

PHILIPPINE GUARANTEE CORPORATION

2021 HIGHLIGHTS OF ACCOMPLISHMENTS

PHILGUARANTEE remains steadfast to its envisioned key assistance role in priming economic sectors of housing, agriculture and MSMEs, riding on the momentum of a successful merger that took effect in 2019.

Following the “New Normal” paradigm, PHILGUARANTEE’s Strategic Direction follows the adoption of its four Strategic Pillars (4Ps) approach, serving as its cornerstone towards achieving the Corporation’s objectives and programs from 2020 to present.



I. Portfolio Management

2021 Plans	Status as of 12/31/2021
<p>1. EXPAND credit guarantee support to key sectors of the economy through partner banks/FIs</p> <ul style="list-style-type: none"> • Housing Sector: socialized, low cost, medium and open housing units • Micro, Small and Medium Enterprises (MSMEs) • Priority Sectors – Large Enterprises • Agriculture (AGFP) - small farmers and fisherfolk • Electric Cooperative Partial Credit Guarantee Program (ECPCG) 	<p>SUBSTANTIALLY ACHIEVED</p> <ul style="list-style-type: none"> - Outstanding guarantee portfolio increased by 1.8% to P179 Billion; number of borrowers up by 0.6% to 139,709. - Gross cumulative loans guaranteed increased by 709% to Php 2.83 billion; outstanding loans guaranteed increased by 180% to Php 505 million; number of borrowers increased by 580% to 17,509 - Guarantee portfolio declined by 37% to Php 3.33 billion due to settlement of WGI's subrogated receivables of Php 2.22 billion and shift of focus to MSMEs; under process as of January 2022 are 8 guarantee applications with total loan amount of Php 1.68 billion. - Outstanding guarantee portfolio increased by 162% to Php 1.51 billion; number of borrowers/beneficiaries slightly down by 6.2% to 45,051 - Outstanding guarantee portfolio declined by 37% to Php 320.06 million due to full settlement of 2 accounts, out of 16 borrowers; applications from 4 borrowers with total loans Php 640 million under process.

<ul style="list-style-type: none"> Abot-Kaya Pabahay Fund (AKPF) 	<ul style="list-style-type: none"> Outstanding guarantee portfolio increased by 5.2% to Php 50.01 billion; number of borrowers slightly dropped by 0.20% to 56,010
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Guarantee Portfolio

Outstanding Portfolio	Targets (Guarantee Volume)	Actual Jan.-Dec. 2021	Accomplishment Actual vs. Target	Guarantee Income	Market Participation (Financial Institution/Partners)
Housing	P146.29 Bn	P178.90 Bn	122.29%	P1.583 Bn	62 FIs
Priority Sectors/ MSMEs	P4.0 Bn	P2.48 Bn	62.00%	P6.03 Mn	16 AFIs
Agriculture	P3.68 Bn	P5.57 Bn	151.54%	P48.197 Mn	50 PLIs

2021	Status as of 12/31/2021
<p>2. STRENGTHEN Risk Management implementation.</p> <ul style="list-style-type: none"> Continue efforts to strengthen the Enterprise Risk Management Framework Review Credit Risk Rating/Scoring models/credit evaluation, risk-based pricing Reviewed Credit Policy Memoranda (CPMs) <ul style="list-style-type: none"> Adopt BSP-compliant credit guarantee policies Manage credit and operational risk 	<p>ACHIEVED</p> <ul style="list-style-type: none"> Approved Credit Policies and Procedures <ul style="list-style-type: none"> Credit Scoring Models for MSMEs Internal Credit Risk Rating System Credit Guarantee Portfolio Risk Management and Classification System Guidelines/Revised Guidelines in the Computation of Expected Credit Losses Credit Guarantee Approval Limits and Signing Authority Reportorial Requirements Revised ROC Charter Risk Based Pricing System (for MLEs) General Policies in Writing Off Problem Credits Capital Adequacy Ratio and Maximum Leverage Ratio Enterprise Risk Governance Framework Market Risk Management Manual Liquidity Risk Management Manual In Process: <ul style="list-style-type: none"> Credit Risk Management Manual (January 2022) Business Continuity Management System (1st quarter 2022) Information Technology Security Risk Management Manual (1st quarter 2022) <p>- Issued credit policies aligned/compliant with latest issuances/regulations of the BSP and Manual of Regulations for Non-Bank Financial Institutions (MORNBI)</p>

<ul style="list-style-type: none"> • Set up an Operational Risk Management Framework and Risk Control Self-Assessment (RCSA) 	<ul style="list-style-type: none"> - Implemented the Operational Risk Management Framework (ORMF) and Risk Control Self-Assessment (RCSA)
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II. Portfolio Management

2021	Status as of 12/31/2021
<p>CONTINUE implementation of process improvements/initiatives and projects</p> <ul style="list-style-type: none"> • Digital transformation of operating systems, IT Modernization • Debt Management and Financial Analysis System (DMFAS) • Loan Guarantee Management System 	<p>PARTIALLY ACHIEVED</p> <ul style="list-style-type: none"> - Updated ISSP 2022-2024 approved by the Board on December 21; for submission to the DICT - On-going IT Modernization study/project with Consultant from Navarro Amper and Co./ Deloitte Philippines. Along with the project is the conduct of capacity building activities on IT. - Ongoing review of the proposed Loan Guarantee Management Systems
<p>4. PURSUE Good Governance initiatives/compliance</p> <ul style="list-style-type: none"> • Secure ongoing ISO certification • Consistent compliance to AMLA, data privacy, BSP rules, credit reporting, ARTA, GAD, GCG, user-friendly AMLA Manual • Continued efforts to ensure delivery of effective and efficient service 	<p>ACHIEVED</p> <ul style="list-style-type: none"> - ISO 9001 and 27001 Certificates conferred to PHILGUARANTEE by TUV Rheinland in Q3 2021 - Complied with the requirements of AMLC., GCG, COA, BSP, Inter-Agency Task Force on the Harmonization of National Government Performance Monitoring, Information, and Reporting System (IATF AO25), and others. - Secured from GCG B Classification as GOCC for PHILGUARANTEE, thus better enhancing the Corporation's standing. - Completed the Customer Satisfaction Survey (84% Satisfaction Rating) - Obtained Board and GCG approval of the 2021 Performance Evaluation System (PES) - Implemented the Strategic Performance Management System in compliance with CSC MC No. 6, s. 2012

<p>5. CONTINUE OBSERVING regulations covering procurement and utilization of corporate operating budget to minimize/eliminate delayed reports and COA audits/disallowances</p>	<p>ACHIEVED</p> <ul style="list-style-type: none"> - Complied with COA requirements on the following <ul style="list-style-type: none"> o Agency Action Plan and Status of Implementation for CY 2020 o Agency Audit Requirements for CY 2021; and o Internal Controls Checklist required by COA
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III. People Development

2021 Plans	Status as of 12/31/2021
<p>5. Responsible and Digitally enabled Organization</p> <ul style="list-style-type: none"> • Organizational Re-alignments based on Business Direction • Succession Plan Management • Employee Rewards and Recognition Program • Develop Organizational and Human Capital Capabilities 	<p>ACHIEVED</p> <p>Achieved total manpower complement: 83% of plantilla positions (206 out of 248) authorized to be filled-up by the GCG.</p> <p>Obtained Board approval of realignments of units (ongoing coordination with the GCG):</p> <p><i>Part 1: HGG, SAMARG, BOG, and FAD</i> <i>Part 2: LSG, CSG, OCS, and IAO</i></p> <ul style="list-style-type: none"> - Competency Model for PHILGUARANTEE approved by the Board with the following: <ol style="list-style-type: none"> 1. Competency Catalogue 2. Competency Tables 3. Competency Matrix 4. Position Profiles 5. Competency-Based Job Description - Finalized PHILGUARANTEE Merit election Plan and Succession Plan - Corporation is one of 58 GOCCs compliant on CPCS requirements prior to implementation of the IRR-EO 150, s. 2021. - Reconstituted the new PHILGUARANTEE HRMPSB and provided them an orientation on recruitment and selection policies and processes - Orientated /On-boarded a total of forty five (45) new hires. - Organized In-House and external trainings in the areas of governance, competency, change management, ISO, ICT, among others.

IV. Positive Returns

2021 Plans	Status as of 12/31/2021
<p>6. SUSTAIN positive returns from key business generation activities</p> <ul style="list-style-type: none"> Guaranty fees/premiums 	<p>ACHIEVED</p> <ul style="list-style-type: none"> Priority sectors / MSMEs earned Php6.07 Million of guarantee fees
<ul style="list-style-type: none"> Application/service/commitment fees Gain on sale/rental/JV of foreclosed real estate assets 	<ul style="list-style-type: none"> Housing generated Php1.58 Billion of guarantee premium Agriculture registered a total guarantee fee of Php48.20 Million Income from sale of ROPAS amounted to Php29.8 million Comprehensive income increased by 111% to Php1.131 billion vs 2020's Php 536.97 million; 426% vs 2019's Php265.41 million; 414% vs 2015's Php273.1million

GUARANTEE PORTFOLIO AND INCOME

As of and for the year ended 31 December 2021

(Tentative)

(In Million Pesos)

Program	Portfolio	Income		Increase/(Decrease)	
		2021	2020	Amount	%
Housing	178,900.01	1,584.01	1,628.82	-44.81	-2.75%
MSME*	499.43	5.84	0.01	5.83	58300.00%
AGFP	1,215.92	48.32	16.8	31.52	187.62%
Total	180,615.36	1,638.17	1,645.63	7.46	-0.45%

* Cash approach of income recognition

2021 Plans	Status as of 12/31/2021
<p>7. RESOLVE and DISPOSE big-ticket non-performing/investment assets</p> <p>1. Old Bilibid Compound/Central Market Fabella Hospital located in the City of Manila</p> <ul style="list-style-type: none"> Book Value Php 1.16 billion Appraised Value Php 8.76 billion FVLCD Php 3.65 billion Potential Net Gain Php 2.49 billion 	<p>PARTIALLY ACHIEVED</p> <ul style="list-style-type: none"> Offered to the City of Manila Government c/o Mayor Isko Moreno

<p>2. National Government Center located in Commonwealth Enterprise Zone, Quezon City</p> <p>Book Value Php 1.36 Bn Appraised Value Php 8.89 Bn FVLCD Php 5.59 Bn Potential Net Gain Php 4.23 Bn</p>	<p>- Offered to the Quezon City Government c/o Mayor Joy Belmonte</p>
<p>3. Hulo Bliss located in Mandaluyong City</p> <p>Book Value Php 19 Thousand Appraised Value Php 820.77 Mn FVLCD Php 634.19 Mn Potential Net Gain Php 615.11 Mn</p>	<p>- Offered to the Mandaluyong City Government c/o Mayor Menchie Abalos</p>
<p>8. CONTINUE cooperation/partnerships with local and regional ASEAN counterpart credit guarantee institutions and export credit agencies - AEBF, ADFIAP, WB, ADB, ACSIC and USAID</p>	<p>ACHIEVED</p> <ul style="list-style-type: none"> - Participated in online training programs and annual meeting/forums of members of AEBF, ADFIAP and ACSIC; - As arranged by WB, held online meeting with Korea Credit Guarantee Fund for exchange of information on best practices in managing risks in the credit guarantee business - Served as resource person in the event organized by USAID Philippines “Derisking Instruments for Green Energy Projects”

MAJOR BUSINESS DEVELOPMENTS

→ Priority Sectors/MSMEs



- Extension of the MSME Credit Guarantee Program availability period until December 31, 2021, as continued working capital support to micro and small enterprises affected by COVID-19.
- Availability of the SME Credit Guarantee Facility for small and medium business growth opportunities (loan requirement of less than P50 Mn).
- PHILGUARANTEE signs MOU with Philippine Constructors Association (PCA) with 1,500 members via virtual ceremony.

- Availability of the Medium and Large Enterprises (MLE) Credit Guarantee Facility in response to the provision of Bayanihan Law II to support such entrepreneurs, covering loan requirements above P50 Mn – P300 Mn.
- Availability of the Credit Surety Fund in partnership with LGUs and Cooperatives. PHILGUARANTEE to invest equity to guarantee cooperative loans (commitments under IGLF).



- PANDEMIC RESPONSE: PHILGUARANTEE granted P2.70 billion worth of loans to 19,043 MSMEs and extended P40.64 billion worth of credit guarantee lines to 45 banks across the country to encourage them to continue lending to small businesses affected by the pandemic.

→ Housing



- Availability of the Socialized and Low-Cost Housing Guarantee Program, inclusive of a proposed restructured housing loans of up to two years grace period on principal and maximum term of 25 years.
- PANDEMIC RESPONSE: A total of P10.56 billion loans were guaranteed, with 6,912 housing borrowers benefitting nationwide for the period October 1, 2020, to October 15, 2021.

→ Agriculture

- Effective engagement with BSP on Agri-Agra penalties, resulting in transfer of P1.325 Bn in funds
- Reduction of the rate of guarantee fee from 1% to 0.5% and the increase of the guarantee coverage from 85% to 90% of the loan amount, and applied to loans granted to palay farmers
- The zero-risk weighting provision has been afforded to PLIs accordance with BSP Circular 1084, Series 2020.



→ Support Groups

- Website Enhancements/Updating - includes updating of information in the Integrated Corporate Reporting System web portal of the GCG, maintaining updated information of Agency's corporate governance seal and transparency seal on its website, posting of PHILGUARANTEE news articles, updating of the different Guarantee Programs, updating of Helpdesks/Inquiry page and Management Contact Information.



- Approval of Php 5 billion fund as additional capital/equity under the Bayanihan Act 2 (RA 11494) on January 14, 2021. The said fund was released to PHILGUARANTEE on February 17, 2021 in coordination with the DBM and BTr.

- Completed the Customer Satisfaction Survey (CSS) for 2021, giving the Agency an overall customer satisfaction rating of 84% positive rating (satisfactory). It aims to look into the quality of services provided by PHILGUARANTEE officers and employees to its clients particularly, the guarantee program.



- Full implementation and on-going documentation of the Board-approved G-Cash Facility and accreditation with Bayad Center, respectively, as few of the Digital Payment Platforms.



- Completed the following in relation to risk management: CPM on Risk-Based Pricing System and Revised Guidelines in the Computation of Expected Credit Losses (ECL) Model for MSME, Housing, Abot-Kaya Pabahay Fund (AKPF) and AGFP; Credit Risk Framework and Policy on Write-off are for Risk Oversight Committee (ROC) presentation and for Board confirmation.



- On December 21, 2021, the PHILGUARANTEE Board of Directors approved the Information Systems Strategic Plan (ISSP) of PHILGUARANTEE for 2022-2024. It is the on-going ICT Modernization project with Consultant from Navarro Amper and Co./Deloitte Philippines. Along with the project is the capacity building activities on ICT.

- Records Disposition Plan under review and final approval of the National Archives of the Philippines (NAP) based on the Deliberation conducted between NAP's RMEC and PHILGUARANTEE RMIC last October 22, 2021.



- Completed and passed the second Surveillance Audit for PHILGUARANTEE conducted by TUV Rheinland under ISO 9001:2015 and ISO/ IEC 27001:2013 last July

29, 2021. TUV recommended Maintenance of existing Certification

- On December 21, 2021, the PHILGUARANTEE Board of Directors, approved the Development/ Establishment of PHILGUARANTEE's Competency Framework.
- With the completion and implementation of the Competency Framework in 2021, it is expected that the PHILGUARANTEE will have a unified competency program that aims to enhance and strengthen human resource capability and constant nurturing of skills and abilities.



→ Gender and Development

Continuous upholding of the national policies on GAD through the provision of gender responsive program such as:



- Reconstitution of the PHILGUARANTEE Gender And Development Focal Point System (GFPS) on Sept. 21, 2020 per Office Order No. 2020-040.
- Support to the 2021 National Women's Month Celebration for the whole month of March 2021. thru the display of streamers to both offices and posting in the agency website; wearing of Purple T-shirts, purple face masks; joining in the "Purple Your Icon for the whole month of March 2021" by decorating both PHILGUARANTEE offices.
- Attendance to GAD-related on-line trainings/webinars/fora/film showings and other activities conducted by the Department of Finance (DOF), the Philippine Commission on Women (PCW) and other government agencies and private entities.
- Creation and Enhancement of GAD page in PHILGURANTEE's official website, showing efforts of all PHILGUARANTEE units/departments/groups and advocate for the integration of GAD perspective in all the corporation's systems and processes.
- Compliance to Section 36 of Republic Act No. 9710 or the Magna Carta of Women (MCW), PCW-NEDA-DBM JC 2012-01, PCW MC 2018-04, PHILGUARANTEE's GAD Plans and Budgets (GPB) for CY 2021 was submitted to PCW thru its GMMS.
- A PHILGUARANTEE-wide support to the 18-Day Campaign to end Violence Against Women (VAW) was conducted for the period Nov. 25 – Dec. 12, 2021 thru the display of Banners to both offices and posting in the agency website; wearing of Orange T-shirts, orange face masks; joining in the "Orange Your Icon for 18 Days" by decorating both PHILGUARANTEE offices.