SPECIAL ANNUAL MEETINGS ISSUE ▪ MAY 2015

ADVANCE

ADFIAP
The Magazine for Sustainable Development Finance

LAND BANK OF THE PHILIPPINES
DEVELOPMENT BANKING
AMID THE CHANGING TIMES

MEETING THE INFRASTRUCTURE CHALLENGE >> ADFIAP AWARDS 2015 OUTSTANDING CEO >>
ADFIAP AWARDS 2015 WINNERS >> ARE YOU READY FOR THE AEC?

EDITORIAL

Development banking in a changing world

Dear ADVANCE readers,

As we all know, the world has changed considerably since development financing institutions (DFIs) first emerged and began to focus their lending and expertise to their countries' most pressing needs. Capital markets were almost non-existent and financial flows were tiny by today's standards. Today, financial institutions of all shapes and sizes exist, and compete with other businesses and donors to offer capital and expertise for development. Is the room really getting crowded for DFIs?

In this special 38th ADFIAP Annual Meetings issue of ADVANCE Magazine, we shine the spotlight on Land Bank of the Philippines, a state-run bank that has existed for over half a century. LANDBANK's inspiring success story should embolden us to make a strong argument on the issue of staying relevant amid these challenging times.

We can also learn from three ADFIAP-member CEOs who share their insights on the evolving role of DFIs in the upcoming ASEAN economic integration.

Through this publication, we offer our readers a vehicle to keep abreast of developments and help understand the roles DFIs play in our changing world. Happy reading!

Bobby

BOBBY PERALTA
Secretary General
ADFIAP

COVER STORY 8

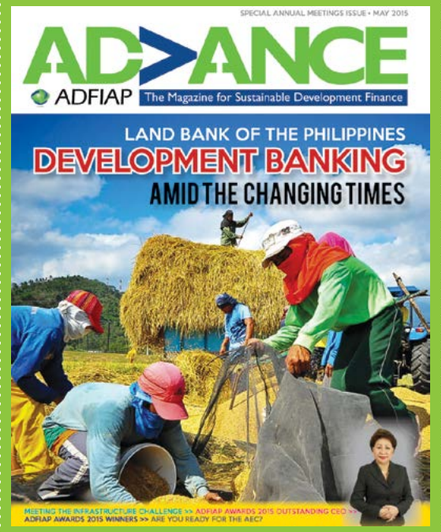

PHOTO CREDIT: LAND BANK OF THE PHILIPPINES

Land Bank of the Philippines has been enjoying its unique position as the only local lender to all 81 provinces dotting the Philippine archipelago. On its 51st year, the state-run bank faces even bigger challenges in serving its mandate to the country's priority sectors.

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ADVANCE EDITORIAL TEAM

Publisher: Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) >>> Editor-in-Chief: Octavio B. Peralta >>> Content Editor: Sheila Samonte-Pesayco >>> Marketing & Advertising: Enrique Florencio and Sandy Lim >>> Layout and Design: Writers Edge >>> Printing: CGKformaprint

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On its 68th year, the Development Bank of the Philippines renews its commitment to serve the nation.

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Cooperative Members	Livelihood projects, working capital, capital expenditures (under credit surety fund)

For more information, visit or call:

SME Wholesale Lending Department
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JULY 13-17
Study Tour Program on DFIs, MSMEs & Rural Industrialization
Manila, Philippines

JULY 27-31
Risk-Based Credit Appraisal and Management
Manila, Philippines

AUG. 3-7
Key Essentials for Loan Officers
Manila, Philippines

AUG. 24-28
Bank Marketing & Relationship Program
Manila, Philippines

SEPT. 7-11
Credit Score Modeling for Banks
Manila, Philippines

SEPT. 21-25
Study Tour Program for SME Bankers
Manila, Philippines

OCT. 19-30
Executive Leadership Program
Manila, Philippines

NOV. 23-27
Sustainable Products Innovation Program for Financial Institutions
Manila, Philippines

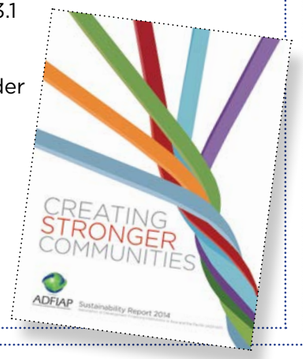
For inquiries, contact the Asia-Pacific Institute of Development Finance at: inquiries@adfiap.org

NEWS ROUNDUP

ADFIAP launches 2014 sustainability report

The Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) has launched its 2014 Sustainability Report that uses the G4 Sustainability Reporting Guidelines, an enhancement of the Global Reporting Initiative's (GRI) previous G3.1 guidelines.

ADFIAP is an Organizational Stakeholder (OS) Member of the GRI and has been registering its sustainability reports with the GRI disclosure database since 2008. An electronic copy of the 2014 Sustainability Report may be downloaded at ADFIAP's website, *www.adfiap.org*.



ADFIAP expands reach via CDFA partnership

The Council of Development Finance Agencies (CDFA) has launched a new monthly e-newsletter called the *CDFA-ADFIAP International Development Update*, in partnership with ADFIAP. CDFA is an association based in Columbus, Ohio, USA that represents over 330 entities providing economic development financing programs. The e-newsletter features international development finance news from the U.S. and Asia Pacific that reaches over 27,000 recipients worldwide. Copies may be downloaded at *www.cdfa.net*.

ADFIAP shares governance journey in ASAE Great Ideas Conference

Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) Secretary General Octavio B. Peralta shared the Association's good governance policies and practices at the inaugural "Great Ideas Conference Asia-Pacific" held March 23-24 at the Kowloon Shangri-La in Hong Kong.

Organized by the American Society of Association Executives (ASAE), the event gathered 175 delegates from trade associations, professional societies, service providers and those from the meetings, exhibitions, conferences and incentives sector.

BUILDING TO LAST: MEETING THE SUSTAINABLE INFRASTRUCTURE CHALLENGE

Converging in this pristine coastal city of Nha Trang, known as the "Beach Capital" of Vietnam, are over 100 development financing institutions (DFIs) and other development-oriented partner organizations for the Association of Development Financing Institutions in Asia and the Pacific's (ADFIAP) 38th Annual Meetings on May 13-15, 2015.

Their mission: to exchange ideas and gain insights on how DFIs can help address the Asia-Pacific region's growing needs and opportunities for sustainable infrastructure.

This year's ADFIAP Annual Meetings theme, "DFIs & Sustainable Infrastructure: Policy Framework, Operational Best Practices and Challenges," is deemed timely and relevant. Investments in infrastructure serve as a foundation for economic development and growth. If done properly, these investments can help lift families out of poverty, and make communities more resilient to climate change, thus helping ensure the delivery of development benefits over the long term.

Event Host:

ROLE OF DFIs

DFIs play a significant role in infrastructure projects where the funding needs are huge. According to the Asian Development Bank (ADB), the infrastructure needs in the region is projected at USD750 billion in investments annually until 2020. However, the ADB lone cannot fully address the region's infrastructure deficit as its annual lending approval stands only at an estimated USD13 billion.

To meet this gnawing challenge for infrastructure funding, the Asian Infrastructure Investment Bank (AIIB) was launched in Beijing in October 2014. With more than 20 countries as founding members, the AIIB aims to provide funds for infrastructure development that will stimulate the economic growth in the Asia Pacific.

BUILDING TO LAST

Beyond funding, DFIs also have to face the challenge of systematically screening investments for climate risks and opportunities to make infrastructure sustainable.

The three-day Annual Meetings, hosted by Vietnam Development Bank (VDB), will have four sessions:

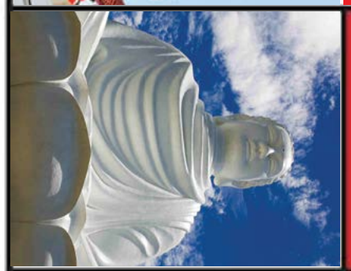
- **Session 1:** Policy framework on infrastructure development, features the experiences of Russia's Vnesheconombank, Development Bank of the Philippines, and Development Bank of the Republic of Belarus;
- **Session 2:** Financing of sustainable infrastructure, featuring the sharing of experiences of the Land Bank of the Philippines, Development Bank of Japan Inc., Development Bank of Turkey, Vietnam Development Bank and IDBI Bank (India).
- **Session 3:** Support systems for infrastructure development, i.e., platforms/tools for infrastructure project preparation and financing, featuring the experiences of DFCC Bank (Sri Lanka), the International Financial Consulting, Ltd. and the Green Climate Fund.

Other highlights of the event include the 21st Ordinary Meeting of the General Assembly, the 81st Board of Directors Meeting, the Conference Proper, Delegate-Meets-Delegate session, the ADFIAP Awards 2015 and the Fellowship Tour.

REUNIFICATION PALACE

PO NAGAR TOWERS

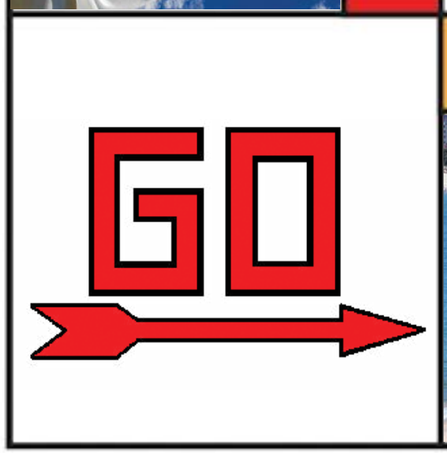
THIEN HAU PAGODA



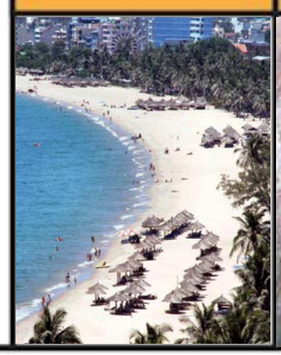
BUDDHA STATUE IN NHA TRANG

Welcome to the land of motorbikes, fresh spring rolls and street-side *pho*, and possibly the cheapest beer in the world.

The backdrop of countless war movies, Vietnam boasts of unnumbered travel persuasions, many of which involve the singular charm of its nature, man-made tunnels and pagodas, and colorful history. Pack light, bargain hard, and explore on foot. This Southeast Asian country is one adventure you cannot afford to miss!

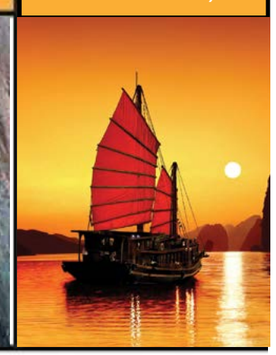


NHA TRANG BEACHES



CU CHI TUNNELS

HALONG BAY (UNESCO WORLD HERITAGE SITE)



SOAK IN HISTORY

Vietnamese capital Hanoi, a marriage of French colonialism and Eastern influence, offers the narrow streets of the Old Quarter, the Ho Chi Minh Mausoleum or one of the wartime sites, and bustling parks. Take the train or bus to visit Ho Chi Minh City (HCMC) down south to see historical sights like the Reunification Palace, Notre Dame Cathedral, and Thien Hau Pagoda, or crawl through the Cu Chi Tunnels.

SHOP ON WATER

Mekong Delta, a 60,000-kilometer web of interconnected waterways spanning three provinces, is brimming with pagodas, small craft villages, and floating markets. Go on a boat or bike tour and taste the region and its gastronomic offerings in fun, indiscriminate fashion.

GET A TAN

Head over to Nha Trang, Vietnam's beach capital, and enjoy white, sandy beaches amid the majectic hills and mountains. Hop from one of its 19 islands to another. Lounge on the beach, learn how to dive and snorkel, see the Buddha at Long Son Pago, or relax in the hot springs and mud baths.

PHO-GET ABOUT YOUR DIET

Order a hearty bowl of market-stall *pho* (noodle soup), *nem cuon* (salad rolls), *banh mi* (sandwich), and sweet sticky rice dishes. Go from novice to culinary expert through cobra foodstuff and other exotic food delicacies.

SAY 'HELLO' TO HALONG

Halong Bay remains Northeast Vietnam's top headline maker, but there are plenty of other things to visit apart from this World Heritage site. Hike, bike, or sail on verdant island Cat Ba, or make a short boat hop toward Lan Ha Bay for pristine sandy coves. Further northeast, Halong Bay turns into Bai Tu Long National Park, featuring largely hidden beaches and village homestays at Ba Be.

GET SUITED UP

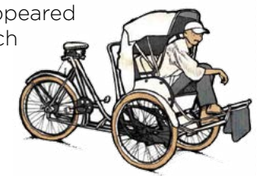
Visit shopping areas dotting Dai Nam Tourist Park, the gift shop of Saigon Skydeck, or small oil painting galleries on Bui Vien Street in District 1 of HCMC. Hoi An is a picturesque town with hundreds of tailors, where you can get anything from suits and sneakers made. Its Central Market is also a haven of local spices, souvenirs, and tailoring at rock-bottom prices.

GULP DOWN A *BIA HOI*

Have a taste of the world's cheapest beer, known as the *Bia Hoi*. The Bia hoi is so popular in Vietnam it reportedly dominates one-third of the country's beer market. Gulp down the fresh beer and be part of Hanoi's thriving nightlife happening on the streets of the Old Quarter, in posh bars with jazz tunes or live bands.

TAKE A CYCLO

If you want to get around in a classic Vietnamese way, then take a cyclo. This three-wheel bicycle taxi, which appeared in Vietnam during the French colonial period, can be found getting sandwiched and crisscrossed by the millions of motorbikes on the streets of Vietnam.



COVER STORY

DEVELOPMENT BANKING

AMID THE CHANGING TIMES

PHOTO CREDIT: REVOLI S. CORTEZ

AMID AN EVOLVING BANKING LANDSCAPE AND STIFFER BUSINESS COMPETITION, STATE-OWNED LAND BANK OF THE PHILIPPINES' SOLID COMMITMENT TO ITS BUSINESS GOALS REMAINS CONSTANT.

LANDBANK's operations are focused on the pursuit of its social mandate, enhancing institutional viability, and improving customer service. With these goals, the government financial institution (GFI) strikes a balance between catalyzing countryside development and maintaining its rank among the best-performing banks in the Philippines, with consistent growth in net income, and assets, capital, deposits and loans.

Fifty-one years of service has made LANDBANK a strong state-run lender, the only universal bank present in all 81 provinces throughout the Philippine archipelago, with 351 branches and extension offices and 1,338 ATMs as of end-2014. This unique position, however, comes with equally unique challenges: to generate income as a financial institution while supporting the development of local agriculture, small and medium enterprises (SMEs), and other priority sectors.

"We do not receive any subsidy from the National Government so it is a continuing challenge for us to keep this balance: profit generation from our commercial banking operations for use in our development initiatives," says LANDBANK President and Chief Executive Officer (CEO) Gilda E. Pico. "It is basic strategy to channel funds to where growth is flourishing... (but) for a development financing institution such as ours, it is imperative and our social obligation to be a catalyst of growth in areas where economic activities are limited."

Lending for sustainable development

As a national development bank, LANDBANK plays a critical role in the Philippines, the region's fastest-rising economy next to China, with a growth of 6.1% in gross domestic product in 2014. Majority of LANDBANK's loans go to agricultural credit support, agrarian reform bonds, landowner assistance, local government units, and microfinance.

When Ms. Pico took over the helm of the state-owned bank in 2006, the focus increasingly turned to widening credit outreach to priority sectors: farmers, fisherfolk, microenterprises, agri-business, and ecological projects, to name a few. Under her watch, loans to these priority sectors have grown to 85% of the bank's total loan portfolio from 65%, and 10% higher than the original target of 75%.

As the biggest lender among GFIs to these priority sectors, LANDBANK has ₱51.4 billion (US$122 million) in outstanding loans to microenterprises and SMEs. In 2014, it also released ₱58.4 billion (US$1.3 billion) in loans to small farmers and fishers, with more than 800,000 beneficiaries.

COVER STORY

The "Sikat Saka" (Popular Farming) Program of LANDBANK is a financing window that provides direct access to credit for small rice farmers who are not yet members of the cooperatives that the bank assists. LANDBANK implements this program in partnership with the Department of Agriculture (DA) in support of the Philippine government's efforts for financial inclusion.

The Agricultural and Fisheries Financing Program (AFFP), also jointly implemented with the DA, is a credit facility for marginalized farmers and fishers hailing from the 20 poorest provinces of the country. The bank is also the biggest lender to LGUs, the principal catalysts in bringing about sustainable development in municipalities, cities, and provinces.

PHOTO CREDIT: LAND BANK OF THE PHILIPPINES

"We recognize that promoting the rural economy and sustainable development as a whole is a tall order even for an organization like us. We thus turn to our development partners like LGUs, which are at the forefront of delivering basic services in the rural areas," says Ms. Pico.

LANDBANK has outstanding loans of ₱42.9 billion (US$970 million) as of end-2014, funding agri-aqua projects schools, hospitals, farm-to-market roads, and other development projects.

Commercial strength

Behind LANDBANK's outstanding performance in the development financing arena is its continuing commercial viability, which allows its development loans and services to be delivered in the first place.

LANDBANK had an asset size of ₱1.051 trillion (US$238 billion) in 2014, 25% higher than the previous year, and ranked fourth among the top 10 banks in the Philippines in terms of assets, net income, and deposits.

Another proof of its steady profitability is its reputation of being the highest remitter among government-owned and -controlled corporations (GOCCs) in the Philippines for four years now, posting ₱6 billion in cash dividends every year in the last three years.

LANDBANK also bagged the "Bank of the Year" award for the Philippines in 2014 conferred by *The Banker,* the world's leading monthly journal of records and a prestigious body in the banking industry.

LANDBANK attributes the growth of its net income and commercial banking operations as a whole to two factors: higher incomes from loans and investments, and effective management of its operating expenses.

In pursuing its developmental goals, LANDBANK relies on the strength and network of its conduits and non-governmental organizations (NGOs) help the bank reach unbanked rural segments.

LANDBANK lends to conduits at low interest rates as loan wholesalers, enabling them to lend to small rural borrowers at low rates. It also provides capacity building support to its conduits to help them become technically prepared in bookkeeping and other areas of business management before loan approval.

PHOTO CREDIT: REVOLI S. CORTEZ

Agriculture remains LANDBANK's main anchor in development financing, where rural areas – making up 55% of the country – are still largely earning from agricultural pursuits. The bank takes into account and assists nearly 62% of the country's rural areas where many still rely on farming and fishing.

"Another basic thing we require from them is equity. If they do not have a stake in the business, they can easily abandon the project. So for every one peso they put in, we give them six pesos in loans," says Ms. Pico. Equity can take the form of land, equipment, or anything that can be used in the project.

Consolidation and integration

With a strong balance sheet and liquidity, LANDBANK remains one of the top-performing banks in the Philippines, which is also enjoying upgraded credit ratings from major rating agencies such as Moody's, Fitch and the Japan Credit Rating Agency.

Part of the bank's positive outlook is the upbeat overall growth forecasts on the Philippine economy, retaining agriculture, construction, and manufacturing as major growth drivers. Rural economies gain the attention they deserve mainly via credit and technical support to fuel entrepreneurial activity and generate jobs and economic growth. The strong remittance inflow from overseas Filipinos workers (OFWs), too, build healthy domestic demand amid global uncertainties, sustaining the local currency and acting as a buffer in international reserves for boosting import cover.

Despite glowing projections and indicators, LANDBANK is not immune to the many changes and challenges in the local and global environments that confront other financial institutions.

One is the looming ASEAN economic integration, where the region transforms into a single market and economic base. Within the ASEAN integration framework is the newly enacted Republic Act 10641, which allows foreigners to fully own domestic banks in the Philippines.

While expanding banks' customer base, the 2015 integration will also pit domestic and foreign banks, prompting an emphasis on more productive investments, and mergers and acquisitions (M&As). It is in this context that the Philippine Congress is currently deliberating the merger of LANDBANK and another state-owned bank, the Development Bank of the Philippines (DBP).

Meeting changing demands also means riding the waves of technology and innovation. LANDBANK is currently "aggressively undertaking automation projects and adoption technology solutions to support operations, expand capacity, and align tech support with global standards," Ms. Pico adds.

A recently launched innovative channel is the LANDBANK Easy Access Facility (LEAF), designed to complement its branch network and extension offices nationwide. This "Other Banking Office" allows ATM withdrawals, self-service cash deposits, submission of loan applications, and other non-transactional banking errands, catering to rural towns and communities in provinces like Davao Del Sur, Quezon, Cebu, Tarlac, Cagayan, and La Union.

Sustainability and integrity

For LANDBANK, its triumphs in the commercial front are a means to get to its desired end and stay true to its name and mandate: to reach out to areas that need it most, and tap into promising development projects and make them financially viable. Its development financing commitment extends to going green, pouring billions in loans for renewable energy and biofuel projects in the country.

Beyond financing, LANDBANK extends its support to underprivileged sectors by providing the technical, marketing, and institutional building support services they need to get a head start and sustain their viability.

PHOTO CREDIT: LAND BANK OF THE PHILIPPINES

Its Renewable Energy Lending Program supports entrepreneurs, cooperatives, LGUs, and NGOs in undertaking feasibility studies or getting working capital and fixed asset investment for biomass, hydropower, wind, geothermal, solar photovoltaic, and related projects.

LANDBANK also has a flagship program called Carbon Finance Support Facility (CFSF) which promotes climate change mitigation projects through the Clean Development Mechanism (CDM). This benefits pig farm owners, landfill operators, and similar industries that reduce greenhouse gas emission, generate power, and comply with environmental laws.

The bank is also the financial intermediary and co-implementing agency of the US$11-million Ozone Depleting Substance Phaseout Project provided by the Montreal Protocol, which intends to reduce and phase out ozone depleting substances (ODS). The Philippines is one of the 186 countries that signed up to the protocol.

Agriculture remains LANDBANK's main anchor in development financing, where rural areas – making up 55% of the country – are still largely earning from agricultural pursuits. The bank takes into account and assists nearly 62% of the country's rural areas where many still rely on farming and fishing.

Instilling an entrepreneurial mindset among farmers, LANDBANK also aims to break farmers' ties with traders who are underpaying for produce. It launched the Food Supply Chain Program to this end, linking key players in the food supply chain.

Beyond financing, LANDBANK extends its support to these underprivileged sectors by providing the technical, marketing, and institutional building support services they need to get a head start and sustain their viability.

From promoting inclusive growth among the unbanked and underserved to ensuring its own commercial efficiency so it can fund more social programs, LANDBANK serves as a compelling case for development banks to keep their balance – and deliver a high-impact performance while at it.

LANDBANK
WE HELP YOU GROW.

BY THE NUMBERS

₱1.05 trillion
LANDBANK's total assets as of end-2014 — the first time it reached the first-trillion mark

₱12.1 billion
LANDBANK's net income as of December 2014

₱75.2 billion
LANDBANK's total capital as of end-2014

₱914.2 billion
LANDBANK's total deposits as of December 2014

4th biggest
LANDBANK ranks 4th among the top 10 banks in the Philippines in terms of assets, net income, and deposits

₱331.3 billion
LANDBANK loans to priority sectors (farmers, fisherfolk, microenterprises, agri-business, and ecological projects, among others) as of December 2014

₱51.4 billion
Outstanding Loans to Microenterprises and SMEs as of December 2014. LANDBANK is the leading loan provider to MSMSEs among government agencies in the Philippines.

₱42.9 billion
Outstanding Loans to LGUs as of December 2014. LANDBANK is the biggest lender to local government units.

₱58.4 billion
Loan releases to small farmers and fisherfolk as of December 2014. These were channeled through **793** farmers and fishers cooperatives, **206** countryside financial institutions and **226** irrigators' associations. The loans benefited **825,726** small farmers and fishers.

81 provinces
LANDBANK is the only universal bank present in all **81** provinces of the country, with **351** branches and extension offices and **1,338** ATMs as of December 2014.

SPOTLIGHT

At the helm of one of the Philippines' top five banks is a lady whose strong and able leadership contributed significantly in taking the 51-year-old financial institution to where it is today.

Gilda E. Pico steadily rose from the ranks of the Land Bank of the Philippines (LANDBANK), handling various functions, before becoming the first woman President and CEO of the only bank that caters to the needs of all 81 provinces of the archipelago.

In this ADV>NCE interview, Ms. Pico shares her valuable insights and expertise that made her worthy of her newest title: "Oustanding CEO" of the ADFIAP Awards 2015.

How did you start your career as a professional banker? As a development banker?

I took up Bachelor of Science in Commerce, major in Accounting, with the goal of working in a bank. My father influenced me in my decision as he was then a member of the Board of Directors of Commercial Bank and Trust Company. I graduated *magna cum laude*, and later became a Certified Public Accountant.

My first job was at COMTRUST as a remittance clerk. I worked my way up as assistant vice president of Auditing Division. When COMTRUST merged with the Bank of the Philippine Islands (one of the biggest Philippine commercial banks), I was asked if I would be interested to move, but I chose to join LANDBANK which was a small bank then. Even back then, I believed that LANDBANK had a big potential for growth. I joined LANDBANK in 1981 as Assistant Vice President for Management and Operation of the Audit Department. It was also the start of my being a development banker.

Was it difficult for you to climb the corporate ladder?

Yes, I would say it was tough and challenging, but not because of the gender issue. LANDBANK is an institution that recognizes performance or competence rather than factors like gender, age or class. As a government financial institution and one of the leading universal banks, we put a premium on time-tested principles of hard work, commitment, vision, and all the other essential qualities for success. And these principles served as pillars and guide posts in my growth with LANDBANK.

"I believe that there is no more satisfying pursuit than the pursuit of MAKING A DIFFERENCE even in the smallest way we can. This very well applies in any pursuit, and embodies our reason for being at LANDBANK." – Gilda E. Pico, President & CEO, Land Bank of the Philippines

What was the situation in LANDBANK before you took over the helm? How has the situation improved during your term?

LANDBANK is fortunate to have been led by men of competence and integrity through the years. When I assumed as Acting President in 2005, the Bank's loan portfolio was at Php143 billion; this increased to Php386 billion in 2014. Our net income grew from Php3 billion to Php 12.1 billion during the period while our assets breached the first trillion mark in 2014 at Php1.05 trillion from Php364 billion in 2006. We were able to demonstrate that developmental banking can also be viable and profitable.

What would you consider as the toughest challenges you face as a CEO?

Maintaining the Bank's profitability while fulfilling our mandate to promote countryside development has always been a tough balancing act. It is a continuing challenge for me as LANDBANK President to keep all the units aligned with our mission and vision, and to continue to lead the institution with a clear strategic direction and great commitment and passion to serve.

How would you describe your management style?

In my experience with LANDBANK, I've seen how influence, coupled with inspiration and strategies, work best and get things done. The focus of our leadership at LANDBANK rests on the respect which we give to every member of the organization, and the respect which we reap in return. It works both ways: respect people, and they will respect you back. It's easier for a leader to ask people to do what is right if that leader has the respect of the people.

Setting an example is another key. It's no use telling people to do something which I am not willing to do myself. We believe that leaders should set and be the examples themselves.

And third, know your people. I've learned that it's important to spend time with them and show sincere interest not only in their professional growth but also in their personal well-being. We're a family here and as in any family, we try to give as much care and concern to our members.

Do you find time for other personal activities and interests? What are these?

Visiting art galleries and furniture shops are among my interests. I enjoy getting a good buy and finding the perfect place for it in the house. I also make it a point to be home by Saturday night from business trips to be with my family on Sundays. We have this tradition of having lunch or get-together every Sunday, and I decided to continue it to this day.

What singular principle in life do you abide by, and how does this help you in fulfilling your role at LANDBANK?

I believe that there is no more satisfying pursuit than the pursuit of making a difference even in the smallest way we can. This very well applies in any pursuit, and embodies our reason for being at LANDBANK.

How are you preparing LANDBANK for greater competition as a result of the ASEAN economic integration?

With the ASEAN integration as backdrop, we need to take business excellence to a higher level to ensure that all objectives of our business units are in support of the LANDBANK's corporate objectives.

Here are some of our targets which form part of our preparation for the ASEAN economic integration:

- Expand financial and other services in all provinces, cities and municipalities, and to support national development programs.
- Further grow our private deposit base and increase revenue through traditional and non-traditional sources.
- For our customers, we shall continue to develop products and services that will better serve our varied customers. We are also committed to improve turn around time in delivering products and services.
- Align the Bank's intangible assets: our people, systems, and culture to improve critical processes. We will work towards the establishment of a high performance culture; and will attract, train, develop and compensate talents.

With the changing banking landscape and growing competition, I believe LANDBANK will continue to fare well and play a major role in countryside development. Given the Bank's presence in all provinces in the country, it is well poised to further level up its fulfilment of its social mandate. The Bank will also provide support to key commodities that add value to agriculture which remains to be a key sector in the countryside. These include rice, corn, fish, poultry, livestock, banana, pineapple, coconut, bamboo and milk.

What do you think of the title "Outstanding CEO" that will be bestowed by ADFIAP?

First of all, I see this as an affirmation of what we at LANDBANK are doing to help the marginalized sectors and other major development players whom we consider as allies in promoting rural economic growth. We share this honor with our partners who continue to inspire us to be better in what we do.

This award is also dedicated to the hardworking men and women in LANDBANK who are committed in carrying out our social mandate of helping our priority sectors and endeavouring to give excellent service to our wide range of clientele. I share this award with them as a testament of our collective effort and unified pursuit of our noble vision.

We are grateful to ADFIAP for this recognition.

Celebrating excellence

Eighteen years since it started in 1997, the ADFIAP Awards has already honored more than a hundred individuals and institutions who have contributed significantly to the development of their respective countries. The Awards has become one of the major highlights in the Association's Annual Meetings, and this year is no exception.

ADFIAP AWARDS 2015

OUTSTANDING DEVELOPMENT PROJECTS

Category 1: Human Capital Development

Land Bank of the Philippines
Innovative Training and Responsive Approaches for Institutional Nurturing (iTRAIN)

Merit Award:
- Alalay sa Kaunlaran Inc. (ASKI)
  Back-to-Back Training for OFWs and their Families
- FSM Development Bank
  Establishment of FSMDB Development Finance and Training Institute

Category 2: Environmental Development

Development Bank of Japan
DBJ Green Bond

Merit Award:
- DFCC Bank
  DFCC Finances the First Grid Connected Solar Project in Sri Lanka
- Vietnam Development Bank
  Wind Farm Project in Bac Lieu Province

Category 3: SME Development

Credit Guarantee Corporation Malaysia Berhad (CGC)
Islamic Wholesale Guarantee – WG-i

Merit Award:
- Development Bank of the Philippines (DBP)
  DBP Bankability Enhancement for SET-UP Technopreneurs (DBP-BEST)

  Inclusive Lending for Aspiring Women (ILAW) Entrepreneurs Program
- Oman Development Bank
  Implementation of Loan Guarantee Program, 2014
- Development Bank of Jamaica
  The Credit Enhancement Facility

Category 4: Infrastructure Development

Vietnam Development Bank
The Hanoi-Hai Phong Expressway

Merit Award:
- Pag-IBIG Fund
  Pag-IBIG Fund's Bistekville Housing Project

  Pag-IBIG Fund's Needs Matching Program-Employee Village

Category 5: Technology Development

Small Industries Development Bank of India (SIDBI)
smallB.in – Promoting Youth Entrepreneurship

HR Automation Project

Category 6: Trade Development

Export-Import Bank of India (EximBank India)
Project Export Finance

Merit Award:
- Centre for SME Growth & Development Finance (CESMED) & Vietnam Chamber of Commerce and Industry
  SMIDP-SMARTEX of VCCI Da Nang

INDIVIDUAL AWARDS

Outstanding CEO Award

Gilda E. Pico
President and CEO
Land Bank of the Philippines

Category 7: Local Economic Development

Development Bank of the Philippines (DBP)
35 MLD Cebu Bulk Water Project-Sustaining Local Economic Development

Merit Award:
- Development Bank Samoa
  Samoa Agriculture Competitiveness Enhancement Project (SACEP)
- DFCC Bank
  Financing of a Rice Bran Oil Facility
- Tonga Development Bank
  Growth Facility and the Student Loan Scheme (Government Managed Fund)
- NIDC Development Bank Ltd.
  Managing Deprived Sector through Smallholders Engaged in Sugar Cane Farming

Category 8: Financial Inclusion

Small Industries Development Bank of India (SIDBI)
Poorest States Inclusive Growth (PSIG) Programme

Merit Award:
- International Investment Bank
  Small and Medium Enterprises Support Program
- Pag-IBIG Fund
  Dagdag Ipon Raffle Promo
- RCBC Savings Bank
  W.I.S.E. Savings Account Banking On Your Future
- Zarai Taraqiati Bank Limited
  Financial Inclusion Initiatives at Zarai Taraqiati Bank Limited

Category 9: Corporate Governance

Development Bank of the Philippines (DBP)
Good Governance Program

Merit Award:
- Philippine Export- Import Credit Agency (PhilExim)
  Strategy Management Initiative

Category 10: Corporate Social Responsibility

Esquire Financing Inc.
CSR Campaign

Merit Award:
- Development Bank of the Republic of Belarus
  School Bus Project

SPECIAL AWARDS

Best Annual Report
Development Bank of the Republic of Belarus

Best Website
Development Bank of the Republic of Belarus
http: www.brrb.by

Best Sustainability Report
DFCC Bank
2013/2014 Sustainability Report (Game On)

First Payor
Land Bank of the Philippines

Below is an illustrated photo of the Development Bank of the Republic of Belarus' School Bus Project, which is featured in its award-winning annual report.

THIS IS ASEAN'S TIME. With a market of over 600 million consumers and a combined GDP of nearly US$3 trillion, ASEAN is vibrant, growing, and poised to become one of the world's largest economic blocs. Yet a lot hinges on the establishment of the ASEAN Economic Community (AEC) this year — a long-standing commitment by its ten member-States to transform the region into becoming the geographic heart of the world's premier growth corridor.

ARE DEVELOPMENT FINANCING INSTITUTIONS READY FOR THE AEC?

Image courtesy of the ASEAN Secretariat

TRENDWATCHING

IN OUR FORUM

AD>ANCE asked these three CEOs of ADFIAP member-institutions to share their insights on the topic:

Mr. Tran Ba Huan
General Director of Vietnam Development Bank (VDB)

Mr. Gil A. Buenaventura
President and Chief Executive Officer of the Development Bank of the Philippines (DBP)

Datuk Mohd Radzif bin Mohd Yunus
Managing Director, Small Medium Enterprise Development Bank Malaysia Berhad (SME)

Is the ASEAN economic integration (AEC) a bane or a boon to your bank? To ASEAN?

Mr. Tran Ba Huan (VDB): The process of economic integration of ASEAN contains opportunities and challenges for Vietnam, in general, and for enterprises, in particular. VDB is not an exception. Acting as a DFI and ECA, VDB may enjoy, as well as face, both opportunities and challenges. When the AEC is established, opportunities for commodity exporters of Vietnam will be more favorable. Therefore, demand for export credit will increase and VDB can promote export credit in a manner consistent with international commitments. The pressure for infrastructure development is huge and this is a great chance for VDB to be more active as a DFI with the largest asset size in Vietnam.

AEC will also promote the movement of capital flows, including financial investment. VDB can raise more funding from domestic and foreign investors through the issuance of VDB bonds in the market with a variety of terms, as well as interest rates in the future, to meet the needs of investors. Besides, VDB will have direct access to more funding from foreign financial institutions, including the ASEAN Infrastructure Fund.

Despite such advantages and expectations, VDB is well aware of the challenges. The first one is to enhance its capacity towards international practice and take better advantage of the opportunity. VDB has to cooperate more with the DFI/ECA countries, as well as compete more effectively in active environment of AEC.

Mr. Gil Buenaventura (DBP): It is definitely a boon to our business as the ASEAN economic integration creates opportunities for the banking industry and its customers. For the banking industry, the integration unleashes a surge in transactional and financing requirements arising from a larger financial market and a bigger customer base. It is expected to create bigger, more efficient banks as competition will be against the best-in-class banks, forcing all players to adopt best practices and achieve efficiencies in scale (size) and scope (synergies across various lines of banking services) economies. For banks' business customers, the elimination (or lowering, in some sectors) of barriers to trade should serve as incentives for entry and expansion into new markets within ASEAN.

Datuk Radzif bin Mohd Yunus (SME): For the SME sector, the AEC will either be a boon or a bane, depending on the degree of reliance of local firms on the domestic market. Industries that never learn to grow up will be blown away by the strong winds of competition.

On the other hand, those firms that subscribe to the export-oriented policies of the government stand a good chance of beating the competition.

Successful multinationals operating here and abroad might even cash in on the free trade regimen that will be ushered in by the AEC which means, among other things, a bigger market for Malaysian products. They can also cash in on joint ventures under the Asean industrial complementation policies. Open borders will also facilitate the movement of tourists and workers and act as a boon to this country's tourism, distributive trade, healthcare and other services industries.

What changes in the financial or banking landscape do you see as a result of the ASEAN economic integration?

VDB: ASEAN economic integration will accelerate international capital flows, thanks to the development of capital markets, capital account liberalization, and the liberalization of financial services. Restrictions on foreign exchange transactions and foreign direct investment, foreign portfolio investment are gradually removed. Financial service activities, therefore, will have strong growth. Financial products will be more diversified, including derivative financial products.

In this context, the legal framework of the financial and banking system of the country must be improved towards harmonization within ASEAN and in accordance with international standards. It also requires financial institutions and banks, including central banks, to improve their risk management capability to avoid the shock of the fiscal rapid fluctuations. In other words, the AEC is a promising opportunity for the development of the banking and financial system, but also associated with it are the requirements of risk management capability in the national and regional level.

DBP: The integration of the real economies and financial markets in ASEAN will contribute to the enlargement of bank sizes through mergers, combinations, alliances and further beefing up of capitalization for the already large banks. It is also expected to lead to lowering of prices (interest rates and fees) for bank services, thus helping to foster "inclusive growth" across the region. For countries with large and growing domestic populations (like Indonesia and the Philippines), the focus for banks has been the strengthening of their own domestic networks via branch expansion and consolidation (bank mergers) to entrench themselves in preparation for the entry of other ASEAN banks lured by the increased prospects (big, growing markets, especially the expansion in their middle classes) in their domestic markets.

SME: Since financial services are an important element of AEC, ASEAN Finance Ministers and Central Bank governors have concluded this deal on the ASEAN Banking Integration Framework (ABIF) to create a more integrated ASEAN financial services industry. The ABIF will create an ASEAN platform that will allow greater cross-border market access for Qualified ASEAN Banks (QABs) to undertake banking operations in other ASEAN countries.

A key aim is to allow ASEAN banks to establish operations in other ASEAN countries to support ASEAN business enterprises that wish to expand their business operations. We will see an increasing number of strong regional banks within ASEAN making more inroads into other ASEAN countries by establishing more branches, mergers or acquisition.

In addition, strong local banks are expected to take advantage of the liberalized market and grow their market share outside of their own country. We will see a more intense but healthy competition between local and ASEAN banks offering dynamic and hybrid facilities at very competitive pricing to suit the ever-changing and evolving needs of ASEAN businesses.

Has your financial institution crafted a strategy to compete?

VDB: As a DFI and ECA organization and 100% state-owned, VDB is strongly supported by the government, especially on policy and fund mobilization. Currently, VDB is implementing a comprehensive restructuring plan under the scheme approved by the Prime Minister, approving development strategies for VDB to 2020 and visions for 2030, to contribute to the implementation of strategies and plans for economic development of the country in each period. The Government, the Prime Minister of Vietnam, is concerned with the process of implementing the strategy of VDB and we are working hard for an upcoming AEC.

DBP: Our strategy as a state-owned bank is to further strengthen our focus on our key mandate sectors: mSME's, infrastructure, social services, industry and the environment. We are focused on these sectors in support of our Government's Development Plan and because projects in these sectors might not be outrightly attractive for other private commercial banks due to return hurdle rates or investment time horizon or simply because of our better understanding and longer involvement in these sectors.

To support this strategy, our bank is investing in technology (acquisition of new computer systems to provide for more sophisticated processing platforms), infrastructure (network expansion via new branches and alternative channels) and people (hiring and training for new skills).

We are studying businesses and sectors where our country possesses the natural competitive advantages with the view of supporting businesses harness these in their ASEAN expansion: large, English-speaking young population, who are among the most Western-inclined in terms of values and culture, quick adopters of technology, a common shared heritage and natural affinity with the Christian/Catholic countries in the West. Thus, it is but natural for our country and our bank to specialize in "knowledge-based" and hospitality industries, as already proven by the success of our business process outsourcing, IT (software and hardware deployment), tourism, entertainment and gaming businesses.

"DFIs' financing focus and mandate might have to be realigned to reflect the impact of liberalization on the financial landscape. ASEAN banks' presence and competitiveness will be tested as many ASEAN companies make inroads into local business scenes and create intense competition among SMEs and as a result changing the way local SMEs do businesses." — DATUK MOHD RADZIF BIN MOHD YUNUS, SME BANK

SME: Yes, as a mandated development financial institution with special focus on nurturing SMEs:

1) SME Bank will strengthen its capital position to prepare for future SMEs' increasing requirements for ASEAN economic integration and in facing the challenges of intense competition within the new financial landscape.
2) SME Bank will continue to further enhance and add value to our financial products and services to be relevant to SMEs' current and future market demands.
3) SME Bank will intensify our market outreach by increasing our presence in the local scenes to effectively penetrate and serve the unserved and underserved markets better.

How will the AEC affect DFIs?

VDB: DFIs, in general, and VDB, in particular, will benefit from the Roadmap for Integration of ASEAN and the financial commitment to the objectives of the ASEAN Economic Community in three areas: capital market development; capital account liberalization; and liberalization of financial services.

With the cooperation priorities and financial integration of the AEC, DFIs will be more favorable for raising capital and have more opportunities to increase customer base and credit volume, especially for project development and infrastructure projects, alleviation of poverty, economic development and the application of new technologies, clean energy. This is the general area where AEC and Vietnam are especially interested in.

The establishment of the ASEAN Infrastructure Fund (AIF) will significantly strengthen the links in the region, narrowing the development gap infrastructure in ASEAN. This is also a nudge to DFIs so they can have infrastructure development loans within ASEAN, including projects for sustainable infrastructure development that VDB as well as other institutions are funding. The progress made in strengthening capacity building and financial infrastructure, including the harmonization and mutual recognition of regulations on capital markets, are the basic premise for a ASEAN's vibrant capital market in the future, where DFIs can find the funds in accordance with their needs.

DBP: We are already sharing best practices and experiences with other development financing institutions, not just within ASEAN, but also in the larger Asia-Pacific community via ADFIAP. With the wider playing field within ASEAN, there is scope for enlarging development financing through multilateral cooperation among DFIs in the ASEAN region.

Being in the Philippines, where we have a longer history and experience in development finance, we believe we have much that we can share.

SME: DFIs' financing focus and mandate might have to be realigned to reflect the impact of liberalization on the financial landscape. ASEAN banks' presence and competitiveness will be tested as many ASEAN companies make inroads into local business scenes and create intense competition among SMEs and as a result changing the way local SMEs do businesses.

To be relevant with evolving local market and SMEs financing requirements, DFIs will have to enhance their financial offerings. This is because local SMEs will assimilate and interface with ASEAN counterparts and multinationals (within the ecosystem) taking advantage of the borderless ASEAN market and ultimately changing SMEs' financing needs altogether.

Intense competition from ASEAN commercial banks or ASEAN development banks (if any) in local scenes will lead to shrinking market share of local and non-ASEAN DFIs. This will then lead to business process reengineering, transformation, rationalization or even mergers and acquisition.

Local DFIs' offerings, which are similar or less attractive as those offered by ASEAN banks to the same customer segment, will face a tougher consequence. Worst still, if the ASEAN banks or ASEAN development banks also offer similar services to the same customer segment as local DFIs such as the "need" market. Therefore, local DFIs may need to realign their focus and mandate to perhaps include ASEAN SMEs operating in local market as their target customers as well in order to mitigate losing their local market share to ASEAN banks.

CONTACT US
for inquiries on
our next issues:

ADFIAP Secretariat
eflorencio@adfiap.org
Tel. (63 2) 844 9090

DFCC BANK

DFCC Vardhāna Bank

60 years of leading development banking in Sri Lanka

Tel: +94 11 244 2442
info@dfccbank.com

www.dfcc.lk

Nurturing the advancement of SMEs nationwide and its ecosystem are the thrust of our existence.

At SME Bank, we not only meet your financing needs, instead, we support your business growth through the provision of timely and professional advisory services.

Small Medium Enterprise Development Bank Malaysia Berhad 49572-H
Menara SME Bank, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia
Tel: +603 2615 2020 Fax: +603-26981748 Customer Service Centre: 1800 88 3131

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