

09 October 2012

BDO: and the Informal Sector

Presented by: Nestor V. Tan

BDO : A background

- **Largest bank in the Philippines as of 30 June 2012**
- **Market Cap of USD5.5B* as of 01 October 2012**
- **Full service bank**
- **Active in the “informal sector” (SME and SME-like markets)**

Philippine Market

- **Low credit penetration – Loans to GDP at \approx 35%**
- **Informal sector \approx 40% of GDP**
- **80% do not have bank accounts**

The Informal Sector

- **The growth market in the Philippines**
- **A profitable sector in the current low interest rate environment**
- **The emerging backbone of the economy**
- **A sector fed by strong OFW remittance flows**

BDO's Approach

- **Non- Traditional Credit Assessment Models**
- **Alternative channels of distribution, e.g.**
 - **seminars**
 - **trade fairs**
- **Education leads to patronage, e.g.**
 - **Problem solving vs. product sales approach**
 - **Use of business language vs. banking language**

Challenges

- **Regulatory framework issues –**
 - **Restrictive for the informal sector, e.g. KYC**
 - **Transparency vs. customer protection**
 - **Examination Process – prescriptive vs. principle based**
- **Development of non-traditional credit ratings processes**
- **Credit Bureau – good or bad?**

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