



## FINANCIAL SERVICES



Week ended  
**26 December 2008**

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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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If you want us to send this to any other member of your company, please contact Gillian de Guzman, KPMG Markets Communication Officer, at 8857000 loc 369 or at [gddeguzman@kpmg.com](mailto:gddeguzman@kpmg.com)

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### **PNB, Allied Bank merger seen by mid-'09**

PHILIPPINE National Bank (PNB) said it would push back to the middle of next year its plan to complete a merger with Allied Banking Corp (ABC).

"There is a need to comply with US banking regulations requiring ABC to divest its 28-percent equity share in California-based Oceanic Bank prior to the merger," PNB said in a statement.

PNB said the preparations for the merger are in full swing and on track, citing progress in identification and synchronization of IT systems; alignment of products, policies and procedures; branch rationalization; and review for consolidation of required regulatory documentation.

The automated teller machine (ATM) systems of PNB and ABC have been integrated to allow each bank's clients to use either lender's ATM network free of charge, the statement read.

*<http://www.manilatimes.net/national/2008/dec/25/yehey/business/20081225bus11.html>*

### **Tighter standards cut banks' capital**

THREE months before the collapse of Lehman Brothers, Philippine banks' combined capital adequacy ratio (CAR) had already fallen due to the adoption of stricter capital standards under Basel.

On a consolidated basis, banks' CAR also slipped to 15.25 percent from 15.49 percent over the same period.

The bankruptcy filing of the Wall Street investment bank led to losses for a number of top Philippine lenders, cutting their third quarter profits. The local banks had since warned that their full-year earnings would slow from the 2007 levels.

Despite the decline, the BSP said local lenders remain adequately capitalized as they continued to post a wide margin over the regulatory minimum of 10 percent and the Basel Accord's prescribed ratio of 8 percent.

For the universal and commercial segment, the CAR stood at 14.34 percent on solo basis, lower than the 14.46 percent in March.

For thrift lenders, their CAR also slipped to 14.50 percent from 15.16 percent at end-March, on both solo and consolidated bases.

The industry ratios were calculated based on the provisions of the Basel 2 framework for the subsidiary thrifts of universal or commercial lenders, and the Basel 1 framework for stand-alone thrifts.

For rural and cooperative lenders, their CAR went down to 13.52 percent at end-June from 13.67 percent at end-March due to the faster increase in risk-weight assets at 3.85 percent, relative to the 2.77-percent increase in qualifying capital.

*<http://www.manilatimes.net/national/2008/dec/23/yehey/business/20081223bus3.html>*

### **Philippine banking sector seen to withstand global slowdown**

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LOCAL banks can withstand the pressure on their earnings and asset quality caused by the global economic slowdown, according to the Bangko Sentral ng Pilipinas (BSP).

"Some of the local banks' exposure to the troubled foreign financial institutions is minimal and quite manageable from a capital and liquidity standpoint," Bangko Sentral ng Pilipinas Governor Amando Tetangco Jr. said.

Moody's Investors Service recently downgraded its outlook for Philippines banks' financial strength rating to stable from positive despite the limited impact of the global financial crisis so far.

In its recent outlook on the Asian Banking System, Jerry Chien, managing director for Moody's Financial Institutions Group in Asia Pacific, had said that Philippine banks are expected to post slower deposit and loan growth next year, from the fairly robust expansion this year.

Chien said Philippine banks have already adopted a more cautious approach to lending, thus constraining growth in their interest income.

The BSP reported that banks' total resources expanded modestly by 7.3 percent to P5.333 trillion in the first half this year from P4.971 trillion in the same period last year on the back of sustained growth in deposits, capital and bank borrowings.

Total deposits grew 3.9 percent to P3.8 trillion from P3.667 trillion, while net loans grew 25.1 percent to P2.294 trillion as banks were forced to re-evaluate their asset portfolios with the growing risk aversion at the onset of subprime credit crunch.

<http://www.manilatimes.net/national/2008/dec/22/yehey/business/20081222bus4.html>

#### **PSE suspends trading of Meralco shares**

MANILA, Philippines – The Philippine Stock Exchange suspended the trading of Manila Electric Co.(Meralco) shares on Wednesday "until further notice" after its central depository group recommended several measures to prevent the actual trading of the company's shares.

The move came after Land Bank of the Philippines, a government-run bank and Meralco minority shareholder, cried foul over the sudden cancellation of its shares on the eve of a deal with other government financial institutions to sell their shareholdings to a group believed to be allied with food and beverage giant San Miguel Corp.

In a memorandum issued to brokers Wednesday, the PSE cited a letter from the Philippine Dealing System (PDS) which stated that as a depository, it could take preventive action to ensure the protection of investors.

The PSE on Tuesday suspended the trading of Meralco shares from 9AM to 10AM.

Meralco had cancelled about 42 million Meralco shares owned by Land Bank and issued new shares in favor of Josefina Lubrica, citing an Oct. 24 order of the Regional Agrarian Reform Adjudicator regarding contested land under the government's agrarian reform program.

[http://business.inquirer.net/money/breakingnews/view/20081217-178477/PSE\\_suspends\\_trading\\_of\\_Meralco\\_shares](http://business.inquirer.net/money/breakingnews/view/20081217-178477/PSE_suspends_trading_of_Meralco_shares)

#### **Qatari bank eyes stake in RP Muslim bank**

MANILA, Philippines—The Qatar National Bank is keen on buying 40 percent of ailing Al-Amanah Investment Bank of the Philippines, Finance Secretary Margarito Teves said Tuesday.

With a 40-percent stake, Teves said the Qatari bank could take over management of Al-Amanah.

"The interest is there, especially because they would like to establish their presence in Mindanao and they would like to be able to use this as a vehicle to expand the Islamic banking and commercial banking operations in the Philippines and East Asia," the finance chief said.

"This will serve for us as a vehicle for more foreign direct investments from Qatar and the Middle East," he said.

President Gloria Macapagal-Arroyo arrived in Manila before dawn Tuesday from

a four-day official visit to Qatar.

[http://business.inquirer.net/money/breakingnews/view/20081216-178341/Qatari\\_bank\\_eyes\\_stake\\_in\\_RP\\_Muslim\\_bank](http://business.inquirer.net/money/breakingnews/view/20081216-178341/Qatari_bank_eyes_stake_in_RP_Muslim_bank)

### **Demand for money eases**

DEMAND for money grew at a slower pace in October due to the slowdown in foreign inflows, the Bangko Sentral ng Pilipinas (BSP) said.

In a statement, BSP Governor Amando Tetangco Jr. said domestic liquidity or M3 grew slightly slower at 13.1 percent year-on-year in October this year compared with 13.5 percent the month before. The latest figure, however, was faster than the 11.6-percent expansion recorded during October last year. In October, M3 amounted to P3.320 trillion, slightly higher than September's P3.287 trillion.

Net foreign assets grew by 10.7 percent to P1.876 trillion in October. This is lower than the 11.1-percent growth in September, as net foreign assets of banks declined, following the fall in their investments in foreign securities.

Net domestic assets expanded by 12.4 percent to P2.445 trillion with the increase in credit to the public sector and the strong growth in credit extended to the private sector.

In October, credit to the public sector grew by 13 percent to P1.118 trillion due mainly to higher lending to the government. Meanwhile, credit to the private sector grew by 17 percent to P2.337 trillion but slightly lower than the 18.8 percent in September.

The acceleration in the country's money supply accompanied the spike in inflation to a near 17-year high in August at 12.5 percent. In October, inflation slowed to 11.2 percent from September's 11.9 percent.

<http://www.manilatimes.net/national/2008/dec/16/yehey/business/20081216bus3.html>

### **RP bank lending slows after month of US failures**

LENDING among Philippine banks slowed a month after a string of failures at big-name US financial firms that intensified a global credit crunch.

In a statement, the Bangko Sentral ng Pilipinas (BSP) said bank lending grew 21.9 percent in October from 24.8 percent in September.

The amount of outstanding loans reached P1.918 trillion in October from P1.870 trillion the month before. Lehman Brothers filed for bankruptcy in September, setting off a string of bailouts—either by government or private institutions—of other US investment banking giants.

Including overnight transactions with the BSP, lending in October grew 24.8 percent, slightly higher than the 24.1 percent in September. Total loans reached P2.137 trillion from P2.052 trillion month-on-month.

Loans for production activities rose at a slower pace of 19.2 percent from 22.4 percent in September, with lending to agriculture, wholesale and retail trade, real estate, renting and business services, and transportation, storage and communication rising. Borrowings by the financial intermediation, mining and quarrying, and fishing sectors, however, contracted.

<http://www.manilatimes.net/national/2008/dec/16/yehey/business/20081216bus1.html>

### **Philippine Stock Exchange Weekly Top Gainers (Dec. 22 – 26)**

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	Information Capital Technology Ventures, Inc.	1.40	57.30	129.51	894
2	First Abacus Financial Holdings Corporation	0.57	42.50	14.00	358

3	Benguet Corporation "A"	6.6000	36.08	13.79	191
4	Empire East Land Holdings, Inc.	0.33	32.00	57.14	24,858
5	Oriental Peninsula Resources Group, Inc.	0.44	29.41	(34.33)	168
6	Premiere Entertainment Productions, Inc.	0.72	26.32	16.13	1,091
6	Uniwide Holdings, Inc.	0.1200	26.32	20.00	52
8	Abacus Consolidated Resources and Holdings, Inc. "A"	0.63	26.00	14.55	1,502
9	Mabuhay Holdings Corporation	0.2000	25.00	29.03	46
10	Belle Corporation	0.71	22.41	31.48	12,948

### Philippine Stock Exchange Weekly Top Gainers (Dec. 22 – 26)

PER, EPS & BPV

Rank	Stock	PER	EPS	PBV
1	Information Capital Technology Ventures, Inc.	(4,733.38)	(0.0003)	1.40
2	First Abacus Financial Holdings Corporation	(10.44)	(0.05)	1.00
3	Benguet Corporation "A"	25.09	0.26	(0.69)
4	Empire East Land Holdings, Inc.	11.29	0.03	0.21
5	Oriental Peninsula Resources Group, Inc.	(8.06)	(0.05)	0.37
6	Premiere Entertainment Productions, Inc.	(16.56)	(0.04)	2.68
6	Uniwide Holdings, Inc.	(0.65)	(0.19)	(0.12)
8	Abacus Consolidated Resources and Holdings, Inc. "A"	3.98	0.16	0.86
9	Mabuhay Holdings Corporation	(17.99)	(0.01)	0.37
10	Belle Corporation	14.42	0.05	0.86

Source: Philippine Stock Exchange, Weekly Market Watch, VOL. II NO. 52

### Philippine Stock Exchange Index Composition for Financials As of Jan. 05, 2009

SECURITY NAME	PRICE	OUTSTANDING SHARES	FREE FLOAT LEVEL	FREE FLOAT - ADJUSTED MARKET CAPITALIZATION	% WT.
BANCO DE ORO UNIBANK, INC.	24.75	2,302,032,661	36.0%	20,511,111,009.51	13.20
BANKARD, INC.	1.28	1,501,893,900	8.0%	153,793,935.36	0.10
BANK OF THE PHILIPPINE ISLANDS	39.50	3,245,739,408	46.0%	58,975,085,043.36	37.96
CHINA BANKING CORPORATION	395.00	88,643,469	52.0%	18,207,368,532.60	11.72
CITISECONLINE.COM, INC	4.50	433,000,000	51.0%	993,735,000.00	0.64

**Feedback**

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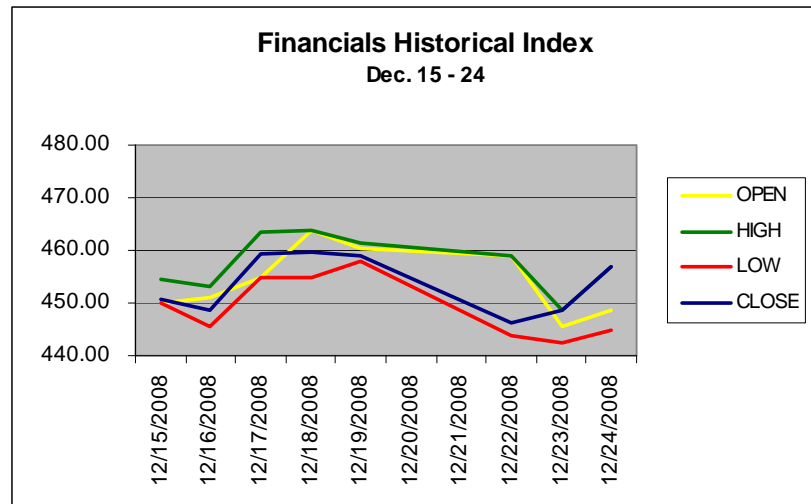
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I-Remit, Inc.	4.20	552,410,800	99.0%	2,296,924,106.40	1.48
METROPOLITAN BANK & TRUST CO.	24.50	1,807,269,350	48.0%	21,253,487,556.00	13.68
NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES	1.26	2,159,677,600	87.0%	2,367,438,585.12	1.52
PHILIPPINE NATIONAL BANK	14.00	662,245,916	30.0%	2,781,432,847.20	1.79
THE PHILIPPINE STOCK EXCHANGE, INC.	139.00	30,555,022	64.0%	2,718,174,757.12	1.75
RIZAL COMMERCIAL BANKING CORPORATION	10.00	962,843,035	52.0%	5,006,783,782.00	3.22
SECURITY BANK CORPORATION	25.00	329,345,697	35.0%	2,881,774,848.75	1.85
SUN LIFE FINANCIAL, INC.	850.00	559,698,231	2.4%	274,028,263.20	7.35
UNION BANK OF THE PHILIPPINES	21.50	641,422,420	32.0%	4,412,986,249.60	2.84
VANTAGE EQUITIES, INC.	1.10	1,788,312,570	71.0%	1,396,672,117.17	0.90



Source: Philippine Stock Exchange, PSE Composite and Sectoral Indices