



Mary Ann L. Cube
Acting Head
Financial Supervision Department VII (FSDVII)
12th floor - Multi-Storey Bldg.


LBP LEASING AND FINANCE CORPORATION
(A LANDBANK SUBSIDIARY)

29 July 2019

MA. BELINDA G. CARAAN
Senior Director
Central Point of Contact Department III
Bangko Sentral ng Pilipinas
A. Mabini St. cor. P. Ocampo St.,
Malate Manila, Philippines 1004

29 JUL 19 am 11:30 BPSOMD401515

29 JUL 19 am 11:30 BPSOMD401515


MARITONI P. HERRERA

Dear Director Caraan:

In compliance with Section 4190Q of the Manual of Regulations for Non-Bank Financial Institutions (MORNBFi), we are submitting herewith the Annual Audit Report (AAR) of LBP LEASING AND FINANCE CORPORATION for FY 2018.

Also attached in our letter are the following:

- (1) Board Resolution confirming AAR by the Corporations' Board of Directors
- (2) reconciliation statement between the AFS in the AAR and the balance sheet and income statement submitted to Bangko Sentral ng Pilipinas, including copies of adjusting entries on the reconciling items

Thank you.

Very truly yours,


FRANCISCO J. LEONOR JR.
President and CEO



107162019004647



SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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Company Representative

Doc Source

Company Information

SEC Registration No. 0000111115
Company Name LBP LEASING AND FINANCE CORPORATION
Industry Classification FINANCING COMPANY OPERATIONS
Company Type Stock Corporation

Document Information

Document ID 107162019004647
Document Type FINANCIAL STATEMENT-ANNUAL
Document Code FS
Period Covered December 31, 2018
No. of Days Late 0
Department CED/CRMD
Remarks



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
LAND BANK OF THE PHILIPPINES
21st Floor, Land Bank Plaza
1598 M.H. del Pilar corner Dr. J. Quintos Sts., Malate, Manila



OFFICE OF THE SUPERVISING AUDITOR

June 28, 2019

Hon. EMILIO B. AQUINO

Chairperson
Securities and Exchange Commission
Secretariat Building, PICC Complex
Roxas Boulevard, Metro Manila

Re: Audit of the 2018 Financial Statements of **LBP Leasing and Finance Corporation (LLFC)**

Dear Hon. Aquino:

In compliance with SEC Memorandum Circular No. 1, series of 2019, we confirm Item No. 3 of Joint Affidavit executed by the LLFC's President and Chief Executive Officer and Vice President/Chief Financial Officer that the 2018 financial statements of **LBP LEASING AND FINANCE CORPORATION** were timely provided to this Commission and the audit thereof has just been concluded.

Very truly yours,


ROCHIE J. FELICES
Supervising Auditor

Republic of the Philippines)
Makati City) S.S.

JOINT AFFIDAVIT

We, Francisco J. Leonor Jr. and Ma. Lourdes G. Gonzaga, Filipinos, both of legal ages, with business address c/o LBP Leasing and Finance Corporation, 15th Floor., Sycip Law Center, #105 Paseo de Roxas St., Makati City, after having been sworn in accordance with law, do hereby depose and state that:

- 1) We are the President and Chief Executive Officer and the Vice President/Chief Financial Officer, respectively, of LBP Leasing and Finance Corporation (LLFC);
- 2) LLFC is a Government-Owned and Controlled Corporation (GOCC) whose financial statements are audited by the Commission on Audit (COA);
- 3) The financial statements and the supporting documents for the year 2018 were timely provided to COA during the audit period and audit by COA of LLFC for the year 2018 has just been concluded;
- 4) Per paragraph 2 (c) of SEC Memorandum Circular No. 1 Series of 2019, LBP Leasing and Finance Corporation is not governed by the schedule of filing of the annual financial statements and may submit beyond schedule provided an affidavit is executed and confirmed by the Commission on Audit;
- 5) We are executing this Affidavit to attest to the truth of the foregoing and in compliance with the afore-stated SEC Memorandum Circular No. 1, Series of 2019.

NOTHING FURTHER.


FRANCISCO J. LEONOR JR.

President and Chief Executive Officer


MA. LOURDES G. GONZAGA

Vice President/Chief Financial Officer

27 JUN 2019

SUBSCRIBED AND SWORN to before me in Makati City, Philippines on _____ day of _____, 2019.

FRANCISCO J. LEONOR JR.

TIN 137-541-331-000


MA. LOURDES G. GONZAGA

122-970-226-000

LBP LEASING AND FINANCE CORPORATION 000-164-275-000

Doc No. 169 ;
Page No. 35 ;
Book No. 451 ;
Series of 2019 .




EMMANUEL C. PARAS
Notary Public for Makati City
Appointment No. M-28 until Dec. 31, 2020
Roll of Attorney No. 27192
PTR No. 733623ME - 01/04/19 - Makati City
IBP No. 013516 - Lifetime - Makati Chapter
ICLE Compliance No. VI-00193451 - 03/25/2019
Sycip Law Center, 105 Paseo de Roxas
Makati City, 1226 Metro Manila
Philippines



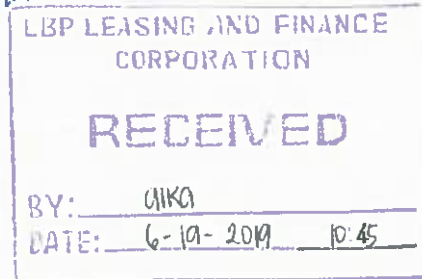
Republic of the Philippines
COMMISSION ON AUDIT
 Commonwealth Avenue, Quezon City, Philippines

CORPORATE GOVERNMENT SECTOR
 Cluster 1- Banking and Credit

June 17, 2019

Mr. FRANCISCO J. LEONOR, JR.
 President and CEO
 LBP Leasing and Finance Corporation
 Makati City

for: RMA/LBA ph 6/19



Dear President Leonor:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith the Auditor's report on the results of audit of the accounts and transactions of the LBP Leasing and Finance Corporation (LLFC) for the years ended December 31, 2018 and 2017.

The report consists of the Independent Auditor's Report, Audited Financial Statements, Observations and Recommendations, and Status of Implementation of Prior Years' Audit Recommendations.

The Auditor rendered an unmodified opinion on the fairness of presentation of the financial statements of LLFC for the years ended December 31, 2018 and 2017.

The audit observations together with the recommended courses of action, which were discussed by the Audit Team with concerned Management officials and staff during the exit conference conducted on May 28, 2019, are presented in detail in Part II of the report.

We respectfully request that the recommendations contained in Parts II and III of the report be implemented and that this Commission be informed of the actions taken thereon by submitting the Agency Action Plan and Status of Implementation within 60 days from date of receipt.

We acknowledge the support and cooperation that Management extended to the Audit Team, thus facilitating the completion of the report.

Very truly yours,

COMMISSION ON AUDIT

By:
ADELA L. DONDONILLA
 Director IV
 Cluster Director

Copy Furnished:

- The President of the Philippines
- The Vice President
- The President of the Senate
- The Speaker of the House of Representatives
- The Chairperson - Senate Finance Committee

- The Chairperson - Appropriations Committee
- The Secretary of the Department of Budget and Management
- The Governance Commission of Government-Owned or Controlled Corporation
- The National Library
- The UP Law Center



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **LBP Leasing and Finance Corporation (LLFC)** (a wholly-owned subsidiary of Land Bank of the Philippines), which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to financial statements, including a summary of significant accounting policies and other explanatory information.

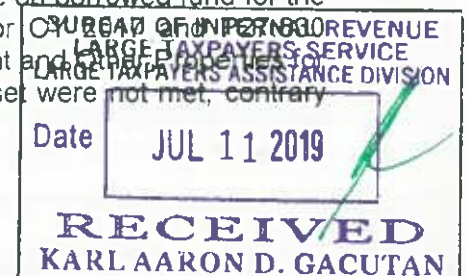
In our opinion, the financial statements present fairly, in all material respects, the financial position of the LLFC as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended, in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with International Standards of Supreme Audit Institutions (ISSAI). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the LLFC in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Philippine Public Sector, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

In our report dated May 17, 2018, we expressed a qualified opinion on the CY 2017 financial statements of the LLFC because the interest expense on borrowed fund for the acquisition of land in 2014 amounting to P12.335 million for CY 2014 and P12.335 million for CYs 2014 to 2016 were capitalized to the Equipment and Leasehold Property Lease account although all the conditions for a qualifying asset were not met, contrary



to pertinent provisions of Philippine Accounting Standard (PAS) 23. In 2018, the LLFC already reversed the capitalized borrowing costs on the land purchased in 2014 and restated its CY 2017 financial statements to conform with pertinent provisions of PAS 23. Accordingly, our present opinion on the restated CY 2017 financial statements as presented herein, is different from that expressed in our previous report.

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

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

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

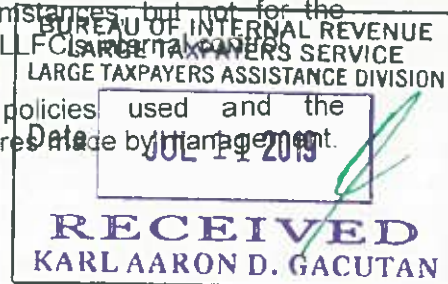
Those charged with governance are responsible for overseeing the LLFC's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the LLFC's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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

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

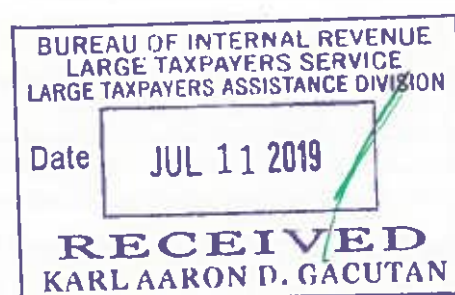
Report on Other Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 32 to the 2018 financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT


ROCHIE J. FELICES
Supervising Auditor

May 28, 2019





LBP LEASING AND FINANCE CORPORATION
(A LANDBANK SUBSIDIARY)

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **LBP LEASING AND FINANCE CORPORATION** or "the Corporation" is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Corporation's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

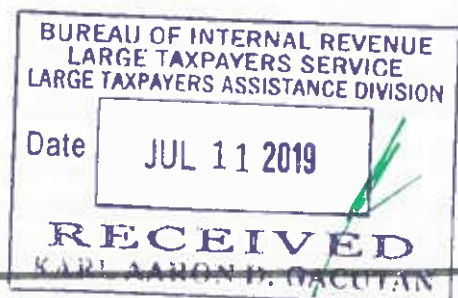
The Commission on Audit, the independent auditors, has audited the financial statements of the Corporation in accordance with International Standards of Supreme Audit Institutions, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature: 
CECILIA C. BORROMEEO
Chairman of the Board

Signature: 
MANUEL I. LOPEZ
President/CEO

Signature: 
MA. LOURDES G. GONZAGA
VP/Chief Financial Officer

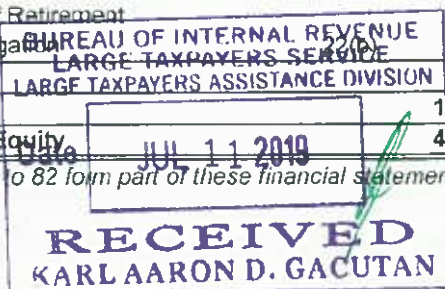
Signed this 28th day of May 2019



LBP LEASING AND FINANCE CORPORATION
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018 and 2017 and 2016
(In Philippine Peso)

	Notes	2018	2017 (As Restated)	2016 (As Restated)
ASSETS				
Current Assets				
Cash and Cash Equivalents	7	48,137,857	41,940,002	42,510,620
Financial Assets at Amortised Cost	8, 14	1,558,289,710	995,614,363	1,323,867,525
Other Current Assets, net	13	21,186,625	13,667,475	9,564,731
Total Current Assets		1,627,614,192	1,051,221,840	1,375,942,876
Non-Current Assets				
Financial Assets at Amortised Cost	8, 14	2,681,747,577	2,748,479,410	2,070,922,207
Investment Properties, net	9, 14	9,697,212	5,447,418	20,106,679
Equipment and Other Property for Lease, net	10	30,229,918	347,448,629	382,145,832
Property and Equipment, net	11	30,681,091	26,994,027	28,243,765
Non-Current Assets Held for Sale, net	12, 14	308,858,250	0	3,012,091
Deferred Tax Asset	24	57,547,448	65,602,628	58,699,554
Other Non-Current Assets, net	13	1,976,373	1,872,623	1,495,832
Total Non-Current Assets		3,120,737,869	3,195,844,735	2,564,625,960
Total Assets		4,748,352,061	4,247,066,575	3,940,568,836
LIABILITIES				
Current Liabilities				
Financial Liabilities	15	2,225,772,656	1,636,849,627	1,220,885,315
Deposit on Lease Contracts	21	133,702,433	84,813,670	121,878,183
Inter-Agency Payables	16	14,273,740	11,902,710	25,190,053
Other Payables	17	57,154,101	71,451,292	61,885,841
Total Current Liabilities		2,430,902,930	1,805,017,299	1,429,839,392
Non-Current Liabilities				
Financial Liabilities	15	620,450,577	792,384,039	998,434,167
Deposit on Lease Contracts	21	188,920,823	211,381,522	121,313,597
Retirement Liability	22(b)	17,113,259	15,355,633	8,199,927
Total Non-Current Liabilities		826,484,659	1,019,121,194	1,127,947,691
Total Liabilities		3,257,387,589	2,824,138,493	2,557,787,083
EQUITY				
Capital Stock				
Issued Capital	18(a)	485,552,550	485,552,550	485,552,550
Additional Paid-in Capital		113,970,900	113,970,900	113,970,900
Treasury Stock		(20)	0	(30)
		599,523,430	599,523,450	599,523,420
Retained Earnings				
Appropriated	18(b)	600,000,000	600,000,000	600,000,000
Unappropriated		295,586,380	228,692,798	183,369,857
		895,586,380	828,692,798	783,369,857
Accumulated Other Comprehensive Income (Loss)				
Remeasurement of Retirement Benefit Obligations		(4,145,338)	(5,288,166)	(111,524)
		(4,145,338)	(5,288,166)	(111,524)
Total Equity		1,490,964,472	1,422,928,082	1,382,781,753
Total Liabilities and Equity		4,748,352,061	4,247,066,575	3,940,568,836

The Notes on pages 9 to 82 form part of these financial statements.



LBP LEASING AND FINANCE CORPORATION
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED December 31, 2018 and 2017
(In Philippine Peso)

	Notes	2018	2017 (As Restated)
INTEREST INCOME			
Leases	8, 21	236,506,805	168,144,412
Loans	8	167,330,267	121,100,550
Deposits in Banks	7	149,114	108,237
		403,986,186	289,353,199
INTEREST EXPENSE			
Borrowed Funds	15	(102,999,771)	(74,099,022)
NET INTEREST INCOME		300,986,415	215,254,177
OTHER INCOME			
Operating Leases	8, 21	55,865,443	50,932,708
Other Income	19	122,541,303	131,028,712
		178,406,746	181,961,420
DIRECT EXPENSES			
Security, Messengerial, Janitorial and Contractual Services	21	(159,523,974)	(136,923,823)
Provision for Credit and Impairment Losses	14	(32,997,215)	(24,754,755)
Compensation and Fringe Benefits - Marketing Operations	22(a)	(19,763,017)	(17,386,214)
Documentary Stamp Used		(16,476,913)	(6,796,870)
Depreciation-Equipment and Other Property for Lease	10	(8,218,860)	(7,563,236)
Insurance		(7,305,915)	(7,202,963)
Repairs and Maintenance		(4,266,180)	(5,222,274)
Transfer Mortgage and Registration Fees		(1,043,963)	(1,295,076)
		(249,596,037)	(207,145,211)
GROSS INCOME		229,797,124	190,070,386
GENERAL AND ADMINISTRATIVE EXPENSES			
Taxes, Insurance Premiums and Other Fees		(27,460,090)	(21,351,815)
Compensation and Fringe Benefits	22(a)	(21,698,439)	(22,804,295)
Depreciation/Amortization	11	(2,953,451)	(2,636,701)
Other Maintenance and Operating Expenses	20	(17,909,276)	(17,762,640)
		(70,021,256)	(64,555,451)
NET INCOME BEFORE INCOME TAX		159,775,868	125,514,935
Income Tax Expense	24	(44,569,786)	(31,439,994)
NET INCOME AFTER TAX		115,206,082	94,074,941
OTHER COMPREHENSIVE INCOME/(LOSS)			
<i>Item that will not be reclassified to profit and loss</i>			
Remeasurement (Loss)/Gain on Retirement Benefit Obligation	22(b)	1,142,828	(5,176,642)
TOTAL COMPREHENSIVE INCOME		116,348,910	88,898,299
EARNINGS PER SHARE		2.37	P1.94

The Notes on pages 9 to 82 form part of these financial statements.

Date

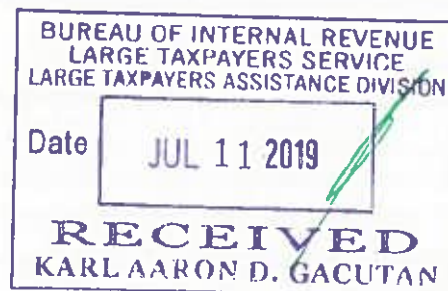
JUL 11 2019

RECEIVED
KARL AARON D. GACUTAN

LBP LEASING AND FINANCE CORPORATION
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017
(In Philippine Peso)

	Issued Capital	Additional Paid-in Capital	Treasury Stock	Retained Earnings		Accumulated Other Comprehensive Gains/(Losses)	Total
				Unappropriated	Appropriated		
	Note 18(a)			Note 18(b)		Note 18(c)	
BALANCE, 1 JANUARY 2017, as restated	485,552,550	113,970,900	(30)	183,369,857	600,000,000	(111,524)	1,382,781,753
CHANGES IN EQUITY FOR 2017							
Add/(Deduct):							
Cash Dividend to National Government				(48,752,000)			(48,752,000)
Reacquisition of Common Stock			30				30
Net Income for the Year				94,074,941			94,074,941
Remeasurement Loss on Retirement Benefit Obligation						(5,176,642)	(5,176,642)
BALANCE, 31 DECEMBER 2017, as restated	485,552,550	113,970,900	0	228,692,798	600,000,000	(5,288,166)	1,422,928,082
CHANGES IN EQUITY FOR 2018							
Add/(Deduct):							
Cash Dividend to National Government				(48,312,500)			(48,312,500)
Reacquisition of Common Stock			(20)				(20)
Net Income for the Year				115,206,082			115,206,082
Remeasurement Loss on Retirement Benefit Obligation						1,142,828	1,142,828
BALANCE, 31 DECEMBER 2018	485,552,550	113,970,900	(20)	295,586,380	600,000,000	(4,145,338)	1,490,964,472

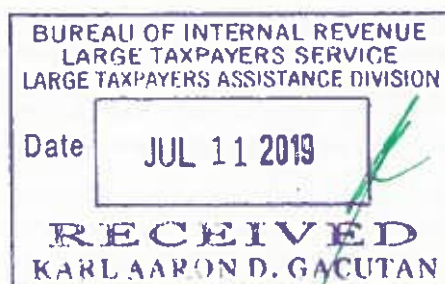
The Notes on pages 9 to 82 form part of these financial statements.



LBP LEASING AND FINANCE CORPORATION
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017
(In Philippine Peso)

	Note	2018	2017 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Interest Received		401,285,280	289,979,612
Other Income Received		293,723,805	36,380,550
Cash Received from Clients		6,232,675,179	4,166,071,360
Total Cash Inflows		6,927,684,264	4,492,431,522
Cash Outflows			
Cash Paid to Clients		(6,849,208,976)	(4,355,393,644)
Cash Paid to Settle Expenses		(278,856,611)	(221,451,584)
Interest Paid		(93,264,425)	(74,957,786)
Income Taxes Paid		(40,822,138)	(51,052,465)
Total Cash Outflows		(7,262,152,150)	(4,702,855,479)
Net Cash Used in Operating Activities		(334,467,886)	(210,423,957)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Inflows			
Disposal of Property and Equipment		862,501	21,485,744
Cash Outflows			
Acquisitions of Property and Equipment		(6,367,793)	(6,608,682)
Net Cash Used in Investing Activities		(5,505,292)	14,877,062
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Inflows			
Proceeds from Borrowings Under Line of Credit Agreement		7,154,655,665	5,510,194,241
Reissuance of Shares		0	30
Total Cash Inflows		7,154,655,665	5,510,194,271
Cash Outflows			
Payment of Long Term Debt		(6,760,172,112)	(5,266,465,994)
Reacquisition of Shares		(20)	0
Cash Dividends Paid		(48,312,500)	(48,752,000)
Total Cash Outflows		(6,808,484,632)	(5,315,217,994)
Net Cash Provided By Financing Activities		346,171,033	194,976,277
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		6,197,855	(570,618)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7	41,940,002	42,510,620
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	48,137,857	41,940,002

The Notes on pages 9 to 82 form part of these financial statements



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, *formerly LBP Leasing Corporation*, (LLFC or "the Corporation") was registered with the Securities and Exchange Commission on March 17, 1983 under SEC Registration No. 111115. It was granted by the SEC 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.

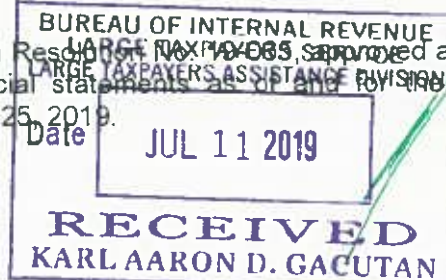
The principal activities of LLFC are as follows:

- (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.

The Corporation is a wholly-owned subsidiary of Land Bank of the Philippines (LBP).

1.2 Issuance of financial statements

The Board of Directors (BOD), through Resolution No. 10-065, approved and authorized for issuance the Corporation's financial statements as of and for the years ended December 31, 2018 and 2017 on April 25, 2019.



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

2.1 Statement of Compliance

The financial statements of the Corporation have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) as prescribed by the Commission on Audit through COA resolution No. 2014-003 dated January 24, 2014, and adopted by SEC.

2.2 Basis of 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of measurement

The financial statements have been prepared under the historical cost basis, except when otherwise stated.

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 statement 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 25 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, except when otherwise indicated.

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 4.

Current versus non-current classification

The Corporation presents assets and liabilities in the statements of financial position based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is current when it is: (a) expected to be settled in the normal operating cycle; (b) held primarily for trading; (c) due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Corporation classifies all other assets and liabilities as non-current. Deferred tax assets and liabilities are classified as non-current.

Changes in accounting policies and disclosures

- a. New standards and amendments issued and effective from January 1, 2018.

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Corporation adopted effective for annual periods beginning on or after January 1, 2018

- PFRS 9, *Financial Instruments* – This standard replaces PAS 39, *Financial Instruments: Recognition and Measurement* (and all the previous versions of PFRS 9). It provides requirements for the classification and measurement of financial assets and liabilities, impairment, hedge accounting, recognition, and derecognition.
 - PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which these are held and its contractual cash flow characteristics.
 - For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.
 - For the impairment of financial assets, PFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract; recognition of a credit loss should no longer wait for the objective evidence of impairment to manifest.

- For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.
- The derecognition provisions are carried over almost unchanged from PAS 39.

Based on the Corporation's analysis of its business model and the contractual cash flow characteristics of its financial assets and liabilities as at December 31, 2018, the Corporation has concluded that all of its financial assets and liabilities shall continue to be measured on the same basis as under PAS 39.

The following table shows the original classification categories under PAS 39 and the new classification categories under PFRS 9 for each class of the Company's financial assets as at January 1, 2018:

Account Classification	Measurement		Carrying Amount under PAS 39	Carrying Amount under PFRS 9
	Under PAS 39	Under PFRS 9		
Cash and cash equivalents	Amortised Cost	Financial assets at amortised cost	P41,940,002	P41,940,002
Loans and receivables	Amortised Cost	Financial assets at amortised cost	3,761,106,362	3,744,093,773

The Corporation has adopted the retrospective approach in accordance with the transition provisions of PFRS 9. The effect of adoption of PFRS 9 in the amounts recognized in the statements of financial position as at January 1, 2018 and 2017 and the statements of comprehensive income for the year ended December 31, 2017 are as follows:

Accounts Classification	Carrying Amount under PAS 39 as at December 31, 2017	Reclassification Adjustments	Remeasurement Adjustments	Accounts Classification	Carrying Amount under PFRS 9 as at January 1, 2018
Cash and cash equivalents	P41,940,002	P0	P0	Cash and cash equivalents	P41,940,002
Loans and receivables	3,761,106,362	0	17,012,589	Financial Assets at Amortised Cost	3,744,093,773

Accounts Classification	Carrying Amount under PAS 39 as at December 31, 2016	Reclassification Adjustments	Remeasurement Adjustments	Accounts Classification	Carrying Amount under PFRS 9 as at January 1, 2017
Cash and cash equivalents	P42,510,620	P0	P0	Cash and cash equivalents	P42,510,620
Loans and receivables	3,404,547,566	0	(9,757,834)	Financial Assets at Amortised Cost	3,394,789,732

	2017 As previously Presented	Adjustments	2017 As Restated
Interest income	P387,753,199	P0	P387,753,199
Interest expense	61,763,892	0	61,763,892
Net interest income	325,989,307	0	325,989,307
Other non-operating income	83,561,420	0	83,561,420
Direct expenses	194,820,058	7,254,755	202,074,813
Gross income	214,730,669		207,475,914
General and administrative expenses	63,979,722		63,979,722
Income before income tax	150,750,947		143,496,192
Income tax expense	36,749,416	2,176,427	38,925,843
Net income after tax	114,001,531		104,570,349
Other comprehensive income	(309,460)		(309,460)
Total comprehensive income	P113,692,071		P104,260,889

The Company has assessed the impact of the adoption of PFRS 9 on determining impairment loss using a forward-looking expected credit loss model (and/or simplified approach) as at January 1:

	2017	2016
Provision for impairment allowance, as previously reported under PAS 39	P17,500,000	P21,620,000
Adjustments	7,254,755	9,757,834
Provision for impairment allowance, as restated for the effects of adoption of PFRS 9	P24,754,755	P31,377,834

Moreover, the following table shows the adjustments made in the amounts recognized in retained earnings as at January 1:

	2017	2016
Retained earnings, as previously reported using PAS 39	P284,666,422	P219,416,891
Adjustments:		
a. Provision for probable losses	(7,254,755)	(9,757,834)
b. Deferred tax	2,176,427	2,927,350
Total adjustments	(5,078,328)	(6,830,484)
Retained earnings, as restated for the effects of adoption of PFRS 9	P279,588,094	P212,586,407
Basic and diluted EPS	1.94	1.72

The Corporation's financial liabilities have the same classification and basis of measurement under PAS 39 and PFRS 9.

- Amendments to PFRS 2, *Share-based Payment - Classification and Measurement of Share-based Payment Transactions* – The amendments clarify the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payment transactions, the accounting for share-based payment transactions with a net settlement feature for withholding tax obligations, and the effect of a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity settled.

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

- Amendments to PFRS 4, *Insurance Contracts - Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts* – The amendments give all insurers the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9, *Financial Instruments* is applied before implementing PFRS 17, *Insurance Contracts* ('the overlay approach'). Also, entities whose activities are predominantly connected with insurance are given an optional temporary exemption (until 2021) from applying PFRS 9. Thus, continuing to apply PAS 39, *Financial Instruments: Recognition and Measurement* instead ('the deferral approach').

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

- PFRS 15, *Revenue from Contracts with Customers* – The new standard replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue*, and their related interpretations. It establishes a single comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g. the point at which revenue is recognized, accounting for variable considerations, costs of fulfilling and obtaining a contract, etc.).

Based on the Corporation's assessment, all of the Corporation's contracts with customers generally undertake to provide single performance obligation at a fixed price which is mainly the leasing and financing facilities provided. Thus, the allocation of transaction price to the single performance obligation is not applicable. The Corporation recognizes revenue as the services are rendered over time. Accordingly, the adoption of PFRS 15 has no impact in the timing of the Corporation's revenue recognition.

- Amendments to PFRS 15, *Revenue from Contract with Customers - Clarification to PFRS 15* – The amendments provide clarifications on the following topics: (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing. The amendments also provide some transition relief for modified contracts and completed contracts.

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

- Amendments to PAS 28, *Investments in Associates and Joint Ventures - Measuring an Associate or Joint Venture at Fair Value* – The amendments are part of the Annual Improvements to PFRS 2014-2016 Cycle and clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, mutual fund, unit trust or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

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

- Amendments to PAS 40, *Investment Property - Transfers of Investment Property* – The amendments clarify that transfers to, or from, investment property (including assets under construction and development) should be made when, and only when, there is evidence that a change in use of a property has occurred.

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

- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration* – The interpretation provides guidance clarifying that the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency is the one at the date of initial recognition of the non-monetary prepayment asset or deferred income liability.

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

b. New and Amended PFRS Issued But Not Yet Effective

Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2018 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2019:

- PFRS 16, *Leases* – This standard will replace PAS 17, *Leases* and its related interpretations. The most significant change introduced by the new standard is that almost all leases will be brought onto lessees' statement of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

For the Corporation's non-cancellable operating lease commitments as at December 31, 2018, a preliminary assessment indicates that these arrangements will continue to meet the definition of a lease under PFRS 16. Thus, the Corporation will have to recognize a right-of-use asset and a corresponding liability in respect of all these leases - unless these qualify for low value or short-term leases upon the application of PFRS 16 – which might have a significant impact on the amounts recognized in the Corporation's financial statements. However, it is not practicable to provide a reasonable estimate of that effect until the Corporation complete the review.

- Amendments to PFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation* – The amendments allow entities to measure particular prepayable financial assets with negative compensation at amortized cost or at fair value through other comprehensive income (instead of at fair value through profit or loss) if a specified condition is met. It also clarifies the requirements in PFRS 9, *Financial Instruments* for adjusting the amortized cost of a financial liability when a modification or exchange does not result in its derecognition (as opposed to adjusting the effective interest rate).
- Amendments to PAS 28, *Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures* – The amendments clarify that long-term interests in an associate or joint venture that, in substance, form part of the entity's net investment but to which the equity method is not applied, are accounted for using PFRS 9, *Financial Instruments*.

Deferred effectivity -

- Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the financial statements of the Corporation

3.1 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 initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

Determination of fair value

The fair value for financial instruments traded in active markets at the statement of financial position date is based on 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.

Classification of financial instruments

The Corporation classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Corporation's business model and its contractual cash flow characteristics.

Financial instruments

Financial assets and liabilities at FVPL

Financial assets and liabilities at FVPL are either classified as held for trading or designated at FVPL. A financial instrument is classified as held for trading if it meets either of the following conditions:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

This category includes equity instruments which the Corporation had not irrevocably elected to classify at FVOCI at initial recognition. This category includes debt instruments whose cash flows are not "solely for payment of principal and interest" assessed at initial recognition of the assets, or which are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The Corporation may, at initial recognition, designate a financial asset or financial liability meeting the criteria to be classified at amortized cost or at FVOCI, as a financial asset or financial liability at FVPL, if doing so eliminates or significantly reduces accounting mismatch that would arise from measuring these assets or liabilities.

After initial recognition, financial assets at FVPL and held for trading financial liabilities are subsequently measured at fair value. Unrealized gains or losses arising from the fair valuation of financial assets at FVPL and held for trading financial liabilities are recognized in profit or loss.

For financial liabilities designated at FVPL under the fair value option, the amount of change in fair value that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch. Amounts presented in other comprehensive income are not subsequently transferred to profit or loss.

The Corporation does not have financial assets and liabilities at FVPL.

Financial assets at amortised cost

Financial assets shall be measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method, less allowance for impairment, if any. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortisation process. Financial assets at amortised cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as non-current assets.

The Corporation's cash and cash equivalents and financial assets at amortised cost, as disclosed in Notes 7, 8 and 14, respectively, are included in this category.

Cash pertains to cash on hand and in banks.

Cash equivalents includes short-term placements with original maturities of three months or less from dates of placements and that are subject to insignificant risk of changes in value.

The financial assets at amortised account include the aggregate rental on finance lease transactions. Unearned income on finance lease transactions is shown as deduction from the "Financial Assets at Amortised Cost" account in the statement of financial position.

Financial assets at FVOCI.

For debt instruments that meet the contractual cash flow characteristic and are not designated at FVPL under the fair value option, the financial assets shall be measured at FVOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For equity instruments, the Corporation may irrevocably designate the financial asset to be measured at FVOCI in case the above conditions are not met.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in Other Comprehensive Income (OCI) are reclassified from equity to profit or loss as a

reclassification adjustment.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Foreign currency gains or losses and unrealized gains or losses from equity instruments are recognized in OCI and presented in the equity section of the statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.

The Corporation does not have financial assets at FVOCI.

Financial liabilities at amortised cost.

Financial liabilities are categorized as financial liabilities at amortised cost when the substance of the contractual arrangement results in the Corporation having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

The Corporation's financial liabilities and clients' deposits on lease contracts as disclosed in Notes 15 and 21, respectively, are included in this category.

Reclassification

The Corporation reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to

profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

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 (1) the rights to receive cash flows from the asset have expired; (2) 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; (3) 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 (4) 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 has 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 profit or loss.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective

interest rate, is different by at least 10 per cent from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Company could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in profit or loss.

On the other hand, if the difference does not meet the 10 per cent threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements 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 statements of financial position.

Classification of Financial Instrument between Liability and Equity

A financial instrument is classified as liability if it embodies a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; 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 Company 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.

Impairment of financial assets at amortised cost and FVOCI

The Corporation records an allowance for “expected credit loss” (ECL) model based on the guidelines set by the Bangko Sentral ng Pilipinas (BSP) which is in accordance with the existing standards. This guideline shall be at the minimum, be observed in recording ECL.

The Corporation recognizes credit impairment/allowance for credit losses even before objective evidence of impairment becomes apparent.

The credit exposures of the Corporation are classified into three stages using the following time horizons in measuring ECL:

Stage of Credit Impairment	Characteristics	Time Horizon in measuring ECL
Stage 1	Credit exposure that are considered "performing" and with no significant increase in credit risk since initial recognition or with low credit risk	Twelve Months (12) ECL
Stage 2	Credit exposure that are considered "under-performing" or not yet non-performing but with significant increase in credit risk since initial recognition	Lifetime ECL
Stage 3	Credit exposure with objective evidence of impairment, thus, considered as "non-performing"	Lifetime ECL

Twelve Months (12) ECL

The Corporation set up an allowance for loss provision equivalent to one per cent for all outstanding collectively financial assets that are not individually significant except those considered as risk-free under existing rules and regulations.

Lifetime ECL

Individually assessed financial assets are measured using lifetime ECL. The Corporation has established a provision matrix that is based on the minimum guidelines set by BSP.

Classification	Stage of Credit Impairment
Especially Mentioned	Stage 2
Substandard (underperforming)	Stage 2
Substandard (non-performing)	Stage 3
Doubtful	Stage 3
Loss	Stage 3

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 effective interest rate (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.

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.

Transfer from Twelve (12) month ECL to Lifetime ECL

The Corporation transfers exposures from Stage 1 to Stage 2 or 3 when there is a significant increase in credit risk. Management set other indicators aside from missed payments which may place an exposure to increased its credit risk since initial recognition.

Transfer from Lifetime ECL to Twelve (12) month ECL

The Corporation transfers exposures from Stage 3 to Stage 1 only when there is sufficient evidence to support their full collection. As a general rule, full collection is probable when payment of interest and/or principal are received for at least six months.

Interest income continues to be recognized based on the original EIR of the asset except those classified under "Stage 3" which recognizes interest income based on the amortized cost carrying amount of the asset (net of allowance for losses).

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 'recovery on charged-off assets' in the statement 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, except if classified under "Stage 3" criteria. 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.

Non-performing restructured exposures that have exhibited improvement in creditworthiness of the counterparty may only be transferred from Stage 3 to Stage 1 after a total of one year probation period; six months from Stage 3 to Stage 2, and another six months from stage 2 to Stage 1; or directly from Stage 3 to Stage 1, without passing through Stage 2, after 12 months.

Restructured accounts classified as "performing" prior to restructuring will be initially classified under Stage 2. Transfer from Stage 2 to Stage 1 will follow the six month rule on transfer from lifetime ECL to Twelve (12) month ECL.

3.2 Investment property

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 property" 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 five to ten 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.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying amount at the date of change in use. If the property occupied by the Company as an owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

3.3 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 are recognized as addition 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 the 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 profit or loss.

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 de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period the item is derecognized.

3.4 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.

3.5 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 assets.

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 because 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.

3.6 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 one to five years using the straight-line method and are 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 statements of comprehensive income in the expense category consistent with the function of the intangible asset.

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

3.7 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 profit or loss.

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.

3.8 Inter-agency and other payables

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

3.9 Provisions and contingencies

Provisions are recognized when: (a) the Company has a present obligation (legal or constructive) as a result of past events; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate of the amount of the obligation can be made. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingent liabilities are not recognized in the separate financial statements. They are disclosed in the notes to the separate financial statements 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.

3.10 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.

3.11 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.

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

Other Comprehensive Income (Loss)

Other comprehensive income (loss) comprises items of income and expense, including items previously presented under the separate statements of changes in equity, that are not recognized in profit or loss for the year. Other comprehensive income (loss) of the Company pertains to gain (loss) on remeasurement of retirement benefit obligation.

3.12 Revenue recognition

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is

recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Company perform its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Company also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Company has assessed that it acts as a principal in all of its revenue sources.

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

(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". 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. Residual values represent estimated proceeds from the disposal of equipment at the time the lease is terminated.

(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 collectability.

(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.

3.13 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.

3.14 Employee benefits

(a) *Retirement benefit obligations*

The Corporation has a funded non-contributory defined benefit retirement plan (the Plan) covering substantially all of its officers and regular employees. 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 on 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.

(b) 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.

3.15 Leases

Finance leases, where the Corporation transfers substantially all the risks and benefits incidental to ownership of the leased item to the lessee, are included in the statements of financial position under "Financial Assets at Amortised Cost" 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.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

- (a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) a renewal option is exercised or an extension is granted, unless the term of the renewal or extension was initially included in the lease term;
- (c) there is a change in the determination of whether fulfillment is dependent on a specific asset; or
- (d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d), and at the date of renewal or extension period for scenario (b) above.

Operating Lease

Company as Lessee.

Leases which do not transfer to the Company substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the separate statements of income on a straight-line basis over the lease term. Associated costs such as maintenance and insurance are expensed as incurred.

Company as Lessor.

Leases where the Company does not transfer substantially all the risks and rewards of ownership of the assets are classified as operating leases. Rent income from operating leases is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the

same basis as rent income. Contingent rents are recognized as income in the period in which they are earned.

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

3.16 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.

3.17 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.

3.18 Income tax

Current income tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Taxable income differs from net income 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.

Current tax relating to items recognized directly in equity is recognized in equity and not in the separate statements of income. The Company periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Deferred tax

Deferred tax is recognized using the liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are recognized using the liability method for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and,

at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from 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, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to deductible temporary differences associated with investments in shares of stock of subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each 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. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the financial reporting date.

Current and deferred tax are recognized in profit or loss for the period, except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

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

3.19 Earnings per share

Basic earnings per share 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.

3.20 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the separate financial statements in accordance with Philippine Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the financial statements at the reporting date. The estimates, assumptions and judgments are based on management's evaluation of relevant facts and circumstances as of the date of the financial statements. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

4.1 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 Impairment of Financial assets at FVOCI

Financial assets at FVOCI are assessed as impaired when there has been a significant or prolonged decline in the fair value below cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. In addition, the Corporation evaluates other factors, including normal volatility in share price for quoted equities, and the future cash flows and the discount factors for unquoted equities.

Estimation of allowance for impairment loss on financial assets at amortised cost

The Corporation reviews its financial assets at amortised cost to assess impairment at least on an annual basis to assess whether additional provision for credit losses should

be recognized. 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 2018 and 2017, Management has assessed an amount of P196,239,856 and P218,675,423 as doubtful of collection (Note 8). Accordingly, a provision for impairment was recognized in the statements of comprehensive income.

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 3.2 and 3.3.

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 P6,337,517 and P10,752,550 as of December 31, 2018 and 2017 (Note 9), respectively, while there are no allowance for impairment losses on Non-Current Assets Held for Sale in 2018 and 2017 (Note 12), respectively. There are no impairment losses on EOPL and Property and Equipment for the years 2018 and 2017.

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

	2018	2017 As restated
Investment Properties (Note 9)	9,697,212	5,447,418
EOPL (Note 10)	30,229,918	347,448,629
Property and Equipment (Note 11)	30,681,091	26,994,027
Non-Current Assets Held for Sale (Note 12)	308,858,250	0

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 benefit cost charged to operations under "General and Administrative Expenses" account amounted to P2,900,454 and P1,979,064 as at December 31, 2018 and 2017, respectively, as disclosed in Note 22(a).

The related liability stands at P17,113,259 and P15,355,633 as at December 31, 2018 and 2017, respectively, as disclosed in Note 22(b).

Realizability of deferred tax assets

In determining the amount of current and deferred tax, the Corporation takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Corporation believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Corporation to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets recognized amounted to P57,547,448 and P65,602,628 as at December 31, 2018 and 2017, respectively, as disclosed in Note 24.

Management believes that the amount is fully recoverable.

4.2 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 exercises judgments in classifying 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 arrangement and the definitions of a financial asset or liability. 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 5 and 6.

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 P55,865,443 in 2018 and P50,932,708 in 2017, as disclosed in Note 21.

Interest earned on finance lease arrangements amounted to P236,506,805 and P168,144,412 in 2018 and 2017, respectively, as disclosed in Note 21 to the financial statements.

As a lessee, total rental expenses incurred from the leases amounted to P203,372 in 2018 and P654,256 in 2017, as disclosed in Note 20 and 21.

5. FINANCIAL RISK AND CAPITAL MANAGEMENT OBJECTIVES AND POLICIES

Principal financial instruments

The Corporation's principal financial instruments comprised cash, financial assets at amortised cost, advances from officers and employees, 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:

5.1 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 of the 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 requests 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:

	2018	2017
Secured		
Property under finance lease	1,112,286,818	904,142,203
Real estate mortgage	1,164,673,089	1,072,105,089
Chattel mortgage	1,834,771,223	1,501,511,562
	4,111,731,130	3,477,758,854
Unsecured	324,546,013	485,010,342
	4,436,277,143	3,962,769,196

(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, infringement of the original terms of the contract, 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*

	2018		2017	
	Carrying Value	Maximum Exposure	Carrying Value	Maximum Exposure
Financial assets:				
Cash in Banks	48,090,857	48,090,857	41,895,002	41,895,002
Financial Assets at Amortised Cost	4,436,277,143	4,436,277,143	3,962,769,196	3,962,769,196
	4,484,368,000	4,484,368,000	4,004,664,198	4,004,664,198

The preceding table represents the maximum credit risk exposure of the Corporation at December 31, 2018 and 2017, 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 financial assets at amortised cost. The exposures set out above are based on gross carrying amounts as reported in the statement 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 exposures at their carrying amounts, as categorized by industry sectors, follow:

As at December 31, 2018

	Cash	Financial Assets at Amortised Cost
Agriculture, fishing and forestry	0	1,645,614
Wholesale and retail trade	0	422,514,416
Manufacturing	0	608,765,683
Public utilities	0	385,225,606
Services	0	1,111,704,992
Banks and other financial institutions	48,090,857	687,018,842
Real estate	0	38,876,894
Public sector	0	717,118,611
Others	0	463,406,485
Total	48,090,857	4,436,277,143
Less: Allowance for probable losses/fair value changes	0	(196,239,856)
	48,090,857	4,240,037,287

As at December 31, 2017

	Cash	Financial Assets at Amortised Cost
Agriculture, fishing and forestry	0	19,070,154
Wholesale and retail trade	0	513,083,314
Manufacturing	0	166,285,121
Public utilities	0	284,993,536
Services	0	1,072,110,713
Banks and other financial institutions	41,895,002	725,569,025
Real estate	0	59,390,090
Public sector	0	781,468,686
Others	0	340,798,557
Total	41,895,002	3,962,769,196
Less: Allowance for probable losses/fair value changes	0	(218,675,423)
	41,895,002	3,744,093,773

(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, 2018

	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Cash in Banks	48,090,857	0	0	48,090,857
Financial Assets at Amortised Cost	3,964,323,203	176,633,975	295,319,965	4,436,277,143
	4,012,414,060	176,633,975	295,319,965	4,484,368,000

As at December 31, 2017

	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Cash in Banks	41,895,002	0	0	41,895,002
Financial Assets at Amortised Cost	3,554,911,709	86,297,993	321,559,494	3,962,769,196
	3,596,806,711	86,297,993	321,559,494	4,004,664,198

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 loans 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 include accounts which are individually and collectively assessed for impairment. The total impairment provision for loans and lease receivables 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.

5.2 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.

5.3 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 relating 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, 2018

	Up to 1 year	Over 1 year to 3 years	Over 3 years	Total
Bills payable	2,196,315,390	0	620,450,577	2,816,765,967
Accounts payable – trade	14,523,296	0	0	14,523,296
Accrued interest payable	14,933,970	0	0	14,933,970
Other payables	57,154,101	0	0	57,154,101
Deposits on lease contracts	133,702,433	126,983,730	61,937,093	322,623,256
	2,416,629,190	126,983,730	682,387,670	3,226,000,590

As at December 31, 2017

	Up to 1 year	Over 1 year to 3 years	Over 3 years	Total
Bills payable	1,629,898,375	0	792,384,039	2,422,282,414
Accounts payable – trade	1,752,628	0	0	1,752,628
Accrued interest payable	5,198,624	0	0	5,198,624
Other payables	71,451,292	0	0	71,451,292
Deposits on lease contracts	84,813,670	158,873,937	52,507,585	296,195,192
	1,793,114,589	158,873,937	844,891,624	2,796,880,150

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

6. FAIR VALUE MEASUREMENT

The Corporation's principal financial instruments comprised cash, financial assets at amortised cost, financial liabilities, 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, 2018 and 2017.

	2018		2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and Cash Equivalents (Note 7)	48,137,857	48,137,857	41,940,002	41,940,002
Financial Assets at Amortised Cost (Notes 8 and 14)	4,436,277,143	4,436,277,143	3,962,769,196	3,962,769,196
	4,484,415,000	4,484,415,000	4,004,709,198	4,004,709,198

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Financial liabilities:				
Bills payable (Note 15)	2,816,765,967	2,816,765,967	2,422,282,414	2,422,282,414
Trade and other payables (Note 15)	14,523,296	14,523,296	1,752,628	1,752,628
Accrued interest payable (Note 15)	14,933,970	14,933,970	5,198,624	5,198,624
Other payables (Note 17)	57,154,101	57,154,101	71,451,292	71,451,292
Deposit on lease contracts (Note 21)	322,623,256	322,623,256	296,195,192	296,195,192
	3,226,000,590	3,226,000,590	2,796,880,150	2,796,880,150

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.

(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) *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.

(iii) *Deposits on lease contracts*

Deposits on lease contracts are carried at amortised cost which represents the present value.

7. CASH AND CASH EQUIVALENTS

This account consists of:

	2018	2017
Cash in banks	48,090,857	41,895,002
Cash on hand	47,000	45,000
	48,137,857	41,940,002

Cash in banks earns interest at floating rates based on daily bank deposit rates. Annual interest earned on deposits in banks is 0.25 per cent in 2018 and 2017. Interest income earned from deposits in banks reported in the statements of comprehensive income totaled P149,114 and P108,237 for the years ended December 31, 2018 and 2017, respectively.

Cash on hand includes petty cash amounting of P45,000 as at December 31, 2018 and 2017.

8. FINANCIAL ASSETS AT AMORTISED COST

The current portion consists of:

	2018	2017 As restated
Finance lease receivables	186,212,108	100,883,629
Finance lease receivables - LBP	4,387,707	12,281,357
Loans and receivables - others	1,109,153,257	489,395,026
Allowance for probable losses	(16,398,751)	(5,372,841)
	1,283,354,321	597,187,171
Accounts receivable – clients	3,559,486	5,255,623
Allowance for probable losses	(2,358,278)	(1,213,195)
	1,201,208	4,042,428
Accrued interest receivable	5,446,388	2,745,482
Sales Contract Receivable (Note 12)	0	8,223,456
Allowance for probable losses	(54,464)	(109,690)
	5,391,924	10,859,248

Due from parent bank	270,865,915	386,710,508
Due from national government agencies	115,630	252,914
Due from officers and employees	486,797	851,646
Allowance for probable losses	(3,126,085)	(4,289,552)
	268,342,257	383,525,516
	1,558,289,710	995,614,363

The non-current portion consists of:

	2018	2017
Finance lease receivables	1,562,767,744	1,585,804,990
Allowance for probable losses	(22,971,076)	(24,377,908)
	1,539,796,668	1,561,427,082
Finance lease receivables - LBP	148,365,244	75,751,156
Allowance for probable losses	(1,360,226)	(703,053)
	147,005,018	75,048,103
Loans and receivables - others	1,144,916,867	1,294,613,409
Allowance for probable losses	(149,970,976)	(182,609,184)
	994,945,891	1,112,004,225
	2,681,747,577	2,748,479,410
Total Financial Asset at Amortised Cost	4,240,037,287	3,744,093,773

As at December 31, 2018, 31 per cent of the Corporations' finance lease and loans receivable are subject to interest re-pricing (2017: 30 per cent). The remaining loans earn annual fixed interest rates ranging from three per cent to 30 per cent in 2018 and 2017, respectively.

Due from parent bank represents amounts due from Land Bank of the Philippines ("Parent Bank") for the chauffeuring services rendered in relation to finance and operating lease facilities entered into with the Parent Bank and fleet management services for those vehicles with expired lease term but still servicing by the Corporation.

Total revenues generated from finance and operating lease facilities with the Parent Bank amounted to P79,781,317 and P55,865,443 in 2018 (2017: P15,779,619 for finance leases and P50,932,708 for operating leases) as disclosed in Note 23 to the financial statements.

Finance lease receivables

An analysis of the LLFC's finance lease receivables as at December 31, 2018 and 2017 is presented as follows:

	2018	2017
Finance lease receivables:		
Within 1 year	26,884,837	44,886,792
Beyond 1 year but not beyond 5 years	723,215,319	620,441,241
Beyond 5 years	1,010,604,952	1,205,049,700
	1,760,705,108	1,870,377,733
Residual value of leased assets:		
Within 1 year	105,678,094	57,610,729
Beyond 1 year but not beyond 5 years	181,411,526	208,196,614
Beyond 5 years	124,686,545	126,186,545
	411,776,165	391,993,888
Total minimum lease receivable	2,172,481,273	2,262,371,621
Less: Unearned Leasing Income		
Within 1 year	2,427,755	1,613,892
Beyond 1 year	555,232,612	635,555,008
	557,660,367	637,168,900
Net investment in finance lease receivables	1,614,820,906	1,625,202,721
Past due receivables	102,397,353	14,852,759
Restructured accounts	14,852,759	25,721,366
Past due - restructured accounts	3,630,715	0
Items in litigation	32,665,488	32,665,487
	153,546,315	73,239,612
Less: Unearned leasing income	19,387,369	11,753,714
	134,158,946	61,485,898
	1,748,979,852	1,686,688,619
	2018	2017
Finance lease receivables – LBP		
Within 1 year	27,494,948	25,556,228
Beyond 1 year but not beyond 5 years	104,788,236	89,882,816
Beyond 5 years	229,763,520	108,572,520
	362,046,704	224,011,564
Residual value of leased assets:		
Within 1 year	989,400	989,400
Beyond 1 year but not beyond 5 years	0	0
Beyond 5 years	0	0
	989,400	989,400
Total minimum lease receivable	363,036,104	225,000,964
Less: Unearned leasing income		
Within 1 year	24,096,641	14,264,271
Beyond 1 year	186,186,512	122,704,180
	210,283,153	136,968,451
Net investment in finance lease receivables – LBP	152,752,951	88,032,513

Loans and receivables – others

The breakdown of loans and receivables – others as at December 31, 2018 and 2017 are as follows:

	2018	2017
Loans and receivables – others		
Within 1 year	970,665,845	489,395,026
Beyond 1 year	945,703,110	905,606,338
	1,916,368,955	1,395,001,364
Past due receivables	115,155,674	139,329,357
Restructured accounts	95,815,466	116,558,531
Past due – restructured accounts	93,341,680	44,891,957
Items in litigation	44,192,627	98,797,786
	348,505,447	399,577,631
Less: Unearned interest income	10,804,278	10,570,560
	337,701,169	389,007,071
	2,254,070,124	1,784,008,435

Summary of Financial Assets at Amortised Cost

Loans and lease receivables

	2018	2017
Finance lease receivables	1,748,979,852	1,686,688,619
Finance lease receivables - LBP	152,752,951	88,032,513
Loans and receivables - others	2,254,070,124	1,784,008,435
	4,155,802,927	3,558,729,567

Other receivables:

	2018	2017
Due from parent bank	270,865,915	386,710,508
Accrued interest receivable	5,446,388	2,745,482
Accounts receivable – clients	3,559,486	5,255,623
Due from officers and employees	486,797	851,646
Due from national government agencies	115,630	252,914
Sales contract receivable	0	8,223,456
	280,474,216	404,039,629

Interest and lease income on receivables

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

	2018	2017
Lease contracts receivables	236,506,805	168,144,412
Loans and receivables	167,330,267	121,100,550
	403,837,072	289,244,962

Reconciliation of credit losses

A reconciliation of the allowance for credit losses for financial assets at amortised cost by class is as follows:

As at December 31, 2018

	Finance lease receivables	Loans and receivables – others	Other receivables	Total
At January 1, 2018, as restated	25,559,852	187,503,134	5,612,437	218,675,423
Provisions during the year	5,795,789	25,831,206	1,370,220	32,997,215
Write-offs during the year (Note 14)	(1,717,121)	(57,932,566)	(198,128)	(59,847,815)
Reclassification (Note 9)	0	5,660,735	(1,245,702)	4,415,033
At December 31	29,638,520	161,062,509	5,538,827	196,239,856
Specific impairment provision	22,213,850	141,776,706	2,738,271	166,728,827
Collective impairment provision	7,424,670	19,285,803	2,800,556	29,511,029
Total impairment provision	29,638,520	161,062,509	5,538,827	196,239,856

Gross amount of loans specifically determined to have significant increase in credit risk since initial recognition before deducting individually-assessed credit losses

142,409,262 325,489,789 4,054,890 471,953,941

As at December 31, 2017 (as restated)

	Finance lease receivables	Loans and receivables – others	Other receivables	Total
At January 1, 2017	21,232,094	170,278,030	4,155,052	195,665,176
Provisions during the year	5,700,331	16,995,165	2,059,259	24,754,755
Foreclosures and adjustments (Note 14)	(1,372,573)	229,939	(601,874)	(1,744,508)
At December 31, as restated	25,559,852	187,503,134	5,612,437	218,675,423
Specific impairment provision	18,920,200	173,097,526	1,608,988	193,626,714
Collective impairment provision	6,639,652	14,405,608	4,003,449	25,048,709
Total impairment provision	25,559,852	187,503,134	5,612,437	218,675,423

Gross amount of loans specifically determined to have significant increase in credit risk since initial recognition before deducting individually-assessed credit losses

61,485,888 343,447,684 2,923,915 407,857,487

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)

	2018	2017
Services	25.06	27.05
Public sector	16.16	19.72
Banks and other financial institutions	15.49	18.31
Manufacturing	13.72	4.20
Wholesale and retail trade	9.52	12.95
Public utilities	8.68	7.19
Real estate	0.88	1.50
Agriculture, fishing and forestry	0.04	0.48
Others	10.45	8.60
	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, BSP Circular No. 514 and BSP 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, which are credit granted to public sectors, shall be considered non-risk and not subject to any ceiling.

As to collateral

	2018	2017
Secured		
Property under finance lease	1,112,286,818	904,142,203
Real estate mortgage	1,164,673,089	1,072,105,089
Chattel mortgage	1,834,771,223	1,501,511,562
	4,111,731,130	3,477,758,854
Unsecured	324,546,013	485,010,342
	4,436,277,143	3,962,769,196

BSP Circular No. 351 allows non-banks with no unbooked 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, 2018 and 2017, non-performing loans (NPLs) not fully- covered by allowance for credit losses follow:

	2018	2017
Total NPLs	295,319,965	321,559,494
Less: NPLs fully-covered by allowance for credit losses	(77,027,701)	(132,763,869)
	218,292,264	188,795,625

As of December 31, 2018 and 2017, secured and unsecured NPLs follow:

	2018	2017
Secured	251,248,183	232,112,427
Unsecured	44,071,782	89,447,067
	295,319,965	321,559,494

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 Property account are presented below:

	2018	2017
Cost		
At January 1	16,916,001	27,488,856
Additions	0	5,556,145
Transfer to NCAHS (Note 12)	0	(16,129,000)
At December 31	16,916,001	16,916,001
Accumulated depreciation		
At January 1	716,033	1,044,660
Depreciation for the year	165,239	451,328
Transfer to NCAHS (Note 12)	0	(779,955)
At December 31	881,272	716,033
Allowance for Impairment		
At January 1	10,752,550	6,337,517
Reclassification (Note 8)	(4,415,033)	4,415,033
Provision for the year	0	0
At December 31	6,337,517	10,752,550
Net book value		
December 31	9,697,212	5,447,418

Additions to investment properties in 2017 pertain to foreclosed parcels of land and building with redemption period by the borrowers and with on-going court cases.

Gain on foreclosure amounting to P5,556,145 from these investment properties were recognized in 2017 upon lapse of the redemption period.

Land and Building with a net carrying amount of P15,349,045 was transferred to Non-Current Assets Held for Sale in 2017 (Note 12).

The aggregate market value of investment properties as at December 31, 2018 and 2017 amounted to P19,256,000 and P17,916,000, respectively. The fair value has been determined based on valuations made by in-house appraisers or accredited independent appraisers. Valuations were based on 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 P30,000 and P187,823 in 2018 and 2017, respectively, which were paid to LBP Resources Development Corporation (LBRDC), a related party.

10. EQUIPMENT AND OTHER PROPERTY FOR LEASE

The Corporation entered into finance lease transactions with various lessees either by purchase from equipment suppliers or by sale and leaseback with the leases involving various equipment with lease terms ranging from 24 to 60 months. The equipment acquired from equipment suppliers are initially booked as 'Equipment and Other Property for Lease – Finance Lease' until the Certificate of Acceptance from client is received, and the corresponding implementation memo is approved for booking to 'Lease Contract Receivables'.

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 EOPL are as follows:

	2018	2017
Finance lease	0	308,738,250
Operating lease	30,229,918	38,710,379
	30,229,918	347,448,629

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

	2018	2017
Cost		
At January 1	81,567,064	83,868,328
Additions	0	5,850,000
Disposals	(2,616,002)	(8,151,264)
At December 31	78,951,062	81,567,064
Accumulated depreciation		
At January 1	42,856,685	42,593,349
Depreciation for the year	8,218,860	7,563,236
Disposals	(2,354,401)	(7,299,900)
At December 31	48,721,144	42,856,685
Net book value, December 31	30,229,918	38,710,379

Depreciation charges amounting P8,218,860 and P7,563,236 for 2018 and 2017, respectively, are lodged under the Depreciation-EOPL account under Direct Expenses in the statements of comprehensive income.

In 2018 and 2017, the Corporation sold vehicles previously covered by operating lease agreements with a total carrying value of P261,600 and P851,364, respectively, on which it realized a gain of P268,900 and P1,656,238, respectively, as disclosed in Note 19 to the Financial Statements.

On September 24, 2014, the Board of Directors approved the acquisition with another government agency as co-buyer of the 5,000 square meter property at Bonifacio Global City for the account of a client in the amount of P600,000,000. The property was intended to be developed into an office building for lease to some Government Agencies. As of December 31, 2014, the amount of P308,378,250 was initially booked

as 'Equipment and Other Property for Lease – Finance Lease' as the Corporation's share in the acquisition of the property.

The Corporation was instructed during the LLFC Board Meeting on January 24, 2018 not to pursue the office building project in Bonifacio Global City (BGC) based on the directives of the Secretary of the Department of Finance.

With the instruction not to pursue the office building project in BGC, the Corporation immediately considered options available to it with respect to the property. During the Board of Directors meeting on April 25, 2018, a request for authority to proceed with negotiation for the disposal of the BGC property was presented and approved under Board Resolution No. 18-083.

The Corporation reclassified the property under Non-current Assets Held for Sale account (Note 12).

11. PROPERTY AND EQUIPMENT

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

As at December 31, 2018

	Building and improvements	Furniture and Fixtures	Transportation Equipment	Other properties acquired	Total
Cost					
At January 1	42,566,207	12,289,116	1,567,273	0	56,422,596
Additions	0	6,247,793	0	0	6,247,793
Disposals	0	0	(1,567,273)	0	(1,567,273)
At December 31	42,566,207	18,536,909	0	0	61,103,116
Accumulated depreciation					
At January 1	18,201,344	9,733,318	1,493,907	0	29,428,569
Depreciation for the year	1,256,776	1,230,587	0	0	2,487,363
Disposals	0	0	(1,493,907)	0	(1,493,907)
At December 31	19,458,120	10,963,905	0	0	30,422,025
Net book value	23,108,087	7,573,004	0	0	30,681,091

As at December 31, 2017

	Building and improvements	Furniture and Fixtures	Transportation Equipment	Other properties acquired	Total
Cost					
At January 1	42,566,207	11,650,434	1,567,273	0	55,783,914
Additions	0	638,682	0	34,400	673,082
Disposals	0	0	0	(34,400)	(34,400)
At December 31	42,566,207	12,289,116	1,567,273	0	56,422,596
Accumulated depreciation					
At January 1	16,944,568	9,101,674	1,493,907	0	27,540,149
Depreciation for the year	1,256,776	631,644	0	0	1,888,420
Disposals	0	0	0	0	0
At December 31	18,201,344	9,733,318	1,493,907	0	29,428,569
Net book value	24,364,863	2,555,798	73,366	0	26,994,027

As at December 31, 2018 and 2017, the total cost of fully-depreciated property and equipment still in use by the Corporation amounted to P9,524,737 and P10,772,609, respectively.

In 2018, LLFC sold its transportation equipment from which a gain of P258,634 was realized as disclosed in Note 19 to the Financial Statements.

In May 2017, LLFC sold other properties acquired at its book value.

The Corporation recognized depreciation/amortization charges in the amount of P11,172,312 in 2018 and P10,199,937 in 2017, as shown in the Direct and General and Administrative Expense sections in the statements of comprehensive income, with details as follows:

	2018	2017
<i>Direct expense</i>		
Equipment and other properties for lease (Note 10)	8,218,860	7,563,236
<i>General and administrative expense</i>		
Investment properties (Note 9)	165,239	451,328
Property and equipment (Note 11)	2,487,363	1,888,420
Intangibles (Note 13)	300,849	296,953
	2,953,451	2,636,701
	11,172,311	10,199,937

Management has reviewed the carrying values of the Corporation's property and equipment as at December 31, 2018 and 2017 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 a group of assets that will be disposed of through sale 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, 2018

	Land	Building	Equipment	Total
At January 1, net	0	0	0	0
Transfer from				
Equipment and				
Other Properties for				
Lease (Note 10)	308,858,250	0	0	308,858,250
At December 31	308,858,250	0	0	308,858,250

As at December 31, 2017

	Land	Building	Equipment	Total
At January 1, net	2,868,479	143,612	0	3,012,091
Transfer from Investment Properties (Note 9)	6,675,000	8,674,045	0	15,349,045
Disposal	(13,764,604)	(9,011,565)	0	(22,776,169)
Reversal of provision for impairment	4,221,125	193,908	0	4,415,033
At December 31	0	0	0	0

The changes in allowance for impairment are as follows:

	2018	2017
At January 1	0	4,415,033
Reversal of provision for impairment	0	(4,415,033)
At December 31	0	0

The provision for impairment amounting to P4,415,033 was reversed in December 2017 simultaneously with the sale of property of which the Corporation realized a gain of P5,036,544 as disclosed in Note 19.

Receivable amounting to P8,223,456 from the proceeds of sale of property which the Corporation is a co-claimant is booked under Sales Contract Receivable (Note 8).

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.

13. OTHER ASSETS

Current and non-current classification of other assets as at December 31, 2018 and 2017 are as follows:

As at December 31, 2018

	Due within 1 year	Due beyond 1 year	Total
Prepaid expense	12,211,770	0	12,211,770
Creditable withholding taxes	8,801,340	0	8,801,340
Security and utility deposits	0	1,274,055	1,274,055
Stationeries and supplies – unissued	173,515	0	173,515
Intangibles	0	686,012	686,012
Other investments	0	16,000	16,000
Other assets	0	306	306
	21,186,625	1,976,373	23,162,998

As at December 31, 2017

	Due within 1 year	Due beyond 1 year	Total
Prepaid expense	10,762,002	0	10,762,002
Creditable withholding taxes	2,784,350	0	2,784,350
Security and utility deposits	0	1,274,055	1,274,055
Stationeries and supplies – unissued	121,123	0	121,123
Intangibles	0	582,262	582,262
Other investments	0	16,000	16,000
Other assets	0	306	306
	13,667,475	1,872,623	15,540,098

An Intangible Asset, as defined in Philippine Accounting Standard 38, is a non-physical asset having a useful life greater than one year. The Corporation applied this standard to software licenses and operating system of a computer, that whenever a computer software is purchased and does not form as an integral part of the related hardware, this computer software is treated as an intangible asset.

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.

Movements of the Intangibles account are as follows:

	2018	2017
Cost		
At January 1	2,532,374	2,006,056
Additions	404,599	526,318
At December 31	2,936,973	2,532,374
Accumulated Amortization		
At January 1	1,950,112	1,653,159
Amortization for the year	300,849	296,953
At December 31	2,250,961	1,950,112
Net book value, December 31	686,012	582,262

The Corporation recognized amortization charges in the amount of P300,849 in 2018 and P296,953 in 2017, as shown in the Direct and General and Administrative Expense sections in the statements of comprehensive income.

14. ALLOWANCE FOR CREDIT AND IMPAIRMENT LOSSES

Changes in the allowance for probable losses are as follows:

	2018	2017 As restated
At January 1		
Finance lease receivables	25,559,852	21,232,094
Loans and receivables - others	187,503,134	170,278,030
Other receivables	5,612,437	4,155,052
Investment properties	10,752,550	6,337,517
Non-current assets held for sale	0	4,415,033
	229,427,973	206,417,726
Provisions for the year	32,997,215	24,754,755
Accounts charged-off	(59,847,815)	(1,744,508)
At December 31	202,577,373	229,427,973

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

	2018	2017 As restated
Finance lease receivables	29,638,520	25,559,852
Loans and receivables - others	161,062,509	187,503,134
Other receivables	5,538,827	5,612,437
Investment properties	6,337,517	10,752,550
	202,577,373	229,427,973

With the foregoing level of allowance for credit and impairment losses, Management believes that LLFC has sufficient allowance provided for losses that may arise from the non-collection or non-realization of its receivables and other risk assets.

15. FINANCIAL LIABILITIES

This account consists of:

	2018	2017
Bills payable	2,816,765,967	2,422,282,414
Accounts payable – trade	14,523,296	1,752,628
Accrued interest payable	14,933,970	5,198,624
At December 31	2,846,223,233	2,429,233,666

Current and non-current classification of financial liabilities as at December 31, 2018 and 2017 are as follows:

As at December 31, 2018

	Due within 1 year	Due beyond 1 year	Total
Bills payable	2,196,315,390	620,450,577	2,816,765,967
Accounts payable – trade	14,523,296	0	14,523,296
Accrued interest payable	14,933,970	0	14,933,970
	2,225,772,656	620,450,577	2,846,223,233

As at December 31, 2017

	Due within 1 year	Due beyond 1 year	Total
Bills payable	1,629,898,375	792,384,039	2,422,282,414
Accounts payable – trade	1,752,628	0	1,752,628
Accrued interest payable	5,198,624	0	5,198,624
	1,636,849,627	792,384,039	2,429,233,666

Bills payable represents peso borrowings from various banks in the form of promissory notes.

Interest rates on bills payable range from 2.75 per cent to 7.00 per cent in 2018 and 2.75 per cent to 4.00 per cent in 2017.

Bills payable are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances as of December 31, 2018 and 2017 are partially secured with terms of maturity ranging from 23 days to nine years. Interest expense on borrowings amounted to P102,999,771 and P74,099,022 for the years ending December 31, 2018 and 2017, respectively.

As at December 31, 2018, there are no defaults or breaches on these promissory notes.

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

16. INTER-AGENCY PAYABLES

This account consists of payables to the following:

	2018	2017 As restated
Due to BIR	10,113,959	3,496,158
Due to Philhealth	36,283	13,388
Due to Pag-ibig Fund	36,686	18,459
Due to Social Security System	24,295	4,656
Income tax payable (Note 24)	4,062,517	8,370,049
	14,273,740	11,902,710

Except for income tax payable, all other inter-agency payables were remitted to the Agency concerned in January 2019.

17. OTHER PAYABLES

This account consists of:

	2018	2017 As restated
Accounts payable – others	569,550	834,694
Accrued expenses – others	32,952,256	45,905,265
Miscellaneous liabilities	23,632,295	24,711,333
	57,154,101	71,451,292

Accrued expenses – others includes costs of security, messengerial, and janitorial services amounting to P20,981,583 and P25,396,581 in 2018 and 2017, respectively, payable to a service corporation and monetary value of employees' leave credits amounting to P8,664,609 and P7,320,353 in 2018 and 2017, respectively.

Miscellaneous liabilities represents advance payments received from various clients that will be applied against registration and mortgage fees.

As at December 31, 2018 and 2017, the balances comprising this account will mature within the next 12 months from respective reporting dates.

18. EQUITY

(a) Capital Stock

The Corporation has 50,000,000 authorized ordinary shares at P10 par value per share. The pertinent information on the components of the Corporation's capital stock as of December 31, 2018 and 2017 is presented hereunder:

	2018	2017
	No. of Shares	
Issued and paid	48,555,255	48,555,255
Treasury stock	(2)	0
Total outstanding shares	48,555,253	48,555,255

As of January 1, 2017, there is an outstanding three treasury share which was re-issued during 2017 to the newly appointed directors of the Corporation.

Additional two shares were reacquired in 2018 following the resignations of two members of the Board of Directors.

(b) Retained earnings

Dividend declaration

In compliance with Republic Act No. 7656 requiring the GOCCs to declare and remit dividends to the National Government (NG) of at least 50 per cent of their annual earnings, the Board of Directors of LLFC declared cash dividends to the NG through a Resolution dated May 22, 2018 amounting to P48,312,500 or P0.995 per share to

stockholders as of date of record December 31, 2017 and remitted/paid the same on June 1, 2018.

The Board of Directors of LLFC also declared cash dividends to the NG through a Resolution dated May 26, 2017 amounting to P48,752,000 or P1.004 per share to stockholders as of date of record December 31, 2016 and remitted/paid the same on May 31, 2017.

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 which was subsequently reported to the Securities and Exchange Commission on May 14, 2015.

Reconciliation of Retained earnings-unappropriated

The financial statements of the Corporation as of and for the years ended December 31, 2017 and 2016, respectively, have been restated to reflect the impact of transitional adjustments in accordance with PFRS 9 and prior period adjustments resulting from the adoption of the modified salary standardization law effective January 1, 2017 and capitalization of borrowing costs on prior years (Note 30).

Presented in the table below is a reconciliation of the retained earnings account:

At December 31, 2016, as previously stated		P219,416,891
Add: Effect of prior period adjustment		
Transitional adjustment – PFRS 9		(6,830,484)
Borrowing costs adjustments		(27,829,870)
Income Tax adjustments		(1,386,680)
At December 31, 2016, as restated		183,369,857
Declaration of Cash dividend paid to the National Government		(48,752,000)
Net income for the year ended December 31, 2017, as previously stated	114,001,531	
Add/(Deduct): Effect of prior period adjustments		
Additional Interest expense	(12,335,130)	
Additional Provision for losses	(7,254,755)	
Additional Provision for deferred tax expense	2,176,427	
Accrual of salary and bonuses differential for the year	(8,248,222)	
Adjustment of retirement benefit cost	2,602,095	
Adjustment of Provision for current tax expense	3,132,995	
Net Income for the year ended December 31, 2017, as restated		94,074,941
At December 31, 2017, as restated		228,692,798
Cash dividend paid to the National Government		(48,312,500)
Net income for the year ended December 31, 2018		115,206,082
At December 31, 2018		P295,586,380

(c) *Other Comprehensive Income/(Loss)*

	Remeasurement on Retirement Benefit Obligation (as restated)
Balance, January 1, 2017	(111,524)
Add/(Deduct): Transactions during the year	(5,176,642)
Balance, December 31, 2017 – as restated	(5,288,166)
Add: Transactions during the year	1,142,828
Balance, December 31, 2018	(4,145,338)

19. OTHER INCOME

This account is composed of:

	2018	2017 as reclassified
Fleet management service fees (Note 23)	8,972,080	9,406,200
Fleet management service chauffeuring fees (Note 23)	107,508,000	98,400,000
Gain on exchange of non-financial asset (Note 9)	0	5,556,145
Gain on sale of non-financial assets (Note 12)	0	5,036,544
Gain on sale of equipment and other property for lease (Note 10)	268,900	1,656,238
Gain on disposal/sale of property and equipment (Note 11)	258,634	0
Recovery from charged-off assets	50,841	0
Miscellaneous income	5,482,848	10,973,585
	122,541,303	131,028,712

The Fleet management service fees and Fleet management service chauffeuring fee represent income recognized in operating and maintaining a fleet of vehicles for the Parent Bank.

Miscellaneous income pertains to penalties and surcharges.

20. OTHER MAINTENANCE AND OPERATING EXPENSES

Other maintenance and operating expenses lodged under General and Administrative Expenses account in the statements of comprehensive income is comprised of:

	2018	2017
Security, messengerial, janitorial and contractual services	4,043,362	3,204,043
Representation and entertainment	2,914,312	1,984,844
Transportation and travelling	2,791,861	2,644,622
Power, light and water	1,132,433	1,200,000

	2018	2017
Repairs and maintenance	1,131,570	613,047
Litigation/assets acquired expenses	1,024,116	2,202,471
Membership fees and dues	891,350	803,721
Postage, cables, telephone and telegram	795,826	771,452
Advertising and publicity	746,216	645,708
Stationeries and supplies used	602,454	646,292
Information technology	498,216	630,223
Fuels and lubricants	340,565	369,890
Rent (Note 21)	203,372	654,256
Data processing charges	73,386	122,418
Management and other professional fees	30,738	853,642
Periodicals and magazines	21,384	18,780
Bank charges	19,752	12,170
Miscellaneous expenses	648,363	385,061
	17,909,276	17,762,640

21. 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 P236,506,805 and P168,144,412 in 2018 and 2017, 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 six 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, 2018 and 2017 amounted to P55,865,443 and P50,932,708, respectively.

The carrying amount of lease deposits payable to the respective lessees as of December 31, 2018 and 2017 are presented in the table below:

	2018	2017
Finance leases	303,085,378	276,657,314
Operating leases	19,537,878	19,537,878
	322,623,256	296,195,192

The breakdown of deposits on finance and operating leases by contractual settlement dates as at December 31, 2018 and 2017 is as follows:

	2018	2017
Due within 1 year	133,702,433	84,813,670
After 1 year up to maturity	188,920,823	211,381,522
	322,623,256	296,195,192

Operating lease commitments

Future minimum rental receivables under non-cancelable operating leases as of December 31, 2018 and 2017 are as follows:

	2018	2017
Due within 1 year	20,901,770	20,731,362
After 1 year up to maturity	2,548,233	2,473,046
	23,450,003	23,204,408

Chauffeur services related to the lease and fleet management 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:

	2018	2017 As reclassified
Finance lease	42,353,007	35,832,404
Operating lease	23,675,137	21,990,061
Fleet Management	93,495,830	79,101,358
	159,523,974	136,923,823

Corporation as lessee

On February 3, 2014, the Corporation entered into an operating lease agreement for a period of one month with Campos Rueda and Sons, Inc. covering six 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 57 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. Actual number of slots used in 2017 and 2016 totalled 30 and 41, respectively.

Both lease agreements were terminated on July 2017.

On September 1, 2017, the Corporation entered into another operating lease agreement wherein nine parking slots were designated for LLFC's use at a monthly rental rate of P3,360 inclusive of VAT.

Rental fees paid to the lessors for the years ended December 2018 and 2017 totalled P203,372 and P654,256 (Note 20), respectively.

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

22. EMPLOYEE BENEFITS

(a) Compensation and fringe benefits

Expenses recognized for salaries and employee benefits are presented below.

	2018	2017 as restated
Salaries and wages	28,796,107	26,417,316
Bonuses	5,008,282	6,267,280
Retirement benefit cost	2,900,454	1,979,064
Directors' remuneration	1,786,000	1,523,920
Social security cost	901,295	845,510
Other benefits	2,069,318	3,157,419
	41,461,456	40,190,509

Employee benefits include annual salaries, paid sick leave, bonuses and other non-monetary benefits. Total accrued compensated absences as December 31, 2018 and 2017 amounted to P8,664,609 and P7,320,353, respectively.

In May 2018, Governance Commission for Government-Owned-or-Controlled-Corporations approved the Corporations application for the modified Salary Standardization Law effective January 1, 2017. As a result of the application, the Corporation made the following payments during 2018 for the following salary adjustments for 2017 salaries.

Salaries and wages	7,103,562
Bonuses	1,144,660
	8,248,222

The breakdown of employee benefits as to direct and general and administrative expense as at December 31, 2018 and 2017 is as follows:

	2018	2017 as restated
Direct expense – marketing operation	19,763,017	17,386,214
General and administrative expense	21,698,439	22,804,295
	41,461,456	40,190,509

(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 which is responsible for investment strategy of the plan.

The Retirement Trust Fund account with LBP Trust Banking Group (LBP-TBG) was opened on November 28, 2012. Prior to the opening of Retirement Trust Fund account with LBP 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 (LLFC) 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 and subject to all the terms and conditions of this Agreement as well as the Plan, which shall be deemed part of this 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 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. The Trustee is hereby authorized to debit its fee from the Fund. The above fee is quoted with the understanding that the same may be reviewed at the request of either party and adjusted in a mutually satisfactory basis.
- Except for fraud, bad faith or gross negligence, the Trustee shall not be liable for any 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 this Agreement. This 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.
- This Agreement shall remain in full force and effect until the termination of the Plan, unless sooner terminated by either party hereto by giving a 30 day advance written notice to the other.

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*

Management has engaged the services of an independent appraiser to undertake an actuarial valuation of LLFC's plan assets and present value of its defined benefit obligation using the Accrued Benefit Actuarial Cost Method (Projected Unit Credit) and in accordance with the provision of PAS 19, as revised (PAS 19R).

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation are as of December 31, 2018.

The valuation results are based on the employee data as of the valuation dates provided by the Corporation to the independent appraiser. The discount rate assumption is based on the Banker of the Philippines (BAP) PHP Bloomberg BVAL reference rates (BVAL) benchmark reference curve for the government securities market (previously the PDEX (PDST-R2) market yields on government bonds) as of the valuation dates (or latest available) considering the average years of remaining working life of the employees as the estimated term of the benefit obligation.

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 statements of financial position date follows:

	2018	2017
Discount rate	7.44%	5.70%
Expected rate of return on plan assets	7.44%	5.70%
Salary increase rate	7.00%	7.00%
Expected average remaining working lives of employees	41.3	39.9

As of December 31, 2018, the principal balance of the retirement fund stands at P17,113,259 as compared to P15,355,633 as of December 31, 2017.

The Corporation is not expected to make any contributions to the retirement plan in 2019.

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

	Defined benefit obligation		Fair value of plan assets		Net defined liability	
	2018	2017 As restated	2018	2017 As restated	2018	2017 As restated
Balance, 1 January	24,125,610	17,592,861	(8,769,977)	(9,392,934)	15,355,633	8,199,927
Service cost – current	2,024,412	1,520,312	0	0	2,024,412	1,520,312
Interest cost (income)	1,375,160	937,699	(499,118)	(478,947)	876,042	458,752
Included in profit or loss	3,399,572	2,458,011	(499,118)	(478,947)	2,900,454	1,979,064

	Defined benefit obligation		Fair value of plan assets		Net defined liability	
	2018	2017 As restated	2018	2017 As restated	2018	2017 As restated
Re-measurement loss (gain)						
(a) Actuarial loss (gain) from:						
- Financial assumptions	(3,076,699)	(652,871)	0	0	(3,076,699)	(652,871)
- Demographic Assumptions	0	(1,826,496)	0	0	0	(1,826,496)
- Experience adjustments	1,395,454	7,368,245	0	0	1,395,454	7,368,245
(b) Return on plan assets (excluding interest)	0	0	538,417	287,764	538,417	287,764
Included in other comprehensive income	(1,681,245)	4,888,878	538,417	287,764	(1,142,828)	5,176,642
Benefits Paid	(27,026)	(814,140)	27,026	814,140	0	0
Balance, December 31	25,816,911	24,125,610	(8,703,652)	(8,769,977)	17,113,259	15,355,633

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 or liabilities on re-measurement gains and losses and net benefit obligation.

(iv) *Allocation of Plan Assets*

Cash and cash equivalents	00.84%
Debt instruments – Government Bonds	103.13%
Others (Market gains/losses, Accrued receivables, etc.)	(3.97)%
	100.00%

The Retirement Trust Fund assets are valued by the fund manager at fair value using the mark-to-market valuation. While no significant changes in asset allocation are expected in the next financial year, the Retirement Plan Trustee may make changes at any time.

(v) *Maturity Analysis: 10-year Projection of Expected Future Benefit Payments*

Year	Amount
2019	10,407,180
2020	988,291
2021	920,154
2022	1,714,609
2023	1,482,100
2024 – 2028	21,860,904

23. 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.

Provisions are held against receivables from related parties in 2018 and 2017 are broken down as follows:

	2018	2017
Net investment in lease contracts receivable	1,367,353	792,243
Due from Parent Bank	2,708,659	3,867,105
	4,076,012	4,659,348

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

	2018	2017
Cash in banks	44,782,562	40,402,505
Due from Parent Bank (Note 8)	270,865,915	386,710,508
Net investment in lease contracts receivable (Note 8)	152,752,951	88,032,513
Bills payable	1,642,765,967	1,627,282,414
Deposit on lease contracts	35,555,538	28,345,998
Accrued interest payable	11,512,798	4,432,749
Miscellaneous liabilities	1,406,000	886,151
	2,159,641,731	2,176,092,838

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

	2018	2017
Finance lease income (Note 8)	79,781,317	15,779,619
Operating lease income (Note 8)	55,865,443	50,932,708
Fleet management service fees (Note 19)	8,972,080	9,406,200
Fleet management service chauffeuring fees (Note 19)	107,508,000	98,400,000
Interest income on deposits	141,701	103,709
Interest and finance charges	61,274,614	58,169,133
	313,543,155	232,791,369

(a) Bills payable and Interest and Financing Charges

Interest rates on borrowings from the parent company ranges from 2.75 per cent to 5.75 per cent. The loans are partially secured by assignment of receivables with terms of maturity ranging from 23 days to nine years.

(b) *Finance Lease Income*

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

(c) *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) *Fleet Management Services*

The Corporation continues its chauffeuring and other vehicle services to its Parent Bank until such time the Parent Bank disposed and replaced the expired lease vehicles.

(e) *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:

	2018	2017 as restated
Salaries and other short-term benefits	9,224,506	6,918,846
Post-employment benefits	1,573,291	1,340,135
Directors' remuneration	4,137,784	4,172,802
	14,935,581	12,431,783

Other transactions with LBP and its subsidiaries in 2018 and 2017 include the payment of maintenance costs amounting to P30,000 and P187,823, respectively, in relation to the Corporation's investment as disclosed in Note 9 to the financial statements.

24. INCOME TAX EXPENSE

The income tax expense consists of:

	2018	2017 as restated
Current	36,514,606	38,343,068
Deferred	8,055,180	(6,903,074)
	44,569,786	31,439,994

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:

	2018	2017 as restated
Net income before income tax	159,775,868	125,514,935
Add/Less:		
General and administrative expenses	70,021,256	64,555,451
Gross income	229,797,124	190,070,386
Less: Optional Standard Deduction (40% of the total of gross income and net amount of non-deductible and non-taxable expenses amounting to (P26,938,204) and P22,946,657 in 2018 and 2017, respectively)	81,143,568	85,206,817
Net income subject to income tax	148,653,556	104,863,569
Income tax computed at statutory tax rate of 30%	44,596,067	31,459,071
Tax effect of:		
Interest income subject to final tax	(44,734)	(32,471)
Interest in arbitrage	18,453	13,394
Income tax expense	44,569,786	31,439,994

Income tax due, after deducting creditable withholding taxes and quarterly income tax payments, amounts to P4,062,517 and P8,370,049 as of December 31, 2018 and 2017, 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 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 per cent and interest allowed as a deductible expense shall be reduced by an amount of 33 per cent of interest income subjected to final tax.

The regulations also provide for Minimum Corporate Income Tax (MCIT) of two 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.

MCIT computed at two per cent of gross profit amounted to P4,057,178 and P4,260,341 in 2018 and 2017, 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 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 RA 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:

At December 31, 2016, as restated	P58,699,554
Charged to operations	6,903,074
At December 31, 2017, as restated	P65,602,628
Charged to operations	(8,055,180)
At December 31, 2018	P57,547,448

25. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (Gross of Allowance for Probable Losses)

	2018			2017 As restated		
	Due within 1 year	Due beyond 1 year	Total	Due within 1 year	Due beyond 1 year	Total
Financial assets						
Cash and cash equivalents	48,137,857	0	48,137,857	41,940,002	0	41,940,002
Financial Assets at Amortised Cost	1,580,227,288	2,856,049,855	4,436,277,143	1,006,599,641	2,956,169,555	3,962,769,196
	1,628,365,145	2,856,049,855	4,484,415,000	1,048,539,643	2,956,169,555	4,004,709,198
Non-financial assets						
Investment properties	0	16,034,729	16,034,729	0	16,199,968	16,199,968
Equipment and other property for lease	0	30,229,918	30,229,918	0	347,448,629	347,448,629
Property and equipment	0	30,681,091	30,681,091	0	26,994,027	26,994,027
Non-current assets held for sale	0	308,858,250	308,858,250	0	0	0
Other assets	21,186,625	1,976,373	23,162,998	13,667,475	1,872,623	15,540,098
	21,186,625	387,780,361	408,966,986	13,667,475	392,515,247	406,182,722
Total assets	1,649,551,770	3,243,830,216	4,893,381,986	1,062,207,118	3,348,684,802	4,410,891,920
Financial liabilities						
Bills payable	2,196,315,390	620,450,577	2,816,765,967	1,629,898,375	792,384,039	2,422,282,414
Accounts payable-trade	14,523,296	0	14,523,296	1,752,628	0	1,752,628
Accrued interest payable	14,933,970	0	14,933,970	5,198,624	0	5,198,624
Other payables	57,154,101	0	57,154,101	71,451,292	0	71,451,292
Deposits on lease contracts	133,702,433	188,920,823	322,623,256	84,813,670	211,381,522	296,195,192
Inter-agency payable	14,273,740	0	14,273,740	11,902,710	0	11,902,710
Retirement liability	0	17,113,259	17,113,259	0	15,355,633	15,355,633
Total Liabilities	2,430,902,930	826,484,659	3,257,387,589	1,805,017,299	1,019,121,194	2,824,138,493

26. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Corporation has not set-off financial instruments in 2018 and 2017 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 P1,125,651,980 and P942,447,458 as of December 31, 2018 and 2017, respectively, can be offset by the amount of lease deposits amounting to P303,085,378 and P276,657,314 as of December 31, 2018 and 2017 (Note 21), respectively. The balance of lease contract receivables net of lease deposit amounted to P822,566,602 and P665,790,144 as of December 31, 2018 and 2017, respectively.

27. EARNINGS PER SHARE

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

	2018	2017 As restated
Net income after tax	115,206,082	94,074,941
Weighted average number of outstanding shares (Note 18)	48,555,254	48,555,253
Basic Earnings Per Share	2.37	1.94

As of January 1, 2017, there is an outstanding three treasury share which was re-issued during 2017 to the newly appointed directors of the Corporation.

Additional two shares were reacquired in 2018 following the resignations of two members of the Board of Directors.

There were no outstanding dilutive potential common shares as at December 31, 2018 and 2017.

28. FINANCIAL PERFORMANCE

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

	2018	2017 As restated
Return on average assets	2.56	2.30
Return on average equity	7.91	6.71
Return on investment	19.22	15.69
Debt to equity ratio	2.18:1	1.98:1
Solvency ratio	1.46:1	1.50:1

29. CONTINGENCIES

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 at December 31, 2018, Management does not anticipate significant losses from these contingencies and commitments that would adversely affect the Corporation's financial position and results of operations.

30. FINANCIAL STATEMENTS PRESENTATION

a. Restatement

The financial statements of the Corporation as of and for the year ended December 31, 2018 have been adjusted to reflect the transitional adjustments on the adoption of the PFRS 9 particularly the effects of adopting the estimated credit loss method of impairment assessment of financial assets.

The Corporation's December 31, 2017 financial statements have also been restated to reflect the adjustments relating to the following:

- a. Recognition of additional deferred tax for the provision for losses resulting from the adoption of PFRS 9
- b. Accrual of salary and other benefits upon the approval of the adoption of the modified salary standardization law in May 2018 effective January 1, 2017
- c. Adjustments on retirement benefits as a result of the latest Actuarial Valuation Report issued by an independent appraiser dated February 28, 2019 on LLFC's retirement plan as of December 31, 2017 reflecting the said changes in assumption upon adjustment of salary rates effective January 1, 2017
- d. Reversal of capitalized borrowing costs on Land purchased in 2014; and
- e. Reversal of over accrual for income tax payable resulting from the adjustment of employee benefits for 2017.

Reconciliation of statement of financial position

		December 31, 2017		
	Note	As Previously Reported	Effect of Restatement (In Philippine Peso)	As Restated
ASSETS				
Current portion of Financial Assets at Amortised Cost	8	1,004,990,653	(9,376,290)	995,614,363
Financial Assets at Amortised Cost, net of current portion	8	2,756,115,709	(7,636,299)	2,748,479,410
Equipment and other property for lease, net	10	387,613,629	(40,165,000)	347,448,629

December 31, 2017				
	Note	As Previously Reported	Effect of Restatement (In Philippine Peso)	As Restated
Deferred tax asset	24	60,498,851	5,103,777	65,602,628
LIABILITIES				
Inter-Agency payables	16	13,649,025	(1,746,315)	11,902,710
Other payables	17	63,203,070	8,248,222	71,451,292
Retirement liability	22(b)	13,090,546	2,265,087	15,355,633
EQUITY				
Retained earnings-unappropriated	18(b)	284,666,422	(55,973,624)	228,692,798
Re-measurement of retirement benefit obligation	18(c)	(420,984)	(4,867,182)	(5,288,166)

Reconciliation of statement of comprehensive income

December 31, 2017				
	Note	As Previously Reported	Effect of Restatement (In Philippine Peso)	As Restated
Interest Expense	15	61,763,892	12,335,130	74,099,022
Direct Expenses				
Provision for credit and impairment losses	14	17,500,000	7,254,755	24,754,755
Compensation and fringe benefits - Marketing operations	22(a)	12,315,816	5,070,398	17,386,214
General and Administrative Expenses				
Retirement expense*	22(a)	4,581,159	(2,602,095)	1,979,064
Salaries and wages*		6,997,938	2,033,164	9,031,102
Bonuses*		5,122,620	1,144,660	6,267,280
Income Tax Expense				
Current income tax	24	41,476,063	(3,132,995)	38,343,068
Deferred income tax	24	(4,726,647)	(2,176,427)	(6,903,074)
Other Comprehensive Income				
Re-measurement of retirement benefit obligation	18(c)	(309,460)	(4,867,182)	(5,176,642)

*Lodged under Compensation and other fringe benefits

b. Reclassification

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements following the adoption of PFRS 15 Revenue from Contracts with Customers.

As a result, certain line items have been amended in the statements of financial position and the related notes to the financial statements. Comparative figures have been adjusted to conform to the current year's presentation.

The items were reclassified as follows:

As of December 31, 2017

	As previously reported	Reclassification	As Reclassified
Statement of Comprehensive Income			
INTEREST INCOME			
Interest Income from finance			
lease facilities to LBP	114,179,619	(98,400,000)	15,779,619
Fleet management chauffeuring			
services	0	98,400,000	98,400,000

31. EVENTS AFTER THE REPORTING DATE

Cash Dividend Declaration

On April 25, 2019, the Board of Directors of LBP Leasing and Finance Corporation, through its Resolution No. 19-062, approved the declaration of cash dividends amounting to P42,874,000 or P0.883 per share on the 48,555,255 common stocks held by all stockholders of date of record, December 31, 2018.

32. SUPPLEMENTARY INFORMATION ON REVENUE REGULATIONS

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

On November 25, 2010, the BIR issued 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 Revenue Regulations (RR) No. 9-2004. LLFC is subject to percentage and other taxes (presented as Taxes and Licenses in the statement of comprehensive income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp tax. LLFC was also designated by the Bureau of Internal Revenue (BIR) as withholding tax agent under Revenue Regulations (RR) No. 17-2003 and RR No. 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 P16,476,901.

3. Other taxes paid during the year recognized under Taxes and Licenses account are the following:

Particulars	Amount
a. Local	
Realty Taxes	289,402
Licenses	1,084,766
Community Tax Certificate	10,500
b. National	
Annual Non-VAT Registration Fee	500
Gross Receipt Tax	25,605,685
	<u>26,990,853</u>

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

Compensation and benefits	5,789,586
Expanded withholding taxes	20,936,398
	<u>26,725,984</u>

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 starting CY 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 No. 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

	Taxable Amount under Regular Rate
Sale of services	403,837,072
Lease of Properties	55,865,443
	459,702,515

2. Cost of Sales/Services

	Amount under Special Rate	Amount under Regular Rate
Direct Charges - Salaries, Wages and Benefits	0	19,763,017
Direct Charges - Depreciation	0	8,218,860
Direct Charges - Outside Services	0	159,523,974
Direct Charges - Others	0	191,879,047
	0	379,384,898

3. Non-Operating and Taxable Other Income (Note 19)

Nature of Income	Special Rate		Regular Rate	
	Creditable Tax Withheld	Taxable Amount	Creditable Tax Withheld	Taxable Amount
	Gain on sale	0	0	0
Fleet Management Service Fee	0	0	0	8,972,080
Fleet Management Service				
Chauffeuring Fee	0	0	0	107,508,000
Miscellaneous income - net	0	0	0	5,533,689
	0	0	0	122,541,303

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 per cent of gross income may be claimed as an alternative deduction in computing for the RCIT.

The Corporation has opted to use the 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 RA 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 P16,476,901.

Other taxes paid during the year recognized under Taxes and Licenses account are the following:

Particulars	Amount
b. Local	
Realty Taxes	289,402
Licenses	1,084,766
Community Tax Certificate	10,500
b. National	
Annual Non-VAT Registration Fee	500
Gross Receipt Tax	25,605,685
	<u>26,990,853</u>

LBP LEASING AND FINANCE CORPORATION
SCHEDULE OF EFFECTIVE STANDARDS AND INTERPRETATIONS
AS AT DECEMBER 31, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendments to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures *	✓		
PFRS 8	Operating Segments			✓
PFRS 9	Financial Instruments	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures *	✓		
	Financial Instruments: Recognition and Measurement *	✓		
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture *			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations *			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts *			✓
PFRS 15	Revenue from contracts with customer	✓		
PFRS 16	Leases			✓
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization *	✓		
	Amendments to PAS 16: Bearer Plants *			✓
PAS 17	Leases	✓		
PAS 18	Revenue		✓	
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employment Contributions *			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Consolidated and Separate Financial Statements			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PAS 27 *			✓
PAS 28	Investments in Associates			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
	and Obligations Arising on Liquidation			
	Amendments to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization *	✓		
PAS 39	Financial Instruments: Recognition and Measurement			✓
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendments to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants *			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 11	PFRS 2 - Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for Construction of Real Estate *			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓
	Annual Improvements to PFRSs (2009-2011 Cycle) - PFRS 1, First-time Adoption of Philippine Financial Reporting Standards - PAS 1, Presentation of Financial Statements - Clarification of the Requirements for Comparative Information - PAS 16, Property, Plant and Equipment - Classification of Servicing Equipment - PAS 32, Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments - PAS 34, Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓ ✓ ✓ ✓ ✓
	Annual Improvements to PFRSs (2010-2012 Cycle) - PFRS 13 (Amendment), Fair Value Measurement - PFRS 2 (Amendment), Share-based Payment: Definition of Vesting Condition * - PFRS 3 (Amendment), Business Combinations: Accounting for Contingent Consideration in a Business Combination * - PFRS 8 (Amendments), Operating Segments: Aggregation of Operating Systems and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets * - PAS 16 (Amendment), Property, Plant and Equipment and PAS 38 (Amendment): Intangible Assets * - PAS 24 (Amendment), Related Party Disclosures *	✓		✓ ✓ ✓ ✓ ✓
	Annual Improvements to PFRSs (2011-2013 Cycle) - PFRS 1 (Amendment), First-time Adoption of Philippine Financial Reporting Standards: Meaning of "Effective PFRSs" - PFRS 3 (Amendment), Business Combinations: Scope Exceptions for Joint Arrangements * - PFRS 13 (Amendment), Fair Value Measurement: Portfolio Exception * - PAS 40 (Amendment), Investment Property *			✓ ✓ ✓ ✓
	Annual Improvements to PFRSs (2012-2014 Cycle)			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
	- PFRS 5 (Amendment), Non-current Assets Held for Sale and Discontinued Operations: Changes in Methods of Disposal *			✓
	- PFRS 7 (Amendment), Financial Instruments: Disclosures - Servicing Contracts *			✓
	- PFRS 7 - Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Report *			✓
	- PAS 19 (Amendment), Employee Benefits: Regional Market Issue Regarding Discount Rate *			✓
	- PAS 34 (Amendment), Interim Financial Reporting: Disclosure of Information "Elsewhere in the Interim Financial Report *			✓

* Issued but not yet effective

LBP LEASING AND FINANCE CORPORATION
BALANCE SHEET
As of December 31, 2018

563,239,270.00 563,239,270.00

	2018 UNADJUSTED	REFERENCES	DEBIT	CREDIT	2018 AS ADJUSTED
ASSETS					
Cash on Hand	2,000.00				2,000.00
Checks and Other Cash Items					
Deposits in Bank	42,422,699.68	AJE24, AJE25	5,668,157.37		48,090,857.05
	<u>42,424,699.68</u>				<u>48,092,857.05</u>
Receivables/Loans					
Lease Contracts Receivable	2,174,376,554.10	AJE25		1,895,780.09	2,177,481,274.01
Deferred Leasing Income	(557,942,452.66)	AJE25	282,085.29		(557,660,367.37)
Net Lease Contracts Receivable	1,616,434,101.44				1,614,820,906.64
Lease Contracts Receivable - LBP	363,036,103.67	PY33, AJE2	108,572,520.00	108,572,520.00	363,036,103.67
Deferred Leasing Income - LBP	(210,283,152.55)	PY33, AJE2	77,965,632.48	77,965,632.48	(210,283,152.55)
Net Lease Contracts Receivable - LBP	152,752,951.12				152,752,951.12
Other Loans/Receivable	1,916,418,949.80	AJE25		49,996.00	1,916,368,953.80
Receivable Financed	1.00				1.00
Net Receivable Financed	1.00				1.00
Past Due Receivables	130,008,433.18				130,008,433.18
Past Due Unearned Credits	(1,022,374.08)				(1,022,374.08)
Net Past Due Receivables	128,986,059.10				128,986,059.10
Restructured Accounts	200,557,447.83				200,557,447.83
Restructured Unearned Credits	(24,017,258.28)				(24,017,258.28)
Net Restructured Accounts	176,540,149.55				176,540,149.55
Past Due Restructured Accounts	99,455,743.38				99,455,743.38
Past Due Restructured Unearned Credits	(2,757,534.20)				(2,757,534.20)
Net Past Due Restructured Accounts	96,698,209.18				96,698,209.18
Items in Litigation	76,858,115.06				76,858,115.06
Items in Litigation Unearned Credits	(7,222,417.86)				(7,222,417.86)
Net Items in Litigation	69,635,697.20				69,635,697.20
Receivable/Loan before Provision	<u>4,157,466,118.39</u>				<u>4,155,862,927.99</u>
General Loan Loss Provision	(12,242,749.76)	AJE3, AJE16, AJE17, AJE18	4,241,524.49	17,709,247.80	(26,710,473.07)
Allowance for Probable Loss - Loans/Leases	(127,055,400.30)	AJE6	53,487,685.27		(73,567,715.03)
Allowance for Probable Loss - Restructured Accounts	(36,935,154.98)				(36,935,154.96)
Allowance for Probable Loss - Items under Litigation	-	AJE6		53,487,685.27	(53,487,685.27)
Net Receivables/Loan	<u>3,980,232,813.35</u>				<u>3,965,101,899.24</u>
Other Receivables					
Accounts Receivable - Clients	7,195,732.56	AJE25		3,636,246.57	3,559,485.99
Less: Allowance for Probable Losses	(2,738,270.81)	AJE11	379,952.81		(2,358,278.00)
Accounts Receivable - Operating Leases (LBP)	60,725,926.81				60,725,926.81
Accounts Receivable - LBP	210,139,988.42	AJE10			210,139,988.42
Less: Allowance for Probable Losses (LBP)	-			2,708,659.15	(2,708,659.15)
Accrued Interest Receivable	5,446,388.46				5,446,388.46
Allowance for Probable Loss - Accrued Interest Receivable	-	AJE16		54,464.00	(54,464.00)
Sales Contract Receivable	-				-
Total Other Receivables	<u>280,769,765.44</u>				<u>274,750,388.53</u>
	<u>4,261,002,578.79</u>				<u>4,239,852,287.77</u>
Equipment & Other Properties for Lease					
Equipment & Other Properties for Lease	78,951,061.50	PY33, AJE2	29,802,604.00	29,802,604.00	78,951,061.50
Accumulated Depreciation	(48,721,143.48)				(48,721,143.48)
Net Equipment & Other Properties for Lease	30,229,918.02				30,229,918.02
Real Property, Furniture, Fixtures & Equipment					
Real Property - Building	42,566,207.14				42,566,207.14
Accumulated Depreciation - Building	(19,458,120.15)				(19,458,120.15)
Furniture, Fixtures & Equipment	18,536,910.77				18,536,910.77
Accumulated Depreciation - FFE	(10,963,906.34)				(10,963,906.34)
Net Real Property, Furniture, Fixtures & Equipment	30,681,091.42				30,681,091.42
Real & Other Properties Owned or Acquired					
Real & Other Properties Owned or Acquired Investment Property	13,122,878.02	L, PY24, PY25, PY29, RE4, PY1, PY8, PY26, PY27, PY28, PY29, AJES, AJE3	9,060,726.08	5,267,603.05	16,916,001.05
Accumulated Depreciation - Investment Property	(681,333.12)		296,294.96	496,233.94	(881,272.09)
Less: Allowance for Probable Losses - Investment Property	(2,095,997.78)			4,241,524.49	(6,337,516.77)
Property, Plant and Equipment	-				-
Accumulated Depreciation - PPE	-				-
Non-Current Assets Held for Sale	350,070,891.78	PY18, PY19, PY34, AJE4, AJE26	11,839,117.96	52,051,759.74	308,858,250.00
Less: Allowance for Probable Losses - NCAHS	<u>360,416,444.40</u>				<u>318,555,462.19</u>
	<u>360,416,444.40</u>				<u>318,555,462.19</u>
Other Assets					
Accounts Receivable - Employees/Others	486,797.14				486,797.14
Less: Allowance for Probable Losses	-	AJE16		415,269.56	(416,269.56)
Petty Cash Fund	45,000.00				45,000.00
Stationeries & Supplies Unissued	173,514.86				173,514.86
Prepaid Expenses	12,211,768.99	D, M	307,889.00	307,889.00	12,211,768.99
Advances to Suppliers	115,630.00				115,630.00
Less: Allowance for Probable Losses	-	AJE16		1,156.30	(1,156.30)
Deferred Tax Assets	66,280,995.54	E, M, O, RE1, RE3, RE5, RE6, PY5, PY20, PY22, PY32, AJE1, AJE19, AJE20, AJE21	11,248,103.00	19,981,651.00	57,547,447.54
Intangibles	686,011.59				686,011.59
Miscellaneous Asset	1,274,055.18				1,274,055.18
Miscellaneous Asset - Creditable Tax Certificates	8,801,340.26				8,801,340.26
Other Investment	16,000.00				16,000.00
Other Assets - Nominal Value	306.00				306.00
Total Other Assets	<u>90,091,419.47</u>				<u>80,940,445.61</u>
TOTAL ASSETS	<u>4,814,846,151.78</u>				<u>4,748,352,062.06</u>

LBP LEASING AND FINANCE CORPORATION
BALANCE SHEET
As of December 31, 2018

	2018 UNADJUSTED	REFERENCES	DEBIT	CREDIT	2018 AS ADJUSTED
LIABILITIES AND STOCKHOLDERS' EQUITY					
LIABILITIES					
Bills Payable	2,816,765,967.04				2,816,765,967.04
Accounts Payable - Supplier	14,523,295.26				14,523,295.26
Accounts Payable - Others	565,763.27	AJE24		3,786.24	569,549.51
Withholding Tax Payable	2,049,880.24				2,049,880.24
Accrued Interest Payable	14,933,970.31				14,933,970.31
Accrued Other Expenses Payable	32,952,255.75				32,952,255.75
Accrued Other Taxes & Licenses Payable	8,049,932.03	PY18, PY33, AJE4, AJE25	426,021.18	440,167.93	8,064,078.78
Accrued Income Tax Payable	5,463,343.71	M, PY4, PY6, AJE22, AJE23, ITC 1	4,699,115.00	3,298,289.00	4,062,517.21
Dividends Payable	-				-
SSS Payable	36,282.82				36,282.82
Paq-Ibig Fund Payable	36,685.70				36,685.70
Phil. Health Payable	24,295.26				24,295.26
Fringe Benefit Tax Payable	-				-
Miscellaneous Liabilities	23,550,116.04	AJE25 RE2, RE3, PY2, PY10, PY11, PY12, PY16, PY32, PY35, AJE11, AJE12, AJE13	10,670,901.00	82,188.00	23,632,296.04
Retirement Liability	13,389,290.39			14,394,871.00	17,113,258.38
Deposits on Lease Contracts	287,067,717.71				287,067,717.71
Deposits on Lease Contracts - BP	35,555,538.00				35,555,538.00
TOTAL LIABILITIES	<u>3,254,964,332.02</u>				<u>3,257,387,588.01</u>
STOCKHOLDERS' EQUITY					
Capital Stock - Common	485,552,550.00				485,552,550.00
Additional Paid Capital	113,970,900.12				113,970,900.12
Treasury Stock	(20.00)				(20.00)
Total Capital Stock	<u>599,523,430.12</u>				<u>599,523,430.12</u>
Retained Earnings - Fixed	249,994,576.46		109,392,029.75	39,777,751.74	180,380,298.45
Retained Earnings - Appropriated	600,000,000.00				600,000,000.00
Net Income	110,363,812.38	IS PFRS Conversion	115,761,855.35	120,604,166.66	115,206,083.48
	<u>960,358,388.84</u>				<u>895,586,381.93</u>
Net Unrealized Gain/(Loss)					
AFS	-	RE7, PY20	1,747,500.00	1,747,500.00	
Gain on exchange/foreclosure	-				
Retirement obligation	-	D, N, O, RE2, RE3, PY3, PY11, PY12, PY16, PY35, AJE11, AJE12	7,389,473.00	3,244,135.00	(4,145,338.00)
	<u>-</u>				<u>(4,145,338.00)</u>
TOTAL STOCKHOLDERS' EQUITY	<u>1,559,881,818.76</u>				<u>1,490,964,474.05</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>4,814,846,151.78</u>				<u>4,748,352,062.06</u>
			563,239,270.00	563,239,270.00	

LBP LEASING AND FINANCE CORPORATION
INCOME STATEMENT
for the year ended December 31, 2018

	2018 UNADJUSTED	REFERENCES	DEBIT	CREDIT	2018 AS ADJUSTED
REVENUES					
Interest Income					
Interest Income on Other Loans Receivable - FL	54,704,408.90	AJE21		262,065.29	54,966,474.19
Interest Income on Other Loans Receivable - FL LBP	186,093,600.40	AJE2, AJE14	102,312,263.52		79,781,336.88
Interest Income on Other Loans Receivable - FL BIR	101,738,994.26				101,738,994.26
Interest, Discount and Finance Fees					
	<u>344,537,003.56</u>				<u>236,506,805.33</u>
Interest Income on Other Loans Receivable	167,330,267.03				167,330,267.03
Income from Deposits in Banks	148,433.87	AJE21		679.73	149,113.60
Interest Income - Investments					
Interest Income - Others					
	<u>148,433.87</u>				<u>149,113.60</u>
Total Interest Income	<u>512,015,704.46</u>				<u>403,886,185.88</u>
Other Income					
Operating Lease Income	55,865,443.00				55,865,443.00
Fleet Management Service Fee	8,972,690.00				8,972,690.00
Fleet Management Service Challenging Fee		AJE14		107,568,800.00	107,568,800.00
Rental - Investment Property					
Profit/(Loss) from Assets Sold/Exchanged	527,534.36				527,534.36
Income from Assets Acquired					
Gain/(Loss) from Derecognition of Non-Financial Assets					
Gain/(Loss) from Derecognition of Financial Assets					
Recovery on Charged-Off Assets	50,840.49				50,840.49
Service Charges and Fees					
Miscellaneous Income/(Loss)	5,482,648.48				5,482,648.48
Total Other Income	<u>70,898,746.33</u>				<u>178,408,746.33</u>
Total Revenue	<u>582,914,450.79</u>				<u>582,392,932.29</u>
Less: Direct Expenses					
Interest Expense - FL	3,833,001.83				3,833,001.83
Interest Expense - Operating Lease	1,440,256.43				1,440,256.43
Interest Expenses	138,669,728.34	AJE4, AJE21, AJE26	1,047,641.76	1,130,656.96	97,726,512.86
Documentary & Science Stamp Used	16,476,901.49	AJE25	11.75		16,476,913.24
Provision for Probable Losses	29,500,000.00	AJE16	3,497,215.00		32,997,215.00
Depreciation-Eqpt. & Other Prop. for Lease	8,218,860.42				8,218,860.42
Compensation and Fringe Benefits - Marketing Operations	19,763,917.30				19,763,917.30
Transfer Mortgage and Registrations Fees - LBP (FL)	781,809.98				781,809.98
Transfer Mortgage and Registrations Fees - OL	196,547.02				196,547.02
Transfer Mortgage and Registrations Fees	65,606.24				65,606.24
Insurance - LBP (FL)	4,821,115.65				4,821,115.65
Insurance - Operating Lease	1,232,244.80				1,232,244.80
Insurance - BIR	1,252,554.98				1,252,554.98
Repairs and Maintenance - LBP (FL)	2,448,745.65				2,448,745.65
Repairs and Maintenance - Operating Lease	1,617,434.83				1,617,434.83
Security, Mgmt, Janitorial & Contractual Services - LBP(FL)	135,848,837.30				135,848,837.30
Security, Mgmt, Janitorial & Contractual Services - OL	23,675,136.80				23,675,136.80
Management and Other Professional Fees - OL					
Total Direct Expenses	<u>359,441,798.76</u>				<u>352,399,810.33</u>
Gross Income	223,472,652.03				229,787,121.96
GENERAL AND ADMINISTRATIVE EXPENSES					
Taxes and Licenses - FL	11,854,403.26	AJE2		40,214.18	11,814,189.08
Taxes and Licenses - Operating Lease	2,793,272.15				2,793,272.15
Taxes and Licenses - Loan	8,522,134.56				8,522,134.56
Taxes and Licenses - BIR	1,692,842.06				1,692,842.06
Taxes and Licenses	2,154,268.24	AJE25	14,148.75		2,168,416.99
Compensation and Fringe Benefits	22,031,603.91	AJE13		333,165.00	21,998,438.91
Interest Expense - Office Space Amortization					
Management and Other Professional Fees	30,738.00				30,738.00
Membership Fees and Dues	891,350.47				891,350.47
Insurance	469,237.17				469,237.17
Depreciation-Furn., Fixtures and Eqpt	1,230,586.51				1,230,586.51
Depreciation - Building	1,256,776.32				1,256,776.32
Depreciation - PPE (Ropoa)					
Depreciation - Investment Property (Ropoa)	127,749.96	AJE5	37,488.56		165,238.52
Amortization of Intangibles	300,349.55				300,349.55
Litigation Assets Acquired Expenses	1,024,116.40				1,024,116.40
Rent	203,372.00				203,372.00
Power, Light and Water	1,132,433.11				1,132,433.11
Fuel and Lubricants	340,565.38				340,565.38
Transportation and Traveling	2,791,860.08				2,791,860.08
Representation and Entertainment	2,914,311.58	AJE21		0.50	2,914,311.08
Repairs and Maintenance	1,131,569.53				1,131,569.53
Security, Messengerial, Janitorial & Contractual Services	4,043,362.07				4,043,362.07
Data Processing Charges	73,386.48				73,386.48
Bank Charges	19,752.00				19,752.00
Postage, Cables, Teleshore and Telegram	786,826.20				786,826.20
Stationeries and Supplies Issued	602,454.40				602,454.40
Information Technology Expense	498,215.80				498,215.80
Advertising and Publicity	746,216.00				746,216.00
Fines Penalties & Other Charges	93,174.00				93,174.00
Periodicals and Magazines	21,384.00				21,384.00
Donation and Other Charitable Contribution	77,800.00				77,800.00
Fringe Benefit Tax					
Miscellaneous Expenses	477,385.08				477,385.08
Total Expenses	<u>70,342,888.85</u>				<u>70,021,267.48</u>
Net Income Before Income Tax	153,129,655.18				159,775,869.48
Less: Provision for Income Tax	34,782,437.00	ITC 1	1,732,169.00		36,514,606.00
Income Tax Expense - Prior Years	(1,261,500.00)	PY31	1,061,500.00		
Deferred Tax Expense					
Income Tax Benefit	9,244,900.00	AJE1, AJE19	59,439.00	1,649,165.00	8,055,100.00
Total Income Tax Expenses	<u>42,765,843.00</u>				<u>44,569,786.00</u>
Net Income After Income Tax	<u>110,363,812.18</u>		<u>115,761,895.26</u>	<u>120,604,166.66</u>	<u>115,206,083.48</u>
Other Comprehensive Income					
Unrealized gain/(loss) on AFS					
Unrealized gain/(loss) on exchange/reacquisition					
Actuarial gain/(loss) or measurement of retirement obligation		AJE12		1,142,828.00	1,142,828.00
	<u>110,363,812.18</u>		<u>115,761,895.26</u>	<u>121,746,994.66</u>	<u>116,348,911.48</u>

PRUDENTIAL TO PFRS ENTRIES: (2016 ENTRIES WITH IMPACT ON 2017 BEGINNING BALANCES)

Ref.	Particulars	DR	CR
D	Retained earnings	423,762.00	
	Actuarial Loss from changes in financial assumption - OCI	13,985.00	
	Prepaid Expense		307,889.00
	Actuarial Gain from Experience Adjustment - OCI		129,858.00
	<i>To record adjustment in the funding of the retirement obligation</i>		
E	Retained earnings	4,622,862.00	
	Deferred tax asset		4,622,862.00
	<i>To adjust balance of Deferred Tax Asset</i>		
L	Investment Property - ROPOA	3,504,582.00	
	Retained Earnings, January 2017 (Investment Property)		3,504,582.00
	<i>To set up the Fair Market Value of ROPA used as cost per PFRS as of Jan 2017</i>		
M	Prepaid Expense	307,889.00	
	Deferred Tax Asset	1,836,733.00	
	Accrued Income Tax Payable		179,440.00
	Retained Earnings		1,965,182.00
N	Retained Earnings	508,853.00	
	Net remeasurement gain - OCI		508,853.00
O	Actuarial Gain from Experience Adjustment - OCI	38,958.00	
	Actuarial Loss from changes in financial assumption - OCI		4,196.00
	Deferred Tax Liability (netted to DTA)		34,762.00
		<u>11,257,624.00</u>	<u>11,257,624.00</u>

2014 Restatement entries affecting 2018 beginning balances - BS Only

RE 1	Retained earnings	420,000.00	
	Deferred tax asset		420,000.00
	<i>To revert the deferred tax asset recognized on actuarial gains - net.</i>		
RE 2	Retained earnings	7,403,223.00	
	Actuarial gain in OCI	405,030.00	
	Retirement liability		7,808,253.00
	<i>To bring the balance of defined benefit obligation to its proper balance as of December 31, 2013.</i>		
RE 3	Actuarial loss - OCI	535,792.00	
	Retirement expense	9,448.00	
	Deferred tax liability (previously offset against DTA)	34,762.00	
	Retirement liability		580,002.00
	<i>To correct the balance of pension cost and liability as of December 31, 2014.</i>		
RE 4	Depreciation - Investment properties	133,253.00	
	Accumulated depreciation - Investment Properties		133,253.00
	<i>To recognize additional depreciation on investment properties - PFRS conversion.</i>		
RE 5	Retained earnings	99,067.00	
	Deferred tax asset - allowance for losses		99,067.00
	<i>To bring the deferred tax asset balance to its proper amount as of December 31, 2013</i>		
RE 6	Retained earnings	829,138.00	
	Deferred tax asset - allowance for losses		829,138.00
	<i>To bring the deferred tax asset balance to its proper amount as of December 31, 2014.</i>		
RE 7	Retained earnings	1,747,500.00	
	Unrealized loss on AFS - OCI		1,747,500.00
	<i>To correct entry made upon recording unrealized loss on AFS - OCI.</i>		
		<u>11,617,213.00</u>	<u>11,617,213.00</u>

2015 Adjustments affecting 2018 balances

PY 1	Depreciation expense - Investment property	99,939.00	
	Accumulated depreciation - Investment property		99,939.00
	<i>To account for additional depreciation expense based on PFRS</i>		
PY 2	Retirement expense	1,833,736.00	
	Retirement liability		1,833,736.00
	<i>To recognize pension cost for 2015</i>		
PY 3	Actuarial loss - OCI	596,739.00	
	Retirement liability		596,739.00
	<i>To recognize actuarial loss for 2015</i>		
PY 4	Income tax payable	179,440.00	
	Retained earnings		179,440.00
	<i>To revert the effect of over provisioning for income tax payable - 2014</i>		
PY 5	Deferred tax asset	3,223,666.00	
	Retained earnings		3,223,666.00
	<i>To bring the deferred tax asset account to its proper balance</i>		
PY 6	Income tax payable	1,386,680.00	
	Income tax expense		1,386,680.00
	<i>To account for income tax liability in 2015 based on restated amounts</i>		

2016 Adjustments affecting 2018 balances

PY 9	Depreciation expense - Investment property (ROPA)	124,962.00	
	Accumulated depreciation - Investment property (ROPA)		124,962.00
	<i>To properly account for depreciation expense on investment property - Integrated Energy Systems, Inc.</i>		
PY 10	Retirement benefit expense (P/L)	144,090.00	
	Retirement benefit obligation		144,090.00
	<i>To revert the effect of JV no. 16-12-163</i>		
PY 11	Retirement benefit obligation	2,870,088.00	
	Actuarial loss in OCI	312,867.00	
	Retained earnings, beg.		3,182,955.00
	<i>To restate the 2015 balances based on the latest Actuarial report</i>		
PY 12	Retirement benefit expense (P/L)	1,965,046.00	
	Actuarial gain in OCI		798,082.00
	Retirement benefit obligation		1,166,964.00
	<i>To recognize retirement cost and actuarial gains for 2016</i>		
PY 16	Retirement liability	5,138,900.00	
	Retained earnings - 2014		4,788,042.00
	Accumulated actuarial losses		350,858.00
	<i>To correct the 2014 balances in relation to the results of the Actuarial Valuation Report</i>		
PY 18	AOTLP - GRT	385,807.00	
	Retained earnings	7,330,336.00	
	EOPL - FL (FRC)		7,716,143.00
	<i>To reverse interest income accrued on the FRC Project for 2015 - AOM No. 4</i>		
PY 19	EOPL	62,454.00	
	Interest income		62,454.00
	<i>To properly account for the amount of borrowing cost that may be capitalized in 2016</i>		
PY 20	Unrealized loss on AFS - OCI	1,747,500.00	
	Deferred tax asset		1,747,500.00
	<i>To derecognize DTA erroneously recognized on unrealized loss on AFS</i>		

PY 22	Provision for tax - deferred Deferred tax asset To reverse DTA on write-offs CY2016	11,645,530.00	11,645,530.00
2017 Adjustments affecting 2018 balances			
PY 24	Investment property Gain/(Loss) from Derecognition of Financial Assets To properly account for gain on exchange for ROPA under redemption period	5,267,603.05	5,267,603.05
PY 25	Investment property Gain/(Loss) from Derecognition of Financial Assets To properly account for gain on exchange for ROPA under redemption period	288,541.03	288,541.03
PY 26	Depreciation expense - Investment property (ROPA) Accumulated depreciation - Investment property (ROPA) To properly account for depreciation expense on investment property - RB Montevista	63,102.82	63,102.82
PY 27	Depreciation expense - Investment property (ROPA) Accumulated depreciation - Investment property (ROPA) To properly account for depreciation expense on investment property - Cliref	37,488.56	37,488.56
PY 28	Accumulated depreciation - Investment property (ROPA) Depreciation expense - Investment property (ROPA) To correct accumulated depreciation as of December 31, 2017 Cliref Property	233,192.14	233,192.14
PY 29	Profit/(Loss) from Assets Sold/Exchanged Accumulated depreciation- Investment Property Investment property To close account for the sale of ROPA in 2017 RB Montevista	5,204,500.23 63,102.82	5,267,603.05
PY 31	Income tax expense - PY Provision for income tax - current To record adjustment of income tax expense per income tax computation based on audited figures for CY 2017	1,061,500.00	1,061,500.00
PY 32	Provision for tax - deferred Deferred tax asset To reverse DTA on write-offs	523,353.00	523,353.00
PY 33	Lease Contracts Receivable - LBP Taxes and Licenses - FL Deferred Leasing Income - LBP Interest Income on Other Loans/Receivable - FL LBP EOPL - FL LBP AOTLP - GRT to record lease receivable from 29 Innova Units commence in 2018 and the related interest income earned during the year	108,572,520.00 40,214.18	77,965,632.48 804,283.52 29,802,604.00 40,214.18
PY 34	Interest expense EOPL - FL (FRC) To reverse over capitalized cost on the FRC Project made in 2017	4,122,974.96	4,122,974.96
PY 35	Retirement benefit obligation Actuarial loss in OCI Retirement benefit expense (P/L) To recognize retirement cost and actuarial loss for 2017	1,185,922.00 309,460.00	1,495,382.00

2018 Adjustments

Ref.	Particulars	DR	CR
AJE 1	Provision for tax - deferred Deferred tax asset To reverse DTA on write-offs (AR)	59,439.00	59,439.00
AJE 2	Deferred Leasing Income - LBP Interest Income on Other Loans/Receivable - FL LBP EOPL - FL LBP AOTLP - GRT Lease Contracts Receivable - LBP Taxes and Licenses - FL To reverse entry made in relation to PY33	77,965,632.48 804,283.52 29,802,604.00 40,214.18	108,572,520.00 40,214.18
AJE 3	General Loan/Loss Provision Allowance for Loss - Investment Property (ROPA) To allocate the general loss provision	4,241,524.49	4,241,524.49
AJE 4	NCAHS -FRC project AOTLP-GRT Interest expense To close out FRC adjustments(PY18, PY19, PY34)	11,776,663.96	385,807.00 11,390,856.96
AJE 5	Depreciation expense - Investment property (ROPA) Accumulated depreciation - Investment property (ROPA) To properly account for depreciation expense on investment property - Cliref	37,489	37,489
AJE 6	General Loan/Loss Provision Allowance for probable losses - Loans/Leases Allowance for probable losses - Items in litigation To properly allocate provision for probable losses	53,487,685	53,487,685
AJE 7	Loans and receivables, non-current Loans and receivables, current To properly classify loans and receivables based on maturity	2,681,747,577	2,681,747,577
AJE 8	Other assets, non-current Other assets,current To properly classify other assets based on maturity	1,976,373	1,976,373
AJE 9	Deposits on lease contracts, current Deposits on lease contracts, non-current To properly classify deposits on lease contracts based on maturity	188,920,823	188,920,823
AJE 10	Bills payable, current Bills payable, non-current To properly classify bills payable based on maturity	620,450,577	620,450,577
AJE 11	Retained Earnings Retirement benefit obligation Actuarial loss in OCI To reverse retirement cost and actuarial loss booked in 2017	1,495,382	1,185,922 309,460
AJE 12	Actuarial loss in OCI Retirement benefit obligation Retirement benefit expense (P/L) To recognize retirement cost and actuarial loss for 2017 based on revised actuarial report	5,176,642	1,079,165 4,097,477

AJE 13	Retirement benefit obligation	1,475,993	
	Actuarial gain in OCI		1,142,828
	Retirement benefit expense (P/L)		333,165
	<i>To recognize retirement cost and actuarial gains for 2018</i>		
AJE 14	Interest Income on Other Loans/Receivable - FL LBP	107,508,000	
	Fleet Management Service Chauffeuring Fee		107,508,000
	<i>To properly account for FMS Chauffeuring Fee for CY2018</i>		
AJE 15	Interest Income on Other Loans/Receivable - FL LBP	98,400,000	
	Fleet Management Service Chauffeuring Fee		98,400,000
	<i>To properly account for FMS Chauffeuring Fee for CY2017</i>		
AJE 16	Provision for Probable Losses	3,497,215	
	Allowance for Probable Loss - AR clients	379,993	
	Allowance for Probable Loss - Accrued Interest Receivable		54,464
	Allowance for Probable Loss - AR employees		416,270
	Allowance for Probable Loss - AR LBP		2,708,659
	Allowance for Probable Loss - Due to NGA		1,156
	General Loan/Loss Provision		696,659
	<i>To adjust provision for losses based on PFRS 9 for 2018</i>		
AJE 17	Retained Earnings - Free	7,254,755	
	General Loan/Loss Provision		7,254,755
	<i>To adjust provision for losses based on PFRS 9 for 2017</i>		
AJE 18	Retained Earnings - Free	9,757,834	
	General Loan/Loss Provision		9,757,834
	<i>To adjust provision for losses based on PFRS 9 for 2016</i>		
AJE 19	Deferred tax asset	1,049,165	
	Income Tax Benefit		1,049,165
	<i>To recognize DTA on additional provision based on PFRS 9 for 2018</i>		
AJE 20	Deferred tax asset	2,176,427	
	Retained Earnings - Free		2,176,427
	<i>To recognize DTA on additional provision based on PFRS 9 for 2017</i>		
AJE 21	Deferred tax asset	2,927,350	
	Retained Earnings - Free		2,927,350
	<i>To recognize DTA on additional provision based on PFRS 9 for 2016</i>		
AJE 22	Retained Earnings - Free	1,386,680	
	Income tax payable		1,386,680
	<i>To correct income tax payable balance</i>		
AJE 23	Income tax payable	3,132,995	
	Retained Earnings - Free		3,132,995
	<i>To record adjustment of income tax expense per income tax computation based on restated figures for CY 2017</i>		
AJE 24	Deposits in Bank	3,786	
	Accounts Payable - Others		3,786
	<i>to properly reflect cash in bank balance as a result of stale checks outstanding as of December 31, 2018</i>		
AJE 25	Deposits in Bank	5,664,371.13	
	Deferred Leasing Income	282,085.29	
	Documentary & Science Stamp Used	11.75	
	Interest Expenses	0.01	
	Taxes and Licenses	14,146.75	

Other Loans/Receivable		49,996.00
Lease Contracts Receivable		1,895,280.09
Accounts Receivable - Clients		3,636,246.57
Miscellaneous Liabilities		82,180.00
Interest Income on Other Loans/Receivable - FL		282,085.29
Accrued Other Taxes & Licenses Payable		14,146.75
Income from Deposits in Banks		679.73
Representation and Entertainment		0.50
<i>to properly reflect cash in bank balance as a result of identified bank credits booked in 2019 that should be r</i>		

AJE 26	Retained Earnings - Free	40,165,000.01	
	Interest Expenses	1,047,641.77	
	NCAHS -FRC project		41,212,641.78
<i>to properly derecognize capitalized borrowing costs included in book value of NCAHS</i>			

ITC 1	Provision for income tax - current	1,732,169.00	
	Income tax payable		1,732,169.00
<i>To record adjustment of income tax expense per income tax computation based on audited figures for CY 2018</i>			

		3,564,134,094	3,564,134,094
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LBP LEASING AND FINANCE CORPORATION
(A LANDBANK SUBSIDIARY)

LBP LEASING & FINANCE CORP.

29 Jul 2019
CERTIFIED TRUE COPY

MEMORANDUM

For : THE PRESIDENT
From : THE CORPORATE SECRETARY
Subject : BOARD RESOLUTION No. 19-095
Date : JULY 26, 2019

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Please be informed that during the Meeting of the Board of Directors last June 27, 2019, the following resolution was unanimously adopted/approved for your information/appropriate action/implementation

BOARD RESOLUTION NO. 19-095

"RESOLVED, as it is hereby resolved, that the 2018 COA Annual Audit Report (AA) and Agency Action Plan, the details of which are contained and under such representations and considerations stated in the memo for the Board dated 24 June 2019 be, as it is hereby, **noted.**"

Thank you.


FELIX L. MANLANGIT