

59th

Charter
Anniversary
Symposium



**RURAL BANKERS ASSOCIATION
OF THE PHILIPPINES**



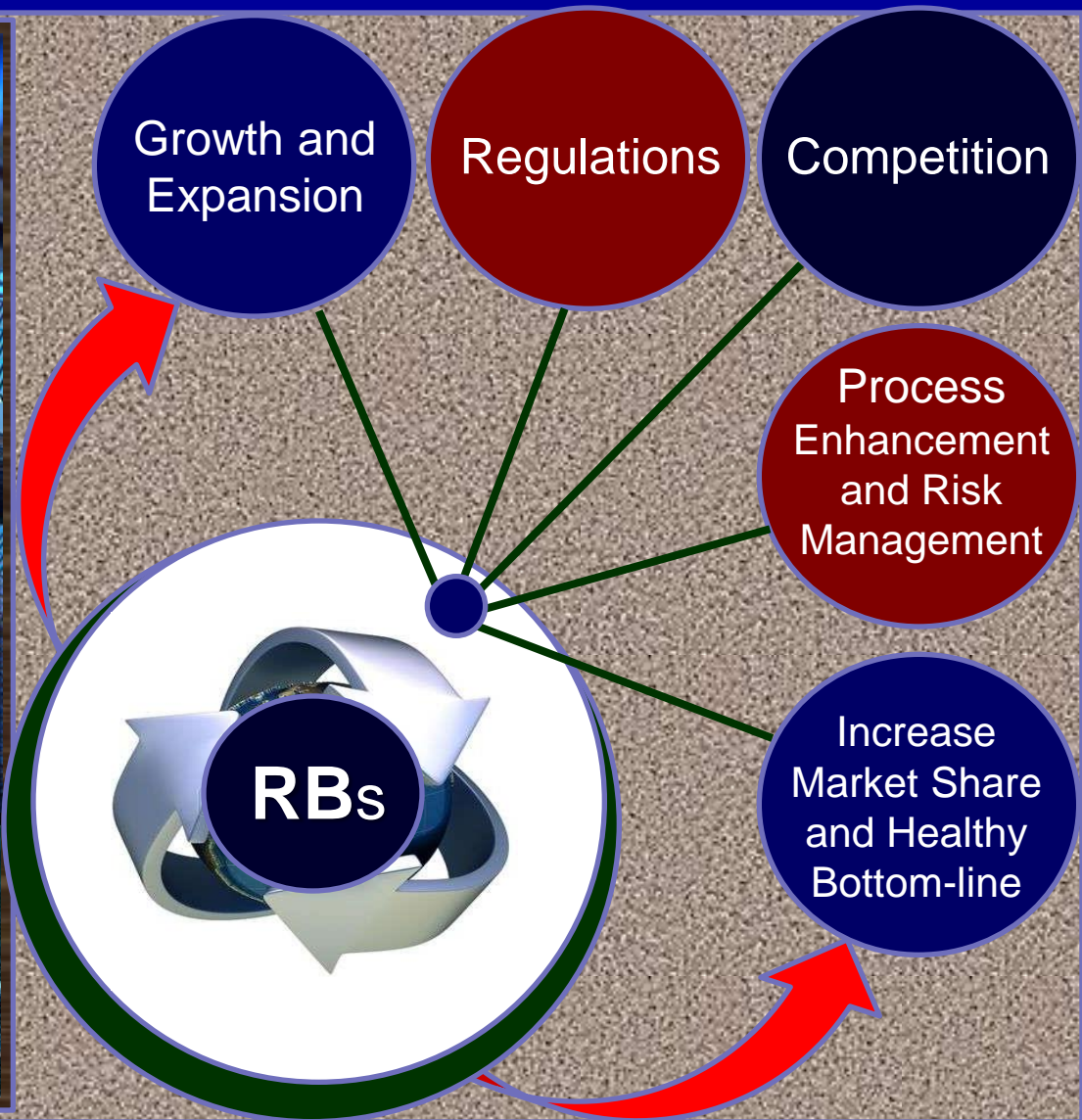
October 25, 2016

Computerization of RBs

**“ Rural Bankers’ Roadmap for Growth and
Development ”**

Why Institutions Should Invest In Technology

(In relation to BSP Circular 808-Guidelines on Bank's IT Risk Management)



How Tough is the Competition?

Who are our Competitors?



Commercial and Universal Banks in RBs

BDO and TPG Growth Investment Fund Entry in ONB, PBCom in BDI and RBNI, EastWest in Green Bank, PBB in Insular Bank, and BPI in Rizal Bank.

Cooperatives,
Pawnshops,
Money
Transfers and
Remittance
Centers
(Quasi-Banking
Operations)



Foreign Banks

(Liberalization
of Banking Law
and Impact of
the Asean
Economic
Integration)

Commercial and Universal Banks in Thrift Banks

ChinaBank's Acquisition of Unity Bank and Planters Bank to Merge with China Bank Savings, UnionBank's Acquisition of City Savings Bank and Korea's Woori Bank Entry to WealthBank

The Foreign Banks

(New Players in Philippine Banking)



三井住友銀行

SMBC SUMITOMO MITSUI
BANKING CORPORATION



Industrial
Bank of Korea



신한은행
SHINHAN BANK



國泰世華銀行

Cathay United Bank



UOB

大華銀行

United Overseas Bank

The Foreign Banks

(New Players in Philippine Banking)



First Commercial Bank of Taiwan



With Pending Applications



Busan Bank

Philippine Banks Need More Strengthening

BSP's Statement Relative to RA 10641 (July 2014): Amending the Foreign Banks Law by Removing the Limit of Foreign Banks in the Country

(The Philippine Star, November 5, 2015)

Bangko Sentral ng Pilipinas (BSP) stressed the need for **Philippine banks to shape up amid intense competition** from the entry of foreign banks into the country and economic integration in the region

“Banks operating in the country need to **beef up and strengthen their operations** to survive intense competition from regional banks.

As we've liberalized entry of foreign banks, we can expect more competition. Our local banks will have to **review their business models to see where they can continue to have comparative advantage.**

Philippine banks need to improve on how they do business such as being smart in choosing their target markets and products, as well as **leveraging off technology.**”

BSP Governor Amando Tetangco Jr

BSP Urges Focus On Unbanked Municipalities



BSP Governor Amando Tetangco Jr.
During an event of the Rural Bankers Association
of the Philippines (RBAP)

The Philippine Star
By Lawrence Agcaoili, May 31, 2016

The Bangko Sentral ng Pilipinas (BSP) is urging Rural Banks to beef up their presence, especially in unbanked municipalities to help sustain local economic growth and boost consumption and productivity:

- Rural Banks should continue to expand in areas not reached by universal and commercial or big banks by establishing Micro-Banking Offices (MBOs), in areas where it is not economically feasible to establish a full-blown branch
- If geographical expansion is not being part yet of the Rural Bank's game plan, you can always improve your products and services in terms of design and delivery
- You are still in areas where other players are not. Take advantage of this position to strengthen your foothold so that you will be more resilient when competitors come

A Quick Glance **at** Competition

Are We
at par with our
Competitors?

Technology Innovations,
New Banking Channels,
Automated Processes and
Other Key Automation
Initiatives

Regulatory
Compliance
and Risk
Management
Requirements

Fully Integrated and
Online Branches,
Offices and Channels

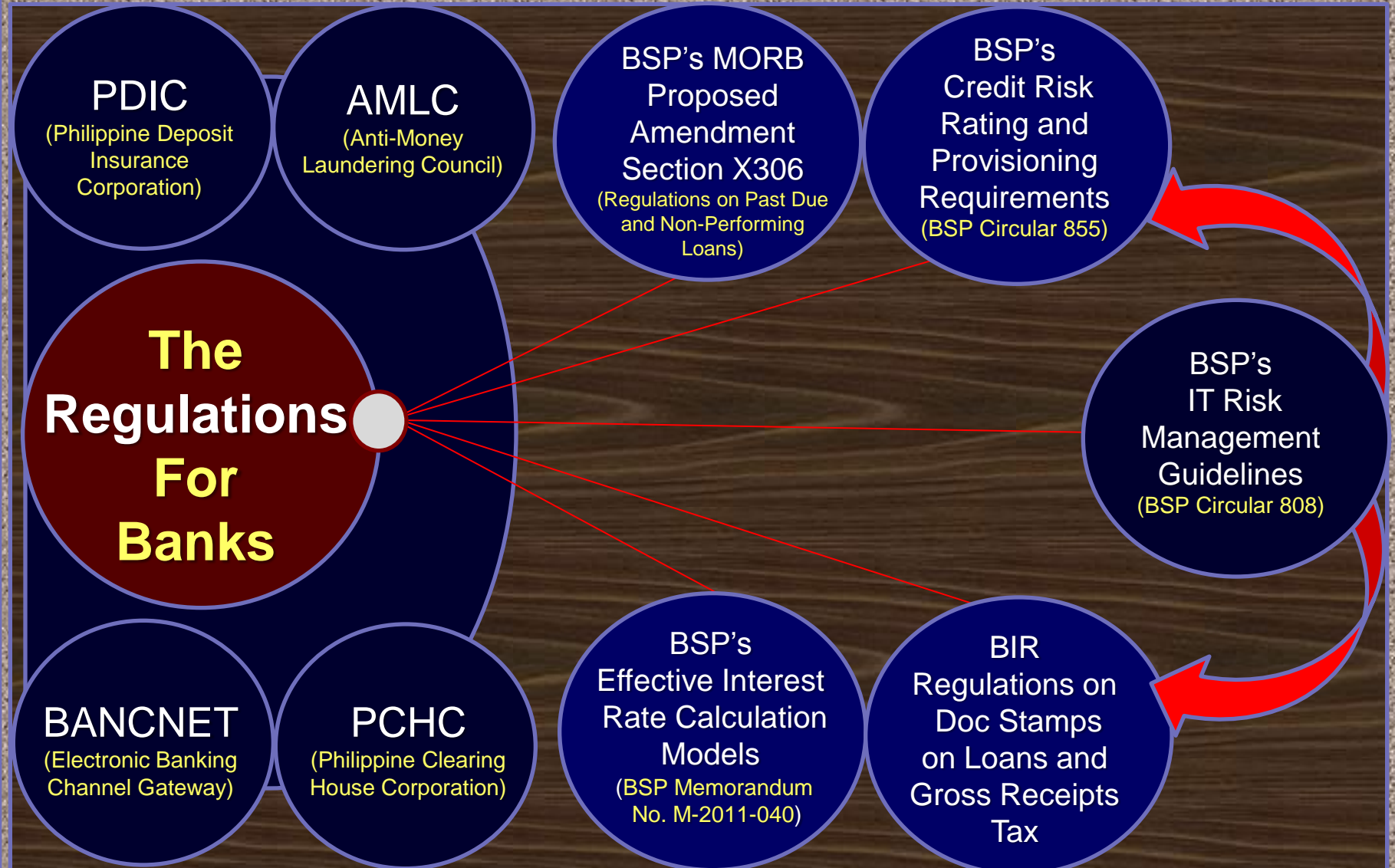
Business Strategies,
Marketing Innovations,
Aggressiveness and
Competitive Mindset
(Remittance, Payment System,
Centralized Credit Verification and
Scoring Through LOS)

Evolving
Trends of
Customers
Needs and
Preferences

Capability to Offer, Handle
and Manage Electronic
Banking Products and
Services, Processes and
Channels
(ATMs, POS, Internet, Mobile)



The Regulatory Requirements



Today's Banking Trends

C
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The Traditional
Banking On Site



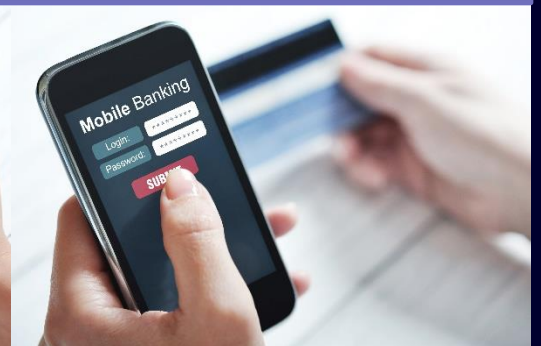
The 24/7 Banking On Your Card



Banking Anywhere and Anytime



The 24/7 Banking On Your Lap and Tab



The 24/7 Banking
On Your Finger Tips

Fee-Based Income Potentials

(Through Income Generating Products, Services and Electronic Channels)



Foreign and Local Remittance



NRPS
(Electronic Payment System)



ATM Transaction Fees, and Convenience Fees

ATM Transactions

- Balance Inquiry
- Cash Withdrawal
- Bills Payment
- Fund Transfer
- Prepaid Reload

Cash Card Issuance

Centralized Credit Verification and Scoring System Through Loan Origination System (LOS)



Internet Banking Transaction Fees

- Balance Inquiry
- Bills Payment
- Fund Transfer
- Prepaid Reload



POS Transaction Fees, and Convenience Fees

POS Transactions

- Balance Inquiry
- Cash Withdrawal
- Bills Payment
- Fund Transfer
- Prepaid Reload

POS Purchases



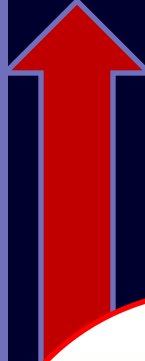
Mobile Banking

Mobile Banking Transaction Fees

- Balance Inquiry
- Bills Payment
- Fund Transfer
- Prepaid Reload



RBs



Today's **Banking** Trends

Limitations That RB's Are Facing

- Technology Applications and Infrastructure are Expensive by Nature
- Budget Constraints and Restrictions
- Inadequate Technical Expertise and Implementation Experience
- Inadequate IT Products and Services to serve the Increasing Demand of the Emerging Markets for Amazing Experience
- Coping with Change and Managing Transitions

Are We In this Game



The Critical First Step



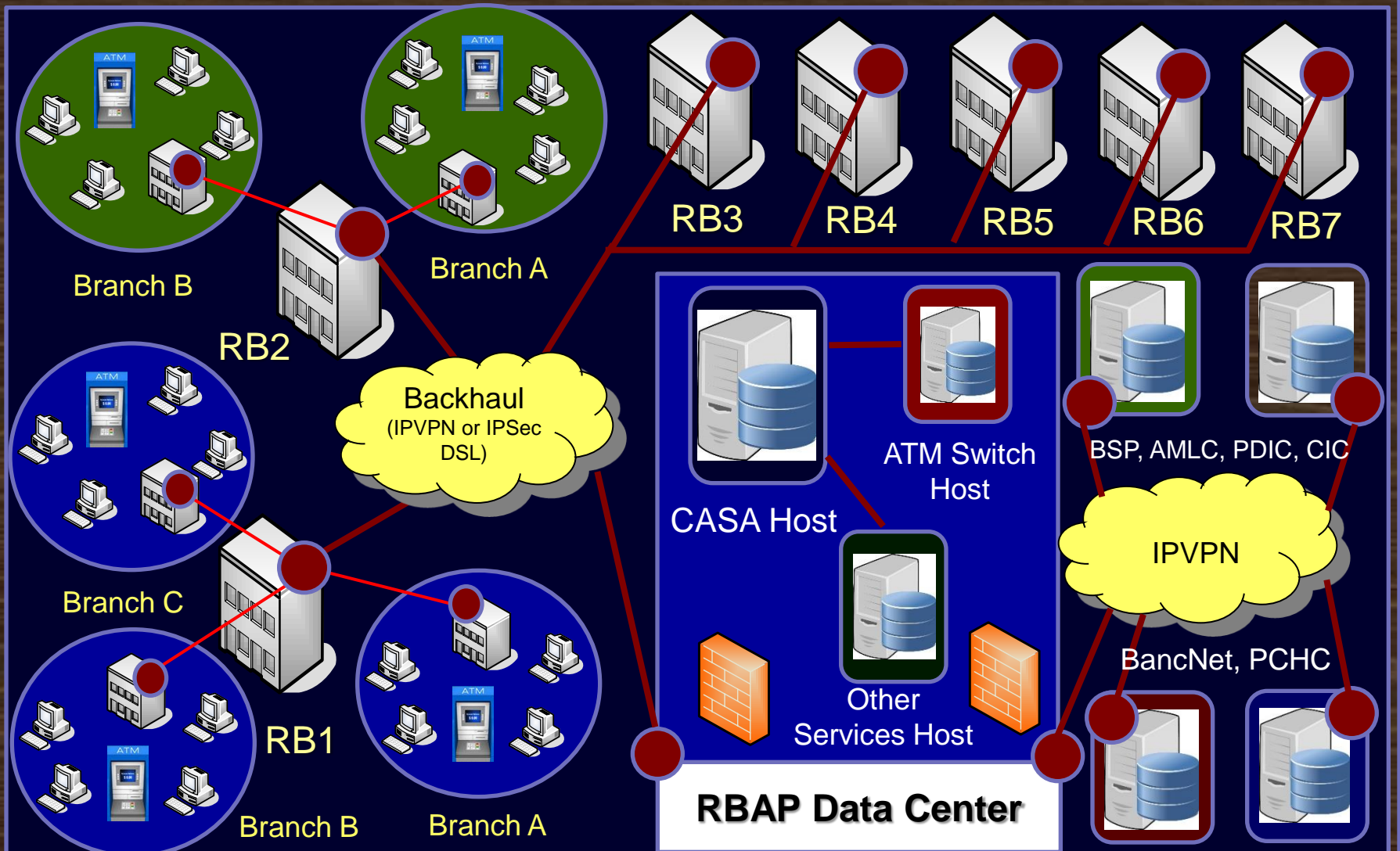
Set-up a Central Data Center and Network Communication and Security Infrastructure

Establish a Centralized Private Cloud Based CASA Host for Small RBs

Establish a Centralized Private Cloud Based ATM Switch Host for Small RBs

Set-up a Centralized Private Cloud Based Hub for Other Services; such as Loan Origination System, Credit Verification and Scoring System, Remittance, Electronic Payment System and Other Shared Services Channels

On Top of the Drawing Board



Preparing For The Future of Banking

(Understanding the Generations)

Generational Differences

(Bridging the Gap: Re-Defining Banking)

COMING SOON
(To Be Determined)



GENERATION Z
(Born in 1999 to Present)

Diversity,
Sociability, Expect
to be Paid/Served Well

MILLENNIALS
(Born in 1977-1998)
21 Years Span

Self-Reliant, Hurry Up Attitude, Lack
of Organizational Loyalty, Independent

GENERATION X
(Born in 1965-1976)
11 Years Span

Optimism, Involvement, Willing to go
the Extra Mile

BABY BOOMER
(Born in 1946-1964)
18 Years Span

Patriotic, Patience, Honor, Linear Work
Style, Don't Deal with Ambiguity

TRADITIONALISTS
(Born in 1933-1945)
12 Years Span

Preparing For The Future of Banking

(The Entry of Millennials: Generation Y)



MILLENNIALS
(Born in 1977-1998)

GENERATION X
(Born in 1965-1976)

BABY BOOMER
(Born in 1946-1964)

TRADITIONALISTS
(Born in 1933-1945)

Characteristics of Millennials (Generation Y)

Tech-Savvy	Always-Connected	
Easily-Bored	Open-Minded	
Self-Centered	Narcissistic	
Confident	Lazy	Creative
Problem-Solvers		
Achievement-Oriented		
Expect to be Paid/Served Well		

Banking The Way Millennials Want To Be

Digital Technologies are taking consumer banking to a new level



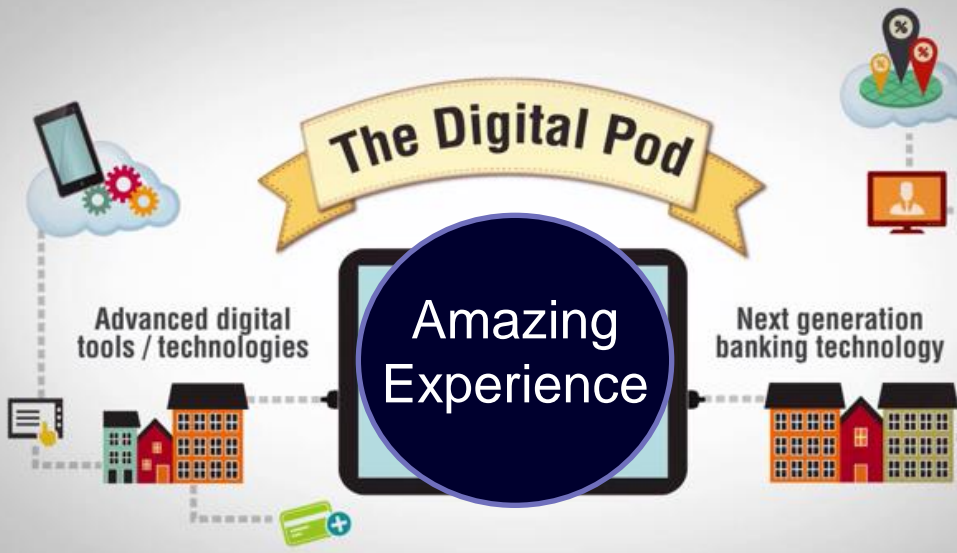
Digital Banking

Transactional activities that are happening online



The Digital Pod

Amazing Experience



The Millennial Customer



The Future of RBs



**“ We cannot become what we need to be...
By remaining what we are. ”**

- Max Depree -

This is RBs Business
to grow

This is RBs Market
to nurture

This is RBs Foothold
to protect

