

# DATELINE PHILIPPINES

## Fitch keeps 'stable' outlook on RP banks

by MICHELLE REMO  
Inquirer.net

MANILA – Fitch Ratings is maintaining a “stable” outlook on Philippine banks, saying the financial institutions have shown resiliency amid the global economic crisis.

In its latest assessment of banking sectors of Asian countries, Fitch said it did not see banks in the Philippines suffering from any major rise in loan delinquencies. It also said the country’s banking sector would maintain comfortable levels of capital and good quality of assets.

“Rise in delinquencies for most Philippine banks may continue to be modest and asset quality is likely to remain manageable. In view of this, banks’ earnings are expected to be adequate to absorb rising credit losses,” Fitch said.

The credit rating agency noted a slight increase in the Philippine banking sector’s non-performing loans or the NPL ratio, from 4.5 percent as of end-2008 to 4.6 percent as of end-June. Fitch said, however, that the increase was minimal, adding that any further increase in defaults could be absorbed by banks given their continued profitability.

The NPL ratio is the proportion of soured loans to total outstanding loans extended by banks. Loans are considered sour if these have remained unpaid at least 90 days upon maturity.

“This [comfortable NPL ration] partly reflects the improved health of the Philippine corporate sector, compared with the more leveraged position of several companies during the last Asian financial crisis,” Fitch said.

The Philippines, like neighboring countries, has adopted reforms in the regulation of its banking system following the Asian financial crisis of 1997, which led to rising loan defaults. The Philippine banking sector’s NPL ratio peaked at 18

percent in 2001.

Fitch said banks in the country, contrary to their counterparts in the Western economies particularly the United States, have maintained prudent lending standards since the Asian financial crisis, thereby helping keep their NPLs at comfortable levels.

“Banks... have since become more prudent and have mostly confined their credit exposure to familiar top-tier names (typically conglomerates), which may have better resilience in a downturn,” Fitch said.

Banks in the Philippines are assigned below-investment grade ratings by Fitch. Corporate entities cannot be given credit ratings higher than that of the national government. The Philippine government’s rating with Fitch is two notches below investment grade.

Fitch said chances of delinquencies on bank loans rising have declined given improvements in the global economic environment. In other countries, falling income levels were blamed for the rise in loan defaults and thus lower profitability of banks.

Even if the crisis is not over, economists said the global economy has already moved past the worst of the global turmoil and is on its gradual way to recovery.

The Philippines grew by only 0.6 percent in the first quarter due to the ill-effects of the global crisis, which led to steep decline in the country’s export income. In the second quarter, however, growth already accelerated to 1.5 percent.

The government expects the economy to further grow in the next two quarters, thereby posting an average growth for the full year of between 0.8 and 1.8 percent. Economic managers said the economy would recover further next year and grow by 2.6 to 3.6 percent. ■

## Consumer loans to rise in 4th quarter – BSP

MANILA – The Bangko Sentral ng Pilipinas is expecting consumer lending to pick up in the fourth quarter to a growth of nearly 10 percent, citing a pick-up in demand for loans by households and improving confidence of banks to lend.

“Consumer lending continues to be growing despite the crisis. We expect a healthy level of consumer loans going forward. Growth in consumer loans should pick up to a high single digit level,” Nestor Espenilla Jr., deputy governor at the BSP, told reporters.

The central bank earlier re-

ported that consumer loans - which consist mostly of real estate loans, credit card loans and auto loans--amounted to P399 billion as of end-June, up 3.3 percent from that as of end-March.

The figure covered loans extended by universal, commercial and thrift banks.

Espenilla said the rise in consumer loans as of June, although modest, helped boost the country’s growth in the second quarter. The economy expanded by 1.5 percent in the second quarter, faster than the 0.6 percent registered in the first.

The central bank official said the modest growth was due to caution exercised by banks, which were careful not to allow a rise in delinquencies in the loans they extend even with the ongoing global economic crisis.

He added, however, that banks were seen to accelerate growth in lending in the coming months as improvements in the global economic environment were giving them more confidence to lend.

The BSP likewise expects consumption, which is partly supported by credit card and other

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**SPEAKERS:**



**Dado Banatao** is the managing partner of Tallwood Venture Capital, a firm focusing on semiconductors and semiconductor related technologies. He is credited with developing several key semiconductor technologies and is regarded as a Silicon Valley visionary.



**Winston Damarillo**, CEO and Founder of Simula Labs (www.simulalabs.com), a Marina Del Rey-based firm that is developing companies based on open source software. Winston is the founder of Gluecode, which was purchased by IBM last year, and a former venture capitalist at Intel Capital.



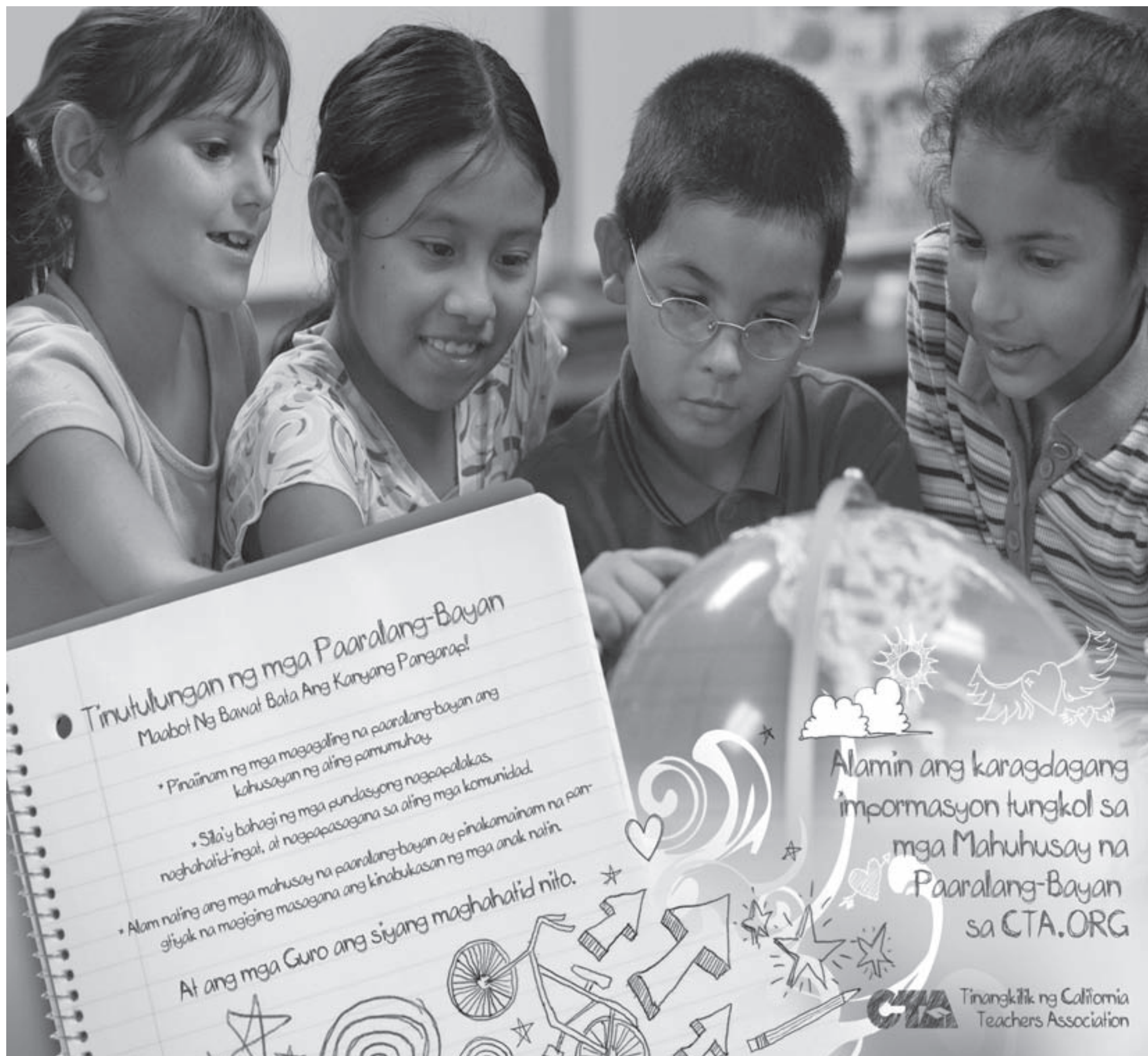
**Sheila Marcelo** is a seasoned entrepreneur whose passion for business and family led to the founding of Care.com. She also served as an executive at several successful consumer internet companies including: Uprromise and TheLadders.com.



**MODERATOR:**  
**Eric Manlunas** is the Founder and Managing Director of Frontera Group, L.L.C, a boutique venture capital firm focused on investing in early-stage emerging companies. He is a two-time start-up veteran turned venture capitalist with a strong passion for early-stage investing.

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- Pinatnang ng mga magasaring na paaralang-bayan ang kahusayan ng ating pamumuhay.
- Sila'y bahagi ng mga pundasyong nagpapalakas ng hahatid-ingat, at nagpapasogana sa ating mga komunidad.
- Alam nating ang mga mahusay na paaralang-bayan ay pinakamainom na pamaglak na magiging masogana ang kinabukasan ng mga anak natin.

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