



FINANCIAL SERVICES



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This industry update from KPMG Manabat Sanagustin & Co. is a bi-monthly 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, interesting and useful.

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Banks' soured credit card exposure going down

Credit card delinquency in the Philippines declined in March, with the banking sector's soured credit card exposure now at P0.10 out of every P1.00 in receivables as compared to about P0.14 a year earlier, the central bank said Monday.

This developed as the banking system's credit card receivables sustained a double-digit growth of 19.7 percent over a year ago to hit P115.4 billion at end-March. Credit card lending is a key component of consumer lending, a growing source of revenue for many banks.

The other major component, auto lending, declined by 1.0 percent at end-March to P73 billion from a year earlier. The decline was attributed by the central bank to certain changes in the financial reporting of auto loans. Banks are now asked to segregate loans granted to individuals from those extended to corporations. http://archive.inquirer.net/view.php?db=1&story_id=158116

Malaysian Islamic lender eyes expansion to RP, Australia

Malaysian lender Amlslamic Bank may tap Indonesia's sharia retail market and expand into Australia and the Philippines as it seeks growth in non-traditional Islamic markets, its chief said on Tuesday.

Malaysia's third-largest Islamic lender with about \$2.94 billion of assets is also considering a move into Vietnam although the country's recent economic developments have made it slightly wary, Amlslamic CEO Ahmad Zaini Othman said.

In contrast, neighboring Indonesia is a late bloomer in the \$1.0 trillion Islamic finance sector, with sharia banks having less than 5.0 percent of Indonesia's domestic banks' total assets. Amlslamic is part of AMMB Holdings Bhd, Malaysia's fifth-largest banking group in terms of assets. http://archive.inquirer.net/view.php?db=1&story_id=158253

Banks unable to meet current rural financing

RICE farmers need at least P2.9 billion to pay for ongoing planting activities, and so far only a fraction of this financing need has been met, contrary to claims by regulators that the financial system is liquid enough to meet everybody's loan requirements.

In ceremonies Friday hosted by Land Bank of the Philippines to honor the lending activities of countryside financial institutions, or CFIs, Agriculture Secretary Arthur Yap said farmers have a huge demand for loans but, the banking system has so

far been able to release only P400 million of the P2.9-billion requirement.

The huge financing gap has encouraged rice traders in the recent past to hoard an estimated 80 percent of all rice stocks in the country “and [hit] the market with high-price inventories,” he said.

<http://www.businessmirror.com.ph/09012008/banking01.html>

DBP raises P6.5 billion in fresh Tier-2 capital

DEVELOPMENT Bank of the Philippines (DBP) raised P6.5 billion in fresh Tier-2 capital, more than double the P3 billion floated at the start of the offer period on August 19.

“We raised P6.5 billion...We will accept all of that,” DBP president Reynaldo David said in a phone interview. The bank was allowed by the BSP to raise up to P7.65 billion worth of unsecured subordinated notes, which will be used to strengthen the bank’s capital base and boost its lending program.

The offer period was concluded on August 27. With the completion of the first offering, the bank is left to raise P1.15 billion. Deutsche Bank, First Metro Investment Corp. and Hongkong and Shanghai Banking Corp. were tapped as joint lead arrangers and selling agents. Other selling agents are the DBP, Land Bank of the Philippines and Multinational Investment Corp.

<http://www.businessmirror.com.ph/09012008/banking03.html>

Thrift-bank lending reaches P310.83B

THRIFT banks extend nearly P15 billion worth of additional loans in April that lifted their local portfolio by 5 percent to P310.83 billion.

Data from the Bangko Sentral ng Pilipinas show the banks’ portfolio stood at P295.92 billion in March, when lending by thrift banks started picking up again.

Thrift banks such as the Tambunting family-owned Planters Development Bank are an important conduit to countryside lending as they extend wholesale credit to rural and cooperative banks that actually extend the money to small borrowers like farmers and fisherfolks.

<http://www.businessmirror.com.ph/09032008/banking01.html>

Fund managers prefer government debt

LOCAL fund managers have invested more than 50 percent of retirement funds in government securities last year, according to a survey done by consulting firm Watson Wyatt.

The 93rd survey on Investment Performance of Retirement Funds in the Philippines showed that 53.16 percent of managed trust funds were invested in government debt papers. This was followed by other fixed-interest instruments at 28.97 percent and stocks at 9.99 percent. Investments in corporate loans and real estate made up only 5.30 percent of investments.

A total of P37.59 billion worth of planned assets with an average size of P242.52 million were surveyed, managed by 11 banks and an investment house. Metrobank Trust Banking, the fund- management arm of the Metropolitan Bank and Trust Co. topped the survey in terms of investment performance with an average return of 13.47 percent a year.

<http://www.businessmirror.com.ph/09032008/banking03.html>

DBP urges LGUs to establish good governance, credibility

The Development Bank of the Philippines (DBP) is encouraging local government units (LGUs) to adhere to sound governance practices and establish financial

credibility in order to get better access to the bank's various financing facilities.

DBP president and chief executive officer Reynaldo David said the bank puts premium on LGUs that have viable development projects, produce quality cash flows and are efficiently run as a result of good governance.

Among the select local government units the DBP is partnering with are the city government of Cabanatuan for the construction of public-school buildings; the municipality of Malasiqui, Pangasinan, for the expansion of its public market and implementation of a solid-waste management program; and the provincial government of Camarines Sur for tourism development.

<http://www.businessmirror.com.ph/0905&062008/banking04.html>

BSP OK's P10-B Metrobank Tier 2 issuance

The Bangko Sentral ng Pilipinas has given Metropolitan Bank & Trust Co. the go signal to raise P10 billion in Tier 2 capital to boost the lender's capital base and partially refinance its earlier \$200-million notes callable in December.

In a letter to Metrobank dated September 2, the central bank said the Monetary Board approved the request in its Resolution 1117 dated August 29. The unsecured subordinated notes will have a tenor of 10 years and callable five years from issue date.

The debt paper, which will be offered to the public in one or more issuances, will follow the rate of the five-year Treasury bill at the time of its issue. Tapped as joint lead arrangers for the issuance were ING Bank NV and Standard Chartered Bank. The selling agents appointed for the issuance are ING, SCB and Multinational Investment Bancorporation.

The Philippine Depository and Trust Corp. was designated as the registry and paying agent, while the Development Bank of the Philippines Trust Services was tapped as the public trustee.

<http://www.businessmirror.com.ph/0905&062008/banking02.html>

SEC approves merger of BDO infotech units

THE Securities and Exchange Commission (SEC) has approved the merger of Banco de Oro Unibank's wholly owned information-technology units Equitable Data Center Inc. and PCI Automation Center Inc., with Equitable Data surviving the union.

The merger is in line with the bank's policy to streamline its organization and enhance operations. Equitable Data has been renamed BDO Technology Center Inc. By virtue of the merger, PCI Automation shall cease to exist, and all its assets and liabilities will be owned and assumed by BDO Technology, which, in turn, will continue to provide the information-technology requirements of the BDO Group.

BDO, controlled by the Sy family, is the country's second-biggest bank in terms of assets. Earlier, it disclosed plans to sell P5 billion worth of preferred shares to raise capital and support its expansion. The sale will consist of up to 500 million series A preferred shares at a par value of P10 each.

BDO said the sale will be held between September and November.

<http://www.businessmirror.com.ph/09102008/banking03.html>



Feedback

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