



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

INDEPENDENT AUDITOR'S REPORT

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



We have audited the accompanying financial statements of **LBP Insurance Brokerage, Inc.** (a wholly-owned subsidiary of Land Bank of the Philippines), which comprise the statements of financial position as at December 31, 2016 and 2015, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **LBP Insurance Brokerage, Inc.** as of December 31, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

COMMISSION ON AUDIT


CORA D. MARQUEZ
Supervising Auditor

17 March 2017



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

ANNUAL AUDIT REPORT

on the

LBP INSURANCE BROKERAGE, INC.
(A wholly-owned subsidiary of Land Bank of the Philippines)

For the Years ended December 31, 2016 and 2015



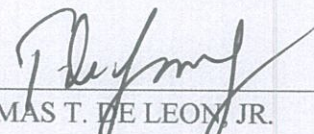
LBP INSURANCE BROKERAGE, INC.
(A LANDBANK Subsidiary)

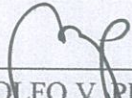
**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR ANNUAL INCOME TAX RETURN**

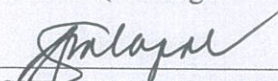
The Management of LBP (Land Bank of the Phils.) Insurance Brokerage, Inc. is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2016. Management is likewise responsible for all information and representations contained in the financial statements accompanying the (Annual Income Return or Annual Information Return) covering the same reporting period. Furthermore, the management is responsible for all information and representations contained in all the other tax returns filed, for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

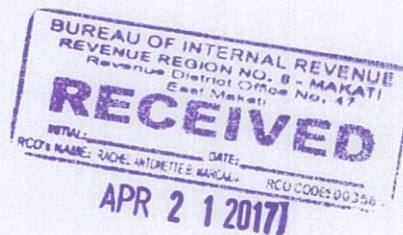
In this regard, the Management affirms that the attached Audited Financial Statements for the year ended December 31, 2016 and the accompanying Annual Income Tax Return are in accordance with the books and records of LBP (Land Bank of the Phils.) Insurance Brokerage, Inc., complete and correct in all material respects. Management likewise affirms that:

- (a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- (b) any disparity of figures in the submitted reports arising from the preparation of financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
- (c) the LBP (Land Bank of the Phils.) Insurance Brokerage, Inc. has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

Signature: 
TOMAS T. DE LEON, JR.
Chairman/OIC

Signature: 
RODOLFO V. PESTAÑO
General Manager

Signature: 
SHIRLEY A. PALAPAL
Accounting Head





Republic of the Philippines
COMMISSION ON AUDIT
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CORPORATE GOVERNMENT SECTOR
CLUSTER 1 – BANKING AND CREDIT

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of **LBP Insurance Brokerage, Inc.** (a wholly-owned subsidiary of Land Bank of the Philippines), which comprise the statements of financial position as at December 31, 2016 and 2015, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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



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

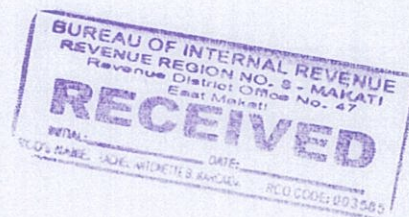
Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **LBP Insurance Brokerage, Inc.** as of December 31, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

COMMISSION ON AUDIT

Cora D. Marquez
CORA D. MARQUEZ
Supervising Auditor

17 March 2017



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LBP INSURANCE BROKERAGE, INC.
(A LANDBANK Subsidiary)

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

The management of **LBP (Land Bank of the Phils.) Insurance Brokerage, Inc.** is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2016 and 2015, in accordance with Philippine Financial Reporting Standards (PFRS), including the following additional supplemental information filed separately from the basic financial statements:

- a. Reconciliation of Retained Earnings Available for Dividend Declaration, and
- b. Schedule of PFRS Effective as of December 31, 2016

Management responsibility on the financial statements includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements, and the additional supplementary information.

Commission on Audit, the independent auditor, has examined the financial statements of **LBP (Land Bank of the Phils.) Insurance Brokerage, Inc.**, in accordance with Philippine Public Sector Standards on Auditing and, in its report to the Board of Directors, has expressed its opinion on the fairness of presentation upon completion of such examination.

Signature:
TOMAS T. DE LEON, JR.
Chairman of the Board/OIC

Signature:
RODOLFO V. PESTAÑO
General Manager

Signature:
SHIRLEY A. PALAPAL
Accounting Head

Signed this 27th day of February, 2017



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LBP INSURANCE BROKERAGE, INC.
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015
(In Philippine Peso)

	Note	2016	2015
ASSETS			
Current Assets			
Cash and cash equivalents	3	242,629,531	292,792,051
Loans and receivables, net	4	163,722,612	180,351,651
Inventory held for consumption	5	80,195	107,690
Prepayments	6	6,858,666	5,522,271
		413,291,004	478,773,663
Non-current Assets			
Investment securities at amortized cost	7	797,842,474	713,534,724
Other investment		0	29,300
Property and equipment, net	8	23,145,518	21,395,548
Investment property	9	998,316	998,316
Intangible asset	10	2,132,633	0
Deposits		97,769	77,769
Deferred tax asset	40	6,817,500	8,760,938
		831,034,210	744,796,595
TOTAL ASSETS		1,244,325,214	1,223,570,258
LIABILITIES AND EQUITY			
Current Liabilities			
Payables	11	234,417,243	242,990,842
Other financial liabilities	12	7,327,776	6,673,054
Inter-agency payables	13	8,405,067	8,835,220
Trust liabilities	14	35,576,973	47,967,347
Provisions	15	6,789,287	6,402,187
Other payables	16	1,690,054	453,577
		294,206,400	313,322,227
Equity			
Share capital	17	300,000,000	300,000,000
Retained earnings	18	650,118,814	610,248,031
		950,118,814	910,248,031
TOTAL LIABILITIES AND EQUITY		1,244,325,214	1,223,570,258

The Notes on pages 8 to 34 form part of these financial statements.



LBP INSURANCE BROKERAGE, INC.
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENTS OF COMPREHENSIVE INCOME
For the Years ended December 31, 2016 and 2015
(In Philippine Peso)

	Note	2016	2015
REVENUE			
Service income	19	94,960,103	95,999,369
Business income	20	36,055,529	40,905,005
Other revenues	21	1,451,714	1,227,981
		132,467,346	138,132,355
EXPENSES			
Personnel services	22	18,073,046	18,363,589
Maintenance and other operating expenses	23	16,988,065	15,406,725
Financial expenses	24	229,515	98,397
Non-cash expenses	25	6,245,442	13,055,688
Other expenses	26	5,000	41,385
		41,541,068	46,965,784
INCOME BEFORE TAX		90,926,278	91,166,571
PROVISION FOR INCOME TAX	27	19,122,156	18,956,250
NET INCOME		71,804,122	72,210,321
OTHER COMPREHENSIVE INCOME		0	0
TOTAL COMPREHENSIVE INCOME		71,804,122	72,210,321

The Notes on pages 8 to 34 form part of these financial statements.



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LBP INSURANCE BROKERAGE, INC.
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENTS OF CHANGES IN EQUITY
For the Years ended December 31, 2016 and 2015
(In Philippine Peso)

	Share Capital (Note 17)	Retained Earnings (Note 18)		TOTAL
		Appropriated	Unappropriated	
Balance at January 1, 2015	300,000,000	48,000,000	529,975,126	877,975,126
Cash dividend			(41,245,743)	(41,245,743)
Prior period adjustments (Note 18.1)			1,308,327	1,308,327
Appropriations		110,000,000	(110,000,000)	0
Net income			72,210,321	72,210,321
Balance at December 31, 2015	300,000,000	158,000,000	452,248,031	910,248,031
Cash dividend			(41,407,681)	(41,407,681)
Prior period adjustments (Note 18.1)			9,474,342	9,474,342
Net income			71,804,122	71,804,122
Balance at December 31, 2016	300,000,000	158,000,000	492,118,814	950,118,814

The Notes on pages 8 to 34 form part of these financial statements.

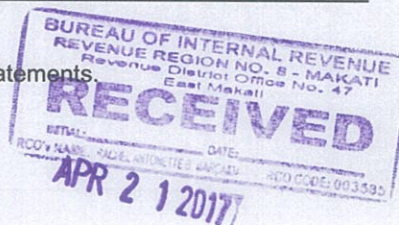


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LBP INSURANCE BROKERAGE, INC.
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENTS OF CASH FLOWS
For the Years ended December 31, 2016 and 2015
(In Philippine Peso)

	Note	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from sale of foreign currencies		2,499,218,590	3,758,771,080
Cash received from advance payment of premiums		353,227,610	297,627,497
Collection of insurance premium		233,275,362	242,867,575
Collection of receivable-others		28,754,426	5,655,132
Contingent profit commission received from insurance companies		9,247,791	4,587,867
Trading income received		8,661,179	12,925,933
Collection of extra remuneration received from GSIS		8,424,273	0
Service fees received from insurance companies due to direct payments		1,941,175	2,150,151
Rental income		607,500	150,000
Collection of receivables from officers and employees		261,404	146,824
Cash inflows		3,143,619,310	4,324,882,059
Payment for purchases of foreign currencies		(2,366,366,739)	(3,755,557,364)
Payment of premiums to insurance companies		(483,374,821)	(462,752,234)
Payment to government agencies		(26,172,281)	(65,488,206)
Payment to clients		(18,810,739)	(16,154,878)
Payment to suppliers		(14,159,831)	(13,454,356)
Payment for salaries and wages		(9,001,130)	(9,564,293)
Payment for employee other benefits		(6,457,791)	(6,944,180)
Cash payment for additional funding of Retirement Fund		0	(4,221,907)
Payment for income taxes		(5,787,242)	(8,005,468)
Cash outflows		(2,930,130,574)	(4,342,142,886)
Net cash generated from/(used in) operating activities		213,488,736	(17,260,827)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income received		26,658,757	27,799,424
Proceed from redemption of PLDT Stocks		59,189	0
Proceed from disposal of unusable property and equipment		0	314,271
Proceed from maturities of short-term investments		10,258,243,980	1,296,038,068
Proceed from maturities of long-term investments		125,539,887	70,822,500
Cash inflows		10,410,501,813	1,394,974,263
Placement to high yield savings		(10,415,000,000)	(1,296,000,000)
Placement to short-term investment		(29,647,307)	0
Placement to long term investments		(181,617,728)	(26,988,809)
Acquisition of property and equipment		(6,480,352)	(441,600)
Cash outflows		(10,632,745,387)	(1,323,430,409)
Net cash provided by/(used in) investing activities		(222,243,574)	71,543,854
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of cash dividend		(41,407,681)	(41,245,743)
Net cash used in financing activities		(41,407,681)	(41,245,743)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		(50,162,519)	13,037,284
CASH AND CASH EQUIVALENTS, beginning of year		292,792,051	279,754,767
CASH AND CASH EQUIVALENTS, end of year	3	242,629,532	292,792,051

The Notes on pages 8 to 34 form part of these financial statements.



LBP INSURANCE BROKERAGE, INC.
(A wholly-owned subsidiary of Land Bank of the Philippines)
NOTES TO FINANCIAL STATEMENTS
(All Amounts in Philippine Peso unless otherwise stated)

1. Corporate Information

1.1 Corporate Background

The LBP Insurance Brokerage, Inc. (LIBI) was organized as a wholly owned subsidiary of Land Bank of the Philippines (LBP) on October 22, 1981 under Securities and Exchange Commission (SEC) Registration No. 105764. On May 16, 1983, its Articles of Incorporation was amended increasing the number of directors of the Board from 9 to 11. This was further amended on October 17, 1994 increasing the LIBI's authorized capital stock from P20,000,000 to P300,000,000 and revising its secondary purpose. It was created primarily for the purpose of engaging in the business of general insurance brokerage management and consultancy more particularly as follows:

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

Its secondary purpose is to engage in the business of buying and selling of foreign currencies; and buying, selling, importing, exporting and/or dealing in any manner, at wholesale or retail of goods and merchandise.

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

1.2 Authorization for Issue of the 2016 Financial Statements

The financial statements of LIBI for the year ended December 31, 2016 were authorized for issue by the Board of Directors on January 27, 2017 in Board Resolution No. 2017-001-006 dated January 27, 2017.

2. Summary of Significant Accounting Policies

2.1 Basis of Financial Statements Preparation

The accompanying financial statements have been prepared using historical cost basis except for Investment in government securities which are stated at amortized cost using effective interest method, Investments in Agrarian Reform Bonds which are stated at cost, adjusted for accretion of discounts amortization and attrition due to partial redemption. Foreign currency cash in bank and on hand that are used for trading in LIBI-Forex division which are stated at spot exchange rate.

The financial statements are presented in Philippine Peso, the Corporation's functional and presentation currency. All values are rounded to the nearest peso, unless otherwise indicated.

Statement of Compliance

The financial statements of LIBI have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) and Revised Chart of Accounts (RCA) for Government Corporations prescribed in COA Circular Nos. 2015-010 and 2016-006.

2.2 Adoption of Philippine Accounting Standards (PAS)/Philippine Financial Reporting Standards (PFRS)

PAS 1, Presentation of Financial Statements, provides framework of financial statements presentation. It requires more specific statement of financial position line items (tax liabilities, provisions, non-current interest bearing debt, among others). The standard requires presentation of comparative financial statements and information.

PAS 7, Statement of Cash Flows, prescribes the provision of information about historical changes in cash equivalents of an entity by means of a cash flow statement which classifies cash flow during the period from operating, investing and financing. The standard explicitly states that only expenditure that results in a recognized asset can be classified as a cash flow from investing activities.

PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, removes the concept of fundamental error and the allowed alternative to retrospective application of voluntary changes in accounting policies and prospective restatement to correct prior period errors. It defines material omissions or misstatements, and describes how to apply the concepts of materiality when applying accounting policies and correcting errors.

PAS 10, Events after the Reporting Period, prescribes the accounting policies and disclosures related to adjusting and non-adjusting subsequent events. Additional disclosures required by the standard were included in the financial statements, principally the date of authorization for release of the financial statements.

PAS 12, Income Taxes, prescribes the accounting treatment for income taxes. Current tax for the current and prior periods should be recognized as a liability to the extent that it has not yet been settled, and as an asset to the extent that the amounts already paid exceed the amount due. Current tax assets and liabilities should be measured at the amount expected to be paid to (recovered from) taxation authorities, using the rates/laws that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities shall be 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 the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

PAS 16, Property, Plant and Equipment, provides additional guidelines and clarification on recognition and measurement of items of property, plant and equipment. It also provides that each part of an item, property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

PAS 18, Revenue, provides under item 13 of the appendix accompanying PAS 18 that Insurance agency commissions received or receivable which do not require the agent to render further service are recognized as revenue by the agent on the effective commencement or renewal dates of the related policies. However, when it is probable that the agent will be required to render further services during the life of the policy, the commission, or part thereof, is deferred and recognized as revenue over the period during which the policy is in force.

PAS 19, Employees Benefits, the objective of this standard is to prescribe the accounting and disclosure of employee benefits (that is all forms of consideration given by an entity in exchange for service rendered by employees). This standard requires an entity to recognize a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and an expense when the entity consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.

PAS 21, Effects of Changes in Foreign Exchange Rates, addresses the accounting for transactions in foreign currency. It provides that foreign currency transactions shall be recorded, on initial recognition by applying to the foreign currency amount the spot exchange rate at the date of transaction; exchange difference arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recognized shall be recognized in profit or loss in the period in which they arise. The adoption of this standard will have no material impact on the financial statements.

PAS 24, Related Party Disclosures, provides additional guidance and clarification in the scope of the standard, the definitions and disclosures for related parties. It also requires disclosures of the total compensation of key management personnel and benefit types.

PAS 26, Accounting and Reporting by Retirement Benefit Plans, the objective of this standard is to specify measurement and disclosure principles for the reports of retirement benefit plans. All plans should include in the report a statement of changes in net assets available for benefits, summary of significant accounting policies, and description of the plan and effect of any changes in the plan during the period.

PAS 32, Financial Instruments: Presentation, sets out the required presentation of financial instruments to enhance financial statement users' understanding of the significance of financial instruments to an entity's overall financial position, performance, and cash flows. PAS 32 requires strict offsetting criteria for financial assets and liabilities.

PAS 36, Impairment of Assets, provides that an asset is impaired when its carrying amount exceeds its recoverable amount. Indications of impairments are the following: obsolescence or physical damage; asset is held for disposal and there is evidence that the economic performance of an asset is, or will be, worse than expected.

PAS 39 Financial Instruments: Recognition and Measurement, establishes specific categories into which all financial assets and liabilities must be classified.

PAS 40, Investment Property, provides that Investment property should be recognized as an asset when it is probable that the future economic benefits that are associated with the property will flow to the enterprise, and the cost of the property can be reliably measured. Investment property is initially measured at cost, including transaction costs. Such cost should not include start-up costs, abnormal waste, or initial operating losses incurred before the investment property achieves the planned level of occupancy.

PFRS 9, Financial Instruments covers the classification and measurements of financial assets. Mandatory effective date of PFRS 9 will be on January 01, 2015 as per SEC Memorandum Circular No. 03 dated May 24, 2012.

Non-early adoption of this standard has no financial impact on classification and measurements of financial assets and financial liabilities because all of LIBI's investments were held until maturity to collect (contractual cash flows) interest on a quarterly and semi-annually basis.

2.3 Use of Estimates

The preparation of financial statements in accordance with PFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumption used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates.

2.4 Cash and Cash Equivalents

Cash in the statement of financial position comprises cash on hand and in banks. Foreign currency cash in bank and on hand which are used for trading in LIBI-Forex division are stated at spot exchange rate. Cash equivalents consists of short-term investments in marketable government securities with maturities not exceeding three months and that are subject to an insignificant risk of change in value.

2.5 Investments Securities

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

Investments in GS – Agrarian Reform Bonds are stated at cost, adjusted with the amortization of discounts/premium and attrition due to partial redemption.

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

2.6 Loans and Receivable Accounts

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

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

2.7 Property, Plant and Equipment

Property, Plant and Equipment are carried at cost less accumulated depreciation and any impairment in value. The initial cost of property, plant and equipment comprises its purchase price and any directly attributable cost of bringing the asset to its working condition.

Depreciation is calculated on a straight-line basis computed at cost less ten percent residual value over the estimated useful lives of the property and equipment as follows:

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

An item of property and equipment is derecognized upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the statement of comprehensive income in the year the asset is derecognized.

Minor expenditures incurred after the fixed assets have been put into operation, such as replacements, repairs and maintenance costs amounting to P15,000 or less are normally charged to profit and loss in the period in which the costs are incurred.

The assets' residual values, useful lives and depreciation method are reviewed periodically to ensure that the period, residual value and the method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

2.8 Income recognition

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

Interest Income is recognized using effective interest method.

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

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

2.9 Income Taxes

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

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

2.10 Employee Benefits

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

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

The cost of defined benefit plan is determined by using actuarial valuation; hence, LIBI engaged the services of a duly certified independent actuarial firm on December 30, 2010. Revaluation of LIBI's Retirement Plan was done on January 01, 2015 by E. M. Zalamea Actuarial Services, Inc. Below are the actuarial valuation results:

- The retirement plan covers all its officers and regular employees, 12 males and 18 females totaling 30 eligible employees;
- Average age in years is 42.1;
- Average years of remaining life of the employees group is 14.9;
- Average years of Past Service is 14.4;
- Mortality rate was based on the 2001 CSO Table- Generational (Scale AA, Society of Actuaries) and the disability rate was based on the Disability Study, Period 2, Benefit 5 (Society of Actuaries);
- The interest rate was assumed at 4 per cent, compounded annually;
- The salary increase rate was assumed at 7 per cent, compounded annually;
- The Normal Retirement Age is 60;
- The Projected Retirement benefit is one-half month basic salary for every year of service;
- The funding method used was the Accrued Benefit Actuarial Cost Method (Projected Unit Credit);

- The employee turnover rates are 100 per cent of the following standard table:

Age	Rate (%)
19-24	7.50
25-29	6.00
30-34	4.50
35-39	3.00
40-44	2.00
≥45	0.00

Under the Accrued Benefit Valuation Method, Past Service Liability (PSL) is P11,099,195 while the Annual Normal Cost (ANC) is P670,783.

Based on LBP-Trust Banking Group Financial Report as of June 30, 2015, LIBI's Retirement Fund Book Value amounted to P6,877,288. Hence, LIBI made additional funding of P4,221,907 to totally cover the P11,099,195 PSL. The additional fund was approved in Board Resolution No. 2015-007-023 dated August 04, 2015.

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

Out of the original 39 eligible employees, 13 employees availed of the Retirement Fund wherein retirement benefits totaling to P5,795,385 were withdrawn from the fund as at December 31, 2016. The remaining balance of the Retirement Fund as at December 31, 2016 is P8,477,029. Accumulated income since the transfer of the fund on July 18, 2011 to LBP-TBG reached P1,730,574 as at December 31, 2016.

3. CASH AND CASH EQUIVALENTS

For purposes of reporting cash flows, cash and cash equivalents includes the following:

	2016	2015
Petty cash	52,000	52,000
Local currency on hand	109,890	145,636
Foreign currency on hand	63,207	7,020
Cash in bank-foreign currency	454,251	520,669
Cash in bank-local currency	241,950,183	292,066,726
	242,629,531	292,792,051

4. LOANS AND RECEIVABLES

This account consists of:

	2016	2015
Accounts receivable ¹¹	143,440,197	155,318,414
Accrued service fees receivable ¹²	32,945,070	47,845,650
Interest receivable	5,702,047	4,496,374
Other receivables	1,584,157	1,460,755
Due from SSS	0	3,360
	183,671,471	209,124,553
Less: Allowance for impairment-accrued service fees receivable	19,948,859	28,772,902
	163,722,612	180,351,651

¹¹ This account represents outstanding premium receivable from the assured whose insurance policies were issued by accredited insurers. This includes unexpired premium collectible from Philippine Prudential Life Insurance Company, Inc. (PPLICI) amounting to P35,793,972 based on the result of reconciliation as at December 31, 2016.

¹² This includes the corresponding accrued service fee of P7,988,428 on the unexpired premium collectible from PPLICI.

The following is the status of the Civil Case No. 75133 filed at Pasig Regional Trial Court Branch 155 by PPLICI against Land Bank of the Philippines and LIBI as of March 27, 2017:

The Case was set for Pre-Trial Conference on 28 February 2017. However, since the mediation proceedings before the Philippine Mediation Center (PMC) Pasig had just been terminated without any settlement or compromise agreement with the case between the parties, there is a possibility that the case will be referred to Judicial Dispute Resolution (JDR) Proceedings first before proceeding with the Pre-Trial Conference. Nevertheless, LBP and LIBI counsels (from the Office of Government Corporate Counsel) are required to be ready with the possibility that Pre-Trial Conference might proceed even there is no JDR yet. Furthermore, there is a pending Motion for Reconsideration filed by LBP that is pending resolution with the court.

On the scheduled hearing date, the respective counsels of the parties appeared. Pre-trial was reset due to a pending incident as LBP's Motion for Reconsideration is yet to be resolved by the Court. Next hearing is tentatively set on 04 April 2017. It is possible that the case will be referred to JDR in the coming hearing.

Also, a Cease and Decease Order for PPLICI was issued by the Insurance Commission on October 14, 2016. Thus, PPLICI is now under conservatorship.

On March 01, 2017, the General Manager together with the Marketing Department Head had a meeting with the assigned conservator of PPLICI at PPLICI Head Office, Burgundy Building, Ortigas, Pasig City, and was informed that PPLICI has more liabilities than its assets and if ever PPLICI can sell their remaining assets, settlement of their obligations to their employees shall be prioritized before other creditors.

Impairment of accrued service fees receivable was computed based on aging and then multiplied by the rate or per cent of loss experienced by LIBI.

For the current year, a 100 per cent allowance for impairment losses was provided to the Accrued service fees receivable-Extra Remuneration from GSIS aged over 360 days totaling P3,705,340.

On the other hand, a total amount of P10,183,465 was reversed during the year due to collection (Note 27).

5. INVENTORY HELD FOR CONSUMPTION

This account consists of:

	2016	2015
Office supplies inventory	33,533	48,794
Accountable forms inventory	44,430	54,125
Non-accountable forms	2,232	4,771
	80,195	107,690

6. PREPAYMENTS

This account consists of:

	2016	2015
Other prepayments	5,928,675	5,088,547
Input tax	789,024	260,929
Prepaid insurance	140,967	172,795
	6,858,666	5,522,271

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

7. INVESTMENT SECURITIES AT AMORTIZED COST

Details of this account are as follows:

	2016	2015
Retail treasury bonds	552,524,935	537,944,076
Fixed treasury notes	150,521,747	0
Treasury bills	19,795,792	100,470,827
DBP-Tier II	75,000,000	75,000,000
Agrarian reform bonds	0	119,821
	797,842,474	713,534,724

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

	2016	2015
Retail treasury bonds	6.125%, 3.50% and 3.250%	6.125% and 3.250%
DBP-Tier II	4.875%	4.875%
Treasury bills	1.675%	1.88% and 1.90%

On October 29, 2014, the request of LBP Leasing and Finance Corporation (LLFC) for the assignment of P500,000,000 worth of government securities – Retail Treasury Bonds as partial collateral for LLFC's existing short term loan from Land Bank of the Philippines was approved in Board Resolution No. 2014-009-027. The Deed of Assignment by way of security was executed on October 31, 2014 by and between LIBI and LLFC for a period of two years. In consideration of the assignment, LLC shall pay LIBI a guarantee/assignment fee equivalent to 1/8 of 1 per cent or P625,000 per annum or P52,083.33 per month. The guarantee/assignment fee is being paid by LLFC on a quarterly basis.

Due to the maturity of the Retail Treasury Bonds on August 19, 2015 and on March 03, 2016 totaling P82,855,000, the assignment fee was reduced to P530,638.92 per annum or P44,219.91 per month based on the remaining amount of P424,511,129.56 with the same guarantee/assignment fee rate. LLFC did not request for replacement of the matured assigned investment.

8. PROPERTY AND EQUIPMENT

This account consists of:

	Office Equipment	Information and Communication Technology	Furniture and Fixtures	Building	Motor Vehicles	Total
Cost,						
Jan. 1, 2016	5,863,342	745,792	2,176,028	37,777,151	3,349,214	49,911,527
Acquisitions	748,481	2,487,221	218,661	893,354	0	4,347,717
Reclassification	0	(57,645)	0	0	0	(57,645)
Disposal	(894,636)	0	0	0	0	(894,636)
Balance,						
Dec. 31, 2016	5,717,187	3,175,368	2,394,689	38,670,505	3,349,214	53,306,963
Accumulated depreciation,						
Jan. 1, 2016	4,716,726	291,379	1,962,027	20,050,018	1,495,829	28,515,979
Depreciation	307,978	137,964	21,530	1,736,586	367,132	2,571,190
Reclassification	0	(39,280)	0	0	0	(39,280)
Disposal	(886,444)	0	0	0	0	(886,444)
Balance,						
Dec. 31, 2016	4,138,260	390,063	1,983,557	21,786,604	1,862,961	30,161,445
Net carrying amount,						
Dec. 31, 2016	1,578,927	2,785,305	411,132	16,883,901	1,486,253	23,145,518
Net carrying amount,						
Dec. 31, 2015	1,146,616	454,413	214,001	17,727,133	1,853,385	21,395,548

9. INVESTMENT PROPERTY

This represents assets acquired through dacion en pago from the former employee with outstanding obligation amounting to P998,316. The dacioned properties consist of two parcels of land containing a total area of 5,847 square meters and are located at Catbalogan, Western Samar. The concerned employee was given the right to repurchase the properties within one year. However, it did not materialize. Hence, these were consolidated in the name of LIBI. The appraised value of one lot amounted to P876,900 while there is no appraisal yet conducted for the other one. Management will request appraisal of the said lot from LBP.

10. INTANGIBLE ASSET

This account consists of the cost of the development in progress of computer software upgrade of the LIBI's existing Integrated Insurance Business System (IIBS) version 3.3 to 4.0 web version system. The total cost of the project is P6,439,219. The project duration to upgrade the LIBI IIBS will be six months or will end on July 2017. As of December 31, 2016, the down payment amounted to P2,084,790.

This account also includes the on-going upgrade of LIBI's payroll system amounting to P47,843.

11. PAYABLES

This account consists of:

	2016	2015
Insurance/Reinsurance Premium Payable ¹¹	171,782,586	97,034,887
Accounts payable ¹²	62,570,529	145,945,389
Due to offices and employees ¹³	64,128	10,566
	234,417,243	242,990,842

¹¹ This pertains to insurance premiums payable to insurance companies as at December 31, 2016.

¹² This includes unreleased checks and authority to debit totaling P61,796,491 for payment of insurance premiums to various insurance companies that remain under the custody of the Cashiering Unit as at December 31, 2016 awaiting corresponding tax certificates (BIR Form 2307) from various insurance companies. This account also includes outstanding unexpired premium payable to Philam Life temporary reclassified under this account while waiting payment of return/refund of unexpired premium from PPLICI.

¹³ This refers to tax refunds and excess health medical insurance due for refund to officers and employees.

12. OTHER FINANCIAL LIABILITIES

This account consists of handling fees payable to LBP units, lending centers, branches and subsidiaries of P7,327,776 and P6,673,054 as of December 31, 2016 and 2015, respectively, for release every month of March and September of the year.

13. INTER-AGENCY PAYABLES

This account consists of:

	2016	2015
Income taxes payable	6,303,286	7,573,668
Value added tax payable	1,429,797	926,325
Due to BIR	671,984	335,227
	8,405,067	8,835,220

14. TRUST LIABILITIES

This account consists of:

	2016	2015
Customers' deposits payable ¹	35,351,773	47,967,347
Guaranty/security deposits payable	225,200	0
	35,576,973	47,967,347

¹This refers to the advance payments of premiums by clients/assured awaiting issuance of insurance policies and/or matching of premium invoices. Transactions representing excess payments of premiums are also recorded under this account awaiting instruction from assured/LBP for its refund or application to future renewal of policies.

15. PROVISIONS

This account consists of:

	2016	2015
Leave benefits payable	1,524,521	1,423,376
Pension payable ¹	1,415,216	1,007,111
Other provisions ²	3,849,550	3,971,700
	6,789,287	6,402,187

¹ This account pertains to the accrual of Annual Normal Cost (ANC) under the Accrual Benefit Valuation Method.

² This account refers to the estimated Performance Based Bonus (PBB) of LIBI's officers and staff and the Performance Based Incentive (PBI) of LIBI's Board of Directors for CY 2016.

16. OTHER PAYABLES

This account consists of:

	2016	2015
Undistributed collections ¹¹	1,640,234	339,738
Other payables ¹²	49,820	113,839
	1,690,054	453,577

¹¹ This account pertains to unreceipted credit advices (UCA) as of the close of the transaction date due to lack of details.

¹² This account refers to refund of premiums to clients that were processed by LIBI. However, the issued checks remain uncashed and became stale despite several letter notices sent to concerned LBP units that requested refund.

17. SHARE CAPITAL

As at December 31, 2016, the total authorized, paid, issued and outstanding shares are 3,000,000 shares with par value of P100.

The Board of Directors approved the declaration of stock dividends of P75,000,000 or 750,000 shares per Board Resolution No. 07-03-006 dated March 28, 2007.

Additional 250,000 shares or P25,000,000 was declared and approved by the Board of Directors on September 25, 2007 representing full subscription of the Corporation's authorized capital stock.

18. RETAINED EARNINGS

Declaration of CY2015 cash dividend of P41,407,681 was approved on April 05, 2016 per Board Resolution No. 2016-003-008 and payment of such dividend to the National Government was made directly to Bureau of Treasury on May 06, 2016.

A total amount of P110,000,000 was appropriated from the excess Retained Earnings and approved by the Board in its Resolution No. 2015-004-010 dated April 30, 2015. As of December 31, 2016, total appropriations amounted to P158,000,000 as follows:

Particulars	Amount (In Philippine Peso)
Appropriation for the technology and computer upgrades	18,000,000
Appropriation for other contingencies	30,000,000
Appropriation for non-collection of refund of premium from Prudential Life	63,000,000
Appropriation for the reversal of related service fee	15,000,000
Appropriation for procurement of Risk Modeling System	27,000,000

Particulars	Amount (In Philippine Peso)
Appropriation for trainings and seminars for ISO/GQMSS certification	2,000,000
Appropriation for office expansion	2,000,000
Appropriation for procurement of office equipment, furniture and fixtures	1,000,000
	158,000,000

18.1 Prior Period Adjustments

For CY 2016, the total prior period adjustments of P9,474,342 is the net effect of the reversals of allowance for probable losses on the long outstanding extra remuneration receivable from GSIS and accrued service fees from private insurers amounting to P9,891,841 and P291,624 (Note 27), respectively, due to subsequent collections in CY2016. Consequently, the corresponding income tax benefits of P3,055,039 were reversed. Likewise, allowances provided for tax withheld receivable and accounts receivable arising from disallowance amounting to P982,755 and P1,363,161, respectively, were reversed.

For CY 2015, the prior period adjustments of P1,308,327 pertains to over accrual of audit fees in prior years.

19. SERVICE INCOME

This account represents:

	2016	2015
Fees and commission income	104,970,340	104,193,423
Less: Other discounts	10,010,237	8,194,054
	94,960,103	95,999,369

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

20. BUSINESS INCOME

This account consists of the following:

	2016	2015
Interest income ¹¹	27,163,331	27,968,598
Other business income ¹²	8,892,198	12,936,407
	36,055,529	40,905,005

¹¹ This pertains to interest income earned from investments at amortized cost such as Retail Treasury Bonds, DBP-Tier II, Fixed Treasury Notes and Treasury Bills totaling

P797,842,474 as at December 31, 2016. This account also includes interest income earned from current and savings depository accounts.

¹² This refers to income earned from buying and selling, and brokering of foreign currencies with a volume totaling USD82,817,656 and USD163,289,630 for CY 2016 and CY 2015, respectively. Average spread increased from 0.079 centavos in 2015 to 0.107 in 2016, equivalent to 35.44 percent or 0.028 centavos.

21. OTHER REVENUES

This account consists of:

	2016	2015
Gains		
Gain on sale of foreign exchange	287,846	265,321
Gain on sale of unserviceable property, plant and equipment	0	185,651
Others		
Rental income	607,500	150,000
Dividend Income	29,089	0
Miscellaneous income	527,279	627,009
	1,451,714	1,227,981

22. PERSONNEL SERVICES

Details of this account are as follows:

	2016	2015
Salaries and wages		
Salaries and wages-regular	7,895,981	7,560,978
Salaries and wages-contractual	951,088	1,155,032
	8,847,069	8,716,010
Other compensation		
Other bonuses and allowances ¹¹	4,784,921	4,940,532
Overtime and night pay	933,898	671,748
Year-end bonus	737,970	776,400
Representation allowance (RA)	348,813	259,875
Transportation allowance (TA)	248,000	259,750
Cash gift	172,500	222,500
Clothing/Uniform allowance	160,179	124,955
Longevity pay	112,464	191,893
	7,498,745	7,447,653

Personnel benefit contributions		
Employees compensation insurance premiums	448,877	440,246
PhilHealth contributions	88,725	87,791
Pag-IBIG contributions	42,300	38,989
	579,902	567,026
Other personnel benefits ¹²	1,147,330	1,632,900
	18,073,046	18,363,589

¹¹ Other bonuses and allowances consists of the following:

	2016	2015
Christmas raffle	1,340,000	1,490,000
Rice allowance	962,900	1,026,210
Performance based bonus	924,260	0
Mid-year bonus	544,070	823,200
Medical, dental and hospitalization	440,917	429,000
Anniversary bonus	278,000	270,000
Productivity enhancement incentive	169,000	733,700
Other bonuses and allowances	114,974	157,622
Teller allowance	10,800	10,800
	4,784,921	4,940,532

¹² The other personnel benefits pertain to the money value of leave credits that were earned by LIBI personnel.

23. MAINTENANCE AND OTHER OPERATING EXPENSES

	2016	2015
Supplies and materials expenses		
Office supplies	625,631	564,194
Accountable forms	98,966	73,723
Non-accountable forms	5,287	10,389
	729,884	648,306
Communication expenses		
Postage and courier expenses	502,168	473,236
Telephone expenses	392,426	391,497
Internet subscription expenses	179,127	139,487
	1,073,721	1,004,220
Utility expenses		
Electricity expenses	965,023	1,184,379
Water expenses	26,213	29,440
	991,236	1,213,819
Professional fees		
Legal services	340,000	0
Auditing services	321,750	375,750
Other professional services	201,919	254,243

	2016	2015
Consultancy services	0	25,000
	863,669	654,993
Other general services		
Others	1,590,904	1,185,773
Janitorial services	281,675	262,599
Security services	278,076	309,778
	2,150,655	1,758,150
Taxes, insurance premium and other fees		
Taxes, duties and licenses	1,901,363	2,059,382
Insurance expenses	206,954	152,647
	2,108,317	2,212,029
Repairs and maintenance		
Transportation and equipment	130,903	77,695
Furniture, fixtures and books	62,046	268
Machinery and equipment	42,379	28,471
Semi-expendable machinery and equipment	14,186	0
	249,514	106,434
Training expenses	246,700	194,962
Other maintenance and operating expenses		
Directors and committee members' fees	3,663,250	4,659,250
Donations [¶]	2,050,000	50,000
Other maintenance and operating expenses	1,309,978	1,393,770
Representation	895,675	888,112
Rent/lease expenses	309,623	302,088
Traveling expenses- Local	297,472	263,303
Advertising, promotional and marketing	31,571	47,432
Membership dues and contribution to organization	12,000	5,357
Subscription expenses	4,800	4,500
	8,574,369	7,613,812
	16,988,065	15,406,725

[¶]For CY 2016, the amount of P2,000,000 was a donation and contribution to LandBank Countryside Development Foundation, Inc. (LCDFI), a subsidiary of Land Bank of the Philippines, and the amount of P50,000 for CY 2016 and CY 2015 was donation to the Manila Bay Sunset Partnership Program, Inc.

24. FINANCIAL EXPENSES

This account consists of the following:

	2016	2015
Other financial expenses [¶]	209,390	48,186
Bank charges	20,125	50,211
	229,515	98,397

[¶]This account pertains to broker's fee and other incidental charges in placement or sale of investment securities.

25. NON-CASH EXPENSES

Details of this account are as follows:

	2016	2015
Depreciation		
Depreciation-building and other structures	1,736,586	1,698,329
Depreciation-machinery and equipment	406,661	364,635
Depreciation-transportation equipment	367,133	387,682
Depreciation-furniture, fixtures and books	21,530	0
	2,531,910	2,450,646
Impairment loss		
Impairment loss-loans and receivables	3,705,340	10,605,042
Impairment loss-property, plant and equipment	8,192	0
	3,713,532	10,605,042
	6,245,442	13,055,688

26. OTHER EXPENSES

Details of this account are as follows:

	2016	2015
Loss on sale of unserviceable property and equipment	0	41,385
Other losses	5,000	0
	5,000	41,385

27. PROVISION FOR INCOME TAX

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

	2016	2015
Income tax expenses	20,233,758	22,137,763
Income tax benefit	(1,111,602)	(3,181,513)
	19,122,156	18,956,250

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

	2016	2015
Income before income tax	90,926,278	91,166,571
Non-deductible expenses		
Impairment loss-loans and receivables (Note 25)	3,705,340	10,605,042
Impairment loss-property, plant and equipment (Note 25)	8,192	0
Non-taxable income and income subjected to final tax:		
Interest income	(27,163,331)	(27,968,598)
Dividend income	(29,089)	0

	2016	2015
Bond discount	(1,530)	(10,473)
	(23,480,418)	(17,374,029)
Net taxable income	67,445,860	73,792,542
Income tax rate	30%	30%
Provision for income tax	20,233,758	22,137,763

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

	2016	2015
Balance, beginning of year	8,760,938	5,579,425
Reversal of CYs 2015 and 2014 provisions on accrued service fees receivable from private insurance due to collection	(291,624)	(208,196)
Reversal of provisions on receivable-extra remuneration due to collection:		
PY2013 accrued extra remuneration	(263,405)	
PY2012 accrued extra remuneration	(1,451,529)	
PY2011 accrued extra remuneration	(1,973,829)	
PY2010 accrued extra remuneration	(1,163,449)	
PY2009 accrued extra remuneration	(1,313,096)	
PY2008 accrued extra remuneration	(2,574,454)	
PY2007 accrued extra remuneration	(1,152,079)	
Provision for probable losses recorded at year end :		
Accrued service fees receivable from private insurance	0	158,136
Uncollected extra remuneration from GSIS:		
PY2013 accrued extra remuneration	1,061,775	0
PY2012 accrued extra remuneration	1,282,622	0
PY2009 accrued extra remuneration	1,360,942	0
Accrued service fees receivable from PY2013 CLI	0	1,327,987
Accrued service fees receivable from PY2014 CLI	0	9,327,115
	(6,478,126)	10,605,042
Prevailing income tax rate	30%	30%
Deferred tax asset/income tax benefit (reversed)/recorded at year end	(1,943,438)	3,181,513
Balance, end of year	6,817,500	8,760,938

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

28. COMPLIANCE WITH TAX LAWS

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

A. LBP Insurance Brokerage, Inc. is a VAT- registered Corporation with VAT output tax declaration of P14,180,228 based on actual collections during the year of service fees and rental income amounting to P118,168,569. Actual VAT paid for the year amounted to P12,557,862 after applying Input Tax of P1,055,310 and creditable withholding tax of P567,057. Government VAT of P398,820 deducted from payments to suppliers of goods and services was remitted to the BIR.

LIBI's secondary purpose is to engage in the business of buying and selling of foreign currencies and paid the amount of P622,347 recorded under the Taxes and licenses account representing gross receipt tax (GRT) pursuant to RR 9-2004 and based on the amount reflected in the Trading income account of P8,890,667.

The amount of input taxes claimed are broken down as follows:

Balance, beginning of year		260,929
Current year's purchases:		
Capital goods	87,895	
Goods other than for resale or manufacture	220,999	
Services lodged under other accounts	746,416	
Claims for tax credit/refund and other adjustments	(527,215)	528,095
Balance, end of year		789,024

B. Other taxes and licenses recorded under Taxes and licenses account are as follows:

a. Local		
Mayor's permit		893,415
Real property tax		188,050
Real estate tax		100,037
Community tax certificate		10,500
Fire realty tax and inspection fee		1,076
Barangay clearance		2,200
		1,195,278
b. National		
Gross receipts tax		622,347
License and filing fee – Insurance Commission		75,750
Registration of motor vehicle at LTO		4,758
Filing fee at the Office of the Government Corporate Counsel		2,500
BIR annual registration		500
Tax clearance certification		230
		706,085
		1,901,363

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

Corporate tax	10,505,097
Creditable withholding tax at source (paid in advance by LIBI and used as tax credits)	9,565,336
	20,070,433
Tax on compensation and benefits	1,833,980
Expanded withholding tax from suppliers	676,172
	22,580,585

The income tax payable as of December 31, 2016 amounted to P6,303,286 (Note 13).

There are outstanding Letter Notices (LN) No. 047-RLFTRS-12-00-00402 and No. 047-RLF-11-00-00123 dated June 10, 2014 and January 28, 2013, respectively regarding the

discrepancies resulting from Reconciliation of Listing for Enforcement (RELIEF) and Third Party Matching – Tax Reconciliation system (TRS) as declared in LIBI’s tax returns filed for CY2012 and 2011 particularly VAT returns filed by suppliers. The required documents needed to refute the findings were forwarded to the BIR.

29. RELATED PARTY DISCLOSURES

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

a. The LIBI with its foreign exchange trading division, LIBI-Forex, entered into a lease contract agreement with its parent company, LBP. The essential terms and conditions of the contract are as follows:

- That LIBI (Lessee) has agreed to lease from Land Bank of the Philippines (Lessor) an office space with an aggregate floor area of 64.07 sq. m., at the 14th Floor of Land Bank Plaza located at 1598 M. H. del Pilar cor. Dr. J. Quintos Sts., Malate, Manila.
- The term of the lease shall be for a period of five years, commencing from November 01, 2012 and shall expire on October 31, 2017.
- The Lessee, shall pay a concessional rate of P200 per sq. m. or Pesos; Twelve Thousand Eight Hundred Fourteen and 00/100 (P12,814) per month, inclusive of electricity, electrical fixtures, water, toilet fixtures/supplies, (except the telephone), which rental shall be payable upon receipt of notice/billing statement from the Lessor.
- The Lessee shall share pro-rata in the cost of the receptionist, janitorial services, pest, and similar expenses to maintain the floor area, and the cost shall be computed based on the leased area divided by the total floor area, which amount shall be payable upon receipt of notice/billing statement from the Lessor.

b. To defray expenses in the appraisal, inspection of property to be insured and other administrative matters such as collection of insurance premium payments of insured properties; handling fees are given to LIBI’s clients, the LBP units, branches and subsidiaries. For the current year, handling fee accrued and payable to LBP units, branches and subsidiaries reached P10,010,237 (Note 19).

c. Compensation of key management personnel for 2016 and 2015 are as follows:

	2016	2015
For the President and General Manager		
Total salaries and wages	1,508,411	1,331,871
Total short-term employee benefits		

	2016	2015
(RA, PEI, per diem, bonuses, medical benefits)	1,260,942	911,090
	2,769,353	2,242,961
For Corporate officers who are employees of the parent company, LBP: Total short-term employee benefits (per diems and reimbursable expenses)	253,000	219,104
	3,022,353	2,462,065

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

- The Trustor (LIBI) shall deliver and pay to the Trustee such sums representing the annual contributions of the Trustor as provided in the Plan, starting with the contribution for the current year in the amount of PESOS: Ten Million One Thousand Pesos (Php10,001,000.00).
- The Trustor hereby waives all its rights and interest to the money or properties which are and will be paid or transferred to the Fund, to the extent required to provide the benefits pursuant to the Plan.
- The Trustee shall hold the title to the Fund to be held in trust for the purpose stated in and subject to all the terms and conditions of the Agreement as well as the Plan, which shall be deemed part of this Agreement. The Trustee shall invest and re-invest the Fund, together with all increments and proceeds in fixed-income government securities like Treasury Bills or Notes, Agrarian Reform Bonds, Retail Treasury Bonds, BSP Special Deposit Account and other financial instruments duly guaranteed by the Republic of the Philippines; deposit arrangements/special deposit account with reputable banks including the Trustee's own commercial banking sector; and common or preferred shares of stocks, bonds or note issued by blue-chips private and government-owned corporations. Other investment outlets shall require prior written approval of the Trustor.
- To cause any asset acquired from the investment/reinvestment of the Fund to be held, registered and issued in its own name as Trustee or in the name of its nominee, provided, that the books and records of the Trustee shall at all times show that all such properties are part of the Fund. To pay all costs, fees, charges and such other expenses connected with the investments, administration, reservation and maintenance of the Fund and to charge the same to the Fund.
- In the management of the fund, the Trustee shall pay to the beneficiaries the benefits under the Plan upon written advice of the Trustor. To keep and maintain books of accounts and/or records of the

management and operations of the Fund, which the Trustor or its authorized representative may inspect from time to time. At the end of every calendar quarter, to submit the financial reports, investment activity reports or such other reports as may be requested by the Trustor. The Trustee shall administer the funds held in trust with such degree of skill and care as a prudent man would exercise in the conduct of an enterprise of like character and with similar aims.

- For its services, the Trustee shall be entitled to a fee equivalent to 0.75 per cent per annum of the average total assets of the Fund, computed daily and collected at the end of each quarter. The Trustee is hereby authorized to debit its fees from the Fund. The above fee is quoted with the understanding that the same may be reviewed at the request of either party and adjusted in a mutually satisfactory basis.

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

- The Agreement shall remain in full force and effect until the termination of the Plan unless sooner terminated by either party hereto by giving thirty days advance notice to the other.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

Market Risk

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

Insurance Division

Net premium volume produced during the year reached P577,294,328, an increase of P5,256,283 or 0.92 per cent compared to last year's P572,038,045 net premium volume. This was primarily due to the significant increase in premium from LBP Branches' borrowers of employee salary loan and premium from loan releases from Agricultural Development Lending Sector (ADLS).

Net service fees from insurance brokering for the year of P94,960,103 is P1,039,266 or 1.08 per cent lower against last year's P95,999,369 net service fees (Note 19).

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

Forex Division

Other business income (trading income) for the year of P8,892,198 is 31.26 per cent or P4,044,209 lower against last year's trading income of P12,936,407 (Note 20).

Volume of dollars traded by LIBI-Forex Division for CY2016 amounted to USD82,817,656. This represents a significant decrease of USD80,471,974 or 49.28 per cent compared to last year's volume of dollars traded of USD163,289,630. Average spread has increased from 0.079 centavos in 2015 to 0.107 in 2016, equivalent to 35.44 percent or 0.028 centavos.

Foreign Exchange Risk

LIBI-Forex's foreign currency cash on hand and in bank used for trading has a minimal balance of P517,458 (Note 3) which is 0.36 per cent of the division's total assets of P143,375,584 thus, foreign exchange risk is low.

Liquidity Risk

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

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

Interest Rate Risk

This is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. LIBI's fixed rate investments in held-to-maturity investments are exposed to such risk. Interest income derived from investments this year of P26,619,910 was lower by 2.93 per cent or equivalent to P804,820 against last year's interest income of P27,424,730.

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

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

LIBI's principal financial instruments comprise of cash deposits, held-to-maturity investments consisting primarily of investment in government securities like Retail Treasury Bonds, DBP Tier-II and Agrarian Reform Bonds (Note 7). These are not subjected to mark-to-market valuation but impairment testing is being done on HTM in RTBs.

Total investments at amortized cost as at December 31, 2016 is P797,842,474 which is 64.12 per cent of the LIBI's total assets of P1,244,325,214. Liquid assets of P241,950,183 are 0.822 times the total liabilities of P294,206,400.

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

	Up to 3 mos.	3 to 6 mos.	6 mos. to 1 year	More than 1 year	TOTAL
ASSETS					
Cash and cash equivalents	242,629,531	0	0	0	242,629,531
Loans and Receivable	49,663,870	6,919,958	22,321,480	84,817,304	163,722,612
Inventory held for consumption	26,485	26,408	7,153	20,149	80,195
Prepayments	4,900,520	1,829,656	215	128,275	6,858,666
Investment securities at amortized cost	111,136,487	89,181,052	0	597,524,935	797,842,474
Property, plant and equipment	5,467,333	1,000,963	138,192	16,539,030	23,145,518
Intangibles	2,084,791	47,842			2,132,633
Investment property	0	0	0	998,316	998,316
Deposits	0	74,198	0	23,571	97,769
Deferred tax asset	1,111,602	0	0	5,705,898	6,817,500

	Up to 3 mos.	3 to 6 mos.	6 mos. to 1 year	More than 1 year	TOTAL
Total Assets	417,020,619	99,080,077	22,467,040	705,757,478	1,244,325,214
LIABILITIES AND STOCKHOLDERS' EQUITY					
Payables	113,733,125	11,975,456	19,091,201	89,617,461	234,417,243
Other financial liabilities	1,139,534	1,442,562	4,745,680	0	7,327,776
Inter-agency payables	8,405,067	0	0	0	8,405,067
Trust liabilities	13,626,134	1,202,735	7,544,763	13,203,341	35,576,973
Provisions	3,918,227	591,756	1,150,872	1,128,432	6,789,287
Other payables	1,640,234	0	0	49,820	1,690,054
Capital	19,032,813	21,114,744	31,656,565	878,314,692	950,118,814
Total Liabilities and Equity	161,495,134	36,327,253	64,189,081	982,313,746	1,244,325,214

This year's EBITDA margin is 71 per cent, 3 per cent higher compared to 68 per cent EBITDA margin of CY2015. Return on Equity (ROE) for CY2016 is 7.56 per cent while Return on Asset (ROA) is 5.77 per cent, lower by 0.37 per cent and higher by 0.13 per cent, respectively, compared to last year's ROE of 7.93 per cent and ROA of 5.90 per cent. However, per capita income is P1.63 million, lower by 14.12 per cent or P0.268 million than the per capita income of P1.90 million last year.

Credit Risk

Insurance Division

a. Direct Credit Risk – is the risk that a customer or counterparty will be unable to pay obligations on time or in full as expected or previously contracted, subjecting LIBI to a financial loss. It lasts for the entire tenor and is set at full amount of a transaction. The possibility of non-collection of Accounts Receivable within one year is moderate due to intensified collection through faster sending of Statement of Accounts thru fax, email, mail and frequent follow-ups by phone. LIBI's collection rate of 90.00 per cent for the current year is 5 per cent higher than the 85 per cent collection rate last year.

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

Forex Division

b. Counterparty Risk – is the risk that occurs from transactions where reciprocal obligations are made between LIBI and counterparties or customers.

- Pre-Settlement Risk - risk that LIBI-Forex's counterparty or customer defaults prior to settlement date of transaction and will be unable to fulfill the transaction. LIBI would then be subjected to exposure equivalent to economic replacement cost for defaulted contract (a current market value) plus a potential increase in that cost due to future market fluctuation.

- Settlement Risk – occurs from simultaneous exchange of value with a customer or counterparty, where verification of payment from counterparty is not received until after LIBI-Forex's is already delivered. Should a non-delivery on the part of the counterparty occur, LIBI-Forex is exposed to direct credit risk.

- Clearing Risk – occurs from payments and transfer made on or behalf of the customers, where transfers are made prior to verification of reimbursement. Similar to settlement risk, LIBI-Forex is exposed to direct credit risk if customer fails to make reimbursement

Settlement and clearing risks are noteworthy in that these may be controlled by using operational or transactional methods such as delaying payment until receipt of funds is confirmed from the counterparties.

Compliance to Anti-Money Laundering Law and BSP regulations has to be conscientiously observed all throughout LIBI-Forex trading transactions. Trading personnel are encouraged to attend trainings/seminars for enhancement in trading skills and to keep abreast with new regulations (if any) from its regulatory body, the BSP.

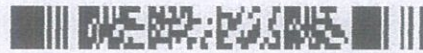
31. COMMITMENT

LIBI has renewed its Full Service and Maintenance Agreement (FSMA) with Fuji Xerox Philippines, Inc. for another term of 48 months that commenced on December 04, 2013 and shall expire on December 04, 2017. New and upgraded equipment had been installed to replace the old model. The renewed FSMA contains same terms and conditions as with the previous one except for the following:

- a. Decrease in monthly rental of P800, from P12,000 to P11,200, and
- b. Decrease in charge per copy of P0.11, from P0.56 centavos to P0.45 centavos



Reference No : 121700019733880
 Date Filed : April 20, 2017 05:40 PM
 Batch Number : 1704726348



For BIR Use Only BCS/Item

1702-RT06/13P1

Republika ng Pilipinas Kagawaran ng Pananalapi Kawanihan ng Rentas Internas		Annual Income Tax Return For Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate <i>Enter all required information in CAPITAL LETTERS. Mark applicable boxes with an "X". Two Copies MUST be filed with the BIR and one held by the taxpayer.</i>			BIR Form No. 1702-RT June 2013 Page 1
1 For <input checked="" type="radio"/> Calendar <input type="radio"/> Fiscal 2 Year Ended (MM/20YY) 12 / 2016	3 Amended Return? <input type="radio"/> Yes <input checked="" type="radio"/> No	4 Short Period Return? <input type="radio"/> Yes <input checked="" type="radio"/> No	5 Alphanumeric Tax Code (ATC) IC055 Minimum Corporate Income Tax (MCIT) <input checked="" type="checkbox"/>		
Part I - Background Information					
6 Taxpayer Identification Number (TIN) 000 - 160 - 097 - 000			7 RDO Code 047		
8 Date of Incorporation/Organization (MM/DD/YYYY)					
9 Registered Name (Enter only 1 letter per box using CAPITAL LETTERS) LBP LAND BANK OF THE PHILS INSURANCE BROKERAGE INC					
10 Registered Address (Indicate complete registered address) 12/F SSHG LAW CENTRE 105 PASEO DE ROXAS LEGASPI VILLAGE CITY OF MAKATI					
11 Contact Number 8937224		12 Email Address s_pelapal@yahoo.com			
13 Main Line of Business ACTIVITIES AUXILIARY TO INSURANCE AND PENSION FUNDING			14 PSIC Code 6820		
15 Method of Deductions <input checked="" type="radio"/> Itemized Deductions [Section 34 (A-J), NIRC] <input type="radio"/> Optional Standard Deduction (OSD) - 40% of Gross Income [Section 34(L), NIRC as amended by RA No. 9504]					
Part II - Total Tax Payable (Do NOT enter Centavos)					
16 Total Income Tax Due (Overpayment) (From Part IV Item 44)			20,233,758		
17 Less: Total Tax Credits/Payments (From Part IV Item 45)			20,257,319		
18 Net Tax Payable (Overpayment) (Item 16 Less Item 17) (From Part IV Item 46)			(23,561)		
19 Add: Total Penalties (From Part IV Item 50)			0		
20 TOTAL AMOUNT PAYABLE (Overpayment) (Sum of Item 18 and 19) (From Part IV Item 51)			(23,561)		
21 If Overpayment, mark "X" one box only (Once the choice is made, the same is irrevocable) <input type="radio"/> To be refunded <input type="radio"/> To be issued a Tax Credit Certificate (TCC) <input checked="" type="radio"/> To be carried over as tax credit next year/quarter					
We declare under the penalties of perjury that this annual return has been made in good faith, verified by us, and to the best of our knowledge and belief, is true and correct pursuant to the provisions of the National Internal Revenue Code, as amended, and the regulations issued under authority thereof. (If Authorized Representative, attach authorization letter and indicate TIN)					
Signature over printed name of President/Principal Officer/Authorized Representative			Signature over printed name of Treasurer/Assistant Treasurer		
Title of Signatory		Number of pages filed		8	
22 <input checked="" type="radio"/> Community Tax Certificate (CTC) Number <input type="radio"/> SEC Reg No. 00189406		23 Date of Issue (MM/DD/YYYY) 01/18/2017			
24 Place of Issue CITY OF MAKATI		25 Amount, if CTC 10,500			
Part III - Details of Payment					
Details of Payment		Drawee Bank/Agency	Number	Date (MM/DD/YYYY)	Amount
26 Cash/Bank Debit Memo					0
27 Check					0
28 Tax Debit Memo					0
29 Others (Specify Below)					0
Machine Validation/Revenue Official Receipts Details (if not filed with an Authorized Agent Bank)			Stamp of receiving Office/AAB and Date of Receipt (RO's Signature/Bank Teller's Initial)		

BUREAU OF INTERNAL REVENUE
 REGION NO. 8 - MAKATI
 District Office No. 47
RECEIVED
 APR 21 2017

Annual Income Tax Return Page 2		BIR Form No. 1702-RT June 2013		1702-RT05/13P2	
Taxpayer Identification Number (TIN)			Registered Name		
000	-160	-097	-000	LBP LAND BANK OF THE PHILS INSURANCE BROKERAGE INC	
Part IV - Computation of Tax					<i>(Do NOT enter Centavos)</i>
30 Net Sales/Revenues/Receipts/Fees (From Schedule 1 Item 6)					104,459,271
31 Less: Cost of Sales/Services (From Schedule 2 Item 27)					0
32 Gross Income from Operation (Item 30 Less Item 31)					104,459,271
33 Add: Other Taxable Income Not Subjected to Final Tax (From Schedule 3 Item 4)					815,125
34 Total Gross Income (Sum of Items 32 & 33)					105,273,396
Less: Deductions Allowable under Existing Law					
35 Ordinary Allowable Itemized Deductions (From Schedule 4 Item 40)					37,827,536
36 Special Allowable Itemized Deductions (From Schedule 5 Item 5)					0
37 NOLCO (only for those taxable under Sec. 27(A to C), Sec. 28(A)(1) & (A)(6)(b) of the tax Code) (From Schedule 5A Item 8D)					0
38 Total Itemized Deductions (Sum of Items 35 to 37)					37,827,536
<i>OR [in case taxable under Sec 27(A) & 28(A)(1)]</i>					
39 Optional Standard Deduction (40% of Item 34)					0
40 Net Taxable Income (Item 34 Less Item 39 OR 38)					67,445,860
41 Income Tax Rate					30.0%
42 Income Tax Due other than MCIT (Item 40 x Item 41)					20,233,758
43 Minimum Corporate Income Tax (MCIT) (2% of Gross Income in Item 34)					2,105,468
44 Total Income Tax Due (Normal Income Tax in Item 42 or MCIT in Item 43, whichever is higher) (To part II Item 16)					20,233,758
45 Less: Total Tax Credits/Payments (From Schedule 7 Item 12) (To Part II Item 17)					20,257,319
46 Net Tax Payable (Overpayment) (Item 44 Less Item 45) (To Part II Item 18)					(23,561)
Add Penalties					
47 Surcharge					0
48 Interest					0
49 Compromise					0
50 Total Penalties (Sum of Items 47 to 49) (To part II Item 19)					0
51 Total Amount Payable (Overpayment) (Sum Item 46 & 50) (To Part II Item 20)					(23,561)
Part V - Tax Relief Availment					<i>(Do NOT enter Centavos)</i>
52 Special Allowable Itemized Deductions (30% of Item 35)					0
53 Add: Special Tax Credits (From Schedule 7 Item 9)					0
54 Total Tax Relief Availment (Sum of Items 52 & 53)					0
Part VI - Information - External Auditor/Accredited Tax Agent					
55 Name of External Auditor/Accredited Tax Agent					
COMMISSION ON AUDIT					
56 TIN 000 - 865 - 425 - 000					
57 Name of Signing Partner (If External Auditor is a Partnership)					
58 TIN - - - - -					
59 BIR Accreditation No.		60 Issue Date (MMDD/YYYY)		61 Expiry Date (MMDD/YYYY)	
00	-000000	-000	-0000	01/01/2016	01/01/2019

Annual Income Tax Return
Page 3 - Schedules 1 & 2

BIR Form No.
1702-RT
June 2013



Taxpayer Identification Number (TIN)		Registered Name	
000	-160 -037 -000	LBP LAND BANK OF THE PHILS INSURANCE BROKERAGE INC	

Schedule 1 - Sales/Revenues/Receipts/Fees (Attach additional sheet/s, if necessary)

1 Sale of Goods/Properties	0
2 Sale of Services	103,850,771
3 Lease of Properties	607,500
4 Total (Sum of Items 1 to 3)	104,458,271
5 Less: Sales Returns, Allowances and Discounts	0
6 Net Sales/Revenues/Receipts/Fees (Item 4 Less Item 5) (To Part IV Item 30)	104,458,271

Schedule 2 - Cost of Sales (Attach additional sheet/s, if necessary)

Schedule 2A - Cost of Sales (For those Engaged in Trading)

1 Merchandise Inventory - Beginning	0
2 Add: Purchases of Merchandise	0
3 Total Goods Available for Sale (Sum of Items 1 & 2)	0
4 Less: Merchandise Inventory, Ending	0
5 Cost of Sales (Item 3 Less Item 4) (To Schedule 2 Item 27)	0

Schedule 2B - Cost of Sales (For those Engaged in Manufacturing)

6 Direct Materials, Beginning	0
7 Add: Purchases of Direct Materials	0
8 Materials Available for Use (Sum of Items 6 & 7)	0
9 Less: Direct Materials, Ending	0
10 Raw Materials Used (Item 8 Less Item 9)	0
11 Direct Labor	0
12 Manufacturing Overhead	0
13 Total Manufacturing Cost (Sum of Items 10, 11 & 12)	0
14 Add: Work in Process, Beginning	0
15 Less: Work in Process, Ending	0
16 Cost of Goods Manufactured (Sum of Items 13 & 14 Less Item 15)	0
17 Finished Goods, Beginning	0
18 Less: Finished Goods, Ending	0
19 Cost of Goods Manufactured and Sold (Sum of Items 16 & 17 Less Item 18) (To Sched. 2 Item 27)	0

Schedule 2C - Cost of Services

(For those Engaged in Services, indicate only those directly incurred or related to the gross revenue from rendition of services)

20 Direct Charges - Salaries, Wages and Benefits	0
21 Direct Charges - Materials, Supplies and Facilities	0
22 Direct Charges - Depreciation	0
23 Direct Charges - Rental	0
24 Direct Charges - Outside Services	0
25 Direct Charges - Others	0
26 Total Cost of Services (Sum of Items 20 to 25) (To Item 27)	0

27 Total Cost of Sales/Services (Sum of Items 5, 19 & 26, if applicable) (To Part IV Item 31)	0
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Annual Income Tax Return
Page 4 - Schedules 3 & 4

BIR Form No.
1702-RT
June 2013



1702-RT06/13P4

Taxpayer Identification Number (TIN)				Registered Name			
000	-160	-097	-000	LBP LAND BANK OF THE PHILS INSURANCE BROKERAGE INC			

Schedule 3 - Other Taxable Income Not Subjected to Final Tax (Attach additional sheet/s, if necessary)

1 GAIN ON FOREIGN EXCHANGE	287,846
2 MISCELLANEOUS INCOME	527,279
3	0
4 Total Other Taxable Income Not Subjected to Final Tax (Sum of Items 1 to 3) (To Part IV Item 33)	815,125

Schedule 4 - Ordinary Allowable Itemized Deductions (Attach additional sheet/s, if necessary)

1 Advertising and Promotions	31,571
Amortizations (Specify on Items 2, 3 & 4)	
2	0
3	0
4	0
5 Bad Debts	0
6 Charitable Contributions	2,050,000
7 Commissions	0
8 Communication, Light and Water	2,064,857
9 Depletion	0
10 Depreciation	2,531,910
11 Director's Fees	3,663,250
12 Fringe Benefits	8,646,075
13 Fuel and Oil	0
14 Insurance	206,954
15 Interest	0
16 Janitorial and Messengerial Services	1,872,579
17 Losses	5,000
18 Management and Consultancy Fee	0
19 Miscellaneous	0
20 Office Supplies	729,884
21 Other Services	0
22 Professional Fees	863,669
23 Rental	309,623
24 Repairs and Maintenance - (Labor or Labor & Materials)	105,916
25 Repairs and Maintenance - (Materials/Supplies)	143,598
26 Representation and Entertainment	895,675
27 Research and Development	0
28 Royalties	0
29 Salaries and Allowances	8,847,069

Annual Income Tax Return
Page 5 - Schedules 4, 5 & 6

BIR Form No.
1702-RT
June 2013



Taxpayer Identification Number (TIN)			Registered Name		
600	-169	-097	-000	LBP LAND BANK OF THE PHILS INSURANCE BROKERAGE INC	

Schedule 4 - Ordinary Allowable Itemized Deductions (Continued from Previous Page)

30 Security Services	278,076
31 SSS, GSIS, Philhealth, HDMF and Other Contributions	579,002
32 Taxes and Licenses	1,901,363
33 Tolling Fees	0
34 Training and Seminars	245,700
35 Transportation and Travel	297,472
Others (Specify below. Add additional sheet(s), if necessary)	
36 OTHER MAINTENANCE AND OPERATING EXPENSES	1,309,978
37 MEMBERSHIP DUES AND CONTRIBUTION TO ORGANIZATION	12,000
38 SUBSCRIPTION EXPENSES	4,800
39 OTHERS	0
40 Total Ordinary Allowable Itemized Deductions (Sum of Items 1 to 39) (To Part IV Item 35)	37,827,536

Schedule 5 - Special Allowable Itemized Deductions (Attach additional sheet/s, if necessary)

Description	Legal Basis	Amount
1		0
2		0
3		0
4		0
5 Total Special Allowable Itemized Deductions (Sum of Items 1 to 4) (To Part IV Item 36)		0

Schedule 6 - Computation of Net Operating Loss Carry Over (NOLCO)

1 Gross Income (From Part IV Item 34)	0
2 Less: Total Deductions Exclusive of NOLCO & Deduction Under Special Law	0
3 Net Operating Loss (To Schedule 6A)	0

Schedule 6A - Computation of Available Net Operating Loss Carry Over (NOLCO)

Net Operating Loss		B) NOLCO Applied Previous Year
Year Incurred	A) Amount	
4	0	0
5	0	0
6	0	0
7	0	0

Continuation of Schedule 6A (Item numbers continue from the table above)

C) NOLCO Expired	D) NOLCO Applied Current Year	E) Net Operating Loss (Unapplied)
4	0	0
5	0	0
6	0	0
7	0	0
8 Total NOLCO (Sum of Items 4D to 7D) (To Part IV Item 37)	0	

Annual Income Tax Return
Page 6 - Schedules 7, 8 & 9

BIR Form No.
1702-RT
June 2013



Taxpayer Identification Number (TIN)				Registered Name			
000	-160	-097	-000	LBP LAND BANK OF THE PHILS INSURANCE BROKERAGE INC			

Schedule 7 - Tax Credits/Payments (attach proof) *(Attach additional sheet/s, if necessary)*

1	Prior Year's Excess Credits Other Than MCIT	40,000
2	Income Tax Payment under MCIT from Previous Quarter/s	0
3	Income Tax Payment under Regular/Normal Rate from Previous Quarter/s	4,325,135
4	Excess MCIT Applied this Current Taxable Year <i>(From Schedule 8 Item 4F)</i>	0
5	Creditable Tax Withheld from Previous Quarter/s per BIR Form No. 2307	9,565,336
6	Creditable Tax Withheld per BIR Form No. 2307 for the 4th Quarter	2,992,611
7	Foreign Tax Credits, if applicable	0
8	Tax Paid in Return Previously Filed, if this is an Amended Return	3,334,037
9	Special Tax Credits <i>(To Part V Item 53)</i>	0
	Other Credits/Payments <i>(Specify)</i>	
10		0
11		0
12	Total Tax Credits/Payments <i>(Sum of Items 1 to 11) (To Part IV Item 45)</i>	20,257,319

Schedule 8 - Computation of Minimum Corporate Income Tax (MCIT)

Year	A) Normal Income Tax as Adjusted	B) MCIT	C) Excess MCIT over Normal Income Tax
1	0	0	0
2	0	0	0
3	0	0	0

Continuation of Schedule 8 *(Line numbers continue from table above)*

	D) Excess MCIT Applied/Used for Previous Years	E) Expired Portion of Excess MCIT	F) Excess MCIT Applied this Current Taxable Year	G) Balance of Excess MCIT Allowable as Tax Credit for Succeeding Year/s
1	0	0	0	0
2	0	0	0	0
3	0	0	0	0
4	Total Excess MCIT <i>(Sum of Column for Items 1F to 3F) (To Schedule 7 Item 4)</i>			0

Schedule 9 - Reconciliation of Net Income per Books Against Taxable Income *(Attach additional sheet/s, if necessary)*

1	Net Income/(Loss) per books	90,926,276
	Add: Non-deductible Expenses/Taxable Other Income	
2	PROVISION FOR PROBABLE LOSSES	3,705,340
3	IMPAIRMENT LOSS	8,192
4	Total <i>(Sum of Items 1 to 3)</i>	94,639,610
	Less: A) Non-taxable Income and Income Subjected to Final Tax	
5	INTEREST INCOME	27,163,331
6	OTHERS	30,619
	B) Special Deductions	
7		0
8		0
9	Total <i>(Sum of Items 5 to 8)</i>	27,193,950
10	Net Taxable Income (Loss) <i>(Item 4 Less Item 9)</i>	67,445,660

Annual Income Tax Return
Page 8 - Schedules 12 & 13

BIR Form No.
1702-RT
June 2013



1702-RT06/13P8

Taxpayer Identification Number (TIN)				Registered Name			
000	-160	-997	-000	LBP LAND BANK OF THE PHILS INSURANCE BROKERAGE INC			

Schedule 12 - Supplemental Information (Attach additional sheet/s, if necessary)

i) Gross Income/Receipts Subjected to Final Withholding	A) Exempt	B) Actual Amount/Fair Market Value/Net Capital Gains	C) Final Tax Withheld/Paid
1 Interests	0	33,752,588	7,272,049
2 Royalties	0	0	0
3 Dividends	0	0	0
4 Prizes and Winnings	0	0	0

ii) Sale/Exchange of Real properties	A) Sale/Exchange #1	B) Sale/Exchange #2
5 Description of Property (e.g. land, improvement, etc.)		
6 OCT/TCT/CCT/Tax Declaration No.		
7 Certificate Authorizing Registration (CAR) No.		
8 Actual Amount/Fair Market Value/Net Capital Gains		
9 Final Tax Withheld/Paid		

iii) Sale/Exchange of Shares of Stock	A) Sale/Exchange #1	B) Sale/Exchange #2
10 Kind (PS/CS)/Stock Certificate Series No.		
11 Certificate Authorizing Registration (CAR) No.		
12 Number of Shares		
13 Date of Issue (MM/DD/YYYY)		
14 Actual Amount/Fair Market Value/Net Capital Gains		
15 Final Tax Withheld/Paid		

iv) Other Income (Specify)	A) Other Income #1	B) Other Income #2
16 Other Income Subject to Final Tax Under Sections 57(A)/127/others of the Tax Code, as amended (Specify)		
17 Actual Amount/Fair Market Value/Net Capital Gains		
18 Final Tax Withheld/Paid		

19 Total Final Tax Withheld Paid (Sum of Items 1C to 4C, 9A, 9B, 15A, 15B, 18A & 18B)	7,272,049
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Schedule 13 - Gross Income/Receipts Exempt from Income Tax

1 Return of Premium (Actual Amount/Fair Market Value)	0
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i) Personal/Real Properties Received thru Gifts, Bequests, and Devices	A) Personal/Real Properties #1	B) Personal/Real Properties #2
2 Description of Property (e.g. land, improvement, etc.)		
3 Modes of Transfer (e.g. Donation)		
4 Certificate Authorizing Registration (CAR) No.		
5 Actual Amount/Fair Market Value		

ii) Other Exempt Income/Receipts	A) Other Exempt Income #1	B) Other Exempt Income #2
6 Other Exempt Income/Receipts Under Sec. 32 (B) of the Tax Code, as amended (Specify)		
7 Actual Amount/Fair Market Value/Net Capital Gains		

8 Total Income Receipts Exempt From Income Tax (Sum of Items 1, 5A, 5B, 7A & 7B)	0
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REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

FILING REFERENCE NO.

TIN	: 000-160-097-000
Name	: LBP LAND BANK OF THE PHILS INSURANCE BROKERAGE INC
RDO	: 047
Form Type	: 1702
Reference No.	: 121700019733880
Amount Payable (Over Remittance)	: -23,561.00
Accounting Type	: C - Calendar
For Tax Period	: 12/31/2016
Date Filed	: 04/20/2017
Tax Type	: IT

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