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# MANILA BULLETIN

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## Veterans Bank gets ₱1-B LGUGC guarantee line

The LGU Guarantee Corporation (LGUGC) recently granted Philippine Veterans Bank a ₱1-billion Automatic Guarantee Line (AGL) for Qualified Local Government Unit Debt Instruments. The AGL will be used initially by PVB in its recently arranged LGU bond and loan facilities to attract prospective co-funders. LGUGC and PVB are working further to enhance its cooperation and partnership in order to strengthen the credit market for the LGUs.

The ceremonial signing was held last January 19, 2010 at the AIM Conference Center Manila, Makati City led by LGUGC President and CEO Lydia N. Orial and PVB President and

CEO Ricardo A. Balbido Jr.

The ₱1 billion AGL granted by LGUGC recognizes PVB's sound credit policies and procedures, good track record in LGU lending and its authority to accept government deposits under its Charter. The LGUGC AGL enhances the security and risk-rating profile of the LGU's credit facility making the LGU credit portfolio more attractive to the lending bank.

Under the Agreement, LGUGC shall pay up to eighty-five percent (85%) of the amortizations of enrolled credits upon default, with no acceleration, provided, that, the total amount of principal per Borrower that may be

enrolled under the AGL Facility shall in no case exceed Pesos: Two hundred fifty million (₱250,000,000.00).

PVB's Corporate Finance Division (CFD) helped arranged this AGL facility with LGUGC given its mandate to expand the LGU lending portfolio in the capital markets. Created in August 2008, CFD acts as financial advisor and financial arranger to private and public corporations, including local government units (LGUs), with the end view of increasing its business by focusing on account origination, arrangement and identifying co-financing institutions in extending credit facilities, especially to the LGU sector.