



LBP LEASING AND FINANCE CORPORATION
(A LANDBANK SUBSIDIARY)

BRIEFER ON RATIONALE – CY 2021 TARGETS

LBP LEASING AND FINANCE CORPORATION (LBP-LFC) was created by LANDBANK of the Philippines to provide support to the Bank and its clients in the form of financial, lease purchase, and operating leases and other products and services that complement the financial services being offered by the Bank.

As a Corporation, LBP-LFC's primary purposes are as follows:

- Engage in leasing of all kinds of equipment
- Extend credit to industrial, commercial, agricultural and other enterprises
- Engage in financing of merchandise in all their various forms

LBP-LFC's eligible clients are as follows:

- Small and Medium Enterprises (SMEs) and rural enterprises
- Government Agencies/Offices/Corporations
- Local Government Units
- Government partners, suppliers and contractors in support of government programs and initiatives
- Countryside Financial Institutions
- Corporate Clients
- Cooperatives
- Institutional Consumer Clients

As a Government-Owned and Controlled Corporation, LBP-LFC has identified the following at its Strategic Perspectives:

- Financial
- Customers and Stakeholders
- Internal Processes
- Learning and Growth

The measures and targets under each Strategic Perspective are as follows:

FINANCIAL PERSPECTIVE:

➤ **Increase Total Portfolio**

Under the Strategic Objective: *Ensure Viability and Financial Growth*, Total Portfolio is one of the Strategic Measures. Total Portfolio is reflective of the performance of the Corporation as a leasing and financing organization as it indicates the volume of business and source of revenues.

As of year-end CY2019, the Corporation's Total Portfolio was P4.348 billion. LBP-LFC's Total Portfolio target for CY2020 is P4.5 billion. For CY2021, proposed Total Portfolio Target is P4.800 billion. The portfolio level supports the Corporation's Net Income after Tax target of P90.000 million.

➤ **Lower Net Past Due Rate**

The Net Past Due Rate is an existing Strategic Measure based on the previous years' Performance Agreements. Actual Net Past Due Rate as of year-end 2019 is 8.66%. However, for 2020 LLFC's NPD rate is projected to increase to 11.0% because of the number of LBP-LFC's clients affected by the pandemic. The CY2021 target is 8.00% showing an improvement over the CY2019 and the projected CY2020 NPD rate.

As one of the means towards the attainment of the Net Past Due Rate target starting in CY2016, LBP-LFC activated/operationalized the Remedial Accounts Management Unit under the Legal Counsel of the Corporation. With this structure, delinquent accounts can be given immediate attention and appropriate action can readily be determined and taken. The Corporation is working on improvement of processes particularly for billing and collection for more effective and efficient operations that will eventually translate into higher volume and better quality of accounts.

➤ **Increase Asset Size**

Increase in asset size is a new measure added by GCG starting with LBP-LFC's modified CY2018 Scorecard as asset size indicates a Corporation's capacity to generate revenue, the value of the business and ability to run the business.

As of year-end 2019, the asset size of LBP-LFC was P4.814 billion. The CY2019 asset size target of LBP-LFC is P5.4 billion inclusive of the BGC Property with the GCG approval that this will decrease should the BGC Property be sold. The BGC Property will be sold by end of September 2020 bringing the projected Total Assets for 2020 to P5.0 Billion.

For CY2021, proposed asset size target is P5.400 billion considering the Total Portfolio target.

➤ **Increase Net Income After Tax**

Net Income after Tax (NIAT) is also an existing Measure under the prior years' Performance Agreements. It supports the Strategic Objectives of Ensuring Viability and Financial Growth as well as Consistently Improving Profitability.

In CY2019, based on the Prudential financial statements, LBP-LFC realized as NIAT of P31.228 million. For CY2020, the NIAT target is P90.000 million with request to revised it to P33.0 million with the negative impact of the pandemic to the Corporation and to majority of its clients.

CY2021 proposed NIAT target is P90.000 million.

CUSTOMERS/STAKEHOLDERS PERSPECTIVE:

➤ **Percentage of Portfolio Level Allocated to Priority Sectors**

The Percentage of Priority Sectors Portfolio is an existing Strategic Measure under the Strategic Objective: *Provide Affordable & Responsive Financial Products for Priority Sectors.*

It measures LBP-LFC's performance as against its goal of contributing to the Government's development efforts by extending its products and services to:

- *SMEs and rural enterprises to promote their growth and development;*
- *government partners, suppliers and contractors in support of government programs and initiatives; and*
- *government offices to enhance the efficiency of their services,*

as well as to other enterprises belonging to the priority sectors.

CY2020 target for Percentage of Priority Sectors Portfolio is 80% of Total Portfolio. CY2019 baseline is 87.73% while CY2018 baseline is 80.04%.

CY2020 proposed target is maintained at 80% as 20% of the Total Portfolio is earmarked for accounts that may not belong to the priority sectors but are existing accounts that need to further access LBP-LFC's products and services to sustain the economies of their operations and continuously improve their facilities for better business opportunities.

➤ **Percentage of Satisfied Customers**

Percentage of Satisfied Customers is also an existing Strategic Measure under the Strategic Objective: *Improve Accessibility & Timeliness of Delivery of Leasing & Financing Solutions.* It gauges the improvement of the Corporation's service delivery. For CY2019, the target was set at 95% of respondents who gave a rating of at least Satisfactory. The target for CY2020 is maintained at 95% of respondents giving a rating of at least Satisfactory.

For CY2021, proposed target is retained at 95% of respondents who gave a rating of at least Satisfactory.

INTERNAL PROCESSES PERSPECTIVE:

➤ **Percentage of Credit Approvals Processed within the Applicable Time**

Starting CY2019, the Strategic Measures "Average Credit Approval Processing Time for **New** Clients" and "Average Credit Approval Processing Time for **Existing** Clients" were replaced with "Percentage of Credit Approvals Processed within the Applicable Time". CY2019 and 2020 target is 100% of credit applications processed within the applicable processing time. *Applicable processing time, based on prior years' measures, are 40 calendar days for **NEW** clients and 30 calendar days for **EXISTING** clients.* The processing periods are based on the monthly LBP-LFC Executive Committee and Board of Directors meetings where the proposals for leasing and financing facilities are presented for approval.

The CY2021 proposed targets is maintained at 100% of credit applications processed within the applicable processing time.

➤ **Implement Quality Management System (QMS)**

In compliance with the GCG directive to implement Quality Management System (QMS), ISO QMS certification has been included as a Strategic Measure under the Strategic Objective: *Continuous Improvement of Processes and Systems*.

For CY2019 QMS target is ISO 9001:2015 Certification which the Corporation was able to secure. For CY2020, approved QMS target is the maintenance of the ISO 9001:2015 Certification.

For CY 2021 propose QMS target will still is the maintenance of the ISO 9001:2015 Certification.

LEARNING AND GROWTH PERSPECTIVE:

➤ **Percentage of Employees Meeting Required Competencies**

As a measure under the Strategic Objective: *Ensure Availability of Required Competencies for Critical Positions*, the Corporation has put in place its Competency Framework in CY2015. It has been able to identify the Competency Gaps among its workforce. The reduction of competency gaps recognizes the importance of a highly competent workforce in the attainment of the Corporation's objectives and targets.

LBP-LFC has started assessing and addressing the Competency Gaps in CY2016 during which a 25.64% improvement from the baseline was attained through external trainings/seminars and on-the-job coaching. Translated into the **modified** measure of *Percentage of Employees Meeting Required Competencies*, in CY2017, 44% of employees assessed had no competency gap. In CY2018, 77% of employees assessed had no competency gap as against target of 80%.

For CY2019, the **modified** target is to "address and close competency gaps of 100% of employees based on 2018 year-end assessment.

For 2020 GCG modified the target to Improvement on the competency level based on 2019 year-end assessment. The same target is proposed for CY2021, based on year-end 2020 assessment to include new employees hired in CY2020.

➤ **Implementation of IT Projects**

Under LBP-LFC's Strategic Objective of: *Optimize Use of Information Technology*, the Strategic Measure for CY2018 is *Implementation of IT Project*. The measure is meant to broaden the Corporation's use of Information Technology in its day-to-day operations. CY2018 target was the Submission of the Board-approved ISSP to DICT. For CY2019 and 2020, the target is 100% completion of ISSP projects planned for CY2019 and CY2020 based on the Board-approved and DICT approved ISSP.

For CY2021, the target is 100% completion of ISSP projects planned for CY2021.