



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 (LOB), interesting and useful.

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SMIC, Generali tie up for Philamlife bid

SM INVESTMENTS CORP., the listed investment vehicle of retail tycoon Henry Sy, is teaming up with its insurance partner, Assicurazioni Generali of Italy in its bid for Philippine American Life and General Insurance Co., the local insurer of embattled financial giant American International Group Inc., company officials said at an investors' briefing Wednesday. SMIC chief finance officer Jose Sio said the SM group and Generali were interested in the life insurance business of AIG that is among the crown jewels to be put up for sale after the US Federal Reserve bailed out the global conglomerate to prevent a major financial collapse. SMIC is building up its war chest after recently raising P27 billion from the sale of its 11-percent stake in San Miguel Corp. to the San Miguel Retirement Plan last Oct. 31.

SMIC also has cash and cash equivalents worth P43.3 billion based on its unaudited third-quarter financial report.

"Cash is king and liquidity is the name of the game. We have to be ready for opportunities. If there is a fire sale out there, you never know. Our program is not to manage the crisis but to look at opportunities," Sio said when asked where SMIC will deploy its cash proceeds from the San Miguel stake sale. http://business.inquirer.net/money/breakingnews/view_article.php?article_id=171830

BSP says suspension of fair value rule temporary

THE Bangko Sentral ng Pilipinas (BSP) said the suspension of its fair value rule is temporary, as the policy requiring lenders to mark their asset values to market prices helps promote transparency and strengthen the banking system amid the global financial crisis.

"Given that this turmoil we face didn't come about overnight, instant relief through a blanket suspension would not create a positive long-term solution," BSP Governor Amando Tetangco Jr. told reporters.

The fair value or mark-to-market rule is an accounting methodology of assigning a value to a financial instrument based on the current market price for the instrument or similar instruments.

Recently, the Monetary Board relaxed its accounting rules, allowing financial institutions to reclassify financial assets from categories measured at fair value. This suspension is aimed at helping banks mitigate the impact of the global credit crisis.

"The risk with blanket suspension of [the mark-to-market rule] is that market players will have no indicators to go by at all and as a result of the total opaqueness may just decide to stay away altogether thus prolonging the illiquidity of markets," Tetangco said.

SMEs to get better access to credit

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<http://www.manilatimes.net/national/2008/nov/07/yehey/business/20081107bus5.html>

Standard Chartered, Nokia team up to boost consumer banking

AMID a slowdown in consumer demand, Standard Chartered Bank (SCB) and Nokia have teamed up to introduce a new credit card targeting the mobile-phone user market.

At the launch of the Nokia Standard Chartered Card, Simon Yuen, SCB head of consumer banking, said the mobile-phone market has a lot of potential to increase the bank's consumer base.

SCB expects the mobile-phone market to contribute significantly to its base of credit-card holders. Growth, however, will be tempered to 15 percent this year from last year's 30-percent expansion.

With the slowdown in the global economy, Yuen said banks are selective in providing better credit limit to customers.

Yuen said consumer spending would slow down, leading SCB to tap certain segments, where the growth will continue, such as the telecommunication sector.

William Hamilton-Whyte, Nokia Philippines general manager, said the domestic market is reaching maturity in terms of mobile penetration.

Nokia's partnership with SCB is its first tie-up in the banking system.

<http://www.manilatimes.net/national/2008/nov/06/yehey/business/20081106bus14.html>

Peso, stocks continue upward trends

The peso has improved against the greenback on Monday with remittance inflows going up, which are seasonally high in the last quarter of the year, and the Bangko Sentral ng Pilipinas (BSP) moving to assure the liquidity of banks. At the Philippine Dealing System, the peso closed P48.490 on Monday from P48.940 on Friday last week.

It opened P48.800 and traded to a high of P48.940 and low of 48.485 while the total volume turnover reached \$22 million.

Traders, however, said the peso is expected not to trade so fast but likely to reach P48 flat this week mainly on the back of large remittance inflows.

Meanwhile, share prices sustained their upward trend Monday, surging 3.8 percent on continued bargain hunting, dealers said.

The composite index put on 74.49 points to 2,025.58.

The index has now risen 18 percent from on Wednesday it began a rebound. Volume reached P2.67 billion (\$54 million). Gainers outnumbered losers 89 to 90 while 25 shares closed unchanged.

Philippine Long Distance Telephone Co., which is scheduled to report third quarter results Tuesday, led advancers, rising 1.5 percent to P2,025.

Ayala Corp. rose 4.3 percent at P243. A shares of San Miguel Corp. rose 4.1 percent to P50 while its B shares rose 2.0 percent to P51.

<http://www.manilatimes.net/national/2008/nov/04/yehey/business/20081104bus1.html>

BSP backs SEC as chair of central credit bureau

THE Bangko Sentral ng Pilipinas (BSP) is backing the Securities and Exchange Commission (SEC) as chair of the country's soon-to-be-organized credit bureau, adding the corporate regulator can address the central bank's goal of improving the credibility of credit information.

Republic Act 9510 seeks to establish the Central Credit Information Corp. (CCIC), which will collect from financial institutions the credit histories of borrowers to improve their creditworthiness.

BSP Governor Amado Tetangco Jr. said the CCIC would be 60 percent state-owned with a sunset provision to divest at least 20 percent after five years. He further said the SEC would chair the new body.

Tetangco said the information sharing procedures are expected to cover and open up to more credit-granting institutions and would not be limited to just big loan amounts.

The SEC will mainly craft the implementing rules, which will be subject to consultation with affected sectors. A congressional oversight committee would

be organized to monitor the law's implementation.

<http://www.manilatimes.net/national/2008/nov/03/yehey/business/20081103bus11.html>

Filinvest holding firm to issue P3-billion bonds

Filinvest Development Corp. (FDC), the listed investment holding company of the Gotianun family, has approved the issuance of up to P3 billion worth of peso-denominated corporate notes or bonds.

At the same time, the board approved the conversion of Seascapes Beach Club and Spa Inc., a wholly-owned unit, from a non-stock and non-profit private membership club into an ordinary stock corporation subject to regulatory approvals.

FDC property unit Filinvest Land Inc. has earmarked around P10 billion for seven projects which include a resort-town development, a 25-story condotel (condominium and hotel), residential subdivisions and condominium buildings. Of the seven projects, four are located in Lapu-Lapu City. These are the 10-hectare Aldea del Sol, Mactan Tropics 1 and 2 and Seascapes, a 12-hectare residential and resort project composed of casitas, seaside subdivision lots, villas and condominium units.

The other projects are Grand Cenia, One Oasis and Corona del Mar.

FLI has spent around P250 million to P300 million for land acquisition and developed a total of 50 hectares of raw land in Lapu-Lapu City and 3.7 hectares in Talisay City both in Cebu.

<http://www.philstar.com/archives.php?aid=200811067&type=2>

RP banks well-placed to weather global crisis

Philippine banks are well-positioned to weather the aftermath of the global financial crisis but regulators said profitability has declined in the first semester of this year, indicating the initial effects on bank incomes.

The Bangko Sentral ng Pilipinas (BSP) released the Philippine Financial System Report which officials said indicated that the local financial system remained on "solid fundamentals".

The report provided an account of the performance of the banking system and other financial institutions such as non-banks with quasi-banking functions, offshore banks, and trust operations under the BSP supervision.

According to the BSP, banks actually managed to register a positive bottomline, but there was a notable slowdown in terms of year-on-year growth, due to contractions in treasury gains against the backdrop of rising interest rates.

The BSP said there was also ample liquidity in the system with liquid assets-to-deposits ratio at 51.7 percent as of June and regulators said their initiatives to align its oversight to reflect market needs tightened the credit underwriting standards and the rationalization of the real estate lending cap of universal and commercial banks.

The BSP said total resources expanded modestly by 7.3 percent on the back of sustained growths in deposit liabilities (3.9 percent), capital (0.6 percent) and bank borrowings (bills payable at 35.5 percent) and unsecured subordinated debt at 21.5 percent.

<http://www.philstar.com/archives.php?aid=2008110422&type=2>

Rural banks expand by 15.72% in H1

Assets of the country's rural banking industry has grown by 15.72 percent to P161.08 billion in the first semester of 2008, compared to the P139.21 billion in the same period last year. It grew by 7.78 percent compared to the P149.46 billion end 2007.

In the same period, commercial banks reported a 4.2-percent growth in terms of assets while the thrift banking system recorded negative growth.

This prompted the Rural Bankers Association of the Philippines (RBAP) to express optimism that the industry would likely grow by another 15 percent for the whole of 2008. That, in fact, is the average growth rate registered by the industry in the past five years.

Loans and deposits grew at a faster pace compared to the rest of the industry with loans for rural banks growing by 9.66 percent to P102.67 billion and deposits growing by 7.76 percent to P116.5 billion from January to June 2008. Key to the overall growth was the emphasis placed on the microfinance and agriculture sectors, enhanced by strategic alliances with financial and non-financial entities.

Gomez cited the industry's partnerships with the USAID Microenterprise Access to Banking Services (MABS) program, GTZ, the Land Bank of the Philippines (LBP), the Development Bank of the Philippines (DBP), and the Small Business Corp.

MABS chief of party John V. Owens agreed that expansion in micro-lending and the mobilization of small deposits as among the factors behind the industry's strong growth.

<http://www.philstar.com/archives.php?aid=2008110389&type=2>

<http://www.philstar.com/archives.php?aid=20081019167&type=2>

RFM plans to list Philippine Township

RFM Corp., a food and beverage firm owned by the Concepcion-Araneta family, said it is pursuing plans to list its real estate unit Philippine Townships Inc. by way of introduction.

This listing scheme allows a company to be listed on the local bourse without undertaking an initial public offering of shares.

RFM issued to its shareholders 143.65 million Philtown shares valued at P501.87 million. Shareholders were entitled to receive one Philtown share for every 22 RFM shares held as of July 9, 2008.

After the property dividend, RFM's shareholdings in Philtown will go down to 34.21 percent from 100 percent.

The move is in line with RFM's five-year strategic plan aimed at doubling its revenues to P14 billion by 2012 even as it aims to eventually divest from the real estate development business.

Under the plan, RFM is eyeing a net income of P710 million by 2012 from the projected net profit of P288 million this year. Last year, the company posted net earnings of P234 million on sales of P7 billion.

By 2012, RFM is also targeting to achieve a return on equity of at least 12 percent and a share price valuation of 14 times price earnings.

<http://www.philstar.com/archives.php?aid=20081102100&type=2>

BSP hints it will maintain key interest rates

The global economic slowdown has become the primary concern of the country's economic managers in the aftermath of the US financial crisis, but central bank officials said the impact on the real economy cannot be resolved simply by "tinkering with interest rates."

Bangko Sentral ng Pilipinas (BSP) Governor Amando M. Tetangco Jr. said the current monetary policy settings of the Bangko Sentral ng Pilipinas are still appropriate, indicating that monetary officials would not be cutting policy rates this month.

The Monetary Board is scheduled to conduct its regular policy meeting on Nov. 20 and banks have been betting on the possibility of a 25-point cut in the BSP's overnight lending and borrowing rates.

Finance Secretary Margarito Teves has also suggested that the BSP consider cutting rates like other major central banks to ensure growth of the economy amid the current global financial turmoil.

The BSP has also maintained a presence in both the spot and the swap foreign exchange markets where the central bank often accounts for a significant chunk of the daily trade.

Tetangco said the BSP has also allowed banks to reclassify their financial assets in an effort to provide some relief from the regulatory impact of plummeting asset values.

These measures, including the initiative taken by banks to limit their dollar

holdings, ought to be enough without necessarily adjusting policy rates to bring down borrowing costs.

He said they are already seeing indications that the positive effects of these measures are gradually taking hold, combined with the effects of the broader measures taken by other central banks.

<http://www.philstar.com/archives.php?aid=2008110282&type=2>

BSP hails creation of credit bureau

The Bangko Sentral ng Pilipinas (BSP) said the enactment of the Credit Information System Act (CISA) could not have come at a better time and would give a boost to the credit market during this time of uncertainty and confidence crisis.

The BSP was supposed to be the lead agency that would own the majority of the Central Credit Information Corp. created by the law, but as approved, the corporation would be chaired by the Securities and Exchange Commission (SEC) instead.

The difference in the actual and the proposed ownership structure, however, would not make a difference on the effectiveness on the CCIC, BSP Governor Amando Tetangco Jr. said.

Under the CISA which was signed into law last week, the CCIC will be set up with 60-percent government ownership and chaired by the chairman of the SEC.

The government has made a commitment to provide P75 million from the budget representing its equity share and P50 million would be subscribed and paid up by qualified investors.

After almost four years of sorting through legal impediments to the creation of a separate credit information bureau, CISA was finally enacted, amending secrecy laws in order to compel banks to centralize credit information.

Once established, the credit information bureau was supposed to allow banks to determine whether they were dealing with a reliable borrower or a high-risk one.

<http://www.philstar.com/archives.php?aid=2008110291&type=2>

SMEs to get better access to credit

Small and micro enterprises (SMEs) are likely to get better access to credit now that President Arroyo has signed into law the Credit Information System Act (CISA), one of the law's principal authors said during the weekend.

Mrs. Arroyo signed the measure that would allow financial institutions such as banks, credit card companies and government lending institutions to access information on individual and corporate borrowers.

The measure seeks to improve lending activities in the country, in a bid to boost economic growth.

Angara, who authored and sponsored the bill in the Senate, said the measure would provide for easier access to credit by small businesses, as well as better risk assessment for lenders.

<http://www.philstar.com/archives.php?aid=2008110284&type=2>

Philippine Stock Exchange Top Gainers

As of Nov. 14, 2008, 12:10pm

No.	SECURITY NAME	VOLUME	VALUE	PRICE	% CHG
1	BANKARD, INC.	26,000	31,560	1.26	12.50
2	ALCORN GOLD RESOURCES CORPORATION	105,000,000	562,500	0.006	9.09
3	ISLAND INFORMATION AND TECHNOLOGY, INC.	500,000	22,500	0.045	7.14

4	METRO PACIFIC INVESTMENTS CORPORATION	53,000	132,070	2.50	6.84
5	VITARICH CORPORATION	320,000	72,200	0.235	6.82
6	PHILIPPINE LONG DISTANCE TELEPHONE COMPANY "Common"	192,840	441,461,000	2,295.00	6.74
7	CITISECONLINE.COM, INC.	176,000	614,200	3.50	6.06
8	ORIENTAL PETROLEUM & MINERAL CORPORATION "B"	29,000,000	275,500	0.0095	5.56
9	ATR KIMENG FINANCIAL CORPORATION	10,000	28,500	2.85	5.56
10	MINERALES INDUSTRIAS CORPORATION	104,000	221,400	2.16	4.85

Source: Philippine Stock Exchange, Daily Top Gainers as of Nov. 14

Philippine Stock Exchange Index Composition for Financials As of Nov. 14, 2008

SECURITY NAME	PRICES	OUTSTANDING SHARES	FREE FLOAT LEVEL	FREE FLOAT - ADJUSTED MARKET CAPITALIZATION	% WT.
BANCO DE ORO UNIBANK, INC.	24.25	2,302,032,661	36.0%	20,096,745,130.53	12.71
BANKARD, INC.	1.26	1,501,893,900	8.0%	151,390,905.12	0.10
BANK OF THE PHILIPPINE ISLANDS	38.00	3,245,734,299	46.0%	56,735,435,546.52	35.87
CHINA BANKING CORPORATION	400.00	88,643,469	52.0%	18,437,841,552.00	11.66
CITISECONLINE.COM, INC.	3.50	433,000,000	51.0%	772,905,000.00	0.49
I-Remit, Inc.	4.10	552,551,100	99.0%	2,242,804,914.90	1.42
METROPOLITAN BANK & TRUST CO.	23.25	1,807,269,350	48.0%	20,169,125,946.00	12.75
NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES	1.40	2,159,677,600	87.0%	2,630,487,316.80	1.66
PHILIPPINE NATIONAL BANK	18.75	662,245,916	30.0%	3,725,133,277.50	2.36
THE PHILIPPINE STOCK EXCHANGE, INC.	172.00	30,555,022	64.0%	3,363,496,821.76	2.13

Feedback

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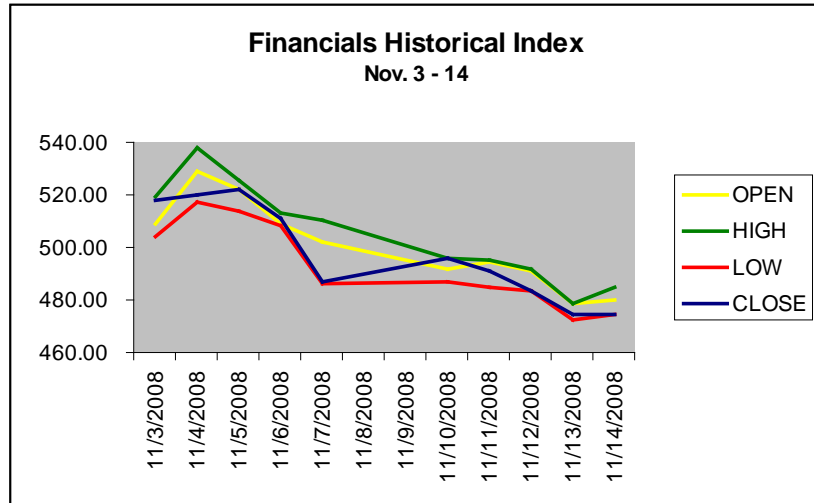
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Source: Philippine Stock Exchange, PSE Composite and Sectoral Indices