

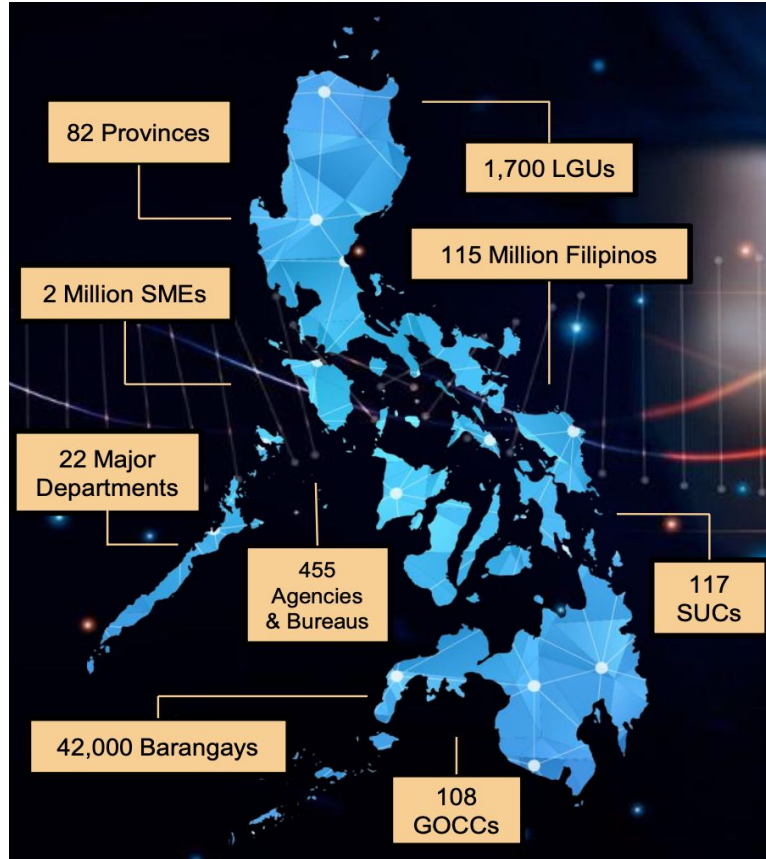
Sample Go-To-Market Brief (Executive Summary)

Prepared for a Technology Client to
enter The Philippines in 2024

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Philippines Context: Strong Emerging Economy Undergoing Robust Digital Adoption

Source: Philippine Department of Information Technology



- The geography and population density creates challenges for infrastructure that make basics such as internet connectivity, roadwork, and therefore higher order services such as banking difficult to access in rural areas.
- Implementation of a standard national ID has also been delayed for similar reasons and contributes to inaccessibility of bank account opening.
- The most penetrative infrastructure/service is telco, with 78.5 million Filipinos using mobile phone services in 2022, 68.2% of the population.
- The Philippines has found success leveraging telco penetration to introduce financial services, with GCash (see E-Wallets section for more) leading the charge in mobile payments since 2004.
- Dragonpay (see E-wallets) was founded in 2010, enabling unbanked Filipinos to make mobile payments for the first time via over the counter kiosks.
- Smartphone payment apps entered the Philippines market in 2012.
- From 2014-2019, fintechs emerged and traditional banks began converting their services to digital channels in earnest, with UnionBank leading the digitization race through its in-app account opening and branchless/branchlite strategy.
- The pandemic forced conversion to e-payments due to lockdowns and the increase in e-commerce.
- GCash was the primary beneficiary, seeing adoption rise dramatically from 2019-2023. Its main competitor, PayMaya, also benefited, and would later become its own digital bank, Maya.
- Digital Bank legislation was released by the Bangko Sentral ng Pilipinas (BSP), which approved and licensed 6 digital banks to begin operation in 2021. Maya and UnionBank were among the 6 to earn the coveted license. Applications have since been closed by the BSP. See Digital Banks section for more information.
- Cryptocurrency usage in the Philippines outweighs global usage rates:
 - 3.57 million metamask users in the Philippines as of 2022, 17% of global users.
 - 5 million Filipino crypto accounts (compared to 300 million global) as of 2022.
 - P117 billion crypto transaction volume in 2021.
 - Used for play to earn gaming in 2021 and as a low-cost form of remittance.
 - The explosion of Play to Earn gaming during the pandemic, lead by Axie Infinity, introduced millions of out-of-work Filipinos to the potential of making a living wage via cryptocurrencies. More [here](#).
 - With the subsequent crash of the crypto market, the Play to Earn phenomenon has been largely considered a fad. Regardless, the rapid adoption of Play to Earn points to the eagerness of Filipino consumers and entrepreneurs to embrace a digital economy. More [here](#).
- Digital payments volume has increased from 10% of total transaction volume in 2018 to 42.1% in 2022.
- Banking penetration has also improved due to e-money adoption, with the majority of formal financial accounts attributed to e-money accounts at 27.5 million, or (ie. GCash account, Maya account, Coins.PH, etc).

Current Gaps & Challenges Present Various Underserved Opportunities

- Credit penetration in the country remains low.
 - Formal credit comprises only 56% of all personal loans, while informal credit comprises 57% (not mutually exclusive), with relatives and friends cited as the most common source of informal credit at 47%, according to BSP data.
 - Informal credit share has increased to 57% from 55% in 2019.
 - Only 45% or 34.3M adult filipinos were borrowers in 2021.
 - Banks only account for 4% of formal loans ~ 768,320 loans.
- Traditional financial institutions focus primarily on commercial lending, with little incentive to address the personal loans market, **“leaving a rapidly growing, increasingly affluent, and digitally savvy population with little access to financial services that meet their needs.”** - [McKinsey](#)
- Meanwhile, Fintechs focus primarily on payments, leaving the growing personal loan demand unaddressed.
- Philippine startups continue to grow, with 1.1 billion USD raised in 2022, outpacing the region.
 - “In 2022, worldwide venture capital investments shrunk by 37%, with a 27% decrease in total value of deals generated in Southeast Asia. However, the Philippine investment landscape continued to grow, with 2022 being an all-time high in terms of funds raised - growing 7% from the year prior.” - [Foxmont Capital Report 2023](#)
- Commercial bank spending on technology is still behind compared to the region, indicating significant room for growth in that area.
 - Average bank revenues devoted to IT are only at 10% in the Philippines, compared to 15% in APAC.
 - Only 5-15% of revenues are devoted to digital channels, compared to 25% average in APAC.
- Similarly, Government tech infrastructure is still growing as represented by new initiatives such as the eGov super app and the national digital ID database initiative, PhilSys.
- **In summation, the Philippines has a high growth ceiling in the realm of financial technology, especially when applied to the underserved loans market, creating opportunities for tech providers to offer value in an undersaturated market that is both rapidly growing and yet continues to face a number of technical challenges.**

PH formal credit penetration remains low

57%
Of personal loans
are informal

4%
Bank share of
formal loans

Avg. Bank revenues devoted to digital channels

5-15%
Philippines

25%
APAC

Avg Bank Revenues devoted to IT

10%
Philippines

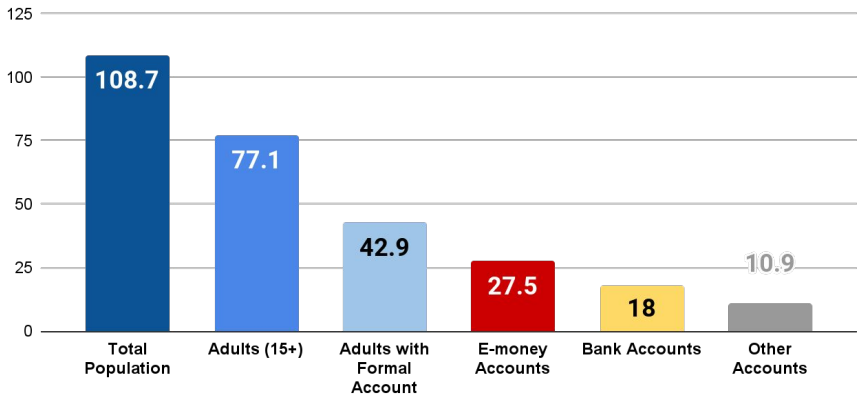
15%
APAC

Sources: McKinsey & Co Insights, Foxmont Capital Report 2023

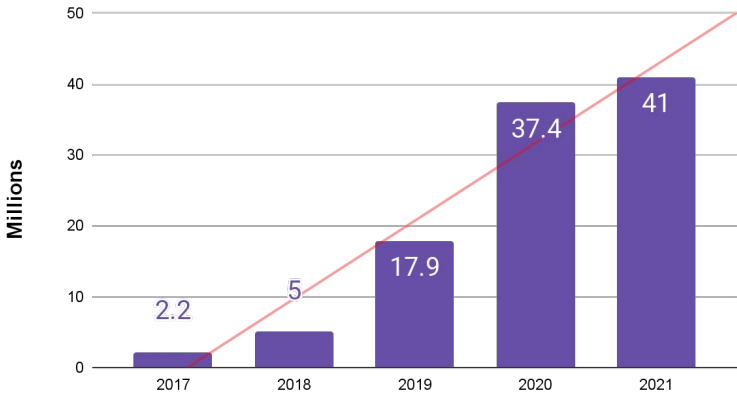
Digital Payments on Steady Ascent

Sources: BSP Financial Inclusion Survey 2022, Philippine Statistics Authority Data

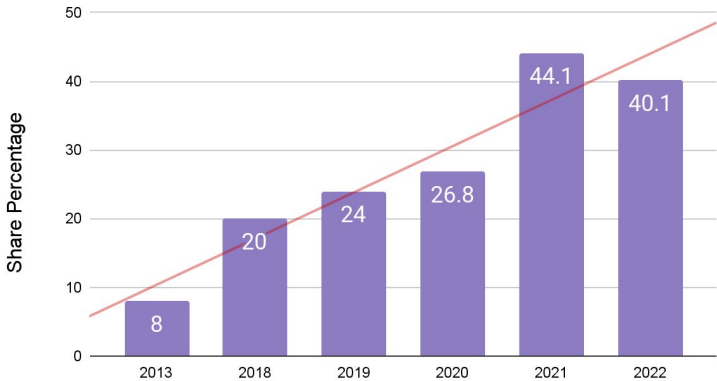
Account Ownership 2022 in Millions



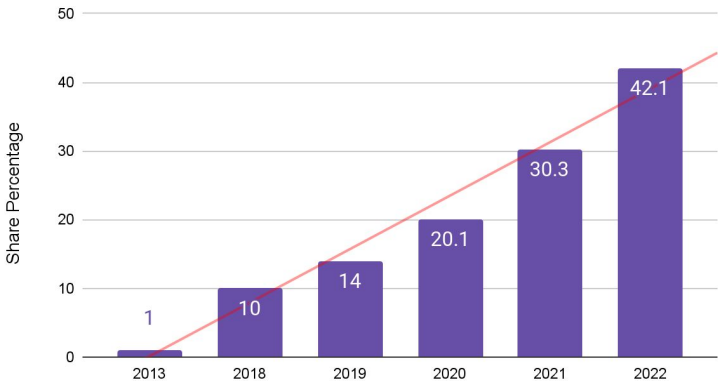
Active E-Money Accounts



Share of Digital Payments by Value (%)



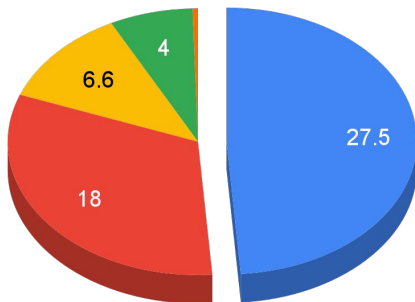
Share of Digital Payments by Volume (%)



E-Money Accounts Outpace Conventional Bank Accounts

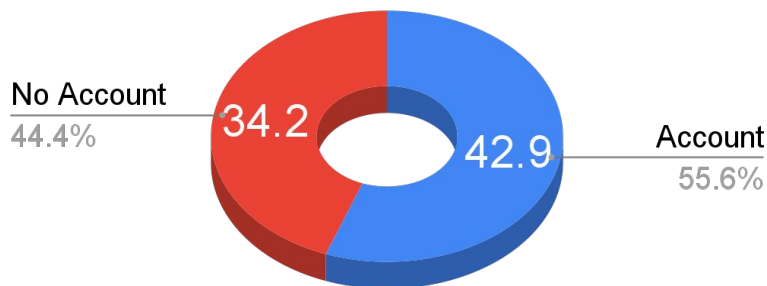
Source: BSP Financial Inclusion Survey 2022

Formal Accounts Owned by Filipinos in Millions

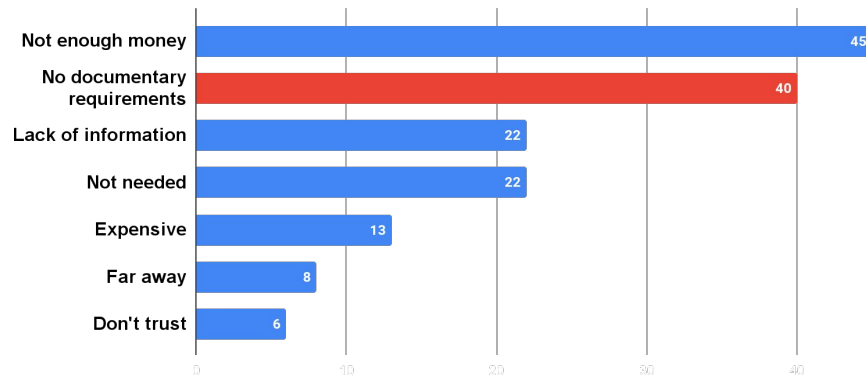


● E-Money Account (48.8%)
 ● Bank Account (31.94%)
 ● Microfinance NGO (11.71%)
 ● Cooperatives (7.1%)
 ● NSSLA (0.45%)

Adult Account Ownership in Millions, 2022



Reasons for not opening an account (Focus Group Discussion)



Responses

- Poor ID accessibility and record keeping still limits the population from accessing bank accounts.
- “No documentary requirements” or “not enough valid forms of ID” are commonly sighted reasons for not having a bank account or formal loan.
- PhilSys - The Philippine Identification System - is an effort to establish a unified, digital national ID, which is sorely needed as a large share of Filipinos are undocumented or under-documented.
 - <https://philsys.gov.ph/>
 - “Republic Act No. 11055, or the Philippine Identification System Act, signed into law by President Rodrigo Roa Duterte on August 6, 2018, aims to establish a single national identification system for all citizens and resident aliens of the Republic of the Philippines.”
- With these basic services still in the process of being implemented, entering the market at this time may enable tech providers to power future development of core financial services as the country moves rapidly towards an age of open banking.

Top 10 Banks and Subsidiaries

	Parent Bank	Common Name	Digital Bank	Thrift Bank	Others (Rural, Microenterprise)
1	Banco de Oro Unibank Inc	BDO			BDO Network Bank
2	Land Bank of the Philippines	Landbank	Overseas Filipino Bank	United Coconut Planters Bank	
3	Bank of the Philippine Islands	BPI	GoTyme Bank	BanKo	
4	Metropolitan Bank and Trust Company	Metrobank		Philippine Savings Bank	
5	China Banking Corporation	Chinabank		China Bank Savings	
6	Rizal Commercial Banking Corporation	RCBC	Diskartech	RCBC Savings Bank	Rizal Microbank
7	Philippine National Bank	PNB			
8	Union Bank of the Philippines	Union Bank	Union Digital	City Savings	Banko Kabayan, Fairbank
9	Development Bank Philippines	DBP			
10	Security Banking Corporation	Security Bank			
11	EastWest Banking Corporation	EastWest	Komo		EastWest Rural Bank

Source: BSP data, individual bank annual reports

- Landbank and DBP are state-run lenders with mandates to serve the agriculture and infrastructure sectors, respectively. The merger of these two into one state bank was approved by President Marcos earlier this year, with the merger expected to occur by the first half of 2024. This will result in the newly formed Landbank being the largest bank in the country.
- More [here](#) and [here](#).

Universal Commercial Banks

Universal Bank Statistics, Q4 2022

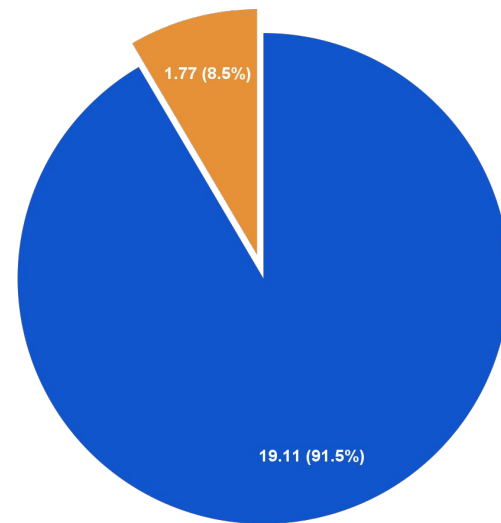
Values in Billions of PhP. *except for ATMs. Branches, Employees

		Total Assets	Net Income	Deposits	Loans	Net Interest Income	ATMS*	Branches*	Employees*
1	BDO	3,922	57.1	3,220	2,643	149.2	4,655	1,148	39,323
2	Land Bank	3,116	30.1	2,777	1,063	78.3	2,513	489	10,340
3	BPI	2,662	39.6	2,097	1,703	85.1	2,080	1,189	18,201
4	Metro Bank	2,616	32.8	2,222	1,418	85.5	2,311	697	17,000
5	China Bank	1,363	19.1	1,066	700	45.6	1,044	640	10,237
6	RCBC	1,192	3.6	857	559	31.2	1,352	462	5,944
7	DBP	1,162	1.2	940	531	20.1	993	143	3,409
8	PNB	1,147	11.5	871	614	37.3	1,720	651	8,318
9	Union Bank	1,092	12.7	711	480	38.9	585	385	8,401
10	Security Bank	842	10.6	606	503	29.2	663	316	7,338

- These big fish are interested in reliable, high volume capable core banking, payments, loan management, and eKYC services.
- Slow to move, slow to trust; contracts will take time to court and close.
- Every bank on the list is in need of an upgrade, lest they continue to get eaten by digital banks and fintechs.
 - Digital payments have skyrocketed to 42% by total volume in 2022
 - E-money accounts comprise 48.8% of all account ownership in the country, eclipsing bank accounts at 31.94%
- Landbank + DBP merger
 - This is part of a larger mandate to improve financial inclusion, coinciding with the eGov superapp, PhilSys ID and other initiatives.
 - Landbank aims to have a presence in every local government unit in the country (1,700 LGUs total), acting as the government's commercial banking arm with touchpoints nationwide.
 - Landbank and DBP combine for a total of **632 branches and 3,506 ATMs nationwide**, the majority of which are centralized around the southern Luzon area, meaning reaching every LGU will require the creation of new "touchpoints."
 - The creation of additional touchpoints and the consolidation of existing ones will put organizational demand on the bank, creating a potential selling point for the client.
 - Establishing branch reach with efficient customer onboarding, eKYC, and loan management will be critical for Landbank.

Total Assets of Top 10 Universal Banks vs Others (Trillion PhP)

● Top Ten
● Others

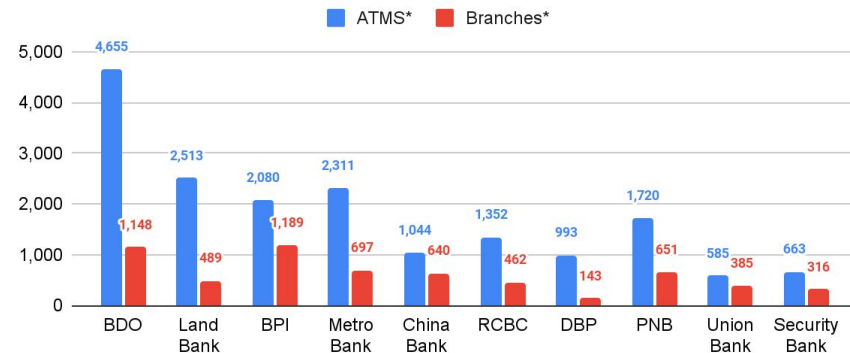
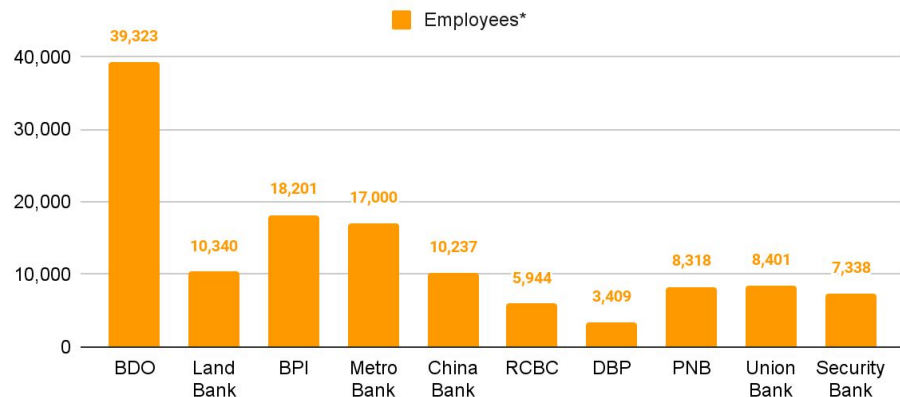
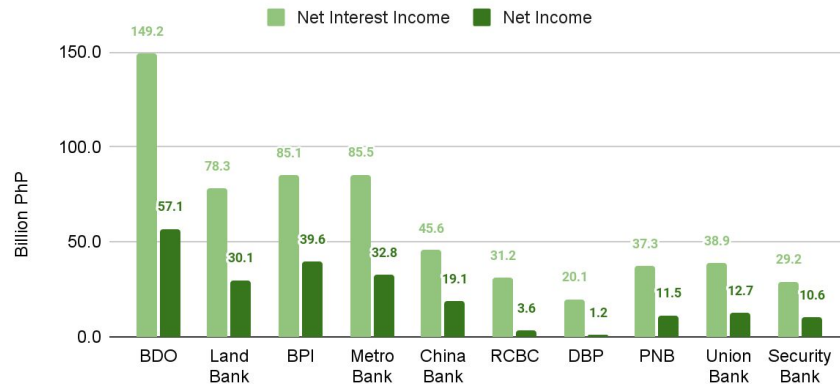
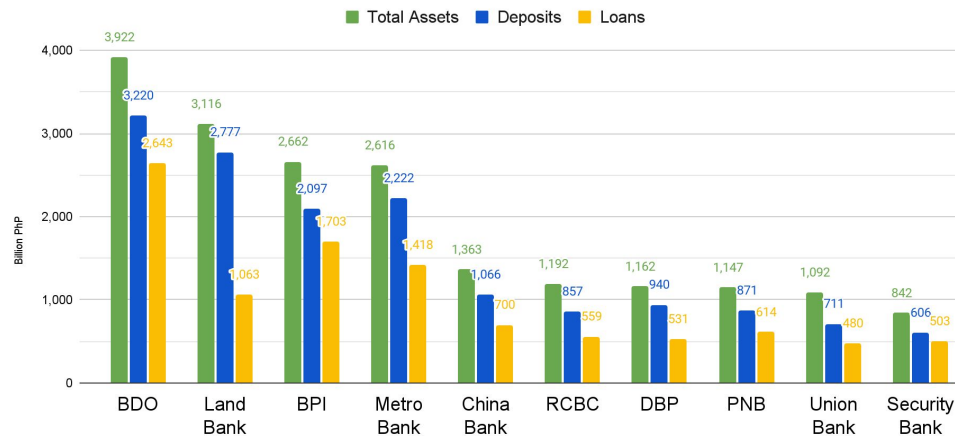


Sources: BSP data, Bankero Magazine Annual Report 2023, individual bank annual reports

Services of Interest

1. eKYC
2. Loan management
3. Alternative credit scoring
4. Default prediction, risk mitigation

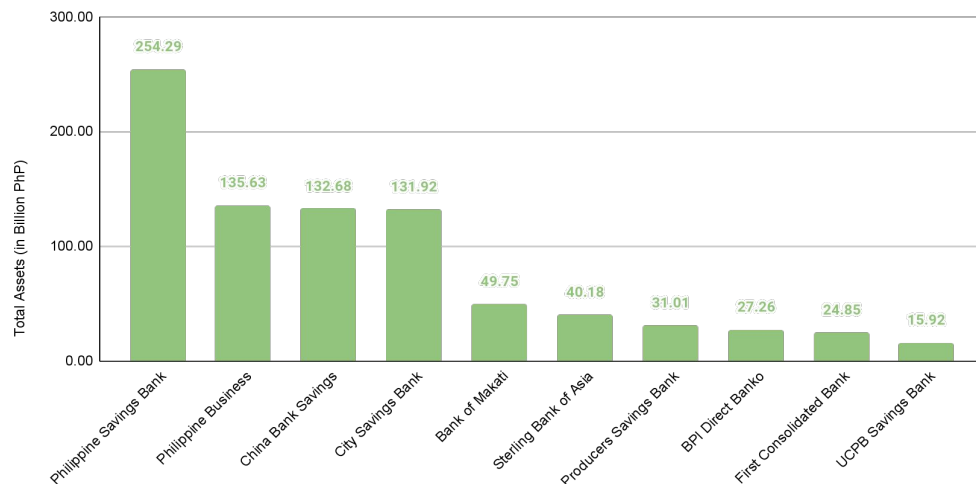
Universal Commercial Banks



Thrift Banks

Rank ▲	Name	Total Assets (Billion PhP)	Total Loans (Billion PhP)	Parent Bank	Parent Rank (Assets)
1	Philippine Savings Bank	254.29	108.91	Metro Bank	4
2	Philippine Business Bank	135.63	103.29		
3	China Bank Savings	132.68	89.08	China Bank	5
4	City Savings Bank	131.92	81.14	Union Bank	9
5	Bank of Makati	49.75	32.86		
6	Sterling Bank of Asia	40.18	30.72		
7	Producers Savings Bank	31.01	21.47		
8	BPI Direct Banko	27.26	15.63	BPI	3
9	First Consolidated Bank	24.85	18.32		
10	UCPB Savings Bank	15.92	11.26	Land Bank	2

Thrift Banks by Total Assets Sources: BSP data, Bankero Magazine Annual Report 2023, individual bank annual reports



- Have substantial loan volumes but are still using outdated loan management systems, if any at all.
- Power the microloans in rural areas, an largely underserved loan market.
- Majority are either arms of Universal banks, OR locally formed independents.
- Lower regulatory requirements than Universal banks (lower capital reserves of 8% compared to 12% of universals - lower cost of business).

Services of Interest

1. **Improved margins:** Thrift banks have high operating margins which the client can reduce by upgrading costly components to digital.
2. **Stripped down / lower price point variant of loan management system.**
3. **Improved branch KYC** (full online account opening is likely not accessible to their clientele due to lack of hardware ie. poor webcams/phone cameras, spotty internet connection, lack of ID necessitating in-person verification.)
4. **IDP**

Rural Banks & Cooperatives

Ranking as to Total Assets

Rural and Cooperative Bank Group
As of 31 March 2023
(Amounts in Million Pesos)

RANK	NAME OF BANK	TOTAL ASSETS
1	BDO NETWORK BANK INC	91,723.13
2	EAST WEST RURAL BANK INC	29,135.28
3	CARD BANK INC (A MF RB)	23,354.07
4	SEABANK PHILIPPINES INC (A RURAL BANK)	13,282.21
5	GUAGUA RURAL BANK INC	7,758.02
6	CEBUANA LHUILLIER RB INC	6,533.75
7	CARD MRI RIZAL BANK INC A MICROFINANCE-ORIENTED RURAL BANK	6,284.61
8	AGRIBUSINESS RURAL BANK INC	4,937.47
9	BOF INC (A RURAL BANK)	4,803.52
10	FIRST ISABELA COOP BANK (FICOBANK)	4,675.18

See full list: [BSP Statistics 2023](#) Source: BSP data

Services of Interest

- Assistance digitally operationalizing a newly acquired Rural Bank license
- IDP, KYC, AML
- Improved management systems beyond Excel
- Loan management system whole or in part, priced for cooperatives

Rural Banks

- Originally formed as “piggy banks” of hacienderos - farm land owners - and as such are not very well run or customer focused.
- Therefore, generally structurally and financially unsound compared to other banks.
- Consequently, many are now for sale; there were once 3,000+, now down to 600 rural banks.
- The Rural Bank licenses are valuable in the digital banking space:
 - Seabank was a rural bank license acquired by e-commerce platform, Shopee.
 - Shopee has leveraged the license to offer lending to vendors on their platform.
 - Other players are employing similar strategies to leverage rural bank licenses to unlock new businesses/products.
 - The rural bank license can be leveraged to offer fintech products in cases like Shopee.
 - Opportunity to serve other such players looking to digitally operationalize a rural bank license.
- The top rural banks are backed or owned by a commercial bank.
- Approaching rural banks and their needs first may be a way in to affiliated commercial banks.

Cooperatives

- Social lending where qualified members borrow against a collective fund pool.
- Safeguards are in place to ensure only members of good standing can borrow.
- Different types of cooperatives exist based around core businesses/ professions: farmers, fishermen, teachers, etc.
- CISP - Cooperative Insurance System of the Philippines.

Microfinance Institutions (MFIs)

- Both MFIs and Cooperatives employ a variation of Grameen system (group lending) - where individuals / small businesses who are otherwise unable to access loans are held accountable by peer screening, enabling the group to access credit as a collective.
- MFIs are looking for affordable, easy-to-use loan management systems to handle their micro loans and predict/prevent default.
- Most MFI's have
 - 100,000-500,000 members
 - Multiple low volume, hi velocity micro loans with revolving durations of 6-10 weeks.
 - Incentives in place to motivate group members to socially pressure potential non-payers.
- Significant MFIs:
 - Card bank, largest MFI
 - Tulay sa Pag-Unlad Inc. (TSPI), 3rd largest - [View](#)
 - “Nanays,” local representatives, act as cash-in points for borrowers to make payments.
 - Collaborated with GCash to enable Nanays to make e-payments, which worked for years.
 - Eventually created its own inhouse e-wallet solution to replace GCash for collections., resulting in improved stability and control over collections.
 - Exemplifies TSPI's adaptability and forward-thinking approach, which is not uncommon among other MFIs.
 - Many have resources to do things on their own, as exemplified by TSPI's ewallet ledger solution.
 - Still slow, but have more capabilities than people think.
 - The Top 10 are hungry for change and collaboration and have a large network of microenterprise borrowers to leverage.

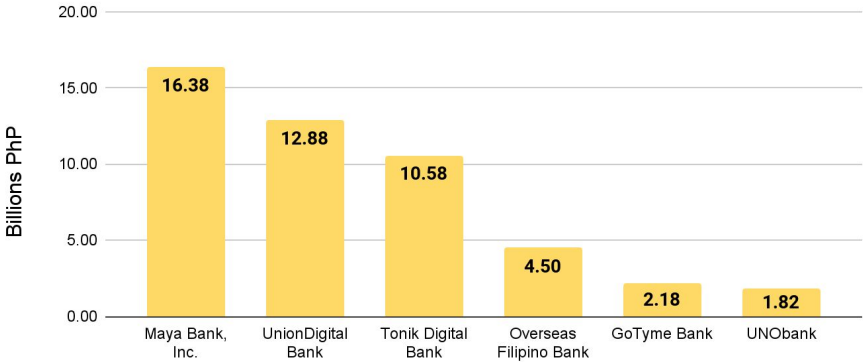
Services of Interest:

- **Loan management system tailored to the needs of group micro lenders**
- **Alternative data credit scoring**
- **Default prevention and prediction**
- **Automated mass SMS capabilities**

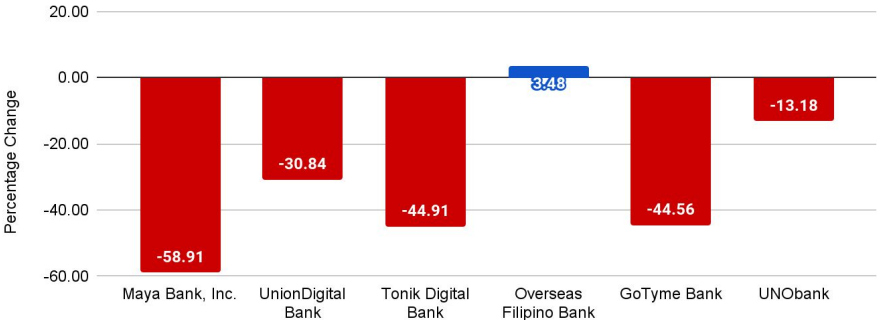
Digital Banks

Sources: Bankero Magazine Annual Report 2023, individual bank press releases

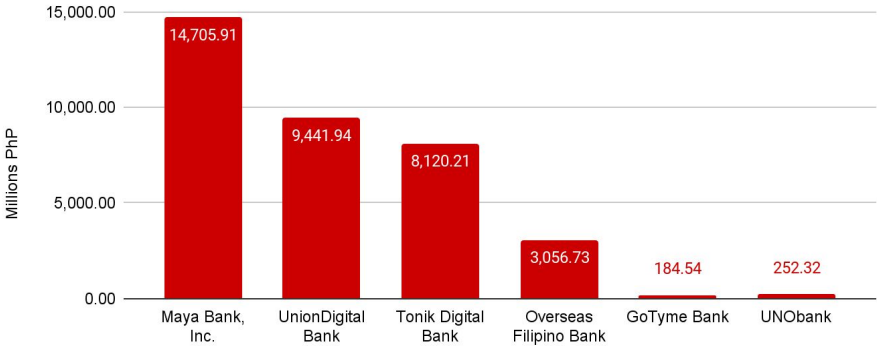
Digital Banks by Total Assets, End December 2022



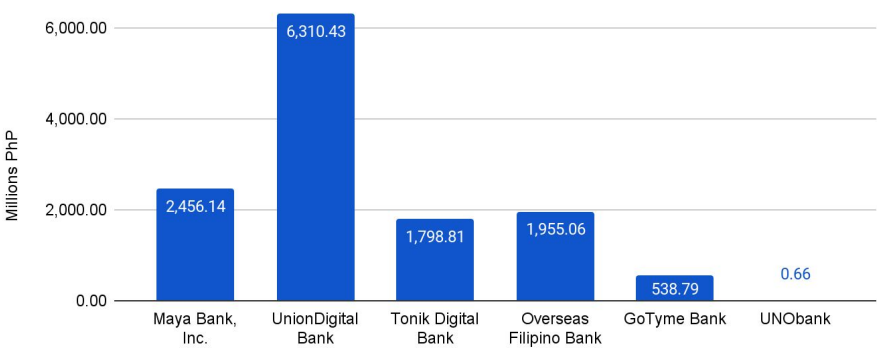
Return on Equity End 2022



Deposits in Millions PhP, End 2022



Loans in Millions PhP, End 2022



Maya

- **2.3 million depositors, P25 billion in deposits as of June 2023.** - [PhilStar](#)
- Owned by Voyager Innovations, a technology company backed by PLDT, one of the country's leading telco companies.
- Maya's access to PLDT data could be a source of potential alternative credit scoring solutions.
- Was previously Paymaya, an electronic money issuer (EMI).
- Maya's network of vendors serves as a loyal base and low-risk opportunity for Maya to introduce a whole suite of additional products, starting with lending.
- This is already unfolding with Maya Bank, Maya Center, and Maya Business comprising an all-in-one digital bank super app that aims to cover all digital money services for B2C and B2B banking.
 - Maya Bank focuses on retail banking.
 - Maya Business is the MSME banking product that features payment channels, tracking, and settlement.
 - Maya Center focuses on remittances and cash delivery.
 - Users can send or receive cash OTC at "Maya Centers" - sari-sari stores, convenience stores.
 - No ID is needed for amounts up to Php 5,000, only a name, phone number, and physical photo taken at the time of transaction.
- Currently the leader in digital retail banking based on usage. Its QR based digital payment feature is widely accepted by retailers for its ease of use and is often interchangeable with GCash, the country's leading digital payment channel.
- Maya's services are still heavily focused on e-wallet and digital payments, though they have started to offer high yield savings. Loans, insurance, and other services are on the horizon.

Tonik

- **1 million customers as of Q3 2023.** - [Tonik](#)
- **Insurance / insuretech** bid via partnership with Sun Life Grepa insurance company to offer its customers *Payhinga*, a credit life and disability insurance product. - [Finovate](#)
- Singaporean-owned fully-digital bank that was built specifically to address the underbanked population in the Philippines.
- Tonik began with a rural banking license in 2019 and launched its mobile app in 2020 - the first branchless all-digital bank in the region.
- Tonik's niche is focused on becoming the superior digital alternative to the rural banking system, offering accessible banking/fintech products to lower segments.

UnionDigital Bank

- **P13 billion in loans as of May 2023**
- **P20 billion in deposits as of May 2023** - [PhilStar](#)
- Owned by UnionBank of the Philippines under the Aboitiz Group, a 100 year old conglomerate with business in power, food, infrastructure, financial services, data science and AI.
- Primarily serves corporate partners and high network clients within the Aboitiz Group network.
- The Aboitiz Group is interested in maximizing cross-pollination across their businesses and has in fact began rebranding itself as a "techglomerate." Aboitiz Data Innovation (ADI) is intended to lead this initiative and oversee the operationalization of data throughout the group's businesses, however they are still in the early stages. While ADI has data scientists and the theoretical capability to build solutions themselves, they have yet to build and productize an actual solution. The client's services may help accelerate the process.

GoTyme Bank

- **1.4 million customers, 370 kiosks, 900 branch ambassadors** - [ManilaBulletin](#)
- Owned by the Gokongwei Business Group (JG Summit Group), one of the largest conglomerates in the country with business in air transportation, real estate, manufacturing, utilities, and others.
- App-based account opening is supported by optional in-person assistance at kiosks in malls and locations within the Gokongwei network.
- GoTyme's go to market strategy benefits from the vast pre-existing network of its parent group.
- When approaching bank subsidiaries of these larger national conglomerates, many of these have latent value within their umbrella of businesses that have yet to be unlocked. Harnessing data from financial services in synergy with data from other businesses belonging to the parent group will offer both the banks and their parent groups value.

Overseas Filipino Bank

- Previously Philippines Postal Savings Bank since 1906, it was acquired by Land Bank of the Philippines and relaunched as OFBank in 2020.
- Focuses mainly on remittances.
- Government owned and operated, OFBank will focus on the lowest hanging fruit first and the basic needs of the majority of underbanked/unbanked Filipinos - namely, remittances and cash delivery services.
- While they may eventually tackle loans, it is unlikely that they have the data capabilities or expertise to lead in this area.
- Approach OFBank with an emphasis on payments and remittances.

UNO Bank

- Owned by UNOASIA PTE LTD, based out of Singapore.
- Founders Manish Bhai, former MD Citigroup, and Kalidas Ghose, FE Credit VC and former Citigroup, have strong backgrounds and deep experience in lending.
- UNO Bank will undoubtedly seek to take advantage of the capabilities of the digital bank license to tackle the growing personal loan market of the Philippines.
- Recently partnered with GCash to improve money services and AML on the GCash app.