

Changing Business Environment in the Philippines

Challenges and Responses of PDIC

DICJ-IADI International Conference

February 16, 2017

Tokyo, Japan

Philippine Deposit Insurance Corporation

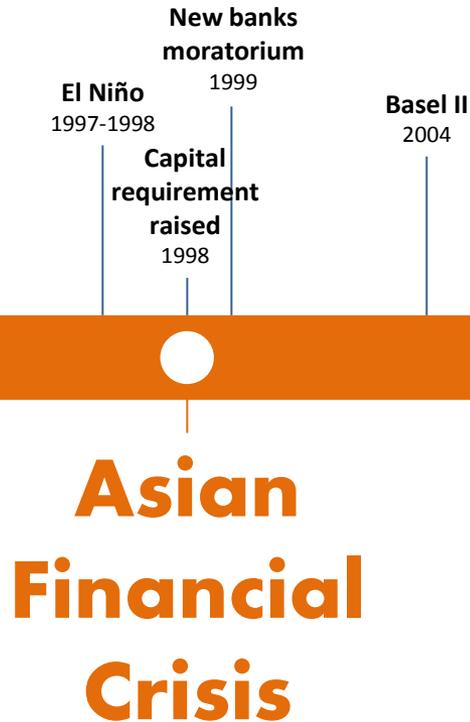
Committed to Serve



Outline



Global Financial Crisis 2009



KEY QUESTIONS

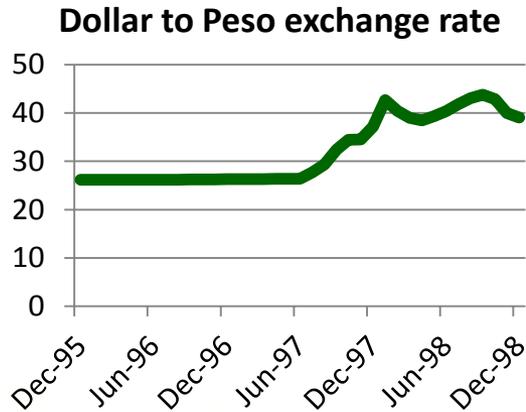
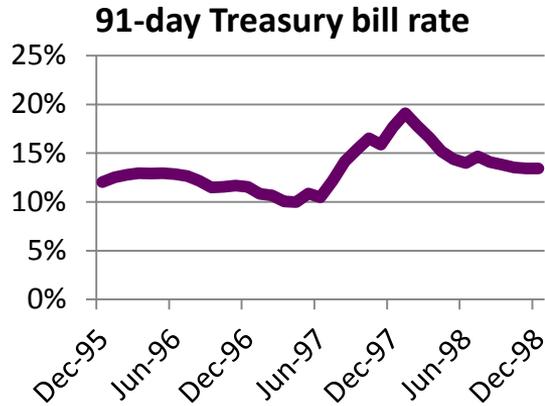
- What were the changes in the Philippine business environment?
- How were banks affected?
- What were PDIC's responses?



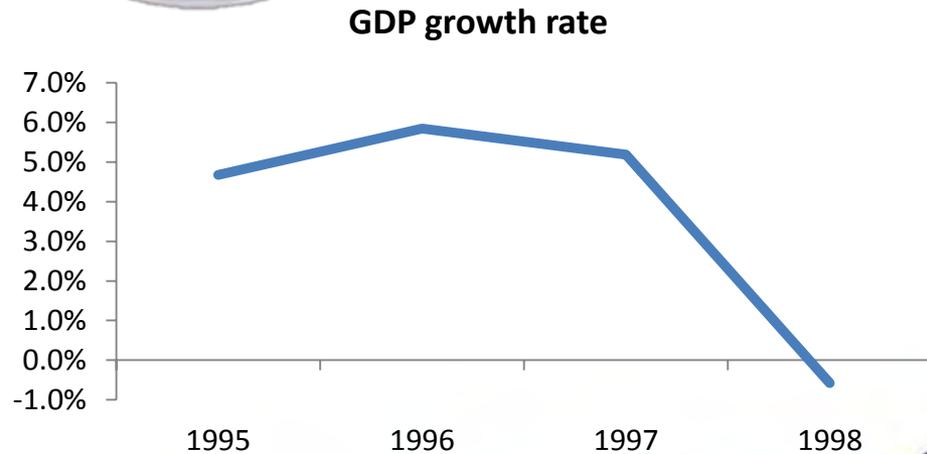
Asian Financial Crisis



Changes in the business environment



Source: Bangko Sentral ng Pilipinas



Immediate effect to Philippine banks

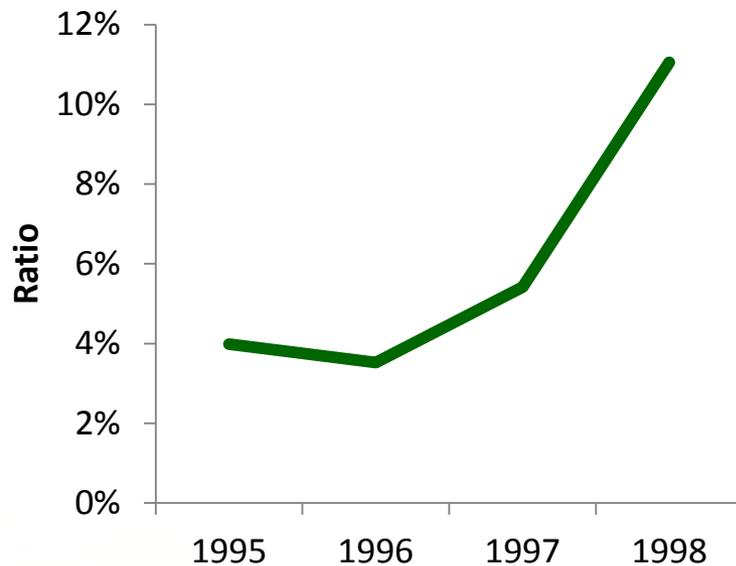


Falling bank asset quality

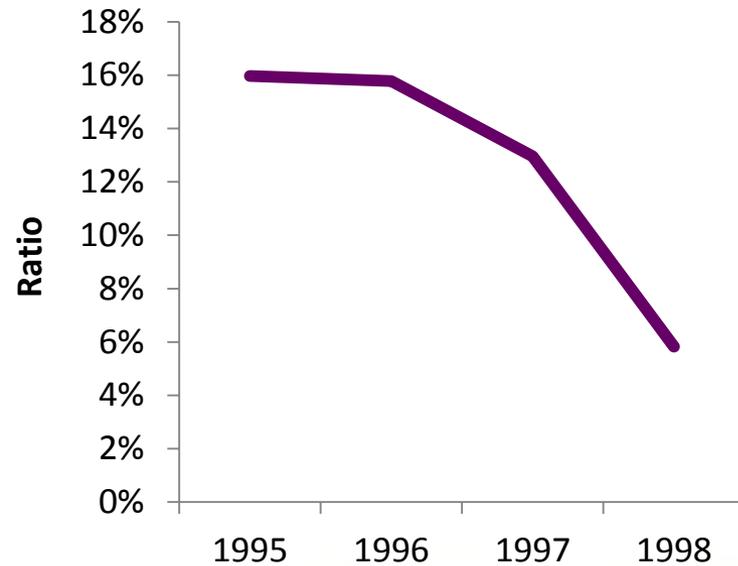


Rapid decline in bank profitability

**Nonperforming loans
to gross loans ratio**



Return on equity



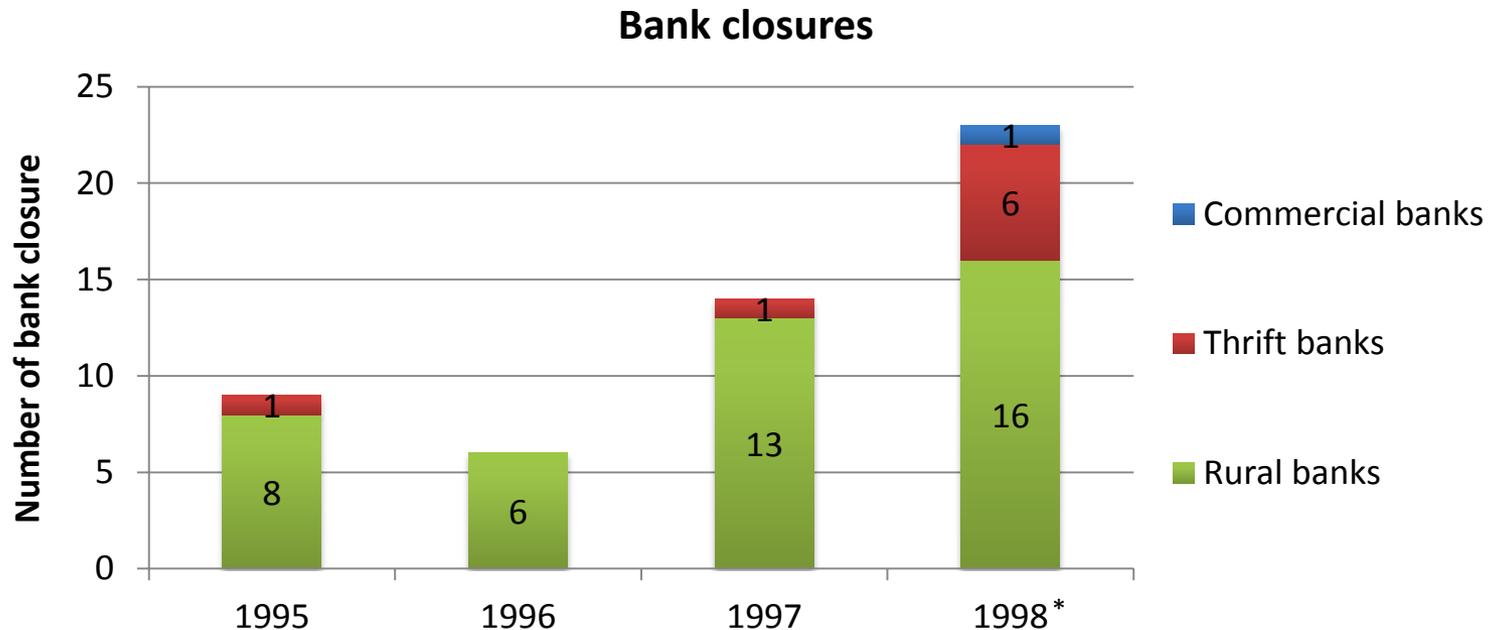
Source: PDIC



Immediate effect to Philippine banks



Increasing bank closures



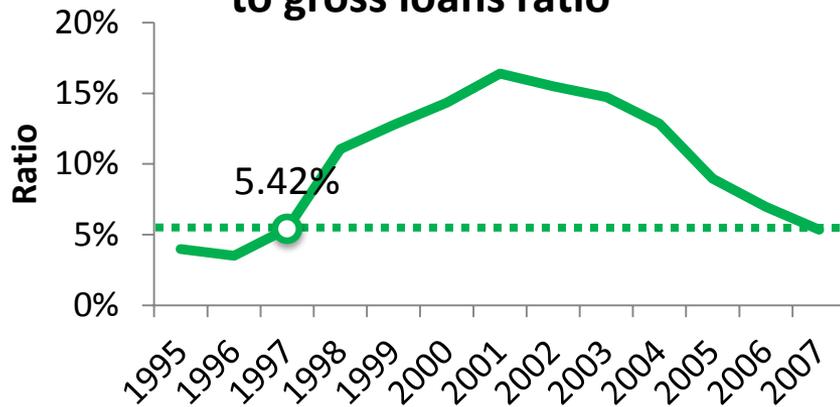
* Excludes 17 closed rural banks without PDIC takeover due to lapsed terminated insurance status.

Source: PDIC

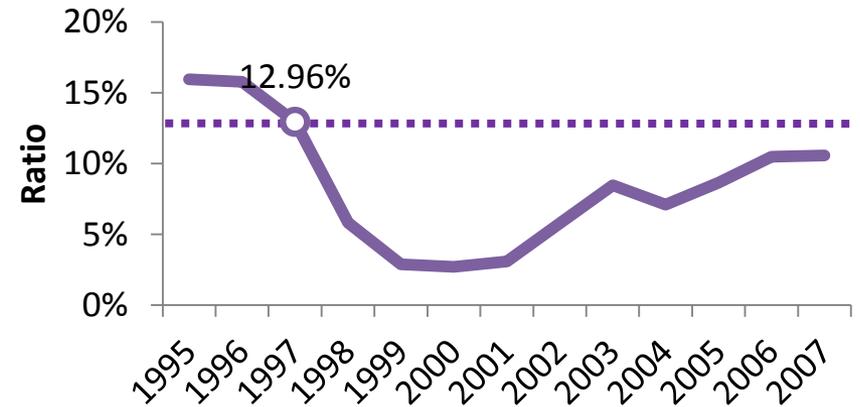


Stress to Philippine banks continued

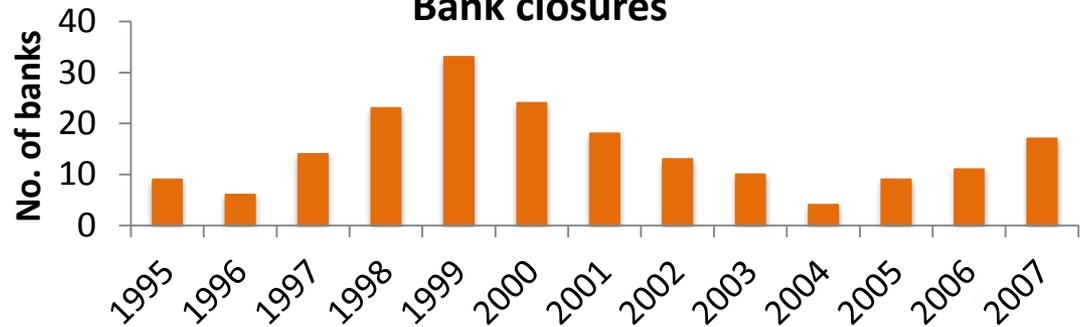
Nonperforming loans to gross loans ratio



Return on equity



Bank closures

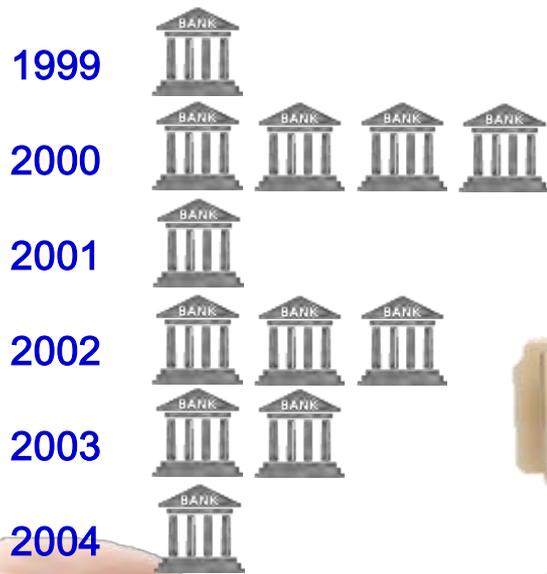


Source: PDIC



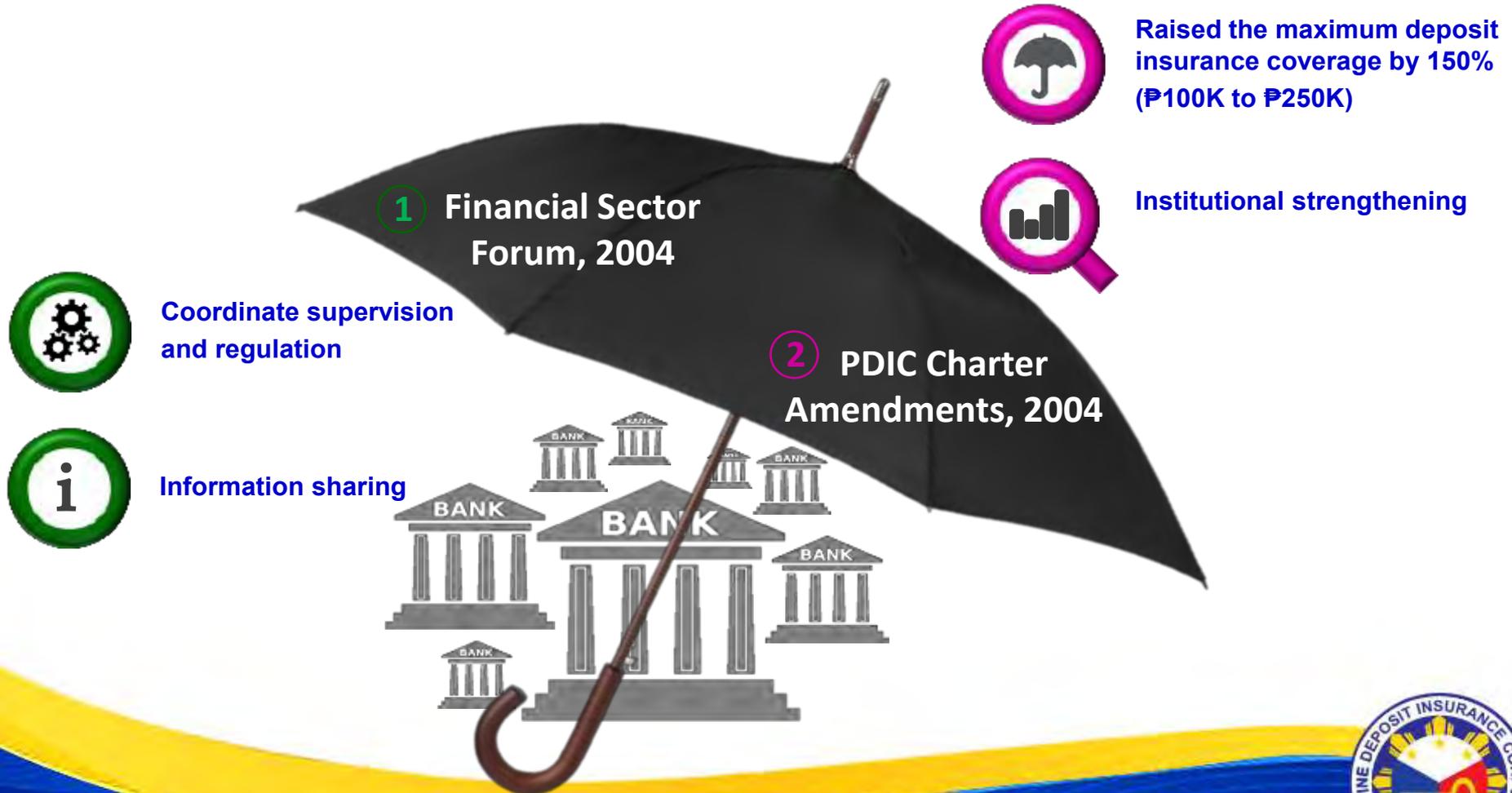
PDIC response: Financial Assistance (FA)

Banks granted FA



Source: PDIC

PDIC response: Strengthened Coordination among Financial Safety Net Agencies and PDIC Charter Amendment



Global Financial Crisis

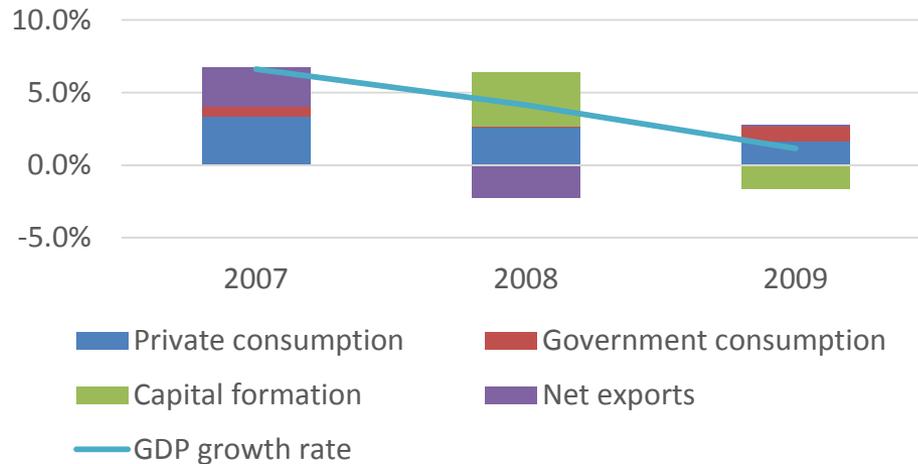


Philippine Deposit Insurance Corporation
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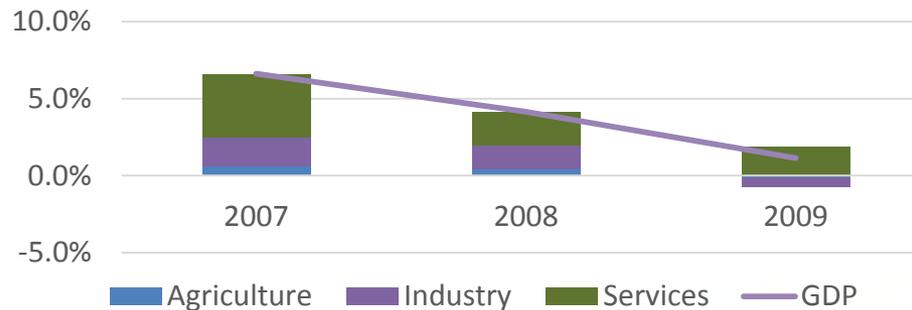


Changes in the business environment

Contributions to GDP by expenditure item



Contributions to GDP by industrial origin



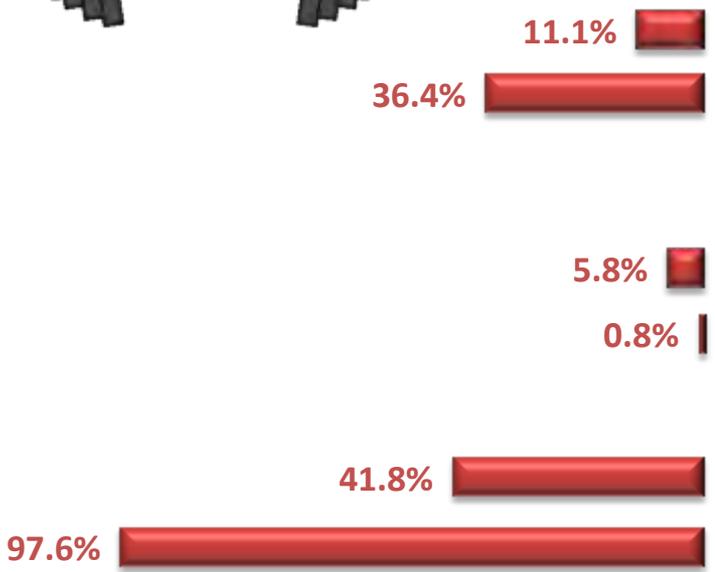
Source: Philippine Statistics Authority



Philippine banks in better position to weather a crisis



1998



Source: PDIC

2007



Asset quality



Profitability



Liquidity



Global response

Standards
and regulatory
requirements



PDIC response: PDIC Charter Amendment

2009



Raising of maximum deposit insurance coverage (MDIC) by 100% (₱250K to ₱500K)

Flexibility to adjust MDIC when there is a condition that threatens stability



Institutional strengthening measures



Financial strengthening measures

2016



Enhanced depositor protection



Enhanced authorities for enforcement actions, bank resolution, and liquidation



Measures to promote market discipline

PDIC response: Partnership towards Financial Stability



Financial Stability
Coordination Council,
2014



PDIC response: Strengthening Institutional and Financial Capabilities

5.5% - 8.0%



PDIC
Financial Crisis
Management and
Resolution
Framework, 2016

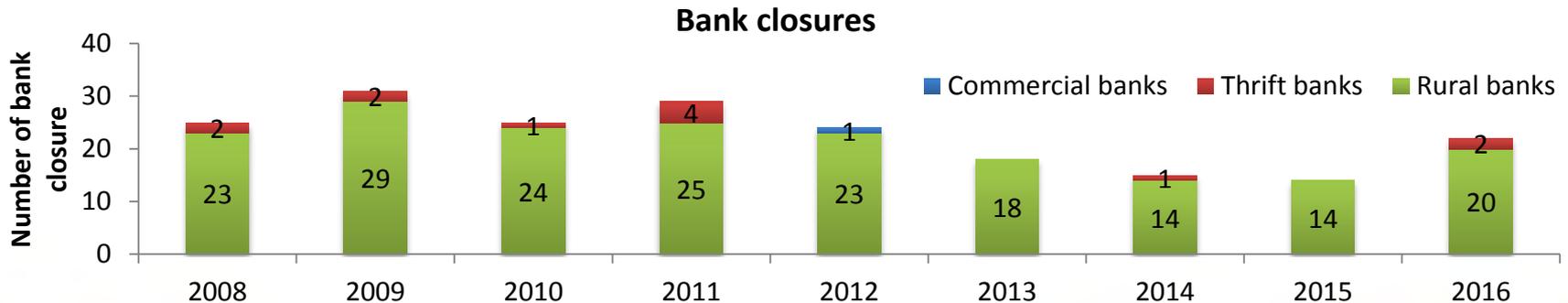
Gearing up against pressures



Increasing competition

Technology growth

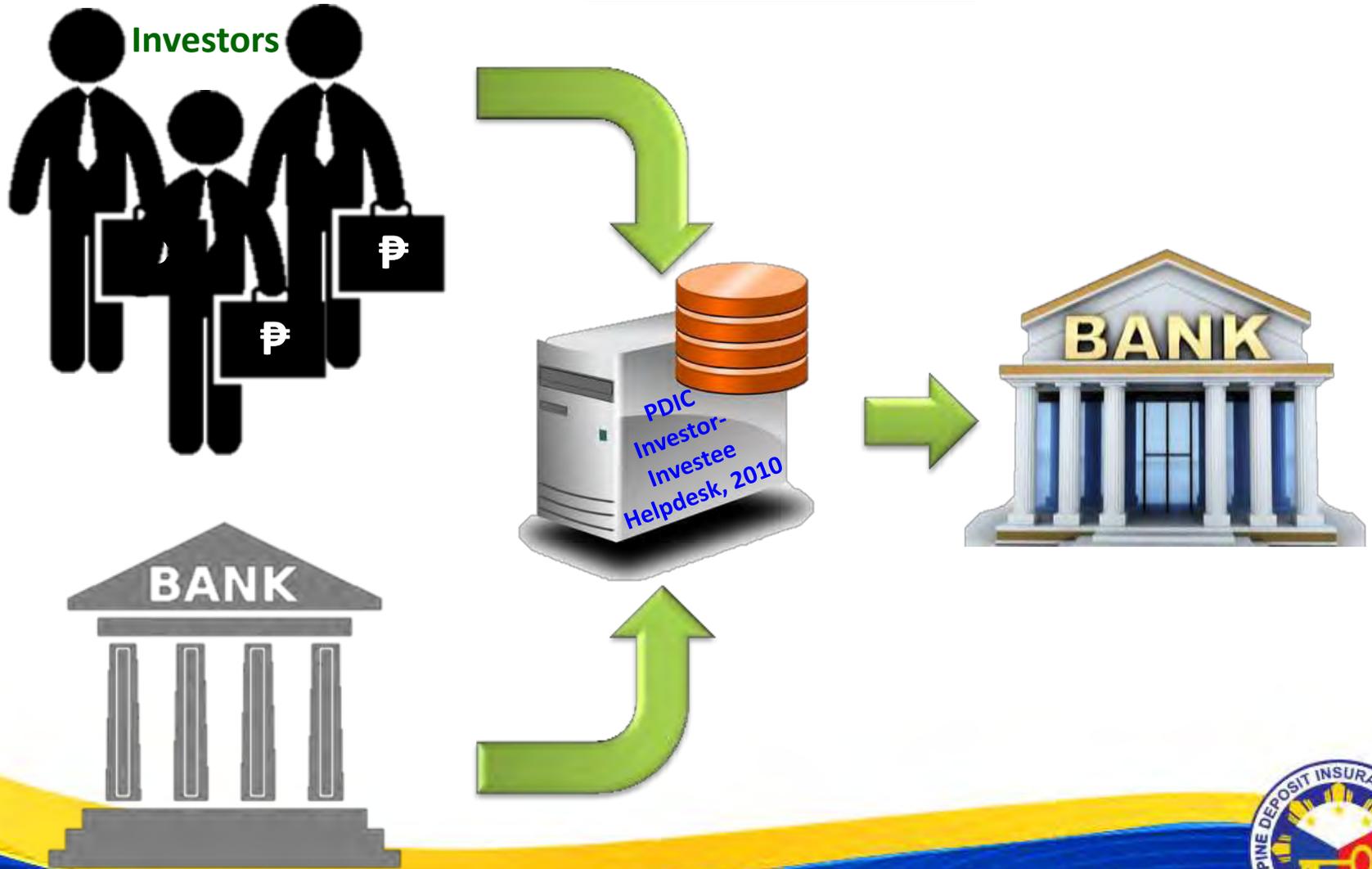
Meeting higher capital and other regulatory requirements



Source: PDIC



PDIC response: Investor-Investee Helpdesk



PDIC response: Bank Strengthening Initiatives



① **Strengthening Program
for Rural Banks, 2010**



② **Consolidation Program
for Rural Banks, 2015**

Way forward

- **Crisis management plans**
- **PDIC Charter implementation**
- **Continuous build-up of the DIF**



End Thank you.

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