



# LBP LEASING AND FINANCE CORPORATION

(A LANDBANK SUBSIDIARY)

## BRIEFER ON RATIONALE – CY 2026 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.

LBP-LFC's PES is aligned with the Philippine Development Plan (PDP), LANDBANK's mandate to promote inclusive growth, and GCG's Enhanced PES framework. The Corporation supports government programs through financing for SMEs, cooperatives, and public sector partners, while embedding resilience, quality, and innovation in its operations.

The CY 2026 PES of LBP Leasing and Finance Corporation (LBP-LFC), now merged with UCPB Leasing and Finance Corporation (ULFC), reflects the Corporation's strategic direction to optimize operational integration, enhance financial sustainability, and align with national development priorities. The targets are designed to leverage merger synergies, improve portfolio quality, and support inclusive financing for priority sectors.

The merger with ULFC effective February 28, 2025, expands LBP-LFC's portfolio, diversifies its client base, and strengthens its operational capacity. The 2026 targets reflect consolidated performance metrics and integration of ULFC's assets, liabilities, and operational processes.

As a Corporation, LBP-LFC's primary purposes are as follows:

- Engage in the business of leasing and financing in all its aspects and forms, including financial, direct, and operating leases.
- Arrange, underwrite, manage, develop, or administer leases of real and personal properties, including equipment, machineries, vehicles, vessels, airplanes, appliances, merchandise, and facilities.
- Undertake finance-related transactions such as sale-leaseback arrangements, hire-purchase agreements, and other lease financing schemes.
- Extend credit facilities to individuals and enterprises through loans, direct lending, discounting, rediscounting, factoring of commercial papers or accounts receivables.
- Buy or sell contracts, leases, chattel mortgages, or other evidence of indebtedness.
- Exercise the powers of a financing company under the Financing Company Act, as amended.
- Perform any act or engage in any activity necessary, proper, or convenient for the accomplishment of its primary purpose.

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 - Total Net Portfolio

Under the Strategic Objective: *Sustain Capital and Financial Growth through the effective and efficient use of resources*, Total Net 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 CY2024, the Corporation's Total Net Portfolio was P6.173 billion. LBP-LFC's Total Portfolio target for CY2025 is P6.366 billion. For CY2026, proposed Total Portfolio Target is P8.150 billion. The portfolio level supports the Corporation's Net Income after Tax target of P105.00 million.

##### ➤ SM 2 – Non-Performing Loan Rate

The **Net Past Due (NPD) Rate** has historically been used as a Strategic Measure (SM) in the Performance Evaluation System (PES) Scorecard. As of year-end 2024, LLFC's actual NPD rate stood at **6.74%**, with a 2025 target of **5.00%**. However, projections indicate that the Corporation will significantly breach this target due to two major factors:

- **Deterioration in the quality of several accounts**, and
- **Merger with ULFC**, whose portfolio carries an extremely high past due rate.

##### Impact of Merger:

The ULFC portfolio has a past due ratio of **at least 92%**, which will substantially affect LLFC's consolidated loan quality. Post-merger, the consolidated **Non-Performing Loan (NPL) Rate** is expected to rise to **35.94%**, far exceeding historical NPD levels. This structural change renders the NPD measure less relevant and necessitates a shift to **NPL Rate** as the more accurate indicator of portfolio health.

For **CY2026**, the Corporation proposes an NPL Rate target of **less than 20% of total net portfolio**, a significant improvement from the projected **35.94%** at the end of 2025. This reduction aligns with LLFC's strategic initiatives to:

- Strengthen credit policies and risk management frameworks,
- Enhance collection and restructuring strategies, and
- Improve operational efficiency to restore portfolio quality.

##### ➤ SM 3 - Total 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 2024, the asset size of LBP-LFC was P7.272 billion. The CY2025 asset size target of LBP-LFC is P7.476 billion. For CY2026, proposed asset size target is at P9.500 billion taking into consideration the merged total assets of LBP-LFC and ULFC. This also considered the present level of Total Assets as of end of 3<sup>rd</sup> quarter of 2025.

➤ **SM 4 - 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 CY2024, based on the audited financial statements, LBP-LFC realized as NIAT of P54.72 million. For CY2025, the NIAT target is P90.10 million while CY2026 proposed NIAT target is P105.00 million.

➤ **SM 5 – Budget Utilization Rate**

The target for Efficient Utilization of Corporate Operating Budget was initially included among the targets on the GCG modified target for 2023. In 2024, LBP-LFC accomplishment for this target is at 60.30%. The 2025 target is 90% utilization. The same percentage will be retained as the 2026 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.*

CY2024 lending to Percentage of Priority Sectors Portfolio is 91.23% of Total Portfolio.

CY2025 proposed target is at 91% with 9% 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 91% will be retained as the 2026 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 CY2024, the target was set at 90% of respondents who gave a rating of at least Satisfactory, LBP-LFC's actual rating was at 99.63% satisfactory rating. The target for CY2025 is maintained at 90% of respondents giving a rating of at least Satisfactory as prescribed by ARTA.

For CY2026, proposed target is retained to at least 90% 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*. CY2024 and 2025 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 2024, accomplishment on this target was 96.00%.

The CY2026 proposed targets is maintained at 100% of credit applications processed within the applicable processing time.

#### **INTERNAL PROCESSES PERSPECTIVE:**

➤ **SM 9 – Percentage of ISSP Projects Completed**

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 CY2024, the Corporation achieved 100% completion of ISSP projects planned for CY2024 based on the Board-approved or DICT endorsed ISSP.

For CY2025 and 2026, the target is 100% completion of ISSP projects planned for CY2025 and CY2026 based on the Board-approved or DICT endorsed ISSP.

➤ **SM 10 - Compliance with Quality Standards (ISO 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 CY2024, the QMS target is the Maintenance of ISO 9001:2015 Certification which the Corporation achieved. For CY 2025, the approved QMS target is the ISO 9001:2015 Recertification. For CY 2026, the target is Maintenance of ISO 9001:2025 Certification.

#### **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 2024, the target is the improvement on the competency level based on 2023 year-end assessment. The competency improvement in 2024 is at 11.67%. The CY 2025 target will be 10% Increase from the 2024 Competency Level (using new formula). For CY 2026, the proposed target is retained at 10% Increase from the 2025 Competency Level (using new formula).

➤ **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 Board-approved Public Service Continuity Plan (PSCP). For the year 2026 the proposed target is the updating and testing of the DRRM Plan tested and updated and DEI initiatives implementation.

**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 2026 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