



**CANTILAN BANK**  
YOUR FRIENDLY COMMUNITY BANK

THE BANK IN THE CLOUD:

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# A CASE STUDY ON CANTILAN BANK

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INTRODUCTION

# CANTILAN BANK





# 45 branches and offices





Image copyright © Cantilan Bank, Inc.

**65% OF FILIPINOS DO NOT  
HAVE A BANK ACCOUNT**

2017 World Bank Financial Inclusion Global Findex



**41% OF  
UNBANKED  
TOWNS ARE  
LOCATED IN  
MINDANAO**

BSP Financial Survey 2014



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**LACK OF EFFICIENT TECHNOLOGY  
INFRASTRUCTURE IN RURAL AREAS**

# HIGHER COSTS OF REACHING AND SERVICING CLIENTS IN HIGH-RISK FRONTIER AREAS



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**RURAL BANKS =  
FINANCIALLY EXCLUDED**



**RURAL BANKS =  
FIRST MILE IN FINANCIAL INCLUSION**

# 3 IMPEDIMENTS TO FINANCIAL INCLUSION



- ▶ Systemic impediments limit access to finance, especially for the rural poor

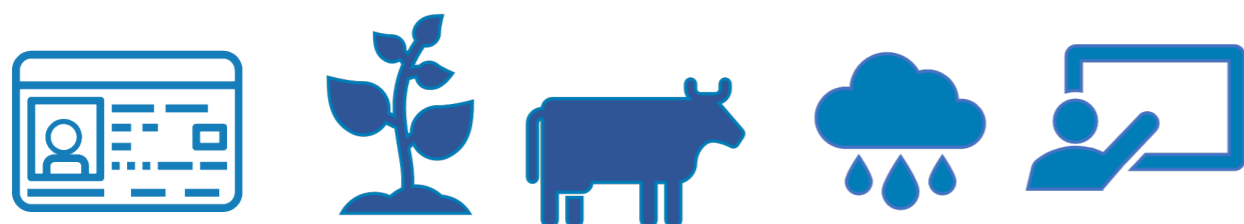


- ▶ Financial infrastructure fragmented and does not provide an enabling environment



- ▶ Financial institutions have limited capacity to expand outreach and increase access to finance

## 3 REFORM AREAS



- ▶ Strengthen the institutional and policy environment for financial inclusion



- ▶ Strengthen the infrastructure for financial inclusion



- ▶ **Enhance capacities of financial service providers**



KEY DRIVER FOR FINANCIAL INCLUSION

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**TECHNOLOGY**

# **DIGITAL TRANSFORMATION: CLOUD BANKING**



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**DIGITAL TRANSFORMATION:**  
**END-TO-END JOURNEY + CUSTOMER**  
**EXPERIENCE = REVENUE GROWTH +**  
**SIGNIFICANT COST SAVINGS**

## MARKET DEMAND & COMPETITIVENESS

- ▶ market relevance
- ▶ scale and reach
- ▶ faster time-to-market
- ▶ responsiveness to customer needs
- ▶ multi-channel capabilities

## BETTER RISK MANAGEMENT

- ▶ IT and data security
- ▶ Geo-hazard risks - redundancy and disaster recovery
- ▶ Operational risks
- ▶ Enterprise risk

# **CHALLENGES OF IMPLEMENTING CLOUD BANKING IN CANTILAN BANK**

## CHALLENGES & LEARNINGS

- ▶ Regulation
- ▶ Legacy technology
- ▶ Ongoing education
- ▶ Cultural shift and buy-in
- ▶ Connectivity
- ▶ Role of partnerships

## CHALLENGES & LEARNINGS



Data extraction  
and preparation  
**Lengthier than  
expected**



Company specific  
business processes  
and product features  
**Need to be incorporated  
into new system**



Risk assessment  
**Thorough security  
assessment and  
VAPT necessary**



Integration of  
third parties  
**ATM integration  
a challenge**

RURAL BANKS + KEY PARTNERS  
MUST DRIVE DOWN COSTS AND  
RISKS THROUGH TECHNOLOGY



JOINT MEDIA EVENT JULY 26, 2017:  
ADB, CANTILAN BANK, ORADIAN

“The pioneering introduction of cloud banking in the Philippines is a key moment in solving the challenges of financial inclusion. Cloud technology can upgrade the competitiveness of rural banks and enable them to provide affordable, high quality financial services. With this in mind, we are excited to support and observe the collaboration of Oradian, the ADB, and Cantilan Bank.”

- BSP GOV. NESTOR ESPENILLA

# LEARNING FROM CLOUD BANKING: PROS VS CONS

### DOWNSIDE OF CLOUD BANKING

- ▶ Perception that cloud isn't secure
- ▶ Start-up costs related to implementation and project management
- ▶ Shift from CAPEX to OPEX
- ▶ Rate of change - internal organisational change vs. system vs. regulations
- ▶ Reliance on internet connectivity

### BENEFITS OF CLOUD SAAS – THE SILVER LINING

- ▶ Increased security and risk management
- ▶ Increased availability, redundancy, compliance to disaster recovery requirements
- ▶ APIs and multi-channel capabilities
- ▶ Real-time reports
- ▶ In the long run, more cost efficient connectivity requirements
- ▶ Shift from CAPEX to OPEX
- ▶ Enhance ability to reach new clients through mobile

Challenge

# Financial inclusion



**Only 3 out of 10  
Filipinos have a  
bank account**



**41% of the unbanked  
are in Mindanao**



**Lack of efficient technology  
infrastructure in rural and remote  
areas and archipelagos**



**Higher costs of reaching and servicing  
clients for rural banks in high-risk  
frontier areas**

**Solution**

# Cloud-based core banking system

## Offer

new opportunities to save, make a payment, get a small business loan, send a remittance, or buy insurance.

## Reach

the underserved and unbanked people

## Provide

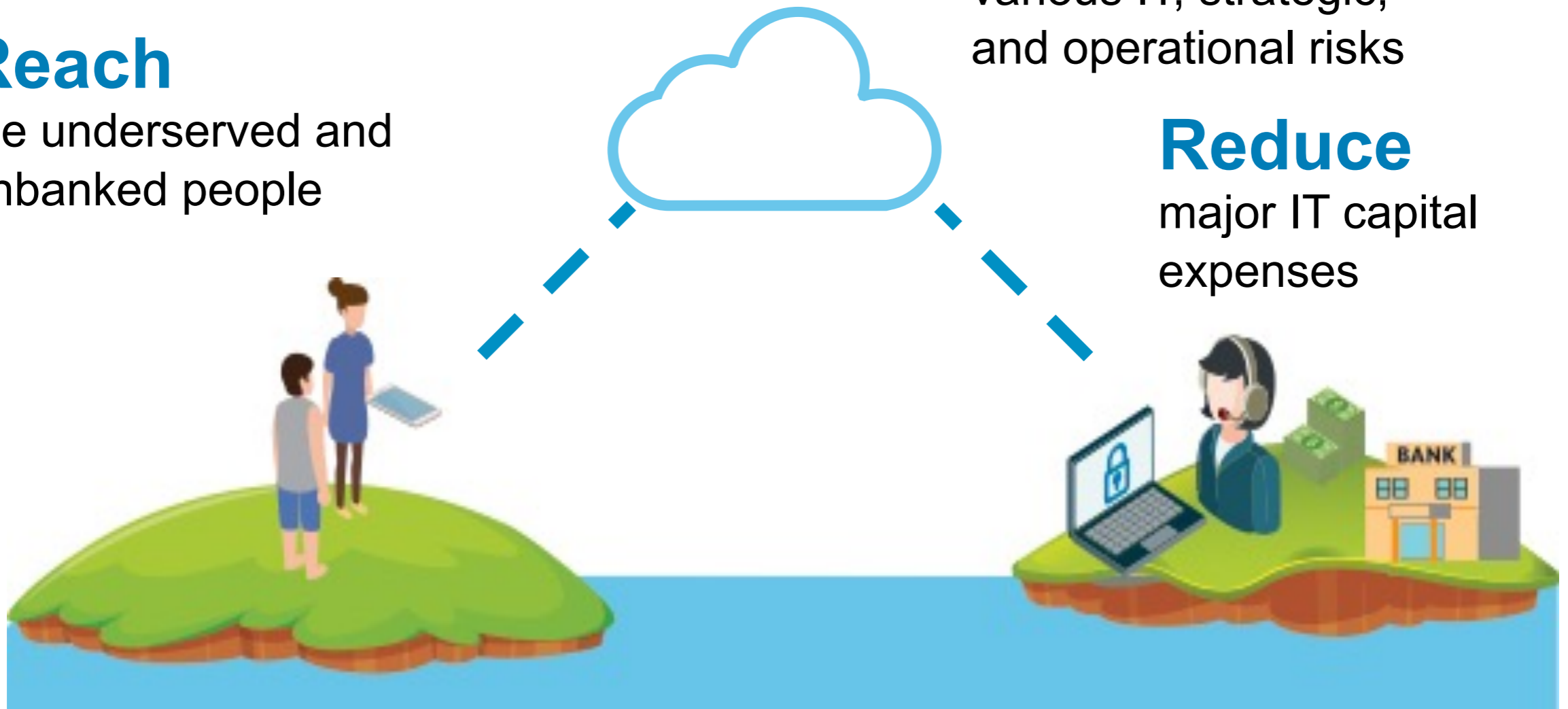
personalized and efficient services

## Mitigate

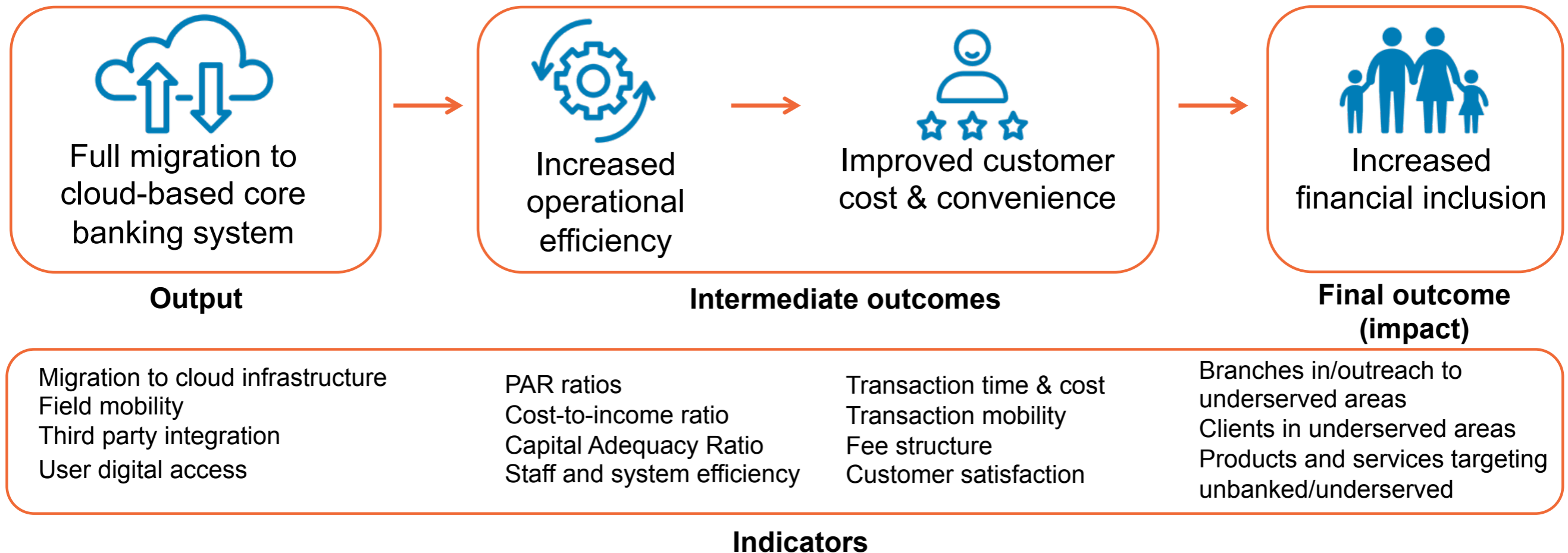
various IT, strategic, and operational risks

## Reduce

major IT capital expenses



# EXPECTED OUTCOMES & IMPACT



Focus on

measuring outcomes and impact as well as capturing learnings

# HIGH-TECH AND HIGH TOUCH



Thank you!  
Daghang salamat!



QUESTIONS?

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