



## Manabat Sanagustin & Co., CPAs

AUDIT • TAX • ADVISORY

## Newsletter

### Financial Services

January 8, 2010 – January 22, 2010



This industry update from Manabat Sanagustin & Co. CPAs is a biweekly collection of the latest news and developments from the country's Financial Services segment. We hope that you will find this service, which the Firm provides its clients for the different Lines Of Business (LOB), interesting and useful.

#### **PNB eyes fundraising exercise after merger**

It's business as usual at Philippine National Bank (PNB) this year, according to its chief executive, but the Lucio Tan-led institution will concentrate on its planned merger with Allied Banking Corp. before undertaking any fundraising exercise. "Our focus is on the merger, and that will happen hopefully this year," said PNB president Omar Byron Mier, speaking at a recent interview with reporters. "We'll probably consider [raising fresh capital] after the merger." Mier said nothing has changed with the timetable. PNB and Allied Bank, which is also controlled by Tan, may merge within the second half of 2010. Their union will create the fourth-largest privately owned bank in the Philippines, competing more aggressively with Banco de Oro Unibank, Metropolitan Bank & Trust Co. and Bank of the Philippine Islands. PNB, the fifth-largest local bank in terms of assets as of end-September, posted a 134-percent increase in nine-month net income last year to a record P2.1 billion over the same period in 2008. Last month the bank said it was on track to post the highest net income in 12 years. PNB expects to obtain regulatory approvals for the merger with Allied Bank after the latter have divested its 28-percent stake in California-based Oceanic Bank. The legal issue involving the Oceanic Bank shares have delayed the merger, which was supposed to have been completed before the end of 2008. Allied Bank is required under US banking regulations to divest its equity interest in Oceanic Bank before it can merge with PNB. The Tan group is hoping to complete the sale of Oceanic Bank shares by the middle of 2010.

<http://businessmirror.com.ph/home/banking-a-finance/21151-pnb-eyes-fundraising-exercise-after-merger.html>

#### **CSF interconnection assures flow of credit to MSMEs, says BSP**

The regulators first made sure beginning 2008 the network of small banks around the country was Credit Surety Funds (CSF)-ready, or able to extend loans to microentrepreneurs and to small and medium enterprises at reasonably affordable rates via so-called credit surety funds. Recently, the Bangko Sentral ng Pilipinas began stringing up the various CSF-enhanced lenders into interconnected units to share not only experiences and good-governance issues but technical assistance in credit- and risk-management systems, as well. The goal then, as now, is to bring down the cost of credit for even those borrowers the big commercial banks would not even consider for a loan. The local government of Trece Martires City in Cavite, the first LGU to put up the loan-enhancement program now known as CSF, has linked up with the city of Cebu to take advantage of those benefits. With the signing of the CSF agreement between Cebu City and Trece Martires City, each committed to provide the other with assistance in the areas of credit and risk management, good governance and exchange

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of information and become the model for other LGUs to follow, BSP Governor Amando Tetangco Jr. said. He earlier said MSMEs are key economic drivers accounting for 99.6 percent of all registered firms employing 70 percent of the work force and contributes more or less 32 percent of local output or the gross domestic product. "The MSME sector is the backbone of the Philippine economy," Tetangco reiterated. The sector fell into policy favor given that 60 percent of the credit they require are denied by the big commercial banks who abhor clean or uncollateralized loans and impose onerous documentations to boot. Commercial banks consider MSME borrowers a high-risk sector and therefore "unbankable."

<http://businessmirror.com.ph/home/banking-a-finance/20924-csf-interconnection-assures-flow-of-credit-to-msmes-says-bsp.html>

### **GFI's halve P50-B NDC bond subscriptions**

Government financial institutions (GFIs) subscription shares in the planned 10-year P50-billion National Development Co. (NDC) reconstruction bonds have been cut by half, with the private sector filling in the rest of the float. NDC chair and central bank Monetary Board member Peter B. Favila said the issuance is no longer exclusive to GFIs Land Bank of the Philippines, Development Bank of the Philippines and Social Security System. The GFIs, which have been assured sovereign guarantees, were supposed to subscribe to P12.5 billion each. The fourth GFI was Government Service Insurance System but the pension fund opted not to participate. "They are only proposing before to subscribe to P12.5 billion each but we've been overtaken by events and now things have changed," said Favila. The government was planning to offer only P12.5 billion to the private sector previously but because of some expressed interests, the NDC has raised the float to P25 billion. The Department of Finance has reviewed the revised Executive Order 824, originally mandating the NDC to issue the P50-billion infrastructure bonds as part of the P330-billion government economic stimulus program. The DOF wants to issue the bonds tranches. The funding requirements from both the public and private sectors will dictate how much of the NDC bonds will be issued at any given float.

<http://www.mb.com.ph/articles/239450/gfis-halve-r50b-ndc-bond-subscriptions>

### **BSP seen to hike banks' reserve requirements before election**

The Bangko Sentral ng Pilipinas (BSP) is advised to hike reserve requirements in the next weeks to siphon off excess liquidity and to allow the peso to appreciate gradually, avoiding inflation from rising beyond the target. HSBC economist Frederic Neumann said increasing the reserve requirements is the least costly vehicle in addressing the liquidity condition than tweaking the special deposit account facility which costs the BSP about P30 to P40 billion a year in interest expenses. Neumann also recommends that the BSP allow the gradual appreciation of the peso. HSBC expects the central bank to start cutting rates by 25 basis points in the second quarter until it has slashed off 75 basis points by the third quarter. Neumann said the increase in capital inflows will create demand for the peso anyway and this would favor the gradual appreciation of the peso to allow for an equal gradual buildup of gross international reserves. He sees the peso trading at P43 level by the end of 2010. HSBC also recommends that the central bank decouple its monetary policy with the US Federal Reserve in favor of a stronger peso. He expects inflation to increase to 3.2 to 5.1 percent this year. On the fiscal side, Neumann projects the budget deficit will reach P370 billion this year or 4.6 percent of GDP from an estimated P305 billion or four percent of GDP in 2009. The forecasts are higher than official government numbers because HSBC said the economic rebound will not necessarily have a positive effect on revenues.

<http://www.mb.com.ph/articles/239225/bsp-seen-hike-banks-reserve-requirements-election>

### **Peso gets lift from China growth news**

The peso strengthened against the dollar yesterday due to renewed investor risk appetite amid news of better-than-expected economic growth in China. The local currency closed at P45.99 a dollar, gaining eight centavos from Wednesday's close at P46.07 a dollar, a three-week low. The peso opened at P46.15. Currency traders said the local currency had opened weaker as the dollar strengthened against other currencies overnight due to news on China's step to curb bank lending and worries over Greece's budget deficit. China's central bank has ordered banks this month to set aside more funds as reserves and to limit lending. "After the news on China's double-digit GDP growth, which was better than market expectation, investors started to sell the dollar and there was a reprieve on the peso," a currency trader said. Data released yesterday showed China's economy expanded by 10.7% in the fourth quarter from the same period in 2008. "Market expectation was 10.5%," the trader said. The trader, however, said the peso only gained slightly against the dollar as there were still some banks which covered short dollar positions. Volume of traded dollars declined by \$183.816 million to \$762.714 million from \$946.530 million. Currency traders said the peso is expected to trade within the P45.85 to P46.20 per dollar range today. "The near-term expectation is a bullish dollar. The peso will move depending on what happens to the dollar," the second trader said.

### **Feedback**

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### PDIC signs deal with DAP to set up a claims-settlement process

THE Philippine Deposit Insurance Corp. (PDIC) has taken the first step in making the highly stressful act of claiming insured deposits a less stressful exercise in the near future. PDIC president Jose Nograles said on Tuesday the corporation has signed an agreement with the Development Academy of the Philippines (DAP) to help PDIC formulate a claims- settlement process that will pass muster the rigorous standards set by the International Organization for Standards. The DAP is a state-owned training institute staffed by some of the best minds in government whose alumni would later serve the public with sterling distinction. The larger goal, Nograles said, is to help the PDIC persuade the ISO to give its claims settlement operations, allegedly one of the agency's most hated units, an ISO 9001:2008 certification.

Such a distinction will attest that its claims- settlement unit has ably demonstrated an "ability to consistently provide products and services that meet customer and other applicable requirements." He said the problems raised in the wake of the financial shenanigans allegedly committed by the Legacy Group of banks were particularly instructive, forcing the agency to acknowledge more must be done to make these stressful events less so for the depositing public.

<http://businessmirror.com.ph/home/banking-a-finance/21091-pdic-signs-deal-with-dap-to-set-up-a-claims-settlement-process.html>

### Plantersbank eyes P2-B Tier 2 offering in March, IPO in 3-4 years

Planters Development Bank, a thrift bank focused on lending to small and medium enterprises (SME), plans to sell P2 billion of Tier 2 notes in March to beef up its loanable funds and thereby boost profits ahead of an initial public offering (IPO) to be launched in three to five years. "We're looking to extend as much as P3.5 billion in loans to the SMEs this year, and more under our five-year development plan that also involves raising funds through an IPO," said Ambassador Jesus Tambunting, chairman and chief executive officer of Plantersbank. Half of the Tier 2 notes offer will be made available to European investors, he told reporters on Thursday at the sidelines of the annual bankers' night hosted by the Bangko Sentral ng Pilipinas. Local investors will be offered up to P1 billion of the 10-year unsecured subordinated notes. The upper Tier 2 notes will be callable after five years and the lower Tier 2 notes, which will be made available to local investors, will have a fixed 10-year maturity, he added. The bank, which had total assets of P50.2 billion and a nationwide network of 69 branches as of end-June 2009, will remain focused on the SME market, which continues to offer growth opportunities, Tambunting said.

<http://businessmirror.com.ph/home/banking-a-finance/20994-plantersbank-eyes-p2-b-tier-2-offering-in-march-ipo-in-3-4-years.html>

### Philippine Stock Exchange Weekly Top Gainers

January 11 - 15, 2010

Last Trade Price, Comparative Price Change & Total Value

Rank	Stock	Last Traded Price (in P)	Comparative Price Change (%)		Total Value (in P'000)
			1 Week	4 Weeks	
1	Manchester International Holdings Unlimited Corporation "A"	1.6	116.22	150	485
2	Manchester International Holdings Unlimited Corporation "B"	1.6	81.82	90.48	2,140
3	Polar Property Holdings Corporation	4.5	80	73.08	32,366
4	MJC Investments Corporation	2.65	47.22	-11.67	40
5	Bogo Medellin Milling Company	45	45.16	50	40
6	IPVG Corporation	1.84	16.46	19.48	11,275
7	DFNN Inc.	10.75	13.16	34.38	203,199
8	F & J Prince Holdings Corporation "B"	2	12.36	66.67	4
9	Federal Resources Investment Group, Inc.	12.25	11.36	11.36	112
10	MRC Allied Industries, Inc.	0.69	11.29	102.94	66,862

### Philippine Stock Exchange Weekly Top Gainers

January 11 - 15, 2010

## PER, EPS & BPV

Rank	Stock	PER	EPS	BPV
1	Manchester International Holdings Unlimited Corporation "A"	4.54	0.35	0.78
2	Manchester International Holdings Unlimited Corporation "B"	4.54	0.35	0.78
3	Polar Property Holdings Corporation	10,912	0.00	4.16
4	MJC Investments Corporation	-20.22	-0.13	3.13
5	Bogo Medellin Milling Company	-15.99	-2.81	2.01
6	IPVG Corporation	-3.76	-0.49	1.51
7	DFNN Inc.	-10.3	-1.04	5.72
8	F & J Prince Holdings Corporation "B"	35.46	0.06	1.04
9	Federal Resources Investment Group, Inc.	21.56	0.57	16.11
10	MRC Allied Industries, Inc.	-3.05	-0.23	-1.93

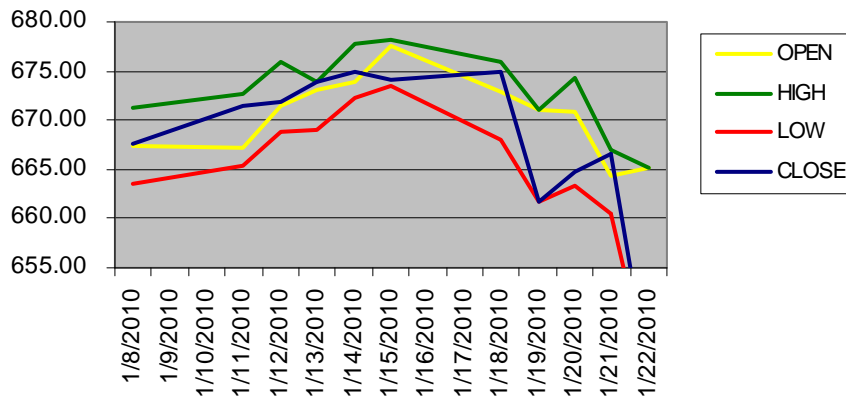
Source: Philippine Stock Exchange, Weekly Market Watch,

## Philippine Stock Exchange Index Composition for Financials As of January 22, 2010

SECURITY NAME	PRICE	OUTSTANDING SHARES	FREE FLOAT LEVEL	FREE FLOAT - ADJUSTED MARKET CAPITALIZATION	% WT.
BANCO DE ORO UNIBANK, INC.	38.50	2,339,768,510	34.0 %	30,627,569,795.90	16.20
BANK OF THE PHILIPPINE ISLANDS	45.00	3,246,798,504	46.0 %	67,208,729,032.80	35.55
CHINA BANKING CORPORATION	357.50	97,508,772	56.0 %	19,521,256,154.40	10.33
CITISECONLINE.COM, INC.	10.50	433,000,000	45.0 %	2,045,925,000.00	1.08
I-Remit, Inc.	5.60	553,088,000	30.0 %	929,187,840.00	0.49
METROPOLITAN BANK & TRUST COMPANY	43.00	1,807,269,350	46.0 %	35,747,787,743.00	18.91
PHILIPPINE NATIONAL BANK	23.75	662,245,916	30.0 %	4,718,502,151.50	2.50
THE PHILIPPINE STOCK EXCHANGE, INC.	300.00	30,651,916	63.0 %	5,793,212,124.00	3.06
RIZAL COMMERCIAL BANKING CORPORATION	17.50	898,129,515	41.0 %	6,444,079,270.12	3.41
SECURITY BANK CORPORATION	52.00	418,631,411	39.0 %	8,489,845,015.08	4.49
UNION BANK OF THE PHILIPPINES	39.00	641,422,420	30.0 %	7,504,642,314.00	3.97

Source: Philippine Stock Exchange, PSE Composite and Sectoral Indices

### Financials Historical Index January 8, 2010 to January 22, 2010



Source: Philippine Stock Exchange, PSE Composite and Sectoral Indices

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