



LBP LEASING AND FINANCE CORPORATION
(A LANDBANK SUBSIDIARY)

BRIEFER ON RATIONALE – CY 2018 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

LBP LFC's proposed Strategic Objectives and Strategic Measures, as well as proposed targets and weights for CY2018 are as follows:

COMPONENTS				CY 2018 Proposed Target
	Strategic Objectives & Measures	Weight	Rating System	
SM 1	Average Monthly Total Portfolio (Total Portfolio was target in previous years)	15%	(Actual / Target) x Weight	P3.50 B
SM 2	Net Past Due Rate	10%	(Actual / Target) x Weight	2.50%
SM 3	Net Income After Tax	15%	(Actual / Target) x Weight	P120.0M
SM 4	Percentage of Priority Sectors Portfolio	15%	Per Rating Scale (see below)	80%
SM 5	Customer Satisfaction Rating Based on In-house Survey	5%	All or nothing	85% of respondents should have rated LBP LC "very satisfactory" or higher
SM 6	Number of Branches / Extension Offices Established	5%	(Actual / Target) x Weight	1
SM 7	Average Credit Approval Processing Time New Clients	10.0%	$(1 - ((\text{Actual} - \text{Target}) / \text{Target})) \times \text{Weight}$	40 days
SM 8	Average Credit Approval Processing Time Existing Clients	10.0%	$(1 - ((\text{Actual} - \text{Target}) / \text{Target})) \times \text{Weight}$	30 days
SM 9	ISO QMS Certification	5%	(Actual / Target) x Weight	Updated Manuals with Documented Procedures for Whole Enterprise
SM 10	Reduce Competency Gap	5%	All or nothing	10% improvement from last year
SM 11	Number of IT Projects Implemented	5%	All or nothing	1
TOTAL		100%		

FINANCIAL PERSPECTIVE:

➤ Average Monthly Total Portfolio

Under the Strategic Objective: *Ensure Viability and Financial Growth*, Average Monthly Total Portfolio has been identified as one of the Strategic Measures to replace Total Portfolio which was the previous years' Strategic Measure. Average Monthly Total Portfolio is deemed more reflective of the portfolio level to measure performance as it captures the monthly portfolio levels during the year. The Total

Portfolio, on the other hand, will only show the level at year-end which will be substantially affected if there are major pay downs just before the end of the year.

LBP LFC's Average Monthly Total Portfolio target for CY2018 is P3.50 billion. In CY 2017, the Corporation's estimated Average Monthly Total Portfolio is P3.50 billion.

The P3.50 billion Average Monthly Total Portfolio target is projected to bring in a total of P545.7 million in Gross Revenues as indicated in the CY2017 Corporate Operating Budget (COB) of LBP LFC.

➤ **Net Past Due Rate**

The Net Past Due Rate is an existing Strategic Measure based on the previous years' Performance Agreements. LBP LFC's Net Past Due Rate estimate for CY 2017 is 3.16%. Actual Net Past Due Rate as of year-end 2016 is 4.68%. The CY2018 target is 2.5% showing an improvement over the CY 2017 estimated baseline.

As one of the means towards the attainment of the Net Past Due Rate target in CY2018, LBP LFC has activated/operationalized of 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. In addition, under the Reorganization Plan being finalized by LBP LFC, the functions of marketing; credit evaluation; credit documentation, among others, are being segregated. Improvement of processes and more effective and efficient operations are expected from the segregation of these functions that will eventually translate into higher volume and quality of accounts.

➤ **Net Income After Tax**

Net Income after Tax (NIAT) is also an existing Measure under the prior years' Performance Agreements. By year-end CY2017, Net Income after Tax is estimated at P104.0 million. Actual Net Income after Tax in CY2016 is P109.0 million. The P120.0 million target for CY2018 is higher than Net Income after Tax estimated for CY2017. As LBP LFC is targeting a higher Portfolio level in CY2018, complemented by increase in workforce that is expected to materialize with the adoption of the Modified SSL in place of the CPCS, the targeted Net Income after Tax is considered attainable.

CUSTOMERS/STAKEHOLDERS PERSPECTIVE:

➤ **Percentage of Priority Sectors Portfolio**

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.

CY2018 target for Percentage of Priority Sectors Portfolio is proposed at 80% of Total Portfolio. CY2016 baseline is 75.4% while CY2017 estimated baseline is 80%. An increase is not proposed for CY2018 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.

➤ **Customer Satisfaction Rating Based on In-house Survey**

Customer Satisfaction Rating Based on In-house Survey 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. In the previous years (CY2015 to CY2017), the measures were based on the percentage of survey respondents who gave LBP-LFC ratings of Satisfactory or higher. For CY2018, the measure is upgraded to the percentage of respondents who gave LBP-LFC ratings of Very Satisfactory or higher. The baselines for the upgraded measure are: 68% in CY2015; 77% in CY2016; and estimate of baseline for CY2017 is 80%.

The target for CY2018 for Customer Satisfaction Rating is maintained at 80% of respondents giving a rating of Very Satisfactory or higher. Higher targets for Customer Satisfaction will be targeted in succeeding years as more systems are developed and improved and automated.

➤ **Number of Branches / Extension Offices Established**

The establishment of LBP LFC extension office/branch outside Metro Manila is the other Strategic Measures under the Strategic Objective: *Improve Accessibility & Timeliness of Delivery of Leasing & Financing Solutions*. CY2017 target is one (1) extension office/branch. This is expected to be accomplished in CY2017 as the Account Officer to man the Cebu Extension Office has been hired and the office space has been identified.

For CY2018, another branch/extension office is targeted to be established.

INTERNAL PROCESSES PERSPECTIVE:

➤ **Average Credit Approval Processing Time (for New and for Existing Clients)**

The Average Credit Approval Processing Time for **New** and Average Credit Approval Processing Time for **Existing** Clients are the proposed Strategic Measures under the Strategic Objective: *Streamline Credit Processing System*. CY2017 estimated baseline for this Strategic Measure for **New** clients is 40 days and 31 days for **Existing** clients.

Further improvements in the processing time will be targeted in the succeeding years when the LBP LFC workforce constraints would have been addressed and there would be more processes automated as the Corporation has set to Optimize Use of IT as a Strategic Objective under the Learning and Growth Perspective.

➤ **ISO QMS Certification**

In compliance with the GCG directive to secure ISO QMS certification, LBP LFC included the ISO QMS Certification as a Strategic Measure under the Strategic Objective: *Streamline Credit Processing System*.

In CY 2016, the ISO QMS Certification measure was set aside as the merger LBP and DBP was being studied and the merger was expected to affect the operations, including systems and procedures, of both banks and their subsidiaries. With the setting aside of the merger, LBP LFC is reviving its ISO QMS Certification target.

In accordance with the preparatory activities for ISO QMS Certification, for CY2017, the target is the Approved LBP LFC Quality Policy and Objectives. The review, update and revision of the existing LBP LFC manuals are targeted in CY2018 to ensure and improve the readiness of the Corporation for ISO QMS certification. ISO QMS Certification will be targeted in CT2019.

LEARNING AND GROWTH PERSPECTIVE:

➤ **Reduce Competency Gap**

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 Strategic Measure: *Reduce Competency Gap* recognizes the importance of a highly competent workforce in the attainment of the Corporation's objectives and targets.

LBP LFC has started addressing the Competency Gaps in CY2016 during which a 27% reduction in the Competency Gaps was attained through external trainings/seminars and on-the-job coaching. The CY2017 target is set in terms of percentage of reduction in the competency gaps by year-end as against baseline. Estimated baseline in CY2017 is a 10% improvement from the previous year.

Pending the full implementation of the LBP LFC Reorganization Plan and considering the issuance of E.O. No. 36 on the CPCS, the proposed for CY2018 is also a 10% improvement from the previous year. The Reorganization Plan will entail revisions of the Competency Framework as there are new positions/functions and as such retooling of incumbents will also be needed. For these reasons, the Reorganization Plan includes the creation of a Human Resources Unit to better address the workforce development requirements of the Corporation. In addition, a higher budget for training and personnel improvement has been earmarked in LBP LFC's CY2018 COB for the purpose of addressing competency gaps among incumbents, particularly those that will arise from reassignments under the new organization.

➤ **Number of IT Projects Implemented**

Under LBP LFC's Strategic Objective of: *Optimize Use of Information Technology*, the Strategic Measure for CY2018 is *Number of IT Projects Implemented*. In CY2016, the Financial Management System (FMS) was completed. In CY2017, the target to complete the Document Management System (DMS) is expected to be attained. For CY2018, the target is to complete one (1) IT project.

The measure is meant to broaden the Corporation's use of Information Technology in its day-to-day operations.