



19 February 2018

MR. ALEXANDER V. BUENAVENTURA

Acting Chairperson

MR. MANUEL H. LOPEZ JR.

President & CEO (PCEO)

LBP-LEASING AND FINANCE CORPORATION (LBP-LFC)

15/F SyCip Law Center, 105 Paseo de Roxas,
Legaspi Village, Makati City

*See,
In comments please.
OK*

**RE : VALIDATION RESULT OF CY 2016 PERFORMANCE
SCORECARD OF LBP-LFC**

Dear Chairperson Buenaventura and PCEO Lopez,

This is to formally transmit the validation result of LBP-LFC's CY 2016 Performance Scorecard. Based on the validation of documentary submissions, the LBP-LFC gained an over-all score of **68.77%** (See **Annex A**).

In relation to its application for the grant of CY 2016 PBB to eligible officers and employees, the LBP-LFC fails to satisfy the requirements of **GCG MEMORANDUM CIRCULAR (MC) NO. 2017-01** and the *Checklist of Documents to be submitted by GOCCs to Qualify for the FY 2016 Performance-Based Bonus (PBB)*, particularly the achievement of a weighted-average score of at least 90% in its CY 2016 Performance Scorecard. In this regard, the Board is reminded that any unilateral action to release the PBB will be considered as a violation of the Board's fiduciary duty to protect the assets of the GOCC as provided under Section 19 of Republic Act No. 10149.¹

Consequently, pursuant to GCG M.C. No. 2014-06, failure to qualify for the PBB means that the Appointive Members of the Governing Board of LBP-LFC shall not be qualified to receive the Performance-Based Incentive (PBI).

FOR YOUR INFORMATION AND GUIDANCE.

Very truly yours,

SAMUEL G. DAGPIN, JR.

Chairman

MICHAEL P. CLORIBEL

Commissioner 1-8

MARITES CRUZ-DORAL

Commissioner 9

cc: COA Resident Auditor - LBP-LFC

¹ GOCC Governance Act of 2011

*Rec'd
2/26/18*

**LBP-LEASING AND FINANCE CORPORATION
2016 PERFORMANCE SCORECARD**

	Component					Target	LBP LFC Submission		GCG Validation		Supporting Document	Remarks
	Objective/Measure	Formula	Weight	Rating System	2016	Actual	Rating	Score	Rating			
FINANCIAL	SO 1	Ensure Sustainable Financial Growth										
	SM 1	Increase Total Portfolio	Absolute Amount	15%	(Actual / Target) x Weight	₱4.25 Billion	₱3.57 Billion	12.60%	₱3.57 Billion	12.61%	List of Loan/Lease Portfolio as of 31 December 2016 per Industry with corresponding amount	<p>The achievement was only 84% of the target. The 2016 total loan portfolio also decreased by 3.49% or ₱129 Million compared to previous year's amount.</p> <p>The slight difference in the rating is due to the use of the full amount of accomplishment and two decimal places by GCG.</p> <p>LBP-LFC requested to revise the target Total Portfolio from ₱4.25 Billion to ₱3.5 Billion due to prolonged lack of manpower and low salary which led to the reduction in the overall performance of the Corporation. The Governance Commission allows the renegotiation of target per GCG Memorandum Circular No. 2013-02 (Re-Issued) for measures and targets that are not feasible due to substantial changes in circumstances that could not have been foreseen at the time the targets were agreed upon. Ability to retain and attract talent are inherent challenges of running a corporation. In the case of the</p>

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												government, competitive compensation has always been a cause of fast turn over and inability to attract talent. As these challenges are inherent and underlying challenges in any organization, using these as justification to lower down set target is not acceptable.

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			Component			Target	LBP LFC Submission		GCG Validation		Supporting Document	Remarks
Objective/Measure			Formula	Weight	Rating System	2016	Actual	Rating	Score	Rating		
SM 2	Maintain Net Past Due Rate		Total Past Due less Deferred Leasing Income / Unearned Credits & Specific Loan Loss Provision Over Total Portfolio	10%	$(1 - ((\text{Actual} - \text{Target}) / \text{target}) \times \text{Weight})$	2%	4.68%	0%	4.68%	0%	<ul style="list-style-type: none"> Net Past Due Computation Sheet as of 31 December 2016 List of Past Due Accounts (Short-Term Loans, Term Loans, Financial Leases, Transportation - Refleeting, Restructured Past Due and Items in Litigation) Schedule of Loss Provision 	<p>The target for the measure was set at 2% for 2016 retaining the 2015 target.</p> <p>Per representation, the Net Past Due rate increased as a result of the decrease in total loan portfolio and the increase in amount of Past Due Accounts by ₱86.11 Million or 33.98% compared to CY 2015.</p> <p>LBP-LFC requested to renegotiate the target from 2% to 5% because of manpower constraints which affected the corporation's client/account generation and monitoring capabilities. As explained above, LBP-LFC has always experienced challenges in hiring additional personnel. However, during the negotiation for 2016 target, LBP-LFC already laid out its strategy to activate/ operationalize the Remedial Accounts Management Unit to help achieve its target of NPDR.</p> <p>As previously stated, request for renegotiation will only cover unforeseeable events at the time of the negotiation. Given that LBP-LFC provided initiatives to address manpower challenges, such can not be considered as unforeseeable hence, the request is DENIED.</p>

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	Component				Target	LBP LFC Submission		GCG Validation		Supporting Document	Remarks	
	Objective/Measure	Formula	Weight	Rating System	2016	Actual	Rating	Score	Rating			
	SO 2	Consistently Increase Net Income										
	SM 3	Increase Net Income After Tax	Absolute Amount	15%	(Actual / Target) x Weight	₱160 Million	₱109.50 Million	10.27%	₱90.51 Million	8.48%	<ul style="list-style-type: none">• COA Annual Audit Report for the year ended 31 December 2016• LBP-LFC Unaudited Income Statement for the year ended 31 December 2016	<p>The target for 2016 is ₱160 Million as projected in the LBP-LFC 2016 COB. LBP-LFC was unable to hit its target. A closer look of its financial statement reveals that the CY 2016 revenue decreased by ₱47.78 Million or 9.31% while the expenses increased by ₱7.29 Million or 1.98% compared to CY 2015.</p> <p>LBP-LFC requested to reduce the amount of targeted Net Income from ₱160 Million to ₱100 Million. Per representation, the manpower constraints affected LBP-LFC's client/account generation which translated to less volume, lower portfolio, higher past due rate and lower net income. As explained above, request for renegotiation of target is <u>DENIED</u>.</p>
		Sub-total		40%				22.87%		21.09%		

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	Component				Target	LBP LFC Submission		GCG Validation		Supporting Document	Remarks
	Objective/Measure	Formula	Weight	Rating System	2016	Actual	Rating	Score	Rating		
CUSTOMERS / STAKEHOLDERS	SO 3	Increase and Maintain Portfolio of Priority Accounts									
	SM 4	Increase Percentage of Priority Sectors Portfolio	Percentage of Priority Sectors Portfolio over Total Portfolio	20%	(Actual / Target) x Weight	70%	74.99%	20%	74.99%	20%	<ul style="list-style-type: none"> Report on Industry with corresponding Amount of Portfolio List of Accounts under Priority Sectors as of 31 December 2016 <p>The target is set at 70% of Total Portfolio and reflects an 8% increase from the 2015 target of 65%.</p> <p>₱2.68 Billion or 74.99% of ₱3.57 Billion total portfolio is from the Priority Sectors. The CY 2016 amount of portfolio from Priority Sectors increased by ₱50 Million or 1.9%.</p>
	SM 5	Increase Number of Units under Special Financing / Leasing Programs to Support Government Projects	Absolute Number	5%	(Actual / Target) x Weight	75 Units	72 Units	4.80%	71 Units	4.73%	<ul style="list-style-type: none"> Letter of Guarantee Credit Committee Resolution on Approvals Authority to Deliver <p>Date of release of the equipment will be the basis in the determination of the number of units.</p> <p>LBP-LFC reported accomplishment of 72 units, however, one (1) unit which is included in the list was actually released on 29 December 2015, hence, the exclusion.</p> <p>LBP-LFC also requested for the renegotiation of the target citing the same reason as in the previous measures, which is also <u>DENIED</u>.</p>

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	Objective/Measure	Formula	Weight	Rating System	2016	Actual	Rating	Score	Rating		
	SO 4	Improved Service Delivery									
	SM 6	Customer Satisfaction Rating Based on In-house Survey	85% of respondents should have rated LBP-LFC "Satisfactory" or higher	5%	All or Nothing	85% of respondents should have rated LBP LFC "Satisfactory" or higher	99.01% of respondents gave rating of Satisfactory or Higher	5%	99.01% of respondents gave rating of Satisfactory or Higher	5%	<ul style="list-style-type: none">Letter of LBP to LBP-LFC on the Former's Review on the SurveyCustomer Satisfaction Survey ResultsList of respondentsList of Recipients of Survey Form <p>The survey used a 5-point rating scale with 5 as the highest or excellent rating. Out of 284 Clients, only 43.31% or 123 participated. Only 1 out of 123 respondents rated LBP-LFC below satisfactory (3 or higher). LBP-LFC's average satisfactory rating was 4.38 on Terms and Condition of Leasing and Financing Services, Processing time and quality of response on applications/requests, and Handling of accounts. Products and Services satisfaction rating was 4.34.</p> <p>Overall, LBP-LFCs satisfaction rating for 2016 was 4.36. The result was an improvement from the 2015 result where 95.71% rated LBP-LFC "Satisfactory or higher".</p>
		Sub-total		30%			-	29.80%		29.73%	

11

	Component				Target	LBP LFC Submission		GCG Validation		Supporting Document	Remarks	
	Objective/Measure	Formula	Weight	Rating System	2016	Actual	Rating	Score	Rating			
INTERNAL PROCESS	SO 5	Improve Efficiency and Quality of Credit Processes										
	SM 7	Average No. of Days to Process Applications of New Clients from receipt of Complete Docs to Approval	Total Actual No. of Days for All Applications of New Clients from Receipt of Complete Documents over Total No. of Applications Processed / Approved	5%	$(1 - ((\text{Actual} - \text{Target}) / \text{target})) \times \text{Weight}$	45 days	41.31 days	5%	41.31 days	5%	List of Credit Approvals of New Clients for the period 01 January 2016 to 31 December 2016	LBP-LFC received sixteen (16) applications from new clients in 2016 with total credit facilities amounting to ₱495 Million. For 2016, the average processing of the sixteen (16) applications was 41.31 days, which is still considered efficient considering the increase in number of applications from new clients.
	SM 8	Average No. of Days to Process Applications of Existing Clients from Receipt of Complete Docs to Approval	Total Actual No. of Days for All Applications of Existing Clients from receipt of Complete Documents over Total No. of Applications Processed / Approved	5%	$(1 - ((\text{Actual} - \text{Target}) / \text{target})) \times \text{Weight}$	30 days	29.77 days	5%	29.77 days	5%	List of Credit Approvals of Existing Clients for the period 01 January 2016 to 31 December 2016	There were thirty-two (32) new applications from existing clients in 2016. Average TAT of the credit applications from Existing Clients was 29.77 days.

		Component			Target	LBP LFC Submission		GCG Validation		Supporting Document	Remarks
Objective/Measure		Formula	Weight	Rating System	2016	Actual	Rating	Score	Rating		
SO 6	Expand Market Reach										
SM 9	Number of LBP LFC Desk Establish in LBP Lending Centers outside Metro Manila	Absolute Number	5%	(Actual / Target) x Weight	5	0	0%	0	0%	None	<p>LBP-LFC was not able to put up desk in the LBP Lending Centers allegedly due to Manpower Constraints. Per LBP-LFC, the filing with SEC of the application for the establishment of extension offices was not possible as LBP LFC does not have the manpower to assign thereto.</p> <p>Per representation, the corporation is already faced with manpower constraints and among the requirements in applying for authority to establish a particular extension office is the identification of specific officers who will handle the three (3) major positions. LBP-LFC's request for deletion of this measure is denied due to the same reason in SM 1 and SM 2.</p>
	Sub-total		15%				10%		10%		

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	Objective/Measure	Formula	Weight	Rating System	2016	Actual	Rating	Score	Rating			
LEARNING AND GROWTH	SO 7	Attract, Develop, and Retain Competent Personnel										
	SM 10	Percentage of Existing Personnel vs. Approved Manpower Complement	Actual No. of Regular Personnel over Total Approved Manpower Complement at year end	5%	(Actual / Target) x Weight	80%	61%	3.81%	58.97%	2.95%	List of Employees with position and date hired as of 31 December 2016	<p>For 2016, total approved Manpower Complement is 78 while only 46 positions are filled.</p> <p>The inclusion of this measure aims to address the prevailing manpower issue LBP-LFC is faced with.</p> <p>The request for adjustment of target percentage from 80% of 78 positions (including 12 for the LBP-LFC desks) to 70% of 66 positions (excluding 12 for the LBP-LFC desks) is denied due to the same reason in SM 1 and SM 2.</p>

Component					Target	LBP LFC Submission		GCG Validation		Supporting Document	Remarks
Objective/Measure	Formula	Weight	Rating System	2016	Actual	Rating	Score	Rating			
SO 8	Adopt Continuing Productivity and Corporate Culture Enhancement Programs										
SM 11	Competency Level of the Corporation	Percentage of Incumbents without Competency Gaps	5%	All or Nothing	Improvement from Baseline	Improvement from Baseline	5%	Improvement to 25.64% from baseline for 39 employees only	0%	<ul style="list-style-type: none">• Summary of Deficiencies in Competencies• Competency Assessment Form (for each employee assessed) January 2016 and December 2016	<p>The improvement will be calculated based on the number of employees without gaps as a percentage of the total employees assessed.</p> <p>LBP-LFC established a board-approved competency framework in 2015 which is also the target during the year. Thereafter, in January 2016, LBP-LFC conducted a competency assessment for its employees to determine the current competency level and established a baseline. By the time that the TWG Meeting for CY 2016 target setting was conducted, LBP-LFC had already established a baseline, hence, the 2016 target is set in terms of addressing competency gaps. In December 2016, LBP-LFC conducted another survey to all its employees through its own Competency Assessment and Inventory Tool in order to determine the improvement from baseline. The result of the assessment showed that there was an improvement for the assessed employees by 241.87% equivalent to 7 employees from the baseline of 7.5% or 3 employees without</p>

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Objective/Measure		Formula	Weight	Rating System	2016	Actual	Rating	Score	Rating		
											competency gaps. However, upon validation, it was found out that there were seven (7) corporate officers who were not assessed. Total manpower of LBP-LFC to be assessed should have been 46. LBP-LFC was able to assess only 39 out of 46 employees. The improvement does not suffice as an accomplishment of the target since the result of the assessment for the 39 out of 46 employees does not represent the Competency level of the corporation. Hence, the rating of LBP-LFC for this measure is 0%.
SO 9	Continuous Improvement of IT Infrastructure										
SM 12	Automation of Key Processes	Actual Accomplishment vs. Work Program	5%	All or Nothing	30% Complete Document Management, 100% Complete Customer Relationship Management	30% Complete Document Management System, 100% Complete Customer Relationship Management	5%	30% Complete Document Management System, 100% Complete Customer Relationship Management	5%	<ul style="list-style-type: none"> • Report on Document Management System Implementation • Memo on Procurement of Document Management System • BAC Resolution No. 2016-023 • LBP_LFC Request for Quotation • PhilGEPS posting of 	Document Management System is at 30% completion which corresponds to the completion of procurement such as Preparation of Purchase Request, Request for Quotation, Abstract of Quotation and BAC resolution recommending the award to Tech One Global Phils., Inc. Purchase Order was also prepared awarded to Tech One Global Phils., Inc., signed by VP for Corporate Services Group and President (Head of Procuring Entity). The Customer Relationship

		Component			Target	LBP LFC Submission		GCG Validation		Supporting Document	Remarks
Objective/Measure		Formula	Weight	Rating System	2016	Actual	Rating	Score	Rating		
										Request for Quotation • Abstract of Quotation • BAC Resolution No. 2016-27 • LBP-LFC Purchase Order • TECH ONE GLOBAL sales Invoice • Document Imaging System Project Proposal from TECH ONE GLOBAL • Memo on NAV - CRM System Roll-out • Microsoft Dynamics Navision Manual • Screenshots of System User Interface • Sample output	Management is already rolled out. Per validation, LBP-LFC was able to provide a sample Contacts Report for 2016 from the Customer Relationship Management System.
	Sub-total		15%				13.81%		7.95%		
	TOTAL		100%				76.48%		68.77%		