



**LBP LEASING AND FINANCE CORPORATION**  
(A LANDBANK SUBSIDIARY)

## BRIEFER ON RATIONALE – CY 2020 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 CY2018, the Corporation's Total Portfolio was P3.951 billion. LBP-LFC's Total Portfolio target for CY2019 is P4.15 billion. For CY2020, proposed Total Portfolio Target is P4.500 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 2017 is 3.08% and 3.07% as of year-end 2018. The CY2019 target is 2.50% showing an improvement over the baselines of CY2017 and CY2018.

CY2020 proposed target is maintained at 2.5% considering the baselines in CY2017 and CY2018.

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. 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 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 2018, the asset size of LBP-LFC was P4.814 billion. The CY2019 asset size target of LBP-LFC is P5.360 billion.

For CY2020, proposed asset size target is P4.800 billion considering the Total Portfolio target and should the sale of the BGC property materializes during the year.

➤ **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 CY2018, based on the Prudential financial statements, LBP-LFC realized as NIAT of P110.364 million. For CY2019, the NIAT target is P126.000 million.

CY2020 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.

CY2019 target for Percentage of Priority Sectors Portfolio is 80% of Total Portfolio. CY2017 baseline is 81.06% 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 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.

For CY2020, proposed target is retained at 95% of respondents who gave 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.

## 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 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 CY2020 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 CY 2018, the target was the completion of various training and documentation requirements for ISO QMS readiness assessment. The CY2019 QMS target is ISO 9001:2015 Certification. For CY2020, proposed QMS target is the completion of the ISO Surveillance by the Certifying Body.

**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. The same target is proposed for CY2020, based on year-end 2019 assessment to include new employees hired in CY2019.

➤ **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, the target is 100% completion of ISSP projects planned for CY2019 based on the Board-approved ISSP and as submitted to DICT.

For CY2020, the target is 100% completion of ISSP projects planned for CY2020.



**LBP LEASING AND FINANCE CORPORATION**  
**COMPARATIVE INCOME STATEMENT**  
**Approved Budget CY2019 and Proposed Budget for CY2020**

	<b>Proposed COB CY2020</b>	<b>Approved COB CY2019</b>
<b>REVENUES</b>		
<b>Interest Income</b>		
Interest Income on Other Loans/Receivable - FL	116,070,539.02	119,319,303.55
Interest Income on Other Loans/Receivable - FL LBP	44,833,535.80	62,251,251.82
Interest Income on Other Loans/Receivable - FL BIR	81,366,308.24	92,266,155.31
	<u>242,270,383.06</u>	<u>273,836,710.68</u>
Interest Income on Other Loans/Receivable	<u>239,927,113.79</u>	<u>271,624,996.07</u>
Income from Deposits in Banks	120,000.00	120,000.00
	<u>120,000.00</u>	<u>120,000.00</u>
<b>Total Interest Income</b>	<u>482,317,496.85</u>	<u>545,581,706.75</u>
<b>Other Income</b>		
Operating Lease Income	<u>51,637,200.00</u>	<u>51,637,200.00</u>
Rental- Investment Property	0.00	0.00
Profit/(Loss) from Assets Sold/Exchanged	0.00	1,129,108.22
Fleet Management Service Fee	9,191,400.00	9,153,150.00
Fleet Management Service Chauffering Fee	111,013,680.00	108,964,500.00
Recovery on Charged-off Assets	0.00	0.00
Miscellaneous Income/(Loss)	7,200,000.00	12,200,000.00
<b>Total Other Income</b>	<u>179,042,280.00</u>	<u>183,083,958.22</u>
<b>Total Revenue</b>	<u><b>661,359,776.85</b></u>	<u><b>728,665,664.97</b></u>
<b>Less: Direct Expenses</b>		
Interest Expense - FL	5,242,523.02	7,312,738.22
Interest Expense - Operating Lease	3,460,770.18	4,827,390.60
Interest Expenses	121,975,257.29	170,141,957.01
Documentary and Science Stamp Used	20,400,000.00	21,000,000.00
Provision for Probable Losses	24,000,000.00	18,000,000.00
Depreciation-Eqpt. & Other Prop. for Lease	8,281,539.00	8,281,539.00
Compensation and Fringe Benefits - Marketing Operations	31,473,870.24	25,591,823.84
Transfer Mortgage and Registrations Fees - LBP (FL)	405,000.00	405,000.00
Transfer Mortgage and Registrations Fees - LBP (FMS)	1,186,500.00	1,186,500.00
Transfer Mortgage and Registrations Fees - OL	280,700.00	280,700.00
Transfer Mortgage and Registrations Fees	120,000.00	120,000.00
Insurance - LBP (FL)	1,902,000.00	1,902,000.00
Insurance - LBP (FMS)	3,859,500.00	3,859,500.00
Insurance - Operating Lease	1,188,000.00	1,188,000.00
Insurance - BIR	2,550,000.00	2,550,000.00
Repairs and Maintenance - LBP (FL)	1,559,777.07	1,417,979.16
Repairs and Maintenance - LBP (FMS)	1,915,396.64	1,741,269.67
Repairs and Maintenance - Operating Lease	2,387,939.21	2,170,853.83
Security, Msgrl, Janitorial & Contractual Services - LBP (FL)	49,460,834.02	44,964,394.56
Security, Msgrl, Janitorial & Contractual Services - LBP (FMS)	112,061,142.34	101,873,765.76
Security, Msgrl, Janitorial & Contractual Services - OL	28,211,932.45	25,647,211.32
<b>Total Direct Expenses</b>	<u>421,922,681.45</u>	<u>444,462,622.96</u>
<b>Gross Income</b>	<u><b>239,437,095.40</b></u>	<u><b>284,203,042.01</b></u>

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**COMPARATIVE INCOME STATEMENT**  
**Approved Budget CY2019 and Proposed Budget for CY2020**

	<b>Proposed COB CY2020</b>	<b>Approved COB CY2019</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Taxes and Licenses - FL	8,045,203.74	9,078,527.77
Taxes and Licenses - FMS	6,010,254.00	5,905,882.50
Taxes and Licenses - Operating Lease	2,581,860.00	2,581,860.00
Taxes and Licenses - Loan	11,996,355.69	13,581,249.80
Taxes and Licenses - BIR	1,233,699.32	1,342,697.79
Taxes and Licenses	2,111,637.52	2,418,092.93
Compensation and Fringe Benefits	43,278,015.38	36,006,064.57
Management and Other Professional Fees	3,343,000.00	3,343,000.00
Membership Fees and Dues	1,200,854.40	960,854.40
Insurance	524,588.42	524,588.42
Depreciation-Furn., Fixtures and Eqpt.	3,270,187.80	3,702,517.54
Depreciation - Building	1,256,776.32	1,628,026.32
Depreciation - Investment Property ROPA	127,749.96	127,749.96
Amortization of Intangibles	1,285,112.88	733,045.10
Litigation/Assets Acquired Expenses	2,400,000.00	1,470,000.00
Rent	381,024.00	381,024.00
Power, Light and Water	1,200,000.00	1,200,000.00
Fuel and Lubricants	480,000.00	480,000.00
Transportation and Travelling	3,498,000.00	3,398,000.00
Representation and Entertainment	3,556,000.00	3,506,000.00
Repairs and Maintenance	1,016,562.66	916,562.66
Security, Messengerial, Janitorial & Contractual Services	3,720,000.00	3,600,000.00
Data Processing Charges	100,000.00	100,000.00
Bank Charges	24,000.00	24,000.00
Postage, Cables, Telephone and Telegram	960,000.00	960,000.00
Stationeries and Supplies Issued	662,131.36	662,131.36
Information Technology Expense	2,805,000.10	2,805,000.10
Advertising and Publicity	840,000.00	840,000.00
Periodicals and Magazines	18,000.00	18,000.00
Miscellaneous Expenses	720,000.00	720,000.00
<b>Total Expenses</b>	<b>109,503,460.47</b>	<b>103,014,875.22</b>
<b>Net Income Before Income Tax</b>	<b>129,933,634.93</b>	<b>181,188,166.79</b>
Less: Provision for Income Tax	47,957,251.77	61,667,909.16
Income Tax Benefit	(8,280,000.00)	(6,480,000.00)
<b>Total Income Tax Expenses</b>	<b>39,677,251.77</b>	<b>55,187,909.16</b>
<b>Net Income After Income Tax</b>	<b>90,256,383.16</b>	<b>126,000,257.63</b>