

How it is close?



Banco Filipino Overview: \* 1964, Banco Filipino was established. \* 1965, Banco Filipino set out to leave its mark as an innovator, by conceiving the first all-woman bank branch. \* 1969, Banco Filipino Became the first bank to process online transactions in real time, giving customers the ability to deposit in any online Banco Filipino branch. \* 1966 to 1985, Banco Filipino was the largest savings bank in the Philippines. \* In 1970, Banco Filipino started expanding into the countryside with its first provincial branch opening in Naga City. 1972, the bank's customer base grew to one million customers, even in the midst of martial law. \* 1975 It was voted the most preferred bank in Metro Manila . \* For most of the 1980s, Banco Filipino would remain closed, \* January 25, 1985, even though Banco Filipino was performing well and was seen by most people as a very healthy bank, the Bangko Sentral ng Pilipinas ordered its closure over alleged insolvency. \* 1991 ruling made by the Supreme Court declared the bank's closure illegal. Banco Filipino subsequently reopened, albeit only with fifteen of its original 92 branches. \* For much of the remaining 1990s, Banco Filipino would be busy trying to reestablish itself. \* 1995 It became a member of BancNet after launching the BF Cash Card and issued its first credit card, a VISA card. \* 1997 Two years later, BF shares were re-listed on the Philippine Stock Exchange, \* 1999 the Supreme Court declared that Banco Filipino is entitled to damages payments caused by its illegal closure. 2009, the Makati RTC ordered the Bangko Sentral and the Monetary Board to immediately implement the bank's approved business plan by releasing P25 in billion financial assistance and a package of regulatory relief, which was affirmed by the appellate court in 2008. \* March 17, 2011 The Bangko Sentral ng

Pilipinas (BSP) ordered the closure of Banco Filipino Savings and Mortgage Bank and placed it under the receivership of state-run Philippine Deposit Insurance Corp. (PDIC), saying its liabilities topped its assets by P8. 4 billion.

Analysis of the case Problem areas: The officers of Banco Filipino mismanaged money entrusted to them by their depositors by its continued lavish spending. \* Banco Filipino allowed loans to remain unpaid, including billions in overdue loans granted to its stockholders, officers, and related companies \* To raise funds, Banco Filipino lured depositors with interest rates way above the prevailing market rates which made their interest expense higher than its income. \* Banco Filipino's loans became overdue which means their principal and interest remained unpaid.

Recommendations or Proposed Solutions: The board of directors should have their internal control tighter especially in spending expenses. They should have established good system regarding cost spending, for instance they could have develop a group that would review if the money is properly allocated. \* The company should have set up policies that concerns granting loans to its stockholders, officers and related companies. They also should have a department or committee that would review the position of loans, if it is becoming overdue. \* The bank should have reviewed the way that they raise their fund and search for a better strategy.

Luring depositors by giving high interest rates was a huge mistake. It is one of the major mistakes that the bank had made. It made the interest expense higher than the proceeds that they are accumulating. \* Banco Filipino should have created a better control or system in paying their loans and interest to the Banko Sentral ng Pilipinas and other creditors. They should have also set

up a team who would oversee the progress of their borrowings that could have prevented the interest and principal unpaid. Banco Filipino: Case

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