 Interest Rate Risk

The Corporation follows a prudent policy in managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. The Corporation is vulnerable to increase in market interest rates. However, in consideration of the adequate net interest margin between the Corporation's funding cost and its interest-earning assets; and favorable lease and financing terms which allow the Corporation to (a) re-price periodically as agreed, and (b) to re-price at any time in response to extraordinary fluctuations in interest rates, the Corporation believes that the adverse impact of any interest rate increase would be limited.

4.3 Liquidity Risk

Liquidity Risk is the risk that the Corporation is unable to grant additional credit and/or its failure to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the loss of clients and/or being in default on its obligations to its creditors.

The primary business of the Corporation entails the borrowing and re-lending of funds. Consequently, it is subject to substantial leverage, and may therefore be exposed to potential financial risks that accompany borrowing. In relation to its various borrowing arrangements, the Corporation is currently subject to certain requirements relative to the maintenance of acceptable liquidity and leverage ratios.

Analysis of financial liabilities by remaining contractual maturities

The tables below summarize the maturity profile of the Corporation's financial liabilities on contractual undiscounted repayment obligations.

As at December 31, 2015

	Up to 1 year	Over 1 year to 3 years	Over 3 years	Total
Bills payable	**996,800,000**	**0**	**1,200,959,295**	**2,197,759,295**
Trade and other payables*	**108,428,716**	**0**	**0**	**108,428,716**
Deposits on lease contracts	**134,552,487**	**43,543,314**	**55,614,129**	**233,709,930**
	1,239,781,203	**43,543,314**	**1,256,573,424**	**2,539,897,941**

As at December 31, 2014

	Up to 1 year	Over 1 year to 3 years	Over 3 years	Total
Bills payable	1,006,400,000	0	1,314,109,423	**!G2 Is Not In Table**
Trade and other payables*	92,156,688	0	0	92,156,688
Deposits on lease contracts	130,443,866	69,675,448	37,555,008	237,674,322
	1,229,000,554	69,675,448	1,351,664,431	329,831,010

**Trade and other payables identified as financial liabilities do not include government dues.*

Financial assets available to meet all of the liabilities include cash in bank and loans and receivables. The Corporation would also be able to meet unexpected net cash outflows by accessing additional funding sources.

5. FAIR VALUE MEASUREMENT

The Corporation's principal financial instruments comprise cash, loans and receivables, accounts receivable – others, AFS financial assets, bills payable, trade and other payables and deposits on lease contracts.

(a) Carrying Amount versus Fair Value

The following table compares the carrying amounts and fair values of the Corporation's financial assets and financial liabilities as at December 31, 2015 and 2014.

	2015		2014	
	Cost	**Fair Value**	Cost	Fair Value
Financial assets:				
Cash (Note 6)	**42,977,083**	**42,977,083**	42,720,257	42,720,257
Loans and receivables (Notes 8)	**3,579,912,329**	**3,375,186,553**	3,647,124,267	3,460,398,491
Accounts receivable – others (Note 13)	**904,988**	**904,988**	613,525	613,525
AFS financial asset (Note 7)	**5,825,000**	**0**	5,825,000	0
	3,629,619,400	**3,419,068,624**	3,696,283,049 49	3,503,732,273

	2015		2014	
	Cost	**Fair Value**	Cost	Fair Value
Financial liabilities:				
Bills payable (Note 15)	**2,197,759,295**	**2,197,759,295**	2,320,509,423	2,320,509,423
Trade and other payables* (Note 16)	**108,428,716**	**108,428,716**	92,156,688	92,156,688
Deposit on lease contracts (Note 20)	**233,709,930**	**233,709,930**	237,674,322	237,674,322
	2,539,897,941	**2,539,897,941**	2,650,340,433	2,650,340,433

**Trade and other payables identified as financial liabilities do not include government dues.*

The Corporation considers that the carrying amount of the following financial assets and financial liabilities are a reasonable approximation of their fair value:

- Cash
- Trade and other payables

(b) Fair value hierarchy

The Corporation uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

The level in the fair value hierarchy within which the financial asset or financial liability is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in its entirety into only one of the three levels.

The only financial instrument of the Corporation measured at fair value is its available for sale financial asset which was classified under level 1.

(c) Valuation techniques

The methods and assumptions used by the Corporation in estimating the fair value of the financial instruments follow:

(i) Loans and other receivables

The estimated fair value of loans and other receivables represents the discounted amount of estimated future cash flow expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(ii) Available for sale financial asset

For Level 1 available-for-sale investments the group uses the closing market price as at reporting date per share multiplied by the number of shares held.

The fair value of available for sale securities is reduced to zero due to suspension of trading of stock.

(iii) Bills payable
The estimated fair value of bills payable represents the discounted amount of estimated future cash flows expected to be paid. Expected cash flows are discounted at current market rates to determine fair value.

(iv) Deposits on lease contracts
Deposits on lease contracts are carried at amortized cost which represents the present value.

6. CASH AND CASH EQUIVALENTS

This account consists of:

	2015	2014
Deposit in banks	**42,917,083**	42,690,257
Cash on hand	**60,000**	30,000
	42,977,083	42,720,257

Cash in banks earn interest at floating rates based on daily bank deposit rates. Annual interest earned on deposits in banks range from 1.125 per cent to 1.250 per cent in 2015 and 2014. Interest income earned from deposits in banks reported in the statements of comprehensive income totaled P149,873 and P213,389 for the years ended December 31, 2015 and 2014, respectively.

7. AVAILABLE FOR SALE FINANCIAL ASSET

This account consists of:

	2015	2014
Available for sale securities, listed shares	**5,825,000**	P5,825,000
Allowance for probable losses	**(5,825,000)**	(5,825,000)
	0	0

The account reflects holdings of 5,825,000 shares of common stock of Export and Industry Bank (EIB).

In 2001, LLFC bought deposit receivables of a particular client from Urban Bank at the discounted price of P43.350 million. In September 2004, the receivables (amounting to P58.245 million by then) were settled by the rehabilitated bank renamed as Export-Industry Bank (EIB), thru cash settlement of P52.425 million and 5.825 million shares of common stocks at a par value of P1.00 per share. With the settlement, the investment on the receivables was closed and the 5.825 million shares of Common Stock of EIB were booked as Available-for-sale securities.

The common shares of EIB are publicly held and traded. As part of its rehabilitation program, EIB implemented a reverse split on its common shares, reducing the par value of P1.00 per share to P0.25 per share.

In May 2009, trading on the stock was suspended in view of the pending purchase of EIB by another bank. The acquisition has already been given an approval in principle by the Bangko Sentral ng Pilipinas (BSP). Prior to the suspension in May 2009, shares of EIB were trading at 14¢ per share.

In April 2012, BSP placed EIB under the receivership of Philippine Deposit Insurance Corporation (PDIC) after its total liabilities exceeded its total assets. On October 18, 2012, PDIC scheduled the bidding for EIB but the bidding failed as no potential investors appeared due to the three-day temporary restraining order (TRO) issued by the Makati Regional Trial Court in October 17, 2012 as requested by some of the parties which has claims against the bank.

A rebidding was scheduled on March 20, 2013 but this did not push through because no strategic third party investor has submitted a letter of interest or a pre-bid documentary requirement.

The fair value of available-for-sale financial asset as at December 31, 2015 and 2014 has been reduced to zero due to suspension of trading of stocks.

The fair value change of P5,825,000 is included within the overall decrease relating to available for sale financial asset recognized in other comprehensive income.

As of December 31, 2015, total accumulated unrealized loss on AFS amounted to P4,077,500, net of deferred tax.

8. LOANS AND RECEIVABLES

The current portion of the Corporation's loans and receivables consist of:

	2015	2014
Finance lease receivables	**249,793,207**	347,931,983
Finance lease receivables – LBP	**17,697,463**	173,316,410
Loans and receivables financed	**880,138,310**	560,145,606
	1,147,628,980	1,081,393,999
Accounts receivable - clients	**137,801,865**	96,624,133
Allowance for probable losses	**(1,542,087)**	(1,100,094)
	136,259,778	95,524,039
Accrued interest receivable	**4,419,867**	4,118,093
Allowance for probable losses	**0**	(18,859)
	4,419,867	4,099,234
Sales contracts receivable	**0**	241,631
	1,288,308,625	1,181,258,903

The non-current portion consists of:

	2015	2014
Finance lease receivables	**1,266,424,785**	1,382,404,329
Allowance for probable losses	**(40,986,648)**	(20,944,940)
	1,225,438,137	1,361,459,389
Finance lease receivables – LBP	**63,138,770**	17,764,128
Allowance for probable losses	**0**	0
	63,138,770	17,764,128
Loans and receivables financed	**960,498,062**	1,064,577,954
Allowance for probable losses	**(162,197,041)**	(164,661,883)
	798,301,021	899,916,071
	2,086,877,928	2,279,139,588

As of December 31, 2015, 10 per cent of the Corporations' finance lease and loans receivable are subject to interest re-pricing. The remaining loans earn annual fixed interest rates ranging from 3 per cent to 20 per cent in 2015.

The Corporation's finance lease and loans receivable as of December 31, 2014 earned interest at fixed rates ranging from 7.5 per cent to 14.0 per cent.

Finance lease receivables

An analysis of the LLFC's finance lease receivables as at December 31, 2015 and 2014 is presented as follows:

	2015	2014
Finance lease receivables:		
Within 1 year	**183,417,431**	313,929,953
Beyond 1 year but not beyond 5 years	**286,621,946**	346,080,514
Beyond 5 years	**1,545,719,800**	1,749,941,645
	2,015,759,177	2,409,952,112
Residual value of leased assets:		
Within 1 year	**74,545,783**	61,387,171
Beyond 1 year but not beyond 5 years	**84,968,911**	82,053,222
Beyond 5 years	**126,186,545**	129,519,878
	285,701,239	272,960,271
Total minimum lease receivable	**2,301,460,416**	2,682,912,383
Less: Unearned Leasing Income		
Within 1 year	**8,170,007**	27,385,141
Beyond 1 year	**842,785,742**	988,014,234
	850,955,749	1,015,399,375
Net investment in finance lease receivables	**1,450,504,667**	1,667,513,008
Past due receivables	**37,155,966**	32,034,890
Restructured accounts	**0**	30,078,653
Past due – restructured accounts	**5,599,903**	8,053,498
Items in litigation	**35,998,817**	10
	78,754,686	70,167,051
Less: Unearned leasing income	**13,041,361**	7,343,747
	65,713,325	62,823,304
	1,516,217,992	1,730,336,312

	2015	2014
Finance lease receivables – LBP		
Within 1 year	**35,712,551**	221,098,385
Beyond 1 year but not beyond 5 years	**124,766,449**	7,467,449
Beyond 5 years	**0**	73,738,440
	160,479,000	302,304,274
Residual value of leased assets:		
Within 1 year	**5,653,600**	3,626,600
Beyond 1 year but not beyond 5 years	**0**	2,027,000
Beyond 5 years	**0**	0
	5,653,600	5,653,600
Total minimum lease receivable	**166,132,600**	307,957,874
Less: Unearned leasing income		
Within 1 year	**23,668,688**	51,408,575
Beyond 1 year	**61,627,679**	65,468,761
	85,296,367	116,877,336
Net investment in finance lease receivables - LBP	**80,836,233**	191,080,538

Loans and receivables financed

The breakdown of loans and receivables financed as of December 31, 2015 and 2014 are as follows:

	2015	2014
Loans and receivables financed		
Within 1 year	**880,138,310**	560,145,606
Beyond 1 year	**716,638,722**	792,536,484
	1,596,777,032	1,352,682,090
Past due receivables	**102,204,693**	116,614,286
Restructured accounts	**24,661,842**	27,519,964
Past due – restructured accounts	**14,546,681**	26,765,104
Items in litigation	**105,749,886**	105,529,979
	247,163,102	276,429,333
Less: Unearned interest income	**3,303,762**	4,387,863
	243,859,340	272,041,470
	1,840,636,372	1,624,723,560

Summary of loans and receivables

Loans and lease receivables

	2015	2014
Finance lease receivables	**1,516,217,992**	1,730,336,312
Finance lease receivables – LBP	**80,836,233**	191,080,538
Loans and receivables financed	**1,840,636,372**	1,624,723,560
	3,437,690,597	3,546,140,410

Other receivables:

	2015	2014
Accounts Receivable – clients	**137,801,865**	96,624,133
Accrued interest receivable	**4,419,867**	4,118,093
Sales contracts receivable	**0**	241,631
	142,221,732	100,983,857

Accounts receivable amounting to P136,202,064 and P95,474,901 represent the amounts due from the Parent Bank for financial and operating lease transactions for 2015 and 2014, respectively.

Interest income on receivables

Interest income on receivables as presented in the statements of comprehensive income follows:

	2015	2014
Lease contracts receivable	**327,242,646**	342,188,754
Loans receivable	**140,476,646**	120,249,966
Sales contracts receivable	**49,092**	82,952
	467,768,384	462,521,672

Reconciliation of credit losses

A reconciliation of the allowance for credit losses for loans and receivables by class is as follows:

As at December 31, 2015 *(In thousand pesos)*

	Lease contracts receivable	**Loans and receivables financed**	**Accounts receivable - clients**	**Accrued interest receivable**	**Total**
At January 1, 2015	**20,945**	**164,662**	**1,100**	**19**	**186,726**
Provisions during the year	**17,577**	**0**	**423**	**0**	**18,000**
Write-offs during the year	**0**	**0**	**0**	**0**	**0**
Foreclosures and adjustments	**2,465**	**(2,465)**	**19**	**(19)**	**0**
At December 31	**40,987**	**162,197**	**1,542**	**0**	**204,726**

Specific impairment provision	**14,236**	**162,197**	**1,542**	**0**	**177,975**
Collective impairment provision	**26,751**	**0**	**0**	**0**	**26,751**
Total impairment provision (Note 14)	**40,987**	**162,197**	**1,542**	**0**	**204,726**

Gross amount of loans specifically determined to be impaired before deducting individually-assessed credit losses	**47,275**	**208,675**	**1,600**	**0**	**257,550**

As at December 31, 2014 *(In thousand pesos)*

	Lease Contracts Receivable	Loans and receivables financed	Accounts receivable - clients	Accrued interest receivable	Total
At January 1, 2014	28,853	172,011	2,014	21	202,899
Provisions during the year	606	14,131	(737)	0	14,000
Write-offs during the year	0	(1,287)	(24)	0	(1,311)
Foreclosures and adjustments	(8,514)	(20,193)	(153)	(2)	(28,862)
At December 31	20,945	164,662	1,100	19	186,726

Specific impairment provision	3,693	150,063	1,100	19	154,875
Collective impairment provision	17,252	14,599	0	0	31,851
Total impairment provision	20,945	164,662	1,100	19	186,726

BSP Reporting

Details of finance lease receivable as to industry/economic sector and collateral type at December 31 are as follows:

(a) As to industry/economic sector (in per cent)

	2015	2014
Services	**28.92**	30.06
Public sector	**24.61**	25.33
Banks and other financial institutions	**11.76**	13.88
Wholesale and retail trade	**5.40**	8.22
Public utilities	**7.91**	7.96
Real estate	**1.39**	5.96
Manufacturing	**0.33**	0.87
Agriculture, fishing and forestry	**1.10**	0.82
Others	**18.59**	6.90
	100.00	100.00

The BSP considers that concentration of credit exists when total loan exposure to a particular industry or economic sector exceeds 30 per cent of total loan portfolio. However, credit granted to public sectors, in accordance with the BSP Circular No. 514 and it's Manual of Regulations for Banks and Non-Bank Financial Intermediaries, specifically provide that loans, other credit accommodations and guarantees to the Republic of the Philippines (ROP) and/or its agencies/departments/bureaus shall be considered non-risk and not subject to any ceiling.

(b) As to collateral

	2015	2014
Secured		
Property under finance lease	**1,441,750,678**	1,729,189,055
Real estate mortgage	**472,941,183**	225,526,079
Chattel mortgage	**1,155,803,851**	936,697,604
	3,070,495,712	2,891,412,738
Unsecured	**367,194,885**	654,727,672
	3,437,690,5977	3,546,140,41010

BSP Circular No. 351 allows non-banks with no un-booked valuation reserves and capital adjustments required by the BSP to exclude from non-performing classification those receivables from customers classified as 'Loss' in the latest examination of the BSP which are fully covered by allowance for credit losses, provided that interest on said loans shall not be accrued.

As of December 31, 2015 and 2014, the non-performing loans (NPLs) not fully- covered by allowance for credit losses follow *(in thousand pesos)*:

	2015	2014
Total NPLs	**285,304**	233,806
Less NPLs fully-covered by allowance for credit losses	**(120,809)**	(131,034)
	164,495	102,772

As of December 31, 2015 and 2014, the secured and unsecured NPLs follow *(in thousand pesos)*:

	2015	2014
Secured	**190,606**	142,475
Unsecured	**94,698**	91,331
	285,304	233,806

9. INVESTMENT PROPERTIES

These include acquired land and buildings that are held to earn rentals, or for capital appreciation, or both. The movements of the Investment Properties account are presented below:

	2015	2014 (As restated)
Cost		
At January 1 and December 31	**10,316,000**	10,316,000
Accumulated depreciation		
At January 1	**303,586**	0
Depreciation for the year	**227,689**	303,586
At December 31	**531,275**	303,586
Allowance for Impairment		
At January 1	**3,387,285**	3,061,696
Provision for the year	**0**	325,589
At December 31	**3,387,285**	3,387,285
Net book value, December 31	**3,918,560**	3,690,871

The aggregate market value of investment properties as of December 31, 2015 and 2014 amounted to P10,669,800 and P11,551,800, respectively. The fair value has been determined based on valuations made by in-house appraisers or accredited independent appraisers. Valuations were derived on the basis of information on the prevailing market value of similar or comparable real properties in the same area as the investment properties and taking into account the economic conditions prevailing at the time the valuation were made.

Costs incurred in maintaining investment properties totaled P34,355 in 2015 (Note 22) which were paid to LBP Resources Development Corporation (LBRDC), a related party.

10. EQUIPMENT AND OTHER PROPERTY FOR LEASE

The Corporation entered into financial lease transactions with various lessees either by purchase from equipment suppliers or by sale and leaseback with the leases involving various equipment with terms ranging from 24 to 60 months. The equipment acquired from equipment suppliers are initially booked as 'Equipment and Other Property for Lease – Financial Lease' until the Certificate of Acceptance from client is received, and the corresponding implementation memo is approved for booking to 'Lease Contract Receivables'. On September 24, 2014, the Board of Directors approved the acquisition of the 5,000 square meter land at Bonifacio Global City for the account of Security and Exchange Commission (SEC). The Corporation and Insurance Commission will be the co-buyers of the property in the amount of P600,000,000. As of December 31, 2014, P308,378,250 was initially booked as 'Equipment and Other Property for Lease – Financial Lease' as the Corporation's share in the acquisition of the property.

The Corporation also entered into an operating lease with its Parent Bank, with lease terms ranging from 12 to 60 months, involving transportation equipment.

The details pertinent to the Corporation's equipment and other property for lease (EOPL) are as follows:

	2015	2014
Finance Lease	**393,376,370**	324,320,982
Operating Lease	**50,941,208**	59,288,331
	444,317,578	383,609,313

A roll forward analysis of EOPL under operating leases is presented in the succeeding table:

	2015	2014
Cost		
At January 1	**109,382,633**	52,280,677
Additions	**0**	57,101,956
Disposals	**(5,613,543)**	0
At December 31	**103,769,090**	109,382,633
Accumulated depreciation		
At January 1	**50,094,302**	44,899,026
Depreciation for the year (Note 11)	**7,630,917**	5,195,276
Disposals	**(4,897,337)**	0
At December 31	**52,827,882**	50,094,302
Net book value, December 31	**50,941,208**	59,288.331

Depreciation charges for 2015 and 2014 amounting to P7,630,917 and P5,195,276, respectively, are lodged under the depreciation and amortization account under Direct Expenses in the statements of comprehensive income.

In 2015, the Corporation sold vehicles previously covered by operating lease agreements with a total carrying value of P516,009 on which it realized a gain of P1,589,491 as disclosed in Note 18 to the financial statements.

During 2015, the Corporation donated vehicles with an aggregate net book value of P200,197 (Note 22) to LBP Resources Development Corporation (LBRDC), Land Bank of the Philippines – Facilities Management Department (LBP-FMD) and Masaganang Sakahan, Inc. (MSI), respectively.

11. PROPERTY AND EQUIPMENT

The composition of and movement in this account are as follows:

As at December 31, 2015

	Building and improvements	Furniture and Fixtures	Transportation Equipment	Other properties acquired	Total
Cost					
At January 1	**42,566,207**	**12,076,221**	**1,567,273**	**2,491,000**	**58,700,701**
Additions	**0**	**659,425**	**0**	**0**	**659,425**
Disposals	**0**	**(1,170,149)**	**0**	**0**	**(1,170,149)**
At December 31	**42,566,207**	**11,565,497**	**1,567,273**	**2,491,000**	**58,189,977**
Accumulated depreciation					
At January 1	**14,431,015**	**8,783,748**	**1,493,907**	**1,681,425**	**26,390,095**
Depreciation for the year	**1,256,776**	**735,507**	**0**	**560,475**	**2,552,758**
Disposals	**0**	**(1,037,922)**	**0**	**0**	**(1,037,922)**
At December 31	**15,687,791**	**8,481,333**	**1,493,907**	**2,241,900**	**27,904,931**
Net book value	**26,878,416**	**3,084,164**	**73,366**	**249,100**	**30,285,046**

As at December 31, 2014

	Building and improvements	Furniture and Fixtures	Transportation Equipment	Other properties acquired	Total
Cost					
At January 1	42,566,207	12,982,336	1,567,273	0	57,115,816
Additions	0	1,389,062	0	2,491,000	3,880,062
Adjustments	0	(1,583,877)	0	0	(1,583,877)
Disposals	0	(711,300)	0	0	(711,300)
At December 31	42,566,207	12,076,221	1,567,273	2,491,000	58,700,701
Accumulated depreciation					
At January 1	13,174,239	9,329,620	1,493,907	0	23,997,766
Depreciation for the year	1,256,776	710,936	0	1,681,425	3,649,137
Adjustments	0	(833,290)	0	0	(833,290)
Disposals	0	(423,518)	0	0	(423,518)
At December 31	14,431,015	8,783,748	1,493,907	1,681,425	26,390,095
Net book value	28,135,192	3,292,473	73,366	809,575	32,310,606

As of December 31, 2015 and 2014, the total cost of fully-depreciated property and equipment still in use by the Corporation amounted to P5,259,057 and P1,312,602, respectively.

Certain obsolete and unserviceable furniture, fixtures and office equipment with an aggregate cost of P1,170,149 have been retired in November 2015 on which the Corporation recognized a total loss of P132,227 (Note 18).

In 2014, the Corporation exchanged its old office equipment with a net book value of P71,130 for newer models costing P881,802 from which it realized a trade-in gain of P212,460 as disclosed in Note 18 to the financial statements.

Adjustments to furniture and fixtures in 2014 pertain to reclassification of computer software to intangibles lodged under the other assets account (See Note 13).

The Corporation recognized depreciation and amortization charges in the amount of P11,752,166 in 2015 and P10,781,695 in 2014, as shown in the Direct and General and Administrative Expense sections in the statements of comprehensive income, with details as follows:

	2015	2014
Equipment and other properties for lease (Note 10)	**7,630,917**	5,195,276
Investment properties (Note 9)	**227,689**	303,586
Property and equipment (Note 11)	**2,552,758**	**!C11 Is Not In Table**
Intangibles (Note 13)	**1,340,802**	1,633,696
	4,121,249	5,586,419
	11,752,166	7,132,558

Management has reviewed the carrying values of the Corporation's property and equipment as of December 31, 2015 and 2014 for impairment. Based on the results of its evaluation, there were no indications that the property and equipment are impaired.

12. NON-CURRENT ASSETS HELD FOR SALE

This account pertains to assets that will be disposed of through sale in group or otherwise, in a single transaction. Thus, these assets are available for immediate sale at its present condition and management believes that such sale is highly probable.

As at December 31, 2015

	Land	Building	Equipment	Total
At January 1	**6,962,536**	**143,612**	**1,608,750**	**8,714,898**
Allowance for impairment	**(3,950,132)**	**0**	**(1,464,901)**	**(5,415,033)**
Adjustment	**113,849**	**0**	**(113,849)**	**0**
At December 31	**6,252,506**	**287,224**	**60,000**	**3,299,865**

As at December 31, 2014

	Land	Building	Equipment	Total
At January 1	7,582,044	156,620	1,608,750	9.347,414
Disposal	(619,508)	(13,008)	0	(632,516)
Allowance for impairment	(3,950,132)	0	(1,464,901)	(5,415,033)
At December 31	3,012,404	0	143,849	3,299,865

The changes in allowance for impairment are as follows:

	2015	2014
At January 1	**5,415,033**	3,093,529
Provision during the year	**0**	2,321,504
At December 31	**5,415,033**	5,415,033

Adjustments in provision for impairment in 2015 represent a reallocation of excess allowance for land and buildings with an aggregate assessed value of P10,459,800 to pieces of equipment whose total fair market value was determined to be P30,000.

Valuations were conducted by both in-house and third party appraisers on the basis of information on the prevailing market value of similar or comparable real properties in the same area as the investment properties and taking into account the economic conditions prevailing at the time the valuation were made.

The Corporation recognized a total gain from sale/de-recognition of non-current assets held for sale amounting to P627,471 in 2014.

13. OTHER ASSETS

Current and non-current classification of other assets as at December 31, 2015 and 2014 are as follows:

As at December 31, 2015

	Due within 1 year	Due beyond 1 year	Total
Miscellaneous assets	**3,060,777**	**1,126,629**	**4,187,406**
Prepaid expense	**2,924,429**	**0**	**2,924,429**
Intangibles	**474,991**	**224,871**	**699,862**
Accounts receivable-others	**904,988**	**0**	**904,988**
Stationeries and supplies-unissued	**107,099**	**0**	**107,099**
Other investments	**0**	**16,000**	**16,000**
Other assets	**0**	**306**	**306**
	7,472,284	**1,367,806**	**8,840,090**

As at December 31, 2014

	Due within 1 year	Due beyond 1 year	Total
Miscellaneous assets	9,959,979	1,126,631	11,086,600
Prepaid expense	4,758,111	0	4,758,111
Intangibles	1,340,802	699,862	2,040,664
Accounts receivable-others	613,525	0	613,525
Stationeries and supplies-unissued	124,605	0	124,605
Other investments	0	16,000	16,000
Other assets	0	306	306
	16,797,022	1,842,799	18,639,821

An Intangible Asset, as defined in Philippine Accounting Standard No. 38, is a non-physical asset having a useful life greater than one year. The Corporation applied this standard to software licenses and operating systems of a computer that do not form as integral parts of the related hardware.

In accordance with paragraph 9.2 under COA Resolution No. 2006-006 dated January 31, 2006, and as it is probable that future economic benefits attributable to the assets shall flow to the Corporation, the computer software are recognized at cost, and reported herein as net of accumulated amortization. Amortization is based on the straight line method less ten percent residual value.

As of December 31, 2015 and 2014, amortization charges on intangibles amounted to P1,340,802 and P1,633,696, respectively.

14. ALLOWANCE FOR CREDIT AND IMPAIRMENT LOSSES

Changes in the allowance for probable losses are as follows:

	2015	2014
At January 1		
Financial lease receivables	**20,944,940**	28,852,998
Loans and receivables financed	**164,661,883**	172,011,936
Accounts receivable	**1,100,094**	2,013,909
Accrued interest receivable	**18,859**	20,631
Investment properties	**3,387,285**	3,061,696
Non-current assets held for sale	**5,415,033**	3,093,529
	195,528,094	209,054,699
Provisions for the year	**18,000,000**	14,000,000
Accounts charged-off/other adjustments	**0**	(27,526,605)
At December 31	**213,528,094**	195,528,094

Allocations of allowance for credit and impairment losses are as follows:

	2015	2014
Financial lease receivables	**40,986,648**	20,944,940
Loans and receivables financed	**162,197,041**	164,661,883
Accounts receivable	**1,542,087**	1,100,094
Accrued interest receivable	**0**	18,859
Investment properties	**3,387,285**	3,387,285
Non-current assets held for sale	**5,415,033**	5,415,033
	213,528,094	195,528,094

With the foregoing level of allowance for credit and impairment losses, Management believes that LLFC has sufficient allowance to take care of any losses that may be incurred from the non-collection or non-realization of its receivables and other risk assets.

15. BILLS PAYABLE

This account represents peso borrowings from various banks in the form of promissory notes.

	2015	2014
Current	**996,800,000**	1,006,400,000
Non-current	**1,200,959,295**	1,314,109,423
	2,197,759,295	2,320,509,423

Interest rates on bills payable range from 2.80 per cent to 4.00 per cent and 3.20 per cent to 7.75 per cent in 2015 and 2014, respectively.

Bills payable are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances as of December 31, 2015 and 2014 are partially secured, and with terms of maturities ranging from 90 days to 9 years. Interest Expense on borrowings amounted to P65,882,808 and P72,613,073 for the years ending December 31, 2015 and 2014, respectively.

Total interest expense in 2015 as presented in the statements of comprehensive income is net of P23,148,429 finance charges on a lease facility that were capitalized as EOPL in accordance with the provisions of PAS 23 on Borrowing costs.

As at December 31, 2015, there are no defaults or breaches on these promissory notes.

16. TRADE AND OTHER PAYABLES

This account consists of:

	2015	2014 (As restated)
Accounts payable – trade	**14,592,754**	19,426,462
Government dues:		
Withholding taxes payable	**1,066,613**	1,773,207
Philhealth	**13,575**	10,600
Pag-ibig Fund	**20,583**	9,338
SSS	**15,770**	9,064
Fringe benefit taxes	**7,200**	7,369
Accrued taxes and licenses	**2,829,321**	2,317,623
Accounts payable – others	**796,336**	3,134,532
Accrued interest payable	**4,990,510**	5,232,112
Accrued expenses – others	**65,464,231**	32,178,977
Miscellaneous liabilities	**22,584,885**	32,184,605
	112,381,778	96,283,889

Trade accounts payable represents liabilities to suppliers with credit terms ranging from 30 to 120 days from invoice date.

Accrued expenses – others include cost incurred for security, messengerial, and janitorial services payable to LBP Service Corporation (LBP – SC), a subsidiary of Land Bank of the Philippines, monetary value of employees' leave credits and performance based-bonus for 2015 due to officers and employees.

Total Miscellaneous liabilities represent advance payments received from various clients to be applied to registration and mortgage fees.

17. EQUITY

(a) Capital Stock

The Corporation has been authorized to issue 50,000,000 ordinary shares at a par value of P10 per share.The pertinent information on the components of the Corporation's capital stock as of December 31, 2015 and 2014 is presented hereunder:

	2015	2014
Issued and outstanding shares - 48,555,255 shares	**485,552,550**	485,552,550
Treasury stock – 1 share	**(10)**	0
Additional paid-in capital	**113,970,900**	113,970,900
	599,523,440	599,523,450

On July 12, 2015, one share owned by a deceased member of the Board was reacquired thereby reducing the amount of outstanding shares to P485,552,540.

(b) Retained earnings

Dividend declaration

In compliance with Republic Act No. 7656 requiring the declaration of dividends by Government-Owned and/or Controlled Corporations, LBP Leasing and Finance Corporation is required to declare and remit at least 50 percent of its annual Net Income After Tax as dividends.

For CY 2015, the Board of Directors of LBP Leasing and Finance Corporation, in its March 23, 2016 meeting, approved the declaration of cash dividends amounting to P80,500,000 or P1.658 per share on the 48,555,254 common stocks held by all stockholders of date of record, December 31, 2015.

Cash dividends declared by the Board of Directors through a Resolution dated February 25, 2015 totaled P72,298,775 or P1.489 per share to stockholders as of date of record, December 31, 2014. These cash dividends were paid on April 30, 2015.

Appropriation of retained earnings

On April 29, 2015, the Board of Directors through Resolution No. 15-058, approved the appropriation of retained earnings amounting to P600,000,000 for the business expansion. This appropriation was subsequently reported to the Securities and Exchange Commission on May 14, 2015.

Reconciliation of Retained earnings

The financial statements of the Corporation as of and for the years ended December 31, 2014 and 2013 have been restated to reflect the impact of transitional adjustments in accordance with PAS 19, as revised, and correction of prior period errors (See Note 29).

Presented below is a reconciliation of the retained earnings account:

At December 31, 2013, as previously stated		**P682,475,596**
Add/(Deduct): Effect of prior period adjustments		
Recognition of deferred tax asset on unrealized loss on AFS	(1,747,500)	
Reversal of excess deferred tax asset	(99,067)	
Recognition of additional amortization of intangibles	(64,526)	
Accrual of donations and charitable contributions	(2,000,000)	
Transitional adjustment – PAS 19R	(7,403,223)	11,314,316
At December 31, 2013, as restated		**671,161,280**
Net income for the year ended December 31, 2014, as previously stated	133,712,644	
Add/(Deduct): Effect of prior period adjustments		
Recognition of depreciation on EOPL reclassified from FL to OL	(157,224)	
Recognition of additional depreciation on Investment properties - PFRS	(133,253)	
Recognition of additional retirement expense - PFRS	(9,448)	
Reversal of deferred tax asset recognized on actuarial gains	(420,000)	
Reversal of excess deferred tax asset	(829,138)	132,163,581
Reversal of over accrual in income tax payable		179,440
Cash dividend paid to the National Government		(72,153,109)
At December 31, 2014, as restated		**731,351,192**
Cash dividend paid to the National Government		(72,298,775)
Appropriation for business expansion		(600,000,00)
Net income for the year ended December 31, 2015		148,329,309
At December 31, 2015		207,381,726

18. OTHER INCOME

This account is composed of:

	2015	2014
Gain on sale of equipment and other property for lease (Note 10)	**1,589,491**	0
Gain (loss) on disposal/sale of property and equipment (Note 11)	**(132,227)**	212,460
Gain on sale of non-financial assets (Note 12)	**0**	627,471
Recovery from charged-off assets	**0**	272,264
Miscellaneous income	**6,320,446**	6,363,871
	7,777,710	7,476,066

In 2014, the Corporation recovered 50 per cent of its receivables from a client through a compromise agreement. Miscellaneous income represents penalties and surcharges.

19. OTHER EXPENSES

Other expenses lodged under general and administrative expenses account in the statements of comprehensive income is comprised of

	2015	2014
Security, messengerial, janitorial and contractual services	**2,398,944**	2,602,948
Donations and other charitable contributions	**2,300,197**	2,000,000
Representation and entertainment	**2,014,493**	1,669,867
Transportation and travelling	**1,743,398**	1,487,610
Power, light and water	**1,485,000**	1,816,176
Rent (Note 20)	**1,187,702**	89,600
Postage, cables, telephone and telegram	**1,122,685**	721,563
Repairs and maintenance	**858,094**	601,433
Advertising and publicity	**836,870**	836,574
Management and other professional fees	**815,345**	719,700
Membership fees and dues	**598,919**	608,811
Stationeries and supplies used	**588,567**	634,932
Information technology	**437,143**	44,227
Fuels and lubricants	**271,747**	309,609
Data processing charges	**90,315**	85,343
Fringe benefit taxes (Note 21)	**32,019**	29,424
Periodicals and magazines	**18,576**	18,388
Bank charges	**5,782**	2,150
Fines, penalties and other charges	**0**	93,867
Miscellaneous expenses	**674,708**	385,012
	17,480,504	14,757,234

20. LEASE COMMITMENTS

The Corporation has the following lease commitments

Corporation as lessor

The Corporation enters into finance lease agreements over various assets. An analysis of the Corporation finance lease receivables is shown in Note 8.

Interest income earned from finance leases amounted to P327,242,646 and P342,188,754 in 2015 and 2014, respectively, as presented in the statements of comprehensive income.

The Corporation also entered into operating leases on certain motor vehicles. These operating leases are from periods ranging from 6 to 60 months with equal monthly rental payments as set forth in the lease agreement. Operating lease income presented under Other Income in the Corporation's statements of comprehensive income for the years ended December 31, 2015 and 2014 amounted to P45,236,905 and P44,553,018, respectively.

The carrying amount of lease deposits payable to the respective lessees as of December 31, 2015 and 2014 are presented in the table below:

	2015	2014
Finance leases	**224,565,612**	228,530,004
Operating leases	**9,144,318**	9,144,318
	233,709,930	237,674,322

The breakdown of deposits on finance and operating leases by contractual settlement dates as at December 31, 2015 and 2014 is as follows:

	2015	2014
Due within 1 year	**134,552,487**	130,443,866
After 1 year up to maturity	**99,157,443**	107,230,456
	233,709,930	237,674,322

Operating lease commitments

Future minimum rental receivables under non-cancelable operating leases as of December 31, 2015 and 2014 are as follows:

	2015	2014
Due within 1 year	**21,610,032**	21,610,000
After 1 year up to maturity	**92,560**	93,000
	21,702,592	21,703,000

Chauffeuring services related to the lease of vehicles are presented under the Direct Expense – Security, Messengerial, Janitorial and Contractual Services in the statements of comprehensive income. Details of which are as follows:

	2015	2014
Finance lease	**110,128,707**	106,060,450
Operating lease	**21,558,354**	23,019,719
	131,687,061	129,080,169

Corporation as lessee

On February 3, 2014, the Corporation entered into an operating lease agreement for a period of 1 month with Campos Rueda and Sons, Inc. covering 6 parking slots at a monthly rental rate of P2,240, inclusive of VAT, per slot.

On June 1, 2014, the Corporation entered into another operating lease agreement with Dasein Transport Corporation wherein 40 parking slots were designated for LLFC's use at a monthly rental rate of P2,300 inclusive of VAT. Monthly billings are based on the actual number of vehicles parked.

Rental fees paid to the lessors for the years ended December 2015 and 2014 totalled P1,187,702 and P89,600 (Note 19), respectively.

The operating lease agreements, being temporary, may be extended or cancelled at the option of either parties provided that a prior written notice is given. As such, no future minimum lease payments are expected to be made.

21. EMPLOYEE BENEFITS

(a) Compensation and fringe benefits

Expenses recognized for salaries and employee benefits are presented below:

	2015	2014
Salaries and wages	**15,924,764**	14,561,070
Bonuses	**4,501,560**	4,608,667
Directors' remuneration	**1,858,320**	1,908,000
Retirement benefit cost	**4,656,128**	1,834,038
Social security cost	**773,774**	732,837
Other benefits	**5,587,741**	5,627,909
	33,302,287	29,272,521

Employee benefits include annual salaries, paid sick leave, profit sharing and bonuses, and other non-monetary benefits. Total accrued compensated absences as at December 31, 2015 and 2014 amounted to P4,903,615 and P4,379,741, respectively.

(b) Retirement benefits

(i) Characteristics and funding

The Corporation has a funded non-contributory defined benefit retirement plan (the Plan) covering substantially all of its officers and regular employees. Under the Plan, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements. The retirement plan provides retirement benefits (equivalent to 22.5 days pay for every year of service) after satisfying certain age and service requirements.

The funds are administered by LBP Trust Banking Group (LBP-TBG) who is responsible for investment strategy of the plan.

The Retirement Trust Fund account with LBP-TBG was opened on November 28, 2012. Prior to the opening of Retirement Trust Fund account with LBP-TBG and the availability of the Funding Actuarial Valuation Report, the Corporation accrues Retirement Costs based on actual services rendered by the employees and Article V of the LBP Subsidiaries Retirement Benefit Plan which defines the percentage of entitlement of incumbents to retirement benefits. Among the salient provisions of the Trust Agreement are the following:

- The Trustor (LLC) shall deliver and pay to the Trustee such sums representing the annual contributions of the Trustor as provided in the Plan, starting with the contributions for the year 2012 in the amount of Six Million Seven Hundred Fifty One Thousand One Hundred Fifty Pesos and 86 Centavos (P6,751,150.86) Philippine Currency.
- The Trustor waives all its rights and interests to the money or properties which are and will be paid or transferred to the Fund, to the extent required to provide the benefits payable pursuant to the Plan.
- The Trustee shall administer the Fund to be held in trust for the purpose stated in the Agreement and subject to all the terms and conditions stated therein, as well as the Plan, which is deemed part of the Agreement. It shall invest and re-invest the Fund, together with all increments and proceeds in fixed-income government securities.
- The Trustee has the right and power to cause any asset acquired from the investment/re-investment of the fund to be held, registered and issued in its own name as Trustee or in the name of its nominee, provided, that the books and records of the Trustee shall at all times show that all such properties are part of the Fund. It shall open and maintain savings and/or checking account as may be determined necessary from time to time in the performance of the trust and the authority herein conferred to the Trustee as well as pay all costs, fees, charges and such other expenses connected with the investments, administration, preservation and maintenance of the Fund and to charge the same to the Fund.

- The Trustee shall exercise any right or privileges pertaining to the bonds, securities or other properties held in trust. It shall open a savings account with its own commercial banking sector, for and in the name of the Fund wherein all funds awaiting investments and those received as contribution or by way of income or earnings from the investment/re-investments of the fund may be deposited temporarily. The Trustee shall execute and deliver any and all documents and to perform any act which may be deemed necessary or proper to carry out the powers granted.
- In the management of the Fund, the Trustee shall pay to the members or the beneficiaries the benefits under the Plan upon written advice of the Trustor. It shall keep and maintain books of accounts and/or records of the management and operations of the fund, which the Trustor or its authorized representative may inspect from time to time during office hours. It shall, at the end of every calendar quarter, submit the financial reports, i.e. Balance sheet, Statement of Income and Expenses, Schedule of Investments, Investment Activity Report statements and such other reports as may be requested by the Trustor. Such reports shall be deemed conclusive should the Trustor fail to object thereto in writing within thirty (30) days from receipt thereof. The Trustor shall administer the funds held in trust with such degree of skill and care as a prudent man would exercise in the conduct of an enterprise of like character and with similar aims. It shall secure the Tax Exemption Certificate from the Bureau of Internal Revenue so that the Plan may be entitled to tax exemption benefits as provided by law.
- For its services, the Trustee shall be entitled to a fee equivalent to 0.5 per cent per annum of the average total assets of the Fund, computed daily and collected after the end of each calendar quarter, subject to a minimum of P10,000.00 per year and quoted with the understanding that the same may be reviewed at the request of either party and adjusted in a mutually satisfactory basis. The Trustee is authorized to debit such fee from the Fund.
- Except for fraud, bad faith or gross negligence, the Trustee shall not be liable for any loss or depreciation in the value of the Fund resulting from the investments or re-investments thereof as authorized herein, or from the performance of any act in accordance with the provision of the Agreement. The Agreement does not guarantee a yield, return or income on the investments/re-investments of the fund as the same can fall as well as rise depending on prevailing market conditions and is not covered by the Philippine Deposit Insurance Corporation (PDIC). Losses, if any, shall be for the account of the Trustor.

The Corporation’s retirement plan is exposed to the following risks:

- *Interest rate risk*: decreases/increases in the discount rate used will increase/decrease the defined benefit obligation
- *Longevity risk*: changes in the estimation of mortality rates of current and former employees.
- *Salary risk*: increases in future salaries increase the gross defined benefit obligation.

(ii) Actuarial assumptions

The LBP-TBG, as part of its services, handled the selection and engagement of the Actuarial Service Company that will undertake the actuarial valuation for LBP Leasing and Finance Corporation. The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation as of December 31, 2003 was carried out and completed by an independent actuary April 12, 2013 using the Accrued Benefit Actuarial Cost Method (Projected Unit Credit).

The sensitivity analysis was conducted to determine based on reasonably possible changes of the assumption occurring as of the end of the reporting period, assuming if all other assumptions were held constant. Management believes that as of the reporting date, changes in the discount rate and future salary increase will not significantly affect the retirement obligation of the Corporation. Management believes that retirement obligation will not be sensitive to the salary rate increases because it is expected to be within the same level of the remaining life of the obligation while the discount rate is not expected to drastically increase or decrease at its existing level.

The principal actuarial assumptions used as at the statement of financial position date:

	2015	2014
Discount rate	**4.37%**	5.50%
Expected rate of return on plan assets	**2.50%**	2.50%
Salary increase rate	**7.00%**	7.00%
Expected average remaining working lives of employees	**26**	24

As of December 31, 2015, the principal balance of the retirement fund stands at P15,041,950 as compared to P9,789,083 as of December 31, 2014.

In 2016, The Corporation expects to contribute P4,656,128 into its employee retirement plan.

(iii) Reconciliation of defined benefit obligation and fair value of scheme assets

	Defined benefit obligation		Fair value of plan assets		Net defined liability	
	2015	2014	**2015**	2014	**2015**	2014
Balance, 1 January*	**18,940,677**	16,625,449	**(9,151,594)**	(9,125,085)	**0**	7,500,364
Service cost - current	**4,228,256**	1,400,828	**0**	0	**4,228,256**	1,400,828
Interest cost (income)	**827,880**	914,400	**(400,008)**	(501,880)	**427,872**	412,520
Included in profit or loss	23,996,813	18,940,677	(400,008)	(501,880)	4,656,128	9,313,712
Re-measurement loss (gain)						
(a) Actuarial loss (gain) from:						
- Demographic assumptions	**0**	**0**	**0**	**0**	**0**	**0**
- Financial assumptions	**0**	**0**	**0**	**0**	**0**	**0**
- Experience adjustments	**0**	**0**	**0**	**0**	**0**	**0**
(b) Return on plan assets (excluding interest)	**0**	**0**	**596,739**	454,681	**596,739**	454,681
Included in other comprehensive income	**0**	**0**	**596,739**	454,681	**596,739**	454,681
Effects of movements in exchange rates	**0**	**0**	**0**	0	**0**	0
Employer contributions	**0**	0	**0**	0	**0**	0
Withdrawals	**0**	**0**	**0**	20,690	**0**	20,690
Benefits paid	**0**	**0**	**0**	0	**0**	0
Other movements	**0**	**0**	**0**	20,690	**0**	20,690
Balance, December 31	**23,996,813**	18,940,677	**(8,954,863)**	(9,151,594)	**15,041,950**	9,789,083

**Includes P7,185,143 transitional liability arising from the adoption of PAS 19R.*

Retirement costs are included in the “General and Administrative expenses” account in the statements of comprehensive income and the Corporation, having opted to avail of the Optional Standard Deduction (OSD) accordingly, did not recognize any deferred tax assets nor liabilities on re-measurement gains and losses and net benefit obligation.

(iv) Disaggregation of defined benefit plan assets

	2015	2014
Deposits in bank		
Saving account – own bank	**5,006**	4,093
Time deposit – own bank	**2,260,000**	0
Interest receivable (TD) – own bank	**283**	0
Due from BSP		
Special deposit account - BSP	**0**	4,820,000
Interest receivable – BSP	**0**	3,012
Available for sale (AFS) financial assets		
AFS Debt Securities - Government	**6,880,030**	4,342,159
Other assets		
Prepaid tax – Investment in Treasury bills	**0**	140
Total Assets	**9,145,319**	9,169,404
Withholding tax payable	**12,409**	6,137
Trust fee payable	**11,727**	11,673
Total Liabilities	**24,136**	17,810
Principal	**8,613,565**	8,686,674
Accumulated income	**588,546**	479,650
Net unrealized losses - AFS	**(80,928)**	(14,730)
Total Equity	**9,121,183**	9,151,594
Total Liabilities and Equity	**9,145,319**	9,169,404

22. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Corporation enters into transactions with its Parent Bank, Land Bank of the Philippines. Under the Corporation's policy, these transactions are made substantially on the same terms as with other individuals and businesses of comparable risks. The transactions with related parties are settled in cash. No provisions are held against receivables from related parties in 2015 and 2014.

The total amount of transactions which have been entered into with Land Bank of the Philippines for the relevant financial years are as follows:

	2015	2014
Cash	**35,565,518**	36,631,071
Accounts receivable	**136,202,064**	95,474,901
Net investment in lease contracts receivable	**80,836,233**	191,080,538
Bills payable	**1,797,759,295**	2,320,509,423
Deposit on lease contracts	**51,724,308**	51,724,308
Accounts payable	**0**	10,300
Accrued interest payable	**4,567,463**	5,232,112
Miscellaneous liabilities	**1,584,532**	1,167,741
	2,108,239,413	2,701,830,394

The income and expenses in respect of the above enumerated transactions included in the financial statements are as follows:

	2015	2014
Finance lease income	**149,932,725**	159,603,261
Operating lease income	**45,236,905**	44,553,018
Interest income on deposits	**149,873**	197,809
Interest and finance charges	**77,714,114**	70,488,378
	273,033,617	274,842,466

Bills payable and Interest and Financing Charges

Interest rates on borrowings from the Parent Bank ranges from 2.75 per cent to 4.00 per cent. The loans are partially secured by assignment of receivables with terms of maturity ranging from 90 days to 9 years.

(b) Financial Lease Income

The Corporation is leasing motor vehicles to its Parent Bank for a period of seven years.

Operating Lease Income

The Corporation is leasing motor vehicles to its Parent Bank for a period of three years with renewal option included in the contracts.

(d) Other Related Party Transactions

Other related party transactions conducted in the normal course of business include regular banking transactions, borrowings and sharing of certain operating expenses.

The key management personnel compensations are as follows:

	2015	2014
Salaries and other short-term benefits	**9,905,609**	9,202,711
Post-employment benefits	**3,365,984**	5,067,310
Directors' remuneration	**3,449,800**	2,942,400
	16,721,393	17,212,421

Other transactions with LBP and its subsidiaries include the payment of maintenance costs amounting to P34,355 in relation to the Corporation's investment properties and donation of vehicles with a total net book value of P200,197 as disclosed in Notes 9 and 10 to the financial statements.

23. INCOME TAXES

The income tax expense consists of:

	2015	2014 (As restated)
Current	**51,228,398**	47,398,297
Deferred	**(5,400,000)**	4,852,109
	45,828,398	52,250,406

The reconciliation between the income tax expense computed at the statutory income tax rate of 30 per cent, and the provision for income tax expense as shown in the statements of comprehensive income is as follows:

	2015	2014
Net income before income tax	**194,157,707**	184,413,987
Add/Less:		
General and administrative expenses	72,544,924	64,966,049
Gross income	**266,702,631**	249,380,036
Less: Optional Standard Deduction (40% of the total of gross income and net amount of non-deductible and non-taxable expenses amounting to P17,899,585 and (P16,316,669) in 2015 and 2014, respectively	113,840,887	93,225,347
Net income subject to income tax	**152,861,744**	156,154,689
Income tax computed at statutory tax rate of 30 per cent	**45,858,523**	46,846,407
Tax effect of:		
Interest income subject to final tax	**(44,962)**	(64,017)
Interest in arbitrage	**14,837**	21,126
Non-deductible expenses	**0**	5,446,890
Income tax expense	**45,828,398**	52,250,406

Income tax due, after deducting creditable withholding taxes and quarterly income tax payments, amounts to P13,695,867 and P14,665,715 as of December 31, 2015 and 2014, respectively.

Under Philippine tax laws, the Corporation is subject to percentage and other taxes as well as income taxes. Percentage and other taxes paid consist of gross receipts tax and documentary stamp tax.

Income taxes include corporate income tax and final taxes paid at the rate of 20.00 per cent, which is a final withholding tax on gross interest income from deposits with banks.

Current tax regulations provide that the Regular Corporate Income Tax (RCIT) rate shall be 30.00 per cent and interest allowed as a deductible expense shall be reduced by an amount of 33.00 per cent of interest income subjected to final tax. It also provides for the change in GRT rate from 5.00 per cent to 7.00 per cent on non-lending income.

The regulations also provide for MCIT of 2.00 per cent on modified gross income. Any excess of the MCIT over the RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years. In addition, the NOLCO is allowed as deduction from taxable income in the next three years from the year of inception.

Minimum Corporate Income Tax (MCIT) computed at 2.00 per cent of gross profit amounted to P5,692,044 and P4,661,267 in 2015 and 2014, respectively.

Republic Act No. 9504, An Act Amending National Internal Revenue Code, provides that starting July 1, 2008, the optional standard deduction (OSD) equivalent to 40.00 per cent of gross income may be claimed as an alternative deduction in computing for the RCIT.

The Corporation has opted to use the Optional Standard Deduction (OSD). The presentation of the Statements of Comprehensive Income reflects the "Gross Income" which was the basis in computing the OSD to arrive at the taxable income. Direct expenses incurred to provide the services as provided in Section 4 of RR No. 16-2008 was presented as a deduction from the gross revenue.

Details of the deferred tax assets and liabilities recognized in the statements of financial position are as follows:

	Balance, December 31, 2014	Charged to operations	Charged to OCI	Balance, December 31, 2015
Deferred tax assets on:				
Allowance for credit and impairment losses	56,017,734	5,400,000	0	**61,417,734**
Unrealized loss on AFS	1,747,500	0	0	**1,747,500**
	57,765,234	5,400,000	0	**63,165,234**

24. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (GROSS OF ALLOWANCE FOR PROBABLE LOSSES)

	2015			2014		
	Due within 1 year	**Due beyond 1 year**	**Total**	Due within 1 year	Due beyond 1 year	Total
Financial assets:						
Cash	**42,977,083**	**0**	**42,977,083**	42,720,257	0	42,720,257
Loans and receivables	**1,289,850,712**	**2,290,061,617**	**3,579,912,329**	1,182,377,856	2,464,746,411	3,647,124,267
Accounts receivable – others	**904,988**	**0**	**904,988**	613,525	0	613,525
AFS financial asset	**0**	**5,825,000**	**5,825,000**	0	5,825,000	5,825,000
	1,333,732,783	**2,295,886,617**	**3,629,619,400**	1,225,711,638	2,470,571,411	3,696,283,049
Non-financial assets:						
Investment properties	**0**	**9,784,725**	**9,784,725**	0	10,012,414	10,012,414
Equipment and other property for lease	**0**	**444,317,578**	**444,317,578**	0	383,609,313	383,609,313
Property and equipment	**0**	**30,285,046**	**30,285,046**	0	32,310,606	32,310,606

Non-current assets held for sale	**0**	**8,714,898**	**8,714,898**	0	8,714,898	8,714,898
Other assets	**6,567,296**	**1,367,806**	**7,935,102**	16,183,498	1,842,799	18,026,297
	6,567,296	**494,470,053**	**501,037,349**	16,183,498	436,490,030	452,673,528
Total assets	**1,340,300,079**	**2,790,356,670**	**4,130,656,749**	1,241,895,136	2,907,061,441	4,148,956,577
Financial liabilities:						
Bills payable	**996,800,000**	**1,200,959,295**	**2,197,759,295**	1,006,400,000	1,314,109,423	2,320,509,423
Trade and other payables*	**108,428,716**	**0**	**108,428,716**	92,156,688	0	92,156,688
Deposits on lease contracts	**134,552,487**	**99,157,443**	**233,709,930**	130,443,866	107,230,456	237,674,322
	1,239,781,203	**1,300,116,738**	**2,539,897,941**	1,229,000,554	1,421,339,879	2,650,340,433
Other liabilities:						
Income tax and other government dues	**17,648,929**	**0**	**17,648,929**	18,792,916	0	18,792,916
Retirement liability	**0**	**15,041,950**	**15,041,950**	0	9,789,083	9,789,083
	17,648,929	**15,041,950**	**32,690,879**	18,792,916	9,789,083	28,581,999
Total liabilities	**1,257,430,132**	**1,315,158,688**	**2,572,588,820**	1,247,793,470	1,431,128,962	2,678,922,432

**Trade and other payables identified as financial liabilities do not include government dues.*

25. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Corporation has not set-off financial instruments in 2015 and 2014 and does not have offsetting arrangements. Currently, financial assets and financial liabilities are settled on a gross basis; however, each party of the lease agreement will have the option to settle such amount on a net basis in the event of default of the other party. As such, the Corporation's lease contract receivables from the lessees amounting to P737,455,464 and P1,921,669,631 as of December 31, 2015 and 2014, respectively, can be offset by the amount of lease deposits amounting to P233,709,930 and P237,674,322 as of December 31, 2015 and 2014, respectively (Note 20). The balance of lease contract receivables net of lease deposit amounted to P503,745,543 and P1,683,995,309 as of December 31, 2015 and 2014, respectively.

26. EARNINGS PER SHARE

The financial information pertinent to the derivation of earnings per share follows:

	2015	2014
Net profit for the year	**148,329,309**	132,163,581
Weighted average number of outstanding shares	**48,555,255**	48,555,255
Basic earnings per share	**3.05**	2.72

One of the total outstanding shares was reacquired in July 2015 as disclosed in Note 17 to the financial statements.

There were no outstanding dilutive potential common shares as of December 31, 2015 and 2014.

27. FINANCIAL PERFORMANCE

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

	2015	2014
Return on average assets	**3.73%**	3.30%
Return on average equity	**10.87%**	10.19%
Return on investment	**24.74%**	22.04%
Debt to equity ratio	**1.83:1**	2.01:1
Solvency ratio	**1.54:1**	1.50:1

28. CONTINGENCIES

Pending Case on the Transfer of Ownership of Property

On February 2015, the plaintiffs filed a Motion to Withdraw Complaint. Plaintiffs prayed for, among others, the recall of the Writ of Preliminary Injunction issued by the Court. It was the said Writ that rendered LLFC unable to consolidate its title over the property it purchased for DOLE-NCR. The matter has been submitted for the Court's resolution and after several follow-ups with the court's personnel; LLFC's Legal Counsel was assured that the Order – granting the Motion, will be released within the month of April. The case stems from the Corporation's purchase of a property for the account of a lease-to-own client. After the purchase however, but prior to the transfer, the owner of the adjoining lot claimed that the building constructed on the purchased property in fact encroached on their lot.

The owner sued the former owner, LBP Leasing and Finance Corporation and the DOLE as the occupant of the purchased property, claiming damages among others. The plaintiff likewise applied and was granted an Injunctive Order. Hence, LLFC was unable to transfer the title of the property to its name during the pendency of the action. After the Court issued an Order dismissing the complaint and lifting the writ of preliminary injunction, LLFC was able to consolidate its title to the property.

In addition to the preceding note, in the ordinary course of business, the Corporation incurs contingent liabilities and commitments arising from normal business transactions which are not reflected in the accompanying financial statements. As of December 31, 2015, Management does not anticipate significant losses from these contingencies and commitments that would adversely affect the Corporation's financial position and results of operations.

29. FINANCIAL STATEMENTS PRESENTATION

a. Restatement

The financial statements of LBP Leasing and Finance Corporation have been restated to reflect the adjustments relating to the application of PAS 19, as amended which became effective on January 1, 2014, requiring retrospective application.

The Corporation's December 31, 2014 financial statements have also been restated to reflect the adjustments relating to the following:

a. Additional depreciation on investment properties resulting from the conversion of the Corporation's financial statements from prudential reporting to PFRS;

b. Additional depreciation on equipment and other property for lease previously classified as out on finance lease;

c. Reversal of deferred tax assets recognized on expenses reported under General and Administrative Expenses as the Corporation has availed of the Optional Standard Deduction (OSD);

d. Recognition of deferred tax asset on unrealized loss on AFS financial assets;

e. Accrual for donations for 2014 that were paid in 2015; and

f. Reversal of over accrual for income tax payable.

Reconciliation of statement of financial position

December 31, 2014			
	As Previously Reported	**Effect of Restatement**	**As Restated**
ASSETS			
Investment properties	6,758,382	(133,253)	6,625,129
Equipment and other property for lease	383,766,537	(157,224)	383,609,313
Deferred tax asset	59,078,677	(1,313,443)	57,765,234
LIABILITIES			
Trade and other payables*	94,283,889	2,000,000	96,283,889
Income tax payable**	14,845,155	(179,440)	14,665,715
Retirement liability***	1,400,828	8,388,255	9,789,083
EQUITY			
Retained earnings	743,970,605	(12,619,413)	731,351,192
Unrealized loss on available for sale securities	(5,825,000)	1,747,500	4,077,050
Re-measurement of retirement benefit obligation	589,964	(940,822)	(350,858)

* Sum of accrued and other expenses and other liabilities after deducting Income tax payable and Retirement liability.

** Previously lodged in accrued and taxes and other expenses

*** Previously lodged in miscellaneous liabilities reported under other liabilities

Reconciliation of statement of comprehensive income

December 31, 2014	As Previously Reported	Effect of Restatement	As Restated
Direct Expenses			
Depreciation – Equipment and other property for lease	5,038,052	157,224	5,195,276
General and Administrative Expenses			
Retirement expense****	1,824,590	9,448	1,834,038
Depreciation and amortization	170,333	133,253	303,586
Income Tax Expense			
Deferred income tax - net	3,602,971	1,249,138	4,852,109
Other Comprehensive Income			
Re-measurement of retirement benefit obligation	(81,111)	535,792	454,681

*****Lodged under compensation and fringe benefits*

b. Reclassification

The following accounts have been reclassified on the face of the statements of financial position so as to conform to the current year's financial statement presentation:

	Accrued taxes and other expenses	Other liabilities	Trade and other payables	Income tax payable	Retirement liability
Reclassified from:					
Accrued taxes and other expenses to Trade and other payables and Income tax payable	(54,573,867)		39,728,712	14,845,155	
Other Liabilities to Trade and other payables		(54,555,177)	54,555,177		
Other Liabilities to Retirement Liability		(1,400,828)			1,400,828

In addition to the above reclassifications, the sub-classifications within the capital stock and retained earnings accounts have been broken down on the face of the statements of financial position.

30. EVENTS AFTER THE FINANCIAL REPORTING DATE

On March 23, 2016, the Board of Directors of LBP Leasing and Finance Corporation approved the declaration of cash dividends amounting to P80,500,000 or P1.658 per share on the 48,555,254 common stocks held by all stockholders of date of record, December 31, 2015.

31. INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE (BIR)

A. REVENUE REGULATIONS (RR) No. 15-2010

On November 25, 2010, the BIR issued Revenue Regulations (RR) No. 15-2010 which prescribes additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying the tax returns. Under the said RR, companies are required to disclose, in addition to the disclosures mandated under PFRS and such other standards and/or conventions that may heretofore be adopted, in the Notes to the Financial Statements, information on taxes, duties and license fees paid or accrued during the taxable year. In compliance with the requirements set forth by RR No. 15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year.

1. LBP Leasing and Finance Corporation is a non-VAT entity under Philippine tax laws per RR No. 9-2004. LLFC is subject to percentage and other taxes (presented as Taxes and licenses in the statements of comprehensive income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp tax. LLFC was also designated by the BIR as withholding tax agent under Revenue Regulations (RR) Nos. 17-2003 and 12-94, as amended.

In compliance, LLFC pays the corresponding GRT on all items treated as gross income, and fringe benefit tax (FBT) on the benefits provided to its officers in accordance with the tax law and revenue regulation prescribing FBT. LLFC withheld corresponding taxes on payments of compensation of employees, fees to directors and cost or purchase price to contractors and suppliers of goods.

2. The documentary stamp taxes paid/accrued on loans availed and renewed during the year totalled P4,383,067.

3. Other taxes paid during the year are the following:

a. Local	
Real estate taxes	288,086
Business tax	21,534,299
Licenses	1,348,534
Community tax certificates	13,000
Others	500
	23,184,419
b. National	
Fringe benefit tax	32,019

4. The amount of withholding taxes paid for the year amounted to:

Compensation and benefits	3,667,543
Expanded withholding taxes	15,823,955
	19,491,498

5. The Corporation has no pending tax court cases nor tax assessment notices from the BIR.

B. REVENUE REGULATIONS (RR) Nos. 19-2011 and 2-2014

RR No. 2-2014 prescribes the new income tax forms to be used for income tax filing and starting with calendar year 2013. Pursuant to Section 244, in relation to Sections 6(H), 51(A)(1) and 51(A)(2) of the National Internal Revenue Code of 1997 (Tax Code), as amended, these Regulations are issued to prescribe the use of revised income tax forms with bar codes, and to reflect the changes in information required from said forms. This will also enable the said forms to be read by an optical character reader for ease in scanning.

In the case of corporations using BIR Form 1702, the taxpayer is now required to include as part of its notes to the audited financial statements, which will be attached to the income tax return (ITR), the schedules and information on taxable income and deductions to be taken.

1. Sales/Receipts/Fees

	Regular Rate	
	Creditable Tax Withheld	Taxable Amount
Sale of Services	9,863,500	483,200,670
Lease of Properties	3,933,644	45,236,905
	13,797,144	528,437,575

2. Cost of Sales/Services

	Amount under Special Rate	Amount under Regular Rate
Direct Charges - Salaries, Wages and Benefits	0	11,753,160
Direct Charges – Depreciation	0	7,630,917
Direct Charges - Outside Services	0	131,687,061
Direct Charges – Others	0	100,541,931
	0	251,613,069

3. Non-Operating and Taxable Other Income

Nature of Income	Special Rate		Regular Rate	
	Creditable Tax Withheld	Taxable Amount	Creditable Tax Withheld	Taxable Amount
Gain on Sale	0	0	0	1,589,491
Miscellaneous income - net	0	0	0	6,188,219
	0	0	0	7,777,710

4. Optional Standard Deduction (OSD)

Republic Act No. 9504, An Act Amending National Internal Revenue Code, provides that starting July 1, 2008, the optional standard deduction (OSD) equivalent to 40.00 per cent of gross income may be claimed as an alternative deduction in computing for the RCIT.

The Corporation has opted to use the Optional Standard Deduction (OSD). The presentation of the Statement of Comprehensive Income reflects the "Gross Income" which was the basis in computing the OSD to arrive at the taxable income. Direct expenses incurred to provide the services as provided in Section 4 of RR No. 16-2008 was presented as a deduction from the gross revenue.

5. Taxes and licenses

The documentary stamp taxes paid/accrued on loans availed and renewed during the year totalled P4,383,067.

Other taxes paid during the year are the following:

a. Local	
Realty taxes	288,086
Business tax	21,534,299
Licenses	1,348,534
Community tax certificates	13,000
Others	500
	23,184,419
b. National	
Fringe benefits tax	32,019
	23,216,438

PRODUCTS AND SERVICES

LEASING FACILITIES

Finance Leases

Financial Lease is a credit facility where LBP Lease (lessor) acquires fixed assets based on the requirements/needs of the client (lessee) which are then leased by the client (Lessee) from LBP Lease (Lessor) through payment of periodic lease amortization. The benefits and risks of ownership of the assets are transferred to the lessee.

This facility allows enterprises to acquire equipment, motor vehicle, lot and building and other equipment, to expand, upgrade or modernize their operations. It also enables enterprises to match financing terms with the earning potential of the capital asset, preserve working capital and credit lines and address existing or current budget limitation.

Operating Leases

Operating Lease is a credit facility where the client (lessee) makes rental payments to LBP Lease (lessor) for the use of an asset over a fixed period (normally, more than a year). Under the facility, LBP Lease retains the benefits and risk of ownership of the leased asset. At the end of the lease term, the lessee may opt to renew the lease, purchase the asset at its fair market value or return the asset to LBP Lease.

Operating lease facility is for clients who do not want to be burdened with acquisition and disposition processes and will rather not have the risks and benefits of ownership on the asset to be acquired. It can only be granted for selected asset types that have relatively long economic life and well established secondary markets.

FINANCING FACILITIES

Fixed Asset Financing

This facility provides medium or long-term financing to clients and may be granted to provide funding for the following:

- Acquisition of equipment or other capital assets to be secured by the object to be financed.
- Construction and/or improvement of client's fixed asset/s that may contribute to the expansion and improvement of their business and will be secured by real estate and/or chattel mortgages.

Working Capital Financing

This facility provides clients with a source of funds to finance their permanent or short-term working capital requirements.

Receivable Discounting/Purchase

This facility provides client with working capital to improve liquidity through the discounted purchase of receivables due in the future on a "with recourse" or "without recourse" basis.

SPECIAL CREDIT PROGRAMS

Special lease and credit programs may be developed by LBP Leasing Corporation in partnership with asset suppliers or other institutions to facilitate the processing and implementation of lease or credit facilities for identified sectors.

- Vendor Partnership Program
- Institutional Consumer Financing
- Anchor-Based Program
- Other Special Programs



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