

RCBC B2B: Big2**BIGGER!**



**The RCBC SME Lending Program**

Designed for Emerging Corporates. Giving them the opportunity to grow bigger.

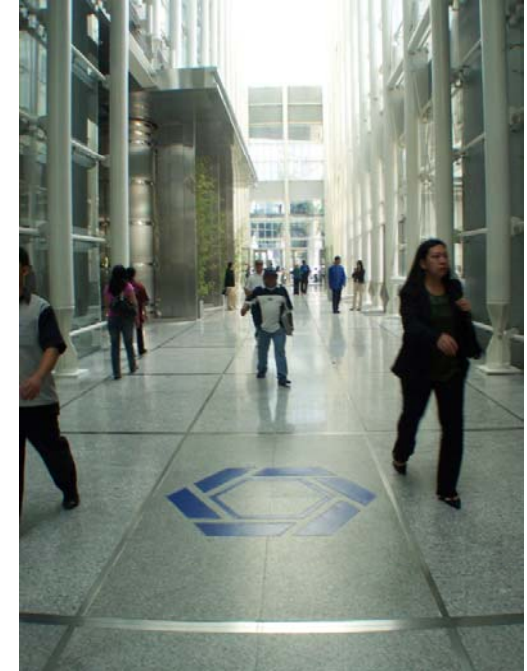
Call 894-9555 / 894-9810 or visit any of our RCBC branches.  
Fax: 894-9414 • Email: [mm\\_cld@rcbc.com](mailto:mm_cld@rcbc.com)

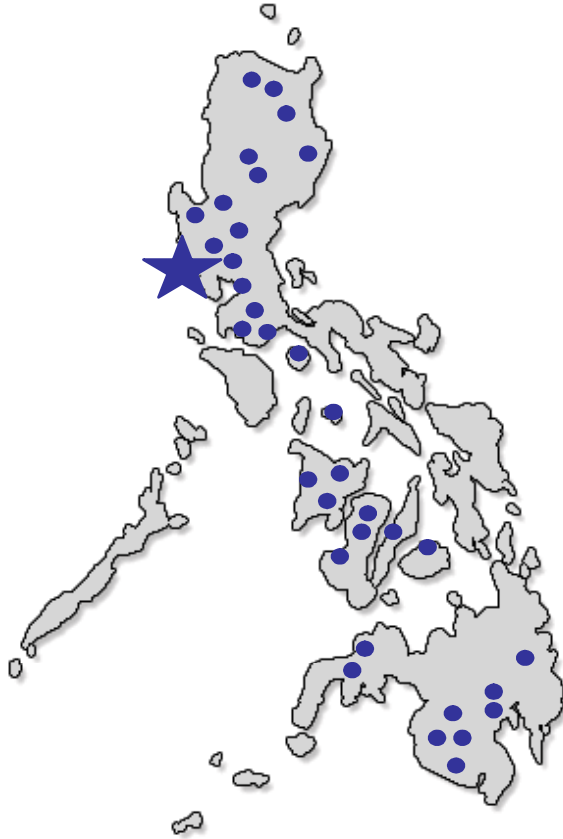
**Case Discussion:**  
**RCBC SME Banking**

4th Annual SME Banking & Finance Conference.  
November 17-18, 2009, Kuala Lumpur, Malaysia

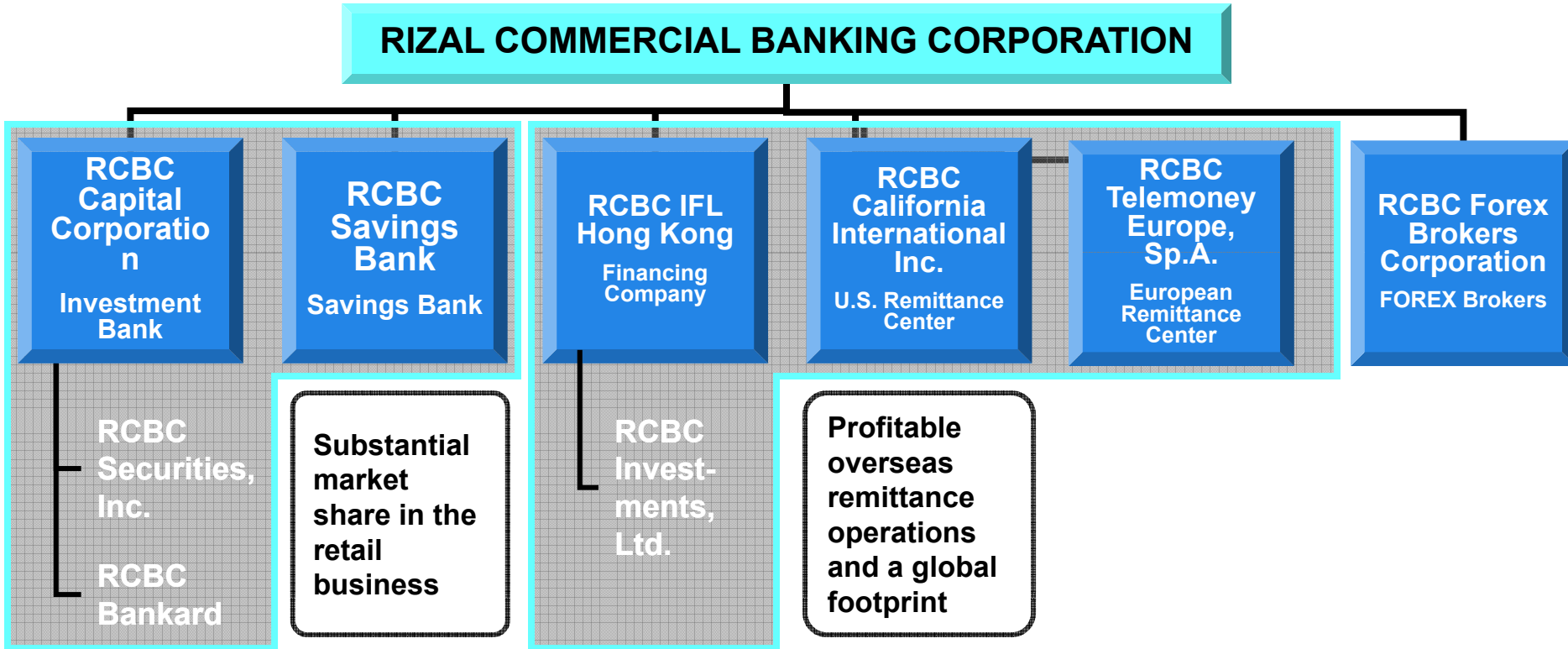
- ❑ ***Company Brief: RCBC***
- ❑ ***Overview of Philippine Banking***
- ❑ ***The Philippine SME Situation***
- ❑ ***Deciding to go into SME Banking***
- ❑ ***Key Elements of the Program***
- ❑ ***Recent Initiatives – Web Portal***
- ❑ ***Challenges***

- ❑ A member of the Yuchengco Group (YGC), one of the oldest conglomerates in South East Asia with resources of more than US\$ 5 Billion
- ❑ Part of a network engaged in a wide range of financial & non-financial services that includes investment, commercial & consumer banking, leasing, insurance, education, & services)
- ❑ A major player in the corporate loans sector that is now expanding its presence in the SME & consumer banking sector





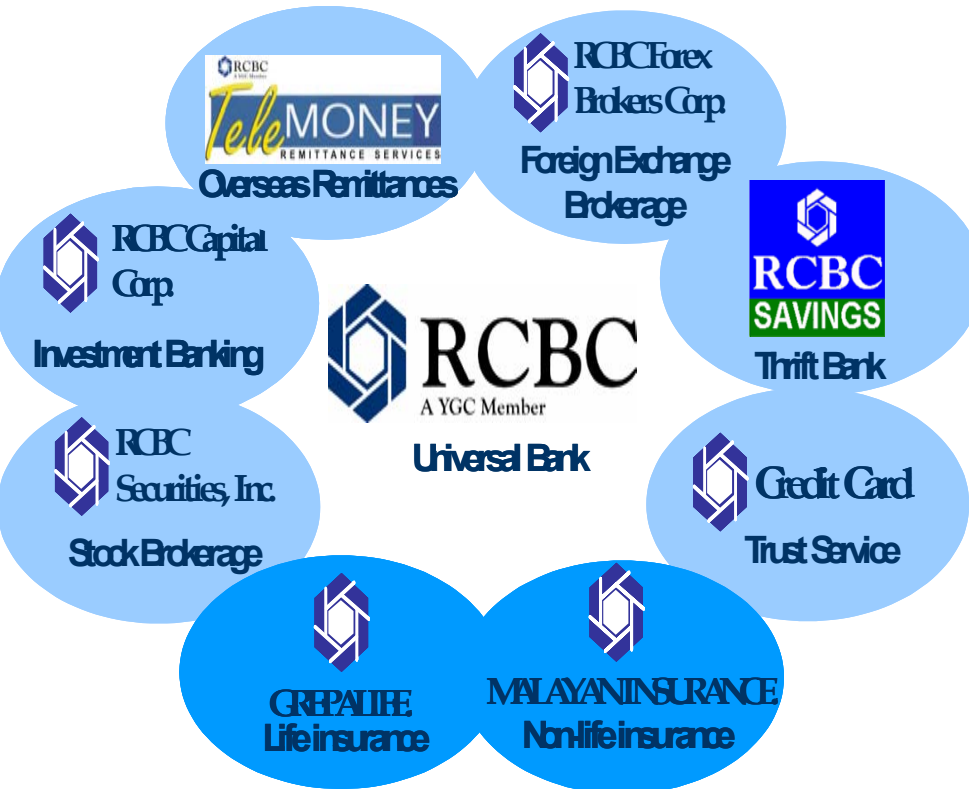
- ❑ RCBC has a consolidated total of *327 local branches* and *468 ATMs* located across the Philippines
- ❑ Largest number of branches in export processing zone areas
- ❑ Is the 5th largest private domestic bank in the Philippines, in terms of both Capital and Assets
- ❑ Over 20 foreign offices/branches in Asia, North America, and Europe



As a comprehensive financial services provider, RCBC's leading banking platform is comprised of strong strategic business segments.

RCBC offers the following services:

- ❑ Business Loans & Credits
- ❑ Project Financing
- ❑ Thrift & Consumer banking services
- ❑ Credit cards
- ❑ Overseas remittance
- ❑ Foreign Exchange brokering
- ❑ Stock brokering
- ❑ Trust Services & Investment Banking
- ❑ Life & Non-Life insurance



 - Affiliate of RCBC

- ❑ Total assets of the Philippine Banking System amounts to about \$123B
- ❑ About 38 KBs account for 85% of total bank loans in the country (\$54B out of \$63B)
- ❑ 766 thrift & rural banks acct for the balance & focus on countryside & small credits
- ❑ Interest rates & pricing are market driven & influenced by sourcing cost and other market fundamentals
- ❑ Larger banks compete aggressively for business from top tier & large middle market clients
- ❑ Tight competition has forced banks to take a closer look at the SME market



## **DBS (Singapore)**

T. Assets = \$262.9B

T.Capital = \$28.7B

## **Maybank (Malaysia)**

T. Assets = \$92.1B

T. Capital = 7.6B

## **Largest RP Bank**

T.Assets = \$16.9B

T. Capital = \$1.3B

- ❑ Micro & Small/Medium Enterprises (MSME's) make up about 99.6% of total registered businesses in the Philippines
- ❑ About 780,000 MSME's account for close to 70% of total employment & 32% of GDP
- ❑ IFC and BSP materials place total SME loans (from banks) at about \$5-6B
- ❑ Surveys estimated that loans obtained by SME's from banks were only 12-21% of their total needs vs. reported 30-36% in other Asian countries
- ❑ Unserved loan requirements of this sector is estimated at anywhere between \$1-3B



## Why Bank Loans to SME's remain Low

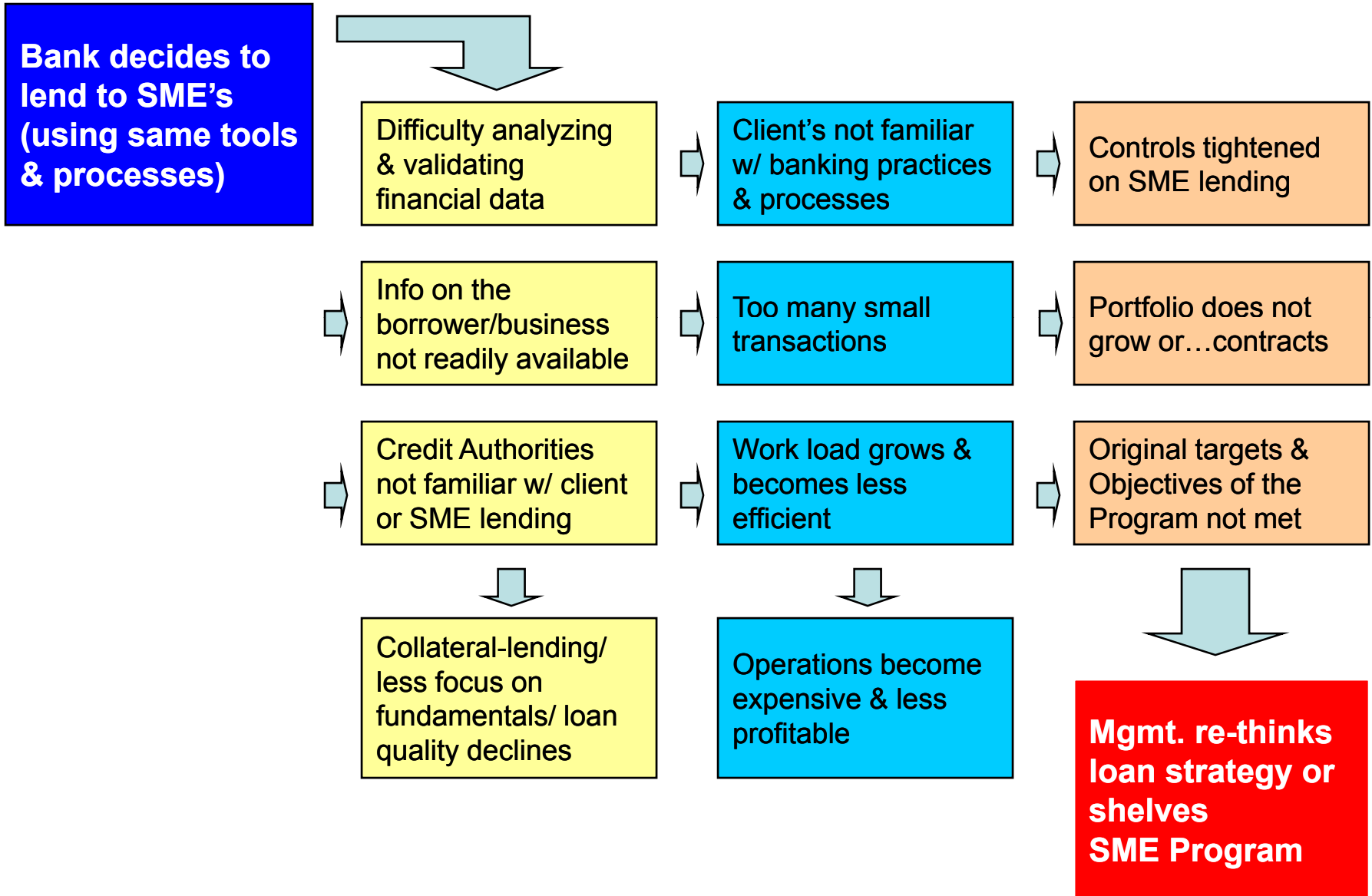
- ❑ Bank organizations not structured to handle numerous small credits
- ❑ Most origination processes and credit policies are more suitable for commercial & corporate credits
- ❑ Credit information is not readily available for small borrowers
- ❑ Most small businesses do not maintain accurate and credible financial statements
- ❑ Lack of familiarity with how to manage & administer small loans makes the SME business of a bank more expensive



## Commercial Lending

## SME Lending

<ul style="list-style-type: none"> <li>o Customers normally pre-identified/targeted</li> </ul>	<b>ORIGINATION</b>	<ul style="list-style-type: none"> <li>o Mass based marketing w/ no specific names in mind</li> </ul>
<ul style="list-style-type: none"> <li>o Analysis based on accurate &amp; credible financial records</li> <li>o Emphasis on Corporate Organization &amp; Structures</li> <li>o Comprehensive write-up &amp; credit proposals</li> </ul>	<b>CREDIT SCREENING &amp; EVALUATION</b>	<ul style="list-style-type: none"> <li>o Need to validate financial data w/ other documents</li> <li>o More emphasis on principals</li> <li>o Use of template or scoring based evaluation</li> </ul>
<ul style="list-style-type: none"> <li>o Flexible &amp; specific to the requirements of the client</li> </ul>	<b>FINANCIAL PACKAGING</b>	<ul style="list-style-type: none"> <li>o Standard packages with pre-set terms &amp; minimal deviation from normal structure</li> </ul>
<ul style="list-style-type: none"> <li>o Relatively few and large transactions</li> </ul>	<b>DAY-TO-DAY</b>	<ul style="list-style-type: none"> <li>o Numerous &amp; relatively small transactions</li> </ul>
<ul style="list-style-type: none"> <li>o Account Management</li> </ul>	<b>BUSINESS APPROACH</b>	<ul style="list-style-type: none"> <li>o Portfolio Management</li> </ul>



- An effective Risk Asset Acceptance Criteria (RAAC) should contain, in simple form, the bank's credit preference & minimum acceptance standards
- Acts as initial screening and filter out less desirable applications at an early stage to reduce time wasted on ineligible credits
- Should be consistent & easy to understand
- Accessible to all line personnel involved in the lending process
- Provide **over-ride process**



- ❑ Set minimum & maximum loan limits to determine growth parameters
- ❑ Support Income goals through minimum pricing
- ❑ Provide a safety net w/ collateral conditions
- ❑ Mold borrower profile by setting minimum sales, asset level, etc..



- ❑ Maintain quality through financial hurdles (growth, ratios, etc...)
- ❑ Set priorities through target and non-target industries
- ❑ **Expand your Negative list** as needed



- ❑ Allows staff to process business loans like consumer credits w/o sacrificing credit standards
- ❑ Standardizes evaluation process & eliminates subjectivity in approval
- ❑ Lessens **dependence on collateral**
- ❑ Reduces effort & shortens turnaround time
- ❑ Should allow for development of a data base that will allow us to **predict likelihood of success or failure** of a loan in the future



- Credit scoring more applicable when variables can be quantified
- Financial Records are less reliable &/or credible (long & expensive validation required)
- Credit information on small businesses are not readily available from traditional sources
- Many critical considerations (for SME's) may be subjective & **difficult to quantify**
- Lack of documents drops the rating




- ❑ When can we say that someone has a “Good Character”?
- ❑ How do we determine & score items like succession or stability?
- ❑ What business variables should we consider (i.e. type, number, location, supply & demand, etc...)?




- Should we use Audited or In-house financial data? Is it enough?
- How useful are historical figures in determining possible loan default (for SME's)?
- Is collateral the key to approval?



# Taking our program to the next level: [www.getaloan.com.ph](http://www.getaloan.com.ph)



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APRIL - 2009						
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LOAN CALCULATOR

Loan Amount

Frequency of Payment: Annual


Interest Rate

Loan Term (in years)

Payment:

Term Loan

FOREX RATES AS OF APRIL 28, 2009 AT 8:45 AM			
CURRENCY	BUYING	SELLING	
EUR	02.10135	04.259315	
HKD	0.18408095	0.3934718	
JPY	0.4942859	0.5148501	
SGD	31.8242371	33.0500120	
USD	48.4	48.95	



Ready for a business loan?  
Find out **NOW!**

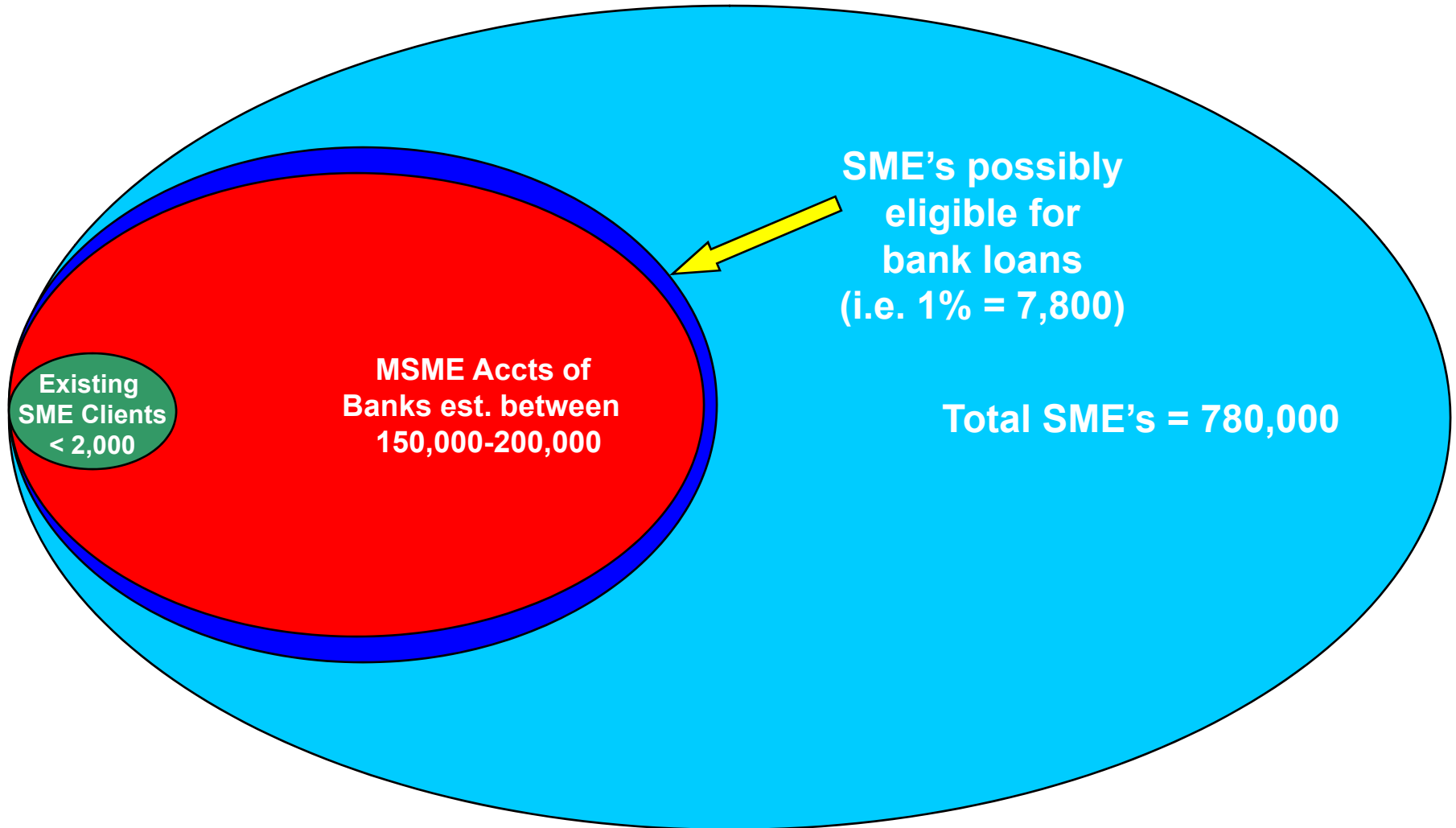
- Burdened by high interest rates from your existing creditors?
- Hesitant to approach a commercial bank for a business loan because of difficult requirements?
- Tired of waiting for your bank to decide on your application?
- Need to know immediately if you can count on funding support?

Click on the button below to access our simple self assessment exercise. Find out in less than 5 minutes if your business is qualified for a loan under our existing programs. Full confidentiality is guaranteed.

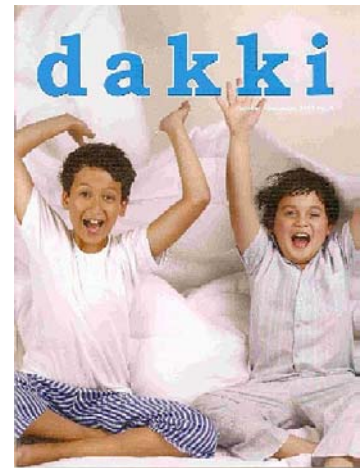
Assess yourself now!

- ❑ The MSME sector was identified by as a large untapped (i.e. “unbanked”)
- ❑ Recent reports estimate only 12-21% of loans needed by MSMEs come from banks & that about P1-3B remains unserved
- ❑ Many of the 780,000 MSME’s may not qualify but a small share will be enough to improve market share
- ❑ The challenge is how to harvest accounts from this sector w/o straining resources





- Small businesses w/ no borrowings
- Small businesses w/ borrowings from informal sources (i.e. relatives, friends, informal lenders...)
- Small and medium sized businesses w/ at least 1 credit line from a formal banking institution (no credit line from RCBC)
- Small and medium sized businesses w/ a credit line/loan from RCBC



- ❑ Over 85% felt that it takes a longer & was more difficult to get loans from banks
- ❑ 75% knew banks charged lower rates but relied on informal lenders because it was easier getting a loan from these sources
- ❑ Over 67% feared that they will be told they are not qualified for loan from the bank



- 60% wanted to know if they will qualify for a loan, before making an actual visit to the bank
- Most small applicants felt intimidated by larger banks & found their requirements too difficult & felt less welcome
- Of those surveyed, 90% said they were interested in our portal (even those with loans from banks)



### ELIMINATE

- Barrier of originating loans from a sector that prefers to do business with informal lenders and financial providers

### RAISE

- Awareness & Accessibility
- Financial Advisory Services/data base
- Cross-selling YGC products/services


### REDUCE

- Cost of pre-screening potential loan applicants
- Apprehension or reluctance on the part of potential borrowers) to apply for a loan because of the possibility of being embarrassed should their application be rejected
- Time and effort of loan officers wasted on unqualified loan applicants

### CREATE

- A self-assessment and user-friendly scoring tool that could bring RCBC closer to the huge untapped MSME sector

- ❑ The website can bring smaller businesses to the Bank by making their first contact less intimidating
- ❑ Accessible via internet (no need to drive to the bank/branch)
- ❑ A user-friendly exercise many Filipinos are familiar with & may have used
- ❑ Allows RCBC to pre-screen applicants in large numbers more efficiently



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**LOAN CALCULATOR**

Loan Amount:

Frequency of Payment:

Interest Rate:

Loan Term (in years):

Payment:

**FOREX RATES**  
As of APRIL 29, 2009  
AT 8:43 AM

CURRENCY	BUYING	SELLING
EUR	62.18133	64.699315
HKD	8.16489298	8.3334718
JPY	2.4442855	2.5144051
SGD	37.8242371	33.2650120
USD	48.4	48.95

**Congratulations!**

Based on your answers, you are eligible for a business loan.

Final approval of your loan will depend on the submission of necessary documents needed to validate your answers and complete our loan application and approval process. We certainly hope that you will accept this invitation for you to start a business relationship with RCBC.

Would you like a Bank Officer to get in touch with you and discuss your requirements and answer other question you may have about our banking services?

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- ❑ Market may not take notice of our website (i.e. many prefer face-to-face contact)
- ❑ If successful, other banks may duplicate it and cut our potential market
- ❑ Those that pass our self assessment may instead approach another bank (“stickiness”)
- ❑ Potential gains from the program may go to waste if organization is not prepared to take on the big volume of applications we expect





Stop feeding yourself to the loan sharks.

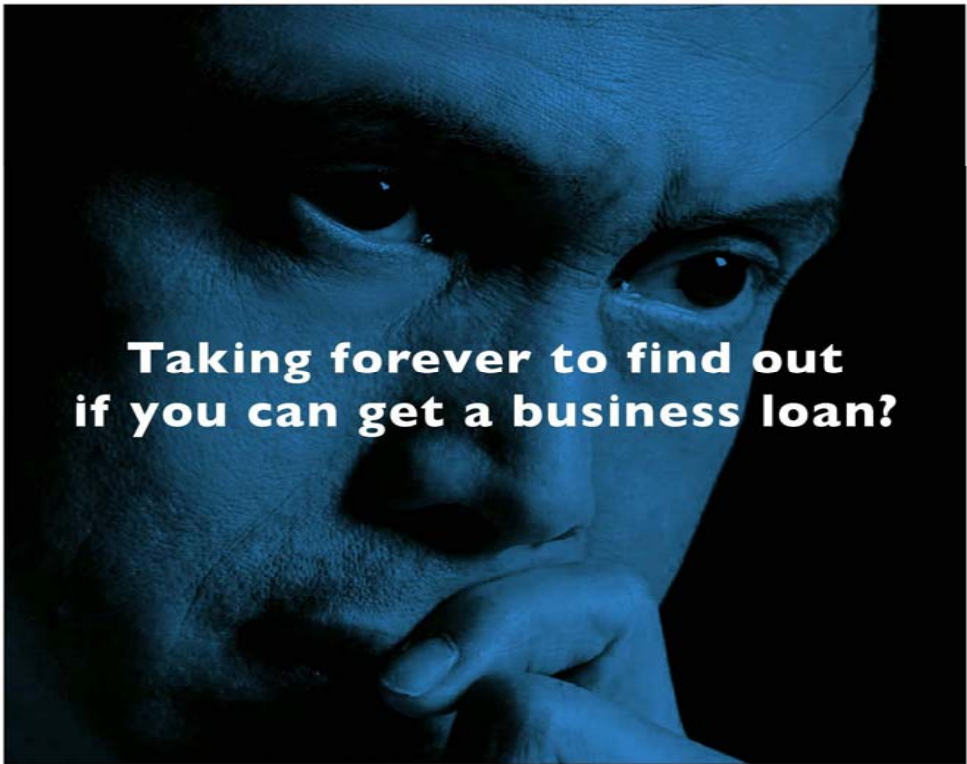
Tired of the high interest rates charged by your not-so-friendly loan provider?

Scared to face the embarrassment of being rejected on your loan application?

Visit [www.businessloan.com](http://www.businessloan.com) for instant credit scoring and easy loan facilitation. Know whether or not you're qualified for that all-important business loan minus the embarrassment! The site will also let you do your networking with agencies and groups important to your start-up venture as well as share the trade secrets of those who have been successful in their small business projects.

Click on the icon to instantly go to the [www.businessloan.com](http://www.businessloan.com)

[www.businessloan.com](http://www.businessloan.com)



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if you can get a business loan?**

**Just click.**

[www.getaloan.com.ph](http://www.getaloan.com.ph)



Find out immediately if you are eligible  
for an SME business loan!



ASC Ref. No. R141P041709R

## Final Ad Concept :



# End of Presentation

*For more information, please contact:*

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**Thank You**