

EXECUTIVE SUMMARY

INTRODUCTION

The LBP Leasing and Finance Corporation (LLFC), formerly LBP Leasing Corporation, was registered with the Securities and Exchange Commission on March 17, 1983 under SEC Registration No. 111115. It is under the direct supervision of the Bangko Sentral ng Pilipinas, being a financial institution and subsidiary of the Land Bank of the Philippines (LBP), its parent bank.

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

The LLFC's place of business is at the 15th Floor SSHG Law Center, 105 Paseo De Roxas St., Legaspi Village, Makati City.

The principal activities of LLFC are:

- a. to engage in direct lease or financial lease and to arrange or underwrite and administer leases of all kinds of equipment, machines, vehicles, facilities, appliances and all types of personal and real property;
- b. to engage in the business of financing merchandise particularly but not limited to appliance, automobile, and truck retail sales, agricultural machinery and equipment and to engage in the business of commercial, agricultural and industrial financing, factoring and/or leasing, in all other various forms, within and without the Republic of the Philippines;
- c. to extend credit facilities for and otherwise assist in the establishment, operation, development, expansion and/or reorganization of industrial, commercial, agricultural and other productive or profitable enterprises;
- d. to make loans with or without such security, as the Board of Directors may think fit within the limits allowed by law; and
- e. to raise funds for the Corporation's operations through issuance of debt instruments and/or securitization of its assets.

The LLFC Board of Directors (BOD), consisting of nine members, including the Chairperson, is the policy making body of the Corporation. Of the nine Board Members, one is an interlocking director, being the President of LBP. The President/Chief Executive Officer of the Corporation takes charge of the day-to-day affairs of the Corporation. Other key corporate officers include the Corporate Secretary; a Vice President who heads the Account Servicing Group and also is the Treasurer; a Vice President who heads the Account Management Group; a Vice President who heads the Corporate Services Group, an Assistant Vice President who heads AMG's Team B; a Risk Management Officer; a Legal Counsel and an Internal Auditor who is also acting as the Compliance Officer. The personnel complement of the Corporation consists of 44 personnel who are members of the Social Security System.

SCOPE AND OBJECTIVES OF AUDIT

The audit covered the examination, on a test basis, of the accounts and transactions of the LBP Leasing and Finance Corporation for the period January 1 to December 31, 2018 in accordance with the International Standards of Supreme Audit Institutions (ISSAI) to enable us to express an opinion on the fairness of presentation of the financial statements for the years ended December 31, 2018 and 2017. 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

	2018	2017	Increase/ (Decrease)
Assets	4,748,352,061	4,247,066,575	501,285,486
Liabilities	3,257,387,589	2,824,138,493	433,249,096
Equity	1,490,964,472	1,422,928,082	68,036,390

II. Comparative Results of Operations

	2018	2017	Increase/ (Decrease)
Interest and other income	582,392,932	471,314,619	111,078,313
Direct and financial expenses	352,595,808	281,244,233	71,351,575
Gross income	229,797,124	190,070,386	39,726,738
General and administrative expenses	70,021,256	64,555,451	5,465,805
Net income before tax	159,775,868	125,514,935	34,260,933
Income tax expense	44,569,786	31,439,994	13,129,792
Net income	115,206,082	94,074,941	21,131,141
Other comprehensive income/(loss)	1,142,828	(5,176,642)	6,319,470
Total comprehensive income	116,348,910	88,898,299	27,450,611

III. Comparative Budget and Actual Expenditures

	Budget		Utilization	
	2018	2017	2018	2017
Personnel services	98,581,420	49,270,930	41,461,456	40,190,509
Maintenance and other operating expenses	232,797,579	231,737,557	278,155,837	231,510,153
Financial expenses	95,287,845	98,000,000	102,999,771	74,099,022
Capital expenditures	40,733,882	39,480,602	6,453,508	1,165,004
	467,400,726	418,489,089	429,070,572	346,964,688

INDEPENDENT AUDITOR'S OPINION

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

SUMMARY OF TOTAL SUSPENSIONS, DISALLOWANCES AND CHARGES

The audit disallowance as of December 31, 2018 amounted to P0.756 million. There are no outstanding charges and suspensions as at year end.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Out of the 14 audit recommendations embodied in the prior years' Annual Audit Reports, nine were fully implemented and five were partially implemented. The other observations with partially implemented recommendations are presented in Part III of the Report.