



LBP LEASING AND FINANCE CORPORATION
(A LANDBANK SUBSIDIARY)

BRIEFER ON RATIONALE – CY 2019 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 CY2017, the Corporation's Total Portfolio was P3.571 billion. LBP LFC's Total Portfolio target for CY2018 is P3.750 billion. For CY2019, proposed Total Portfolio Target is P4.125 billion.

➤ **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 2017 is 3.08%. The CY2019 target is 2.50% showing an improvement over the CY 2017 baseline.

As one of the means towards the attainment of the Net Past Due Rate target in CY2019, LBP LFC has 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. In addition, under the reorganization being developed by LBP LFC, the functions of marketing and credit evaluation 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 better quality of accounts.

➤ **Increase Asset Size**

Increase in asset size is a new measure added by GCG in 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.

For CY2018, the asset size target of P5.108 billion was based on the CY2018 Corporate Operating Budget (COB).

The CY2019 asset size target of LBP LFC is increased to P5.360 billion.

➤ **Increase Net Income After Tax**

Net Income after Tax (NIAT) is also an existing Measure under the prior years' Performance Agreements. In CY2017, Net Income after Tax was P108.441 million. Actual Net Income after Tax in CY2016 is P109.506 million. The P120.0 million target for CY2018 is higher than Net Income after Tax of the past two (2) years. As LBP LFC is targeting a higher Portfolio level in CY2018 at P3.750 billion and P4.15 billion in CY2019, complemented by the increase in workforce that is expected to materialize with the adoption of the Modified SSL, the targeted CY2019 Net Income after Tax is increased to P126.00 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.

CY2019 target for Percentage of Priority Sectors Portfolio is proposed at 80% of Total Portfolio. CY2017 baseline is 81.17% while CY2018 target 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.

➤ **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 CY2018, the target was set at 95% of respondents who gave a rating of at least Satisfactory.

The target for CY2019 is maintained at 95% of respondents giving a rating of at least Satisfactory. Higher targets for Customer Satisfaction will be targeted in succeeding years as more systems are developed and improved and automated. Further, as the ISO Certification is targeted to be attained in CY2019, its benefits to the LBP LFC clients resulting from more efficient operations are expected to be fully appreciated in the succeeding years.

INTERNAL PROCESSES PERSPECTIVE:

➤ **Average Processing Time of Credit Approval (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 baseline for this Strategic Measure for **New** clients is 51.38 days and 30.54 days for **Existing** clients. CY2018 targets are 40 calendar days for **New** clients and 30 calendar days for **Existing** clients.

The CY2019 targets are maintained at the same levels as CY2018 considering that 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.

Nevertheless, 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 is set to optimize the use of IT as one of its strategies.

➤ **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*.

In CY 2016, the ISO QMS Certification measure was set aside as the merger of 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, the QMS was again included in the CY2017 targets of LBP LFC. At the TWG in March 2017, the target set was the "Approved LBP LFC Quality Policy and Objectives" which was accomplished by LBP LFC. On 29 August 2017, the Corporation received the modified CY2017 Scorecard wherein the "Certification for Readiness" was set as the target. The Certification of Readiness for ISO QMS was not secured by LBP LFC in CY2017 as there was not enough time to outsource the 3rd party and, more so, to complete the process.

For CY 2018, the target is the completion of various training and documentation requirements for ISO QMS readiness assessment. When these are completed within CY2018, the CY2019 target of ISO QMS Certification is deemed attainable.

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 27% reduction in the Competency Gaps was attained through external trainings/seminars and on-the-job coaching. Translated into the modified measure of *Percentage of Employees Meeting Required Competencies*, in CY2016, 26% of employees assessed had no competency gap and 37% in CY2017. The CY2018 target is set at 80%. The same target of 80% is proposed for CY2019 as reorganizational changes are planned for the year, i.e., the segregation of marketing and credit evaluation functions, which will require re-tooling of incumbents.

➤ **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* while the target is the Submission of the Board-approved ISSP to DICT. For CY 2019, target is to secure DICT approval for the ISSP and to commence the ISSP implementation.

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