



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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PNB sells stakeholding in BenLife

PHILIPPINE National Bank (PNB) said it sold its stake in insurance affiliate Beneficial-PNB Life Insurance Co. Inc. (BenLife).

In a disclosure, PNB said its 40 percent shareholdings in BenLife was sold to the majority owners, namely FMF Development Corp. and Merje Trading Inc. for P700 million.

Its divestment in BenLife is in line with its thrust to consolidate its bancassurance business with PNB Life Insurance Inc., formerly New York Life Insurance Inc. The bank is also engaged in non-life insurance through its wholly owned subsidiary, PNB General Insurers Co. Inc.

The buyers of the PNB stake in BenLife had turned over P350 million last month, representing the full payment of the purchase price totaling P700 million.

<http://www.manilatimes.net/national/2008/dec/11/yehey/business/20081211bus10.html>

RBS bank suspends business; But exec says it's not a bank holiday

CEBU CITY, Philippines—The bank holiday declarations in at least five rural banks in Cebu under the Legacy Group have sent depositors of other rural banks into panic.

Depositors of the Rural Bank of Subangdaku Dumaguete branch went to the bank, only to find the door shut at 9 a.m., the scheduled start of banking hours. Obenza gave assurances the RBS Dumaguete would open soon although she could not give any specific date because the bank's board had yet to make a decision.

Obenza admitted that the temporary closure of their branch in Dumaguete also caused apprehensions to their depositors in Cebu.

She admitted that the volume of clients who went to their branches was beyond the average volume during ordinary days, with most of the transactions for withdrawals.

But Obenza categorically said that the RBS did not declare a bank holiday. She explained that the bank did not accept withdrawals due to the heavy volume of transactions.

Meanwhile, lawyer Inocencio de la Cerna, spokesperson of the Philippine Countryside Rural Bank Inc. (PCRBI) and Pilipino Rural Bank (PRB) that declared a bank holiday, said the cause of the declaration was the heavy withdrawals, which started a month or two ago.

http://business.inquirer.net/money/breakingnews/view/20081211-177460/RBS_bank_suspends_business

BSP sees banks weathering global economic slowdown

The Philippine banking industry is expected to weather the expected slowdown of the country's economic growth next year, Bangko Sentral ng Pilipinas (BSP) said.

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Tetangco said BSP has been fairly successful at keeping inflation at manageable levels, which has resulted in stable macro environment for business and investment planning.

Inflation is expected to decline further to 6 percent to 8 percent next year from 9 percent to 11 percent this year. BSP's overnight borrowing and lending rates, however, stand at 6 percent to 8 percent, respectively.

The BSP may further cut its rates next year due to lower inflation, which may keep and attract investments.

He said the country is less dependent on the international capital markets due to relatively stronger external position. This provided some cushion against volatilities in the exchange rate that have resulted from risk aversion towards emerging economies.

The Development Budget Coordination Committee has set a GDP growth projection of 3.7 percent to 4.7 percent next year. This is lower than the 4.1-percent to 4.8-percent growth forecast this year.

The Philippine banking sector has sustained its net earnings in the first half of the year, but posted significant decline compared with the same period last year.

<http://www.manilatimes.net/national/2008/dec/10/yehey/business/20081210bus6.html>

Shares close 1.4% higher

MANILA, Philippines – Share prices closed 1.4 percent higher Tuesday as investors picked up bargains, inspired by Wall Street's rally overnight, dealers said.

The composite index added 26.39 points to 1,935.07.

The all-shares index also added 1.4 percent to 1,214.03 with 53 issues up, 31 down and 43 unchanged.

Turnover remained thin at 737.7 million shares worth P1.9 billion (\$39.6 million).

The peso traded at an average of P48.397 to the dollar in the morning.

"Investors are still cautious but turning a little optimistic given recent favorable developments overseas," Ron Rodrigo of DBP Daiwa Securities told Dow Jones Newswires.

"It's possible to see the main index at 2,000 this week if external factors remain positive," he added.

Petron surged 18.8 percent to P5.70 on speculation that San Miguel Corp.'s plan to purchase a majority stake in the oil refiner from London-listed Ashmore Group would trigger a tender offer to minority shareholders.

Globe Telecom rose 7.3 percent to P805, Ayala Corp. gained 3.2 percent to P194, and SM Prime Holdings was up 4.4 percent to P7.10.

San Miguel A-shares added 1.2 percent to P41.50, while its B-shares were unchanged at P41.50.

http://business.inquirer.net/money/topstories/view/20081209-176945/Shares_close_1.4%25_higher

Fitch affirms ratings for DBP

Fitch Ratings Inc. has affirmed its ratings for Development Bank of the Philippines (DBP) as the bank shows strong balance sheet and solvency position and adequate profitability.

"These factors should underpin the bank's ability to negotiate the more difficult operating environment, even though its financial profile is likely to come under some pressure," Fitch said in a statement.

However, the downside risks to the bank's ratings may be mitigated by the high propensity of regulatory support in the unlikely event of need.

Fitch said DBP should keep its high capital position despite its good asset quality and satisfactory risk management capability.

"A high capital position is perceived to be necessary for DBP given its role as a development bank, resulting in its Tier 1 and total CARs being 18 percent and 22 percent, respectively, last year," Fitch said.

In August, DBP raised more than P6 billion through tier 2 capital notes issue priced at 7.75 percent per coupon.

The solvency position of the bank is still strong, as its non-performing loans

(NPL) and properties portfolio, after reserves, represented a low 3 percent of core equity. Its core equity/assets ratio is equally solid at 10 percent. "DBP's asset quality indicators remained the healthiest among the Philippine banks," Fitch said.

<http://www.manilatimes.net/national/2008/dec/04/yehey/business/20081204bus10.html>

SSS disburses billions for bonuses, pensions

STATE-RUN Social Security System (SSS) said its pensioners would receive their 13th month bonus before the year is over.

Neri said over 98 percent of 1.3 million pensioners would get their December pensions through their bank accounts, and about 22,000 more would receive pension checks through mail.

Disbursements for December pensions this year grew by 7 percent compared with the P7.59 billion it released last year.

More than half of the disbursements, or P4.39 billion, were for retirement.

Pensions for disability totaled P345.5 million, and payments for survivorship amounted to P3.41 billion.

The pension fund released a total of P8.03 billion for December pensions to over 100 accredited banks, which in turn would disburse the amount to pensioners, under the "Mag-Impok sa Bangko" program. December pensions in the form of checks amounted to P114.93 million.

www.manilatimes.net/national/2008/dec/04/yehey/business/20081204bus7.html

Thrift lenders' bad loans on the rise amid weak lending

THE amount of bad loans of the country's thrift banks rose in August amid weak lending, the Bangko Sentral ng Pilipinas (BSP) said Wednesday.

In a statement, the BSP said the bad loan ratio of the thrift industry increased to 6.63 percent that month from 6.34 percent in July, even as the figure is lower than the 6.86 percent in August last year.

The BSP said the industry was able to sustain a single-digit ratio for the past 41 months and pinned it below the pre-Asian crisis ratio of 7.74 percent for the past 14 months. Local lenders' bad loans ratios shot up after the Asian financial crisis forced many debtors to default on their obligations, but domestic banks' bad loan ratios have since recovered to the pre-crisis levels after regulators allowed them to dispose of these soured assets in exchange for a number of tax perks.

The total amount of bad loans went up to P19.783 billion in August from P18.873 billion in July this year, but had eased from the P21.378 billion in August last year.

The thrift industry's loan portfolio increased slightly to P298.234 billion from P297.783 billion month-on-month, but was below the P311.767 billion recorded a year ago.

The ratio of real and other properties acquired (ROPA) to gross assets likewise moved up to 5.53 percent from 5.44 percent.

<http://www.manilatimes.net/national/2008/dec/04/yehey/business/20081204bus4.html>

BSP rules out extension of bad-asset sale perks

THE Bangko Sentral ng Pilipinas (BSP) is ruling out the extension of tax perks for the sale of banks' bad assets after lenders disposed of a significant amount of their soured loans and real and other properties acquired (ROPA).

BSP Governor Amando Tetangco Jr. said banks had sold P148.7-billion worth of bad assets through special purpose vehicles (SPV) over the past four years.

Such a sale entitles lenders to a number of tax and other perks, such as exemption from the value-added, documentary stamp and capital gains taxes. Based on BSP's preliminary data, lenders disposed of P52-billion worth of bad assets during the two-year extension of the SPV Act, the tax perks for which expired July 14, 2008.

"[The] banking system's asset quality has improved with non-performing loan and non-performing asset ratios moving much closer to pre-crisis level," Tetangco told reporters.

Unlike its Asian neighbors, the Philippines undertook no bailout of troubled

lenders during the Asian crisis, opting instead to offer tax incentives to banks that trimmed their bad loans and other stranded assets through the SPV Act.
<http://www.manilatimes.net/national/2008/dec/02/yehey/business/20081202bus4.html>

Philippine Stock Exchange Weekly Top Gainers (Dec. 08 – 12)

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	Pepsi-Cola Products Philippines, Inc.	0.83	25.76	18.57	13,415
2	Petron Corporation	5.30	21.84	10.42	169,977
3	RFM Corporation	0.2400	20.00	4.35	439
4	Dizon Copper Silver Mines, Inc.	1.40	16.67	(12.50)	17
4	Manila Mining Corporation "B"	0.0070	16.67	(6.67)	262
6	SM Investments Corporation	195.00	15.38	3.72	289,242
7	Araneta Properties, Inc.	0.26	13.04	13.04	18
8	Ayala Corporation	201.00	12.92	(1.95)	517,267
9	Oriental Petroleum and Mineral Corporation "B"	0.0090	12.50	(5.26)	379
10	Cebu Holdings, Inc.	1.46	12.31	12.31	88

Philippine Stock Exchange Weekly Top Gainers (Dec. 08 – 12)

PER, EPS & BPV

Rank	Stock	PER	EPS	PBV
1	Pepsi-Cola Products Philippines, Inc.	4.15	0.20	0.61
2	Petron Corporation	9.83	0.54	1.26
3	RFM Corporation	3.13	0.08	0.18
4	Dizon Copper Silver Mines, Inc.	(9.83)	(0.14)	2.27
4	Manila Mining Corporation "B"	4.50	0.002	0.90
6	SM Investments Corporation	9.03	21.61	1.09
7	Araneta Properties, Inc.	5.41	0.05	0.35
8	Ayala Corporation	9.57	21.01	1.07
9	Oriental Petroleum and Mineral Corporation "B"	12.76	0.001	0.80
10	Cebu Holdings, Inc.	7.10	0.21	0.69

Source: Philippine Stock Exchange, Weekly Market Watch, VOL. II NO. 50

Philippine Stock Exchange Index Composition for Financials As of Dec. 15, 2008

SECURITY NAME	PRICES	OUTSTANDING G SHARES	FREE FLOAT LEVEL	FREE FLOAT - ADJUSTED MARKET CAPITALIZATION	% WT
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Feedback

Please contact Ernie Diaz (+632 885 7000 ext: 229 or etdiaz@kpmg.com.ph) or Gillian de Guzman (+632 885 7000 ext: 369 or gddeguzman@kpmg.com.ph) to discuss your views/suggestions.

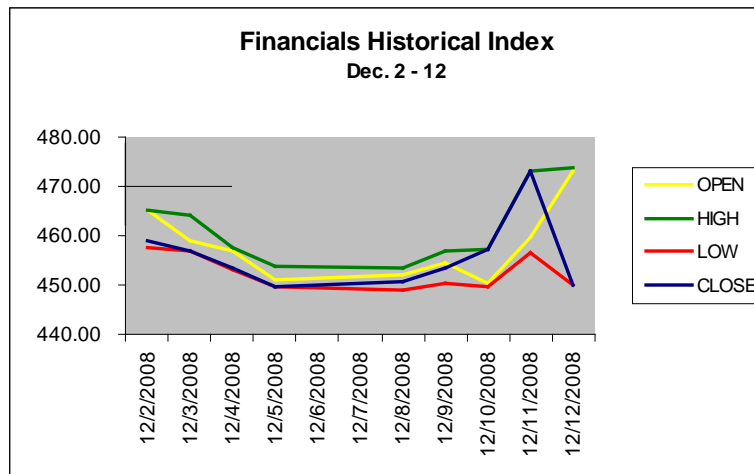
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BANCO DE ORO UNIBANK, INC.	23.75	2,302,032,661	36.0%	19,682,379,251.55	13.11
BANKARD, INC.	1.20	1,501,893,900	8.0%	144,181,814.40	0.10
BANK OF THE PHILIPPINE ISLANDS	38.00	3,245,739,408	46.0%	56,735,524,851.84	37.78
CHINA BANKING CORPORATION	385.00	88,643,439	52.0%	17,746,422,493.80	11.82
CITISECONLINE.COM, INC	3.70	433,000,000	51.0%	817,071,000.00	0.54
I-Remit, Inc.	4.40	552,410,800	99.0%	2,406,301,444.80	1.60
METROPOLITAN BANK & TRUST CO.	22.75	1,807,269,350	48.0%	19,735,381,302.00	13.14
NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES	1.26	2,159,677,600	87.0%	2,367,438,585.12	1.58
PHILIPPINE NATIONAL BANK	14.75	662,245,916	30.0%	2,930,438,178.30	1.95
THE PHILIPPINE STOCK EXCHANGE, INC.	137.00	30,555,022	64.0%	2,679,064,328.96	1.78



Source: Philippine Stock Exchange, PSE Composite and Sectoral Indices