



LBP LEASING AND FINANCE CORPORATION

(A LANDBANK SUBSIDIARY)

BRIEFER ON RATIONALE – CY 2024 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, machines, vehicles, facilities, appliances and all other types of personal and real properties
- Engage in financing of merchandise in all their various forms
- Extend credit facilities to industrial, commercial, agricultural and other enterprises
- Raise funds for the operations through borrowings and issuance of debt instruments and/or securitization of its assets.

LBP-LFC's eligible clients are as follows:

- Government
- Small and Medium Enterprises (SMEs)
- Large Corporations
- Cooperatives
- Financial Institutions
- Clients for Special Financing Programs
- Other entities or enterprises as may be deemed appropriate and acceptable

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: *Sustain Capital and Financial Growth through the effective and efficient use of resources*, 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 CY2022, the Corporation's Total Portfolio was P4.866 billion. LBP-LFC's Total Portfolio target for CY2023 is P5.418 billion. For CY2024, proposed Total Portfolio Target is P5.700 billion. The portfolio level supports the Corporation's Net Income after Tax target of P80.000 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 2022 is

5.23%¹. However, for 2023 LLFC's NPD rate is projected to be at 5.0% because there are still several clients reeling from the effect of the pandemic. The CY2024 target is proposed to be maintained at 5.00%.

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 continuously improving its credit processes 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 2022, the asset size of LBP-LFC was P5.007 billion. The CY2023 asset size target of LBP-LFC is P5.700 billion. For CY2024, proposed asset size target is at P5.700 billion taking into consideration the Total Portfolio target of P5.418 billion for 2023.

➤ **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 Objective to "Sustain Capital and Financial Growth through the effective and efficient use of resources."

In CY2022, based on the audited financial statements, LBP-LFC realized as NIAT of P41.067 million. For CY2023, the NIAT target is P60.00 million while CY2024 proposed NIAT target is P80.000 million.

➤ **Efficient Utilization of Corporate Operating Budget**

The target for Efficient Utilization of Corporate Operating Budget was based on the GCG modified target for 2022. In 2022, LBP-LFC accomplishment for this target is at 70.30%. The 2023 target is 90% utilization. The same percentage will be retained as the 2024 proposed target.

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 Financial Products and Services to achieve customer satisfaction and loyalty.*

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,*

¹ Based on validated scorecard NPD Rate was at 29.94% for which LBP-LFC requested for a reconsideration and revalidation.

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

CY2022 lending to Percentage of Priority Sectors Portfolio is 94.46% of Total Portfolio.

CY2023 proposed target is at 90% with 10% 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. The same percentage of 90% will be retained as the 2024 proposed target.

➤ **Percentage of Satisfied Customers**

Percentage of Satisfied Customers is also an existing Strategic Measure under the Strategic Objective: *Provide Financial Products and Services to achieve customer satisfaction and loyalty.* It gauges the improvement of the Corporation's service delivery. For CY2022, the target was set at 95% of respondents who gave a rating of at least Satisfactory, LBP-LFC's actual rating was at 98% satisfactory rating. The target for CY2023 is maintained at 95% of respondents giving a rating of at least Satisfactory.

For CY2024, proposed target is retained at 95% of respondents who gave a rating of at least Satisfactory based on ARTA Client Satisfaction Measure.

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" under the Strategic Objective: *Enhance delivery of leasing and financing solutions.* CY2022 and 2023 target is 100% of credit applications processed within the applicable processing time. Credit approval 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. In CY 2022, accomplishment on this target was 96.90%.

The CY2024 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: *Improve procedures, systems and programs on a continuing basis.*

For CY2022, the QMS target is the Re-certification for ISO 9001:2015 which the Corporation achieved the target. For CY 2023, the approved QMS target is the maintenance of the ISO 9001:2015 Certification. The same target as CY 2023 will be maintained for CY 2024.

LEARNING AND GROWTH PERSPECTIVE:

➤ **Percentage of Employees Meeting Required Competencies**

As a measure under the Strategic Objective: *Strengthen organizational competencies*, 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.

In CY 2022, the improvement in the Competency Level was 99.78%. For 2023, the target is the Board approved revised competency framework to improve the existing competency framework and the Competency Assessment of all eligible employees to establish the baseline for the Corporation. Accordingly, for CY 2024 the proposed target will be Improvement on the competency level based on 2023 year-end assessment using the Board Approved Revised Competency Framework.

➤ **Implementation of IT Projects**

Under LBP-LFC's Strategic Objective of: *Optimize Linkages and Use of Information Technology*, the Strategic Measure is *Implementation of IT Project*. The measure is meant to broaden the Corporation's use of Information Technology in its day-to-day operations. For CY2022, the Corporation achieved 100% completion of ISSP projects planned for CY2022 based on the Board-approved or DICT endorsed ISSP.

For CY2023 and 2024, the target is 100% completion of ISSP projects planned for CY2023 and CY2024 based on the Board-approved or DICT endorsed ISSP.