



**LBP LEASING AND FINANCE CORPORATION**

(A LANDBANK SUBSIDIARY)

## **BRIEFER ON RATIONALE – CY 2025 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 may be deemed appropriate and acceptable

As a Government-Owned and Controlled Corporation, LBP-LFC has identified the following as 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:**

#### **➤ SM 1 - 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 CY2023, the Corporation's Total Portfolio was P5.336 billion. LBP-LFC's Total Portfolio target for CY2024 is P5.700 billion. For CY2025, proposed Total Portfolio Target is P6.363 billion. The portfolio level supports the Corporation's Net Income after Tax target of P90.100 million.

#### **➤ SM 2 - Lower Net Past Due Rate**



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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 2023 is 7.25%. For 2024 LLFC's NPD rate target is at 5.00% but it is projected that the Corporation will breach the targets as there were several deteriorations in the quality of several accounts. The CY2025 target is proposed to be maintained at 5.00%.

The Corporation is working on continuously improving its credit policies and processes for more effective and efficient operations that will eventually translate into higher volume and better quality of accounts.

➤ **SM 3 - Increase Asset Size**

Increase in Asset size indicates the Corporation's capacity to generate revenue, increase value of the business and its ability to run the business.

As of year-end 2023, the asset size of LBP-LFC was P6.165 billion. The CY2024 asset size target of LBP-LFC is P5.900 billion. For CY2025, proposed asset size target is at P7.200 billion taking into consideration the Total Portfolio target of P6.363 billion for 2025 and the present level of Total Assets which is at P6.963 billion as of end of 3<sup>rd</sup> quarter of 2024.

➤ **SM 4 - Increase Net Income After Tax**

Net Income after Tax (NIAT) is also an existing Measure under the prior years' Performance Agreements. It also supports the Strategic Objective to "*Sustain Capital and Financial Growth through the effective and efficient use of resources.*"

In CY2023, based on the audited financial statements, LBP-LFC realized as NIAT of P70.198 million. For CY2024, the NIAT target is P80.00 million while CY2025 proposed NIAT target is P90.100 million.

➤ **SM 5 - Efficient Utilization of Corporate Operating Budget**

The target for Efficient Utilization of Corporate Operating Budget was initially included among the targets on the GCG modified target for 2023. In 2023, LBP-LFC accomplishment for this target is at 76.25%. The 2024 target is 90% utilization. The same percentage will be retained as the 2025 proposed target.

### **CUSTOMERS/STAKEHOLDERS PERSPECTIVE:**

➤ **SM 6 - 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 that are inclusive and accessible.*

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.*

CY2023 lending to Percentage of Priority Sectors Portfolio is 91.95% of Total Portfolio.



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CY2024 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 2025 proposed target.

➤ **SM 7 - Percentage of Satisfied Customers**

Percentage of Satisfied Customers is also an existing Strategic Measure this is under the Strategic Objective: *Enhance customer satisfaction through responsive service delivery*. It gauges the improvement of the Corporation's service delivery. For CY2023, the target was set at 95% of respondents who gave a rating of at least Satisfactory, LBP-LFC's actual rating was at 99.81% satisfactory rating. The target for CY2024 is maintained at 95% of respondents giving a rating of at least Satisfactory.

For CY2025, proposed target is retained at 95% of respondents who gave a rating of at least Satisfactory based on ARTA Client Satisfaction Measure.

➤ **SM 8 - Percentage of Credit Approvals Processed within the Applicable Time**

The "Percentage of Credit Approvals Processed within the Applicable Time" is now under the Strategic Objective: *Enhance customer satisfaction through responsive service delivery*. CY2023 and 2024 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 2023, accomplishment on this target was 97.50%.

The CY2025 proposed targets is maintained at 100% of credit applications processed within the applicable processing time.

### **INTERNAL PROCESSES PERSPECTIVE:**

➤ **SM 9 - Implementation of IT Projects**

The target for implementation of IT Projects was moved from Learning and Growth Perspective to the Internal Process Perspective under LBP-LFC's Strategic Objective of: *Develop organizational infrastructures that is sustainable, disaster-resilient, and accessible*. The measure is meant to ensure that it can sustain and complete the Corporation's digital transformation as part of its plan to ensure efficiency and innovation in its operations.

For CY2023, the Corporation achieved 100% completion of ISSP projects planned for CY2023 based on the Board-approved or DICT endorsed ISSP.

For CY2024 and 2025, the target is 100% completion of ISSP projects planned for CY2024 and CY2025 based on the Board-approved or DICT endorsed ISSP.



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➤ **SM 10 - 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: *Embed a culture of efficiency and quality across all levels of the organization.*

For CY2023, the QMS target is the Maintenance of ISO 9001:2015 Certification which the Corporation achieved. For CY 2024, the approved QMS target is the Maintenance of the ISO 9001:2015 Certification. For CY 2025, the target is ISO 9001:2025 Recertification.

### **LEARNING AND GROWTH PERSPECTIVE:**

➤ **SM 11 - Percentage of Employees Meeting Required Competencies**

As a measure under the Strategic Objective: *Strengthen organizational knowledge, skills and competencies*, the Corporation has put in place its Revised Competency Framework in CY2023. 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 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, the CY 2024 target will be Improvement on the competency level based on 2023 year-end assessment using the Revised Competency Framework. For CY 2025, the proposed target is the Improvement on the competency level based on 2024 year-end assessment.

➤ **SM 12 - Development and Implementation of Disaster Risk Reduction and Management (DRRM) Plan**

The inclusion of the target for the Development and Implementation of Disaster Risk Reduction and Management (DRRM) Plan is pursuant to GCG Memorandum Circular No. 2024-01 Enhanced Performance Evaluation System for the GOCC Sector which integrated Disaster Risk Reduction and Management and Gender Equity, Disability and Social Inclusion (GEDSI) in the GOCC PES. It was included under as a Strategic Measure under the Strategic Objective: *Develop organizational infrastructures that is sustainable, disaster-resilient, and accessible.*

For CY2025, the target is the Development and BOD Approval of Disaster Risk Reduction and Management (DRRM) Plan.

➤ **SM 13 - Number of training programs on sustainability, resilience, and inclusivity completed by employees**

The inclusion of the target for the training programs on sustainability, resilience, and inclusivity completed by employees is pursuant to GCG Memorandum Circular No. 2024-01 Enhanced Performance Evaluation System for the GOCC Sector. It was included under as a Strategic Measure under the Strategic Objective: *Institutionalize a culture of sustainability, resilience, and inclusion.*



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The proposed target under this strategic measure is to facilitate the conduct at least three (3) trainings on sustainability, resilience, and inclusivity for the year 2025.

### **BONUS STRATEGIC MEASURES**

Pursuant to GCG Memorandum Circular No. 2024-01 Enhanced Performance Evaluation System for the GOCC Sector, there were several measures that may be included in the Performance Scorecard that will merit additional rating incentives. As such, LBP-LFC adopted the following in its 2025 PES as the measures indicated below will provide positive impact and ensures continuous improvement in the Corporation's operations.

#### **FINANCIAL PERSPECTIVE**

Strategic Objective 1 - Sustain Capital and Financial Growth through the effective and efficient use of resources

- GAD Budget Utilization – 5% budget utilization

#### **INTERNAL PROCESSES**

Strategic Objective 5 - Embed a culture of efficiency and quality across all levels of the organization.

- Secure certification on Environmental Management System - ISO 14001:2015 Certification
- Secure certification on Business Continuity Management Systems (BCMS) - ISO 22301:2019 Certification