

Changing Business Environment in the Philippines

Challenges and Responses of PDIC

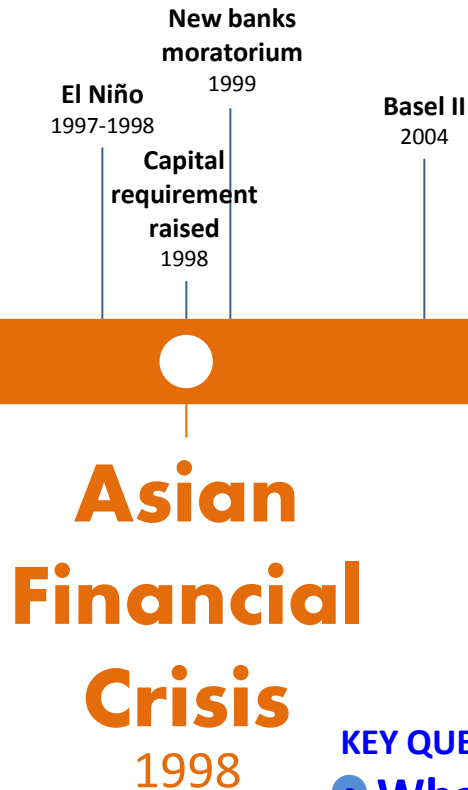
DICJ-IADI International Conference
February 16, 2017
Tokyo, Japan



Outline



Global Financial Crisis 2009



Asian Financial Crisis 1998

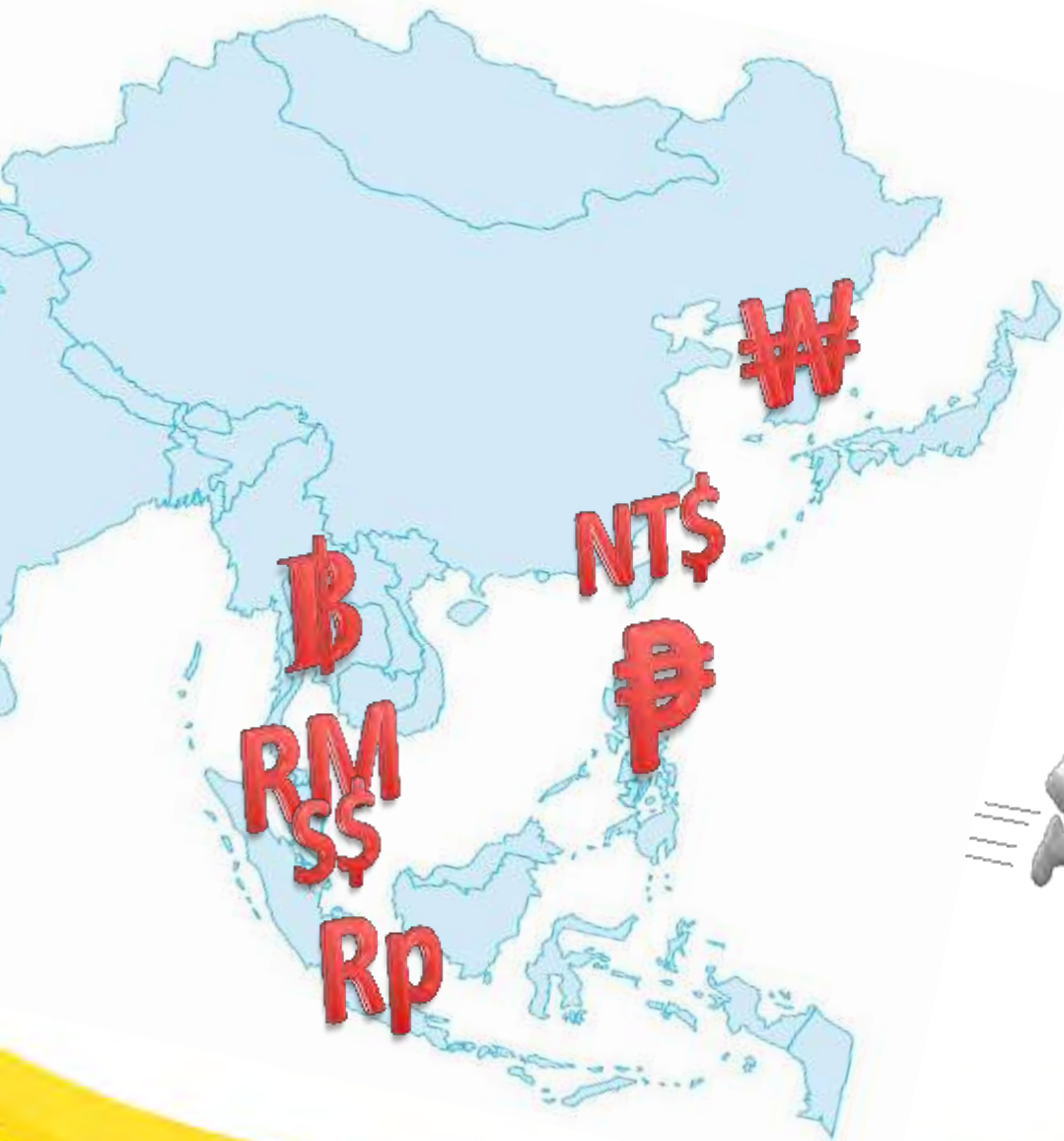


KEY QUESTIONS

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

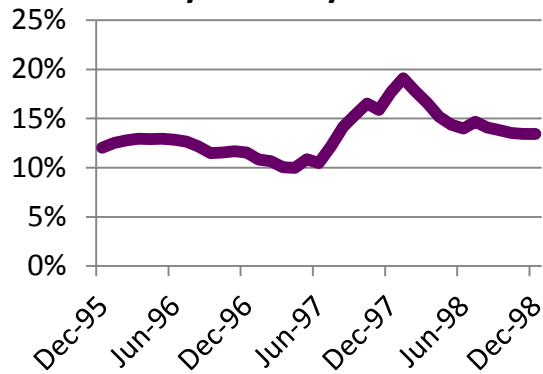


Asian Financial Crisis

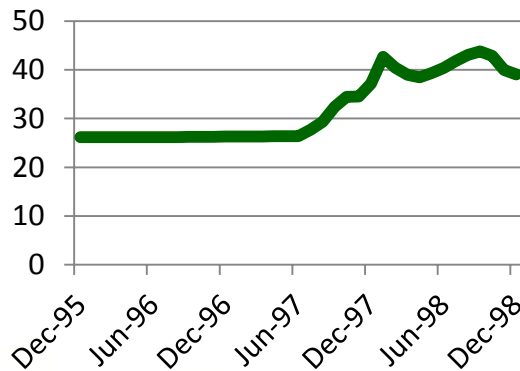


Changes in the business environment

91-day Treasury bill rate



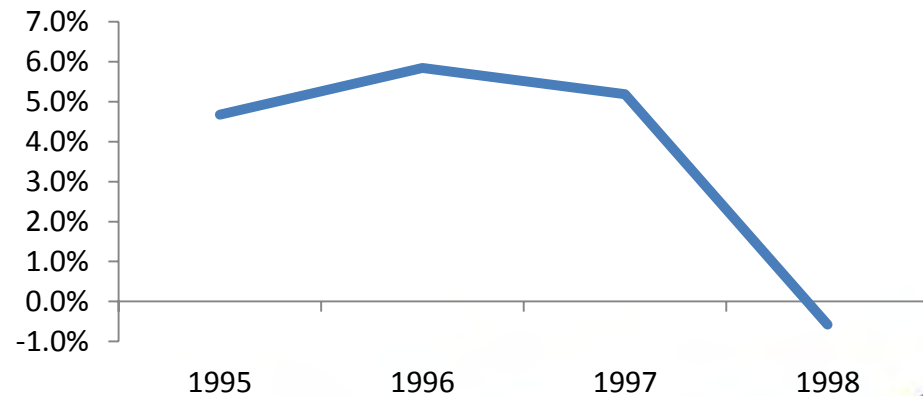
Dollar to Peso exchange rate



Source: Bangko Sentral ng Pilipinas



GDP growth rate



Immediate effect to Philippine banks

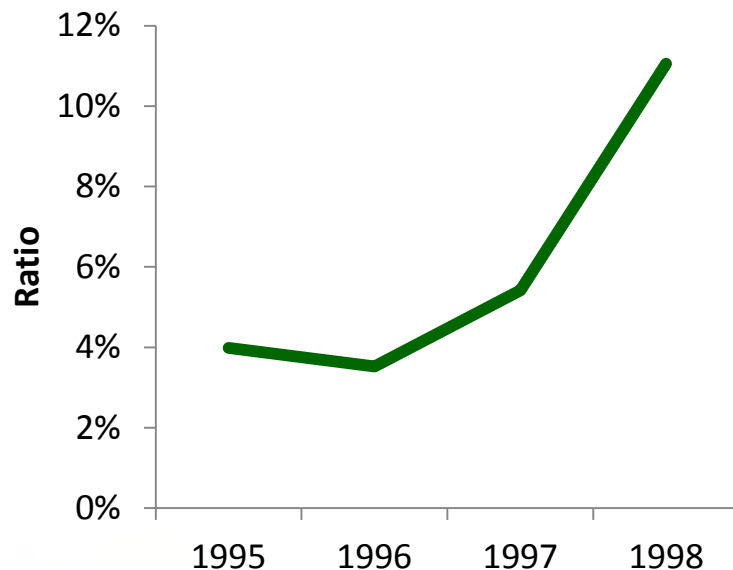


Falling bank asset quality

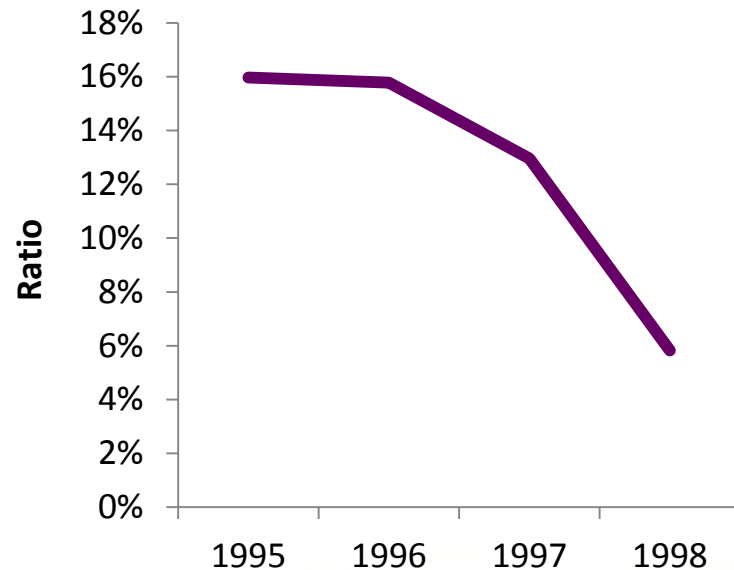


Rapid decline in bank profitability

**Nonperforming loans
to gross loans ratio**



Return on equity



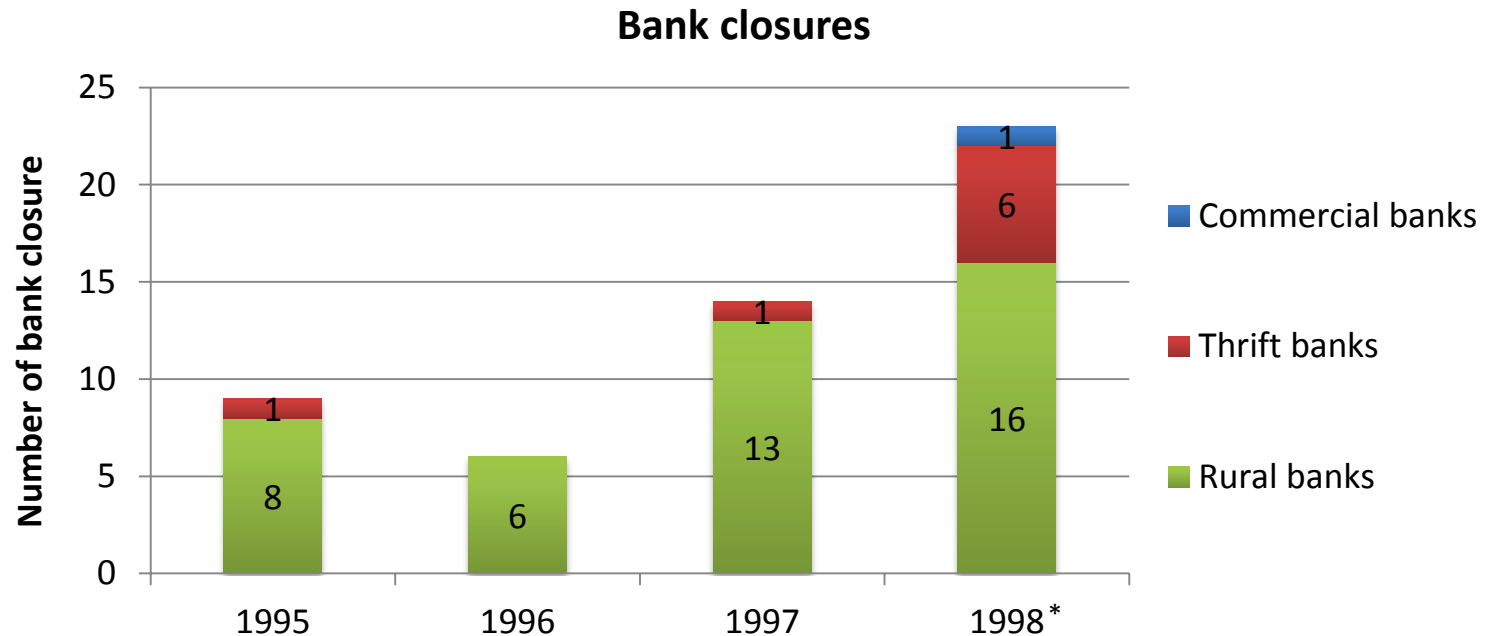
Source: PDIC



Immediate effect to Philippine banks



Increasing bank closures



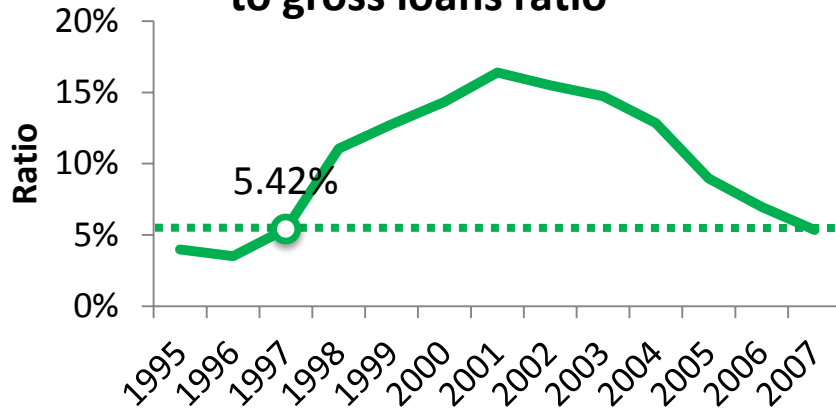
* Excludes 17 closed rural banks without PDIC takeover due to lapsed terminated insurance status.

Source: PDIC

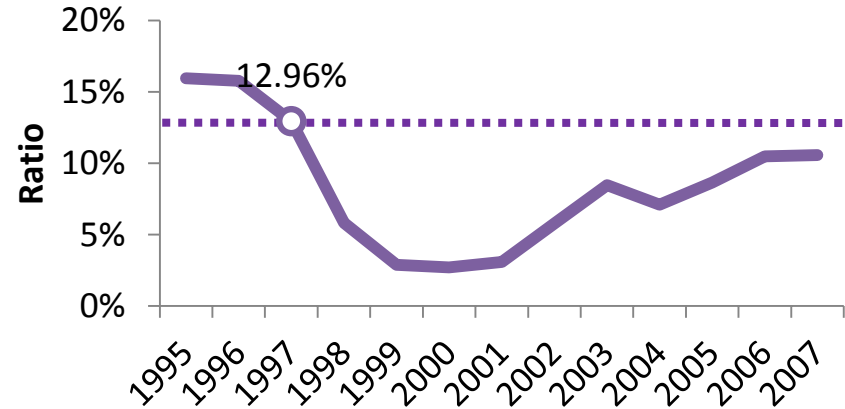


Stress to Philippine banks continued

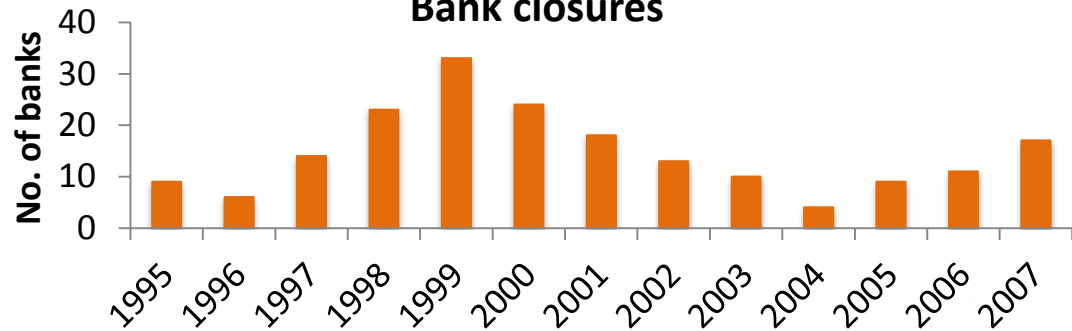
Nonperforming loans to gross loans ratio



Return on equity



Bank closures

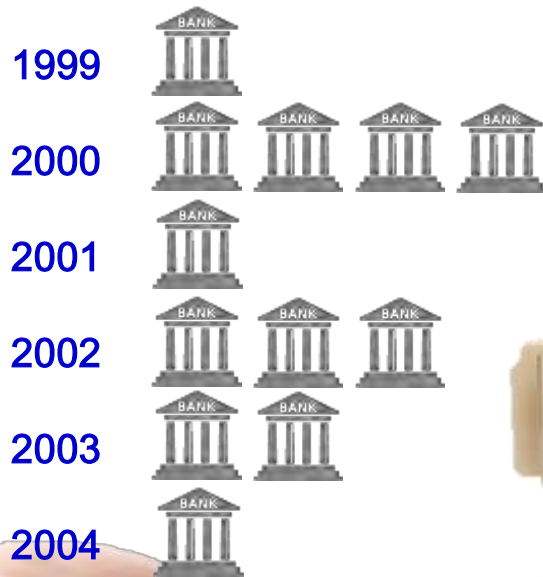


Source: PDIC



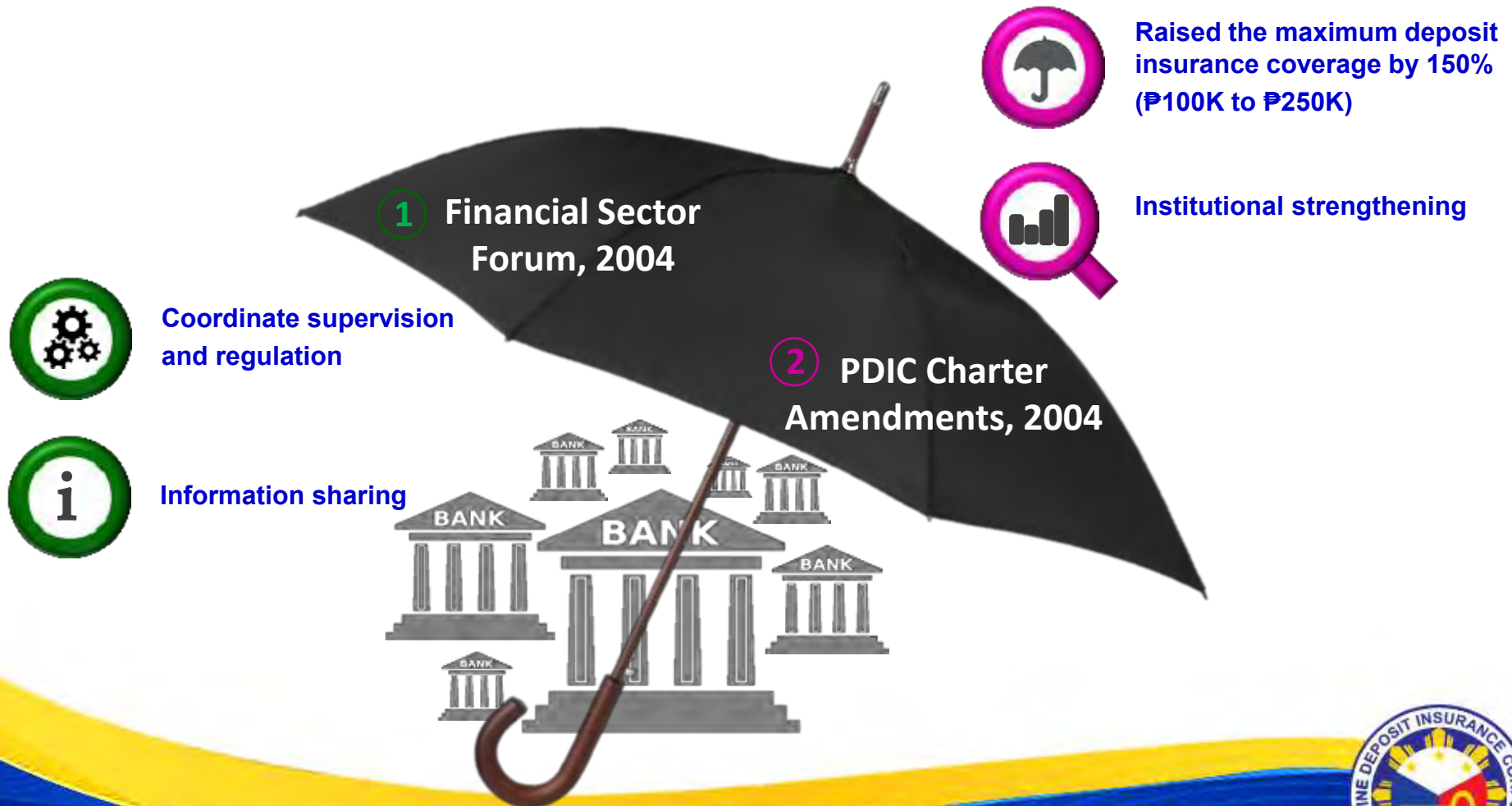
PDIC response: Financial Assistance (FA)

Banks granted FA



Source: PDIC

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



Global Financial Crisis

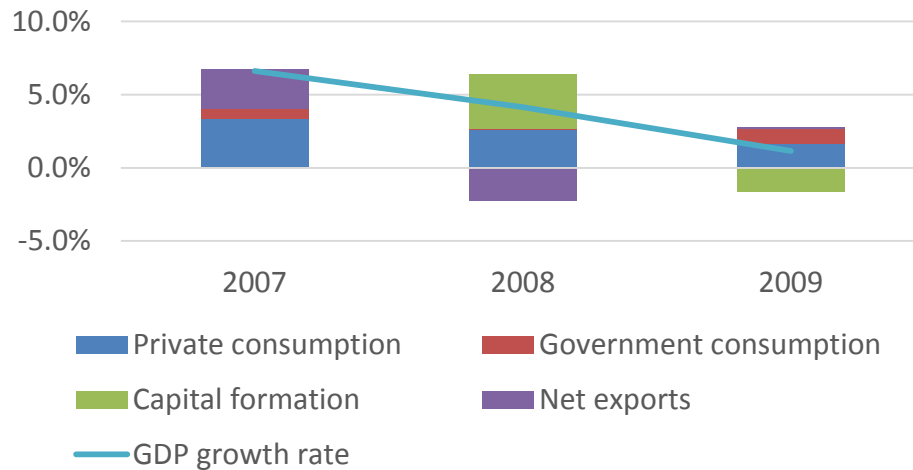


Philippine Deposit Insurance Corporation
Committed to Serve

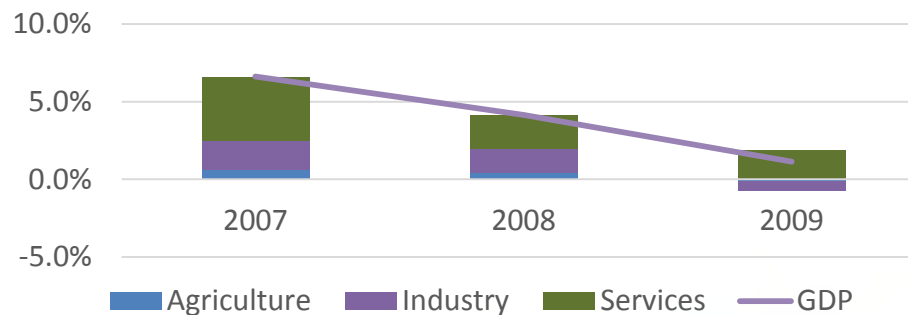


Changes in the business environment

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



Source: PDIC

Global response



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

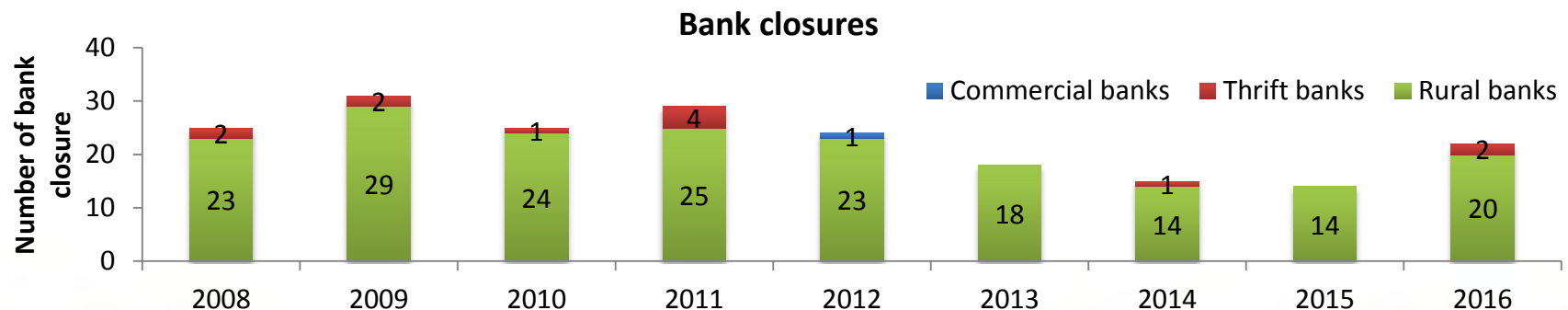
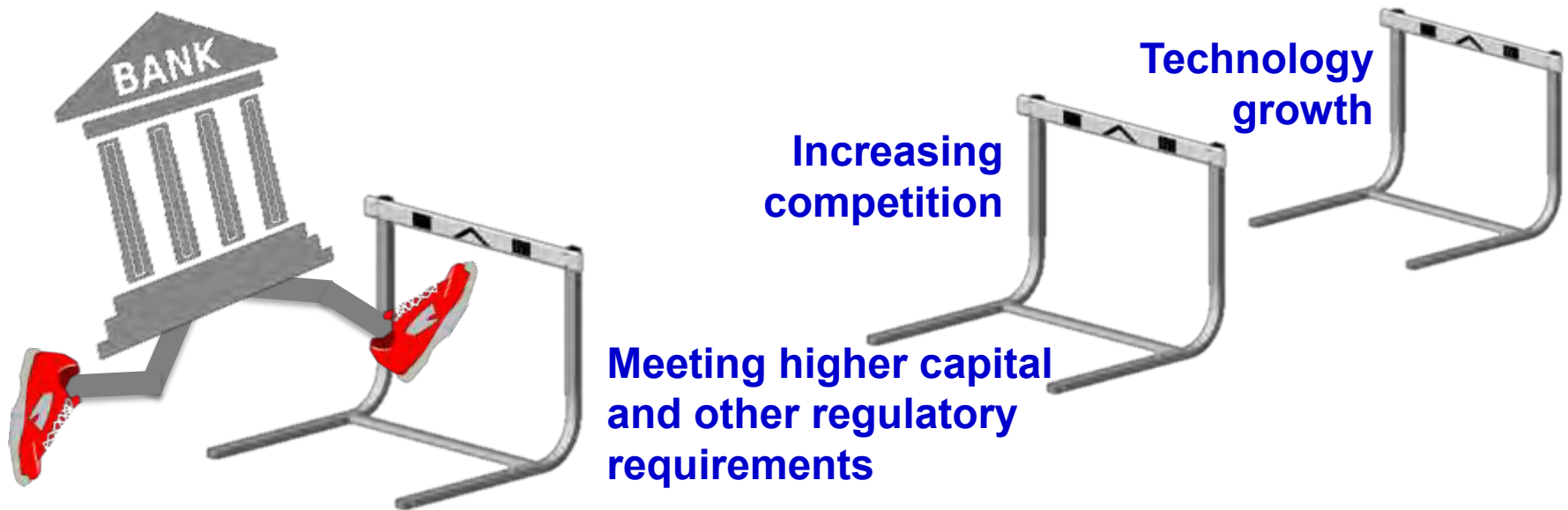
5.5% - 8.0%



PDIC
Financial Crisis
Management and
Resolution
Framework, 2016

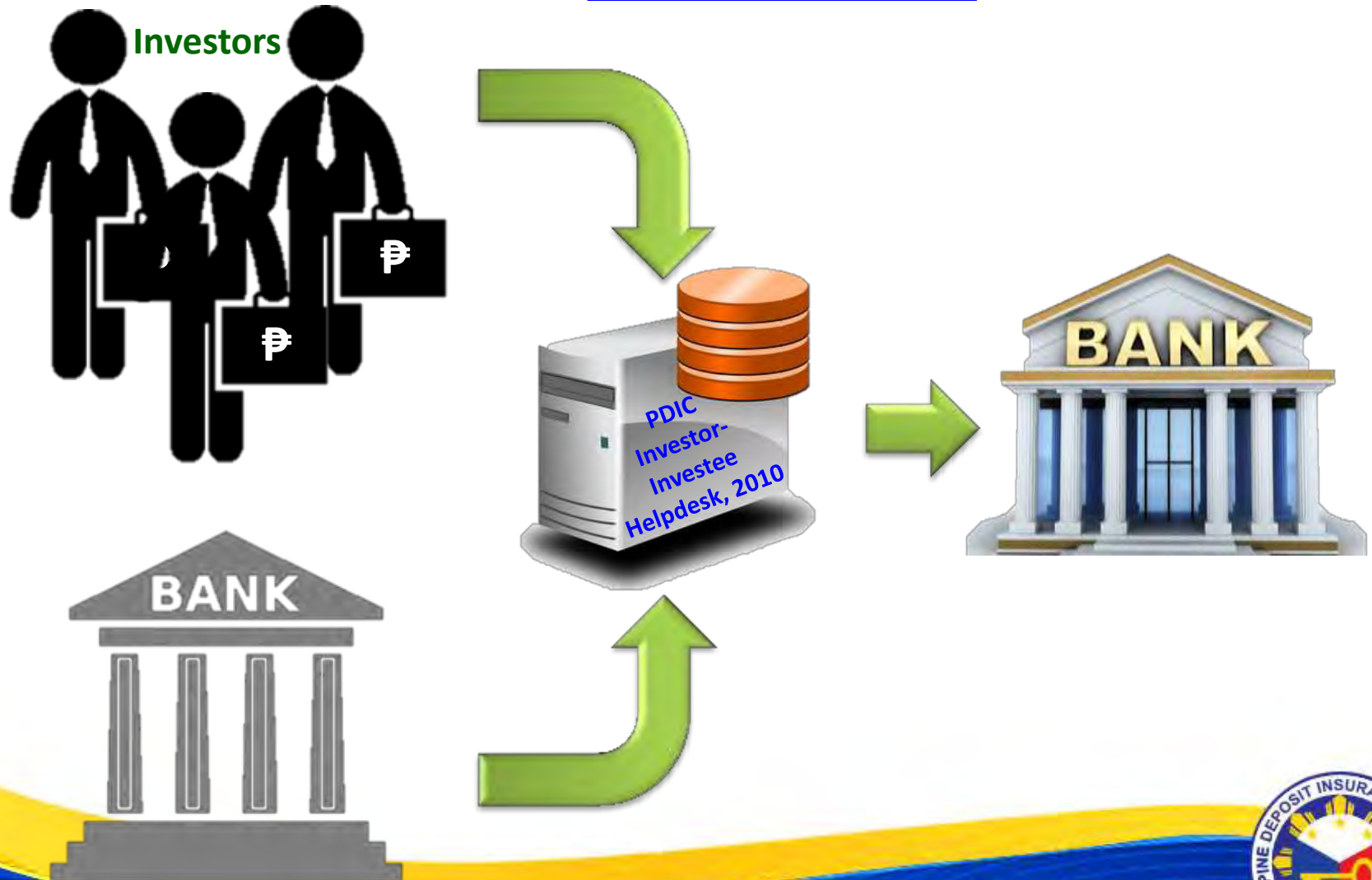


Gearing up against pressures



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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