



A Partnership With Rural Banks For Higher Level of Competitiveness

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Outline of Presentation

- 1. Introduction to DBP**
- 2. Opportunities for Rural Banks**
- 3. DBP's Wholesale Lending**
- 4. Competitiveness Recommendations**
- 9. DBP's ATM Piggybacking Partnership**
- 10. Closing**



Development Bank of the Philippines

- ❑ Premier developmental financial institution
- ❑ 100% government owned, 92 branches as of September 2013
- ❑ Asset size of P 400+ billion
- ❑ Remits at least 50% of net income to government annually

MANDATE:

- ❑ To influence and accelerate sustainable economic growth
- ❑ To service the financing needs of enterprises, infrastructure efficiency, livelihood and job creation.



STRATEGIC SECTORS:



- INFRASTRUCTURE & LOGISTICS**
 Logistics, Infrastructure Development



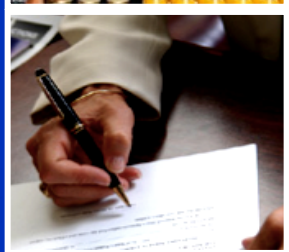
- SOCIAL SERVICES**
 Health Care, Education, Housing, Community Development



- ENVIRONMENT**
 Water, Solid Waste Management, Pollution Control, Power including NRE



- MICRO + SMEs**
 Loans, Technical Assistance



- COMMERCIAL LENDING**

SME Lending: Inclusive Growth

Definition

Philippine MSMEs are categorized based on asset size (excluding land) and number of employees.

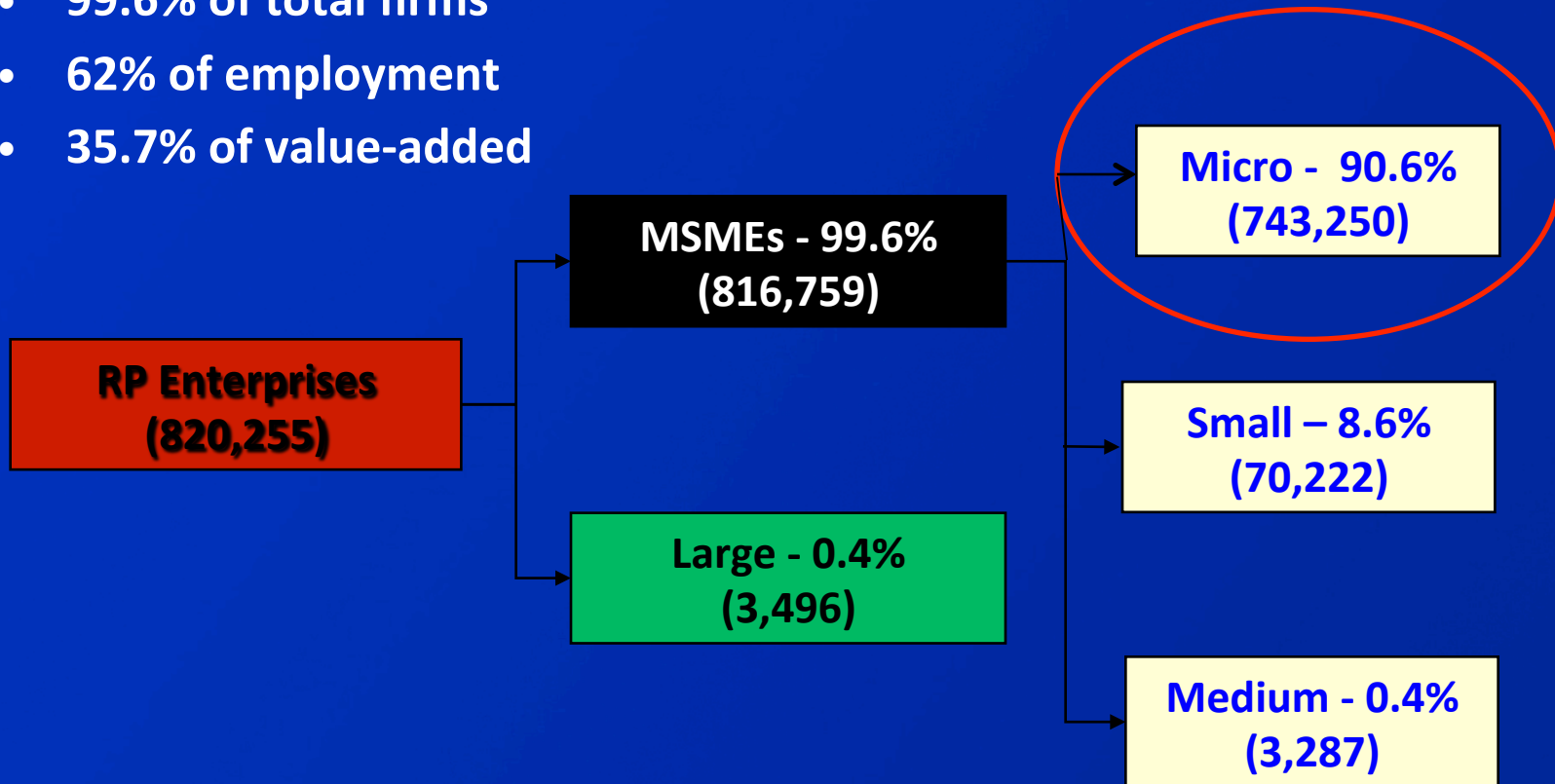
<u>Category</u>	<u>Total asset value*</u>	<u>No. of employees</u>
Micro enterprise	P 3,000,000 or less	1-9
Small enterprises	P 3,000,001-15,000,000	10-99
Medium enterprises	P15,000,001-100,000,000	100-199

*RA 6977, as amended by RA 8289 and further amended by RA 9501 or the Magna Carta for Micro, Small and Medium Enterprises defines MSMEs according to assets. However, available statistics from NSO are still categorized according to the number of employees.

SME Lending : Inclusive Growth

Contribution of MSMEs

- 99.6% of total firms
- 62% of employment
- 35.7% of value-added



Captive Market

- One Town One Product (OTOP)

Priority Sectors: Bamboo, Coconut, Processed Food, Tropical Fruits, Health & Wellness, Tourism, etc.



- Tindahan Pinoy

- showcases world-class Filipino products catering to local and foreign tourists

Compliance to SME Regulations

- **Mandatory Allocation of Credit Resources to MSMEs (RA 9501)**
- **Agri-Agra Reform Credit Act of 2010**
- **Barangay Micro Business Enterprises Act of 2002**

DBP Accreditation Guidelines for Rural Banks

1. BSP Camels rating of at least 3
2. Complied with the 10% maximum ratio of past due loans to DOSRI
3. No loan arrearages with LBP and BSP, Quedancor, PBSP, SB Corp, TIDCORP (PhiLExim), DBP, and SSS. Not suspended from BSP and LBP rediscounting
4. Past due loans + items in litigation is not in excess of latest industry average plus 2%.

DBP Accreditation Guidelines for Rural Banks

5. Not deficient in loan-loss provision /valuation reserves
6. Ratio of acquired assets to total assets is less than the latest industry average plus 2%
7. Positive results of operation in the last preceding calendar/ fiscal year
8. Not deficient in bank reserves for the last six months preceding the filing of application

DBP Accreditation Guidelines for Rural Banks

9. Ratio of Accrued Interest Receivables to Surplus (Free) + Undivided Profits is less than 100%
10. No change in major stockholders and key officers at least for the last two years
11. No derogatory information gathered on the officers and directors of the bank
11. Compliance with BSP Circular No. 283 dated May 17, 2003 on Corporate Governance

QUANTITATIVE ANALYSIS

1. Preparation of spreadsheet
2. Computation of the following:
 - a. Productive and prudent use of resources (profitability & resource mobilization)
 - b. Ability to meet obligations (solvency and liquidity)
 - c. Quality of loan portfolio (collection efficiency)

QUANTITATIVE ANALYSIS

3. Each ratio is then compared to industry standard and to the bank's own Performance
4. The first two comparisons are indications of bank's current performance ; other two refer to its immediate past performance
5. In the performance rating, bank's average performance is given more weight for new applicants; for renewal its current performance

QUALITATIVE ANALYSIS

a. Management

- Expertise
- Stability
- Organizational Set-up

b. Industry Status

- Deposits
- Borrowings
- Total Assets
- Gross Income
- Net Income

QUALITATIVE ANALYSIS

c. Policies

- Asset Liability Management
- Risk Asset Management
- Credit Policies and Procedures

d. DBP Experience

e. Developmental Orientation



**DBP
Accredited
Banks under
Wholesale
Lending
Servicing
SMES**

Rural Bank / PFIs	Location
Agribusiness Rural Bank, Inc.	Solano, Nueva Vizcaya
Banco Dipolog, Inc.	Dipolog
Bukidnon Gov't Employees Multi-Purpose Coop	Malaybalay
Bank of Makati	Makati
Cooperative Bank of Cotabato	Kidapawan
Cooperative Bank of Misamis Oriental	Capistrano Branch
First Consolidated Bank	Tagbilaran
First Isabela Cooperative Bank	Ilagan
Gov't . of Laoag Dev't Cooperative	Laoag
Katipunan Bank, Inc.	Dipolog
RBT Bank, A Rural Bank	Capistrano
Zamboanga del Norte Cooperative Bank	Dipolog
Bank of Florida	SF Pampanga
Cooperative Bank of Davao del sur	Digos
Cooperative Bank of Pampanga , Inc.	SF Pampanga
Enterprise Bank	Davao Branch
First Valley Bank	CDO Branch
Gateway Rural Bank	Malolos Branch
Guagua Rural Bank	SF Pampanga
Gulf Bank	Dagupan
One Network Rural Bank, Inc.	Davao City Branch
Rural Bank of Barili	Cebu
Rural Bank of Bay, Inc.	Sta. Rosa Branch
Rural Bank of Pres. M.A. Roxas	Dipolog Branch
Rural Bank of Rizal (Zamboanga del Norte)	Dipolog Branch

**Banks
w/
Releases
from
IGLF
(as of
December
2013)**

Agribusiness Rural Bank, Inc.	69.3
Banco Dipolog, Inc.	44.7
Bank of Makati	101.0
Cooperative Bank of Cotabato	36.3
First Isabela Cooperative Bank	32.1
First Consolidated Bank	100.2
Plantersbank	570.6
Producers Savings Bank Corp	525.9
Katipunan Bank, Inc.	98.6
Philippine Resources Savings Banking Corp	219.9
Enterprise Bank	93.5
First Macro Bank	14.5
First Valley Bank	33.3
Gateway Rural Bank	0.12
Gulf Bank	11.6
One Network Rural Bank, Inc.	49.5
Rural Bank of Rizal (Zamboanga del Norte)	13.8
Aakay ang Milamdec Foundation, Inc.	124.5
Aalay sa Kaunlaran, Inc.	50.0
Bukidnon Gov't Employees Multi-Purpose Coop	4.5
Holy Community Development Foundation, Inc.	2.7
Radiowealth Finance Corp	177.1
Zamboanga Social Welfare Development	5.0
Total	2,379.0

Tapping Credit Enhancements

1. Small Business Finance Corporation
2. Philippine Crop Insurance Corporation
3. Quedancor
4. Philippine Export –Import Guarantee

To be more competitive:

1. Consider the business cycle in packaging loans and repayment schemes
2. Simplify documentation requirements
3. Flexibility in collateral requirements
4. Increase capitalization through Initial Public Offerings (IPO) or joint venture among rural banks/ Consolidate

ATM Piggybacking Partnership

- ✓ Enable Partner Institutions to utilize DBP's capability to deploy, install, operate and maintain ATMs
- ✓ Allow Partner Institutions to offer ATM services in the area



ATM Piggybacking Partnership

DBP to Deploy, Install and Activate an ATM unit, inclusive of:

- **Hardware, UPS and Cladding**
- **Software**
- **Consumables**
- **Connectivity**
- **Service Maintenance**

Partner to provide cash loading services and daily accounting and reconciliation of transactions and:

- **Electricity**
- **Space**
- **Physical Security**

Advantages and Benefits

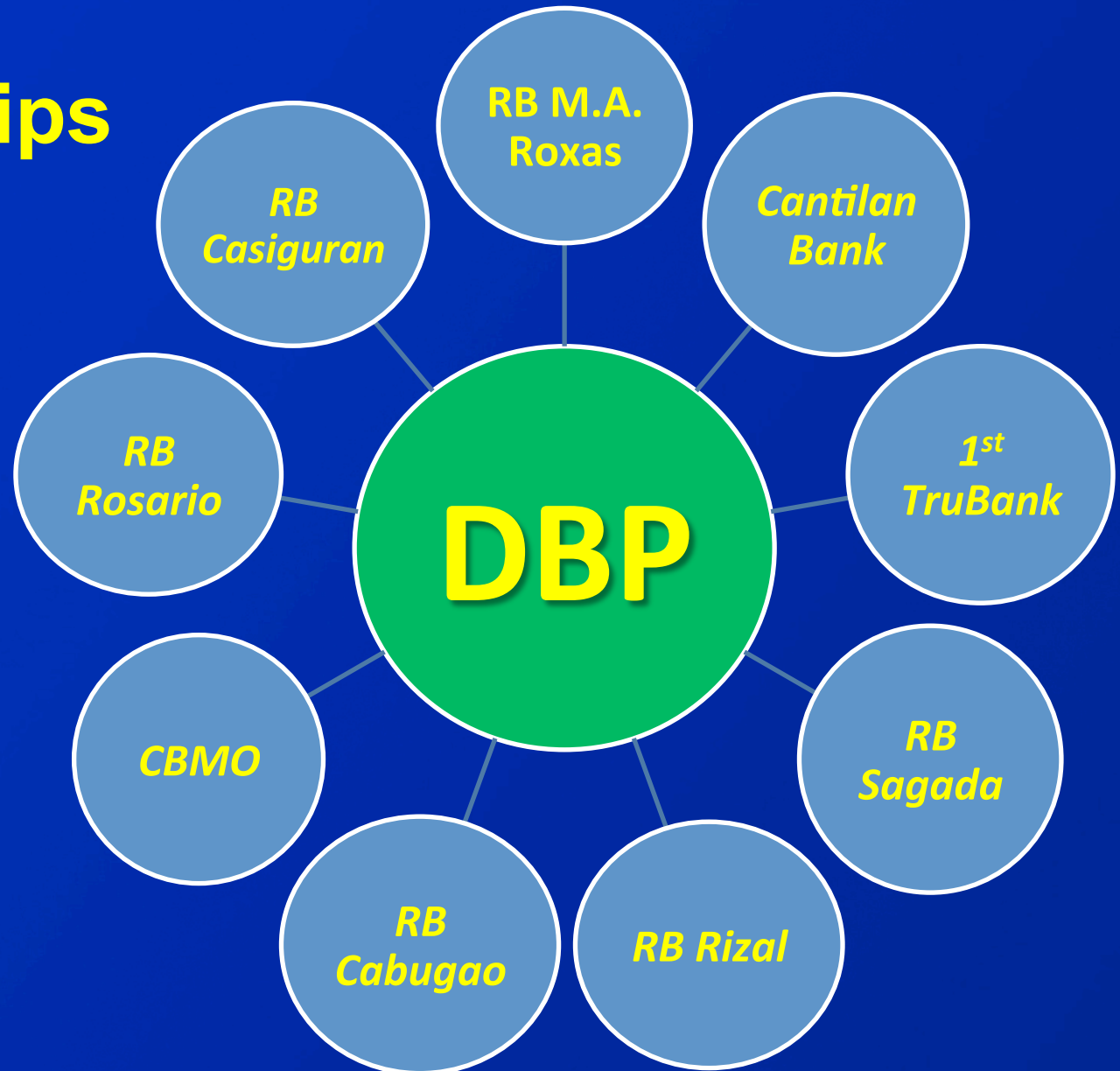
- **Create new revenue stream for the partner institution due to the Convenience Fee**
- **Address excess Cash in Vault**
- **Increase foot traffic that can result to new clients**
- **Provide basic ATM services in the locality**

BSP Approval

- **Outsourcing of Cash Loading services is in the MORB**
- **However, Partner Institution still has to secure No Objection approval**

Current Partnerships

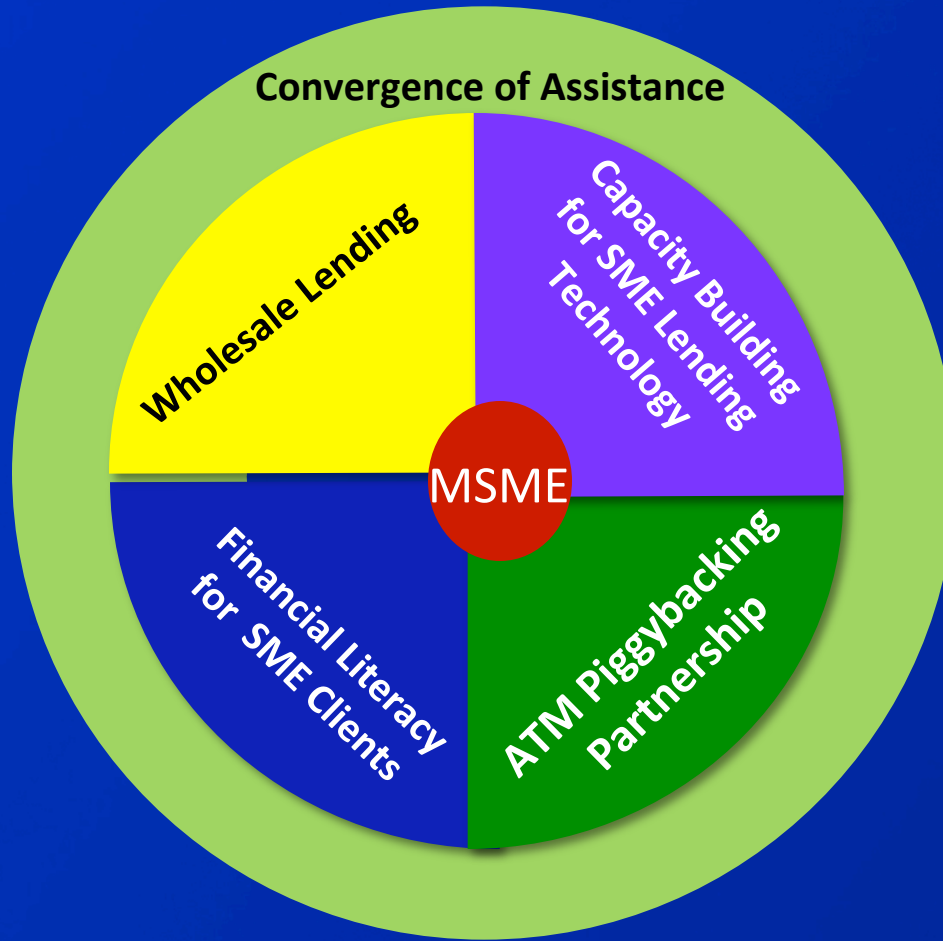
- 9 Partners
- 24 ATM Machines



Sample Installations



DBP as a Partner



Closing

“ He who survives is not the strongest nor most intelligent But he who is more responsive to change and is flexible to adopt to situations “ – Charles Darwin

“ You have the right temperament. You don't need extraordinary intelligence to succeed. You need a philosophy. The key is not to be seduced by crazy ideas, but instead just stick to the fundamentals year after year. - Warren Buffet

If you want to travel fast...

travel alone



...but if you want to travel far,

travel together.

*DBP in Partnership
with Rural Banking
Sector*



Thank you

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