

# 59<sup>th</sup> RBAP Charter Anniversary Symposium

## Keeping the Rural Bank Market Niche (In spite of the industry being in crisis)

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Trustee, Institute of Corporate Directors

Marriott Hotel, Newport Complex

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Rural Bankers Association  
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# Rex C. Drilon II, FICD. Retired



**TRUSTEE:** Center for Excellence in Governance (CEG), Institute of Corporate Directors (ICD), Institute for Solidarity in Asia (ISA), Center for Family Advancement (CFA), Center for School Governance (CSG)

**CHAIRMAN:** National Advisory Group for Police Transformation and Development (NAGPTD)

**VICE CHAIRMAN & FOUNDING PRESIDENT:** Iloilo Economic Development Foundation (ILEDf)

**MEMBER:** Shareholders Association of the Philippines (Sharephil), Management Association of the Philippines (MAP)

**CORPORATE BOARDS:** Metrobank (Independent Director); Keyland Corporation (Chairman); YLD, Inc. (Chairman)

**FORMER C-LEVEL EXECUTIVE:** Ortigas & Co., Ayala Land and Subsidiaries CHI and CPVDC, Jardine Davies, Philippine Fuji Xerox, Philtranco and other FMMC Group companies

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# Outline

- Introduction
- The Industry Situation
  - Bridge Advisory Group paper on Provincial Banking in the Philippines (Kocourek and Poston)
  - ICD discussions with some of the RBAP Board members
- The Initiative of RBAP and RBRDF in developing their own Roadmap to better serve the needs of their member-rural banks
- A possible roadmap for a typical rural bank
- Last words



# Introduction

- What Crisis?
  - From 1600+ rural banks in the 80's down to 400+ this year
  - Average bank closures in last 5 years – 20+ (16 thus far in 2016)
  - Many/several RBs in PCA
  - RB industry represents 2% of total assets and total deposits and 1% of total loans of the PH banking sector
- The Fundamental Questions:
  - Should I stay or should I leave?
  - If I stay, given the environment, what should I do?



# The BAS Paper on PH Provincial Banks (rural and independent thrift banks) 1/2

- PBs are facing a period of unprecedented change.
- Profits will fall. Regulatory capital requirements will increase leading to falling ROEs, demands for more capital from family owners and limited dividends
- The competitive pressures
  - From commercial banks, non-banks and NGOs
  - Required investments in technology, innovation and skills to meet customer demands
  - Higher costs of doing business due to sub-scale operations
- Adverse publicity



# The BAS Paper on PH Provincial Banks (rural and independent thrift banks) 2/2

- The competitive pressures (continued)
  - Increased need for more capital
  - Increased difficulty in raising needed capital
  - Increased pressures for mergers and consolidation
- Questions family owners should ask
  - What scale of operations to survive?
  - What skills sets and technology are needed?
  - What about management?
  - How much more capital is needed and can we afford it?
  - If not, do we bring in outside investors?
  - Is this the best use of our family wealth? Options? Buyers?



# Designing/Formulating the Strategy



**STRATEGY EXECUTION**



# Executing the Strategy / Monitoring the Execution

13. Communicate the Strategy

14. Cascade and Align subsidiary roadmaps and scorecards

15. Integrate with systems and processes

16. Drive accountability

17. Monitor execution

18. Refresh the strategy

18. Engage the people for change

19. Sustain breakthrough performance





ICD can develop a simpler, cheaper  
(1) Strategy Formulation and Execution  
Training Program and, (2) a Corporate  
Governance Orientation Program for the RB  
Industry



# A Sample Governance Charter for a Typical Rural Bank\*

\*In consultation with some rural bankers

# Six basic questions in crafting a roadmap for a rural bank

- What do we deeply believe in (core values)?
- What do we do, who are we (mission)?
- What do we seek to be and by when (vision)?
- How do we go from where we are now to what we should be? In what perspectives?
- How do we know if we are achieving our objectives?
- What strategic initiatives should we pursue, who is accountable and what are the deadlines?



# What may our Core Values\* be?

- Love of community
- Integrity
- Trustworthiness
- Innovation or Creativity
- Dependability or Reliability

\*LITID



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# What may our Mission be?

- To be THE option of the unserved, underserved and unbanked individuals and enterprises in the rural and urban-poor sectors for access to quality and innovative financial services for their growth and development.
- To be the voice of the community it serves.
- To be the local catalyst for inclusive growth and development



# What may our Vision be? (4 versions)

1. By 2025, we shall be the No. 1 provider of financial services in the urban poor communities we serve
2. By 2025, we shall be the preferred bank of SMEs, tourism businesses and seafarers with additional 5-10 banks and branches in the areas we serve
3. By 2025, we shall be the leading rural bank network in Region X with more than 10 banks via organic growth and acquisitions
4. By 2019, we shall get out of the PCA and attain a BSP CAMELS rating of 4.



# Six basic questions in crafting a roadmap for a rural bank

- What do we deeply believe in (core values)?
- What do we do, who are we (mission)?
- What do we seek to be and by when (vision)?
- How do we go from where we are now to what we should be? In what perspectives?
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# Last Words





# Final Words

- There is a bigger game than surviving the crises in rural banking
- This is about country and nationhood. This is about patriotism
- Our biggest enemy is poverty – poverty of the stomach, poverty of the mind and poverty of the spirit.
- The ultimate solution to poverty is jobs, jobs and more jobs.
- Rural banks can help create more jobs – by making sure that the industry as a whole fulfills its mandate to deliver quality and innovate financial services to the unbanked, the unserved and the underserved in our society
- If you can do this, then micro, small and medium scale enterprises in your community can flourish. When businesses flourish they can create more jobs. Indeed, the RB industry can become a major catalyst in job creation in areas where poverty levels are high.



# Final Words

- When people have jobs
  - They don't go hungry
  - They can afford to go to school or send their children to school
  - They don't despair – they can hope, they can dream
- The challenge, therefore, to all of you is to go beyond just being good rural bankers
- The challenge is to help fight poverty by being the best rural bank that you can be by not only delivering quality and innovative financial services in your areas but also by being...
  - Patriots in your offices
  - Patriots on the streets



Patriots in your very own homes

# Thank you!



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