

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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