

FINANCING SMES: ***THE PLANTERSBANK*** ***EXPERIENCE***

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Plantersbank Story

- ❖ In 1972, present shareholders bought a small development bank in a province north of Manila.
- ❖ Plan was to grow the small bank and transform it into a commercial bank.
- ❖ This plan soon changed.



Plantersbank Story

- ❖ The tremendous impact our services were making on our clients made us decide to stay as a development bank focusing on SMEs.
- ❖ Decision was not an easy one.
- ❖ There was no model to follow. Yet stayed the course.



Plantersbank Today



- ★ From an asset base of P500,000, Plantersbank is now the 22nd largest banking institution
- ★ Annual returns consistently higher than the banking industry average.
- ★ Also the 286th largest corporation in the Philippines.

SME Lending as a Business Opportunity

- Because of stringent requirements, long-term funds administered by government financial institutions for re-lending to SMEs were hardly utilized by banks.
- Seeing this as an opportunity, we developed the expertise to access these funds.
- To this day, program funds continue to support one third of our total loan portfolio.

SME Lending as a Business Opportunity

- ➔ We entered into partnerships with prestigious foreign investors who share our values and mission.**
- ➔ We have IFC, ADB and FMO of the Netherlands as shareholders who owned 40% of the bank.**
- ➔ In 2004, DEG of Germany became our newest investor, taking up US\$7.5 million of the P1.0 billion Tier II capital note issued with Citibank as issue manager.**

Single-Mindedly Focused on SMEs

- ✦ We focused on building value for our shareholders and SME clients.
- ✦ We went beyond banking and did a lot of handholding.
- ✦ We built a customer-oriented culture and organized our functions and processes to respond to market needs.



We Were Profit-Driven

- * We charged higher than market rates but gave back better quality and faster delivery of service.
- * We made use of our branches to gain familiarity with service areas and identify creditworthy borrowers and qualified projects.
- * We learned to use surrogate indicators to help keep our costs down.
- * We diversified income sources and invested in allied undertakings that complemented our services to SMEs.



We Managed Our Risks

- ✓ **We helped SME borrowers build their capacity to pay.**
- ✓ **We developed loan products suitable to their diverse financial needs and kept our loan documentation simple and understandable.**
- ✓ **We provided a variety of non-financial assistance and support.**
- ✓ **We required our loans to be secured by hard assets or guarantees from government guarantee agencies.**

Sustaining Support for SMEs

- ☺ Through improved technology and internal processes and extensive use of provincial branches as lending centers, we intend to keep doing more for the sector.
- ☺ Developed more loan products that cater to the personal banking needs of entrepreneurs, their families and employees.



Sustaining Support for SMEs

- ☺ With IFC, established SME.com to provide SMEs with web-based business solutions.
- ☺ Set up the Micro-Enterprise Bank in partnership with IFC and FMO to provide loans to the entrepreneurial poor.
- ☺ Launched SME Equity Fund of US\$25 million with Aureos Capital, a joint venture of the Commonwealth Development Corporation of the U.K. and Norfund of the Norwegian Government.





Thank You