



LBP LEASING AND FINANCE CORPORATION

(A LANDBANK Subsidiary)

BRIEFER ON RATIONALE – CY 2022 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 CY2020, the Corporation's Total Portfolio was P4.417 billion. LBP-LFC's Total Portfolio target for CY2021 is P4.800 billion. For CY2022, proposed Total



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Portfolio Target is P5.040 billion. The portfolio level supports the Corporation's Net Income after Tax target of P40.000 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 2020 is 1.51%. However, for 2021 LLFC's NPD rate is projected to increase to 8.0% because of the number of LBP-LFC's clients affected by the pandemic. The CY2022 target is 6.00% showing an improvement over the CY2021 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 Office of the General 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 2020, the asset size of LBP-LFC was P5.138 billion. The CY2021 asset size target of LBP-LFC is P5.4 billion. For CY2021, proposed asset size target is retained at P5.400 billion considering the Total Portfolio target and the proposed 2021 yearend Portfolio is only P5.0 billion

➤ **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 CY2020, based on the Prudential financial statements, LBP-LFC realized as NIAT of P339.84 million inclusive of the gain on sale of BGC property. For CY2021, the NIAT target is P25.00 million while CY2022 proposed NIAT target is P40.000 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.*



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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.

CY2021 target for Percentage of Priority Sectors Portfolio is 80% of Total Portfolio. CY2020 baseline is 87.0% while CY2019 baseline is 87.73%.

CY2022 proposed target is at 85% with 15% of the Total Portfolio 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 CY2020, the target was set at 95% of respondents who gave a rating of at least Satisfactory. The target for CY2021 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". CY2020 and 2021 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.



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➤ **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 CY2020, approved QMS target is the maintenance of the ISO 9001:2015 Certification which was achieved by the Corporation. For CY 2021 the QMS target will still is the maintenance of the ISO 9001:2015 Certification. However, for CY 2022 the target will be ISO 9001:2015 Re-certification of the Corporation.

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 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. For 2022, the same target will be retained with improvement based in year-end 2021 assessment.

➤ **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 CY2020 and 2021, the target is 100% completion of ISSP projects planned for CY2020 and CY2021 based on the Board-approved and DICT approved ISSP, year 2021 target to include deferred projects based on 2020 ISSP.

For CY2022, the target is 100% completion of ISSP projects planned for CY2022 based on the Board-approved or DICT approved ISSP.