The Synergies found between the Philippines and Singapore

A message from H.E. Kok Li Peng, Ambassador of the Republic of Singapore to the Philippines

Our countries benefit from our strong ties

The Philippines and Singapore enjoy an excellent relationship. We enjoy wide-ranging relations which include trade, education, culture and the arts, cuisine, people-to-people relations and government relations. The Philippines, like Singapore, has a vibrant culture and our countries benefit from our strong ties.

H.E. Kok Li Peng, Ambassador of the Republic of Singapore to the Philippines

Trade

The Philippines' population is resourceful and energetic and are looking towards the future. The Philippines contributes to Singapore's healthcare sector, banking industry and even animation industry. In food and beverage and retail, the Philippines is an active regional and global contributor. In terms of trade, Singapore is the Philippines fourth largest trading partner globally, number one in the ASEAN region and annual bilateral trade exceeds S$15billion. In 2016, Singapore was the fifth largest foreign investor and the largest amongst ASEAN members.

Strengthening Relations

'There is a general consensus that we can strengthen the relationship between our two countries further. There is a growing middle-class market in the Philippines which Singaporean companies are eager to reach out to. People from the Philippines also like to travel, both domestically and internationally and we want to improve our people-to-people links by tapping into the growing air-travel market. Philippines and Singaporean carriers currently provide 148 weekly passenger services and we may reach 160 weekly flights between the Philippines and Singapore this year. We have direct flights between Singapore and Clark, Cebu, Davao, Iloilo, Kalibo and Manila'.

ASEAN@50

'The fiftieth anniversary of ASEAN is a significant milestone. From ten mostly small states with varying levels of development, a coherent and cohesive association was formed and ASEAN's success lies in its inclusivity and openness. We have maintained regional peace and stability and today we are focusing on the region's economic integration and development. ASEAN attracts partners from across the globe and we will continue to work closely with our international friends and dialogue partners. ASEAN stands for constructive collaboration and despite significant global and regional challenges, we intend to build and strengthen working relationships for the future. With more than 600 million consumers and a combined GDP exceeding US$2.5 trillion, the economic potential of ASEAN is enormous. ASEAN attracts a growing amount of FDI, reaching US$136.2billion in 2013. Growth is projected to continue at a clip of 5.1% over 2017-21.'.

Future Developments

'There are exciting economic and cultural opportunities presenting themselves across the region and we are excited about the future of the region. Finally, we are very much looking forward to 2019 when we celebrate the fiftieth anniversary of relations between the Philippines and Singapore'.

Partnering for Change, Engaging the World

This year sees the Philippines hold the Chairmanship of ASEAN (Association of Southeast Asian Nations) during the Associations fiftieth anniversary. As the country addresses challenges and embraces economic opportunities, the Philippines is looking to strengthen its trade, investment and cultural ties with its ASEAN neighbours while encouraging visitors to come and explore the country for themselves.

ASEAN was established on 8 August 1967 in Bangkok, Thailand, with the signing of the ASEAN Declaration by Indonesia, Malaysia, Philippines, Singapore and Thailand. Since then Brunei Darussalam, Vietnam, Laos, Myanmar and Cambodia joined. The ten Member States of ASEAN continue to push for increased integration and closer economic ties.

George T. Barcelon, President Philippine Chamber of Commerce and Industry

'The Asia Society Philippines hosted the ASEAN 2017 Dialogues precisely to address concerns such as regional security, business opportunities and the harmonization of policies in light of the direction towards integration', says Washington Sycip, Founding Chairman of the Asia Society Philippines. 'ASEAN aspires to be a powerful and influential global player – and it can certainly become one. Due to the fact that there is diversity in local cultures, the Asia Society is in an excellent position to help bridge ASEAN economies as they adjust and adapt to a regional mind-set'.

According to Senator Sonny Angara, 'The fiftieth anniversary of ASEAN is significant given the range of issues that affect the region and the world, whether these pertain to security or economic issues. It has some of the fastest growing economies in the world, but it also has some of the most vulnerable to disasters and climate change and shared action is crucial on many fronts'.

The Philippines is one of the fastest growing economies in ASEAN. With the youngest average population in the region, the country's future will rely on job creation and inclusive growth as Philippine Chamber of Commerce and Industry President, George T. Barcelon explains:

'Half a million young people join the workforce every year in the Philippines and we need to focus on helping businesses grow and encouraging job creation. We are delivering technical education training across industries focusing on skills mapping. The Philippines is

Continued on page 2

BDO Unibank, Inc. strengthens its leading position in the Philippines' banking sector

BDO's institutional strengths and value-added products and services hold the key to its successful business relationships with customers. On the front line, its branches remain at the forefront of setting high standards as a sales and service-oriented, customer focused force. Synergy Media Specialists asked Mr. Nestor Tan, President and CEO, about banking in the Philippines and BDO's role, deregulation, ASEAN and 'digital disruption'.

1. How would you describe today's banking environment in the Philippines?

The following would best describe the local banking environment today:

Benefitting from:

- The positive macro backdrop and lending opportunitie present across all market segments;
- The sector's low pen-etration rate; and
- The country's favorable demographic trends;
- Healthy balance sheets, low Non-Performing Loan (NPL) levels with sufficient NPL cover, and solid capi-tal-ization;
- Highly competitive as the system is fragmented, exacerbated by the liberalized entry of foreign banks and excess system liquidity.

2. As the Philippines' largest bank in terms of total resources, loans, deposits, and assets under management, how is BDO Unibank, Inc., strengthening its leading position in the Philippines' banking sector?

We continue to solidify our business franchise through branch expansion and increased market coverage. In line with our provincial thrust, most branch openings are in areas outside Metro-Manila, as we target emerging businesses and rising middle class in fast-urbanizing secondary and tertiary cities.

Additionally, ongoing initiatives serve to bolster our presence in new markets and/ or underserved segments. These initiatives include, among others, building our life protection products for our growing consumer clients, venturing into MSME lending to penetrate the underserved sector, and extending wealth management solutions and service offerings to a broader client base.

Further, our digital banking initiatives equip us with the right platform to allow us to nimbly respond and deliver digitally-driven user experiences attuned to the needs of a technologically-savvy clientele. We have likewise strengthened our presence in social media through the Bank's official Facebook Fan page, thus boosting our connectivity with the digital generation.

BDO has established successful business relationships with customers across the Philippines

Our reinforced core capital base via a P60 billion (USD1.2 billion) stock rights offer last January allows us to pursue business expansion plans and our medium-term growth targets.

3. Deregulation has opened up the Philippine banking industry and is encouraging foreign players to enter the market. What will be the impact on the local banking sector and what can we expect from BDO Unibank, Inc.?

The liberalized entry of foreign banks and ASEAN integration are seen tightening competition across product and market segments. This emphasizes the need

Mr Nestor Tan, President and CEO BDO Unibank

for local banks to build up scale to effectively compete with the bigger regional banks. Some banks may consider different options to achieve scale: grow organically, consider M&A opportunities, or forge partnerships with bigger banks.

On the part of BDO, our priority is to reinforce our core business locally. We are focused on strengthening and building our domestic franchise through branch expansion and broader market penetration.

Amid increased prospects for M&As/consolidation and partnerships/alliances with bigger banks to achieve scale, BDO has forged tie-ups with several foreign banks to service the banking requirements of the latter's clients who intend to expand their operations in the Philippines and position BDO as their preferred banking partner in the country.

4. With ASEAN marking its 50th Anniversary and the Philippines holding this year's Chairmanship, how important do you consider Southeast Asian markets to be for the future of the Philippines' banking industry and economy as a whole?

An integrated ASEAN market benefits the economy in terms of the following:

- A large client/market base of over 600 million consumers with rising disposable incomes;
- Regional sourcing, resulting in possibly lower supply chain costs;
- Enhanced potential for cross-border businesses and technology transfer;
- Viable areas for collaboration, tie-ups or joint ventures.
- For Philippine banks, the domestic market is still more important given low penetration rate and several constraints that prevent local banks from fully tapping ASEAN (e.g., need to scale up – please refer to replies to #3)

5. New technologies are changing our financial world. How is this 'digital disruption' playing out in the Philippines and how are you preparing for the future?

We view the emergence of Fin Techs as both an opportunity and a threat. In this regard, we are open to partnering with Fin Techs to augment and round-out our go-to (digital) market strategy. At the same time, we continue to invest in our digital infrastructure to fully tap the digital generation through the delivery of digitally-driven user experience attuned to their needs. This is to mitigate potential threats posed by Fin Techs in terms of the alternative products and services that bypass traditional physical banking.

www.bdo.com.ph