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2Q2013 Banking Update: Banks Book the Last of Big Time One Time Gains?

The Last of One-Time Gains

Banks are booking maybe the last of the big time securities trading windfall. The latest RTB auction was swamped with lower-than-expected bids, settling at 3.25% as banks cashed in gains ahead of worries interest rates may rise than fall and limit the industry's profit outlook next year. The US Fed QE3 tapering is causing upward rate pressure. Yet the Php900bn worth of SDA outflow come November could yet do the opposite. Whichever of the two forces prevail (the US Fed or SDA), banks bet accrual income would be key

to next year's earnings. Union Bank and Security Bank have cut their securities trading portfolio on the view rate hikes are just a matter of time. Union Bank made 71% growth in trading income in 1H2013. We believe accrual income would be key to next year's bank earnings and there will be repositioning in government securities (GS) for this, in the dollar and peso books, but the latter would be more geared for building up the loan portfolio.

Low Credit Multiplier Means Big Impact of Loans Growth to GDP

Loan growth sees an upside of up to 20% growth based on Bloomberg consensus forecast for Philippine banks, with a warning that since India, the Philippines and Indonesia are middle income countries, and have credit penetration rates far below emerging peers, they are vulnerable to the "boom and bust" of rapid credit expansion cycles.

But the silver lining of that is in the two facts about Philippine banking. Phil credit to GDP of 50% and Phil credit multiplier being at the low end suggest that the impact of each peso of lending to GDP will be higher than in a more leveraged banking industry of say HK and Singapore. See Table 1 below.

Table 1. Loans vs. GDP

Country	Category	1Q2013	4Q2012	3Q2012	2Q2012	1Q2012	4Q2011	3Q2011	2Q2011
South Korea	Gdp Growth (%)		1.5	1.6	2.4	2.8	3.4	3.6	3.5
	Loan Growth (%)	3.1	3.4	4.2	5.3	6.2	7.7	7.0	5.5
	Multiplier		2.3	2.7	2.2	2.2	2.3	1.9	1.6
Malaysia	Gdp Growth (%)		6.4	5.3	5.6	5.1	5.2	5.7	4.3
	Loan Growth (%)	11.4	10.4	11.9	12.6	12.2	13.6	13.8	13.5
	Multiplier		1.6	2.2	2.3	2.4	2.6	2.4	3.1
Thailand	Gdp Growth (%)		18.9	3.1	4.4	0.4	-8.9	3.7	2.7
	Loan Growth (%)		15.3	12.4	7.9	8.3	11.6	16.6	20.4
	Multiplier		1.6	2.2	2.3	2.4	2.6	2.4	3.1
Indonesia	Gdp Growth (%)		6.1	6.2	6.4	6.3	6.5	6.5	6.5
	Loan Growth (%)	23.4	23.1	23.0	25.7	24.9	24.7	25.2	23
	Multiplier		3.8	3.7	4.0	4.0	3.8	3.9	3.5
Philippines	Gdp Growth (%)	7.8	6.8	7.2	6.0	6.3	4.0	3.2	3.6
	Loan Growth (%)	14.5	15.4	14.2	12.2	17.7	16.4	18.9	20.6
	Multiplier		2.3	2.0	2.0	2.8	4.1	5.9	5.7

Source: Bloomberg



Threats to Operating Environment Cushioned by Good Asset Quality and Strong Capitalization

While the operating environment is threatened by the market volatility created by the US Fed QE3 tapering and China's slowdown, Philippine bank balance sheets and capital are at their best. NPL ratio is at its record low, 1.87%. The banks' tier 1 capital ratio averaged higher 14.7%, up from 14% by end of 2012. Industry average capital adequacy ratio (CAR) of 17% is expected to rise in preparation for Basel 3, according to the BSP. Although, the

Philippines' exports to China make up about 11.4% of total merchandise trade, most of it semiconductors and other mineral products, and OFW remittances from China (Hong Kong and Taiwan) don't even figure among the country's top seven sources, the Philippines is highly vulnerable to hot money flows that had lumped the country and the rest of Asia with China as part of the so-called emerging market. See Table 2.

Table 2. Foreign Institutional Investment in Equities

Countries	Week-to-Date Net (Mil US\$)		Month-to-Date Net (Mil US\$)		Year-to-Date Net (Mil US\$)		Year-to-Date Net YoY%	
India	82.8	6-Aug	201.5	6-Aug	12,556.7	6-Aug	14.50%	6-Aug
Indonesia	401.9	2-Aug	244.7	2-Aug	-63.5	2-Aug	-109.00%	2-Aug
Japan	-426.5	2-Aug	-426.5	2-Aug	96,864.2	2-Aug	2,784.90%	2-Aug
Pakistan	7.7	7-Aug	8.7	7-Aug	305.6	7-Aug	9,449.50%	7-Aug
Philippines	-23.9	7-Aug	53.2	7-Aug	1,678.4	7-Aug	-23.60%	7-Aug
S. Korea	-134.9	7-Aug	-10.6	7-Aug	-7,193.7	7-Aug	-204.60%	7-Aug
Sri Lanka	2.5	7-Aug	0.0	7-Aug	112.6	7-Aug	-45.00%	7-Aug
Taiwan	-535.9	7-Aug	-545.0	7-Aug	2,346.2	7-Aug	254.40%	7-Aug
Thailand	-116.6	7-Aug	-179.1	7-Aug	-2,685.6	7-Aug	-221.90%	7-Aug
Vietnam	-1.4	7-Aug	-1.7	7-Aug	164.5	7-Aug	972.40%	7-Aug

Source: Bloomberg

Consumer Banking, Branching and Narrower Net Interest Margin (NIM)

Loans of banks are expected to accelerate led by aggressive forays into high-margin consumer banking. Selected listed banks in Table 3 on page 3 posted 1H2013 loan growth range of 12% to 21%, the fastest being that of PS Bank. PS Bank's leadership in auto loans contributed to MBT's holding the industry's biggest auto loan market share at 25%. MBT also had the biggest branch network, 828 inclusive of thrift banking arm, PSB. MBT is no. 2 and

3 in credit card (per the Credit Card Association of the Philippines ranking) and housing loan market shares, respectively. To grab a bigger share of the high-market consumer loan market, banks are intensely into branch expansion. EW was the most aggressive, aiming for 350 branches by 1Q2014 from the current 255, a network size ahead of its peer banks PBB, AUB, PSB, SECB.

Capital Expansion

Moody's Investors Service said the sale by MBT of its non-core assets in Global Business Power Corp. (20% stake) to a Japanese company (Orix Corp of Japan) for P7.15bn is credit positive as Tier 1 capital ratio will increase to 15.3% from 14.8% at the end of March, after factoring in the gains from the share sale. MBT's ratio compares with the 14.7% average Tier 1 ratio at the end of March for the Philippines-based banks. Also, MBT has secured the BSP's nod on authorized capital hike to Php100bn from Php50bn.

On the other hand, PNB's challenge is to raise ROE to 15%, from currently 12% in the wake of a capital raising plan (equity offering worth \$300mn) in the pipeline. New Basel 3 regulations incorporate a capital conservation buffer in addition to minimum core capital requirements. Where a bank fails to meet or exceed this buffer (subject to local regulation), it may be prevented from paying dividends or undertaking share buybacks.



LTNCDs to Lock in Cost of Funds

Fund raising to tap low cost funds ahead of the US Fed QE3 exit remains a key theme for local banks whether it's for lending or capital. BDO Unibank, Inc. (BDO) successfully concluded its offer of P5bn worth of 3.8% 5-yr Long Term Negotiable Certificates of Time Deposit (LTNCDs) last March. The LTNCDs will support the Bank's medium-term growth objectives and help lengthen the maturity profile of its funding sources. Also BDO through its appointed depository Deutsche Bank (DB) launched last April 18 its

American Depositary Receipts (ADR) allowing flexibility for US investors to trade BDO common shares, enhancing BDO's global visibility, diversifying and broadening the Bank's shareholder base. EW raised Php238.880mn in the second tranche of its LTNCD sale. EW said it expected to continue the issuance program in several tranches within the period allowed by the BSP "but not to exceed Php5bn." EW raised Php1.53bn when it conducted its first tranche of LTNCD sale in November last year.

Biggest Money Makers

MBT posted the biggest non-interest income growth, rising 112% in 1H2013, complemented by one-off gains on asset sales prior to Basel 3. That had seen MBT's first half reported net income shot up 145% to a record level of Php18.1bn and historically the industry's highest. BDO came in second in terms of growth, rising 144% to Php14.1bn, followed by UBP's 52% growth, then BPI's 27%

growth that produced the third largest earnings during the period. In terms of return on equity, UBP bested the other banks, but its smaller equity size should be considered versus the big banks, whose bases have even grown with Basel 3. The ROE is only with respect to our list that have disclosed. See Table 1.

Table 3.

Banks	Reported Net Income (in mn Php)						1H2013 VS 1H2012 Growth					
	2Q2013	2Q2012	Y-o-Y	1Q2013	1Q2012	Y-o-Y	1H2013	Y-o-Y	NII	Non-II	NII+Non-II	Trading Income
BDO	4,065	2,990	36%	10,035	2,810	257%	14,100	144%	14%	81%	143%	NA
BPI	3,631	3,616	0%	8,369	5,834	43%	12,000	27%	6%	23%	27%	24%
MBT	6,770	3,096	119%	11,378	4,321	163%	18	145%	13%	106%	145%	112%
PSB	862	952	-10%	2,038	546	273%	2,900	106%	13%	NA	107%	NA
UBP	2,189	1,224	79%	4,002	2,843	41%	6,191	52%	1%	56%	52%	71%

Source: Bloomberg; Note: NII is Net Interest Income, Non-II is Non-Interest Income

Small Banks' Earnings to Outperform Big Ones in 2014

East West Bank (EW), PNB, and PBB are the three banks, analysts bet, earnings will grow double-digit, 37% for EW, 16%-20% for PNB, 15.36% for PBB. In contrast, the EPS growth outlook for the big banks is from low positive to negative next year, with return on equity (ROE) of the three big banks -BDO, BPI and MBT, projected to drop on the average from 16% to 13%, largely driven by higher capital levels on the eve of Basel 3 compliance. AUB is predicted to grow slow next year, EPS of 3%. These fast growing small banks are seen benefitting from their wider NIM given their strong exposure in high-margin consumer loan market. EW's NIM for instance is a wide 8% given that

half of its loan portfolio is consumer, much of it in credit cards. Its loans to deposit ratio (LDR), already at a ramped-up 82%, however, remains a concern. Its loans dropped in 1Q2013, contravening analysts' outlook. Though AUB's EPS growth is predicted flat in 2014, 3% only, its LDR and that of PNB, 58% and 60%, respectively, create headroom for loan growth. On the other hand, PBB's target doubling of earnings this year will be closely watched as it already raked in Php593mn in 1Q2013 with the deployment of IPO funds into GS and loans. 1Q2013 earnings were almost the entirety of last year's actual net profits of Php654mn.

More Products Catering to Excess Liquidity

With the system's excess liquidity, the challenge for Trust banking is product innovation. Growth is seen strong in

the Trust business despite the prevailing volatility in the financial markets. Bank of the Philippine Islands (BPI)



sees a 20-percent growth in its assets under management (AUM) this year. BPI Asset Management's AUM for the first quarter of 2013 reached Php758bn, up 10 percent from the same period last year. AUM refers to the total funds managed by an investment management firm on behalf of investors. The target growth for AUM for 2013 is almost double what was achieved last year. BPI's AUM increased

by 10.94% to Php742bn in 2012 from Php668.84bn in 2011. BPI said in a statement its optimism is based on its proven product development and delivery on various channels such as through mobile, Internet and telephone. Out of BPI's 6m customers, only two percent have been actually making investments.

M & A Continues on Smaller Scale

Small and big time merger stories continue to be in the radar screen of investors. The three-way merger of PNB-Allied with BPI has died down on issues involving share price and minimum 20% equity stake target of PNB majority owner L. Tan. On the other hand, smaller unibanks are strengthening their thrift banking arms. After SECB's branding its Premiere Bank acquisition as Security Bank Savings, China Bank has merged a rural bank it purchased

for Php400mn last year called Unity Bank with the existing China Savings Bank, effectively fast-tracking the savings bank's branch expansion program to 73 branches by year-end, on track to meet the target of 100 branches by 2014. The BSP has waived licensing fees for 18 more branches to be opened in restricted areas, and another six branches upon final approval of the merger.

Bank Valuation

Bank share prices have moved lower in large part due to the slower income growth outlook next year. We are selective in our choice, focusing only on the big franchises

with LDR upside, good NPL coverage, a capital program in place ahead of Basel 3 and leading market shares. We like MBT and PNB.

Table 4.

Banks as of 2Q2013	Profitability Ratios					Balance Sheet Ratios				
	ROE	Rank	NIM	Earnings growth	Rank	Loan Growth	Deposit Growth	NPL ratio	CAR	Tier 1 capital ratio
BDO	n.a.	n.a.	n.a.	143%	2	12%	17%	2%	18%	16%
BPI	24%	2	n.a.	27%	5	17%	12%	2%	14%	n.a.
MBT	20%	3	4%	145%	1	16%	32%	2%	18%	16%
PSB	17%	4	n.a.	107%	3	21%	n.a.	0%	19%	n.a.
UBP	24%	1	3%	52%	4	14%	%	n.a.	20%	17%

Source: Company Disclosures; Note: NIM is Net Interest Margin

Table 5.

Ticker	Last Price	Valuation				Fundamentals				
		2013 P/E (X)	2014 P/E (X)	2013 P/Bk (X)	2014 P/bk (X)	2013E ROE (%)	2014E ROE (%)	2013E EPS Growth (%)	2014E EPS Growth (%)	2013 Div Yld (%)
Average		12.46	11.11	1.44	1.30	14.20	12.90	12.58	7.84	1.83
BPI	94.90	17.66	17.29	3.08	2.79	18.45	16.55	21.07	2.17	2.07
MBT	107.00	11.88	13.73	1.68	1.53	16.20	11.62	45.72	-13.47	1.20
BDO	80.00	15.16	15.73	1.70	1.58	12.14	10.47	34.31	-3.60	1.78
PBB	25.40	7.71	6.68	1.10	0.97	19.70	16.30	27.00	15.36	-
PNB	78.80	13.90	11.92	1.10	0.99	9.15	8.12	-10.22	16.63	-
CHIB	61.00	16.03	15.17	1.84	1.74	11.77	11.81	9.31	5.71	2.35
RCB	52.05	10.37	9.37	1.33	1.22	13.75	14.00	10.59	10.64	1.74
UBP	130.00	10.95	11.05	1.61	1.47	17.66	16.54	5.31	-0.90	2.61
SECB	144.00	11.02	9.76	1.70	1.49	16.66	16.16	-5.62	12.94	1.39
AUB	76.85	13.76	13.33	1.20	1.10	10.02	8.59	-4.89	3.19	-
EW	26.50	15.93	11.58	1.62	1.44	10.65	11.75	5.76	37.54	1.47

Source: Bloomberg



East West Bank: Branching Ahead of Peers for Consumer Loan Edge

Rapid Branch Expansion

East West (EW) Bank is opening 90 more branches in 2H2013 from its current 255 branches and 5 five more branches in 1H2014, reaching the target 400 branches by 1Q2014. EW has opened the largest number of branches in a single year, total of 123 in 2012 to raise its network to 245 by yearend 2012, proving reduced execution risk on its unprecedented branch expansion target. Its rapid branch expansion puts it ahead of comparable banks and strongly positions it for growth in the evergreen high-margin Philippine consumer banking market. See Table 6.

Table 6.

Peer Banks as of 2Q2013	Asset Size in bn Php	Branch Network No. of Branches
PSB	117	221
AUB	80	123
PBB	42	75
SECB	293	210
Bank of Commerce	90	102
EW	131	255

Source: Company Disclosures; Note: Bank of Commerce data is as of 1Q2013

Above Industry NIM Due to Consumer Loan Niche

EW branch dispersion is heavier in the restricted areas, reflecting the highly competitive stance of deposit generation post IPO-proceeds exhaustion, going forward. The healthy loans and deposits profile of the bank led to retaining its industry leading net interest margin (NIM) of 8.2% for 1H2013 versus the industry average of 3.9%.

Total loans to businesses increased by 60%; consumer loans rose 45% to Php44.6bn as all its segments reported high double digit growth. EW is now the 5th largest in credit card receivables. Also, the company's CASA (current and savings account) deposits surged 61.5% to Php58.1bn.

Strong Results in 1H2013, On Target with Full Year Plan

The Bank's net income grew by 40% to Php1.28bn in 1H2013 from Php910mn in the same period last year, which resulted in an annualized ROE and ROA of 14.2% and 2.1%, respectively. There was strong revenue growth from the 51.5% year-on-year increase in loan receivables. Guidance for the year is 25% net profit growth to Php2.2bn and the strong 1H2013 results put that full year target within

striking distance. The Bank's operating income posted a growth of 59% to Php7.1bn in 1H2013 from Php4.4bn in the same period last year. Additionally, non-interest revenues from fees, commissions and trading grew by 87.4% while fixed income and foreign exchange trading jumped 121.9%.

NIM Compression as IPO Proceeds

Exhaust and Corporates Load-up

EW loan portfolio is 55% consumer loan accounts, the rest is the competitive corporate sector which is growing and

expected to slightly compress NIM going forward.



East West Bank: Branching Ahead of Peers for Consumer Loan Edge

Php7mn Capex per Branch and 3 Years to Breakeven

Operating expenses in 1Q2013 (exclusive of provision for impairment losses) increased by 47% to Php2.0bn from Php1.4bn in the same period last year resulting from the

full year effect of its 2012 branch store expansion. New branch capex is pegged at Php7mn each and each branch takes three years to start making money.

NPL Coverage to Rise

Provision for credit losses increased by 194% to Php904mn as the bank accelerated its provisioning in line with strong revenue growth, but this is still just 80% of NPLs.

Provisions will rise in step with consumer loans picking up in the expanded branches but no target NPL coverage ratio was revealed to us.

Growth

Forward PE is a cheap 11.98X on a promising 25% earnings growth. PB is 1.49x versus projected 2014 ROE of 11%. Research houses project EW's ROE in 2014 to be on par

with 11% of MBT and BDO, but lower than BPI's 16%. At Php27.00 per share now, it is at a 27% discount to last May 6's high of Php37.00.





Asia United Bank Aims to be a Php300bn Bank in Asset Size in 5 years

Growth Story is Branch Expansion and Aspiration to Be a Php300bn bank in Asset Size

Asia United Bank aims to be a Php300bn bank in assets, leapfrogging to that level in five years from the current Php65bn. (East West's asset size is Php87bn while PBB's expected asset size is Php32bn by end 2012. PBB's asset size in 2011 stood at Php25bn). AUB is growing its branches by 90 in the next two years to 200 and to 300 in the next five years. Much of the near term expansion of 49 branches will be in Metro Manila's restricted areas (the rest in Visayas), underlining increased access to the deposit-rich NCR and the pressure to step up an already above-industry LDR of

77%. CASA deposit generation in these new branches is seen to add Php7bn-8bn. Deposits stood at Php55bn versus loans of Php36bn as of end-June 2013. AUB aims to be everything it can be to its customer base, noting the small consumer loan portfolio of Php5.3bn, 6% of gross loans and 8% of its total assets worth Php67bn, will grow in tandem with the rest of the client exposures, whose biggest is corporate, 61% of total loans. Its real estate is a quarter of the loans while manufacturing is 18%.

Weak Branding but Good Metrics

While its performance metrics were above industry, its brand is weak and deposit growth is easily overtaken by competing well-known brands that have the scale such as Metrobank, BDO and BPI. It is a weakness that will take time to overcome and is currently being addressed in the

near term by making its presence felt through branch expansion and efforts at service excellence. As of end-June 2013, the bank has a 1.3% NPL ratio; a 56% cost to income ratio; a 12.3% ROE; a 114.1% NPL cover; and a 3.6% net interest margin (NIM).

High Income Concentration in Treasury

About Php1.3bn of 2012 operating earnings were from Treasury, while another Php1.1bn came from branch

banking. While the numbers are about even, it illustrates the bank's strong reliance on volatile Treasury income.

Repricing Risk on Majority of Loans

As loans were mostly short-term, repricing risk in the entire spectrum of the portfolio is present. AUB does not

have long-term loans.





Gone were SECB's Treasury Bonanzas?

17% ROE Target

Security Bank aims for 17% return on equity (ROE) this year and next, more aggressive than consensus estimates of 16.2% and 16.0%, respectively, for the same period. Can the Bank surpass the implied earnings that underlie the ROE projections without much kick from Treasury income? The ROE target will have to be hit through core lendings, already faced with narrower net margin. SECB's securities portfolio levels and mix as of 1Q2013 suggest little scope for trading gains going forward.

This year, SECB needs to make at least Php6.9bn and Php7.9bn next year to achieve the ROE target of 17%. These results would be above the Php6.5bn and Php7.5bn net profits expected by analysts for this year and next, respectively. Because earnings last year were at record high of Php7.5bn and with the Treasury bonanzas gone, the base effect is huge and it is more likely income will fall versus year ago.

First in IFRS

Recall that SECB was the earliest to implement IFRS9 in 2011 which left it with much more hold to maturity/HTM or securities held at amortized at cost worth Php44bn as of 1Q2013 than held for trading or Fair Value Through Profit and Loss (FVTPL) worth Php11bn. Trading-wise, these GS mix and levels won't mean an income bonanza unless the

bank unloads a big part of the higher yielding HTM or its Treasury repositions anew in the peso books. But there seems little sense in the latter strategy given that local interest rates are already at their bottom.

Trading Gains

SECB has had a good run of exceptional trading gains, way ahead of what the industry had seen so far in 1H2013. SECB had a big securities portfolio sell down in 2010 on which it reaped a windfall totaling Php5.5bn, followed by a buy back the following year only to sell anew in 2Q2012 for a Php3.3bn gain. In 2Q2012, the bank unwound Php16bn worth of HTC/HTM. The bank made very good profits, Php7.1bn in 2010, Php400mn shy of the 2012 record net profits of Php7.5bn.

SECB will have to rely on the core lending business for income, make greater inroads into the higher yielding consumer banking and branch out further to hold its net interest margin (NIM), now at a lower 3.6% from being one of the industry's highest with a NIM of 4.1% a year ago. SECB's NIM had become sensitive to incremental deposit generation that's coming in at competitive rates. Though SECB has a fairly high CASA share of 70% of total deposits, that ratio has dropped from a high of 80% in 2010.

Expanding Consumer Loan Book

Growing the consumer loan book will take time especially that loans to deposit ratio (LDR) seems to be bumping a ceiling, a high of 85%. A long-term negotiable certificate of deposit issuance (LTNCD) might help boost the funding base and build existing consumer loans of just Php2bn, a measly 2% of its Php117bn loan book (as of 1Q2013) and targeted to reach 25% of total loans by 2015. Half of the consumer loan portfolio was acquired from Premiere Development Bank, now named Security Bank Savings, the former with 38 branches upon acquisition in February

2012.

SECB's weakness this year was evident. In 1Q2013, the bank made only Php1.2bn, 10% above the year ago's Php1.097bn and only 15% of the consensus forecast for the year. Trading gains were not a big feature of the 1Q2013 result and is not likely to be so in 2Q2013 as well, its IR officer indicated to us, largely because of reduced held for trading securities portfolio.



Gone were SECB's Treasury Bonanzas?

Branding

SECB opened 34 branches last year and will have a total of 250 by year end 2014. Thus SECB will have 40 more branches to set up in 2H13 and next year combined. The Bank has 125 of its total branch network in Metro Manila

and branch licenses to be opened are in formerly restricted areas that are deposit-rich. LDR will stay high—84% as of 1Q2013— as loans grow in step with the industry's 10%-15% this year and next.

Ratios and Valuations

Capital adequacy ratio is 19% while tier 1 capital ratio is 17.1%. But under Basel 3, SECB will be 100 bps short of the required minimum, suggesting that if risk asset creation were to keep their current growth pace, the bank will have to do capital raising and asset sales going forward to be compliant with international standards. So far, the bank has not made any announcement about a capital

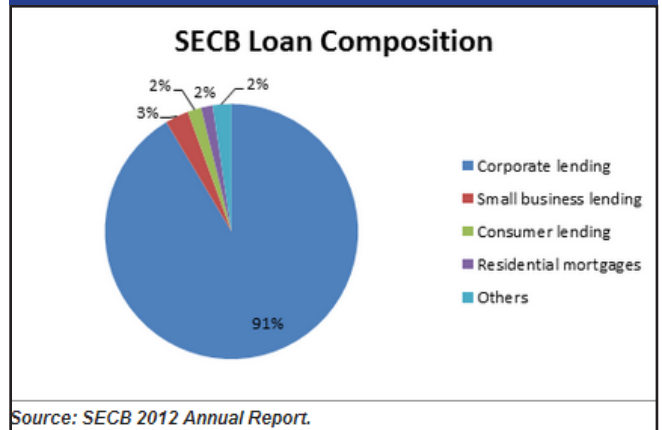
program, but an LTNCD issuance is more likely to boost the funding base.

Forward PE is 10x and forward PB is 1.5, cheap in relation to consensus ROE estimate of 16.0% (on the high side of range for peer banks) and peer PE average of 13x. But earnings don't inspire and may have peaked in 2012.

Table 7. ROE Estimates

	2012	2013	2014
Total Equity Year Start	31.334	37.793	43.375
Total Equity Year End	37.793	43.375	49.806
Total Equity Average	34.564	40.584	46.591
Net Income	7.463	6.586	7.435
Dividends	1.004	1.004	1.004
Net Income - Dividends	6.459	5.582	6.431
ROE (%)	21.6	16.2	16.0
		2013	2014
Estimated ROE		17.0	17.0
BEst Net Income		6.586	7.437
Required Net Income		6.899	7.920
Premium		0.313	0.484

Figure 1.



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