FitchRatings

Banks

Philippines
Special Report

Philippine Banks' Annual Review and Outlook for H210-2011

Incremental Improvements in Credit Profiles Likely but Fundamental Concerns Unchanged

Ratings

Individual Ratings

Bank of the Philippine Islands	C
Banco De Oro Unibank, Inc	C/D
Metropolitan Bank and Trust Company	C/D
Development Bank of the Philippines	C/D
China Banking Corporation	C/D
Security Bank Corporation	D
Union Bank of the Philippines	D
Rizal Commercial Banking Corp.	D
Allied Banking Corporation	D
Land Bank of the Philippines	D
Philippine National Bank	D/E
Banking System Indicator	D

See Appendix 1 for a full list of current ratings

Analysts

Alfred Chan
+65 6796 7220
alfred.chan@fitchratings.com

Ambreesh Srivastava
+65 6796 7218
ambreesh.srivastava@fitchratings.com

Related Research

Rating Criteria

- *Global Financial Institutions Rating Criteria (August 2010)*
- *National Ratings — Methodology Update (December 2006)*

Other Research

- *Stress Test on Philippine Banks (August 2009)*
- *Philippine Banks' Annual Review and Outlook (July 2009)*

Summary

Philippine banks weathered the slowdown in 2009 well: asset quality held up fairly well and capital remained intact. Banks' earnings rose in 2009, due to policy-led interest rate cuts, which in turn led to a strong recovery in trading gains on government debt papers. Such gains could moderate in 2010/2011, given upward pressures for interest rates to normalise from historical lows.

On balance, Fitch Ratings believes that the local banks will register better earnings momentum from lending activities and fee-based businesses in 2010/2011 amid the healthier economic climate and more stable credit environment, which help alleviate asset quality pressures.

The industry-wide NPL ratio improved to 4.5% at end-2009 (end-2008: 4.9%) despite difficult credit conditions. This reflects the resilience of local corporates, with top-tier conglomerates generally possessing healthy balance sheets and strong domestic franchises; Fitch estimates that corporate loans make up 60%-70% of loans in the system. Fiscal measures and low interest rates also helped mitigate the impact of the global downturn on the local economy; the Philippines was one of the few south-east Asian countries to avoid recession in 2009, posting 1.1% GDP growth.

Local banks have become more circumspect since the 1997-1998 Asian financial crisis, leading to loan books that have concentrations but are of fairly good quality. While this served most banks well in the recent downturn, Fitch is concerned that in the event of a prolonged downturn, a concentrated loan book could result in a rapid rise in bad loans and in turn weaken banks' balance sheets.

Fitch's other long-standing concern is about possible impairment from foreclosed properties due to low reserve coverage: 9% across the system at end-2009. Three lower-rated banks are also burdened with "deferred charges", a regulatory relief where disposal losses on non-performing assets (NPAs) are not immediately recognised but amortised over 10 years. These factors are among the reasons for banks' moderate to low Individual Ratings (see left-hand sidebar for details).

On balance, such downside risks have abated amid improved economic conditions, although the fragility of recovery of many Western economies still poses a threat to the economic recovery in the Philippines and hence to banks' performance. In Fitch's view, any considerable reduction in the provisioning risks of NPAs would be positive for the banks' ratings, although such improvements are more likely to be satisfactorily addressed over a longer period.

In recent years, however, Fitch has taken upward rating actions, mostly on lower-rated banks to reflect their stronger loss-absorption capacities boosted by capital raising in 2006, 2007 and recently in 2010. As a result, most rated banks have a reasonable capital buffer to cushion against the aforementioned balance-sheet risks. Even under "stressed" conditions, the average core Tier 1 capital adequacy ratio (CAR) of rated banks could hypothetically reduce to 9% (from 11% at end-2009), which on balance still appears satisfactory, in Fitch's view. Hence, the Outlook has remained Stable on most banks' ratings.

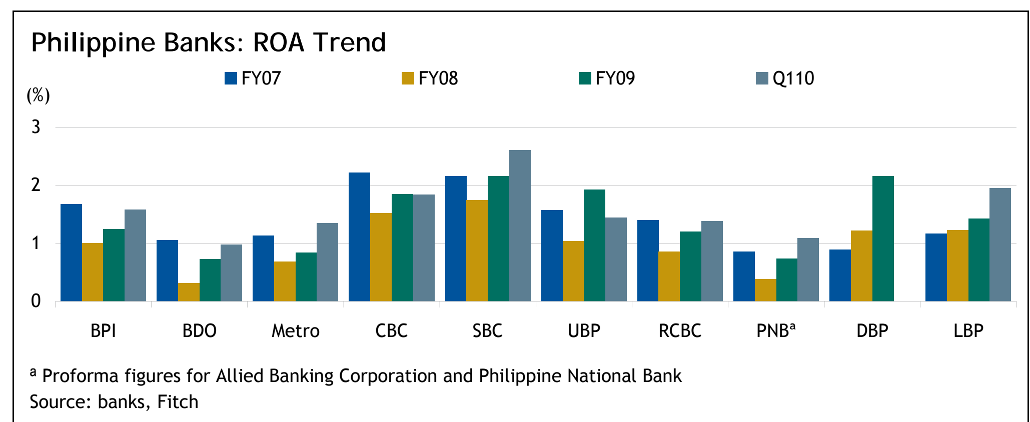
Performance

All rated Philippine banks reported improved ROAs in 2009 despite the difficult operating environment, as the decline in interest rates led to a strong recovery in treasury gains and enabled credit costs from bad assets to remain manageable. Good trading gains (mainly from long-dated government debt paper) largely continued into H110 due to a flattened yield curve, although such revenues may not be sustainable as interest rates are at historical lows and are eventually expected to rise.

While Bangko Sentral ng Pilipinas (BSP, the central bank of the Philippines) has used interest rates in the past to manage inflationary pressures, any rate increase would also depend on the domestic economy having broadly reached a firmer footing, with minimal threat from the external environment. The improved economic backdrop in the Philippines has continued into 2010 and is likely to be more supportive of loan growth and fee-based activities, both of which provide better revenue stability than treasury business. Credit costs may also ease under more stable credit conditions. Fitch forecasts higher GDP growth of 5.5% in 2010 and 5.0% in 2011, up from 1.1% in 2009.

Compared with other markets in the region, operating costs in the Philippine banking sector are still high. This is due to the wide branch networks required to cover the country's archipelago geography and high staffing requirements arising from a lack of automation. The banking sector's cost/income ratio was about 60% in 2009, down from about 70% in 2008 due to better trading gains rather than much of an improvement in cost control.

Of the top three local banks by assets, Bank of the Philippine Islands (BPI) has a good earnings record with a diversified revenue base and better cost discipline. Over the past three to four years, its ROA has been consistently higher than that of the other two largest banks: Banco De Oro Unibank, Inc (BDO) and Metropolitan Bank and Trust Company (Metro). Provisions, mostly relating to existing NPAs, continued to dampen the net profits of both BDO and Metro, with such costs equalling 45%-50% of pre-provision earnings in 2009, higher than the 20% reported by BPI. Fitch also notes BDO's aggressive expansion plans over the past few years, which have led to operating expenses weighing on its profitability.



[a] Proforma figures for Allied Banking Corporation and Philippine National Bank
Source: banks, Fitch

Meanwhile, medium-sized banks such as China Banking Corporation (CBC) and Security Bank Corporation (SBC) generally have above-average profitability due to their fairly good cost efficiency and reputable niches in selected markets that provide healthy margins. Union Bank of the Philippines' (UBP) revenue drivers have been fairly volatile, given its relatively small loan book and large exposure to long-dated government debt paper, although the latter provided good trading gains in 2009 and in turn a sharp rebound in its ROA.

A turnaround at Rizal Commercial Banking Corp (RCBC) has been apparent in recent years, particularly in its improved margins, which helped offset higher credit costs due to asset quality weakening in 2009.

Meanwhile, legacy asset quality issues continue to inhibit Philippine National Bank's (PNB) progress in improving profitability; its strength in the remittance market was insufficient in 2009 to offset the high provisions and operating costs and narrow margins due to a relatively small loan portfolio. Nonetheless, PNB could benefit from its impending merger with Allied Banking Corporation thanks to ongoing rationalisation initiatives, which could help address PNB's high non-interest expenses, and Allied Banking Corporation's good margins from niche Chinese-Filipino SMEs.

Of the two government-owned banks, Development Bank of the Philippines (DBP) has been the more profitable, thanks to the lean operating cost structure of its small branch network. In contrast, Land Bank of the Philippines (LBP) incurs high operating expenses on its nationwide branches to support its agriculture-oriented objectives, but it also has a large market share of low-cost deposits from the rural community.

Loan Book Development and Asset Quality

In the previous report (see link to *"Philippine Banks' Annual Review and Outlook"*, dated 28 July 2009, on the front page under *Related Research)*, Fitch highlighted that the banks' concentrated exposure to large corporates could potentially be a source of delinquencies amid difficult business conditions in 2009. However, this did not occur due to the fairly short-lived impact of the global downturn on the local economy. Thanks to authorities' responses through various fiscal and monetary measures and the fact that the Philippines is one of the least export-dependent countries in south-east Asia, the country escaped recession last year.

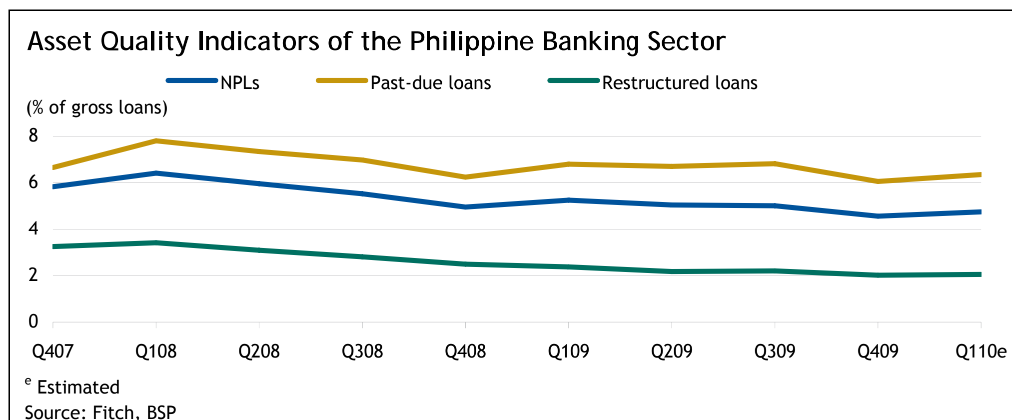
Fitch forecasts that loan growth will resume at higher levels in 2010 amid the healthier economic environment, after having moderated to 4% in 2009 from 10% in 2007 and 2008. Fitch believes that large corporations will continue to make up the bulk of credit demand, and hence the dominant proportion of corporate loans, estimated to be 60%-70% of system-wide loans, is unlikely to change in the medium term. Like in previous years, the lending focus is likely to be on familiar top-tier names, particularly the better-established conglomerates with good business records and sound financial profiles.

Of note are the resilient remittances from overseas Filipino workers, which supported steady consumer loan growth of 14% in 2009 (2008: +15%), mainly within mortgages and auto loans; however, the consumer financing segment is growing from a low base and hence is unlikely to form a substantial proportion of banks' loans over the medium term.

The selective credit appetite, particularly in the corporate segment, possibly reflects the difficult experiences in the aftermath of the 1997-1998 Asian financial crisis. Positively, Fitch believes that many corporates themselves have also since improved their leverage positions, considering that the credit/GDP ratio in the Philippines has remained low at 35% in 2009, compared with 51% at end-1999. In a way, these factors are among the reasons behind the banks' generally better-than-expected asset quality indicators amid this recent downturn.

The NPL ratio of the Philippine banking system was an improved 4.5% at end-2009 from 4.9% at end-2008. NPLs also decreased in absolute terms by 4% yoy to PHP115bn, thanks to write-offs and recoveries. Even past-due accounts (which include NPLs and "performing" past-due loans) remained relatively stable, at 6.0% at end-2009 (end-2008: 6.2%). The portfolio of restructured loans — an indicator of borrowers in financial distress — continued to decline as a percentage of loans to 2.0% at end-2009, and in absolute terms to PHP51bn (end-2008: PHP61bn, or 2.5% of total loans).

Asset Quality Indicators of the Philippine Banking Sector



[e] Estimated
Source: Fitch, BSP

Given the high proportion of corporate loans, it comes as no surprise that many local banks' loan books are concentrated on a few large borrowers. Putting this in perspective, Fitch notes that the 20 largest borrowers of rated banks easily exceed the banks' core equity amounts — ranging from 150% to 200%. Moreover, competition in the corporate segment has been intense in the Philippines and hence the name of a particular creditworthy corporate is frequently found in a few local banks' loan portfolios.

Fitch's concern over such loan concentration involves the risks of a rapid rise in delinquencies, particularly in the event of a prolonged economic downturn or overly aggressive expansion, which could strain banks' balance sheets and, in a worst-case scenario, have an adverse impact on the local banking sector overall. However, the probability of such downside risks occurring has reduced, given the better economic outlook. Indeed, the agency also expects loan impairment to ease in 2010, in view of the more stable credit backdrop and satisfactory NPL reserve coverage of 93% at end-2009 (end-2008: 86%). Moreover, some banks have raised common equity in 2010, which fortifies their capital buffers against any unexpected losses (see *Capitalisation* below for more details).

Foreclosed Properties and Deferred Charges

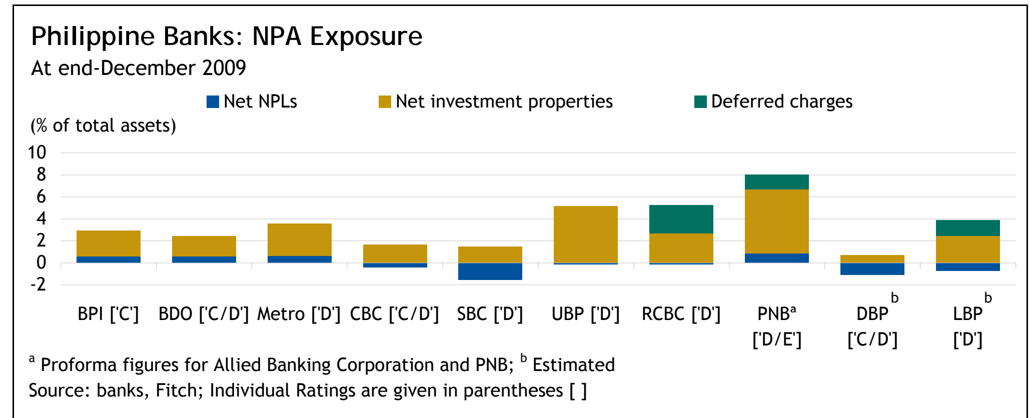
Uniquely to the Philippine banking sector, real-estate collaterals repossessed by banks are shown separately as investment properties (and "non-current assets held for sale" in a few banks' annual reports) and are correspondingly taken out of NPL portfolios. Between the two risk assets, foreclosed properties (used interchangeably in this report with investment properties) remain larger in absolute terms (PHP154bn or 2.5% of total assets) and have a lower reserve coverage of 9.2% at end-2009 (end-2008: 7.7%).

The rate of disposal of such real-estate assets has been gradual, mostly through small retail auctions and direct sales, and, to a lesser extent, joint developments with reputable developers. This is mainly on the premise that foreclosed properties are tangible assets, which hence have recovery prospects that not only are better than those of NPLs but also appreciate over time. Based on banks' own appraisals, the market values of foreclosed properties generally hover above the book values, by about 30% on a portfolio basis — this explains the low reserve coverage. Indeed, most rated banks have been able to dispose of them at a gain over the past few years.

That said, in the event of a difficult environment, the low reserve coverage on foreclosed assets leaves banks exposed to the risk of impairment charges, in Fitch's view. Of the rated banks, such provisioning vulnerability appears more pronounced at PNB and UBP, given their high proportion of investment properties relative to total assets, and is one key moderating factor in their ratings.

On balance, property price increases in the Philippines have been modest over the past few years and hence any price correction is unlikely to be substantial.

Importantly, the agency observes that most rated banks have good capital buffers to withstand the impairment impact in a worst-case scenario (see *Capitalisation* below for more details).



Philippine Banks: NPA Exposure
At end-December 2009

[a] Proforma figures for Allied Banking Corporation and PNB; [b] Estimated
Source: banks, Fitch; Individual Ratings are given in parentheses [ ]

Meanwhile, unlike their better-rated peers, PNB, LBP and RCBC still have unamortised balances of disposal losses from previous years that were not immediately recognised, as allowed by the central bank. These losses are known as deferred charges and are amortised over 10 years, which is not in line with accounting norms and has been the basis for the qualification of these banks' audited financial statements.

Peculiar to the Philippine banking sector, this regulatory relief is intended to provide banks, particularly those with weaker balance sheets, with more time to recover to a stronger footing. Hence, as deferred charges reduce over time, this would in turn be positive to the banks' credit profiles and possibly ratings.

Investment Securities

Investments in fixed-income securities form a large proportion — about a quarter — of most Philippine banks' assets, due to high regulatory reserve requirements and low credit demand over a long period. Fitch regards credit risk to be less of a concern for this asset class, as the underlying instruments have mostly been government securities.

In contrast, local banks have been more susceptible to market risk because these debt instruments are typically long in tenure and about 50% of the securities are subject to revaluation based on market prices — both through the income statement and directly into equity. The decline in the interest rate over H109 provided handsome trading returns and boosted the profitability of all rated banks in 2009 and H110. However, such gains may not be sustainable, given that the interest rate trend may eventually gradually reverse, in line with the improving economic environment.

Funding and Liquidity

There are no major concerns over the liquidity and funding profiles of the domestic banking sector. Customer deposits remain the main liability component, at about 75% of assets, and the system-wide loans/deposits ratio was unchanged at about 60%. This reflects the high reserve requirements (19% of peso deposits, down from 21%, which had been in place until November 2008) and a generally low level of loan activities in the Philippines. Banks' foreign-currency operations, which accounted for about 20% of total deposits, have even greater liquidity, with a loans/deposits ratio of a very low 20% at end-March 2010.

Indeed, the global liquidity crunch following the collapse of Lehman Brothers in 2008 did not have a material effect on the Philippine financial sector. This was also notwithstanding the disparity in pre-emptive measures taken by governments in this

region in response to the global liquidity crisis. Neighbouring countries such as Hong Kong, Singapore and Malaysia had blanket deposit guarantees in place between mid-October 2008 and end-2010, while the Philippine authorities only raised the deposit insurance limit to PHP500,000 (effective 1 June 2009), from PHP250,000.

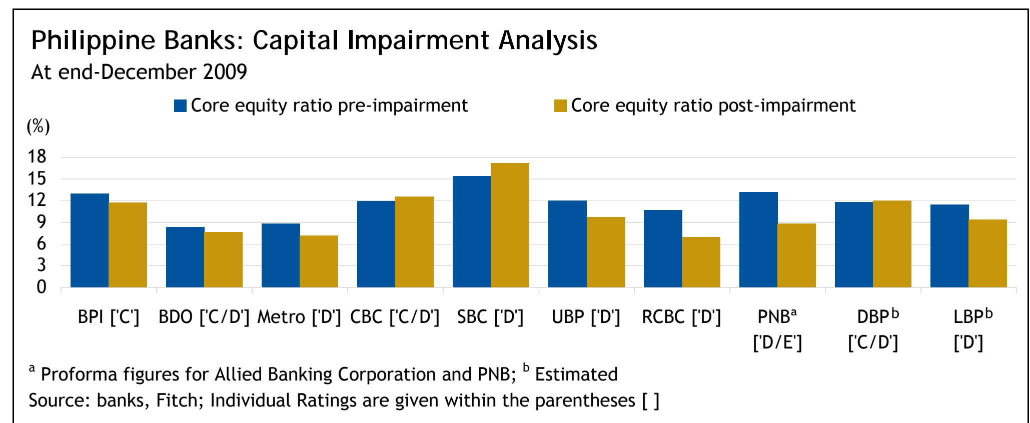
Capitalisation

The capital position of rated banks remained intact amid the downturn as the threat of credit costs turned out to be lower than expected and was easily covered by earnings. Even if the economic environment had been more challenging than it was in 2009, Fitch believes that the banks generally have sufficient capital buffers to withstand the potential losses from existing NPAs.

This conclusion is derived from the agency's stress test report published in August 2009, which was based on 2008 audited numbers (see link to "*Stress Test on Philippine banks*", dated 18 August 2009, on the front page under *Related Research*). The stress parameters were to adjust the reserve coverage for NPLs to 80% and foreclosed properties to 40% and to fully write off deferred charges. Even after making these harsh adjustments and knocking off the difference directly to equity, the core Tier 1 capital adequacy ratios of most rated banks are likely to remain satisfactory, at an average of 9%.

Reapplying the aforementioned "stress" assumptions on 2009 audited numbers, the conclusion remains broadly similar. The high NPA reserves maintained at CBC, SBC and DBP help mitigate capital impairment risks, which, together with the reasonably good capital position, underpins their high ratings relative to peers. SBC's high capital ratios were supported by a rights issue of PHP2.5bn in 2009.

Philippine Banks: Capital Impairment Analysis
At end-December 2009



[a] Proforma figures for Allied Banking Corporation and PNB; [b] Estimated
Source: banks, Fitch; Individual Ratings are given within the parentheses [ ]

Conversely, with NPAs still a large proportion of assets, lower-rated banks such as UBP, RCBC, LBP and PNB may face some downward pressure on capital in the event of a challenging environment. Such risks, while lower in the improved economic environment, are the main moderating factor in the banks' ratings.

BDO's Tier 1 CAR of 8.3% at end-2009 was the lowest among its peers, having been on a steady decline due to rapid loan growth and low profitability. However, downward rating pressures have been eased thanks to PHP11bn in common equity raised in April 2010 (which has led to a higher core Tier 1 CAR of about 10%) and the more stable credit environment.

Given the lower profitability in 2008-2009, Metro's capital position improved only gradually over the period. The bank also raised ordinary equity amounting to PHP5bn in May 2010, which lifted its core Tier 1 CAR (excluding its hybrid Tier 1 securities) to close to 10%, from 8.8% at end-2009.

Notwithstanding the aforementioned private placements by BDO and Metro, BPI's capital buffer is still the highest and this has been its rating strength; the bank's

ratings are the highest among its peers. In June 2010, it announced a PHP10bn rights issue plan, which would enhance its ability to underwrite larger loan amounts, acquire on an opportunistic basis and cope with any tightening in capital regulations over the medium term.

Fitch's preliminary assessment of the Basel Committee's capital regulation proposals suggests that the impact is not likely to be significant on the capital position of most rated banks because they generally have limited investments in businesses outside of the financial services sector.

The two exceptions are Metro, whose sizeable associate investments are in the power generation, mining and car manufacturing sectors, and RCBC, which has associate investments in real-estate companies. The two banks are likely to explore a more capital-efficient organisation structure — such as a holding company structure — although this is contingent upon the final version of the proposed capital regulations, which are still at an early stage of discussion/formulation. The agency will assess the impact in greater detail once there is more clarity.

Appendix 1

List of Philippine Banks Rated by Fitch

	Long-Term Foreign-Currency IDR	Long-Term Local-Currency IDR	National Rating	Outlook	Individual Rating	Support Rating	Support Rating Floor
Bank of the Philippine Islands	BB	BB+	AAA(phl)	Stable	C	3	BB−
Banco De Oro Unibank, Inc					C/D	3	
Metropolitan Bank and Trust Company	BB			Stable	C/D	3	BB−
China Banking Corporation	BB	BB	AA−(phl)	Stable	C/D	4	B+
Security Bank Corporation	BB	BB	AA−(phl)	Stable	D	4	B+
Union Bank of the Philippines	BB−	BB−	A+(phl)	Stable	D	4	B+
Rizal Commercial Banking Corp	BB−	BB−		Stable	D	3	BB−
Allied Banking Corporation					D	4	
Philippine National Bank					D/E	3	
Development Bank of the Philippines	BB	BB+	AA+(phl)	Stable	C/D	3	BB−
Land Bank of the Philippines	BB	BB	AA(phl)	Stable	D	3	BB−

Source: Fitch

Appendix 2

Financial Performance of the Rated Philippine Banks

	BPI		BDO		Metro		CBC		SBC		Union		RCBC		PNB[b]		DBP		LBP		Average	
At end-December[a]	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009[a]	2008	2009[a]	2008	2009	2008
Income statement, as a % of average assets																						
Net interest income	3.08	2.99	3.68	3.25	3.31	3.14	3.72	3.40	4.20	3.75	2.89	2.95	3.69	3.34	3.17	2.88	2.15	3.06	2.04	3.89	3.44	3.22
Fee income	0.89	0.84	1.15	1.21	0.87	0.98	0.66	0.77	0.61	0.72	0.34	0.42	0.64	0.73	0.66	0.76	0.17	0.26	0.12	0.28	0.74	0.79
Trading and foreign exchange income	0.46	0.18	0.48	0.24	0.72	-0.07	0.90	0.05	0.51	0.11	1.96	-0.73	0.99	0.13	0.76	0.29	0.67	-0.02	0.00	0.24	0.66	0.09
Other non-interest income	0.52	0.56	0.22	0.47	0.50	0.75	0.30	0.30	0.24	0.37	0.32	1.81	0.48	0.95	0.72	0.71	0.11	0.65	0.26	0.29	0.42	0.64
Gross income	1.87	1.58	1.85	1.92	2.09	1.66	1.86	1.12	1.36	1.20	2.62	1.50	2.11	1.81	2.14	1.76	0.95	0.89	0.38	0.81	1.82	1.52
Operating expenses	-2.83	-2.81	-3.86	-3.91	-3.20	-3.27	-3.14	-2.70	-2.77	-2.52	-2.66	-2.56	-3.53	-3.76	-3.76	-3.62	-1.30	-1.79	-1.57	-3.37	-3.21	-3.20
Pre-impairment profits	2.12	1.76	1.67	1.26	2.20	1.53	2.44	1.82	2.79	2.43	2.85	1.89	2.27	1.39	1.55	1.02	1.80	2.16	0.85	1.33	2.05	1.54
Impairment charges	-0.37	-0.30	-0.74	-0.74	-1.08	-0.44	-0.36	-0.16	-0.34	-0.41	-0.88	-0.43	-0.80	-0.17	-0.52	-0.33	-0.58	-0.26	-0.05	-0.01	-0.64	-0.37
Profit before tax	1.75	1.46	0.93	0.52	1.12	1.09	2.08	1.66	2.45	2.02	1.97	1.46	1.47	1.22	1.03	0.69	1.22	1.90	0.80	1.32	1.41	1.17
Tax	-0.50	-0.46	-0.20	-0.20	-0.28	-0.41	-0.23	-0.14	-0.29	-0.27	-0.04	-0.42	-0.27	-0.36	-0.29	-0.31	-0.14	-0.50	-0.01	-0.07	-0.25	-0.32
Net profit	1.25	1.01	0.73	0.32	0.84	0.69	1.85	1.52	2.16	1.75	1.93	1.04	1.20	0.86	0.74	0.39	1.08	1.40	0.79	1.26	1.16	0.85
Changes in AFS reserves	0.15	-0.89	0.41	-0.88	0.79	-1.02	0.68	-1.13	0.18	-1.19	0.29	-0.66	0.72	-1.01	0.22	-0.49	0.43	-0.44	0.86	-1.71	0.59	-0.94
Comprehensive profit	1.40	0.12	1.14	-0.56	1.63	-0.33	2.53	0.39	2.34	0.56	2.22	0.38	1.92	-0.15	0.96	-0.10	1.51	0.96	1.65	-0.45	1.75	-0.09
Total assets	724	667	862	802	854	765	234	209	146	138	244	204	289	268	471	450	274	264	470	438	n.a.	n.a.
Balance sheet composition (%)																						
Loans	45	48	53	47	39	43	39	45	45	46	25	29	45	48	33	33	36	43	34	40	41	43
Securities	28	26	22	21	25	18	38	35	29	31	27	30	24	19	26	29	28	26	37	27	27	24
Cash and interbank	19	16	18	24	24	25	15	13	19	15	36	26	19	19	24	21	32	15	22	23	22	21
Investment properties	2	3	2	2	3	4	2	2	1	2	5	6	3	3	6	6	1	1	2	3	3	3
Deferred charges	-	-	-	-	-	-	-	-	-	-	-	-	3	3	1	2	-	-	1	2	-	1
Other assets	6	7	5	6	9	10	6	5	6	6	7	9	6	8	10	9	3	15	4	5	7	8
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Deposits	80	81	80	78	72	77	83	83	74	75	79	79	76	73	77	76	42	35	77	76	75	75
Short-term liabilities	7	4	3	6	12	7	1	1	6	5	1	1	4	9	3	3	4	12	-	-	5	5
Other liabilities	4	5	10	9	7	8	3	4	7	10	7	7	11	10	8	10	43	42	14	15	10	11
Equity	9	10	7	7	9	8	13	12	13	10	13	13	9	8	12	11	11	11	9	9	10	9
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

n.a. — Not applicable
[a] June 2009 for LBP and September 2009 for DBP
[b] Proforma figures for Allied Banking Corporation and PNB
Source: Banks, Fitch

Financial Performance of the Rated Philippine Banks (cont.)

	BPI		BDO		Metro		CBC		SBC		Union		RCBC		PNB[b]		DBP		LBP		Average	
At end-December[a]	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009[a]	2008	2009[a]	2008	2009	2008
Asset quality indicators (%)																						
Loan growth	2.7	16.9	20.3	32.2	0.7	16.1	-2.3	17.7	2.5	28.3	6.1	37.7	4.3	25.0	6.2	30.4	-11.5	42.9	-7.1	39.0	4.1	25.9
Gross NPL ratio	3.88	3.96	5.03	5.63	3.61	4.58	6.18	7.49	2.93	3.61	10.25	10.22	5.46	4.17	6.13	7.90	2.47	1.82	3.83	3.66	4.65	4.99
NPL reserve coverage	69	58	80	71	76	75	115	91	209	181	104	86	105	139	77	63	217	200	185	148	98	87
Credit costs/gross loans	0.72	0.41	0.78	0.17	0.83	0.86	0.50	0.32	0.71	0.90	2.47	1.14	1.21	0.81	0.69	0.28	1.40	0.82	0.12	0.02	0.86	0.49
Provisions/pre-impairment profit	17	17	44	59	49	29	15	9	12	17	31	23	35	28	33	32	32	12	6	0	31	25
Foreclosed properties to assets	2.3	2.6	1.9	2.1	3.0	3.6	1.7	1.9	1.4	1.7	5.1	6.4	2.7	2.8	5.8	6.4	0.7	0.8	2.3	2.6	2.7	3.1
Foreclosed prop reserve coverage	19	19	9	7	9	7	23	18	20	26	n.a.	n.a.	10	12	16	18	17	17	n.a.	6	12	12
Net NPAs/assets	2.9	3.5	2.4	3.0	3.6	4.8	1.3	2.2	-0.1	0.3	5.0	6.8	5.1	4.9	8.1	9.6	-0.4	0.0	2.5	3.4	4.0	4.9
Securities composition (%)																						
By securities type																						
Government debt securities	90	90	73	69	94	80	72	68	91	95	76	77	67	89	67	73	n.a.	64	n.a.	93	81	79
Other debt securities	8	7	27	31	5	19	27	30	9	5	20	23	31	11	28	26	n.a.	34	n.a.	7	18	20
Others	2	3	-	-	1	1	1	2	-	-	4	-	2	-	5	1	n.a.	2	n.a.	-	1	1
By currency																						
Peso-denominated	60	62	26	31	n.a.	n.a.	34	30	n.a.	n.a.	38	28	39	33	71	69	n.a.	51	n.a.	81	46	52
Foreign currencies	40	38	74	69	n.a.	n.a.	66	70	n.a.	n.a.	62	72	61	67	29	31	n.a.	49	n.a.	19	54	48
Capitalisation indicators (%)																						
Core tier 1 CAR	13.3	12.7	8.3	9.3	8.8	8.7	11.9	12.6	15.4	12.5	12.0	11.6	10.2	10.3	13.2	11.8	10.2	10.0	11.5	11.2	10.7	10.7
Tier 1 CAR	13.3	12.7	8.3	9.3	10.0	10.0	11.9	12.6	15.4	12.5	12.0	11.6	12.6	13.2	13.2	11.8	13.8	14.3	11.5	11.2	11.3	11.3
Total CAR	14.7	14.2	12.2	13.5	14.3	13.5	12.8	13.5	18.4	18.5	16.1	12.9	18.5	17.3	18.9	17.4	21.3	23.3	17.7	14.7	15.5	15.1
Net NPA/core equity	34	40	38	52	52	76	10	19	-1	3	59	81	63	66	73	94	-4	0	27	37	47	61
Funding and liquidity indicators (%)																						
Liquid asset ratio	51	46	41	46	57	47	51	43	57	55	62	61	44	42	52	50	97	49	29	61	50	49
Loan/deposit ratio	58	61	68	62	56	59	51	58	64	65	36	41	63	70	45	45	90	126	48	56	57	60

n.a. — Not available
[a] June 2009 for LBP and September 2009 for DBP
[b] Proforma figures for Allied Banking Corporation and PNB
Source: Banks, Fitch

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