



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, 2020 and 2019

EXECUTIVE SUMMARY

INTRODUCTION

The LBP Insurance Brokerage, Inc. (LIBI) was organized as a wholly-owned subsidiary of the Land Bank of the Philippines on October 22, 1981 under Securities and Exchange Commission Registration No. 105764. LIBI was primarily established to service the bank's insurance requirements and other government offices. It was created for the purpose of engaging in the business of general insurance brokerage management and consultancy services on insurance-related activities.

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

On May 16, 1983, its Articles of Incorporation was amended increasing the number of directors of the Board from nine to 11. This was further amended on October 17, 1994, increasing the Corporation's authorized capital stock from P20,000,000 to P300,000,000.

The LIBI is currently headed by the Acting President and CEO. The policy-making body of the Corporation is its Board of Directors presently consisting of nine members appointed by the President of the Philippines. It has a total of 56 personnel complement, of which 52 are permanent and four are contractual.

SCOPE AND OBJECTIVES OF AUDIT

The audit covered the examination, on a test basis, of accounts and transactions of LIBI for the period January 1 to December 31, 2020 in accordance with International Standards of Supreme Audit Institutions to enable us to express an opinion on the fairness of presentation of the financial statements for the years ended December 31, 2020 and 2019. Also, we conducted the audit to assess compliance with pertinent laws, rules and regulations, as well as adherence to prescribed policies and procedures.

FINANCIAL HIGHLIGHTS (In Philippine Peso)

I. Comparative Financial Position

| | 2020 | 2019 | Increase |
|-------------|---------------|---------------|-------------|
| Assets | 1,586,741,097 | 1,420,077,038 | 166,664,059 |
| Liabilities | 387,996,958 | 306,662,550 | 81,334,408 |
| Equity | 1,198,744,139 | 1,113,414,488 | 85,329,651 |

II. Comparative Results of Operations

| | 2020 | 2019 | Increase (Decrease) |
|---|-------------|-------------|------------------------|
| Total Revenues | 243,851,671 | 218,937,590 | 24,914,081 |
| Personnel Services | 34,027,615 | 36,211,231 | (2,183,616) |
| Maintenance and Other Operating Expenses | 17,159,602 | 18,193,880 | (1,034,278) |
| Financial Expenses | 224,781 | 186,126 | 38,655 |
| Non-Cash Expenses | 6,753,818 | 6,455,572 | 298,246 |
| Other Non-Operating Loss | 0 | 70,128 | (70,128) |
| Total Expenses | 58,165,816 | 61,116,937 | (2,951,121) |
| Net Income Before Tax | 185,685,855 | 157,820,653 | 27,865,202 |
| Provision For Income Tax | 40,453,382 | 35,411,228 | 5,042,154 |
| Net Income After Tax | 145,232,473 | 122,409,425 | 22,823,048 |

III. Comparative Budget and Actual Expenditures

| Particulars | Budget | | Utilization | |
|---|--------------------|-------------------|-------------------|-------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Personnel Services | 40,195,863 | 41,088,376 | 34,027,615 | 36,211,231 |
| Maintenance and Other Operating Expenses/ Financial Expenses/ Non-Cash Expenses/ Other Losses | 32,978,894 | 34,528,657 | 24,138,201 | 24,905,706 |
| Capital Expenditures | 30,250,000 | 9,370,000 | 8,290,733 | 1,601,731 |
| | 103,424,757 | 84,987,033 | 66,456,549 | 62,718,668 |

INDEPENDENT AUDITOR'S OPINION

The Auditor rendered an unmodified opinion on the fairness of presentation of the financial statements of LIBI for the years ended December 31, 2020 and 2019.

SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

1. Retained Earnings-Unappropriated exceeded the Share Capital by P290.909 million as at December 31, 2020, contrary to Section 42 of the Corporation Code of the Philippines. The Retained Earnings-Appropriated included completed projects/programs amounting to P173 million which were not reverted back to the Retained Earnings-Unappropriated as of December 31, 2020.

We recommended that Management:

a. Revert the Retained Earnings-Appropriated amounting to P173 million to Retained Earnings-Unappropriated;

b. Consider the declaration of additional dividends and remit the surplus profits in excess of 100 per cent of the paid-in-capital stock of stock corporations to the NG in compliance with Sections 4 and 5 of the Revised IRR to RA No. 7656 dated January 26, 2016; and

c. Strictly comply with Section 42 of the Corporation Code of the Philippines, which prohibits the retention of surplus profits in excess of 100 per cent of the paid-in-capital stock of stock corporations.

SUMMARY OF SUSPENSIONS, DISALLOWANCES AND CHARGES

The audit disallowances as at December 31, 2020 amounted to P1.697 million. There are no audit suspensions and charges as at year-end.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Out of the seven audit recommendations embodied in the prior years' Annual Audit Reports, three were fully implemented, one was partially implemented, and three were not implemented, one of which is reiterated in Part II of the Report.

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REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Corporate Government Sector
Cluster 1 – Banking and Credit

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **LBP Insurance Brokerage, Inc. (LIBI)** (a wholly-owned subsidiary of Land Bank of the Philippines), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the LIBI as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended, in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the LIBI in accordance with the Revised Code of Conduct and Ethical Standards for Commission on Audit Officials and Employees together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with PFRSs, 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.



JUL 29 2020

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

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

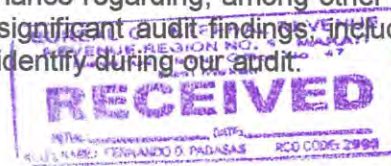
Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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



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Report on Other Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under the Revenue Regulations 15-2010 in Note 26 and the Revised Securities Regulation Code Rule 68 in Note 27 to the 2020 financial statements is presented for purposes of filing with the Bureau of Internal Revenue and the Securities and Exchange Commission, respectively, and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT


ROCHIE J. FELICES
Supervising Auditor

June 09, 2021



JUL 29 2021



STATEMENT OF MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of LBP (Land Bank of the Phil.) Insurance Brokerage, Inc. is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2020 and 2019 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the LBP (Land Bank of the Phil.) Insurance Brokerage, Inc.’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the LBP (Land Bank of the Phil.) Insurance Brokerage, Inc. or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the LBP (Land Bank of the Phil.) Insurance Brokerage, Inc.’s financial reporting process.

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

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

ALVIN G. DANS
Chairman of the Board

ATTY. PAMELA B. FELIZARTA
President and CEO

CRISPINA V. CENTENO
Corporate Treasurer



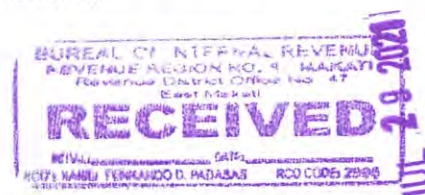
Signed this _____ day of _____, 2021.



LBP INSURANCE BROKERAGE, INC.
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020 and 2019
(In Philippine Peso)

| | Note | 2020 | 2019 |
|--------------------------------------|------|----------------------|----------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and Cash Equivalents | 4 | 532,385,053 | 243,715,871 |
| Receivables, net | 5 | 79,495,488 | 64,932,651 |
| Inventories | 6 | 105,798 | 92,344 |
| Other Current Assets | 7 | 7,736,085 | 7,702,841 |
| Total Current Assets | | 619,722,424 | 316,443,707 |
| Non-Current Assets | | | |
| Receivables, net | 5 | 43,160,840 | 43,323,064 |
| Investments | 8 | 885,163,298 | 1,025,666,922 |
| Investment Property | 9 | 998,316 | 998,316 |
| Property and Equipment, net | 10 | 27,082,469 | 23,361,433 |
| Intangible Assets | 11 | 4,968,482 | 4,868,617 |
| Deferred Tax Assets | 25 | 4,078,608 | 4,052,838 |
| Other Non-Current Assets | 7 | 1,566,660 | 1,362,141 |
| Total Non-Current Assets | | 967,018,673 | 1,103,633,331 |
| Total Assets | | 1,586,741,097 | 1,420,077,038 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Financial Liabilities | 12 | 124,810,319 | 129,841,900 |
| Inter-Agency Payables | 13 | 4,187,423 | 8,647,698 |
| Trust Liabilities | 14 | 166,740,146 | 96,784,127 |
| Provisions | 15 | 2,438,403 | 6,836,076 |
| Other Payables | 16 | 6,444,742 | 481,621 |
| Total Current Liabilities | | 304,621,033 | 242,591,422 |
| Non-Current Liabilities | | | |
| Financial Liabilities | 12 | 61,608,851 | 49,372,330 |
| Trust Liabilities | 14 | 12,898,662 | 9,462,612 |
| Provisions | 15 | 8,868,412 | 5,236,186 |
| Total Non-Current Liabilities | | 83,375,925 | 64,071,128 |
| Total Liabilities | | 387,996,958 | 306,662,550 |
| EQUITY | | | |
| Share Capital | 17 | 300,000,000 | 300,000,000 |
| Retained Earnings | | 898,744,139 | 813,414,488 |
| Total Equity | | 1,198,744,139 | 1,113,414,488 |
| Total Liabilities and Equity | | 1,586,741,097 | 1,420,077,038 |

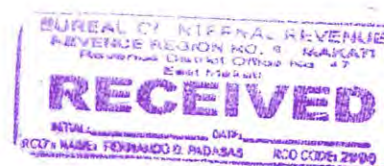
The Notes on pages 9 to 44 form part of these financial statements.



LBP INSURANCE BROKERAGE, INC.
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019
(In Philippine Peso)

| | Note | 2020 | 2019 |
|--|------|---------------------|---------------------|
| Income | | | |
| Service and Business Income | 19 | 242,987,182 | 217,592,947 |
| Other Non-Operating Income | 24.1 | 864,489 | 1,344,643 |
| Total Income | | 243,851,671 | 218,937,590 |
| Expenses | | | |
| Personnel Services | 20 | (34,027,615) | (36,211,231) |
| Maintenance and Other Operating Expenses | 21 | (17,159,602) | (18,193,880) |
| Financial Expenses | 22 | (224,781) | (186,126) |
| Non-Cash Expenses | 23 | (6,753,818) | (6,455,572) |
| Other Non-Operating Loss | 24.2 | 0 | (70,128) |
| Total Expenses | | (58,165,816) | (61,116,937) |
| Net Income Before Tax | | 185,685,855 | 157,820,653 |
| Income Tax Expense | 25 | (40,453,382) | (35,411,228) |
| Net Income for the year | | 145,232,473 | 122,409,425 |
| Total Comprehensive Income | | 145,232,473 | 122,409,425 |

The Notes on pages 9 to 44 form part of these financial statements.

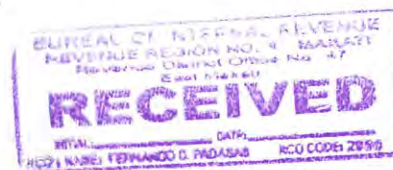


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LBP INSURANCE BROKERAGE, INC.
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019
(In Philippine Peso)

| | Share Capital (Note 17) | Retained Earnings | | TOTAL |
|--|----------------------------|---------------------------|--------------------|----------------------|
| | | Appropriated (Note 18) | Unappropriated | |
| BALANCE AT JANUARY 1, 2019 | 300,000,000 | 320,150,000 | 431,096,235 | 1,051,246,235 |
| CHANGES IN EQUITY FOR 2019 | | | | |
| Add/(Deduct): | | | | |
| Declaration of Cash Dividend | | | (48,243,400) | (48,243,400) |
| Payment of Deficiency Tax for 2017 | | | (7,000,238) | (7,000,238) |
| Other Adjustments | | | (106,954) | (106,954) |
| Additional Funding for Retirement Fund | | | (4,890,580) | (4,890,580) |
| Appropriations | | 95,700,000 | (95,700,000) | 0 |
| Reversal of Appropriations | | (10,000,000) | 10,000,000 | 0 |
| Net Income for the year | | | 122,409,425 | 122,409,425 |
| BALANCE AT DECEMBER 31, 2019 | 300,000,000 | 405,850,000 | 407,564,488 | 1,113,414,488 |
| CHANGES IN EQUITY FOR 2020 | | | | |
| Add/(Deduct): | | | | |
| Declaration of Cash Dividend | | | (62,767,419) | (62,767,419) |
| Other Adjustments | | | 2,864,597 | 2,864,597 |
| Net Income for the year | | | 145,232,473 | 145,232,473 |
| BALANCE AT DECEMBER 31, 2020 | 300,000,000 | 405,850,000 | 492,894,139 | 1,198,744,139 |

The Notes on pages 9 to 44 form part of these financial statements.

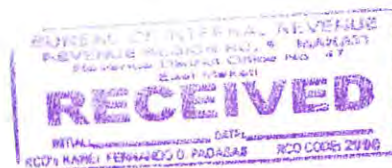


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LBP INSURANCE BROKERAGE, INC.
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019
(In Philippine Peso)

| | Note | 2020 | 2019 |
|---|------|------------------------|------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash Inflows | | | |
| Receipt of Advance Payment of Premium | | 947,042,250 | 679,449,168 |
| Collection of Income/Revenue | | 10,287,961 | 12,326,105 |
| Collection of Receivables | | 160,180,557 | 268,874,348 |
| Total Cash Inflows | | 1,117,510,768 | 960,649,621 |
| Cash Outflows | | | |
| Payment of Premiums to Insurance Companies | | (507,196,536) | (668,687,804) |
| Payment of Expenses | | (43,743,216) | (53,014,935) |
| Purchase of Inventories | | (338,073) | (361,598) |
| Prepayments | | (1,451,086) | (680,592) |
| Payments of Accounts Payable | | (5,196,435) | (3,172,959) |
| Remittance of Personnel Benefit and Mandatory Deduction | | (822,585) | (9,471,043) |
| Payment of Income Taxes | | (42,849,861) | (38,346,180) |
| Total Cash Outflows | | (601,597,792) | (773,735,111) |
| Net Cash Provided by Operating Activities | | 515,912,976 | 186,914,510 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Cash Inflows | | | |
| Proceeds from Sale of Property, Plant & Equipment | | 0 | 10,470 |
| Proceeds of Matured Investments | | 5,289,178,000 | 3,157,387,000 |
| Receipt of Interest Earned from Investments | | 41,583,789 | 41,491,124 |
| Total Cash Inflows | | 5,330,761,789 | 3,198,888,594 |
| Cash Outflows | | | |
| Purchase of Property, Plant, Equipment | 10 | (8,162,162) | (1,601,730) |
| Purchase of Intangible Assets | 11 | (128,571) | 0 |
| Placement of Investments | | (5,486,947,431) | (3,199,428,829) |
| Total Cash Outflows | | (5,495,238,164) | (3,201,030,559) |
| Net Cash Used in Investing Activities | | (164,476,375) | (2,141,965) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Cash Outflows | | | |
| Payment of Cash Dividends | 18 | (62,767,419) | (48,243,400) |
| Cash Used in Financing Activities | | (62,767,419) | (48,243,400) |
| Net Increase in Cash and Cash Equivalents | | 288,669,182 | 136,529,145 |
| CASH AND CASH EQUIVALENTS, JANUARY 1 | | 243,715,871 | 107,186,726 |
| CASH AND CASH EQUIVALENTS, DECEMBER 31 | 4 | 532,385,053 | 243,715,871 |

The Notes on pages 9 to 44 form part of these financial statements.



JUL 29 2021

LBP INSURANCE BROKERAGE, INC.
(A wholly-owned subsidiary of Land Bank of the Philippines)
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019
(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 nine 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.

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

1.2 Authorization for Issue of the 2020 Financial Statements

The financial statements of LIBI for the years ended December 31, 2020 and 2019 were authorized for issue by the Board of Directors on January 28, 2021 in Board Resolution No. 2021-001-002 dated January 28, 2021 and was signed by the Chairman of the Board on January 28, 2021.

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

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

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

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

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

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

The preparation of financial statements in compliance with the adopted Philippine Accounting Standard (PAS) requires the use of certain accounting estimates. It also requires the entity to exercise judgment in applying the entity's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effects are disclosed in Note 3.9.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of accounting

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

3.2 Financial Instruments

LIBI recognizes a financial asset or a financial liability in its statement of financial position when, and only when, the Corporation becomes party to the contractual provisions of the instrument.

a. Financial Assets

Under PFRS 9, the classification and measurement of financial assets is driven by the entity's contractual cash flow characteristics of the financial assets and business model for managing the financial assets. As part of its classification process, LIBI assesses the contractual terms of financial assets to identify whether they meet the "solely payments of principal and interest" (SPPI) test. The "Principal", for the purpose of this test, is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (e.g. if there are repayments of principal or amortization of the premium or discount).

The LIBI determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The LIBI has adopted PFRS 9, the Hold-to-Collect Business Model per Board Resolution No. 2019-012-041 dated December 19, 2019.

Initial recognition and measurement

Financial assets are recognized initially at fair value, which is the fair value of the consideration given. The initial measurement of financial assets, except for those designated at fair value through profit and loss (FVPL), includes transaction cost. The LIBI determines the classification of its financial assets at initial recognition.

Classification

Financial assets are measured at amortized cost if both of the following conditions are met:

- The asset is held within the company's business model whose objective is to hold financial assets in order to collect contractual cash flows; and,
- The contractual terms of the instrument give rise, on specified dates, to cash flows that are SPPI on the principal amount outstanding.

The LIBI's financial assets at amortised cost include cash and cash equivalents and investments.

Subsequent measurement and Gains and Losses

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Held-to-Maturity Investments

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

Held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

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

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

Derecognition

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

1. The contractual right to the cash flows from the financial asset expire; and
2. The LIBI has transferred its contractual rights to receive the cash flows of the financial asset, or retains the contractual rights to receive cash flows of the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients and either the entity has:
 - Transferred substantially all the risks and rewards of ownership of the financial asset; or

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

Impairment of financial assets

The LIBI records the allowance for expected credit losses for financial assets not held at Fair Value through Profit and Loss (FVTPL), all referred to as 'financial instruments'. Equity instruments are not subject to impairment under PFRS 9.

Under the expected loss methodology, impairment is more forward looking, in that a credit event (or impairment 'trigger') no longer has to occur before credit losses are recognized. ECL represents credit losses that reflect an unbiased and probability-weighted amount, which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances will be measured at amounts equal to either:

- 12-month ECL
- Lifetime ECL for those financial instruments that have experienced a Significant Increase in Credit Risk (SICR) since initial recognition (General approach).

The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of financial instrument.

Staging assessment

For no-credit-impaired financial instruments:

- Stage 1 is comprised of all financial instruments which have not experienced a SICR since initial recognition or is considered of low credit risk as of the reporting date. The criteria for determining whether an account should be assessed under stage 1 are as follows:
 - Past due up to 30 days
 - No significant increase in Probability of Default (PD)

The LIBI recognizes a 12-month ECL for Stage 1 financial instruments.

- Stage 2 is comprised of all financial instruments which have experienced a SICR since its initial recognition. A SICR is generally deemed present in accounts with:
 - More than 30 days up to 90 days past due, or
 - With significant increase in PD.

The LIBI recognizes a lifetime ECL for Stage 2 financial instruments.

For credit-impaired financial instruments:

- Stage 3 is comprised of financial assets that have objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or portfolio of loans. The LIBI recognizes a lifetime ECL for stage 3 financial instruments.

PFRS 9 Loss events:

- Significant financial difficulty of the issuer or borrower
- A breach of contract, such as default or past due event
- The Lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization
- The disappearance of an active market for that financial asset because of financial difficulties
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses

ECL parameters and methodologies

ECL is a function of the Probability of Default (PD), Loss Given Default (LGD) and Exposure At Default (EAD), with the timing of loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experience credit judgement.

The PD is an estimate of the likelihood of default over 12-month horizon for Stage 1 or lifetime horizon for stage 2. The PD for each individual instrument is modelled based on historical data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

Forward Looking Information

The LIBI incorporated forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. A broad range of forward-looking information are considered as economic inputs, such as GDP growth, exchange rate, interest rate, inflation rate and other economic indicators. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of financial statements. To

reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

b. Financial Liabilities

Initial recognition and measurement

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

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

Subsequent measurement

Financial liabilities are subsequently measured at amortised cost.

Derecognition

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

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

3.3 Cash and Cash Equivalents

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

3.4 Accounts Receivables

LIBI acts as an agent in placing the insurable risks of its clients with insurers and as such, is not liable as principal for amounts arising from such transactions. However, Accounts Receivables (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.

3.5 Inventories

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

3.6 Investment Property

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

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

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

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

3.7 Property and Equipment

Recognition

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

The characteristics of PE are as follows:

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

An item of PE is recognized as an asset if:

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

Measurement at initial recognition

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

Cost includes the following:

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

Subsequent Measurement

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

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

Depreciation

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

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

- a. Initial recognition of depreciation

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

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

- b. Depreciation Method

The straight-line method of depreciation is adopted.

- i. Estimated useful life

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

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

ii. Residual Value

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

Impairment

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

Derecognition

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

3.8 Intangible Assets

Recognition and measurement

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

Intangible assets acquired separately are initially recognized at cost.

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

Recognition of an expense

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

Subsequent measurement

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

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

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

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

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

3.9 Provisions, Contingent Liabilities and Contingent Assets

a. Provisions

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

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

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

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

b. Contingent Liabilities

The LIBI does not recognize a contingent liability, but discloses details of any contingencies in the notes to financial statements, unless the possibility of an outflow of

resources embodying economic benefits or service potential is remote.

c. Contingent Assets

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

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

3.10 Changes in Accounting Policies and Estimates

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

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

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

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

3.11 Revenue from Contracts with Customers

The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle is that an entity recognizes revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard focuses on the identification of performance obligations and distinguishes between performance obligations that are satisfied at a point in time and those that are satisfied over time, which is determined by the manner in which control of goods or services passes to the customer. An entity must apply the five-step model to comply with the revenue recognition standard:

- Step 1: Identify the contract(s) with customers
- Step 2: Define the performance obligations in each contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The amendments on PFRS 15, Revenue from Contracts with Customers, clarifies how entities:

- a. Identify a performance obligation—the promise to transfer a good or a service to a customer—in a contract;
- b. Determine whether a company is a principal (the provider of a good or service) or an agent responsible for arranging for the good or service to be provided; and
- c. Determine whether the revenue from granting a license should be recognized at a point in time or over time.

LIBI assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Corporation has assessed that it acts as an agent in all of its revenue sources. The LIBI's existing brokerage agreements with the accredited insurance companies of its parent company, LBP, aims to provide accessible, competitively priced and responsive insurance services and to efficiently facilitate processing of insurance requirements of all LBP clients and direct individuals. Transaction price varies per line of insurance risks. The LIBI recognizes revenue as the brokering services and issuance of policies by the insurers are rendered at a point in time.

3.12 Leases

PFRS 16, *Leases*, which is effective beginning January 1, 2019, replaces PAS 17, *Leases*.

The standard requires lessees to recognize all leases on their statement of financial position except for relatively small-value assets and leases with terms of 12 months or less. This single accounting model no longer distinguishes a finance lease from an operating lease. Under its core principle, a lessee recognizes a right-of-use (ROU) asset and a lease liability on its balance sheet for most leases, including operating leases.

Leases where the Corporation does not transfer substantially all the risks and rewards of ownership of the assets are classified as operating leases. Rent income from operating leases is recognized as income on a straight-line basis over the lease term.

As at December 31, 2020, the existing lease agreement with Masaganang Sakahan Inc. (MSI) as Lessor still meet the definition of lease under PFRS 16. LIBI adopted the new amendment to PFRS 16 on the practical expedient to rent concessions as a direct result of the COVID-19. LIBI allowed MSI to defer lease payments as well as rent-free during the lockdown period in CY 2020.

3.13 Income Taxes

Income tax on the profit for the year comprises current tax only. Income tax is recognized in the profit or loss. Current income tax is the expected tax payable on the

taxable income for the year using tax rates enacted or substantially enacted as of the reporting date, and any adjustment to tax payable in respect to previous years.

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

3.14 Employee Benefits

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

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

LIBI appropriated its Retained Earnings from 2000 to 2008 a total amount of P10,000,000 for retirement benefit plan. On July 18, 2011, the Retirement Fund was finally set-up by LIBI of which the LBP-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.

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 and on December 31, 2017 by E. M Zalamea Actuarial Services, Inc. The same actuarial firm conducted the revaluation in CY 2020.

Below are the actuarial assumptions and valuation results as of December 31, 2020:

STATEMENT OF ACTUARIAL ASSUMPTIONS

| | |
|---------------------------|--|
| 1. Valuation Date | December 31, 2020 |
| 2. Effective Date | January 1, 2020 |
| 3. Investment Rate | 4% p.a. compounded annually |
| 4. Mortality Rate | The 2001 CSO Table Generational (Scale AA, Society of Actuaries) |
| 5. Disability Rate | The Disability Study, Period 2, Benefit 5 (Society of Actuaries) |
| 6. Salary Projection Rate | 4% p.a. compounded annually |
| 7. Normal Retirement Age | Age 60 |

| | | |
|---------------------------------|--|-------------|
| 8. Projected Retirement Benefit | 22.5 days Pay per year of service in accordance with R.A. 7641 | |
| 9. Funding Method | Accrued Benefit Actuarial Cost Method (Projected Unit Credit) | |
| 10. Manner of Payment | Lump Sum | |
| 11. Withdrawal Rates | <u>Age</u> | <u>Rate</u> |
| | 19 - 24 | 7.50% |
| | 25 - 29 | 6.00% |
| | 30 - 34 | 4.50% |
| | 35 - 39 | 3.00% |
| | 40 - 44 | 2.00% |
| | ≥ 45 | 0.00% |

SUMMARY OF ACTUARIAL VALUATION RESULTS
As of December 31, 2020

| | 12/31/2020 | 12/31/2017 |
|---|---------------|---------------|
| | I=4.0%;R=4.0% | I=4.0%;R=8.0% |
| 1. Number of Lives Covered | 53 | 45 |
| 2. Average Age in Years | 39.8 | 37.60 |
| Average Years of Remaining Working Life of the Employee Group | 20.2 | 22.4 |
| 3. Average Years of Past Service | 11 | 9.8 |
| 4. Annual Covered Payroll (ACP) | 21,576,948 | 16,970,772 |
| 5. Past Service Liability (PSL) | 23,361,895 | 25,770,948 |
| 6. Annual Normal Cost (ANC) | 1,607,783 | 2,109,420 |
| 7. ANC as percentage of ACP/Funding Rate [(6) ÷ (4)] | 7.5% | 12.4% |
| 8. Total Fund Net Assets | 27,260,160 | 9,782,183 |
| 9. Amount Overfunded (Underfunded) [(8) – (5)] | 3,898,265 | (15,988,765) |

SUMMARY OF VESTED BENEFITS
As of December 31, 2020

| | MALE | FEMALE | COMBINED |
|---|-----------|------------|------------|
| 1. Number of Lives Eligible | | | |
| a. Compulsory Retirement | 0 | 1 | 1 |
| b. Optional Retirement | 3 | 9 | 12 |
| c. Voluntary Retirement | 6 | 8 | 14 |
| Total | 9 | 18 | 27 |
| 2. Vested Benefit (VB) | | | |
| a. Compulsory Retirement | 0 | 382,163 | 382,163 |
| b. Optional Retirement | 2,860,677 | 12,451,179 | 15,311,856 |
| c. Voluntary Retirement | 2,805,681 | 1,839,474 | 4,645,155 |
| Total | 5,666,358 | 14,672,816 | 20,339,174 |
| 3. Total Fund Net Amount | | | 27,260,160 |
| 4. Fund as a percentage of VB [(3) ÷ (2)] | | | 134.0% |

**As of December 31, 2020, the Fund is more than sufficient to pay the benefits, assuming assuming all eligible employees will avail of their vested benefits during the valuation period.*

Since the Fund is overfunded by an amount which is more than sufficient to pay for the Annual Normal Cost (ANC), the contribution to the Fund was discontinued for the valuation period as of December 31, 2020.

Fifteen employees of the original 39 eligible employees availed of the Retirement Fund, wherein retirement benefits totaling to P8,248,203 were withdrawn from the Fund as at December 31, 2020. The Statement of Financial Position as at December 31, 2020 prepared by LBP-TBG showed that the Net Assets balance of the Retirement Fund amounted to P27,260,160. The Net Assets balance is composed of Capital, Retained Earnings and Net Unrealized Gain amounting P22,804,617, P3,875,166 and P580,377, respectively as at December 31, 2020.

3.15 Related Parties

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

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

4. CASH AND CASH EQUIVALENTS

This account consists of:

| | 2020 | 2019 |
|-----------------------------|--------------------|--------------------|
| Cash on Hand | 50,000 | 50,000 |
| Cash in Bank-Local Currency | 532,335,053 | 163,661,164 |
| Cash Equivalent | 0 | 80,004,707 |
| Total | 532,385,053 | 243,715,871 |

Cash equivalent consists of investment in 90-day Treasury Bills with an average interest rate of 3.165 per cent which were invested in December 2019 and matured on March 4, 2020.

5. RECEIVABLES

This account consists of:

| | 2020 | | | 2019 | | |
|---|-------------------|-------------------|--------------------|-------------------|-------------------|--------------------|
| | Current | Non-Current | Total | Current | Non-Current | Total |
| Accounts Receivable | 62,928,073 | 41,797,679 | 104,725,752 | 50,357,755 | 41,931,898 | 92,289,653 |
| Accrued Service Fees Receivable | 10,257,796 | 9,152,682 | 19,410,478 | 8,562,493 | 9,180,687 | 17,743,180 |
| Allowance for Impairment- Accrued Service Fees Receivable | (2,142,092) | (9,152,682) | (11,294,774) | (1,948,150) | (9,152,682) | (11,100,832) |
| Net Value-Accrued Service Fees Receivable | 8,115,704 | 0 | 8,115,704 | 6,614,343 | 28,005 | 6,642,348 |
| Commission Receivable from Insurer | 1,809,665 | 0 | 1,809,665 | 0 | 0 | 0 |
| Interest Receivable | 6,403,010 | 0 | 6,403,010 | 7,679,838 | 0 | 7,679,838 |
| Inter-Agency Receivable | 224,500 | 0 | 224,500 | 244,575 | 0 | 244,575 |
| Due from BIR | 0 | 0 | 0 | 224,355 | 0 | 224,355 |
| Due from-SSS | 224,500 | 0 | 224,500 | 20,220 | 0 | 20,220 |
| Sub-total | 79,480,952 | 41,797,679 | 121,278,631 | 64,896,511 | 41,959,903 | 106,856,414 |
| Other Receivables | | | | | | |
| Receivable- Disallowances/Charges Due from Officers and employees | 14,536 | 0 | 14,536 | 12,173 | 0 | 12,173 |
| Other Receivables | 0 | 0 | 0 | 20,967 | 0 | 20,967 |
| Sub-total | 14,536 | 1,363,161 | 1,377,697 | 36,140 | 1,363,161 | 1,399,301 |
| Total | 79,495,488 | 43,160,840 | 122,656,328 | 64,932,651 | 43,323,064 | 108,255,715 |

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

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

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

As of April 20, 2021 hearing, the Presiding judge issued an Order giving the co-defendant Land Bank of the Philippines (LBP), 15 days from receipt of the Resolution of its Motion, within which to submit its Formal Offer of Evidence (FOE). The same period of time was given to the other parties, within which to file their comment thereto. LIBI counsel manifested their intention to file a Memorandum for LIBI after the FOE has been resolved. This manifestation was adopted by counsel for the plaintiff. The Presiding judge required that the period within which to file parties' respective Memoranda shall be

included in the Order resolving the FOE.

Reconciliation of carrying amounts of Allowance for Impairment - Accrued Service Fee Receivable for CY 2020:

| Particulars | 2020 | 2019 |
|---|-------------------|-------------------|
| At January 1 | 11,100,832 | 11,056,186 |
| Provisions for the year (Note 23) | 2,142,092 | 1,948,150 |
| | 13,242,924 | 13,004,336 |
| Adjustment: | | |
| Reversal of CYs 2017, 2016 and 2015 provisions on accrued service fees receivable due to collection (Note 25) | 0 | (80,316) |
| Reversal of CY 2018 due to collections | 0 | (1,823,188) |
| Reversal of CY 2019 due to collections | (1,948,150) | 0 |
| | (1,948,150) | (1,903,504) |
| At December 31 | 11,294,774 | 11,100,832 |

6. INVENTORIES

This account consists of inventories held for consumption, namely:

| | 2020 | 2019 |
|-----------------------------|----------------|---------------|
| Office supplies inventory | 55,836 | 73,005 |
| Accountable forms inventory | 43,177 | 15,571 |
| Non-accountable forms | 6,785 | 3,768 |
| | 105,798 | 92,344 |

Reconciliation of carrying amounts:

| | 2020 | 2019 |
|--|----------------|----------------|
| Carrying Amount, January 1 | 92,344 | 128,196 |
| Additions/Acquisitions during the year | 338,073 | 361,598 |
| Consumption during the year | (324,619) | (397,450) |
| Carrying Amount, December 31 | 105,798 | 92,344 |

7. OTHER ASSETS

This account consists of:

| | 2020 | | | 2019 | | |
|--------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | Current | Non-Current | Total | Current | Non-Current | Total |
| Prepayments | 7,736,085 | 1,300,848 | 9,036,933 | 7,702,841 | 1,194,519 | 8,897,360 |
| Deposits | 0 | 265,812 | 265,812 | 0 | 167,622 | 167,622 |
| Total | 7,736,085 | 1,566,660 | 9,302,745 | 7,702,841 | 1,362,141 | 9,064,982 |

The prepayments consist of creditable withholding taxes, prepaid Insurance, input tax and other prepayments.

8. INVESTMENTS

This account consists of financial assets-held to maturity. Below is the summary of changes in this account during the year:

As at December 31, 2020

| | Retail Treasury Bonds | Fixed Treasury Notes | DBP Tier II | Treasury Bills | Total |
|--|-----------------------|----------------------|-------------------|----------------|--------------------|
| Balance, January 1, 2020, at Par Value | 606,558,000 | 298,632,000 | 75,000,000 | 0 | 980,190,000 |
| Additional investment | 10,000,000 | 0 | 0 | 215,000,000 | 225,000,000 |
| Investment sold/collected | (60,000,000) | (88,632,000) | 0 | (215,000,000) | (363,632,000) |
| Total Investment at Par Value | 556,558,000 | 210,000,000 | 75,000,000 | 0 | 841,558,000 |
| Discount on Investment | (12,203) | (292,279) | 0 | 0 | (304,482) |
| Premium on Investment | 44,069,611 | 70,781 | 0 | 0 | 44,140,392 |
| Allowance for Impairment, January 1 | 0 | 0 | (153,741) | 0 | (153,741) |
| Impairment loss for the year | 0 | 0 | (76,871) | 0 | (76,871) |
| Allowance for Impairment, December 31 | 0 | 0 | (230,612) | 0 | (230,612) |
| Balance, December 31, 2020 | 600,615,408 | 209,778,502 | 74,769,388 | 0 | 885,163,298 |

As at December 31, 2019

| | Retail Treasury Bonds | Fixed Treasury Notes | DBP Tier II | Treasury Bills | Total |
|--|-----------------------|----------------------|-------------------|----------------|----------------------|
| Balance, January 1, 2019, at Par Value | 606,558,000 | 298,632,000 | 75,000,000 | 0 | 980,190,000 |
| Additional investment | 0 | 0 | 0 | 70,000,000 | 70,000,000 |
| Investment sold/collected | 0 | 0 | 0 | (70,000,000) | (70,000,000) |
| Total Investment at Par Value | 606,558,000 | 298,632,000 | 75,000,000 | 0 | 980,190,000 |
| Discount on Investment | (39,239) | (718,982) | 0 | 0 | (758,221) |
| Premium on Investment | 45,895,102 | 493,782 | 0 | 0 | 46,388,884 |
| Allowance for Impairment, January 1 | 0 | 0 | (76,871) | 0 | (76,871) |
| Impairment loss for the year | 0 | 0 | (76,870) | 0 | (76,870) |
| Allowance for Impairment, December 31 | 0 | 0 | (153,741) | 0 | (153,741) |
| Balance, December 31, 2019 | 652,413,863 | 298,406,800 | 74,846,259 | 0 | 1,025,666,922 |

Financial Asset - Held-to-Maturity investments of LIBI carry interest rates at December 31 as follows:

| | 2020 | 2019 |
|-----------------------|---|--|
| Retail Treasury Bonds | 6.125%, 4.875%, 4.625%, 3.500%, 3.250% and 2.625% | 6.125%, 4.875%, 4.625%, 3.500%, and 3.250% |
| DBP-Tier II | 4.875% | 4.875% |
| Fixed Treasury Notes | 5.500% and 3.500% | 5.500%, 3.60%, 3.50% and 3.375% |

Total interest earned from the investments amounts to P38,582,647 and P39,783,227 for years 2020 and 2019, respectively, as disclosed in Note 19.

Board Resolution No. 2014-009-027 dated October 29, 2014 approved the request of LBP Leasing and Finance Corporation (LLFC), for the assignment of LIBI's P500,000,000 worth of government securities – Retail Treasury Bonds as partial collateral for LLFC's existing short term loan from Land Bank of the Philippines. The

Deed of Assignment by way of security was executed on October 31, 2014 by and between LIBI and LLFC for a period of two years. In consideration of the assignment, LLFC shall pay LIBI a guarantee/assignment fee equivalent to 1/8 of 1 per cent or P625,000 per annum or P52,083.33 per month. The guarantee/assignment fee is being paid by LLFC on a quarterly basis. However, due to the maturity of the Retail Treasury Bonds on August 19, 2015 and March 03, 2016 totaling P82,855,000, the assignment fee was reduced to P530,638.92 per annum or P44,219.91 per month which was based on the remaining amount of P424,511,129.56 with the same guarantee/assignment fee rate. LLFC did not request for replacement of the matured assigned investment.

9. INVESTMENT PROPERTY

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

10. PROPERTY AND EQUIPMENT

This account consists of the following:

As at December 31, 2020

| | Office Equipment | Information and Communication Technology | Furniture and Fixtures | Building | Motor Vehicles | Total |
|--|-------------------|--|------------------------|-------------------|------------------|-------------------|
| Cost, January 1 | 12,601,942 | 5,486,326 | 2,727,239 | 38,670,505 | 4,425,107 | 63,911,119 |
| Acquisitions | 2,340,056 | 195,089 | 0 | 0 | 3,422,661 | 5,957,806 |
| Construction in Progress | 0 | 0 | 637,536 | 1,566,820 | 0 | 2,204,356 |
| Cost, December 31 | 14,941,998 | 5,681,415 | 3,364,775 | 40,237,325 | 7,847,768 | 72,073,281 |
| Accumulated Depreciation, January 1 | 6,698,241 | 1,167,763 | 2,223,104 | 27,302,816 | 3,157,762 | 40,549,686 |
| Depreciation | 1,844,295 | 448,172 | 107,062 | 1,802,596 | 304,024 | 4,506,149 |
| Adjustments | (65,023) | 0 | 0 | 0 | 0 | (65,023) |
| Accumulated Depreciation, December 31 | 8,477,513 | 1,615,935 | 2,330,166 | 29,105,412 | 3,461,786 | 44,990,812 |
| Net Carrying Amount, December 31 | 6,464,485 | 4,065,480 | 1,034,609 | 11,131,913 | 4,385,982 | 27,082,469 |

As at December 31, 2019

| | Office Equipment | Information and Communication Technology | Furniture and Fixtures | Building | Motor Vehicles | Total |
|------------------------|-------------------|--|------------------------|-------------------|------------------|-------------------|
| Cost, January 1 | 11,740,690 | 5,220,077 | 2,739,511 | 38,670,505 | 4,425,107 | 62,795,890 |
| Acquisitions | 1,335,481 | 266,249 | 0 | 0 | 0 | 1,601,730 |
| Disposal | (474,229) | 0 | (12,272) | 0 | 0 | (486,501) |

| | Office Equipment | Information and Communi- cation Technology | Furniture and Fixtures | Building | Motor Vehicles | Total |
|--|---------------------|---|------------------------------|-------------------|-------------------|-------------------|
| Cost, December 31 | 12,601,942 | 5,486,326 | 2,727,239 | 38,670,505 | 4,425,107 | 63,911,119 |
| Accumulated Depreciation, January 1 | 5,526,418 | 765,963 | 2,104,617 | 25,500,220 | 2,656,527 | 36,553,745 |
| Depreciation | 1,577,728 | 401,800 | 118,487 | 1,802,596 | 501,235 | 4,401,846 |
| Adjustments | (405,905) | 0 | 0 | 0 | 0 | (405,905) |
| Accumulated Depreciation, December 31 | 6,698,241 | 1,167,763 | 2,223,104 | 27,302,816 | 3,157,762 | 40,549,686 |
| Net Carrying Amount, December 31 | 5,903,701 | 4,318,563 | 504,135 | 11,367,689 | 1,267,345 | 23,361,433 |

11. INTANGIBLE ASSETS

This account consists of the cost of computer software upgrade of the LIBI's existing Integrated Insurance Business System (IIBS) version 3.3 to 4.0 web version systems which development is in progress.

As at December 31, 2020

| | Development in Progress | Computer Software | Total |
|---|----------------------------|----------------------|------------------|
| Cost, January 1 | 4,763,362 | 143,529 | 4,906,891 |
| Acquisitions | 128,571 | 0 | 128,571 |
| Cost, December | 4,891,933 | 143,529 | 5,035,462 |
| Accumulated Amortization, January 1 | 0 | 38,274 | 38,274 |
| Amortization | 0 | 28,706 | 28,706 |
| Accumulated Amortization, December 31 | 0 | 66,980 | 66,980 |
| Net Carrying Amount, December 31 | 4,891,933 | 76,549 | 4,968,482 |

As at December 31, 2019

| | Development in Progress | Computer Software | Total |
|---|----------------------------|----------------------|------------------|
| Cost, January 1 | 4,763,362 | 143,529 | 4,906,891 |
| Cost, December 31 | 4,763,362 | 143,529 | 4,906,891 |
| Accumulated Amortization, January 1 | 0 | 9,568 | 9,568 |
| Amortization | 0 | 28,706 | 28,706 |
| Accumulated Amortization, December 31 | 0 | 38,274 | 38,274 |
| Net Carrying Amount, December 31 | 4,763,362 | 105,255 | 4,868,617 |

The total cost of the project is P6,439,219. The project duration to upgrade the LIBI IIBS was extended until March 31, 2018. However, the project was further extended to several times due to system incident reports (SIRs) that were encountered during testing and have to be resolved prior to retesting again and also due to the delay in the

migration of data. The Insurance Brokerage System (IIBS) Version 4.0 procured from Asian Business Solutions, Incorporated went Live on September 21, 2020. The cut-off date in the old version 3.3 was on September 18, 2020. Migrated data from IIBS version 3.3 was as of August 14, 2020 transactions. Backlog transactions from August 15, 2020 to September 18, 2020 were re-encoded in IIBS Version 4.0. Validation on the migrated data on registers and reprocessing of premium remittances (not migrated transactions) are on-going. As of December 31, 2020, the down payment amounted to P2,084,790.

Another intangible asset procured in CY 2018 is the Online Insurance Application system with Virtual Assistant (CHATBOT) which will help clients in facilitating their insurance queries and needs. However, it is not yet fully operational due to its dependencies on IIBS upgraded version. In CY 2020, a change request amounting to P128,571 was paid to Techvolutions, Inc., the system developer of LIBI's ChatBot, to accommodate Gallantry, a security agency client.

LIBI's upgraded payroll system costing P143,528 was fully operational in September 2018. Accumulated amortization amounted to P66,980 was recognized using the straight method over a useful life of five years.

12. FINANCIAL LIABILITIES

This account consists of:

| | 2020 | | | 2019 | | |
|-------------------------------|--------------------|-------------------|--------------------|--------------------|-------------------|--------------------|
| | Current | Non-Current | Total | Current | Non-Current | Total |
| Insurance/Reinsurance | | | | | | |
| Premium Payable | 90,373,034 | 59,969,345 | 150,342,379 | 69,495,318 | 43,181,216 | 112,676,534 |
| Accounts Payable | 24,708,429 | 1,639,506 | 26,347,935 | 50,658,576 | 6,191,114 | 56,849,690 |
| Due to Officers and Employees | 0 | 0 | 0 | 4,395 | 0 | 4,395 |
| Other Financial Liabilities | | | | | | |
| Handling Fees Payable | 9,728,856 | 0 | 9,728,856 | 9,683,611 | 0 | 9,683,611 |
| Total | 124,810,319 | 61,608,851 | 186,419,170 | 129,841,900 | 49,372,330 | 179,214,230 |

Insurance/Reinsurance Premium Payable pertains to insurance premiums payable to insurance companies as at December 31, 2020.

Accounts Payable includes unreleased checks and authority to debit totaling P24,650,026 for payment of insurance premiums to various insurance companies that remain under the custody of the Cashiering Unit as at December 31, 2020 awaiting corresponding tax certificates (BIR Form 2307) from various insurance companies. This also includes accrual of expenses awaiting billing from suppliers.

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

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

13. INTER-AGENCY PAYABLES

This account consists of:

| | 2020 | 2019 |
|-------------------------|------------------|------------------|
| Income Tax Payable | 1,879,908 | 6,922,064 |
| Value Added Tax Payable | 1,559,497 | 1,283,322 |
| Due to BIR | 748,018 | 442,312 |
| Total | 4,187,423 | 8,647,698 |

Following the BIR Revenue Memorandum Circular No. 50-2021 issued on April 08, 2021, the Income Tax Payable account represents 27.50 per cent transitory rate for corporate income tax remitted to the BIR within 60 days following the close of each of the first three quarters of the taxable year and April 15 of the following year. The corporate income tax rate applied for CY 2019 is 30 per cent.

The Value Added Tax Payable account represents the 12 per cent output tax on the collected accrued service fees receivable for the month and remitted to the BIR every twenty 25th day following end of the month while the quarterly remittance is filed not later than the 25th day following the close of each taxable quarter.

The Due to BIR account represents five per cent government VAT withheld from suppliers of goods and services; withholding tax withheld on compensation and the one per cent or two per cent withholding tax at source. Withholding taxes withheld during the month are remitted to the BIR every 10 days and 15 days following the end of the month, respectively.

14. TRUST LIABILITIES

This account consists of:

| | 2020 | | | 2019 | | |
|------------------------------------|--------------------|-------------------|--------------------|-------------------|------------------|--------------------|
| | Current | Non-Current | Total | Current | Non-Current | Total |
| Customer's Deposits Payable | 166,740,146 | 12,671,462 | 179,411,608 | 96,784,127 | 9,235,412 | 106,019,539 |
| Guaranty/Security Deposits Payable | 0 | 227,200 | 227,200 | 0 | 227,200 | 227,200 |
| Total | 166,740,146 | 12,898,662 | 179,638,808 | 96,784,127 | 9,462,612 | 106,246,739 |

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

15. PROVISIONS

This account consists of:

| | 2020 | | | 2019 | | |
|------------------------|------------------|------------------|-------------------|------------------|------------------|-------------------|
| | Current | Non-Current | Total | Current | Non-Current | Total |
| Leave Benefits Payable | 2,438,403 | 4,151,659 | 6,590,062 | 2,112,705 | 2,726,739 | 4,839,444 |
| Pension Payable | 0 | 2,109,420 | 2,109,420 | 2,109,420 | 0 | 2,109,420 |
| Other Provisions | 0 | 2,607,333 | 2,607,333 | 2,613,951 | 2,509,447 | 5,123,398 |
| Total | 2,438,403 | 8,868,412 | 11,306,815 | 6,836,076 | 5,236,186 | 12,072,262 |

Pension Payable pertains to the accrual of Annual Normal Cost (ANC) under the Accrual Benefit Valuation Method. No accrual was provided this year due to the result of the latest actuarial valuation.

Other Provisions refers to the estimated Performance Based Bonus (PBB) of LIBI's officers and staff and the Performance Based Incentive (PBI) of LIBI's Board of Directors. There was a revision in the computation of PBI wherein the remaining balance is estimated to be sufficient enough to cover the years 2020 and 2019.

16. OTHER PAYABLES

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

17. SHARE CAPITAL

As at December 31, 2020, the total authorized, paid, issued and outstanding shares are 3,000,000 shares with par value of P100.

18. RETAINED EARNINGS

Cash dividend of P62,767,419 was declared and approved on April 15, 2020 per Board Resolution No. 2020-002-009.

As at December 31, 2020, total appropriations amounted to P405,850,000 detailed as follows:

| Particulars | Amount |
|--|--------------|
| Appropriations for procurement of office space | P200,000,000 |
| Appropriation for non-collection of refund of premium from Prudential Life | 63,000,000 |
| Appropriation for additional Retirement fund due the SSL implementation and latest actuarial valuation | 32,000,000 |
| Appropriation for other contingencies | 30,000,000 |
| Appropriation for the technology and computer upgrades | 18,000,000 |

| Particulars | Amount |
|---|----------------------|
| Appropriation for the reversal of related service fee | 15,000,000 |
| Appropriation for replacement of lighting system and replacement of office ceiling | 8,000,000 |
| Appropriation for the re-arrangement and renovation of office area | 6,000,000 |
| Appropriation for Career Program in Life/Non-life Insurance Data Analytics/Non-life Actuarial Science | 6,000,000 |
| Appropriation for Directors' Training on Good Governance | 5,000,000 |
| Appropriations for QMS/Surveillance Audit | 5,000,000 |
| Appropriation for one vehicle for officer | 2,500,000 |
| Appropriation for replacement of carpets | 2,500,000 |
| Appropriation for skills/competency training | 2,000,000 |
| Appropriation of premium internet gateway service | 2,000,000 |
| Appropriation for structured cabling of data | 1,750,000 |
| Appropriation for one vehicle for employees' service | 1,600,000 |
| Appropriation for Private Automatic Branch Exchange | 1,400,000 |
| Appropriation for procurement of office equipment, furniture and fixtures | 1,000,000 |
| Appropriation for digital ads (ARTA requirements) | 1,000,000 |
| Appropriation for email system upgrade | 800,000 |
| Appropriation for Operating System Windows 10 | 500,000 |
| Appropriation for additional CCTV camera to include rented space area | 500,000 |
| Appropriation for Anti-Virus system | 300,000 |
| | P 405,850,000 |

Other adjustments to the Retained Earnings for CY 2020 and 2019 are presented below:

CY2020

| Accounts Affected | Particulars | Amount |
|--|--|------------------|
| Accumulated Depreciation-Office Equipment | Reduction of recorded accumulated depreciation as per COA's 2019 audit | 65,023 |
| Allowance for probable losses-Accrued Service Fee Receivable (ASFR) and Deferred Tax Asset | Reversal of allowance for probable losses and corresponding deferred tax asset due to collection and non-payment of accrued service fee in prior years | 1,948,150 |
| Accounts Payable – Other Provision | Reversal excess PBB and PBI for 2018 due to new computation implemented by GCG | 1,435,869 |
| Deferred Tax Asset | Reversal of deferred tax asset relating to allowance for impairment on accrued service fees receivable | (584,445) |
| | | 2,864,597 |

CY2019

| Accounts Affected | Particulars | Amount |
|---|--|---------------|
| Withholding Tax Receivable | Lapsed withholding tax certificates (not received) from prior years because year 2017 was already audited by the BIR | (1,867,828) |
| Accounts Payable - Accrued Expenses Payable | Reversal of excess accrual on estimates for 2018 Audit Fee | 258,042 |
| Meal Allowance Expense | Disallowance of meal allowance expense given to employees in CY 2018 in compliance with COA's recommendation | 247,250 |

| Accounts Affected | Particulars | Amount |
|---|---|------------------|
| Allowance for probable losses- Accrued Service Fee Receivable (ASFR) and Deferred Tax Asset | Reversal of allowance for probable losses and corresponding deferred tax asset due to collection and non-payment of accrued service fee in prior years | 1,903,504 |
| Financial assets - Held-to- Maturity | Allowance for impairment for investment in bonds-DBP Tier II | (76,871) |
| Deferred Tax Asset | Reversal of deferred tax asset relating to allowance for probable losses on COA disallowance | (571,051) |
| | | (106,954) |

19. SERVICE AND BUSINESS INCOME

| | 2020 | 2019 |
|---------------------------------------|--------------------|--------------------|
| Service Income | | |
| Fees and Commission Income | 224,960,814 | 195,001,936 |
| Other Discounts | (20,556,279) | (17,192,216) |
| Net Fees and Commission Income | 204,404,535 | 177,809,720 |
| Business Income | | |
| Interest Income | 38,582,647 | 39,783,227 |
| Total Business Income | 38,582,647 | 39,783,227 |
| Total | 242,987,182 | 217,592,947 |

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

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

20. PERSONNEL SERVICES

| | 2020 | 2019 |
|------------------------------------|-------------------|-------------------|
| <i>Salaries and Wages</i> | | |
| Salaries and Wages-Regular | 21,260,519 | 19,887,407 |
| Salaries and Wages-Contractual | 115,803 | 584,693 |
| | 21,376,322 | 20,472,100 |
| <i>Other Compensation</i> | | |
| Other Bonuses and Allowances | | |
| Mid-year Bonus | 1,827,738 | 1,757,900 |
| Service Recognition Incentive | 522,000 | 517,000 |
| Productivity Enhancement Incentive | 261,500 | 259,500 |
| Performance Based Bonus | 0 | 859,949 |
| | 2,611,238 | 3,394,349 |

| | 2020 | 2019 |
|--|-------------------|-------------------|
| Year-End Bonus | 1,835,036 | 1,786,298 |
| Personnel Economic Relief Allowance (PERA) | 1,232,000 | 1,202,091 |
| Overtime and Night Pay | 1,003,389 | 1,856,293 |
| Representation Allowance | 600,000 | 580,750 |
| Hazard Pay | 442,500 | 0 |
| Transportation Allowance | 384,000 | 376,000 |
| Clothing/Uniform Allowance | 273,127 | 257,143 |
| Cash Gift | 262,500 | 258,000 |
| Longevity Pay | 134,357 | 90,603 |
| | 6,166,909 | 6,407,178 |
| <i>Personnel Benefit Contributions</i> | | |
| Employees Compensation Insurance Premium | 980,470 | 907,714 |
| PhilHealth Contributions | 286,396 | 236,368 |
| Pag-IBIG Contributions | 62,100 | 61,000 |
| | 1,328,966 | 1,205,082 |
| <i>Other Personnel Benefits</i> | | |
| Other Personnel Benefits | 2,544,180 | 2,623,102 |
| Pension Benefits | 0 | 2,109,420 |
| | 2,544,180 | 4,732,522 |
| Total | 34,027,615 | 36,211,231 |

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

21. MAINTENANCE AND OTHER OPERATING EXPENSES

| | 2020 | 2019 |
|-----------------------------------|------------------|------------------|
| Travelling Expenses | 1,204,248 | 826,736 |
| Training and Scholarship Expenses | 71,196 | 530,197 |
| Supplies and Materials Expenses | | |
| Office Supplies Expenses | 532,755 | 727,211 |
| Accountable Forms Expenses | 125,973 | 131,491 |
| Other Supplies and Materials | 17,933 | 0 |
| Non-Accountable Forms | 5,018 | 4,387 |
| | 681,679 | 863,089 |
| Utility Expenses | | |
| Electricity Expenses | 817,332 | 905,357 |
| Water Expenses | 92,173 | 144,696 |
| | 909,505 | 1,050,053 |
| Communication Expenses | | |
| Telephone Expenses | 523,195 | 434,494 |
| Internet Subscription Expenses | 512,091 | 189,490 |
| Postage and Courier Services | 480,507 | 1,031,276 |
| | 1,515,793 | 1,655,260 |
| Professional Fees | | |
| Auditing Services | 777,583 | 876,500 |
| Other Professional Services | 516,773 | 381,148 |

| | 2020 | 2019 |
|---|-------------------|-------------------|
| Legal Services | 240,000 | 240,000 |
| Consultancy Services | 0 | 574,292 |
| | 1,534,356 | 2,071,940 |
| Other General Services | | |
| Other General Services | 232,937 | 313,677 |
| Security Services | 215,016 | 237,673 |
| | 447,953 | 551,350 |
| Repairs and Maintenance | | |
| Repairs and Maintenance-Machinery and Equipment | 488,069 | 367,017 |
| Repairs and Maintenance-Transportation Equipment | 135,185 | 142,570 |
| Repairs and Maintenance-Semi-Expendable Machinery and Equipment | 43,441 | 116,761 |
| Repairs and Maintenance-Furniture, Fixture and Books | 4,712 | 62,853 |
| | 671,407 | 689,201 |
| Taxes, Insurance Premium and Other Fees | | |
| Taxes, Duties and Licenses | 1,858,801 | 1,487,550 |
| Insurance Expenses | 819,066 | 733,377 |
| | 2,677,867 | 2,220,927 |
| Other Maintenance and Operating Services | | |
| Directors' and Committee Members' Fees | 2,498,000 | 3,810,000 |
| Representation Expenses | 836,997 | 1,296,205 |
| Donation | 500,000 | 0 |
| Advertising, Promotional and Marketing | 394,473 | 611,103 |
| Subscription Expenses | 207,786 | 8,665 |
| Rent/Lease Expenses | 139,124 | 252,108 |
| Extraordinary and Miscellaneous Expenses | 136,424 | 0 |
| Membership Dues and Contribution to Organizations | 33,500 | 105,000 |
| Other maintenance and Operating Expenses | 2,699,294 | 1,652,046 |
| | 7,445,598 | 7,735,127 |
| Total | 17,159,602 | 18,193,880 |

22. FINANCIAL EXPENSES

| | 2020 | 2019 |
|-------------------------|----------------|----------------|
| Other Financial Charges | 200,191 | 158,361 |
| Bank Charges | 24,590 | 27,765 |
| Total | 224,781 | 186,126 |

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

23. NON-CASH EXPENSES

| | 2020 | 2019 |
|---|------------------|------------------|
| <i>Depreciation</i> | | |
| Depreciation-Office Equipment | 1,844,295 | 1,577,728 |
| Depreciation-Building | 1,802,596 | 1,802,596 |
| Depreciation-Information and Communication Technology | 448,172 | 401,800 |
| Depreciation-Motor Vehicles | 304,024 | 501,235 |
| Depreciation-Furniture and Fixtures | 107,062 | 118,487 |
| | 4,506,149 | 4,401,846 |
| <i>Amortization</i> | | |
| Amortization-Intangible Assets (Note 11) | 28,706 | 28,706 |
| <i>Impairment Loss</i> | | |
| Impairment Loss-Receivables (Note 5) | 2,142,092 | 1,948,150 |
| Impairment Loss-investment in Bonds-Local (Note 8) | 76,871 | 76,870 |
| | 2,218,963 | 2,025,020 |
| Total | 6,753,818 | 6,455,572 |

24. NON-OPERATING INCOME, GAINS OR LOSSES

24.1 Non-Operating Income

| | 2020 | 2019 |
|-----------------------------------|----------------|------------------|
| Other Non-Operating Income | | |
| Rental income | 270,000 | 810,000 |
| Miscellaneous Income | 594,489 | 534,643 |
| Total | 864,489 | 1,344,643 |

24.2 Non-Operating Loss

| | 2020 | 2019 |
|--|----------|---------------|
| Other Non-Operating Loss | | |
| Loss on sale of property and equipment | 0 | 70,128 |
| Total | 0 | 70,128 |

25. INCOME TAX EXPENSE

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

| | 2020 | 2019 |
|--------------------|-------------------|-------------------|
| Income tax expense | 41,063,597 | 36,018,734 |
| Income tax benefit | (610,215) | (607,506) |
| | 40,453,382 | 35,411,228 |

The income tax benefit is computed as follows:

| | 2020 | 2019 |
|--|------------------|------------------|
| Impairment loss- loans and receivables | 2,142,092 | 1,948,150 |
| Impairment Loss-Expected Credit Loss | 76,871 | 76,870 |
| Total | 2,218,963 | 2,025,020 |
| Income tax rate | 27.5% | 30% |
| Income tax benefit | 610,215 | 607,506 |

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

| | 2020 | 2019 |
|---|-------------------|-------------------|
| Income before income tax | 185,685,855 | 157,820,653 |
| Non-deductible expenses | | |
| Impairment loss-loans and receivables | 2,142,092 | 1,948,150 |
| Expected Credit Loss | 76,871 | 76,870 |
| Non-taxable income and income subjected to final tax: | | |
| Interest income | (38,582,647) | (39,783,227) |
| | (36,363,684) | (37,758,207) |
| Net taxable income | 149,322,171 | 120,062,446 |
| Income tax rate | 27.5% | 30% |
| Income Tax Expense | 41,063,597 | 36,018,734 |

Deferred tax asset is computed as follows:

| | 2020 | 2019 |
|--|--------------------|--------------------|
| Balance, beginning of year | 4,052,838 | 4,016,383 |
| Reversal of CY 2018 provision on accrued service fees receivable due to collection (Note 5) | 0 | (1,823,188) |
| Reversal of CY2017 provisions on accrued service fees receivable from due to collection (Note 5) | 0 | (80,316) |
| Reversal of CY 2019 provision on accrued service Receivable due to collection | (1,948,150) | 0 |
| Total reversals | (1,948,150) | (1,903,504) |
| Provision for probable losses recorded at year end: | | |
| For CY 2019 (Note 5) | 0 | 1,948,150 |
| For CY 2020 (Note 5) | 2,142,092 | 0 |
| Expected Credit Loss in Investment in Bonds-Local | 76,871 | 76,870 |
| | 270,813 | 121,516 |
| Prevailing income tax rate 2019 | 30% | 30% |
| Additional deferred tax asset for the year | 81,244 | 36,455 |
| Adjustment due to BIR RMC-50-2021 (P2,142,092 x 2.50%) | (53,552) | 0 |
| Adjustment due to BIR RMC-50-2021 (P76,871 x 2.50%) | (1,922) | 0 |
| Deferred Tax Asset, December 31 | 4,078,608 | 4,052,838 |

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

26. SUPPLEMENTARY INFORMATION ON REVENUE REGULATIONS (RR) NO. 15-2010

In compliance with the requirements set forth in RR 15-2010 issued by the Bureau of Internal Revenue (BIR), 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 P24,256,001 based on actual collections during the year of service fees and rental income amounting to P202,133,341. Actual VAT paid for the year amounted to P22,151,709 after applying Input Tax of P2,072,197 and creditable withholding tax of P32,095. The VAT payable of P1,559,497 (Note 13) was remitted in the following month/year. Government VAT of P717,629 withheld from payments to suppliers of goods and services was also remitted to the BIR within the reglementary period.

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

| | | |
|--|-------------|------------------|
| Balance, beginning of year | | 1,117,545 |
| Current year's purchases: | | |
| Capital goods | 775,597 | |
| Goods other than for resale or manufacture | 191,029 | |
| Services lodged under other accounts | 1,066,905 | |
| Input taxes claimed for the year | (2,072,197) | (38,666) |
| Balance, end of year | | 1,078,879 |

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

| | | |
|---|--|------------------|
| Local | | |
| Mayor's permit | | 1,487,262 |
| Real property tax | | 188,765 |
| Real estate tax | | 100,037 |
| Community tax certificate | | 10,500 |
| Barangay clearance | | 2,570 |
| | | 1,789,134 |
| National | | |
| Renewal of Insurance Commission License | | 45,450 |
| Renewal of Soliciting Official and Filing Fee | | 15,150 |
| Registration of motor vehicle at LTO | | 7,567 |
| BIR annual registration | | 500 |
| Certification- Socialized Housing and Finance Corporation | | 500 |
| Certification of 2019 Audited Financial Statement | | 500 |
| | | 69,667 |
| | | 1,858,801 |

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

| | |
|---|--------------------------|
| Corporate tax | |
| Income Tax | 15,281,703 |
| Creditable withholding tax at source (paid in advance by LIBI and used as tax credits) | 31,911,786 |
| | <u>47,193,489</u> |
| Tax on compensation and benefits | 2,623,112 |
| Expanded withholding tax from suppliers | 3,653,783 |
| | <u>53,470,384</u> |

Reconciliation of the corporate tax paid for the year as follows:

| | |
|---|--------------------|
| Net fees and commission income (Note 19) | 204,404,535 |
| Other non-operating income (Note 24.1) | 864,484 |
| Total | 205,269,019 |
| Allowable deductions (Note 20 to 23, excluding impairment loss) | 55,946,853 |
| Total Taxable income | 149,322,171 |
| Tax rate | 27.50% |
| Tax due (Note 25) | 41,063,597 |
| Tax credits/payments | |
| Prior years excess credits | 3,158,134 |
| Tax payments 1 st to 3 rd quarter 2021 | 12,123,569 |
| Creditable withholding tax at source used (Note 26B) | 31,911,786 |
| Totax tax credits/payments | 47,193,489 |
| Tax overpayment to be applied next taxable period | (6,129,891) |

The income tax payable as of December 31, 2020 amounted to P1,879,908 (Note 13).

27. SUPPLEMENTARY INFORMATION REQUIRED UNDER REVISED SECURITIES REGULATION CODE (SRC) RULE 68

The financial soundness indicators of LIBI are as follows:

| | 2020 | 2019 |
|--------------------------|------|------|
| Current Ratio | 2.02 | 1.30 |
| Quick Ratio | 1.75 | 1.00 |
| Solvency Ratio | 0.39 | 0.41 |
| Debt to Equity Ratio | 0.32 | 0.28 |
| Asset to Equity Ratio | 1.32 | 1.28 |
| Gross Profit Margin | 1.00 | 0.99 |
| Return on Average Assets | 0.10 | 0.09 |
| Return on Average Equity | 0.13 | 0.11 |

Return on Average Equity (ROE) for CY 2020 is 12.56 per cent, while Return on Average Asset (ROA) is 9.66 per cent, higher by 11.05 per cent and 7.33 per cent

compared to last year's ROE of 11.31 per cent and ROA of 9 per cent, respectively. Likewise, per capita income is P2.689 million, higher by 18.61 per cent or P0.422 million compared to the per capita income of P2.267 million last year.

28. RELATED PARTY DISCLOSURES

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

a. To defray expenses in the appraisal, inspection of property to be insured and other administrative matters such as collection of insurance premium payments of insured properties; handling fees are given to LIBI's clients, the LBP units, branches and subsidiaries. For the current year, handling fee accrued and payable to LBP units, branches and subsidiaries reached P20,556,279 (Note 19).

b. Compensation of key management personnel for 2020 and 2019 are as follows:

| | 2020 | 2019 |
|--|------------------|------------------|
| For the President and General Manager | | |
| Total salaries and wages | 3,075,832 | 2,541,380 |
| Total short-term employee benefits (RA, PEI, per diem, bonuses, medical benefits) | 1,341,414 | 2,003,253 |
| | 4,417,246 | 4,544,633 |
| For Corporate officers who are employees of the parent company, LBP: | | |
| Total short-term employee benefits (per diems and reimbursable expenses) | 160,000 | 160,000 |
| | 4,577,246 | 4,704,633 |

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

- The Trustor (LIBI) shall deliver and pay to the Trustee such sums representing the annual contributions of the Trustor as provided in the Plan, starting with the contribution for the current year in the amount of PESOS: Ten Million One Thousand Pesos (Php10,001,000.00).
- The Trustor hereby waives all its rights and interest to the money or properties which are and will be paid or transferred to the Fund, to the extent required to provide the benefits pursuant to the Plan.
- The Trustee shall hold the title to the Fund to be held in trust for the purpose stated in and subject to all the terms and conditions of the Agreement as well as the Plan, which shall be deemed part of this

Agreement. The Trustee shall invest and re-invest the Fund, together with all increments and proceeds in fixed-income government securities like Treasury Bills or Notes, Agrarian Reform Bonds, Retail Treasury Bonds, BSP Special Deposit Account and other financial instruments duly guaranteed by the Republic of the Philippines; deposit arrangements/special deposit account with reputable banks including the Trustee's own commercial banking sector; and common or preferred shares of stocks, bonds or note issued by blue-chips private and government-owned corporations. Other investment outlets shall require prior written approval of the Trustor.

- To cause any asset acquired from the investment/reinvestment of the Fund to be held, registered and issued in its own name as Trustee or in the name of its nominee, provided, that the books and records of the Trustee shall at all times show that all such properties are part of the Fund. To pay all costs, fees, charges and such other expenses connected with the investments, administration, reservation and maintenance of the Fund and to charge the same to the Fund.
- In the management of the fund, the Trustee shall pay to the beneficiaries the benefits under the Plan upon written advice of the Trustor. To keep and maintain books of accounts and/or records of the management and operations of the Fund, which the Trustor or its authorized representative may inspect from time to time. At the end of every calendar quarter, to submit the financial reports, investment activity reports or such other reports as may be requested by the Trustor. The Trustee shall administer the funds held in trust with such degree of skill and care as a prudent man would exercise in the conduct of an enterprise of like character and with similar aims.
- For its services, the Trustee shall be entitled to a fee equivalent to 0.75 per cent per annum of the average total assets of the Fund, computed daily and collected at the end of each quarter. The Trustee is hereby authorized to debit its fees from the Fund. The above fee is quoted with the understanding that the same may be reviewed at the request of either party and adjusted in a mutually satisfactory basis.
- Except for fraud, bad faith or gross negligence, the Trustee shall not be liable for any losses or depreciation in the value of the Fund resulting from investments or reinvestments thereof as authorized herein, or from the performance of any act in accordance with the provision of the Agreement. This Agreement shall not guarantee a yield, return of income on the investment/reinvestments of the Fund as the same can fall as well as rise depending on prevailing market conditions and is not covered by Philippine Deposit Insurance Corporation. Losses, if any, shall be for the account of the Trustor (pursuant to Section X409.1 of the Manual of Regulations for Banks-Part IV).

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

29. 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 LIBI. It aims to create a culture of risk-awareness, not risk-aversion based on the prudential framework required by BSP circulars. It provides a general set of risk principles delegated to each business unit through its reporting and approval procedures.

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

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

Market Risk

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

Net premium volume produced during the year reached P964,432,317 representing an increase of 15.51 per cent or P129,474,984 compared to last year's P834,957,333 net premium volume. This was primarily due to the increase in LBP Livelihood Loan Branches Borrowers.

Net service fees from insurance brokering for the year of P204,404,535 is P26,594,815 or 14.96 per cent higher compared to last year's P177,809,720 net service fees (Note 19).

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

Liquidity Risk

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

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

Interest Rate Risk

This is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. LIBI's fixed rate investments in held-to-maturity investments are exposed to such risk. Interest income derived from investments and savings deposits this year of P38,582,647 was lower by 3.02 per cent or equivalent to P1,200,580 compared to last year's interest income of P39,783,227 (Note 19).

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

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

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

Total investments at amortized cost as at December 31, 2020 is P885,163,298 which is 55.78 per cent of the LIBI's total assets of P1,586,741,097. Liquid assets of P532,385,053 are 1.748 times the current liabilities of P304,621,033.

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

| | Up to 3 mos. | 3 to 6 mos. | 6 mos. to 1 year | More than 1 year | TOTAL |
|-----------------------------|--------------|-------------|------------------|------------------|-------------|
| ASSETS | | | | | |
| Cash and Cash equivalents | 532,385,053 | 0 | 0 | 0 | 532,385,053 |
| Receivables, net | 24,233,691 | 20,008,729 | 35,253,068 | 43,160,840 | 122,656,328 |
| Inventories | 52,989 | 12,638 | 40,172 | 0 | 105,799 |
| Financial Assets, net | 0 | 0 | 0 | 885,163,298 | 885,163,298 |
| Investment Property | 0 | 0 | 0 | 998,316 | 998,316 |
| Property and Equipment, net | 0 | 0 | 0 | 27,082,469 | 27,082,469 |
| Intangible Assets, net | 0 | 0 | 0 | 4,968,481 | 4,968,481 |

| | Up to 3 mos. | 3 to 6 mos. | 6 mos. to 1 year | More than 1 year | TOTAL |
|----------------------------|--------------------|---------------------|---------------------|--------------------|----------------------|
| Deferred Tax Assets | 0 | 0 | 610,215 | 3,468,393 | 4,078,608 |
| Other Assets | 6,340,618 | 1,038,445 | 357,022 | 1,566,660 | 9,302,745 |
| Total Assets | 563,012,351 | 21,059,812 | 36,260,477 | 966,408,457 | 1,586,741,097 |
| LIABILITIES | | | | | |
| Financial Liabilities | 43,822,072 | 37,528,632 | 43,459,615 | 61,608,851 | 186,419,170 |
| Inter-agency payables | 4,187,423 | 0 | 0 | 0 | 4,187,423 |
| Trust liabilities | 118,964,180 | 35,800,661 | 11,975,305 | 12,898,662 | 179,638,808 |
| Provisions | 613,938 | 613,938 | 1,210,527 | 8,868,412 | 11,306,815 |
| Other payables | 6,444,742 | 0 | 0 | 0 | 6,444,742 |
| Total Liabilities | 174,032,355 | 73,943,231 | 56,645,447 | 83,375,925 | 387,996,958 |
| Asset-Liability Gap | 388,979,996 | (52,883,419) | (20,384,970) | 883,032,532 | 1,198,744,139 |

Credit Risk

a. Direct Credit Risk is the risk that a customer or counterparty will be unable to pay obligations on time or in full as expected or previously contracted, subjecting LIBI to a financial loss. It lasts for the entire tenor and is set at full amount of a transaction. The possibility of non-collection of Accounts Receivable within one year is moderate due to intensified collection through faster sending of Statement of Accounts thru fax, email, mail and frequent follow-ups by phone. LIBI's collection rate of 92 per cent for the current year is three per cent lower than the 95 per cent collection rate last year.

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

30. COMMITMENT

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