

Host Country	The Philippines
Name of Guaranteed Party	Bank of the Philippine Islands
Project Description	A loan portfolio guaranty to support lending to small and medium enterprises (“SMEs”) outside Metropolitan Manila with a prioritization for agribusinesses.
Proposed DFC Loan/Guaranty	\$75,000,000 maximum DFC liability. 8-year coverage period.
All-Source Funding Total	\$150,000,000
Policy Review	
Developmental Objectives	SMEs, especially those working in the agricultural sector in the Philippines, face substantial challenges in accessing credit from commercial banks. The Government of the Philippines, through a central bank mandate, has sought to increase agribusiness lending by directing commercial banks to set aside 25% of total loanable funds for agriculture to address the \$6.3 billion financing gap in this sector. However, many local financial institutions have difficulty in meeting these agribusiness targets, particularly given the sector’s weak information infrastructure and lending institutions’ limited risk appetites. In addressing these challenges, the Project is expected to have a positive impact in the Philippines by expanding SME lending to enterprises outside of Metropolitan Manila, with a particular focus on agricultural SMEs. Given the Project characteristics, the Project is categorized as Highly Impactful per DFC’s Impact Quotient.

Environment and Social Assessment

The Project has been reviewed against the DFC's 2024 Environmental and Social Policies and Procedures manual ("ESPP") and has been determined to be categorically eligible. DFC LPGs to financial institutions for the expansion of lending to SMEs are screened as a Financial Intermediary C (FI-C) for environmental and social assessment. These downstream investments are expected to result in minimal adverse environmental and social impacts. Therefore, all those downstream investments have been pre-screened as low risk and further review and consent is not required for these investments.

To ensure that the Guaranteed Party's loans are consistent with the DFC's statutory and policy requirements, the DFC LPG will be subject to conditions regarding the use of proceeds. The primary environmental and social issues identified in this transaction relate to the need for an Environmental and Social Policy ("ESP") that meets the 2012 IFC Performance Standards.

Under the DFC's ESPP, the Guaranteed Party is required to comply with applicable local and national laws and regulations related to environmental and social performance and applicable provisions of the 2012 International Finance Corporation's Performance Standard ("PS") 1 and 2. A desk-review based due diligence assessment indicates that because the Project will use DFC support for an LPG to a financial institution for lending to SMEs outside of Metropolitan Manila with 25% of lending going to agribusiness in the Philippines, significant adverse impacts concerning community health and safety, biodiversity, land acquisition and resettlement, indigenous peoples, and cultural heritage are not anticipated; therefore, PS 3, 4, 5, 6, 7, and 8 are not triggered at this time.

The Guaranteed Party does have an environmental and social policy as described in IFC PS 1, grievance mechanisms, and human resources policies generally commensurate with its investment strategy. However, to the extent the Guaranteed Party's policies do not align with DFC's 2024 Environmental and Social Policy and Procedures, the Guaranteed Party will be required to provide updates to its human resources policies and its Environmental and Social Policy to align with DFC's 2024 Environmental and Social Policy and Procedures.