



PhilEXIM
PHILIPPINE EXPORT-IMPORT CREDIT AGENCY

Briefer on the Rationale of CY 2017 Targets

- **Status of Implementation of Major Programs/Projects in 2016**

Background:

The Board approved on September 24, 2014 the Strategic Framework for 2014-2017 which will be the cornerstone of the implementation of PhilEXIM's business plans for the succeeding years. For the 2016 business plan, the objective and focus is to transform PhilEXIM as a self-sufficient, profitable, socially-responsible and professionally-run developmental institution. Along these pursuits, it must also remain relevant.

Strategic Framework:

1. Stabilize the business with sufficient capacity
2. Create a responsive and sustainable organization
3. Achieve socio-economic relevance

Results of Operations:

Management requested for two vital initiatives – the immediate capital infusion of the 4.5 billion subscription receivable due from the National Government (NG), and the increase of PhilEXIM's authorized capital stock of Php 10.0 billion to Php 30.0 billion. Both requests bear the endorsements from the DOF and the GCG to the Office of the President (OP). The request remains pending with OP.

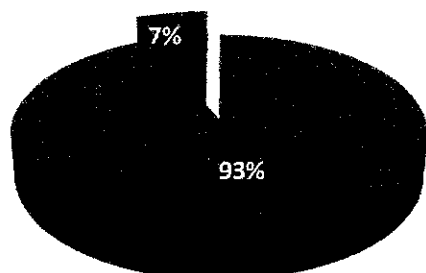
Should the infusion be given, the said additional capital will increase the Agency's capacity to meet the substantial financial requirements of the country's priority and strategic projects, to include the SMEs, with focus on medium enterprises more importantly, for PhilEXIM to be at par with its counterparts in the region in terms of balance sheet.

Over the last 20 months or less than 2 years the Management has not only performed the role of a collective chief executive, but has managed self-governing to keep the institution standing, and more importantly, continued to struggle in its articulation of bringing PhilEXIM into a better position.,

PhilEXIM's Credit Portfolio:

The credit portfolio of the Agency totaled 9.68 Billion as of December 31, 2016 broken down as follows:

- **Program allocation**

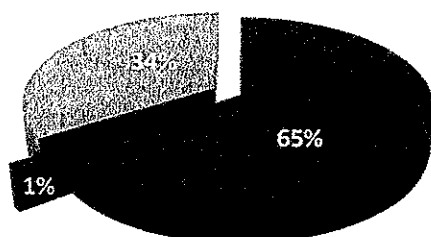


Sector	Amount	% Share
Guarantees	9,045,514,430.62	93%
Direct Lending	636,603,175.37	7%
Total	9,682,117,605.99	100%

■ Guarantees

The biggest part of the credit portfolio was in Guarantee Program amounting to Php 9.046 Billion or 93% of the total portfolio. This is a result of the shift in business concentration which is guarantee, led by large accounts thereby leaving the Direct Lending Program with Php 637 Million in exposure which is equivalent to 7% of the total portfolio.

- **Industry Sector**



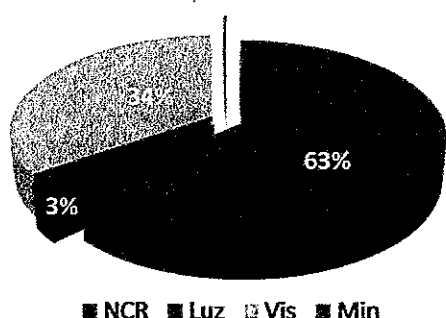
Sector	Amount	% Share
Industry	6,290,324,983.81	65%
Services	95,253,590.08	1%
Agriculture	3,296,539,032.10	34%
Total	9,682,117,605.99	100%

■ Industry ■ Services

The majority of the Agency's credit portfolio went to Industry sector which is comprised of the supply and processing-intensive industries such as manufacturing, power, infrastructure, transportation and utilities at 65%. The Agriculture sector is the second largest driver with projects involving agri-business and agricultural modernization for a total of 34%. The Services sector on the hand dropped down to 1%.

Industry-wise the bulk of the total portfolio went to Infrastructure at 62%, followed by Agriculture at 34%, Manufacturing and Utilities at 1% each, and other industries such as Manpower, IT and Tourism with a cumulative total of 2%.

▪ **Regional Access to Financing**



Sector	Amount	% Share
NCR	6,075,967,458.38	63%
Luzon	242,840,410.56	3%
Visayas	3,336,233,429.89	34%
Mindanao	27,076,307.16	0%
Total	9,682,117,605.99	100%

Noteworthy to mention is the extent of PhilEXIM services in terms of regional access to financing which shows that 63% of the total credit portfolio is in the NCR followed by Visayas at 34%. Incidentally, these two areas were identified by the government as priority areas for possible access to financing under the Philippine Development Plan for 2011-2016. On the other hand, Luzon got a share of 3%, and Mindanao with less than 1%.

Economic Contributions

In terms of support that will redound towards performing a catalytic role and make a positive development impact, PhilEXIM-assisted firms under its Guarantee and Direct Lending Programs generated the following:

Particulars	Actual
Manpower Generation*	146,594
Export Revenues*	\$21.86
<i>(In Million US\$)</i>	
Number Firms Serviced*	1,669

**from developmental report of the revenue generating units of the Agency*

• **Financial Results:**

As of end-December 2016, PhilEXIM generated total revenues of Php 171.8 Million, dominated by core business amounting to Php 123.4 Million or 72% of the total income. Based on core income budget of Php 112 Million, current year performance rose by 10%. However, due to bad debts expense, owing to the Philphos account, a net loss of Php 265 Million was registered as of year-end.

Total expenses on the other hand, registered a total of Php 194.89 Million, 23% lower than its Php 252.84 Million budget.

Even on limited capacity, the institution continues to undertake its role albeit already constrained by increasing burden placed on the balance sheet, a profitability shaken by the loss provisioning item, and capital position that is further dissipated by the losses incurred.

- **2017 Business Plan and Corporate Operating Budget**

Objectives of the 2017 Business Plan

Internal Objectives:

1. Strengthen the Balance Sheet
 - a) Embark on capital infusion efforts
 - Build on P500-Million equity in 2017
 - Program 2018 infusion of P4.0 B and P500 M every year until 2021
 - b) Pursue Asset Recovery Program
 - Sale of WGI credit interest
 - Work on Philphos rehabilitation
 - Secure deals to reduce non-earning (remedial) portfolio
2. Improve Organizational Capability
 - a) Reorganize to create advantage in line with market objective
 - Re-balance to achieve clarity and interoperability of roles
 - Resolve gridlocks to institute better service delivery and processes
 - Improve on compliance, risk management
 - b) Acquire and retain talent and skill thru:
 - Revised QS and Competency Framework
 - Competitive compensation and rewards (CPCS)
 - Re-tooling and upskilling opportunities (Professional Development)
 - Re-Balanced performance management system (SPMS)
3. Review of business model with GCG as part of institutional strengthening
 - a) 2016 proposal of Management to GCG to look into PhilEXIM as Lead Agency for Guarantee Finance
 - b) In line with study of DOF to consolidate guarantee functions of the government, merged into one institution
4. Re-brand the Organization
 - a) Strengthen role as Economic Enabler for industries

Market Objective:

Pursue development role and participation as the country's sovereign guarantor for strategic/economic sectors

- **Key Drivers of the 2017 Business Plan**

1. Mandate in relation to the Duterte Administration's economic priorities
 - a) IPPs/Priority Sectors under PDP 2017-2022
 - Regional and Countryside development focus on Infrastructure, Tourism, Energy, Agri-modernization, Manufacturing, supply chain/logistics

- b) Contributions to ASEAN integration via :
 - Encouraging entry of foreign investments (China, Russia)
 - EXIM/ECA collaborations (China)
- 2. BSP Regulations – use of guarantees (SBL), mandatory lending to sectors (agri, SMEs); Capital adequacy requirements
- 3. Balance Sheet
 - a) P10 billion authorized capita; P4.5 billion paid-up capital
 - b) P5 billion deficit
- 4. Current Operating Resources
 - a) 87 personnel as of March 31, 2017
 - b) Continuous re-tooling of skilled senior management, middle management and staff
 - c) Potential hires following ERIP of personnel (30%) after GCG-approved plans on reorganization and compensation

Portfolio Target from 2017 - 2021

Program	2017	2018	2019	2020	2021
Equity Infusion	0.500B	4.0B	0.500B	0.500B	0.500B
SME Guarantees	336	386	686	986	1,286
Large Guarantees	9,664	11,614	24,314	39,014	53,714
Direct Lending	250	250	250	250	250
TOTAL	10,250	12,250	25,250	40,250	55,250
Growth	6%	20%	106%	59%	37%

Development Impact Target from 2017 - 2021

Guarantees	10B	12B	25B	40B	55B
Employment	13,840	16,540	34,093	54,346	74,599
Export Sales (US\$ M)	217	259	534	851	1,169
Direct Firms Assisted	43	52	107	170	233