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## BANKNEWS

**Tuesday, July 14, 2009**

### **Crusade on safe, responsible banking launched – BusinessMirror p. C2**

The Philippine Deposit Insurance Corporation (PDIC) has forged an alliance with the Bangko Sentral ng Pilipinas and the local banking industry to start a crusade on safe and responsible banking, “Be a wise Saver” program, a depositor awareness campaign that advocates for safe and responsible banking through “Seven Habits of a Wise Saver.”

The collaboration was formalized through a signing of a memorandum of understanding (MOU) among the PDIC, the BSP and practically the whole banking industry represented by the Bankers Association of the Philippines, the Chamber of Thrift Banks, the Rural Bankers Association of the Philippines, and the Bank Marketing Association of the Philippines.

Photo shows (from left) Ferdinand La Chica of the BMAP president; Pascual Garcia of the CTB president; Jesus Jacinto Jr. first vice president of the BAP; Jose Nograles, PDIC president; Nestor Espenilla, Jr., BSP deputy governor; Tomas Gomez IV, RBAP president; Maria Leonida Fres-Felix, PDIC vice president for communications and stakeholder relations; and Ma. Yolanda Crisanto, BMAP secretary.

### **RBAP nakipagtulungan sa PDIC, BSP para sa responsible banking – Balita p. 4**

Bumuo ng alyansa ang Philippine Deposit Insurance Corporation (PDIC) kasama ang Bangko Sentral ng Pilipinas (BSP) at ang local banking industry upang simulan ang krusada sa ligtas at responsableng pagbabangko.

Ang kolaborasyon ay naisaporamal sa pamamagitan ng paglagda ng Memorandum of Understanding (MOU) na pinangunahan ng PDIC, BSP at kinatawan ng buong banking industry na binubuo ng Bankers Association of the Philippines (BAP), Chamber of Thrift Banks, the Rural Bankers Association of the Philippines (RBAP), at Bank Marketing Association of the Philippines.

### **Market closes sideways minus strong leads – BusinessWorld p. S2/2**

THE ABSENCE of market-moving news yesterday prompted most investors to stay on the sidelines, sending the benchmark index a tad lower, analysts said.

The Philippine Stock Exchange index slipped by 0.15% or 3.83 points to 2,483.39, while the all-shares index lost 0.14% or 2.35 points to 1,594.65.

... Metropolitan Bank & Trust Co. tumbled by 1.56% or 50 centavos to P31.50, but *Sy-led Banco de Oro Unibank, Inc.* climbed by 1.61% or 50 centavos to P31.50.

### **BDO, isa sa Asia's Most Admired Firms – Abante Tonite p. 8**

Tinanghal ang *Banco de Oro Unibank, Inc.* bilang isa sa Asia's 200 Most Admired Companies sa isang pagsusuring ginawa ng Wall Street Journal, isa sa mga pinakamalaking internasyunal na pahayagan sa mundo.

Ang Wall Street Journal Asia 200 ay isang taunang survey ng mga nangungunang kumpanya sa Asya, sa pagpapasya ng mga 2600 na mga tagapamahala at propesyunal sa Asya-Pasipiko.

Isa rin ang BDO sa Top 10 Most Admired Firms sa Pilipinas, ayon din sa survey. Nakuha ng BDO ang ikalimang puwesto sa kategoryang Financial Reputation and Innovation.

Ang taunang pagtatala, na nasa ika-16 na taon na, ay sinimulan ng Far Eastern Economic Review hanggang sa magbago ng format apat na taon na ang nakaraan. Ito na ang ikatatlong pagkakataon na ang survey ay inilathala ng Wall Street Journal Asia.

### **Risk aversion weakens the peso further – BusinessWorld p. S2/1**

THE PESO weakened yesterday as pessimism and cautiousness reigned in offshore markets ahead of the release of second-quarter earnings reports of large US firms.

The local currency closed at P48.39 per dollar, ten-and-a-half centavos lower than Friday's P48.285 finish.

### **T-bill yields fall across the board – BusinessWorld p. S2/1**

#### **T-bill rates down across the board – Phil. Star p. B1**

#### **T-bill yields decline; RTB issue shelved – Manila Bulletin p. B1**

#### **T-bills rates fall – Malaya p. A1**

#### **T-bill rates fall; investors swarm auction - Manila Standard Today p. B1**

#### **Benchmark rates drop on easing inflation – Manila Times p. B1**

TREASURY BILL yields dropped across the board at yesterday's auction amid easing inflation and a substantial amount of debt papers that are maturing this week.

The benchmark 91-day T-bill rate fell by 20.2 basis points (bps) to an average of 4.298% from 4.5% during the June 29 auction.

The six-month debt paper fetched 4.478%, 18 bps lower than 4.658%, and the one-year debt paper, 4.55%, down by 24.4 bps from 4.794%.

The Bureau of the Treasury sold P8.5 billion worth of T-bills as planned.

### **BSP sees improved economy in H2 - Phil. Star p. B1**

#### **Central bank sees economy recovering in second half – Manila Times p. A1**

Bangko Sentral ng Pilipinas (BSP) officials said they expect the country's economic performance to improve during the second half of this year.

The BSP has reduced its policy rates by a total of 200 basis points since December last year to bring down borrowing costs and encourage economic activities.

BSP Deputy Governor Diwa Guinigundo told reporters that the BSP had no clear indications of how the economy performed in the second quarter but prospects appear better for the second half of the year.

“Based on the fiscal numbers in January to May, while revenues declined by 12 percent, expenditures increased by around 16 percent,” Guinigundo said. “Now assuming that all of those were actually utilized and the cash position of the government should show that, then we should be looking at better public spending and therefore, higher gross domestic product (GDP).”

### **RP banks face new drags – Phil. Star p. B6**

The Philippine banking system is facing potential drags on its bottomline as the operating environment remains difficult, squeezing banks’ interest rate margins, loan growth decelerating, and the cost of lending rising.

According to a World Bank report released recently, the overhang of non-performing assets (NPAs) can be expected to further add pressure on earnings.

“The more difficult operating environment will also test the appropriateness of individual bank capital in terms of covering unexpected losses and/or higher risk taking. While the financial system’s liquidity may provide opportunities for capital raising, some small banks may find it more difficult to increase capital, resulting in pressure for further consolidation of the banking system,” the report added.

### **Deficit likely kept within target**

**... as agencies fail to spend allocations – BusinessWorld p. S1/1**

**Spending bottlenecks may temper deficit – Phil. Daily Inquirer p. B6**

**Gov’t likely achieved P155-B budget deficit target in H1 – Phil. Star p. B3**

**Gov’t pump not priming – Malaya p. A1**

**Budget gap likely below ceiling in 1<sup>st</sup> half - Manila Standard Today p. B1**

**June budget deficit seen lower on key agencies’ under-spending – Manila Times p. B1**

THE GOVERNMENT LIKELY KEPT its first-half budget deficit under control, a Finance official yesterday said, but at the expense of not spending enough on economic pump-priming projects.

"The deficit is probably better than programmed. It is because of the expenditures. Agencies are having hard time to spend (sic)," Finance Undersecretary Gil S. Beltran said, declining to provide more details.

Asked if absorptive capacity was a factor, he replied, "Yes ... [But] I do not have the data yet." The first half deficit target is P155.1 billion and results for the period are expected to be released next week. It stood at P123.2 billion as of May, nearly half the full-year cap of P250 billion.

**Gov't to sell \$750 million worth of global bonds – BusinessWorld p. S1/1**

**Global bonds plan bumps off RTB offering – Phil. Daily Inquirer p. B1**

**RP taps 3 banks to sell \$750-M bonds – Manila Bulletin p. B1**

**\$750M in new borrowings expected anytime soon - Daily Tribune p. 8**

**RP starts \$750-m bond sale – Manila Standard Today p. B1**

THE PHILIPPINES, one of Asia's most active debt issuers, has set a global bond sale to bridge a record budget deficit as the government bids to arrest an economic slowdown.

Sources said Manila was raising \$750 million by selling bonds maturing in January 2020 at a yield of between 6.625-6.75%. The bonds are expected to be priced during New York trading hours.

The BB-minus rated issue is being handled by Credit Suisse, Citigroup and Deutsche Bank.

**Bangko Sentral still has room for another rate cut – BusinessWorld p. S1/1**

DECLINING INFLATION and demand weakness provide room for another Bangko Sentral ng Pilipinas (BSP) policy rate cut, debt watcher Moody's Investors Service said.

Likewise, current government deficit targets — over three times the size of last year's actual shortfall — will not lead to a downgrade for the Philippines, the ratings firm said.

"The sharp decline in inflation gives scope for the BSP to cut interest rates," said Thomas Byrne, Moody's sovereign regional credit officer for Asia Pacific and the Middle East, via an e-mail.

**World Bank sees rising poverty in RP – Phil. Daily Inquirer p. B1**

The World Bank expects poverty incidence in the Philippines, which stood at 32.9 percent in 2006, to rise this year due to weaker labor market conditions brought about by the global economic turmoil.

In its quarterly report on the Philippines, the foreign lender said that although the government reported a decline in the unemployment rate in April, this did not necessarily mean an increase in household incomes.

While there may be previously unemployed Filipinos who found jobs in April, the World Bank said, there were also many employed individuals who had to contend with lower quality jobs following layoffs mostly in the manufacturing sector.

**BSP wants direct infusion of P40-B gov't capitalization – Manila Bulletin p. B3**

**MB wants direct equity on P40-b capital - Manila Standard Today p. B1**

The Monetary Board of the Bangko Sentral ng Pilipinas (BSP) is lukewarm to the proposals of the budget and finance departments for an alternative structure of raising the much-needed P40 billion central bank capitalization.

In a July 2 meeting, the Monetary Board has decided that they prefer direct National Government infusion as included in the national budget.

“(The BSP) prefers a simpler approach to completing the capitalization and we will continue to cooperate with NG on the best approach or the best modality to achieve the full capitalization,” said BSP deputy governor Diwa C. Guinigundo.

**BSP seen to keep reserve requirement at 19% – Phil. Daily Inquirer p. B2**

The Bangko Sentral ng Pilipinas hinted it would not reduce the reserve requirement imposed on banks at the moment, saying the banking sector remained sufficiently liquid.

What is needed, according to the BSP, is substantial increases in bank lending so that the money being kept in the banks can be used to more productive activities that will translate to faster economic growth.

The central bank slashed in November the reserve requirement from 21 to 19 percent of the total deposit liabilities of banks.

**BIR: BSP not a bank, exempt from GRT – Manila Bulletin p. B1**

**Bangko Sentral not a bank - Manila Standard Today p. B1**

The Bureau of Internal Revenue (BIR) has issued a circular declaring that the central bank, known as Bangko Sentral ng Pilipinas (BSP), is not a bank and therefore exempted from certain taxes such as gross receipts tax (GRT).

Revenue Memorandum Circular 65-2008, signed by former BIR commissioner Lilian B. Hefti, was issued to clarify BSP's taxation status and the legal basis for imposing taxes or implementing tax exemptions for BSP.

In the memo, BIR has concluded that the BSP is not a bank or a non-bank financial intermediary performing quasi-banking functions. The most immediate implication for this decision is that the BSP is exempted from the GRT, also sometimes known as gross excise tax which is a sales tax.

BSP deputy governor Armando L. Suratos said the BIR memo is "live" even if Hefti is no longer BIR chief.

**Banks' bad debts rise slightly to 3.74% in May – Daily Tribune p. 8**

**Bad loans continue to rise but still below 4% - Malaya p. A8**

Soured loans among commercial banks grew by 0.09 percentage point to 3.74 percent in May than April's 3.65 percent but lower by 0.43 percentage point than year ago's 4.17 percent ratio, Bangko Sentral ng Pilipinas (BSP) figures released yesterday showed.

This is the eighth consecutive month that the non-performing loan (NPL) ratio has been below four percent, according to the BSP.

The month-on-month increase in the ratio occurred as the 4.45 percent hike in NPLs outweighed the 1.88 percent expansion in total loan portfolio (TLP). NPLs grew to P90.64 billion from last month's P86.78 billion.

Net of interbank loans (IBL), the NPL ratio also rose to 4.26 percent from last month's 4.11 percent but improved from year ago's 4.98 percent ratio. The month-on-month movement transpired as the growth in NPLs was faster than the 0.55 percent rise in regular loans to P2,125.29 billion.

**BSP prefers printing money on cotton and abaca material – BusinessMirror p. B8**

THE Bangko Sentral ng Pilipinas would much prefer to print money on cotton material fortified with abaca strands than invest in more expensive technology based on polymer.

BSP Governor Amando Tetangco Jr. said on Monday that while the choice has yet to be made, the bad experience reported by Thailand on polymer-based baht bills has mellowed the plan to dump traditional materials for new technology.

He said the central bank of Thailand has nightmares on polymer-based baht bills as they wrinkle and wither in the tropical sun and making Thai consumers unhappy.

### **Insular Life extends loans to top corporations – BusinessWorld p. S2/6**

Local life insurer Insular Life extended a total of P1.25 billion in loans to the biggest corporations in the first half.

The loans were given to four industry giants Ayala Land (P300 million) in February; PLDT (P500 million) in March; Globe Telecom (P250 million) in June and Cebu Energy Development Corp. (P200 million) in June.

### **Manulife variable peso, dollar bond funds up – Phil. Star p. B6**

Manulife Philippines has reported that its variable life peso and US dollar bond funds yielded 12-month returns of 13.08 percent and 3.49 percent, respectively.

The two are the most common funds selected for the Affluence variable life insurance product line.

“We are pleased to report that as of May 29, our peso bond fund reached 13.08 percent. Our dollar bond fund yields grew 3.49 percent despite the very challenging market environment over the last 12 months,” Carl Gustini, Manulife Philippines president and chief executive officer, said in a press statement.

### **Legacy owner arrested in hospital – Phil. Star p. A1**

#### **Legacy’s Delos Angeles arrested – Malaya p. B1**

Police arrested controversial Legacy Group owner Celso de los Angeles at the St. Luke’s Medical Center yesterday afternoon for syndicated estafa charges filed in Cagayan de Oro province.

Members of the police Criminal Investigation and Detection Group (CIDG) led by Superintendent Noli Romana went to St. Luke’s to serve the warrant of arrest, which was issued by Cagayan de Oro Regional Trial Court Branch 17 Judge Florencia Sealana-Abbu last July 8.

According to Romana, chief of the CIDG-Intelligence and Special Operations Division (ISOD), De los Angeles was informed about the standing arrest order at around 4:30 p.m. yesterday.

### **Landbank extends P500-M for 1<sup>st</sup> landfill gas-to-power project – BusinessMirror p. B8**

STATE-owned Land Bank of the Philippines has extended a P500-million loan to Montalban Methane Power Corp. (MMPC), which will use the money to finance the country’s first landfill gas-to-energy project.

The \$33-million renewable-energy project involves the construction of a power facility that will run on methane gas extracted from the Montalban Sanitary Landfill. The facility will supply electricity to the town in Rizal.

MMPC is owned by Carbon Assets Fund of Cayman Islands, represented by Carbon Capital Markets, a UK-based company that owns a dominant 35.71-percent stake of Carbon Assets.

**Another bank rocked by blast – Phil. Star p. A1**

An explosion rocked another bank in Camanava yesterday morning.

The blast created a crater 11 inches wide and an inch deep at the ATM booth of the UnionBank branch at the corner of Fatima Avenue and Macarthur Highway in Barangay Marulas, Valenzuela City.

The explosion, the third targeting a bank in Camanava, shattered the glass wall and damaged the ceiling of the main entrance of the bank.

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