



LAND BANK OF THE PHILIPPINES Profile and Flagship Projects

A. INSTITUTIONAL PROFILE

A.1 History/Important Milestones

The Land Bank of the Philippines (LANDBANK) was created on August 8, 1963 by virtue of Republic Act No. 3844, known as the Agricultural Land Reform Code, mainly to finance the acquisition and distribution of agricultural estates for division and resale to small landholders as well as the purchase of the landholding by the agricultural lessee. It is fully owned by the government with an authorized capitalization of ₱1.5 billion.

Presidential Decree 251 in 1973 transformed LANDBANK as the first universal bank in the Philippines with expanded commercial banking powers to support its social mission of spurring countryside development. Its capital increased to ₱3B.

In 1988, Republic Act No. 6657 or the Comprehensive Agrarian Reform Law (CARL) established LANDBANK as the financial intermediary of the Comprehensive Agrarian Reform Program (CARP) which expanded coverage to include all public & private agricultural lands including other lands of the public domain suitable for agriculture.

Republic Act 7907 of 1995 (Amended LBP Charter) established LANDBANK as the official government depository bank and increased its authorized capitalization to ₱9 B. In 1998, LANDBANK's capital further increased to ₱25 B.

Through the years, LANDBANK has risen to the challenge amid the taxing demands of development work. Presently, LANDBANK is recognized as one of the top universal banks in the country -- offering a complete range of commercial banking products and services -- with solid financial resources to back its operations.

In 2007, LANDBANK is among the top 5 Philippine commercial banks: no.4 in terms of assets, loans and deposits, and no. 5 in capital.

A.2 Description of Headquarters

LANDBANK's 33-floor main office building is strategically located in Malate, Manila.

LANDBANK boasts of the most extensive branch network with presence in 79 (of the total 81) provinces of the country with 356 field units (285 branches, 38 extension offices and 33 lending centers). The Bank has a total of 777 (as of December 2007) ATM units located in strategic areas throughout the country.

It has also established remittance companies and representative offices in countries like Italy, Japan, Singapore, Taiwan, United Arab Emirates and the United States of America to service the growing Overseas Filipino Workers market.

A.3 Structure and Manpower

The LANDBANK is organized into four (4) sectors: (1) the Agrarian and Domestic Sector (ADBS); (2) the Institutional Banking and Subsidiaries Sector (IBSS); (3) the Operations Sector (OS); and (4) the Corporate Services Sector (CSS).

The ADBS serves as the delivery channel of the Bank's financial products and services through the field units. It is also responsible in handling CARP transactions (land valuation, landowners compensation and assistance as well as agrarian reform receivables collection).

The IBSS, on the other hand, is in charge of the delivery of financial services for corporate clients, government-owned and controlled corporations (GOCCs), government entities and financial institutions. The sector also handles investment banking, financial resource management, sourcing of foreign and domestic funds for specialized lending, and management of overseas offices. It also performs oversight functions on the various LANDBANK subsidiaries.

The OS is primarily responsible for the banking operations and services as well as accounting functions while the CSS handles human resource support services and administration of the Bank's facilities and infrastructure.

To carry out its mandate, the Bank has a total manpower complement of more than seven thousand.

A.4 Major Roles

LANDBANK is mandated to provide credit assistance to SFF and ARBs. LANDBANK is one of the program's wholesalers under the AFMA-mandated Agri-Fisheries Modernization Credit and Financing Program or the AMCFP. The AMCFP is meant to replace the different credit programs under the Department of Agriculture in order to make credit delivery to small farmers and fisherfolk efficient, responsive and sustainable.

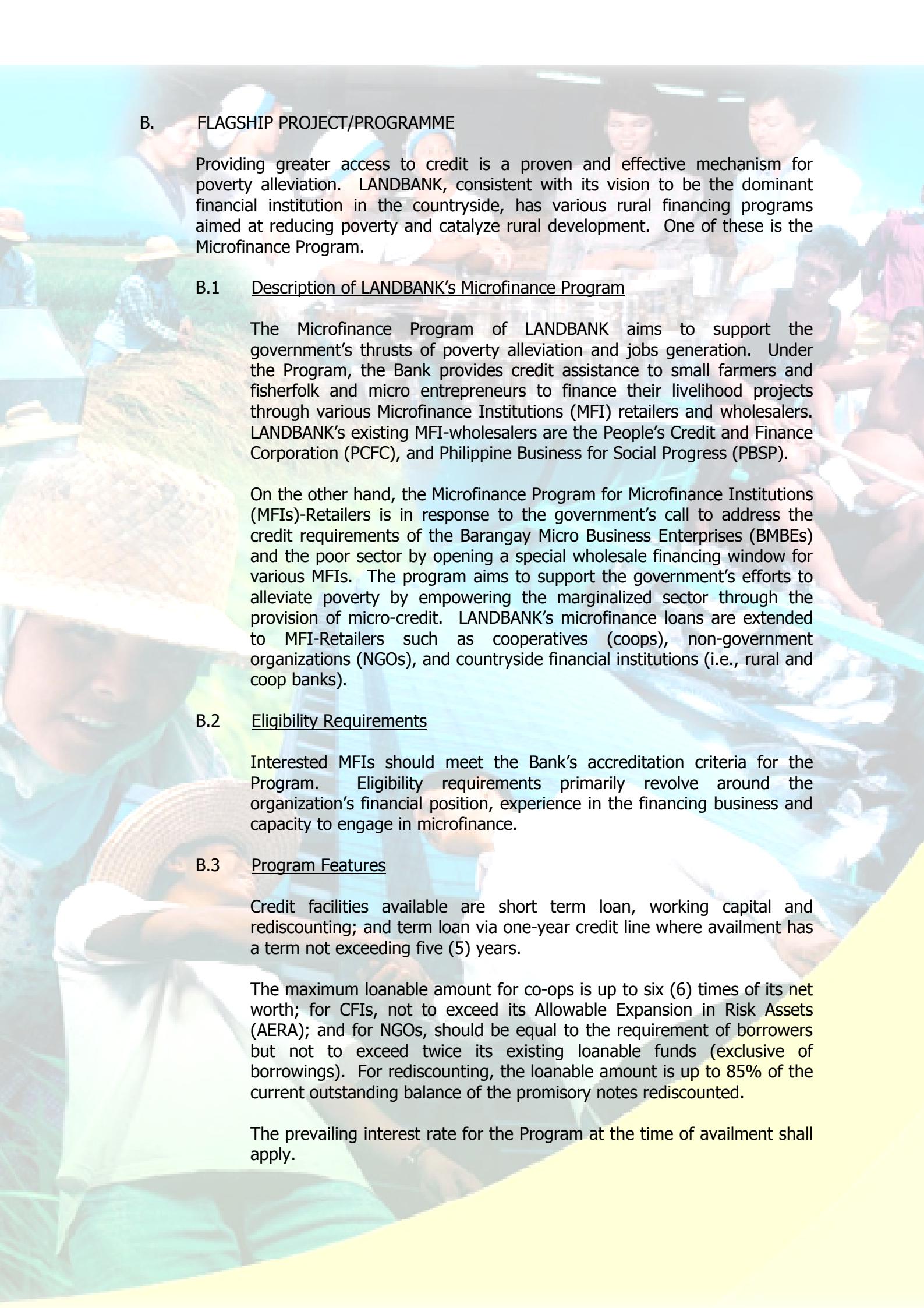
As an implementing agency of the CARP, LANDBANK's primary responsibility is land valuation and payment of compensation to landowners and collection of land amortization payments from Agrarian Reform Beneficiaries (ARBs).

A.5 Awards Received

LANDBANK has been a recipient of various awards not only for the delivery and performance of its mandate but also for the creativity and relevance of its print and TV advertisements and major external publication.

LANDBANK received citations from the World Bank for the effective implementation of its foreign-funded financial assistance programs. The Bank's calendars that feature different themes every year also received Anvil Awards of Merit and Excellence in various years.

The Profiles of Success, a book featuring the success stories of Gawad Pitak Winners, has likewise received an Anvil Award of Merit.



B. FLAGSHIP PROJECT/PROGRAMME

Providing greater access to credit is a proven and effective mechanism for poverty alleviation. LANDBANK, consistent with its vision to be the dominant financial institution in the countryside, has various rural financing programs aimed at reducing poverty and catalyze rural development. One of these is the Microfinance Program.

B.1 Description of LANDBANK's Microfinance Program

The Microfinance Program of LANDBANK aims to support the government's thrusts of poverty alleviation and jobs generation. Under the Program, the Bank provides credit assistance to small farmers and fisherfolk and micro entrepreneurs to finance their livelihood projects through various Microfinance Institutions (MFI) retailers and wholesalers. LANDBANK's existing MFI-wholesalers are the People's Credit and Finance Corporation (PCFC), and Philippine Business for Social Progress (PBSP).

On the other hand, the Microfinance Program for Microfinance Institutions (MFIs)-Retailers is in response to the government's call to address the credit requirements of the Barangay Micro Business Enterprises (BMBEs) and the poor sector by opening a special wholesale financing window for various MFIs. The program aims to support the government's efforts to alleviate poverty by empowering the marginalized sector through the provision of micro-credit. LANDBANK's microfinance loans are extended to MFI-Retailers such as cooperatives (coops), non-government organizations (NGOs), and countryside financial institutions (i.e., rural and coop banks).

B.2 Eligibility Requirements

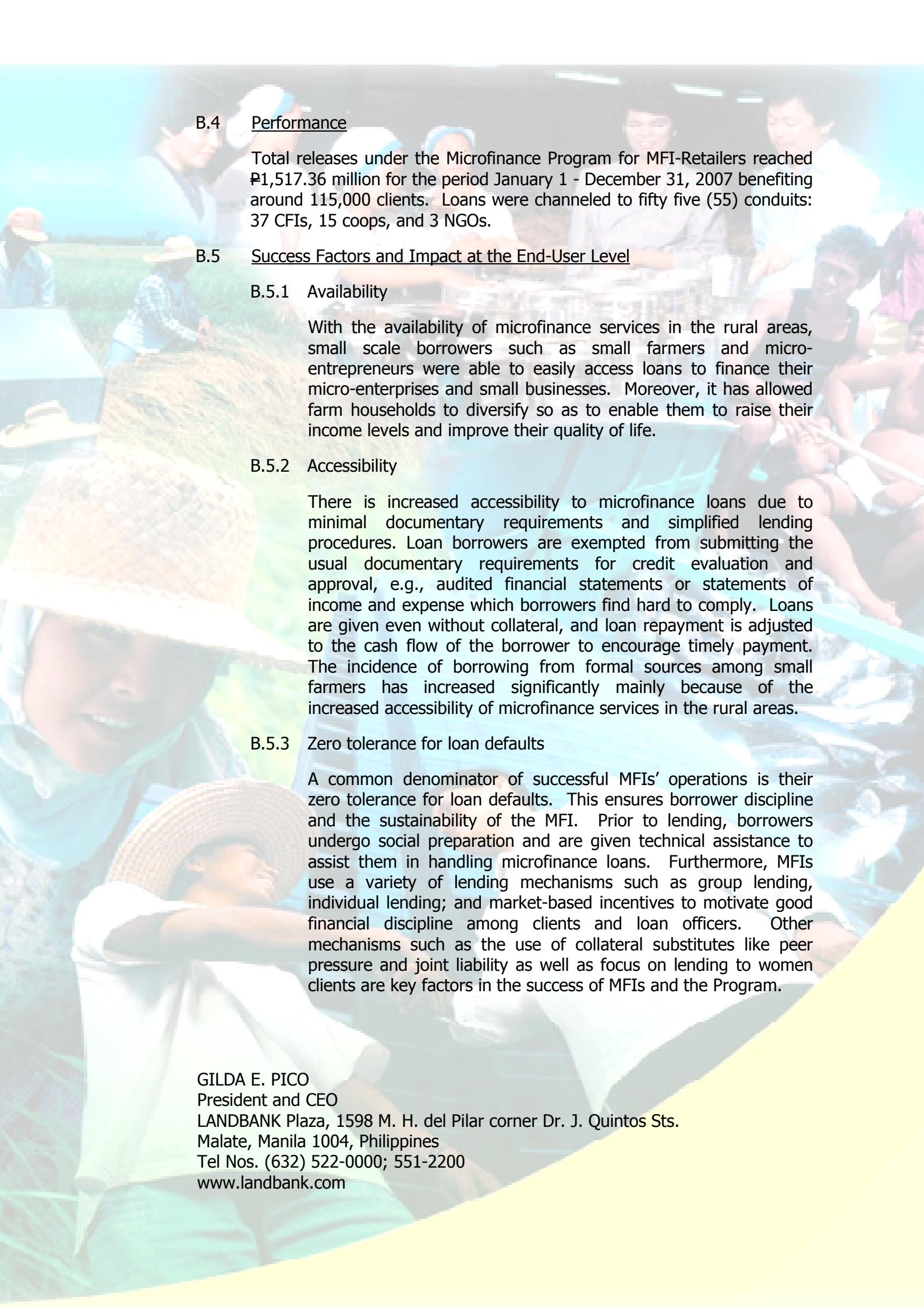
Interested MFIs should meet the Bank's accreditation criteria for the Program. Eligibility requirements primarily revolve around the organization's financial position, experience in the financing business and capacity to engage in microfinance.

B.3 Program Features

Credit facilities available are short term loan, working capital and rediscounting; and term loan via one-year credit line where availment has a term not exceeding five (5) years.

The maximum loanable amount for co-ops is up to six (6) times of its net worth; for CFIs, not to exceed its Allowable Expansion in Risk Assets (AERA); and for NGOs, should be equal to the requirement of borrowers but not to exceed twice its existing loanable funds (exclusive of borrowings). For rediscounting, the loanable amount is up to 85% of the current outstanding balance of the promissory notes rediscounted.

The prevailing interest rate for the Program at the time of availment shall apply.



B.4 Performance

Total releases under the Microfinance Program for MFI-Retailers reached ₱1,517.36 million for the period January 1 - December 31, 2007 benefiting around 115,000 clients. Loans were channeled to fifty five (55) conduits: 37 CFIs, 15 coops, and 3 NGOs.

B.5 Success Factors and Impact at the End-User Level

B.5.1 Availability

With the availability of microfinance services in the rural areas, small scale borrowers such as small farmers and micro-entrepreneurs were able to easily access loans to finance their micro-enterprises and small businesses. Moreover, it has allowed farm households to diversify so as to enable them to raise their income levels and improve their quality of life.

B.5.2 Accessibility

There is increased accessibility to microfinance loans due to minimal documentary requirements and simplified lending procedures. Loan borrowers are exempted from submitting the usual documentary requirements for credit evaluation and approval, e.g., audited financial statements or statements of income and expense which borrowers find hard to comply. Loans are given even without collateral, and loan repayment is adjusted to the cash flow of the borrower to encourage timely payment. The incidence of borrowing from formal sources among small farmers has increased significantly mainly because of the increased accessibility of microfinance services in the rural areas.

B.5.3 Zero tolerance for loan defaults

A common denominator of successful MFIs' operations is their zero tolerance for loan defaults. This ensures borrower discipline and the sustainability of the MFI. Prior to lending, borrowers undergo social preparation and are given technical assistance to assist them in handling microfinance loans. Furthermore, MFIs use a variety of lending mechanisms such as group lending, individual lending; and market-based incentives to motivate good financial discipline among clients and loan officers. Other mechanisms such as the use of collateral substitutes like peer pressure and joint liability as well as focus on lending to women clients are key factors in the success of MFIs and the Program.

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