REPORT ON THE PHILIPPINE FINANCIAL SYSTEM

2ND SEMESTER 2019

This semestral report is prepared pursuant to Section 39(c), Article V of Republic Act (R.A.) No. 7653 (The New Central Bank Act), as amended by R.A. No. 11211, R.A. No. 7906 (Thrift Bank Act of 1995), R.A. No. 7353 (Rural Bank Act of 1992), as amended by R.A. No. 10574, R.A No. 7721 (Foreign Banks Law), as amended by R.A. No. 10641, R.A. No. 6426 (Foreign Currency Deposit Act of 1972), R.A. No. 8367 (Revised Non-Stock Savings and Loans Association of 1997), R.A. No. 9178 (Barangay Micro Business Enterprises Act of 2002), and R.A. No. 10000 (Agri-Agra Reform Act of 2009), by the Supervisory Policy and Research Department, Financial Supervision Sector, Bangko Sentral ng Pilipinas.

A copy of the report is available online at http://www.bsp.gov.ph.

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A. FINANCIAL TERMS

1. **Allowance on Non-Performing Assets (NPAs)** refers to the sum of allowance for credit losses on loans, allowance for credit losses on non-performing Sales Contract Receivables (SCR), allowance for losses on Real and Other Properties Acquired (ROPA) and allowance for losses on Non-Current Assets Held for Sale (NCAHS).

2. **Agency Account** refers to the account wherein the trust institution (agent) binds itself to render asset management services in representation or on behalf of the client (principal) with the consent or authority of the latter. The trust institution, as agent, does not hold legal title to the asset as it remains with the principal. These accounts are comprised of wealth/asset/fund management services to the client where the trust institution exercises either discretionary or non-discretionary investment authority under an agency contract.

3. **Basic deposit account** (BDA) is a bank product which is either an interest- or non-interest-bearing account designed to promote financial inclusion. Banks that offer BDA must adopt the the following minimum key features: simplified KYC procedures; opening amount at not more than P100.00; maximum balance of not more than P50,000; no minimum maintaining balance; no dormancy charges; and zero reserve requirement.

4. **Branch-lite Unit** refers to any permanent office or place of business of a bank, other than its head office or a branch. A branch-lite unit performs limited banking activities and records its transactions in the books of the head office or the branch to which it is annexed.

5. **Capital** refers to the total of the unimpaired paid-in capital, surplus, and undivided profits, subject to adjustments. This is synonymous to the terms unimpaired capital and surplus, combined capital accounts and net worth.

6. **Capital Conservation Buffer** refers to the 2.5 percent of common equity tier 1 (CET1) capital required of universal banks/commercial banks (UBs/KBs) and their subsidiary banks/quasi-banks (QBs) that is meant to promote the conservation of capital and build-up of adequate cushion that can be drawn down by banks to absorb losses during periods of financial and economic stress.

7. **Capital Measure for the Leverage Ratio** is the Tier 1 capital calculated in accordance with Circular No. 781 dated 15 January 2013.

8. **Common Equity Tier 1 (CET1) Capital** for domestic banks, consists of paid up common stock, common stock dividend distributable, additional paid-in capital, deposit for stock subscription, retained earnings, undivided profits, other comprehensive income and minority interest in subsidiary banks, subject to regulatory adjustments. For branches of foreign banks, this consists of permanently assigned capital, undivided profits, retained earnings, accumulated net earnings and other comprehensive income, subject to regulatory adjustments.

9. **Countercyclical Capital Buffer (CCyB)** refers to the additional capital set aside by banks at times of rapid credit growth which can be used during financial cycle downturns. The CCyB aims to protect the banking sector from systemic vulnerabilities as it has the capital on hand to help maintain the flow of credit in the economy without compromising the solvency of banks.

10. **Deposit substitute** is defined as an alternative form of obtaining funds from the public, other than deposits, through the issuance, endorsement, or acceptance of debt instruments for the borrower's own account, for the purpose of relending or purchasing of receivables and other obligations. These instruments include bankers' acceptances, promissory notes, participations, certificates of assignment and similar instruments with recourse, and repurchase agreements. The phrase "obtaining funds from the public" refers to borrowing from 20 or more lenders that are individuals or corporate entities which are not financial intermediaries.

11. **Derivative** refers to a financial instrument or other contract with all of the following characteristics:
    a. its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the underlying);

b. it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and
c. it is settled at a future date.

12. **Distressed Assets** refer to the sum of non-performing loans (NPLs) and ROPA, gross, NCAHS and performing restructured loans replacing the current restructured loans.

13. **Dividend Income** refers to cash dividends earned and/or actually collected on equity securities held as Held-for-Trading (HFT), Designated at Fair Value Through Profit or Loss (DFVPL), Available-for-Sale (AFS) and Investments in Non-Marketable Equity Securities (INMES).

14. **E-money** shall mean monetary value as represented by a claim on its issuer, that is –
    a. Electronically stored in an instrument or device;
    b. Issued against receipt of funds of an amount not lesser in value than the monetary value issued;
    c. Accepted as a means of payment by persons or entities other than the issuer;
    d. Withdrawable in cash or cash equivalent; and
    e. Issued in accordance with relevant regulations.

15. **Earning Assets** refer to the sum of Due from Bangko Sentral ng Pilipinas (BSP), Due from Other Banks, Financial Assets-Debt Securities (net of allowance), Financial Assets HFT-derivatives with positive fair value HFT-interest rate contracts (stand-alone and embedded), derivatives with positive fair value HFT-interest rate contracts (stand-alone and embedded) and total loan portfolio (TLP) inclusive of interbank loans (IBL) and Loans and Receivables Arising from Repurchase Agreements, Certificates of Assignment/Participation with Recourse and Securities Lending and Borrowing Transactions (RRPs), net of allowance.

16. **Equity Investments** refer to equity investments in subsidiaries, associates and joint ventures.

17. **Exposure Measure for Leverage Ratio** refers to the sum of on-balance sheet exposures, derivative exposures, securities financing transaction exposures and off-balance sheet items.

18. **Fee-based Income** refers to the sum of income from payment services, intermediation services, custodianship, underwriting and securities dealership, securitization activities, fiduciary activities and other fee-based income.

19. **Feeder Fund** refers to a unit fund structure that mandates the fund to invest at least 90 percent of assets in a single collective investment scheme.

20. **Financial Assets (Other than Loans and Receivables)** refer to the sum of all investments in financial assets, net of direct equity investments. These include financial assets Held For Trading, Designated at Fair Value Through Profit or Loss, Available-For-Sale, Held-to-Maturity, Unquoted Debt Securities Classified as Loans and Investment in Non-Marketable Equity Securities.

21. **Financial Inclusion** is a state wherein there is effective access to a wide range of financial services for all. Effective access does not only mean that there are financial products and services that are available. These products and services must be appropriately designed, of good quality and relevant to benefit the person accessing the said service. Wide range of financial services refers to a full set of products such as savings, credit, insurance, payments and remittance services for different market segments, particularly those that are traditionally underserved or unserved.

22. **Financial Liabilities Designated at Fair Value Through Profit or Loss (DFVPL)** refer to financial liabilities that upon initial recognition are designated by the bank at fair value through profit or loss.

23. **Financial Liabilities Held for Trading (HFT)** refer to the sum of derivatives with negative fair value HFT and liability for short position.

24. **Financial Reporting Package (FRP)** is a set of financial statements for prudential reporting purposes composed of the Balance Sheet, Income Statement and Supporting Schedules. The FRP is primarily designed to align the BSP reportorial requirements with the provisions of the Philippine Financial Reporting Standards

(PFRS)/Philippine Accounting Standards (PAS) and Basel Capital Adequacy Framework. It is also designed to meet BSP's statistical requirements.

25. **Financial Technology (Fintech)** refers to the integration of finance and technology in a manner that drives the transformation or disruption of the traditional processes in financial service delivery. New business models driven by fintech can create new risks in different segments of the financial system or accentuate some existing risks. The Financial Stability Board (FSB) defines fintech as "technologically enabled financial innovation that could result in new business models, applications, processes or products with an associated material effect on financial markets and institutions and the provision of financial services".

26. **Foreign Currency Deposit Unit (FCDU) and Expanded Foreign Currency Deposit Unit (EFCDU)** refers to a unit of a local bank or of a local branch of a foreign bank authorized by the BSP to engage in foreign currency-denominated transactions, pursuant to the provisions of Republic Act No. 6426 (Foreign Currency Deposit Act of the Philippines), as amended.

27. **Fund-of-Funds** are pooled funds that are invested in more than one collective investment schemes.

28. **Gains/(Losses) on Financial Assets and Liabilities HFT/Trading Income (Loss)** refers to the sum of realized gains/(losses) from sale/derecognition of, and unrealized gains (losses) from marking-to-market of financial assets and liabilities HFT, and realized gains/(losses) from foreign exchange transactions.

29. **Gross Assets** refer to total assets plus allowance for credit losses on loans; allowance for credit losses on SCR; and allowance for losses on ROPA. For purposes of computing the NPA ratio where gross assets serve as the denominator, allowance for equity investments is excluded. Said allowance refers to the cumulative amount of impairment loss incurred on equity investments in subsidiaries, associates and joint ventures which shall be accounted for in accordance with PAS 36 *Impairment of Assets*.

30. **High Quality Liquid Assets (HQLA)** refer to an asset that can be converted easily and immediately into cash at little or no loss of value in private markets to meet the banks' liquidity needs during times of stress. To qualify as HQLA, the liquid asset should possess the asset and market liquidity characteristics, and should satisfy the operational requirements for monetization prescribed under the liquidity coverage ratio (LCR) standard.

31. **Income Tax Expense** refers to the periodic provision for income tax.

32. **Interest-bearing Liabilities** refer to the sum of financial liabilities HFT, financial liabilities at DFVPL, deposit liabilities, due to other banks, bills payable, unsecured subordinated debt, bonds payable, redeemable preferred shares, derivatives with negative fair value held for hedging and finance lease payment payable.

33. **Islamic banks** refer to the Al-Amanah Islamic Investment Bank of the Philippines and Islamic banks, either domestic or foreign.

34. **Islamic banking system** refers to Islamic banks, either domestic or foreign, and designated Islamic banking units of conventional banks that are authorized to conduct business in accordance with the principles of Shari'ah.

35. **Islamic banking unit** refers to a division, department, office or branch of a conventional bank that conducts business in accordance with the principles of Shari'ah.

36. **Liquidity risk** is generally defined as the current and prospective risk to earnings or capital arising from a bank's inability to meet its obligations when they come due without incurring unacceptable losses or costs. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources.

37. **Market risk** is the risk to earnings or capital arising from adverse movements in factors that affect the market value of instruments, products, and transactions in an institution's overall portfolio, both on or off-balance sheet. Market risk arises from market-making, dealing, and position-taking in interest rate, foreign exchange, equity and commodities markets.

38. **Money Changer (MC)/Foreign Exchange Dealer (FXD)** refers to any entity who engages in money changing/foreign exchange dealing business. This includes authorized agent banks' subsidiary/ affiliate forex corporations (AAB-forex corps), among others.

39. **Money Laundering Offense** is a crime whereby the proceeds of an unlawful activity are transacted, thereby making them appear to have originated from legitimate sources.

40. **Money Service Business** refers to any entity that engages in remittance, money changing and/or foreign exchange dealings. This includes remittance agent and sub-agent, remittance platform provider, E-money issuer and money changer/foreign exchange dealer.

41. **Multi Multi-class Unit Investment Trust Fund (UITF)** is a unit fund structure that mandates fund to invest at least 90 percent in more than one collective investment scheme.

42. **National Retail Payment System (NRPS)** is a policy and regulatory framework that aims to establish a safe, reliable and affordable retail payments system in the country. The NRPS, and the payment ecosystem that is envisioned to arise from it, is positioned to be a platform for fintech innovations. Industry players can utilize fintech solutions and provide services within an organized, commercially-viable and efficient retail payment system.

43. **Net Cash Outflows** pertains to the sum of the total expected outflow amounts less the sum of the total expected inflow amounts, with the inflow amounts limited to 75 percent of outflow amounts. The calculated amount makes up the denominator of the liquidity coverage ratio (LCR), thereby establishing the amount of HQLA that a bank would be required to hold.

44. **Net Interest Income** refers to the difference between interest income~~,~~ and the sum of provision for losses on accrued interest income from financial assets and interest expense.

45. **Net Profit or Loss** refers to the difference of total operating income and non-interest expenses, plus (less) the recoveries/(losses) on financial assets, share in the profit/(loss) of unconsolidated subsidiaries, associates, joint ventures and minority interest in profit/(loss) of subsidiaries, less provision for income taxes.

46. **Net Stable Funding Ratio (NSFR)** promotes long-term resilience of a bank/quasi-bank (QB) against liquidity risk by maintaining a stable funding profile in relation to the composition of its assets and off-balance sheet activities.

47. **Non-Interest Expenses** refer to the sum of compensation and fringe benefits, taxes and licenses, fees and commissions, other administrative expenses, depreciation and amortization, impairment losses and provisions.

48. **Non-Interest Income** refers to the sum of dividend income, fee-based income (including income from fiduciary activities), gains on financial assets and liabilities HFT, foreign exchange profits, profits from sale/de-recognition of non-trading financial assets and liabilities, profits from sale/de-recognition of non-financial assets, profits on financial assets and liabilities DFVPL, profits on fair value adjustment in hedge accounting and other non-interest income.

49. **Non-Performing Assets (NPA)** refer to the sum of non-performing loans (NPL) and ROPA, gross, excluding performing SCR (as provided under Circular No. 380 dated 28 March 2003) and including NCAHS (as provided under Circular No. 512 dated 3 February 2006).

50. **Non-Performing Loans (NPL)** generally refer to loans, investments, receivables or any financial asset that is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any. Net NPL refers to gross NPLs less specific allowance for credit losses on NPLs.

51. **Pawnshop Business** refers to the business of lending money on personal property that is physically delivered to the control and possession of the pawnshop operator as loan collateral. The term shall be synonymous, and may be used interchangeably, with *pawnbroker* or *pawn brokerage.*

52. **Payment system** refers to the set of payment instruments, processes, procedures and participants that ensures the circulation of money and movement of funds.

53. **Project Finance** is a method of funding in which the lender looks primarily to the revenues generated by a single project, both as a source of repayment and as security for the exposure. It possesses all the following characteristics either in legal form or economic substance:
    a. The exposure is typically to an entity (often a special purpose entity or SPE) which was created specifically to finance and/or operate physical assets;
    b. The borrowing entity has little or no other material assets or activities, and therefore little or no independent capacity to repay the obligation, apart from the income that it receives from the asset(s) being financed;
    c. The terms of the obligation give the lender a substantial degree of control over the asset(s) and the income that it generates; and
    d. As a result of the preceding factors, the primary source of repayment of the obligation is the income generated by the asset(s) being financed, rather than the independent capacity of a broader commercial enterprise.

54. **Provision for Losses on Accrued Interest Income from Financial Assets** refer to the impairment loss on accrued interest income from loans and other financial assets, net of equity securities, charged against current operations.

55. **Quasi-banks** refer to entities engaged in the borrowing of funds through the issuance, endorsement or assignment with recourse or acceptance of deposit substitutes as defined in Section 95 of Republic Act No. 7653 (the New Central Bank Act), as amended, for purposes of relending or purchasing of receivables and other obligations. The elements of quasi-banking are:
    a. Borrowing funds for the borrower's own account;
    b. Twenty (20) or more lenders at any one (1) time;
    c. Methods of borrowing are issuance, endorsement, or acceptance of debt instruments of any kind, other than deposits, such as acceptances, promissory notes, participations, certificates of assignments or similar instruments with recourse, trust certificates, repurchase agreements, and such other instruments as the Monetary Board may determine; and
    d. The purpose of which is (1) relending, or (2) purchasing receivables or other obligations.

56. **Real and Other Properties Acquired (ROPA)** refer to real and other properties, other than those used for banking purposes or held for investment, acquired by the bank in settlement of loans through foreclosure or *dacion* in payment and/or for other reasons, whose carrying amount will be recovered principally through a sale transaction.

57. **Real Estate Exposures** refer to:
    a. Real estate loans, which shall consist of:
        - Residential real estate loans to individual households for occupancy; and
        - Commercial real estate loans, which shall refer to loans granted to the following:
            i. Individuals (including sole proprietorships);
            ii. Land developers/construction companies; and
            iii. Other corporate borrowers,

       for purposes of financing real estate activities; and
    b. Investments in debt and equity securities issued by land developers/construction companies and other corporate borrowers for purposes of financing real estate activities.

58. **Recoveries on Charged-off Financial Assets** refer to the collection of accounts or recovery from impairment of charged-off financial assets/financial assets provided with allowance for credit losses.

59. **Redeemable Preferred Shares** refer to preferred shares issued which provides for redemption on a specific date.

60. **Regulatory Technology (Regtech)** refers to next generation of digital supervision tools and techniques to improve the speed, quality, and comprehensiveness of information supporting targeted and risk-based decision-making by regulators.

61. **Remittance and Transfer Company (RTC)** refers to any entity that provides Money or Value Transfer Service (MVTS). The *MVTS* refers to financial services that involve the acceptance of cash, cheques, other monetary instruments or other stores of value and the payment of a corresponding sum in cash or other form to a beneficiary by means of a communication, message, transfer, or through a clearing network. This includes remittance agents, remittance platform provider and e-money issuer (EMI).

62. **Remittance Service Agent (RSA)** refers to any person authorized by the RTC to perform certain relevant undertakings in the remittance business. This includes any person that is allowed by a remittance direct agent, remittance agent network provider and/or EMI to do any part of the remittance business in their behalf.

63. **Sales Contract Receivable (SCR)** refers to the amortized cost of assets acquired in settlement of loans through foreclosure or *dacion* in payment and subsequently sold on installment basis whereby the title to the said property is transferred to the buyers only upon full payment of the agreed selling price.

64. **Shari'ah** refers to the practical divine law deduced from its legitimate sources: the Qur'an, Sunnah, consensus of Muslim scholars, analogical deduction and other approved sources of Islamic law. Shari'ah defines a set of rules and principles governing the overall Islamic financial system

65. **Supervisory Enforcement Actions** refer to the BSP's available regulatory tools provided by law in the course of its financial supervisory functions. These enforcement actions are broadly categorized as corrective actions, sanctions and other supervisory actions.

66. **Supervisory Technology (Suptech)** is defined by the Basel Committee on Banking Supervision (BCBS) as the use of technologically enabled innovation by supervisory authorities.

67. **Sustainable Finance** is a global effort that aims to encourage financial institutions to integrate environmental, social and governance standards in their operations, to increase financing for climate friendly and socially inclusive projects. Other components of sustainable finance include:

    a. Climate Finance refers to financing aimed at reducing carbon emissions and enables countries to mitigate and adapt to climate change risks.
    b. Green Finance refers to financing for both climate change risks and all other environmental objectives and concerns. This covers a gamut of financial services and products designed to promote the flow of finance towards green economic activities and projects.
    c. Socio-environmental Finance refers to financing that involves social factors such as labor, workplace health and safety, and consideration of the poor and indigenous communities.

68. **Tier 1 Capital** refers to *going concern capital* and is composed of CET1 and Additional Tier 1 Capital.

69. **Total Assets** refer to the sum of all net assets, adjusted to net of "Due from Head Office/ Branches/Agencies" and "Due to Head Office/Branches/Agencies" of foreign bank branches.

70. **Total Capital** refers to the sum of paid-in capital of locally incorporated banks, assigned capital and the allowable qualified capital component of the net "Due To/Due From Head Office/ Branches/Agencies" accounts of branches of foreign banks, other equity instruments, deposit for stock subscription, retained earnings and undivided profits, stock dividends distributable, other comprehensive income, and appraisal increment reserves, less treasury stock and minority interest in subsidiaries.

71. **Total Operating Income** refers to the sum of net interest income and non-interest income.

72. **Trust** is a relationship or an arrangement whereby a person called a trustee is appointed by a person called a trustor to administer, hold and manage funds and/or property of the trust or for the benefit of a beneficiary.

73. **Trust Accounts** refer to the account wherein legal title to funds and/or properties of the trustor is transferred to the trustee (trust institution), subject to an equitable obligation of the trustee to administer, hold and manage such funds and or properties for the use, benefit or advantage of the trustor or other designated beneficiaries. These are comprised of wealth/asset/fund management services to the client where the trust institution exercises either discretionary or non-discretionary investment authority.

74. **Trust Business** refers to any activity resulting from a trustor-trustee relationship (trusteeship) involving the appointment of a trustee by a trustor for the administration, holding, management of funds and/or properties of the trustor by the trustee for the use, benefit or advantage of the trustor or of others called beneficiaries.

75. **Unit Investment Trust Funds (UITFs)** refer to an open-ended pooled trust funds denominated in pesos or any acceptable currency, which are operated and administered by a trust entity and made available by participation. As an open-ended fund, participation or redemption is allowed as often as stated in its plan rules.

76. **Unsecured Subordinated Debt (UnSD)** refers to the amortized cost of obligations arising from the issuance of unsecured subordinated debt which may be eligible as Tier 2 (supplementary) capital of the bank, subject to certain terms and conditions.

77. **Virtual Currency (VC)** refers to any type of digital unit that is used as a medium of exchange or a form of digitally stored value created by agreement within the community of VC users. VCs are not issued nor guaranteed by any jurisdiction and do not have legal tender status.

B. FINANCIAL AND OTHER RATIOS

1. **Basel III Leverage Ratio (BLR)** refers to the ratio of the capital measure (i.e. Tier 1 capital) to the exposure measure (composed of on-balance sheet exposures, derivatives, securities financing transactions and off-balance sheet items). The BLR is designed to act as a supplementary measure to the risk-based capital requirements aimed at restricting the buildup of leverage in the banking sector.

2. **Capital Adequacy Ratio (CAR)** refers to the ratio of total qualifying capital to risk weighted assets computed in accordance with the risk-based capital adequacy framework effective 01 July 2001 under BSP Circular No. 280 dated 29 March 2001, as amended. The current capital framework incorporates credit risk (Circular No. 280), market risk (Circular No. 360 dated 3 December 2002), operational risk (Circular No. 538 dated 4 August 2006), capital conservation buffer (Circular No. 781 dated 15 January 2013) and countercyclical capital buffer (Circular No. 1024 dated 6 December 2018).

3. **Cost-to-Income Ratio** refers to the ratio of non-interest expenses, net of impairment losses, to total operating income.

4. **Credit-to-GDP** refers to the ratio of gross TLP to annualized nominal GDP.

5. **Density Ratio** refers to the ratio of total number of domestic banking offices to the total number of cities/municipalities in the Philippines.

6. **Distressed Assets Ratio** refers to the ratio of distressed assets to total loans (gross of allowance for probable losses), inclusive of interbank loans, plus ROPA (gross of allowance for losses).

7. **Earning Asset Yield** refers to the ratio of interest income to average earning assets.

8. **Funding Cost** refers to the ratio of interest expenses to average interest-bearing liabilities.

9. **Interest Spread** refers to the difference between earning asset yield and funding cost.

10. **Leverage Ratio** defined as the capital measure (the numerator) divided by the exposure measure (the denominator), with this ratio expressed as percentage. It is designed to act as a supplementary measure to the risk-based capital requirements and intends to restrict the build-up of leverage in the banking sector to avoid the destabilizing deleveraging processes which can damage the broader financial system and the economy.

11. **Liquidity Coverage Ratio (LCR)** refers to the ratio of high quality liquid assets (HQLAs) to total net cash outflows.

12. **Minimum Liquidity Ratio (MLR)** refers to the ratio of bank's/QBs eligible stock of liquid assets to its total qualifying liabilities. This is applicable to standalone TBs, R/CBs, and QBs.

13. **Net Interest Margin** refers to the ratio of net interest income to average earning assets.

14. **Net Stable Funding Ratio (NSFR)** refers to the ratio of a covered bank's/QB's available stable funding (ASF) to its required stable funding (RSF).

15. **Non-Performing Asset (NPA) Coverage Ratio** refers to the ratio of allowance on NPAs to total NPAs.

16. **NPA Ratio** refers to the ratio of NPAs to total assets, gross of allowance for credit losses.

17. **Non-Performing Loan (NPL) Coverage Ratio** refers to the ratio of allowance for credit losses on loans to total NPLs.

18. **NPL Ratio** refers to the ratio of NPLs to total loans (gross of allowance for credit losses), inclusive of interbank loans.

19. **Population-to-Banking Offices Ratio (Customer Ratio)** refers to the ratio of the total population to the total number of domestic banking offices.

20. **Return on Assets (ROA)** refers to the ratio of net profit or loss to average assets.

21. **Return on Equity (ROE)** refers to the ratio of net profit or loss to average capital.

Prologue

The **Report on the Philippine Financial System** is a semestral report prepared by the Supervisory Policy and Research Department (SPRD), Financial Supervision Sector (FSS), Bangko Sentral ng Pilipinas (BSP), to be submitted by the Governor to the President and the Congress, pursuant to Section 39 (c), Article V of Republic Act (R.A.) No. 7653 or The New Central Bank Act, as amended by R.A. No. 11211, and other pertinent laws.

The R.A. No. 11211 expanded the BSP supervisory powers over money service businesses, credit granting businesses and payment system operators. Meanwhile, R.A. No. 11127 or The National Payment Systems Act mandated the BSP to oversee the payment systems in the country. Moreover, R.A. No. 11439 (An Act Providing for the Regulation and Organization of Islamic Banks) mandated the BSP to regulate and supervise the operations of Islamic banks in the country.

This report basically analyzes the insights from various periodic reports submitted by the BSP supervised/regulated financial institutions to the Department of Supervisory Analytics, FSS. As of end-December 2019, the BSP supervised/regulated financial institutions consisted of 547 banks with 12,323 branches and other offices, 1,233 non-bank financial institutions with 13,024 branches and two offshore banking units.

Effective 3 July 1998, the supervision and regulation of the BSP over certain non-banking financial institutions were turned over to the Securities and Exchange Commission (SEC) for corporations and partnerships, and to the Department of Trade and Industry (DTI) for single proprietorships, in accordance with Section 130 of R.A. No. 7653. Likewise, the supervision and regulation over building and loan associations were transferred to the Home Guarantee Corporation (HGC) effective 7 February 2002, in accordance with Section 94 of R.A. No. 8791 or The General Banking Law of 2000.

Highlights of the Report

Overview

Overall, this Report has yet to cover the impact of Corona Virus Disease 2019 (COVID-19) but it highlights the preparedness of the Philippine financial system, with banking system at the core, to withstand such unforeseen shocks to the system. Early preparations entailed having sufficient buffers in times of crisis and substantial policy reforms in place to ensure the business continuity of BSP-supervised financial institutions (BSFIs) to provide the essential financial products and services to banking clients. These likewise allowed BSFIs to withstand the adverse impact of any crisis and vulnerabilities on account of its satisfactory asset quality and sufficient loan loss reserves, strong capital position, ample liquidity and leverage buffers and stable source of core income.

Early preparations entailed having sufficient buffers in time of crisis and substantial policy reforms in place to ensure the business continuity of BSP-supervised financial institutions (BSFIs) to provide the essential financial products and services to banking clients during a crisis.

The key strengths and weaknesses of the Philippine banking system were assessed in this Report based on a set of financial soundness indicators (FSIs) including key developments and implications of policy reforms on the performance of the financial system during the semester in review.

The country's macroeconomic environment was conducive for the sustained growth and dynamism of the banking system in 2019. The Philippine economy continued to be a strong regional performer as real gross domestic product (GDP) registered annual growth at 5.9 percent in 2019 despite recent headwinds. Prudent policies and structural reforms have also supported economic activity and macroeconomic stability over the past decade. In 2019 alone, the BSP implemented a series of policy rate cuts and reserve requirement reductions in line with its broad monetary and financial policy reform agenda to promote a more efficient financial system by supporting economic activity, by lowering of financial intermediation costs, and by further deepening of the country's local capital markets. At the same time, the said adjustments were aimed to ensure sufficient domestic liquidity in times of crisis.

The Philippine economy continued to be a strong regional performer as real gross domestic product (GDP) registered annual growth at 5.9 percent in 2019 despite recent headwinds.

Total resources of the banking system continued to expand to support the country's financing needs. Growth is expected to continue in the next two years based on the results of the Banking System Outlook Survey (BSOS) for the second semester of 2019.

Against this sound macroeconomic and policy environment, the total resources of the banking system continued to expand, particularly the lending and investment portfolios, to support the country's financing needs. Total assets grew by 8.4 percent year-on-year (YoY) to almost P18.4 trillion and represented 98.5 percent of the country's nominal GDP as of end-December 2019. Said growth is expected to continue in the next two years based on the latest results of the Banking System Outlook Survey (BSOS) for the second semester of 2019.

Universal and commercial banks (U/KBs) continued to drive asset expansion with a substantial share of the banking system's total assets at 92.3 percent while thrift banks (TBs) and rural and cooperative banks (R/CBs) contributed the remaining shares of 6.3 percent and 1.5 percent, respectively.

Banks continued to support the financing requirements of a growing domestic economy. Total loan portfolio (TLP), net comprised the largest share of total resources at 58.7 percent followed by financial assets other than loans, net and cash and due from banks with 22.0 percent share and 15.3 percent share, respectively. In terms of growth rates, TLP, net grew the fastest at 8.8 percent, while financial assets other than loans, net followed closely at 8.3 percent.

Meanwhile, loans to production sectors mostly went to real estate activities at 17.8 percent; wholesale, retail trade, repair of motor vehicles and motorcycles at 11.9 percent; loans to individuals for consumption purposes at 10.9 percent; and manufacturing at 9.8 percent as of end-December 2019. By banking group, U/KBs mostly lent to the corporate sector engaged in various productive economic activities while TBs and R/CBs focused on the retail segment for lending activities, such as loans to individuals and small businesses.

On the retail market segments, consumer loans (CLs) and real estate exposures (REEs) continued to expand in 2019. These CLs, the key credit market for TBs and R/CBs, posted annual growth of 14.4 percent in 2019, higher than the 11.5 percent annual growth rate as of end-December 2018. Meanwhile, REEs increased by 14.1 percent YoY to P2.5 trillion. The rebound on the growth of REEs, specifically commercial RELs, indicates the easing of uncertainties brought by the government's tax reform program.

Despite the upbeat lending environment, asset quality of the banking system was maintained with sound underwriting standards and provisioning culture. The banking system's non-performing loan (NPL) ratio stood at 2.1 percent while NPL coverage ratio was at 92.3 percent. Non-performing asset (NPA) ratio was at 1.8 percent and NPA coverage ratio stood at 70.1 percent. This brings the overall distressed asset ratio, broadest measure of asset quality, to 3.2 percent as of end-December 2019.

Philippine banks' cross-border financial position has been steadily rising but the share of total cross-border financial claims (at 10.3 percent) and liabilities (9.0 percent) to total banking assets continued to be minimal. Moving forward, the BSP expects some banks to rebalance their strategies including their cross-border exposures following the potential impact of a global pandemic like COVID-19 on the Philippine banking sector.

The findings of the article on common lender channel (Box Article 1) underscore the importance diversifying sources of external financing to reduce vulnerability to common lender problem. Common lender channel is defined as a mechanism that facilitates the spread of financial shocks around the globe. This occurs when creditor banks withdraw from previously unaffected countries when highly exposed to the epicenter of the crisis[1]. It also highlights the necessity of developing an effective cross-border prudential supervision cognizant of the increased presence of foreign banks in some domestic banking system. More importantly, the article outlines the importance of financial supervisors taking steps, directly or through regulated entities, to ensure that banks have adequate risk management processes in place to manage group-wide risk concentrations and reduce vulnerability to common lender problem.

Box Article 1 on common lender channel underscores the importance of diversifying sources of external financing to reduce vulnerability to common lender problem.

Banks' investment portfolio likewise expanded as gross financial assets rose by 7.9 percent year-on-year (YoY). Securities issued by the National Government accounted for the bulk of U/KBs' and TBs' investment portfolio at 68.3 percent, respectively. This reflected the strong appetite of banks for Philippine risk-free sovereign assets as well as the positive market sentiment on the country's economic prospects and overall credit worthiness.

Asset growth was funded by deposit generation, bond issuances and capital infusion. Deposit liabilities continued to be the primary funding source of the banking system. These deposits were mostly peso-denominated and sourced from resident individuals and private corporations.

The banks' foreign currency deposit unit (FCDU) units likewise expanded by 7.4 percent driven by growth in deposits (3.0 percent) and bond issuances (40.7 percent). The additional funds were mostly kept with foreign correspondent banks to service the payment and settlement requirements of the country with the rest of the world; invested in foreign securities to provide liquidity in serving the withdrawals of depositors; and lent to clients requiring higher FX-denominated working capital requirements.

Banks' foreign currency deposit unit (FCDU) units likewise expanded by 7.4 percent driven by growth in deposits and bond issuances

Outstanding bonds payable expanded by 111.8 percent YoY as of end-December 2019 because bigger banks opted to tap institutional investors as alternative sources of funding. This is facilitated by the regulators' initiatives aimed at promoting the development of the capital market and provides another stable funding source for the banks aside from deposits following the amendments of BSP regulations on issuance of long-term negotiable certificates of deposits (LTNCDs), bonds, and commercial papers under Circular No. 1062 dated 26 November 2019.

[1] Source: Koch, C. and Remolona, E.M. (2018). *Common lenders in Emerging Asia: Their changing roles in three crises.* BIS Quarterly Review (March 2018). Basel, Switzerland: Bank for International Settlements

Banks posted a stronger capital position as of end-December 2019, higher by 12.2 percent to reach P2.3 trillion from last year's level. Retained earnings and undivided profits, holding the biggest share at 48.3 percent of the total capital accounts, remained as the main driver of the industry's stronger capital base. Across banking groups, U/KBs continued to hold majority of the total capital accounts of the banking system at 90.5 percent share. TBs and R/CBs held the remaining 7.2 percent and 2.3 percent of industry capital, respectively. Specifically, the U/KBs' consolidated risk-based capital adequacy ratio (CAR) of 16.0 percent and consolidated leverage ratio of 9.8 percent indicates the overall industry strength in terms of its ability to absorb unforeseen business losses, while allowing buffer for further expansion.

Further, the results of latest BSP stress test exercise indicated that the combined U/KB and TB industries' stressed capital adequacy ratios (CAR) remained well-above the 10 percent threshold at 13.8 percent as of end-June 2019. These results reinforced banks' resilience to withstand assumed credit impairment and shocks on interest rates and exchange rates. Meanwhile, the results of the real estate stress test (REST) indicated that the stressed capital adequacy ratio (CAR) and common equity tier 1 (CET1) ratio of the U/KB industry registered above the respective 10 percent and 6 percent minimum requirements, both on solo and consolidated bases despite the growth in REEs and robust movement in property prices. This also broadly indicates manageable credit risk and availability of sufficient capital buffer for the banks' REEs.

The results of latest BSP stress test exercise and real estate stress test (REST) both indicated that the combined UB/KB and TB industries' stressed capital adequacy ratios (CAR) remained well-above the 10 percent threshold.

Liquidity has been a key strength of the banking system with high compliance ratios of covered banks to prudential regulations on Liquidity Coverage Ratio (169.9 percent), Net Stable Funding Ratio (130.0 percent) and Minimum Liquidity Ratio (30.0 percent for TBs and 52.3 percent for R/CBs). On the whole, banks maintained liquidity buffers above prudential norms, which in turn, enabled them to absorb potential shocks to operations such as the impact of COVID-19 global pandemic.

Net profit jumped by 28.8 percent YoY, earning a record P230.4 billion, most of which were ploughed back to further strengthen the banks' capital position. The preponderance of net interest income from loans as the primary source of operating income assures the stability of banks' profits for the next two years based on the results of the BSOS for the second semester of 2019 and FSI analysis conducted in this Report. In line with the thrust of the BSP to liberalize and rationalize regulatory expectations, the results of the BSP paper on compliance cost (Box Article 2) show the minimal impact of compliance cost to banks' non-interest expenses across all types of banks. This results from the BSP's initiatives in implementing the principle of proportionality in its regulations and supervision.

Box Article 2 on compliance cost shows the minimal impact of compliance cost to banks' non-interest expenses across all types of banks.

Benefiting from the BSP's trust reforms to further develop the domestic capital market, the trust business of the banking system posted positive performance with 15.9 percent expansion YoY, primarily driven by the increase in financial assets and deposits in banks of the U/KBs and non-bank financial institutions (NBFIs) with trust license. The asset expansion was mainly funded by the growth in trust and agency accountabilities. In particular, total accountabilities of the trust industry expanded as investors search for alternative investments amidst declining interest rates and greater market liquidity. The expansion was mainly driven by the growth in trust and agency accountabilities reflecting heightened public trust in agency relationship with trust entities. Meanwhile, incremental funds were mostly placed in liquid financial assets and deposits in banks that facilitate smooth fund withdrawals.

The expansion in trust assets was mainly funded by the growth in trust and agency accountabilities.

Investment in equity securities remained high, indicating greater preference of trust entities for higher-yielding instruments with 41.5 percent growth in investments in debt securities, coupled with the 0.8 percent dip in investments in equity securities, which reflect an increasingly risk-averse profile of the players and majority of their investors amidst market volatility. Nonetheless, the trust industry reported higher earnings due to the rise in fees and commissions of trust entities.

Moving forward, the BSP is formulating a Trust Business Model initiative that will promote an enabling regulatory environment in support of the growth of the trust and investment management industries while upholding the effective governance, accountability, and integrity of the trust business.

Following the forthcoming full implementation of the Personal Equity and Retirement Account (PERA) Law (Republic Act No. 9505), the BSP is also continually reviewing existing regulations in order to make trust products and services more financially inclusive. The BSP intends to enhance the sales and marketing guidelines for trust and asset management products to support the continued development of the trust business in the Philippines.

The country's strong macroeconomic fundamentals and the steady growth of the banking system also encouraged foreign banks to establish further presence in the Philippines in 2019. This was supported by the current Standard and Poor's (S&P) Global Ratings Banking Industry Country Risk Assessment (BICRA) upgrade of the Philippines ranking to Group 5. As of end-December 2019, a total of 29 foreign bank branches and subsidiaries (FBBs) were approved to operate in the Philippines. Most of these foreign bank entrants were from the Asia-Pacific Region such as Taiwan, PRC and South Korea largely influenced by sound macroeconomic fundamentals, stable growth prospects, ongoing ASEAN Banking Integration Framework (ABIF) and the re-emergence of the Philippine brand in international trade and commerce.

The country's strong macroeconomic fundamentals and the steady growth of the banking system also encouraged foreign banks to establish further presence in the Philippines in 2019.

Despite the presence of global headwinds and volatilities in the domestic financial market, these FBBs fared better in 2019 and continued to contribute to the growth of the Philippine banking system. Total assets of the industry grew by 4.1 percent year-on-year to P1.2 trillion, also representing 6.8 percent of the total assets of the banking system due to the increase in cash and due of these FBBs.

Moreover, results of the 2019 Survey on the Effects of Foreign Bank Entry into the Philippine Banking System, FBBs remained beneficial to the Philippine economy by facilitating the entry of foreign investments into the Philippine, by providing employment opportunities in the country, and by offering professional development among their Filipino personnel in banking and finance during the semester in review.

Results of the 2019 Survey on the Effects of Foreign Bank Entry into the Philippine Banking System, foreign bank branches and subsidiaries remained beneficial to the Philippine economy by facilitating the entry of foreign investments, providing employment opportunities, and offering professional development among their Filipino personnel in banking and finance.

Alongside the resilient performance of the banking system, the non-bank sector likewise exhibited positive performance. Total assets of BSP-supervised NBFIs increased by 22.8 percent YoY while annual net income likewise grew by 20.5 percent. The growth of the non-bank sector was mainly driven by NBFIs without quasi-banking (NBQBs) functions such as Government NBFIs[2], credit card companies (CCCs), non-stock savings and loans associations (NSSLAs) and investment houses (IHs) without QB authority.

Loans granted by CCCs, NSSLAs and financing companies (FCs) with QB functions drove the NBFIs' loan growth. Meanwhile, IHs with QB functions and NSSLAs fueled the industry's investment activities. Significant incremental funding was generated from deposits by NSSLA members and capital generated by CCCs, NSSLAs, FCs with QB functions and IHs without QB function.

The NBFI sector continued to exhibit profitability, sustained by the stable leasing and interest income from FCs and NSSLAs, respectively. Income from credit card business and remittance services likewise provided significant flows to the sector. These enabled the sector to post return on asset (ROA) and return on equity (ROE) of 13.1 percent and 5.3 percent, respectively, and this was better than the banking system's ROA/ROE ratios of 10.5 percent and 1.3 percent, respectively.

Pawnshops and money service businesses (MSBs) became major financial service access points to reach the financially unserved and underserved areas of the country.

By industry, pawnshops and money service businesses (MSBs) became major financial service access points to reach the financially unserved and underserved areas of the country. These BSP-registered Pawnshops and MSBs, similar to banks, posted network expansion with annual growth of 14.0 percent and 24.1 percent, respectively, as of end-December 2019.

The emergence of digital platforms brings possible new opportunities and risks for pawnshops and MSBs, and is a significant component of their business strategy. They provide effective access to financial services for the unbanked and underbanked Filipino households and businesses, which make these pawnshops and MSBs vulnerable to risks such as credit risk, foreign exchange exposures of foreign exchange departments and money changers (FXDs/MCs), operational, and technology risks. Further, the cash-intensive nature of their operations and ease of transactions with clients likewise expose the industries to money laundering/terrorist financing (ML/TF) risks. In order to address these challenges, the BSP adopts risk-based and proportionate regulation and supervision to ensure the safety and soundness of the individual institution as well as the financial system while promoting financial inclusion and consumer protection.

[2] Refers to Government Service Insurance System (GSIS) and Social Security System (SSS)

In recognition of the important role of the large pawnshop network in building a more inclusive financial system and protecting the welfare of financial consumers in the future, the BSP issued Circular No. 938 dated 23 December 2016, as amended by Circular No. 1039 dated 03 May 2019, to enhance financial inclusion, protect consumers and strengthen the pawnshop licensing process in the Philippines. The new regulations placed high regard on the fitness and propriety of the pawnshop operators; required the pawnshops to secure license from the BSP and adopt pertinent BSP regulations; and introduced different types of BSP licenses for pawnshop operations.

Moreover, NBQBs managed to grow their network despite asset rationalization, highlighting the sector's commitment to serve more of its clientele. During the review period, there were 135 operating NBQBs in the country consisting of 131 FCs, three IHs, and one other NBQB. The significant expansion in the NBQB network was brought by the 16 additional branches of FCs.

Non-bank financial institutions with quasi-banking function (NBQBs) managed to grow their network despite asset rationalization, highlighting the sector's commitment to serve more of its clientele.

The NBQB industry posted a modest decline of 1.0 percent in total assets to P250 billion following the decrease in cash and due from the banks and investments which were used to pay-off costly borrowings. This development partially offset gains from the expansion of the industry's TLP. Nonetheless, the industry recorded improved growth of 4.5 percent in core operating income of P27.2 billion, which was chiefly driven by the increase in the earned interest income.

Meanwhile, the NSSLA industry, consisting of 200 NSSLAs with 63 head offices and 137 branches/other offices, sustained its asset expansion on account of strong growth in lending activities as of end-December 2019. The industry sustained its focus on servicing the credit needs of its members as net loans, which accounted for 79.1 percent of total assets, rose by 15.4 percent YoY to P205.0 billion. Despite the industry's upbeat lending activities, credit underwriting standards were not compromised as the NPL and NPA ratios continued to improve alongside refinements in the industry's credit risk management system following the BSP's issuance of Circular No. 1046 dated 29 August 2019 or Enhanced Guidelines on Sound Credit Risk Management Practices for NSSLAs.

Non-stock savings and loans (NSSLA) industry sustained its asset expansion on account of strong growth in lending activities

The industry also remained liquid, with stable funding and adequately capitalized with the growth in members' capital contribution. The increase in NSSLA's funding source was mainly driven by the growth in members' capital contribution and undistributed profits. Profitability was sustained driven by the steady growth of loans to members. Lastly, NSSLAs posted higher earnings mainly due to the increase in net interest income.

Moving forward, the Philippine financial system is also seen to withstand adverse impact of the COVID-19 pandemic on account of its relatively stable and sound capital and liquidity buffers, ample loan loss reserves and robust earnings performance including the opportunities presented by financial innovations and technology (FinTech). Moreover, these BSFIs have appropriate business strategies, internal and risk control tools, and deep culture of good governance standards that better equipped them to deal and manage potential risks and vulnerabilities arising from any global crisis such as the COVID-19 global pandemic.

In terms of policy reforms and responses, the BSP has been proactive and timely in its policy responses as it adjusted its monetary policy toolkit by reducing policy rates of 50 basis points effective 20 March 2020 and reducing the reserve requirement ratio by 200 basis points effective 30 March 2020 to support economic activity during the COVID-19 crisis and encourage banks to lend to corporate and retail clients. The BSP also allowed banks and their branches to continue their operations during the COVID-19 crisis and issued BSP Memorandum No. M-2020-008 to provide regulatory relief including rediscounting measures for affected BSFIs to lessen the impact of the COVID-19 outbreak in their operations. It will also continue to monitor and act promptly to address the impact of the COVID-19 outbreak on the banking sector following the implementation of Republic Act. No. 11469, otherwise known as “Bayanihan to Heal as One Act”.

All these are intended to safeguard the country’s robust financial health and further bolster the BSP’s capacity to promote and maintain price stability, a stable financial system and a safe and efficient payments and settlements system conducive to strong, sustainable and inclusive economic growth for all Filipinos.

The Philippine Banking System

Overview

With the banking system at its core, the Philippine financial system remained resilient amid evolving domestic and global uncertainties. Its total resources continued to expand, particularly its lending and investment portfolios, to support the country's financing needs. This asset growth was funded by deposit generation, bond issuances and capital infusion. Banks' activities brought higher profitability, while maintaining adequate capitalization and liquidity buffers to absorb potential shocks to operations.

The outlook on the banking system continued to be positive given the relatively sound macroeconomic performance, adequate liquidity, as well as increasing capital buffers and opportunities presented by the growing economy and financial innovations based on the preliminary Banking Sector Outlook Survey (BSOS) for the Second Quarter of 2019. Moreover, the country's robust macroeconomic fundamentals further bolsters the BSP's capacity to promote and maintain price stability, a stable financial system and a safe and efficient payments and settlements system conducive to strong, sustainable and inclusive economic growth.

While the impact of the Corona Virus Disease 2019 (COVID-19) outbreak is not yet covered in the BSOS, the banking system is projected to withstand adverse effects of COVID-19 on account of its satisfactory asset quality and sufficient loan loss reserves, strong capital position, ample liquidity buffers and profitable operations.

PBS Growth at a Glance

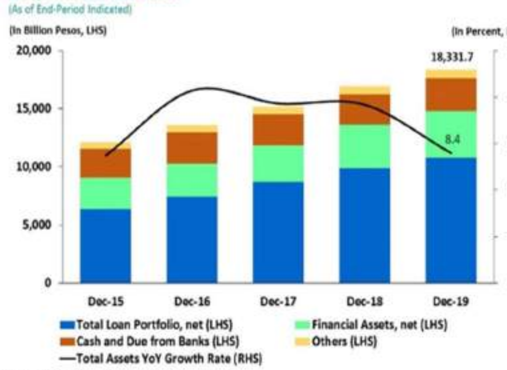
Total Assets	*8.4%* P 1,420.2 B	**Total Deposits**	*7.1%* P 904.2 B
Total Loan Portfolio, gross	*8.8%* P 889.2 B	**Bonds Payable**	*111.8%* P 302.1 B
Financial Assets, gross	*7.9%* P 271.8 B	**Net Profit**	*28.8%* P 51.6 B

Asset expansion was driven by growth in loans and investments

The growth of total assets of the Philippine banking system (PBS) to P18,331.7 billion as of end-December 2019 was primarily due to expansion of funds channeled to lending and investment activities and sourced from deposits, bond issuances and capital infusion.

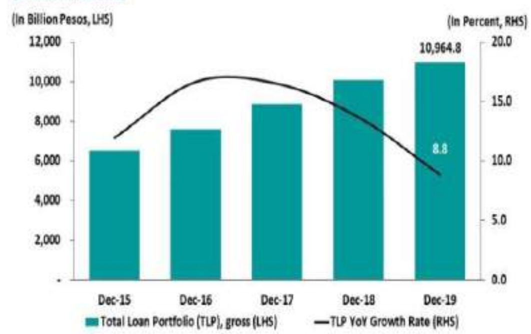
Total loan portfolio (TLP), net of allowance for credit losses, comprised the largest share of the banking system's total assets at 58.7 percent (P10,756.9 billion) followed by financial assets other than loans[1] and cash and due from banks with 22.0 percent share (P4,040.6 billion) and 15.3 percent share (P2,799.8 billion), respectively (Figure 1).

Figure 1
Philippine Banking System
Components of Total Assets
(As of End-Period Indicated)



Source of data: Department of Supervisory Analytics

Figure 2
Philippine Banking System
Bank Lending Trends
(As of End-Period Indicated)

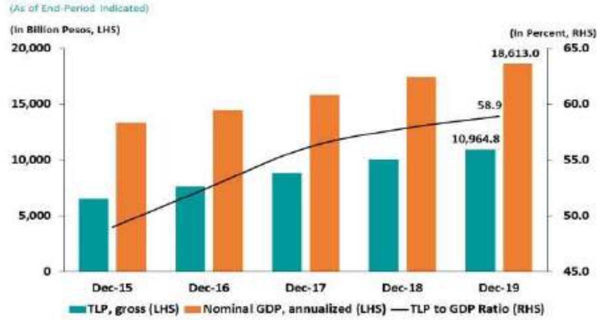


Source of data: Department of Supervisory Analytics

The banking system's gross TLP rose year-on-year (YoY) by 8.8 percent to P10,964.8 billion, slower than the 13.6 percent growth rate in December 2018 (Figure 2). However, the preliminary results of the BSOS for the second semester of 2019 revealed that the banking system is expected to post double-digit growth rate in loans in the next two years.

While there was slower loan growth, the ratio of TLP to annualized nominal gross domestic product (GDP) went up to 58.9 percent as of end-December 2019 from 57.8 percent as of end-December 2018 (Figure 3). This indicates sustained deployment of funds for lending to productive activities.

Figure 3
Philippine Banking System
TLP to GDP Ratio
(As of End-Period Indicated)

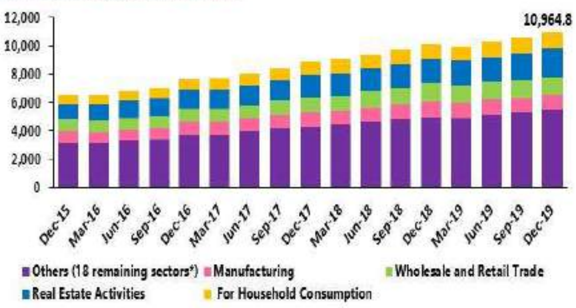


Sources of data: Department of Supervisory Analytics, Philippine Statistics Authority

[1] Composed of investment portfolio booked under held-to-maturity (HTM), available-for-sale (AFS), held for trading (HFT), unquoted debt securities classified as loans (UDSCL), securities designated at fair value through profit or loss (DFVPL), investments in non-marketable equity securities (INMES) and equity investments in subsidiaries/ associates/joint ventures, net of allowance for credit losses.

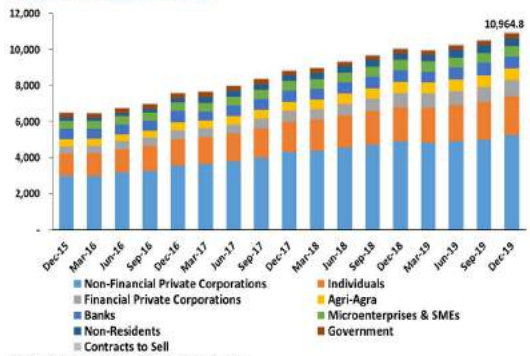
Loans were broad-based across various borrower and industry types. Real estate activities continued to have the largest share of the banking system's TLP at 17.8 percent (Figure 4). This was followed by wholesale and retail trade which had a TLP share of 11.9 percent. Loans for household consumption and the manufacturing sector had TLP shares of 10.9 percent and 9.8 percent, respectively. Meanwhile, loans for household consumption and real estate activities registered growth rates of 15.6 percent and 14.5 percent, respectively.

Figure 4
Philippine Banking System
Gross TLP by Economic Activity
(As of End-Period Indicated, In Billion Pesos)



Source of data: Department of Supervisory Analytics * *These refer to economic sectors under the 2009 PSIC.*

Figure 5
Philippine Banking System
Gross TLP by Counterparty
(As of End-Period Indicated, In Billion Pesos)



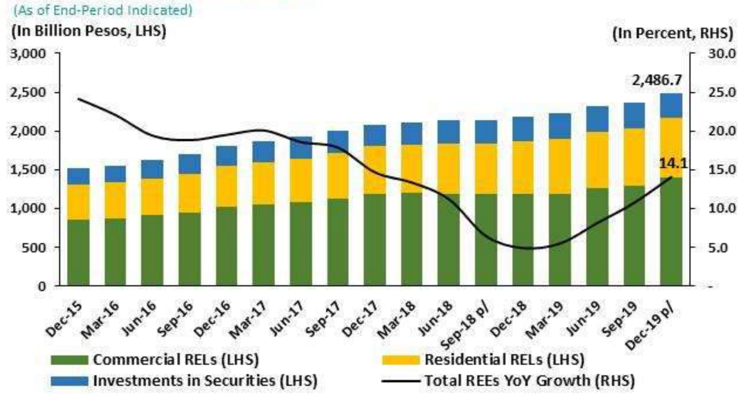
Source of data: Department of Supervisory Analytics

As to counterparty, corporate and individual borrowers took the largest shares of the banking system's loan portfolio in the past five years (Figure 5). In particular, as of end-December 2019, resident non-financial private corporations represented almost half of borrowers in the banking system with loans amounting to P5,230.2 billion (at 47.7 percent). Resident individuals followed with loans totaling P2,174.0 billion (at 19.8 percent).

Growth of real estate exposures and consumer loans accelerated

Both real estate exposures (REEs) and consumer loans (CLs) continued to expand. The REEs of universal and commercial banks (U/KBs) and thrift banks (TBs), on a consolidated basis, increased by 14.1 percent YoY to P2,486.7 billion as of end-December 2019 (Figure 6). The growth rate of REEs started to accelerate in 2019, as compared to the end-December 2018 growth rate of 4.9 percent.

Figure 6
Universal, Commercial and Thrift Banks
Real Estate Exposures (Consolidated Basis)
(As of End-Period Indicated)



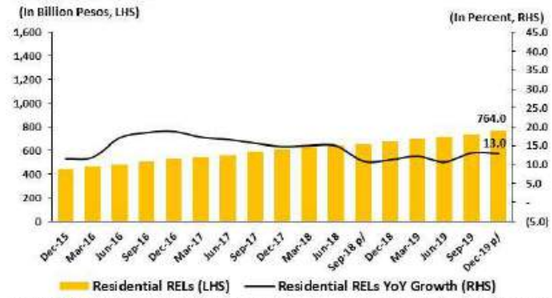
Source of data: Department of Supervisory Analytics *p/ Preliminary data; with substitution*

These REEs are composed mainly of real estate loans (RELs) with 87.1 percent share while the rest are real estate investments. Total RELs went up by 16.4 percent YoY to P2,166.6 billion as of end-December 2019, faster than the 3.3 percent growth rate as of end-December 2018. Commercial RELs, which accounted for almost two-thirds of total RELs, mainly drive the growth in REEs. There was an 18.4 percent YoY expansion in commercial RELs as of end-December 2019, as compared to the 0.7 percent YoY decline as of end-December 2018 (Figure 7). The rebound on the growth of REEs, specifically commercial RELs, indicates the easing of uncertainties brought by the government's tax reform program. Meanwhile, residential RELs (Figure 8) posted a 13.0 percent YoY growth rate as of end-December 2019, higher than the 11.2 percent growth rate as of end-December 2018.

Figure 7
Universal, Commercial and Thrift Banks
Commercial Real Estate Loans (Consolidated Basis)
(As of End-Period Indicated)

Source of data: Department of Supervisory Analytics *p/ Preliminary data; with substitution*

Figure 8
Universal, Commercial and Thrift Banks
Residential Real Estate Loans (Consolidated Basis)
(As of End-Period Indicated)

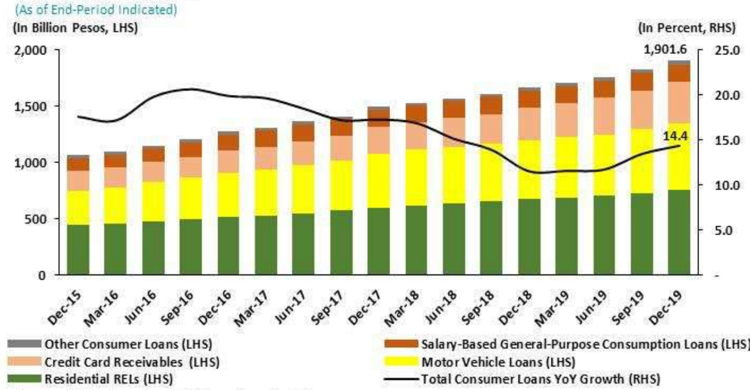


Source of data: Department of Supervisory Analytics *p/ Preliminary data; with substitution*

The results of the real estate stress test (REST)[2] as of end-September 2019 indicated that the stressed capital adequacy ratio (CAR) and common equity tier 1 (CET1) ratio of the U/KB industry registered above the 10 percent and 6 percent minimum requirements, respectively, both on solo and consolidated bases.

Aside from REEs, there was also growth in consumer loans (CLs). The level of CLs of U/KBs and TBs, on a solo basis, went up by 14.4 percent to P1,901.6 billion as of end-December 2019. The growth rate of CLs started to accelerate in 2019, as compared to the end-December 2018 growth rate of 11.5 percent (Figure 9). Residential RELs made up the largest share of total CLs at 39.9 percent, followed by motor vehicle loans (MVLs)[3] at 30.7 percent, credit card receivables (CCRs) at 19.5 percent, salary-based general-purpose consumption loans (SBGPCLs) at 8.2 percent and other consumer loans at 1.7 percent.

Figure 9
Universal, Commercial and Thrift Banks
Consumer Loans (Solo Basis)
(As of End-Period Indicated)



Source of data: Department of Supervisory Analytics

[2] Under Circular No. 839 dated 27 June 2014, the REST limit combines a macroprudential overlay of a severe stress test scenario, the principle of loss absorbency through minimum capital ratio thresholds, and heightened supervisory response.

[3] These MVLs are mainly auto loans which stood at P556.2 billion (95.3 percent share) while the rest are motorcycle loans at P27.5 billion.

Banks continued to set aside funds for MSMEs and agri-agra borrowers

While the mandatory credit allocation for micro, small and medium enterprises (MSMEs) as set forth in Republic Act (R.A.) No. 6977, as amended by R.A. Nos. 8289 and 9501, ended last 16 June 2018, the BSP continued to monitor the exposures of the banking system to MSMEs. Table 1 shows that based on bank-submitted MSME reports, as of end-December 2019, the banking system provided a total of P579.1 billion credit to MSMEs, which was 7.1 percent of TLP net of exclusions. This level was higher than the P574.8 billion credit as of end-December 2018. In particular, the banking system's total credit allocation to MEs stood at P350.8 billion as of end-December 2019 while funds allocated to MSEs totaled P228.4 billion.

Table 1
Philippine Banking System
Credit Allocation to Micro, Small and Medium Enterprises (MSMEs)
As of End-December 2019
(Levels in Billion Pesos)

	All Banks	U/KBs	TBs	RCBs
Credit Allocation to Micro and Small Enterprises (MSEs)	**228.4**	165.0	35.2	28.1
Credit Allocation to Medium Enterprises (MEs)	**350.8**	298.5	38.3	13.9
Total Credit Allocation to MSMEs	**579.1**	463.5	73.5	42.1

Source of data: Department of Supervisory Analytics

Under R.A. No. 10000 (the Agri-Agra Reform Credit Act of 2009), banks allocated a total of P734.2 billion of loanable funds for agriculture and agrarian reform credit, higher than the P707.4 billion allocation as of end-December 2018. However, the banking system's 10.8 percent compliance ratio for other agricultural credit as of end-December 2019 was below the required 15.0 percent. Moreover, its compliance ratio for agrarian reform credit was 1.1 percent which was below the required 10.0 percent (Table 2).

Table 2
Philippine Banking System
Compliance with the Mandatory Allocation for Agrarian Reform/Other Agricultural Credit [1]
As of End-December 2019 [p/]
(Levels in Billion Pesos, Ratios in Percent)

	All Banks	U/KBs	TBs	RCBs
Total Loanable Funds Generated	**6,173.6**	5,809.3	270.3	94.0
Minimum Amount Required to be Allocated for:				
Agrarian Reform Credit (AGRA, 10%)	**617.4**	580.9	27.0	9.4
Other Agricultural Credit (AGRI, 15%)	**926.0**	871.4	40.5	14.1
Total	**1,543.4**	1,452.3	67.6	23.5
Compliance with AGRA				
Total compliance with AGRA	**67.5**	55.8	2.4	9.3
Percentage of Compliance with AGRA	**1.1%**	1.0%	0.9%	9.9%
Compliance with AGRI				
Total compliance with AGRI	**666.7**	627.1	18.3	21.3
Percentage of Compliance with AGRI	**10.8%**	10.8%	6.8%	22.6%
Total				
Total compliance for AGRI-AGRA	**734.2**	682.9	20.7	30.6
Percentage of Compliance for AGRI-AGRA	**11.9%**	11.8%	7.7%	32.5%

1/ Required under R.A. No. 10000 (the Agri-Agra Reform Credit Act of 2009)
p/ Preliminary

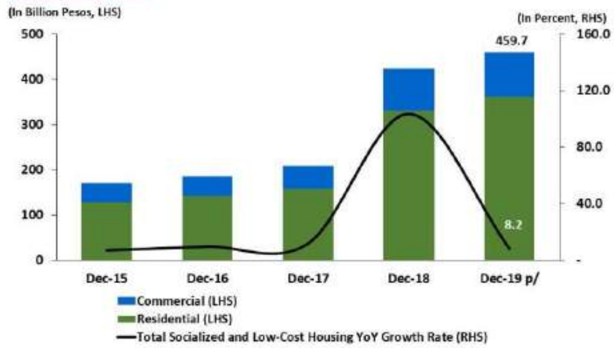
Source of data: Department of Supervisory Analytics

Penalties have been collected from banks which have failed to fully comply with the mandatory agri-agra credit allocation. Under the law, penalties imposed on banks for non-compliance/under-compliance with the mandated credit allocations to the agri-agra sector were remitted to the Agricultural Guarantee Fund Pool (AGFP) and Philippine Crop Insurance Corporation (PCIC). The BSP supports the current review of proposed amendments to the agri-agra law (R.A. No. 10000) which seek to institutionalize a framework that is more responsive to the needs of the agricultural sector while providing for ways to expand the banks' modes of compliance with the law. This in line with a policy approach geared towards contributing to a more broad-based and inclusive growth of the financial system.

Moreover, in line with R.A. No. 7835 (the Comprehensive and Integrated Shelter Financing Act of 1994), the BSP monitors banks' exposure to socialized and low-cost housing under existing BSP data on RELs.

The exposure to socialized and low-cost housing of U/KBs and TBs, on a consolidated basis, amounted to P459.7 billion as of end-December 2019, higher than the P424.9 billion level as of end-December 2018 (Figure 10). Most of the banks' exposure were utilized for purposes of financing residential housing loans for own occupancy of borrowers.

Figure 10
Universal, Commercial and Thrift Banks
Exposure to Socialized and Low-Cost Housing (Consolidated Basis)
(As of End-Period Indicated)



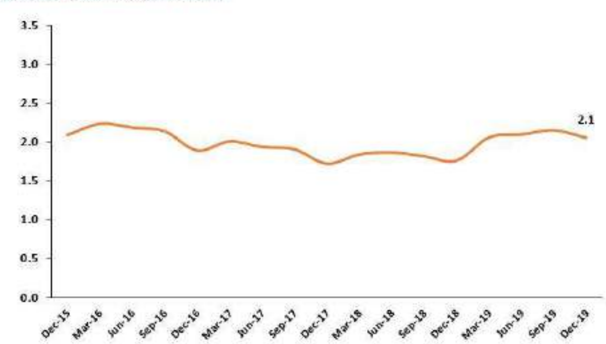
Source of data: Department of Supervisory Analytics

p/ Preliminary data; with substitution

Loan quality remained satisfactory amid continued loan growth

The quality of the PBS' loan portfolio remained satisfactory. The non-performing loan (NPL) ratio stood low at 2.1 percent as of end-December 2019, albeit slightly higher than the 1.8 percent ratio as of end-December 2018 (Figure 11). Increased NPL levels of the manufacturing and wholesale and retail trade sectors mainly contributed to the growth of the banking system's NPLs by end-December 2019. Meanwhile, the non-performing REL ratio was maintained low at 1.7 percent as of end-December 2019, as compared to the 1.6 percent ratio as of end-December 2018. The non-performing CL ratio was at 4.1 percent as of end-December 2019, slightly higher than the 3.9 percent ratio as of end-December 2018. This was brought about by the uptick in the NPL ratios of residential RELs and MVLs.

Figure 11
Philippine Banking System
NPL Ratio
(As of End-Period Indicated, In Percent)



Source of data: Department of Supervisory Analytics

Banks remain comfortably covered from potential losses as the banking system's NPL coverage ratio stood at 92.3 percent as of end-December 2019. This ratio however was lower than the 104.9 percent ratio as of end-December 2018. Meanwhile, the non-performing asset[4] (NPA) ratio of the banking system was registered at 1.8 percent, slightly higher than the 1.7 percent ratio as of end-December 2018. The NPA coverage ratio remained strong at 70.1 percent, albeit lower than the 75.5 percent ratio as of end-December 2018.

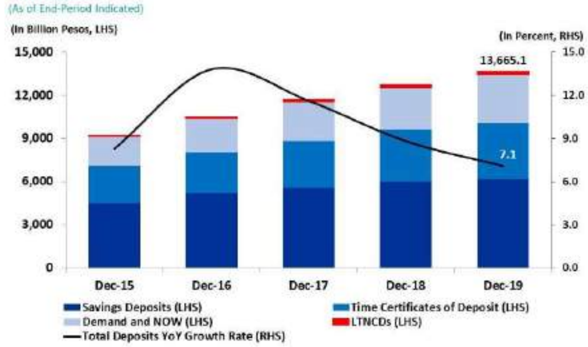
Banks' investment portfolio continued to increase

Gross financial assets[5] rose by 7.9 percent YoY to P3,734.5 billion. In particular, almost two-thirds of gross financial assets were held-to-maturity (HTM) financial assets[6] at P2,407.2 billion (at 64.5 percent share). Available-for-sale (AFS) financial assets[7] (P1,126.3 billion) also had a sizeable share (at 30.2 percent). Meanwhile, minimal shares were those of financial assets held-for-trading (HFT) and designated at fair value through profit or loss (DFVPL)[8] which stood at P198.8 billion (at 5.3 percent) and P2.2 billion (at 0.1 percent), respectively. In terms of counterparty, securities issued by the National Government accounted for the bulk of U/KBs and TBs' investment portfolio at 68.3 percent (or P2,520.8 billion). This reflected the strong appetite of banks for Philippine sovereign assets as well as their positive market sentiments on the country's economic growth prospects.

Deposits and proceeds from bond issuances fueled banks' lending activities

The PBS' increased lending activities were mostly funded by the 7.1 percent YoY growth in deposits to P13,665.1 billion as of end-December 2019 (Figure 12). These deposits were mostly peso-denominated and sourced from resident individuals and private corporations. Savings deposits had the biggest share of total deposits at 45.3 percent. Meanwhile, another major source of funding was bonds payable which expanded by 111.8 percent YoY to P572.2 billion as of end-December 2019.

Figure 12
Philippine Banking System
Total Deposits
(As of End-Period Indicated)



Source of data: Department of Supervisory Analytics

Banks opted to tap bonds payable as an alternative source of funding due to the relaxation of requirements for the issuance of bonds[9] aimed at contributing to the development of the capital market, as well as the implementation of the net stable funding ratio (NSFR) requirement. While bonds generally provide longer-term financing, the tenors of the new issuances ranged from only two to three years as market players expected interest rate to drop. The limited tenor provides banks with flexibility should interest rates stabilize over the medium term.

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[4] Non-performing assets are composed of NPLs and real and other properties acquired (ROPA), gross.

[5] Other than loans and equity investments in subsidiaries, associates and joint ventures.

[6] HTM financial assets are classified as debt securities measured at amortized cost under Philippine Financial Reporting Standards (PFRS) 9 – Financial Instruments. Circular No. 1011 dated 14 August 2018 prescribed the guidelines on the adoption of PFRS 9 – Financial Instruments.

[7] AFS financial assets are classified as financial assets measured at fair value through other comprehensive income under PFRS 9 – Financial Instruments.

[8] Financial assets HFT and DFVPL are classified as financial assets measured at fair value through profit or loss under PFRS 9 – Financial Instruments.

[9] Circular No. 1062 dated 26 November 2019 amended the requirements on the issuance of long-term negotiable certificates of time deposit, bonds and commercial papers.

Banks capped the end of the decade with stronger capital position

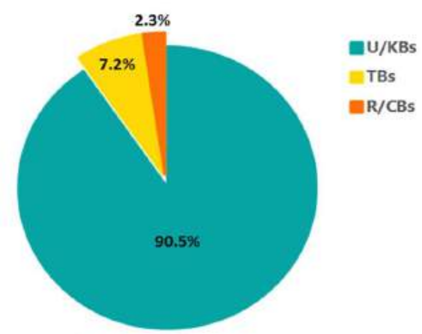
Banks posted a stronger capital position as of end-December 2019 reaching P2,319.7 billion which is higher by 12.2 percent from last year. Retained earnings and undivided profits, which held the lion's share at 48.3 percent of the total capital accounts, remained as the main driver of the industry's stronger capital base. Banks showed sustained profitability amidst uncertainties both at the global and domestic fronts.

By composition, capital stock also went up as banks infused additional capital of P35.0 billion during 2019. Other capital accounts also registered notable increases such as deposits for stock subscription, assigned capital of foreign banks and accumulated earnings. Assigned capital of foreign banks, which had 6.2 percent of the industry capital, rose by 27.9 percent. Meanwhile, other equity instruments, appraisal increment reserves and other comprehensive income went down during the period. Aggregately, they comprised a modest 0.5 percent of the industry capital. (Figure 13)

Figure 13
Philippine Banking System
Percent Share of Components of Banks' Capital and its Growth Rates (Y-O-Y)
As of End-Periods Indicated

Source of Data: Department of Supervisory Analytics

Figure 14
Philippine Banking System
Percent Share to Total Capital by Industry Sub-group
As of End-December 2019



Source: Deprtmenr of Supervisory Analytics

Across banking groups, U/KBs continued to hold majority of the banking systems' capital at 90.5 percent share. The remaining 9.5 percent was held by TBs and rural and cooperative banks (RCBs) at 7.2 percent and 2.3 percent, respectively. (Figure 14)

Banks remained compliant with Basel CAR requirements

Under the Basel III framework, U/KBs' risk-based CARs on both solo and consolidated bases went up to 15.4 percent and 16.0 percent, respectively. The improved capital position was attributed to the banks' stronger and more pro-active capital build-up activities that steered faster accumulation of qualifying capital at a rate of 10.1 percent which outweighed the 6.2 percent rise in risk-assets.[10]

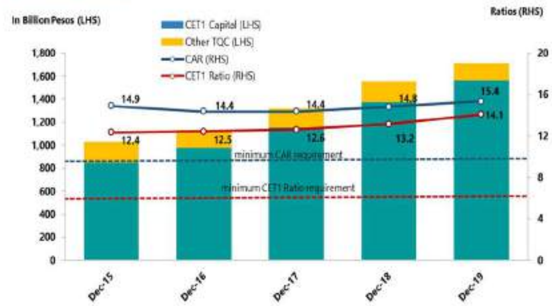
[10] Computations were based on CAR reports of U/KBs on solo basis.

Moreover, banks continued to accumulate more high-quality capital as shown in the increased CET1 ratio of 14.1 percent as of the current period (Figures 15 and 16).

Figure 15
Risk-Based Capital Adequacy Ratio (CAR) -Solo and YOY Growth Rates of TQC and RWA of Banks
As of End-Periods Indicated

Source of Data: Department of Supervisory

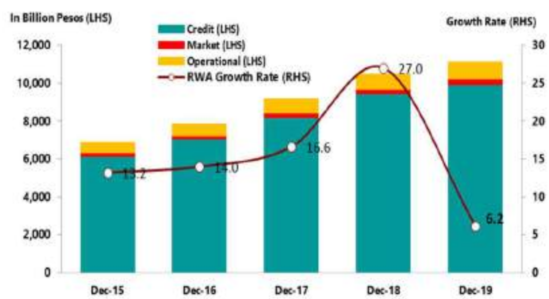
Figure 16
Universal and Commercial Banks
Risk-Based Capital Composition and Ratios (Solo Basis)
As of End-Periods Indicated



Source of data: Department of Supervisory Analytics

On the risk-assets side, the credit risk-weighted assets (CRWA) continued to dominate U/KBs' total risk-weighted assets (RWA) at 89.0 percent as of end-December 2019 (Figure 17). The rising CRWA of banks was mainly driven by loans extended to the corporate sector. Even as loan portfolio expanded, banks maintained a strong capital base.

Figure 17
Universal and Commercial Banks (Solo)
Growth Rates and Components of Risk-Weighted Assets (RWAs)
As of End-Periods Indicated



Source of Data: Department of Supervisory Analytics

Similarly, the market risk-weighted assets (MRWA), which held 2.8 percent of the total industry's risk assets, went up by 28.6 percent mainly due to rising interest rate risk and FX risk exposures. Even in times of market fluctuations, the U/KBs remained resilient given their active capital raising activities and robust earnings margin enabling them to maintain adequate buffer against unexpected losses.

In terms of measuring MRWAs, only two foreign banks used internal modeling method while 41 U/KBs applied the standardized approach. As with operational risk-weighted assets (ORWA), it also grew by 12.8 percent YoY resulting from the increased earnings of banks.[11] Similarly, only two foreign banks calculated their ORWAs using the more advanced standardized approach. The rest of the U/KBs used the basic indicator approach (BIA).[12]

Meanwhile, the industry CAR of TBs as of end-December 2019 improved to 17.5 percent YoY from 16.0 percent while CAR of RCBs slightly declined to 19.5 percent from 19.6 percent a year ago.[13] Nevertheless, these capital ratios are well above the minimum thresholds set by the BSP at 10 percent and the Bank for International Settlements (BIS) at 8 percent.

[11] This is because most banks adopted the BIA which used earnings/profits in calculating ORWAs.

[12] Under the basic indicator approach (BIA), banks must hold capital for operational risk equal to 15% of the average gross income (GI) over the previous three years of positive annual GI. For the standardized approach (TSA), banks compute their capital charge based on income derived from various business lines. Operational risk capital charge for each business line corresponds to a certain beta factor of the average GI over the previous three years of positive annual GI for each business line. GI for the purpose of computing for operational risk capital charge, is defined as net interest income plus non-interest income. *(Source: Revised Risk-Based Capital Adequacy Framework, Circular 538 dated 4 August 2006)*

[13] Based on solo basis capital computation. Ratios are combination of Basel III and Basel 1.5 frameworks.

With regard to the implementation of the Basel III framework, the BSP issued corresponding guidelines on the adoption of Leverage Ratio[14], Liquidity Coverage Ratio (LCR)[15] and NSFR standards[16]. The Basel III capital and liquidity standards are applicable to U/KBs, as well as their subsidiary banks. Stand-alone TBs and RCBs are subject to a simpler liquidity metric called the Minimum Liquidity Ratio (MLR).[17] These financial performance metrics are fully discussed under the section on Financial Soundness of the Philippine Banking System.

Stress test exercise results indicated adequate capital for the banking system

Results of the June 2019 BSP stress test exercises on consumer loans, conglomerates, real estate and market risk indicate that the U/KB and TB industries' combined stressed CAR remains well-above the 10 percent threshold. The assumed scenarios include a separate 20 percent write-off on consumer loans, loans to vulnerable economic sectors, and loans and investments to the top 20 conglomerates. To simulate the stress in credit quality, a 20 percent write-off is imposed on the net carrying amount of loans. Banks are tested to withstand impairment assuming the 20 percent and 50 percent write-off rates against baseline values of the CAR and Tier 1 ratios.

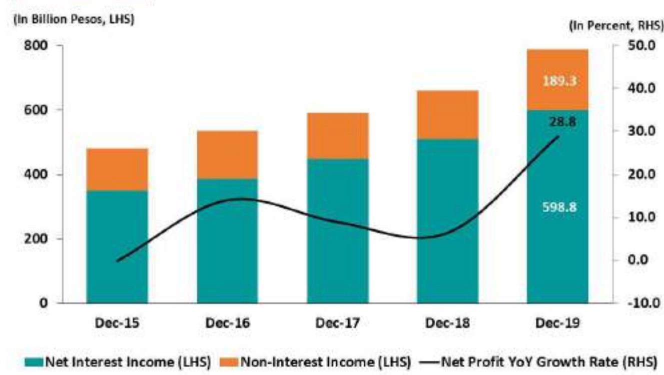
In terms of market risk, worst case scenario of simultaneous increase in PHP interest rate of 500 basis points (bps) and USD interest rate of 300 bps, as well as peso depreciation of 30 percent, is employed in the exercise. As a result, stressed CAR of U/KBs and TBs as of end-June 2019 was at 13.8 percent which is higher than the threshold.

These results indicate banks' resilience to withstand assumed credit impairment and shocks on interest and exchange rates.

Profitability was buoyed by strong core earnings

Banking operations were profitable as the PBS net profit jumped to P230.4 billion for the year-ended December 2019 (Figure 18). Overall profitability was driven by net interest income (NII) which comprised more than three-fourths of total operating income for the last three years. In particular, NII rose 17.5 percent YoY to P598.8 billion. Meanwhile, non-interest income stood at P189.3 billion and was composed mainly of fees and commissions income and trading income.

Figure 18
Philippine Banking System
Sources of Revenue
(For End-Period Indicated)



Source of data: Department of Supervisory Analytics

[14] See Circular No. 881 dated 9 June 2015 on the Implementing Guidelines on the Basel III Leverage Ratio Framework.

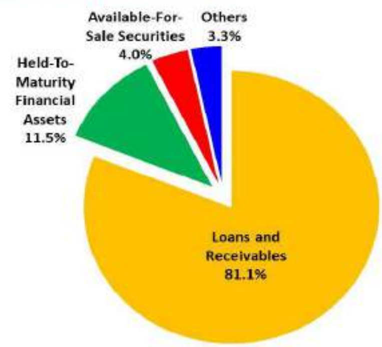
[15] See Circular No. 905 dated 10 March 2016 on the Implementation of Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio and Disclosure Standards, as amended by Circular Nos. 996 and 1035 dated 8 February 2018 and 15 March 2019, respectively.

[16] See Circular No. 1007 dated 6 June 2018 on the Implementation of Basel III Framework on Liquidity Standards – Net Stable Funding Ratio.

[17] See Circular No. 996 dated 8 February 2018 on the Minimum Prudential Liquidity Requirements for Stand-alone Thrift Banks, Rural Banks, Cooperative Banks and Quasi-Banks

Interest income, which rose by 25.3 percent to P878.5 billion, primarily came from loans and receivables (P712.5 billion) followed by interest income from HTM financial assets[18] (P101.1 billion) (Figure 19). Meanwhile, majority of the interest expense of P279.4 billion was represented by interest paid on deposits (77.1 percent share or P215.3 billion).

Figure 19
Philippine Banking System
Components of Interest Income
For the Period January to December 2019



Trust, commitments, and bank guarantees boosted contingent assets

Alongside on-balance sheet assets, the banking system's off-balance sheet accounts grew by 7.4 percent to P10,368.5 billion as of end-December 2019 (Table 3). The growth was mainly fuelled by the combined increments in trust accounts, commitments and bank guarantees. (Figure 20)

Table 3
Philippine Banking System: Comparative Assets
As of End-Periods Indicated
(In Billion Pesos)

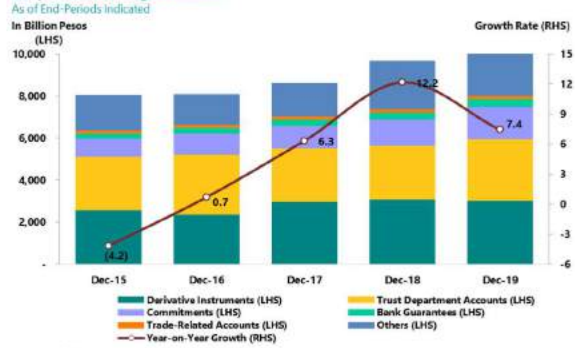
	Dec-18	Dec-19	YoY Change (%)
On-Balance Sheet	16,911.4	**18,331.7**	8.4
Off-Balance Sheet*	9,651.3	**10,368.5**	7.4

*Includes trust assets of banks (P2,703.3 billion) but discussed separately in a stand-alone sectior

Source of Data: Department of Supervisory Analytics

Banks' total commitments, which held 14.9 percent of the total contingent accounts, went up by 23.5 percent. Credit card lines[19] which held the lion's share of 66.1 percent and grew by 21.4 percent YoY steered the total bank commitments[20] to reach P1,540.2 billion. Likewise, bank guarantees rose by 11.1 percent indicating the banks' expanding role in spurring business activities in the country. The banking system's trust assets, mostly channeled to debt and equity securities[21], also rose by 13.8 percent.

Figure 20
Philippine Banking System
Composition of Contingent Accounts
As of End-Periods Indicated



Source of data: Department of Supervisory Analytics

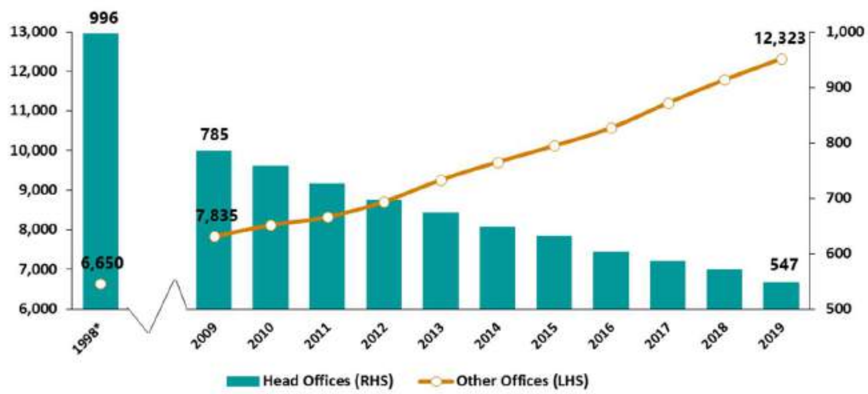
[18] Interest income from HTM financial assets are classified as interest income from debt securities at amortized cost under PFRS 9 – Financial Instruments.
[19] Credit card lines are unused portions of all commitments to extend credit both to individuals for household, family and other personal expenditures as well as to commercial and industrial enterprises through credit cards.
[20] Normally refer to banks' underwritten accounts sold, committed credit lines for commercial papers issued, credit card lines and other types of off-balance sheet commitments.
[21] Performance of the trust industry is discussed in a separate section of this Report.

For this period, total derivative transactions slightly declined by 1.7 percent mainly due to lower interest rate and credit derivative contracts. Foreign exchange (FX) contracts which held 70.6 percent of the total derivative instruments rose by 4.5 percent, offsetting the declines in other derivative transactions. Banks engage in FX contracts primarily to hedge their clients' and their own FX risk exposures. Meanwhile, trade-related contingent accounts, which held 1.4 percent of the total off-book assets also posted a decline of 4.5 percent as of the review period.

Banking network continued on an uptrend

The physical network of the banking system continued on an uptrend as branch operations expand their client reach both at the domestic and international fronts. More than two decades through the BSP's industry consolidation agenda starting in 1998, the total number of banking units soared to 12,870 composed of 547 head offices and 12,323 other offices. (Figure 21)

Figure 21
Philippine Banking System
Total Banking Units
As of End-Periods Indicated



* BSP's merger and consolidation policy amended and rationalized in 1998 with the issuance of Circular No. 172 dated 3 September 1998.

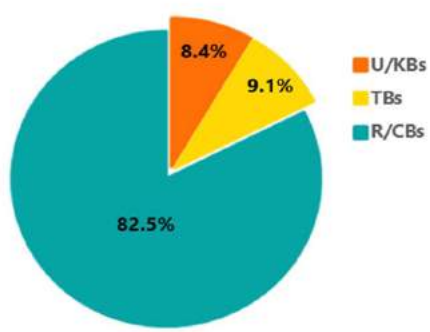
Source of data: Department of Supervisory Analytics

p/ Preliminary data

Notwithstanding the decline in the number of operating banks, the overall branch network continued to expand with the establishment of more regular branches and branch-lite units.

Across banking groups, the banking system's network consisted of the following: 46 U/KBs with 6,915 branches, 50 TBs with 2,683 branches and 451 RCBs with 3,272 branches. U/KBs held the least share in terms of head office count, yet seized the biggest share at 90.5 percent of the system's total resources. RCBs consistently seized the lion's share of operating banks, albeit many of which are stand-alone head offices. (Figure 22)

Figure 22
Philippine Banking System
Number of Operating Banks
As of End-December 2019

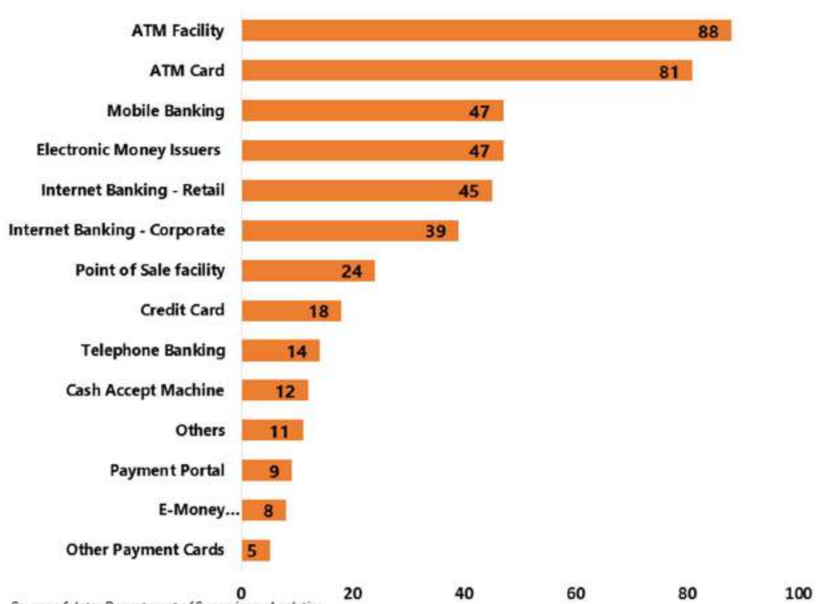


Source: Department of Supervisory Analytics

The continued uptrend in their network highlights the PBS' commitment to the BSP's financial inclusion agenda. In addition to banks' regular branches and offices, there were also increasing trends in the establishment of financial access points through automated teller machines (ATMs) (both on-site and off-site) and electronic payment and financial services. From last year, banking system's ATM network further expanded with the addition of 502 units for a total of 21,780 ATMs. Most of these were installed in the Central Luzon, the Central Visayas and the Bicol regions.

The BSP supervised financial institutions (BSFIs) continued to embrace Fintech innovations in order to thrive in the evolving financial landscape that increasingly leans towards digitized transactions. As of end-December 2019, the use of ATMs remained to be the lead electronic facility used by majority of BSFIs (88). Following major industry players include BSFIs with mobile banking services (47), Electronic Money Issuers (EMIs) (47) and the retail (45) and corporate (39) internet banking services. BSFIs engage in electronic payment and financial services (EPFS) to improve efficiency of financial transactions. (Figure 23)

Figure 23
Philippine Banking System:
Electronic Payment and and Financial Services (EPFS)
As of End-December 2019



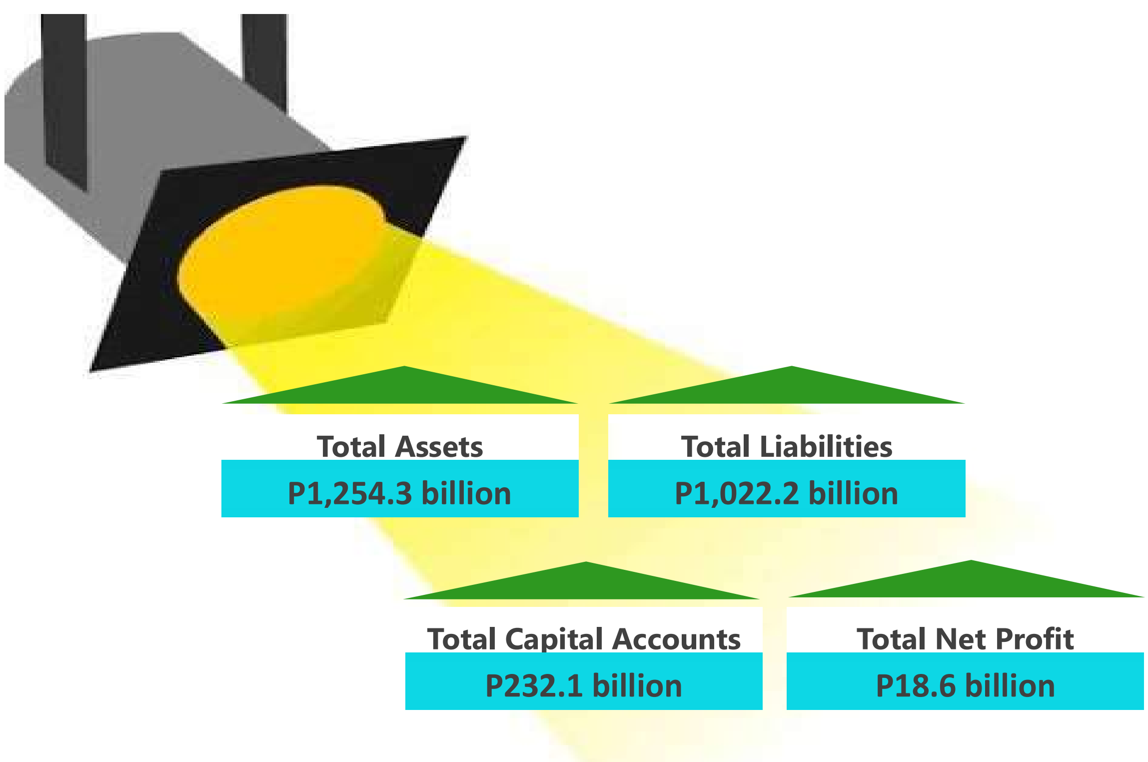
Source of data: Department of Supervisory Analytics

Foreign Bank Branches and Subsidiaries

Overview

The strong macroeconomic fundamentals of the country and the steady growth of the banking system remained to be the sweet spots which encourage foreign banks to establish presence in the Philippines in 2019. This was supported by the S&P Global Ratings Banking Industry Country Risk Assessment (BICRA) upgrade of the Philippines ranking to Group 5. In turn, 12 more foreign banks opened in the country since the implementation of the amended Foreign Banks Law (R.A. No. 10641) in 2014. This brought the total of foreign banks operating in the Philippines to 29 as of end-December 2019. Despite the presence of global headwinds and volatilities in the domestic financial market, these FBBs and subsidiaries fared better in 2019 and continued to contribute to the growth of the Philippine banking system (PBS).

FBBs and Subsidiaries at a Glance



Foreign banks further strengthened presence

Consistent with the banking system's positive outlook on the economy, more foreign banks continued to establish their networks in the country supportive of a vibrant financial system that spurs economic growth. As of end-December 2019, 29 foreign banks were approved and authorized to operate by the BSP in the Philippines (Table 1). The Industrial and Commercial Bank of China (ICBC) was the latest addition to the list of new foreign banks. Meanwhile, the Monetary Board has already approved 12 foreign bank applications since the implementation of R.A. No. 10641 on 21 November 2014 through the issuance of BSP Circular No. 858.

Table 1
Foreign Bank Branches and Subsidiaries
As of End-December 2019

	Branch	Subsidiary	Total
By Bank Category			
UBs	6	2	8
KBs	18	3	21
Total	**24**	**5**	**29**
By Mode of Entry			
R.A. 337	4	-	4
R.A. 7721	10	3	13
R.A. 10641	10	2	12
Total	**24**	**5**	**29**

Source: Department of Supervisory Analytics

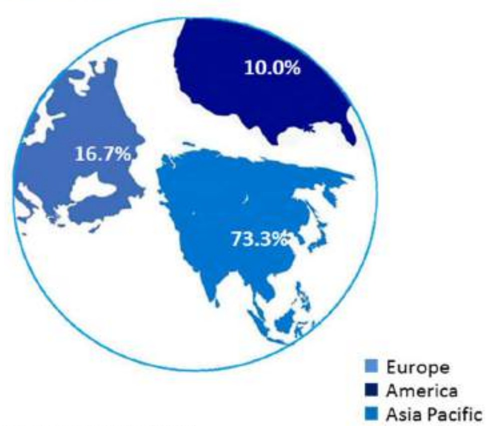
Table 2
Foreign Bank Branches and Subsidiaries
Authorized Foreign Banks Under R.A. No. 10641
As of End-December 2019

Name of Bank	Country	Type of Bank	Mode of Entry	First Day of Operation
1. Sumitomo Mitsui Banking Corporation	Japan	KB	Branch	1-Sep-15
2. Cathay United Bank	Taiwan	KB	Branch	2-Oct-15
3. Shinhan Bank	South Korea	KB	Branch	19-Oct-15
4. Industrial Bank of Korea	South Korea	KB	Branch	6-Nov-15
5. United Overseas Bank	Singapore	KB	Branch	4-Jan-16
6. Yuanta Commercial Bank Co. Ltd.	Taiwan	TB	Acquisition of a TB	(existing)
7. Woori Bank	South Korea	TB	Acquisition of a TB	(existing)
8. First Commercial Bank	Taiwan	KB	Branch	16-Dec-16
9. Hua Nan Commercial Bank	Taiwan	KB	Branch	4-Aug-17
10. Chang Hwa Commercial Bank	Taiwan	KB	Branch	9-Jul-18
11. CIMB Bank Philippines, Inc.	Malaysia	KB	Branch	3-Dec-18
12. Industrial and Commercial Bank of China (ICBC)	China	KB	Branch	14-Feb-19

Source: Department of Supervisory Analytics

Most of the FBBs and subsidiaries originated from the Asia-Pacific region, which comprised 73.3 percent of the total number of foreign banks in the country (Figure 1). Most of them are from Taiwan and South Korea. This phenomenon is attributed the country's sound macroeconomic fundamentals, stable growth prospects, the ongoing ASEAN Banking Integration Framework (ABIF) and the re-emergence of the Philippine brand in international trade and commerce. This is projected to further expand as more foreign banks have signified interest to establish presence in the Philippines.

Figure 1
Foreign Banks Branches and Subsidiaries
By Origin
As of End-December 2019

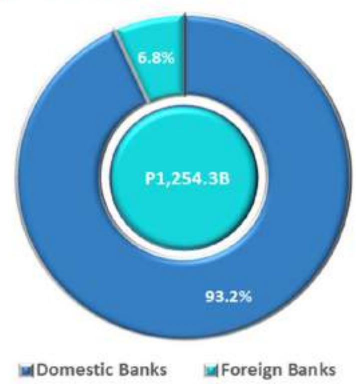


Source: Department of Supervisory Analytics

Assets expansion buoyed by liquid assets

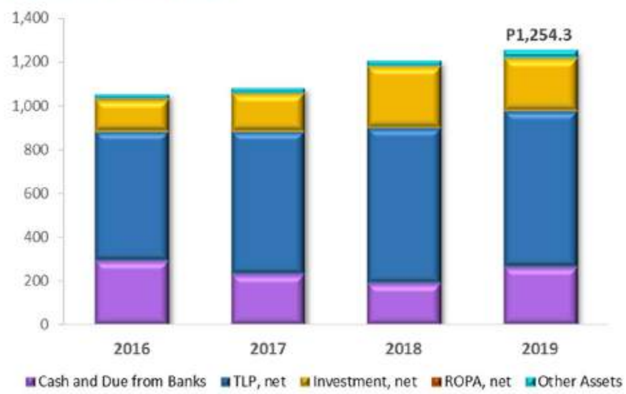
Total resources of the FBBs and subsidiaries, which held 6.8 percent of the banking system's assets, expanded by 4.1 percent to P1,254.3 billion as of end-December 2019 (Figure 2). The growth was mainly driven by capital infusions and deposit generation. The additional funds led to a hefty increase of 39.9 percent YoY in the cash and due from banks which accounted for 21.0 percent of the industry's assets. Loans, which represented 57.0 percent of assets inched up by 0.8 percent. However, total investments which held a significant share of 18.9 percent slid by 15.4 percent. Nonetheless, the foreign bank industry remained stable and continued to expand supportive of the economy's financing needs. (Figure 3)

Figure 2
Foreign Bank Branches and Subsidiaries
Share in the Total Assets of PBS
As of End-December 2019



Source: Department of Supervisory Analytics

Figure 3
Foreign Bank Branches and Subsidiaries
Composition of Assets
As of End Period Indicated, In Billion

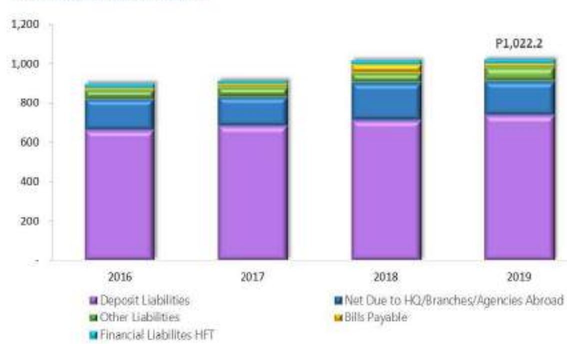


Source: Department of Supervisory Analytics

Funding principally came from deposits

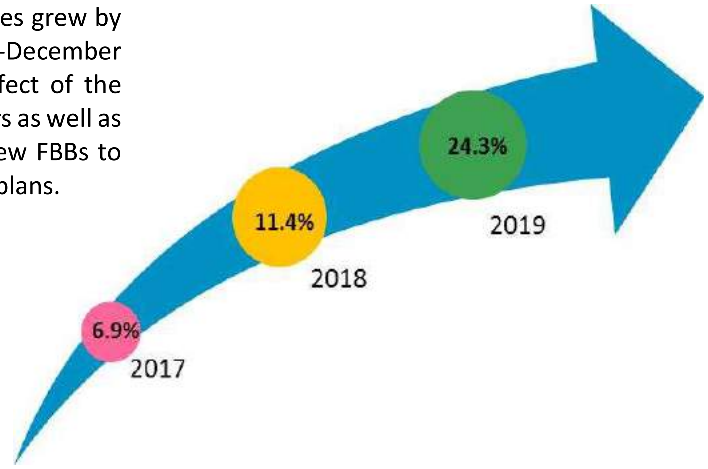
Total liabilities of the FBBs and subsidiaries reached P1,022.2 billion, an increase of 0.4 percent from the same period last year. Deposit liabilities remained the principal source of funding by foreign banks. This accounted for 59.0 percent of total resources as of end-December 2019. Outstanding deposits rose by 3.9 percent to P738.1 billion as of end-December 2019. This can be attributed to the 13.6 percent growth in demand and NOW accounts which held 36.6 percent of the industry's total deposit liabilities. (Figure 4)

Figure 4
Foreign Bank Branches and Foreign Bank Subsidiaries
Major Sources of Funding
As of End-Periods Indicated, In Billion Pesos



Foreign banks showed adequate capitalization

The capital level of FBBs and subsidiaries grew by 24.3 percent to P232.1 billion as of end-December 2019 mainly due to the combined effect of the earnings accumulated through the years as well as capital infused by both existing and new FBBs to support their operations and business plans.

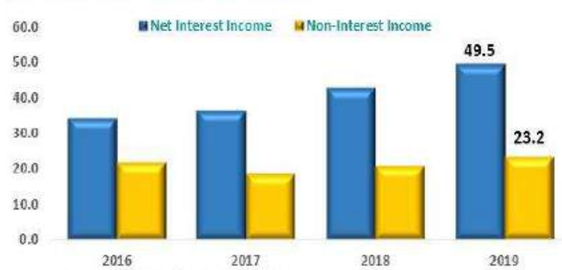


Foreign banks operated profitably while contributing to the Philippine economy

The net income of the industry significantly grew by 50.9 percent to P18.6 billion in 2019. This may be attributed to the strong increases in net interest income (NII) and non-interest income which outweighed the rise in operating expenses. This also resulted in the industry's lower cost-to-income (CTI) ratio.

Foreign banks generated total operating income of P72.7 billion on account of the NII from loans receivables of P49.5 billion as well as non-interest income from fees and commission and other income. This includes fees earned from financial advisory and underwriting activities. (Figure 5)

Figure 5
Foreign Bank Branches and Foreign Bank Subsidiaries
Major Sources of Funding
As of End-Period Indicated, In Billion Pesos



Source: Department of Supervisory Analytics

The CTI ratio of the foreign banks improved to 60.0 percent from 64.0 percent in 2018. The FBBs and subsidiaries performed better during the period under review as displayed by better return on assets (ROA) and return on equity (ROE) ratios of 1.5 percent and 8.9 percent, respectively.

Meanwhile, based on the results of the 2019 Survey on the Effects of Foreign Bank Entry into the Philippine Banking System, FBBs and subsidiaries remained beneficial to the Philippine economy by, among others, facilitating the entry of foreign investments into the Philippines in 2019. Moreover, foreign banks continued to provide employment opportunities in the country while offering professional development among personnel in banking and finance (Annex 2).

Financial Soundness of the Philippine Banking System

Overview

The Financial Soundness Indicators (FSIs) are a set of indicators used to determine the current financial health and soundness of financial institutions in a country including their corporate and household counterparts. These indicators are representative of the markets in which the financial institutions operate. The FSIs are calculated and disseminated for the purpose of supporting prudential analysis and action. This section discusses the relative strength and sources of vulnerabilities of the Philippine banking system (PBS), with the objective of enhancing banking stability.

The BSP Financial Soundness Indicators

Based on the methodology introduced by the International Monetary Fund (IMF), a core set of FSIs covering the BSP-supervised financial institutions (BSFIs) were identified under the headings of capital adequacy, asset quality, earnings and profitability, liquidity, and sensitivity to market risk. This is commonly known as the CAELS[1] framework used by banking supervisors to assess the soundness of individual institutions.

Selected Financial Soundness Indicators

Capital Adequacy

CAR: 16.0%; Tier 1: 14.8%

Asset Quality

NPL ratio: 2.1%

Earnings

ROE: 10.5%; ROA: 1.3%

Liquidity

NSFR: 130.0%

[1] This is also known as the CAMELS framework, minus—for FSI purposes—the "M", which represents the quality of

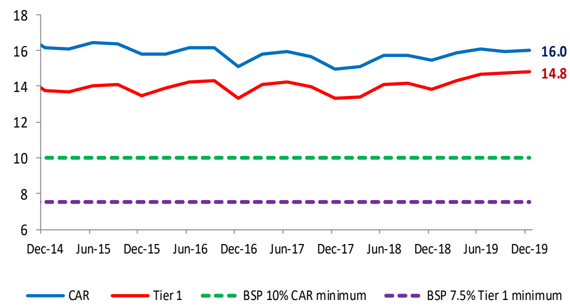
Capital Adequacy

Capital adequacy ultimately determines the robustness of financial institutions to withstand shocks to their balance sheets.

Figure 1 shows both the CAR[2] and Tier 1[3] ratios of Philippine Universal and Commercial Banks (U/KBs), on a consolidated basis, were well above the BSP minimum requirements, indicating that U/KBs were well prepared to withstand shocks to their balance sheets.

An important indicator on the capacity of capital to withstand losses from non-performing loans (NPLs) is the ratio of NPLs, net of provisions, to average capital. This ratio can help detect situations where banks may have issues in addressing asset quality concerns, which can become serious over time.

Figure 1
Comparative Capital Adequacy Ratio (CAR) and Tier 1 of Universal and Commercial Banks (Consolidated)
As of End-Periods Indicated, In Percent (%)

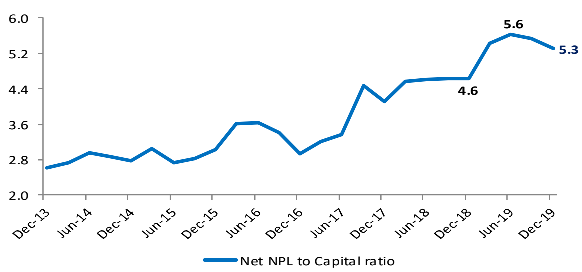


Source: Department of Supervisory Analytics

Year-on-year, the slump in the Manufacturing, Wholesale and Retail Trade, Real Estate Activities, and, Transportation and Storage sectors contributed significantly to the growth of the banking system's NPL in 2019. By counterparty, the consumer loans or loans to individuals for consumption purposes segment likewise reported significant increase in the NPL levels by 12.6 percent from end-December 2018.

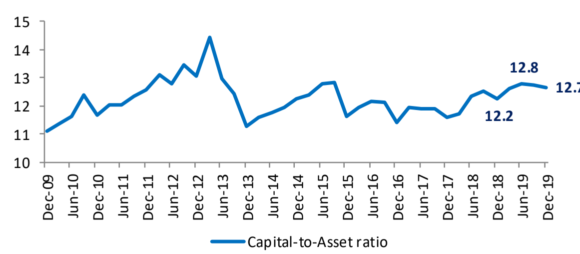
Nevertheless, banks do not consider the uptrend in the net NPL to capital ratio to be a cause for immediate concern (Figure 2). In particular, banks recorded an NPL coverage ratio of 92.3 percent, with domestic private UBs and foreign banks posting well-above the 100 percent threshold at 111.7 percent and 157.7 percent, respectively, as of end-December 2019.

Figure 2
Net NPL to Capital Ratio of the PBS
As of End-Periods Indicated, In Percent (%)



Source: Department of Supervisory Analytics

Figure 3
Capital-to-Asset Ratio of the Philippine Banking System
As of End-Periods Indicated, In Percent (%)



Source: Department of Supervisory Analytics

The capital-to-asset ratio is used to measure the extent to which assets are funded by the banks' own funds (leverage). Figure 3 signifies that a reasonable level of bank assets is backed up by the banks' own funds.

[2] Regulatory Capital to Risk-Weighted Assets (RWA).
[3] Regulatory Tier 1 Capital to RWA. The CAR and Tier 1 ratios are the most common measures of capital adequacy under the Basel Committee on Banking Supervision (BCBS) standards.

Parallel to this, the BSP adopted the Basel III Leverage Ratio (BLR)[4] as a supplementary measure to the risk-based capital requirements. The BLR is a simple, transparent, and non-risk based "backstop" measure, which aims to "restrict the build-up of excessive leverage in the banking sector to avoid destabilizing deleveraging processes that can damage the broader financial system and the economy."[5]

The uptrend of BLR is on account of a faster increase in the capital measure components than in the total on- and off-book exposures of the bank. The U/KBs' consolidated BLR as of end-December 2019 of 9.8 percent was well-above the BSP and international thresholds of 5.0 percent and 3.0 percent, respectively.

Asset Quality

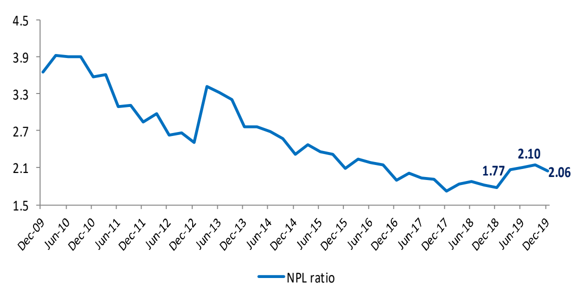
Philippine banks are by and large traditional, i.e., basic business model of deposit-taking and lending, with the total loan portfolio (TLP) representing 59.8 percent of total assets of the banking system as of end-December 2019. Hence, the most important indicator to measure asset quality is the ratio of NPLs to total gross loans.

Philippine banks' NPL ratio improved to 2.06 percent as of end-December 2019 coming from 2.10 percent in the previous semester but weakened from 1.77 percent in the comparative period last year. Borrowers from economic sectors such as manufacturing, wholesale and retail trade, real estate activities, transportation and storage, as well as consumer loans mainly contributed to the uptick of the banking system's NPL during 2019. The sluggish global growth, coupled with trade tensions among the world's biggest economies, may have affected the domestic manufacturing industry and spilled over to the other cited sectors.

On the whole, Philippine banks have continued to rein in the NPL ratio under 4.0 percent for the last ten years, reflecting gains from prudent reforms and improvements in banks' credit risk management systems (Figure 4). It is also interesting to note that the NPL ratio kept its downward trajectory despite amendments to the regulatory definition of NPLs in January 2017.[6]

Meanwhile, the issuance of guidelines on Risk Management System[7] fundamentally strengthened the credit risk management of the BSFIs. This resulted in a steady improvement in the quality of banks' loans.

Figure 4
NPL Ratio of the Philippine Banking System
As of End-Periods Indicated, In Percent (%)



Source: Department of Supervisory Analytics

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4 The ratio is expressed as percentage of: Basel III Leverage Ratio (%) = Capital Measure (Tier 1 Capital) / Exposure Measure.

5 BCBS press release of 12 January 2014 on Basel III Leverage Ratio Framework and Disclosure Requirements.

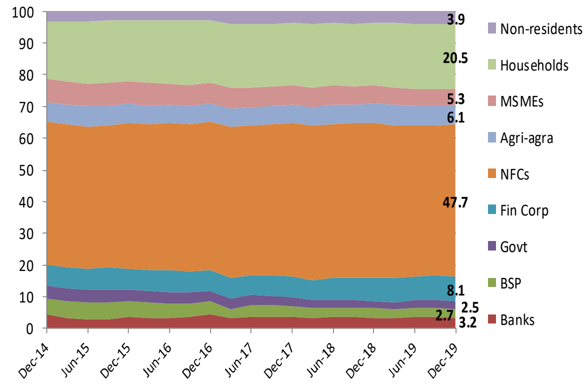
6 Under Circular No. 941 dated 20 January 2017, loans shall be considered non-performing, even without any missed contractual payments, when it is considered impaired, meaning there is objective evidence that its recoverable value is less than its carrying amount due to one or more loss events that adversely affects the estimated future cash flows of the said loan. All other loans, even if not considered impaired, shall be considered non-performing based on traditional regulatory definition, i.e. past due for more than 90 days (principal or/and interest), classified as doubtful or loss, or under litigation.

7 Under Circular No. 510 dated 3 February 2006 and Circular No. 855 dated 29 October 2014.

In Figure 5, the sectoral distribution of loans in the Philippine economy was diversified (attuned to the needs of the growing economy) and largely stable as there are no significant changes during the period (Q4 2014 to Q4 2019).

Non-financial corporations (NFCs) captured the biggest share at around 47.7 percent, followed by households at around 20.5 percent. Loans to banks, other financial corporations, and NFCs are aggregated under private corporations and together with the household sector, these types of credit are closely monitored for any signs of poor performance overheating leading to loan quality deterioration.

Figure 5
Loans by Economic Sectors of the Philippine Banking System
As of End-Periods Indicated, In Percent (%)

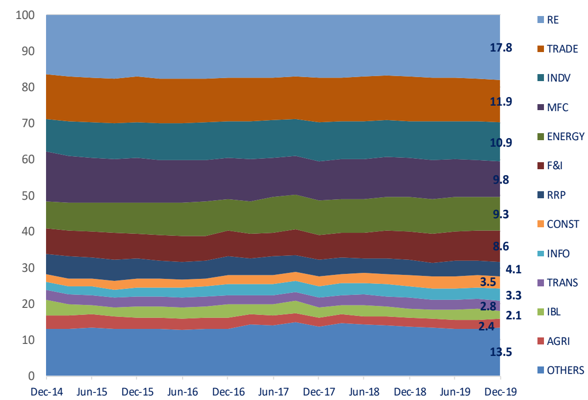


Source: Department of Supervisory Analytics

Further, the 47.7 percent share of the NFCs is considered diversified based on loans decomposition as to economic activity. Figure 6 shows that credit granted to real estate activities (RE) at 17.8 percent is favorably below the regulatory cap of 20 percent.

Other activities that figured prominently include wholesale and retail trade [TRADE] (11.9 percent), loans to individuals for consumption purposes [INDV] (10.9 percent), manufacturing [MFC] (9.8 percent), electricity, gas, steam and aircon supply [ENERGY] (9.3 percent), and, financial and insurance activities [F&I] (8.6 percent).

Figure 6
Loans by Economic Activity of the Philippine Banking System
As of End-Periods Indicated, In Percent (%)

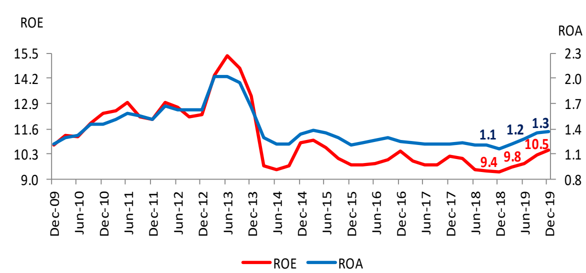


Source: Department of Supervisory Analytics

Earnings and Profitability

Common operating ratios used to assess bank profitability are annualized return on assets (ROA), and annualized return on equity (ROE). Figure 7 shows that the ROE of the PBS remained robust as of end-December 2019, mainly due to the higher net income. Likewise, the ROA of Philippine banks showed improvement during the year. Moving forward, the Basel III Leverage Ratio indicates ample room for banks to increase risk exposures and improve profitability.

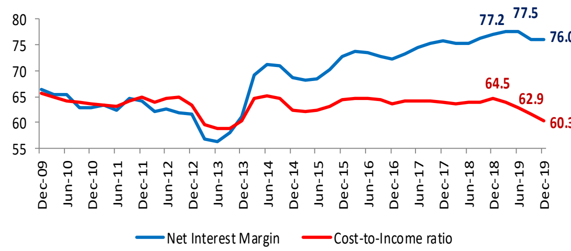
Figure 7
Annualized ROA and ROE of the Philippine Banking System
As of End-Period Indicated, In Percent (%)



Source: Department of Supervisory Analytics

The general upward trend in net interest margin sustains profitability as majority of bank income come from lending activities (core business) (Figure 8). Although banks' revenues are mainly derived from net interest income, income from financial markets activities such as trading, dealing, brokering, sales of financial assets and asset management exhibited a material source of income in 2019 for banks that have ready and active market access.

Figure 8
Annualized Net Interest Margin and Cost-to-Income Ratio of the Philippine Banking System
As of End-Periods Indicated, In Percent (%)



Source: Department of Supervisory Analytics

Meanwhile, the annualized cost-to-income (CTI) ratio, an indicator of operational efficiency, has stabilized from a record high of 74.0 percent in the fourth quarter of 2008 to 60.3 percent in the fourth quarter of 2019 due to cost rationalization thru digital banking.

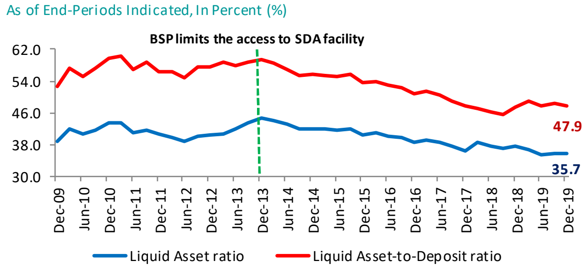
The improvement in CTI despite the comprehensive enhancement of the BSP supervisory framework is consistent with the accompanying box article in this publication highlighting that the cost of compliance with regulations is only marginal.

Liquidity

A common measure of liquidity is the proportion of liquid assets to total assets (liquid asset ratio), which indicates the extent of the banks' liquidity buffer. Liquidity, for instance, serves as a cushion for potential increase in credit risk which may arise from expansion of banks' loan portfolio to serve the financing requirement of the growing economy.

The liquid asset ratio of the Philippine Banking System was quite high at above 35.0 percent average for the period fourth quarter 2009 to fourth quarter 2019[8] (Figure 9). This suggests the presence of ample liquidity in the system. However, the ratio has declined from 44.5 percent as of end-December 2013 to the current level indicating deployment of funds to production loans.

Figure 9
Liquid Asset Ratio and Liquid Asset-to-Deposit Ratio of the Philippine Banking System
As of End-Periods Indicated, In Percent (%)



Source: Department of Supervisory Analytics

Another measure of liquidity is the ratio of liquid assets to deposits (a proxy for short-term liabilities), which indicates the amount of deposits that would have to be covered by asset sales if access to funding was lost. The liquid asset-to-deposit ratio was also quite high at 47.9 percent during the period as banks continue to hold liquidity buffer to serve client demand even in times of financial shocks.

The BSP adopted the enhanced liquidity risk management framework which includes the amended Basel III Liquidity Coverage Ratio (LCR), Minimum Liquidity Ratio (MLR), and Net Stable Funding Ratio (NSFR) standards.[9]

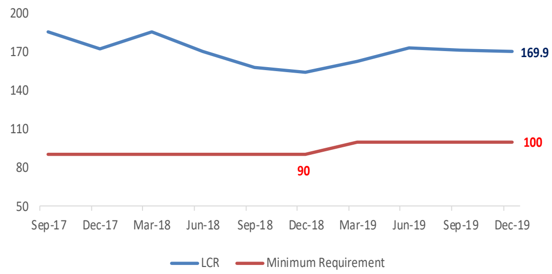
[8] Compared with ASEAN counterparts: Indonesia (20.9 percent), Malaysia (23.7 percent), Thailand (18.8 percent), and Vietnam (10.6 percent) (Source: IMF Data – FSIs).

[9] Under Circular No. 996 dated 8 February 2018; Circular No. 1007 dated 6 June 2018; Circular No. 1034 dated 15 March 2019; and Circular No. 1035 dated 15 March 2019.

Further, the BSP rolled out the Report on Intraday Liquidity for U/KBs and their subsidiary thrift banks/quasi-banks (TBs/QBs). The Report aims to appropriately monitor the intraday liquidity position of BSFIs, their sources of intraday liquidity, and their ability to meet payment and settlement obligations on a timely basis under both normal and stressed conditions.[10]

As of end-December 2019, the LCR of the U/KBs was at 169.9 percent on a solo basis. This was well-above the BSP's regulatory threshold of 100 percent[11] (Figure 10). Since the implementation of the LCR, banks were consistently above the regulatory minimum, highlighted by the prevalence of risk-free BSP reserves and government securities among the banks' high-quality liquid assets (HQLA). This indicates resilience of the banking system to potential short-term liquidity disruptions.

Figure 10
Liquidity Coverage Ratio (LCR) Compliance of Universal and Commercial Banks
As of End-Periods Indicated, In Percent (%)



Source: Department of Supervisory Analytics

Meanwhile, the NFSR of the U/KBs registered at 130.0 percent both on solo and consolidated bases, as of end-December 2019. The ratio is higher than the NFSR reported as of end-June 2019 at 129.5 percent, both on a solo and consolidated bases.

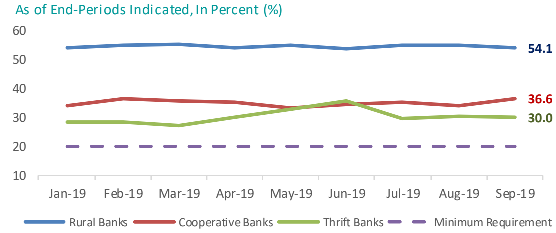
Importantly, the NSFRs of U/KBs and subsidiary TBs/QBs are well-above the minimum regulatory requirement of 100 percent, indicating more than sufficient capability to fund requirement for the medium term.

On one hand, the banks' NSFR profile shows that 79.7 percent of assets requiring stable funding are performing loans and non-HQLA securities. On the other hand, 74.6 percent of the banks' available stable funding (ASF) is from retail and wholesale deposits. This further validates the traditional deposit-taking and lending model of the PBS.

For stand-alone TBs, and rural and cooperative banks (R/CBs), the liquidity measure is called the minimum liquidity ratio (MLR). Guided by the principle of proportionality[12], the objective of the MLR is for covered banks/QBs to set aside a liquidity buffer made up of eligible liquid assets that will enable them to withstand liquidity stress events. Covered banks/QBs are required to maintain an MLR of 20 percent on a going concern basis.

As of end-September 2019, the MLR of stand-alone TBs and RCBs surpassed the 20 percent minimum requirement. Notably, the MLR of R/CBs show levelling behavior starting end-January 2019 when MLR exceeded 50 percent. Banks may have started to cut-back in accumulating liquid assets given the already highly liquid condition of the industry (Figure 11).

Figure 11
Minimum Liquidity Ratio (MLR) of Stand-Alone Thrift, Rural, and Coooperative Banks
As of End-Periods Indicated, In Percent (%)



Source: Department of Supervisory Analytics

[10] Under Circular No. 1064 dated 3 December 2019.

[11] Under existing BSP rules and regulations, the minimum LCR requirement for U/KBs is 90 percent beginning 1 January 2018 and 100 percent from 1 January 2019 onwards.

[12] In current practice, the BSP calibrates its banking regulations in such a way that these remain sensitive to the peculiarities and conditions of different types of financial institutions operating in the country without compromising regulatory objectives.

Banks' higher compliance with the liquidity requirements may likewise have been influenced by the BSP's monetary policy actions such as the series of policy rate cuts and the reduction in banks' reserve requirements, aimed at increasing domestic liquidity in support of credit activity while promoting a more efficient financial system by lowering financial intermediation costs.

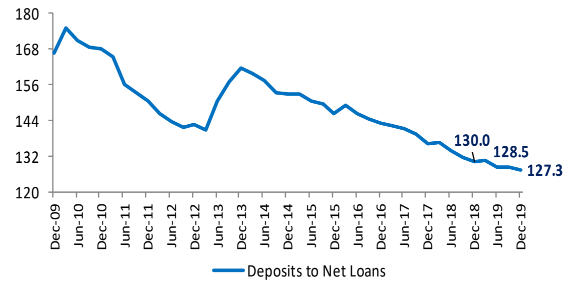
Meanwhile, the ratio of *deposits to net loans*[13] is also used to detect liquidity problems. A low ratio may indicate potential liquidity stress in the banking system and perhaps doubts from depositors and investors on the long-term viability of the sector.

Although the trend is going down as presented in Figure 12, the ratio remains well-above the 100 percent mark during the period indicated, which shows a one-to-one correspondence between stable source of funds (deposits) to illiquid use of funds (non-interbank loans).

Figure 12

Deposits to Net Loans of the Philippine Banking System

As of End-Periods Indicated, In Percent (%)



Source: Department of Supervisory Analytics

The *funding cost*[14] of Philippine banks stood at 1.9 percent as of end-December 2019, barely moving from last semester but higher than the 1.4 percent recorded in end-2018. The relatively low funding cost confirms that low cost deposits remained a stable and the biggest source of funds for banks' operations.

Meanwhile, the increase of funding cost from last year was attributed to the strategy of banks to issue bonds as an alternative funding source, which, in turn, supports the local bond market development.

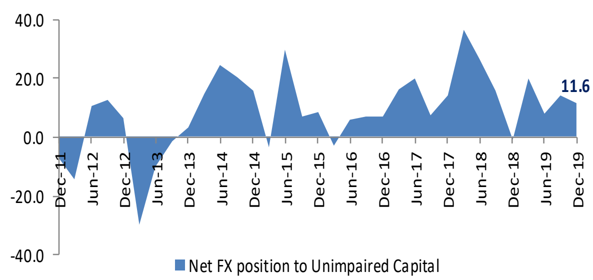
Sensitivity to Market Risk

The most common measure of foreign exchange (FX) exposure is the ratio of net FX position to unimpaired capital as shown in Figure 13. The ratio indicates the capacity of banks' capital to withstand FX losses.

Figure 13

Net Foreign Exchange (FX) Position to Unimpared Capital of Universal and Commercial Banks

As of End-Periods Indicated, In Percent (%)



Source: Department of Supervisory Analytics

From the fourth quarter of 2011 to the fourth quarter of 2019, the net FX position to unimpaired capital of U/KBs averaged around 8.9 percent (overbought), indicating that the industry has minimal net open FX exposures relative to unimpaired capital that may be subject to volatilities in the FX market. Moreover, BSP supervision notes that banks' FX position are generally used to serve clients' FX requirements.

However, as banks augmented net interest income with trading profit, market risk from interest rate fluctuations may rise.

Implications on Microprudential Policy

The financial soundness indicators suggest that the Philippine banking system is stable and resilient despite global uncertainties. Meanwhile, the analysis in this section implies that consequent risks from lending be monitored especially in the event of excessive uncertainties that could place additional pressures on the banking system in the short and medium run.

On the whole, intense supervisory engagement with banks should continue to supplement the close monitoring and surveillance activities currently being employed for these types of credit exposure. In line with this, the BSP recently adopted the Supervisory Assessment Framework (SAFr) as its official risk-based supervisory framework.[15] The SAFr aims to further strengthen the assessment of BSFIs. It explicitly links the systemic importance and risk profile of a BSFI to the crafting of supervisory plans for each supervised institution such that: (i) supervisory attention continues to be proportionately focused on BSFIs with significant risk exposures and those that pose significant risks to the financial system; and (ii) prompt and calibrated enforcement actions are deployed to reinforce prudent risk-taking behavior.

Finally, the coronavirus disease (COVID-19) outbreak is causing widespread concern and economic hardship for consumers, businesses and communities across the globe. As of this Report, the situation is changing quickly with widespread impacts, e.g., potential global recession, decrease in consumer confidence, financial rout, reduction in workforce productivity, and supply chain issues, among others. Most companies (including banks) already have business continuity plans, but they may not fully address the fast-moving and unknown variables of an outbreak like COVID-19. Typical contingency plans do not generally take into account the widespread quarantines, proposed school closures, and added travel restrictions that may occur in the case of a health emergency that could last for an extended period of time. Thus, the next issue of this Report will present the impact of these recent developments on the Philippine banking system.

[15] Under Memorandum No. M-2020-005 dated 5 March 2020. The SAFr will replace the various rating systems currently employed by the BSP, including the CAMELS and ROCA (Risk Management, Operational Controls, Compliance, and Asset Quality) rating systems, effective 1 July 2020.

Foreign Currency Deposit Unit System

Overview

The FCDU system sustained its growth momentum in 2019. The FCDUs' asset expansion was fueled by robust deposit generation, active bond issuance and retained income. These were deployed towards upbeat lending activities and significant investments in financial assets. The liquidity position was robust with stable funding mainly from deposits and bond issuances available to service the payment and settlement requirements of the country both at the local and international fronts. Meanwhile, the FCDUs' core earnings for the year was higher mainly due to net interest income and gains from financial assets.

FCDU AT A GLANCE

Note: Based on closing rate of P50.744/USD as of 27 December 2019.

FCDU network remained intact

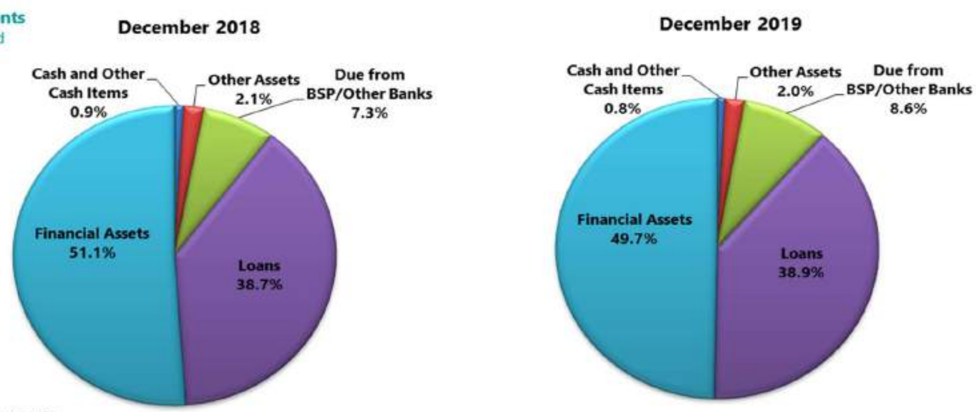
The network of 77 FCDUs remained intact as of end-December 2019 from the total units operating in the first half of 2019 but was a unit short of the 78 FCDUs recorded at end-December 2018. Out of the total network, 43 universal and commercial banks (U/KBs) and two thrift banks (TBs) have expanded FCDU (EFCDU) authorities, while three U/KBs, 20 TBs and nine rural and cooperative banks (R/CBs) maintained basic FCDU licenses.

Liquid assets continued to fuel growth in FCDU assets

Total resources of the FCDU system further increased to USD 56.9 billion (P 2.9 trillion[1]), 7.4 percent higher than the previous year's level. The FCDU assets represented 15.7 percent of the total resources of the banking system as of end-December 2019.

By composition, about 90 percent of the FCDU assets were mainly comprised of financial assets and loans. As of end-December 2019, the FCDUs' financial assets rose by P28.3 billion (4.6 percent), to garner 49.7 percent of the industry's total resources, albeit slightly lower from its year ago share of 51.1 percent. Loans also went up by P22.1 billion (8.0 percent), comprising 38.9 percent of FCDU assets from last year's 38.7 percent. (Figure 2)

Figure 2
FCDU Assets Components
As of End-Periods Indicated



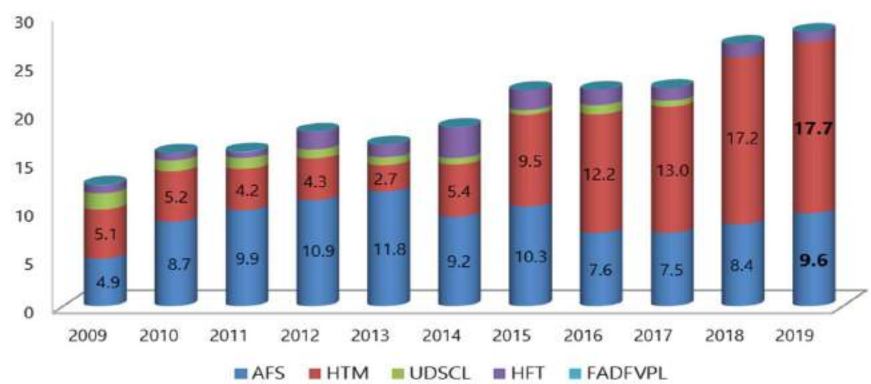
Source: Department of Supervisory Analytics

1 Closing rate of P50.744/USD as of 27 December 2019.

Volatile interest rates caused rebalancing of investment portfolio

The total financial assets of the FCDU system, heavily USD denominated, was mainly composed of Available for Sale (AFS) securities and Held-to-Maturity (HTM) accounts.[2] Notably, banks began to shift their holdings into HTM, which have been on an uptrend since 2014, than AFS due to the rising interest rates in the United States. The rebalancing of the investment portfolio mitigated the impact of mark-to-market (MTM) losses resulting from volatility in global interest rates. As of end-December 2019, the FCDU holdings of HTM securities made up 62.4 percent of FCDUs' financial assets while AFS held 33.8 percent.

Figure 3
Composition of Financial Assets
As of End-Periods Indicated, In Billion USD



Source: Department of Supervisory Analytics

Meanwhile, investments in securities issued by non-residents continued on an uptrend and dominated the total FCDU investment portfolio starting 2018. Non-residents' share registered at 53.1 percent while the National Government (NG) held 41.0 percent as of end-December 2019. Prior to 2018, the NG used to be the main issuer of FCDU investments in the country. The shift effectively diversified the FCDU investment portfolio.

Figure 4
Issuers of FCDU Investments
As of End-Periods Indicated, In Billion USD

Source: Department of Supervisory Analytics

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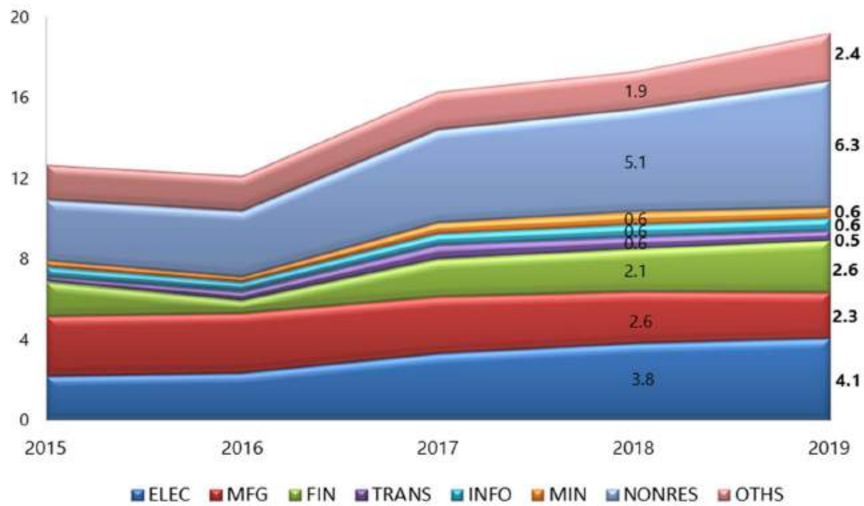
2 Financial Assets Measured at Fair Value Through Other Comprehensive Income and Debt Securities Measured at Amortized Cost, respectively, under the Philippine Financial Reporting Standards 9 (PFRS 9).

Electricity, financial/insurance and manufacturing sectors were main loan users

By economic activity, FCDU loans were mainly channelled to the Electricity, Gas, Steam and Air-Conditioning Supply (ELEC), the Financial and Insurance Activities (FIN) and the Manufacturing (MFG) sectors from 2015 to 2019.[3] They held an aggregate share of 46.5 percent of the industry loans. Other top recipients of FCDU loans include the Information and Communication (INFO), the Mining and Quarrying (MIN) and the Transport and Storage (TRANS) sectors. Meanwhile, loans to non-residents[4] (NONRES) with an average share of 28.1 percent continued to hold a significant portion of the FCDU system's total loan portfolio. The BSP's thrust to further liberalize the foreign exchange rules may have contributed to the rise in FCDU loans to non-residents.

Figure 5
Industry Recipients of FCDU Loans
As of End-Periods Indicated, In Billion USD



Source: Department of Supervisory Analytics

In terms of maturity profile, FCDU loans with long-term maturity continue to hold the bulk of the total at 50.1 percent. The remaining half was shared by medium-term and short-term maturities at 25.3 percent and 24.6 percent, respectively.

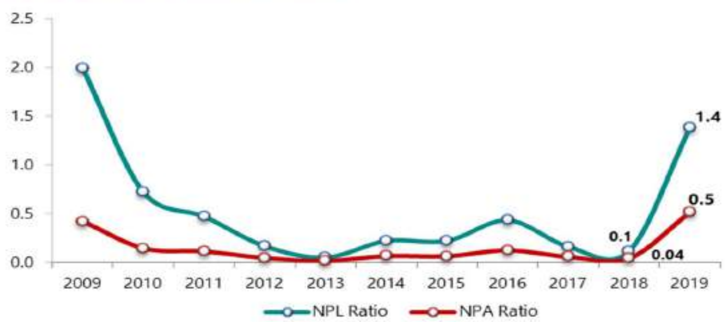
Meanwhile, net FCDU loans of USD 22.1 billion (P1,123.5 billion) represented 10.4 percent of the banking system's net loan portfolio of P10,756.9 billion as of end-December 2019.

3 Electricity, Gas, Steam and Air-Conditioning Supply at 21.1 percent; Financial and Insurance Activities at 13.6 percent; Manufacturing at 11.8 percent.

4 Loans to non-residents: a memorandum item lodged under "Others" in the financial reporting package (FRP).

Asset quality remained satisfactory amid credit expansion

Figure 6
FCDU Asset Quality Ratios
As of End-Periods Indicated, In Percent (%)



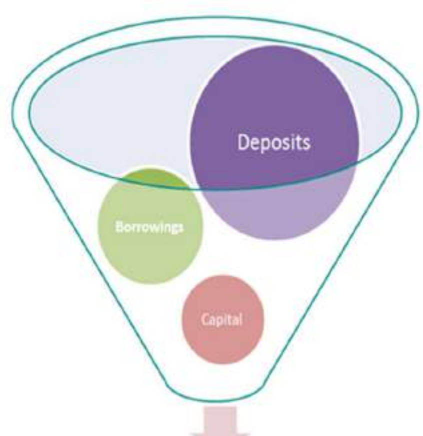
Source: Department of Supervisory Analytics

The loan portfolio of the FCDU system remained satisfactory amid loan growth. However, the sustained expansion of the FCDU loan portfolio entailed a slightly weakening of its quality as the non-performing loans (NPL) ratio went up to 1.4 percent from last year's 0.1 percent. This was mainly attributed to the reclassification of a distressed corporate borrower which also resulted in the rationalization in the NPL coverage ratio of 94.2 percent for the current period. Similarly, the ratio of FCDUs' non-performing assets (NPA) inched up to 0.5 percent at end-December 2019, while the coverage of provision for impaired assets at 82.0 percent mirrored the movement of the NPL coverage ratio. Nonetheless, these developments indicate that FCDUs remained stable and well-provisioned against unexpected loan losses.

Moreover, the BSP's enhanced credit underwriting standards particularly on credit provisioning process of the banking system including FCDUs was reinforced by the adoption of the Philippine Financial Reporting Standards 9. The new reporting framework provides guidelines on the shift in credit provisioning perspective from the Incurred Loss approach to the Expected Credit Loss approach which is effective in providing sufficient buffers even before the evidence of impairment manifests.

Deposits remained as main source of FCDU funds

Total deposits continued to be the main source of fund for the country's FCDU system. As of end-December 2019, deposits increased by 3.0 percent YoY capturing a hefty 72.2 percent of the total funding to the FCDU system. Steady inflows from exports and overseas Filipinos' remittances, as well as receipts from tourism and business process outsourcing industries supported the growth of FCDU deposits.

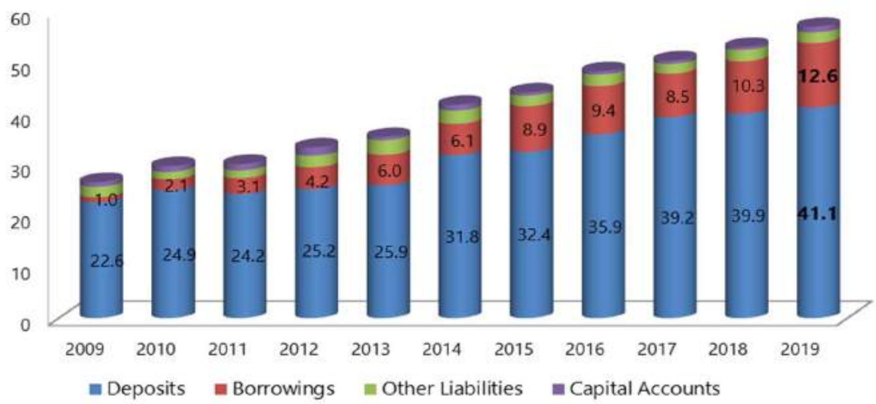


FCDU Funding Sources

Bank borrowings, holding 22.2 percent of the total FCDU system, also provided significant funding source for FCDUs. It posted an increase of 23.0 percent from its year ago level. Meanwhile, the capital accounts level almost doubled to P1.1 billion as of current period from last year's P0.6 billion. It represented 2.0 percent of the system's total funding source. (Figure 7)

The dominance of deposits from residents as the primary funding source of the FCDU system insulates it from a possible significant withdrawal of funding by common lenders in the global financial markets as discussed in Box Article 1.

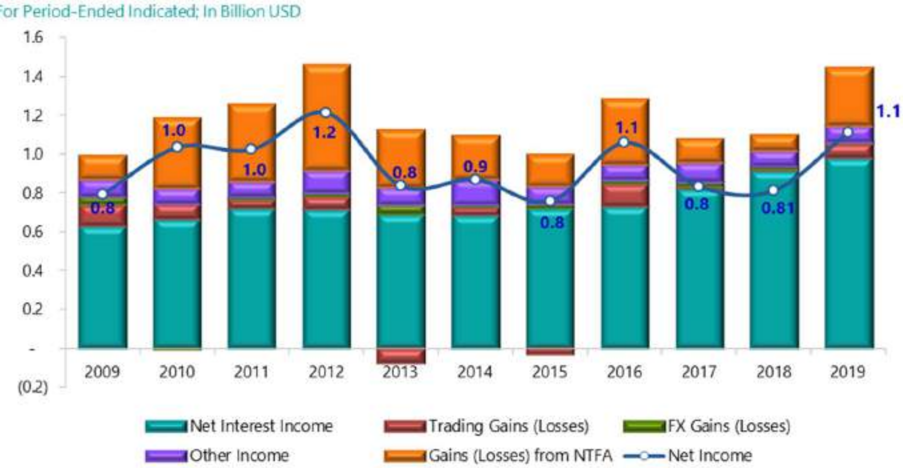
Figure 7
FCDU Funding Sources
As of End-Periods Indicated, In Billion USD



Source: Department of Supervisory Analytics

FCDUs sustained profitable operations amid market volatility

Figure 8
FCDU Income Accounts
For Period-Ended Indicated; In Billion USD

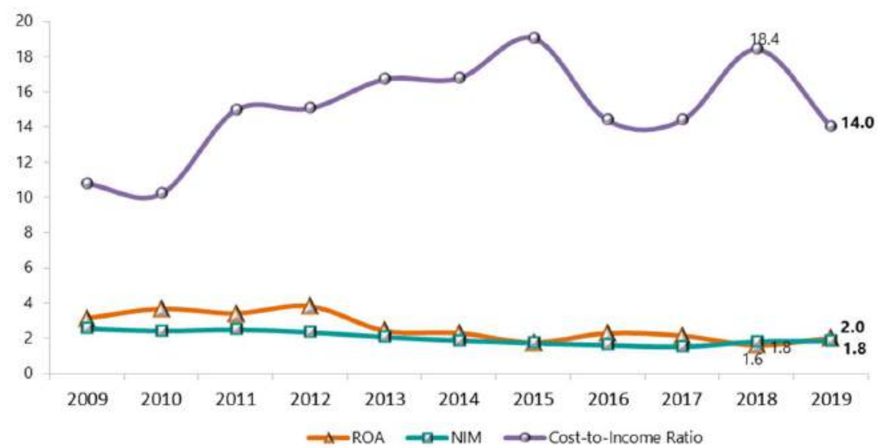


Source: Department of Supervisory Analytics

Amid market volatilities, the overall FCDU operations remained profitable as the system posted positive bottom-line of USD1.1 billion (P56.4 billion) for the year ended December 2019. This is a robust increase of 36.9 percent from the previous year's net profit of USD0.8 billion (P41.2 billion). The FCDU industry's profitability was mainly driven by the uptick in the major income components which are net interest income and gains from non-trading financial assets (NTFA). In addition, all other income sources registered higher gains except in foreign exchange transactions which slightly declined, albeit with positive contribution. (Figure 8)

The FCDUs' increased profitability, buoyed by strong core earnings, resulted in improved performance metrics for the period. In particular, the FCDUs' return on assets (ROA) was at 2.0 percent as of end-December 2019, which was higher than the 1.3 percent ROA of the banking system. The industry's net interest margin (NIM) for 2019 was also generally stable at 1.8 percent amid the relatively low global interest environment. (Figure 9)

Figure 9
FCDU Profitability Ratios
For Period-Ended Indicated; In Percent (%)



Source: Department of Supervisory Analytics

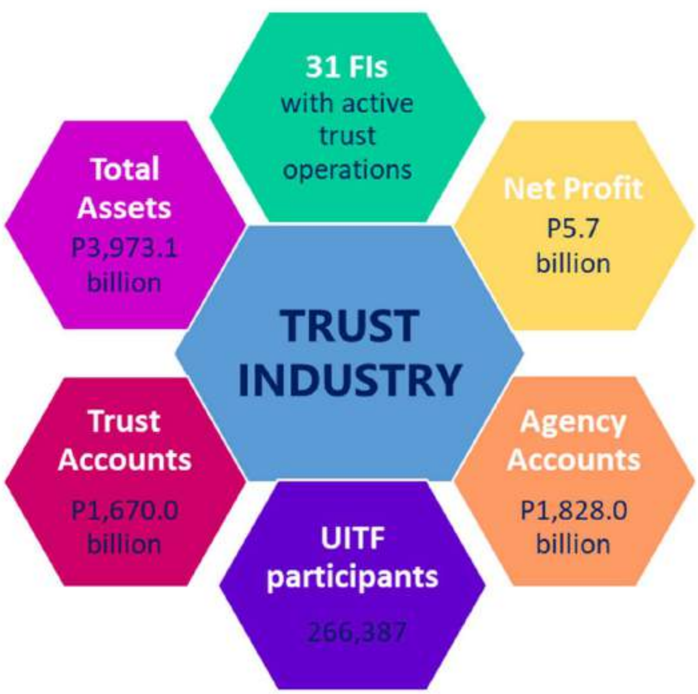
As a measure of operational efficiency, the FCDUs' cost-to-income (CTI) ratio for the period also improved to 14.0 percent from last year's ratio of 18.4 (Figure 9) following the faster increase in income which outpaced the growth of expenses. Specifically, the non-interest income rose by 151.8 percent, mostly from gains on financial assets; while the expense side inched up by 0.2 percent. Notably, the FCDUs outperformed the banking system's CTI ratio of 60.3 percent as of end-December 2019.

Trust Operations

Overview

Total assets of the trust industry expanded by 15.9 percent year-on-year (YoY). This was mainly funded by the growth in trust and agency accountabilities. Moreover, investment in equity securities remained high, indicating greater preference of trust entities for higher-yielding instruments. Meanwhile, the trust industry reported higher earnings due to the rise in fees and commissions of trust entities.

Trust Operations Performance at a Glance

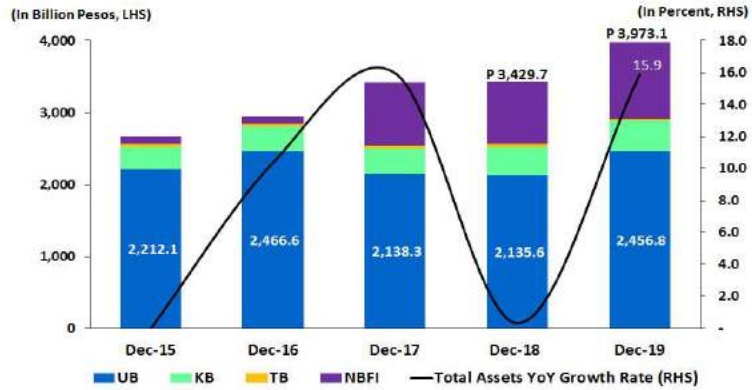


Trust assets grew following the increase in liquid financial assets

A total of 33 financial institutions (FIs) have trust licenses. However, two trust entities have inactive trust operations, while the 31 FIs with active trust operations consist of trust departments (TDs) of 21 universal and commercial banks (U/KBs) and 4 thrift banks (TBs), and 6 non-bank FIs (NBFIs).[1] The TDs of 14 universal banks (UBs) accounted for 61.8 percent of the total trust assets followed by NBFIs with 26.6 percent share.

Total assets of the trust industry rose by 15.9 percent to P3,973.1 billion (Figure 1). The rise in trust assets was mainly driven by the increase in the total trust assets of two UBs and one trust corporation by 15.0 percent and 23.6 percent, respectively. The industry's asset was equivalent to 23.5 percent of the Philippine banking system's total assets as of end-December 2019.

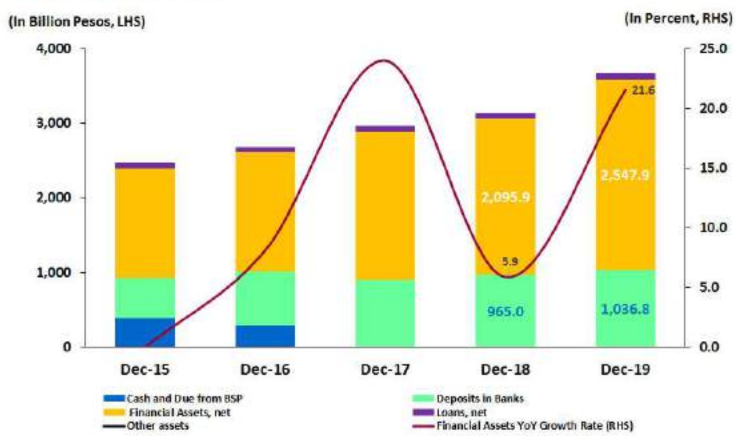
Figure 1
Trust Assest by Financial Institution
As of End-Period Indicated



Source of data: Department of Supervisory Analytics

The expansion in the industry's 2019 assets/accountabilities may have benefitted from the acceleration in domestic liquidity following the reduction in banks' reserve requirements, continuing credit expansion, accelerated public and private sector spending, and foreign exchange inflows from overseas Filipinos, business process outsourcing and tourists.

Figure 2
Trend of Trust Assets Composition
As of End-Period Indicated



Source of data: Department of Supervisory Analytics

Trust entities placed accumulated funds mostly into liquid instruments such as financial assets and bank deposits (Figure 2). The highly marketable financial assets and deposits in banks held 64.1 percent and 26.1 percent of the total assets of the industry, respectively, highlighting its liquidity position.

[1] NBFIs are composed of four trust corporations and two investment houses.

There was no significant change in the asset mix by type of financial institution. By portfolio distribution, the trust industry's asset mix of mainly financial assets and deposits in banks has been relatively consistent for the last five years. The 24.4 percent and 20.4 percent increase in the financial assets of U/KBs and the NBFIs, respectively, contributed to the 21.6 percent increase in financial assets of the industry. Similarly, deposits in banks by the trust entities increased by 7.4 percent, driven by the increase in deposits from trust units of U/KBs and NBFIs, which grew by P22.7 billion and P53.1 billion, respectively.

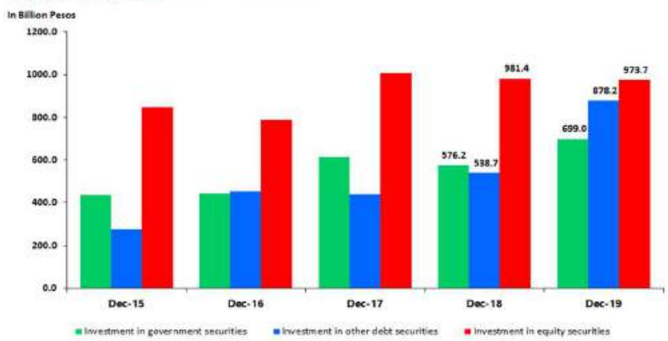
Financial assets underpin the industry's asset quality and liquidity

The quality of the trust industry assets remained satisfactory given that 90.2 percent of assets were in highly marketable securities and deposits in bank. Meanwhile, the trust industry remained liquid as the ratio of liquid assets-to-total accountabilities stood at 63.6 percent, indicating ability to service fund withdrawals. In particular, liquid assets of U/KBs and TCs increased by P299.1 billion (21.4 percent) and P112.3 billion (16.4 percent) year-on-year (YoY), respectively.

Higher investments in debt and equity securities continued

A large portion of trust assets were invested in debt and equity securities amounting to P2,551 billion. (Figure 3). Most of these investments were government securities and booked as financial assets held-for-trading (HFT) and available-for-Sale (AFS). In particular, the positive sentiments of the trust industry on the country's economic prospects may have contributed to the 21.3 percent increase in the investments in government securities. In the process, the industry is presenting itself to be a significant fund provider to the Government's infrastructure push.

Figure 3
Investments in Debt and Equity Securities
As of End-Periods Indicated



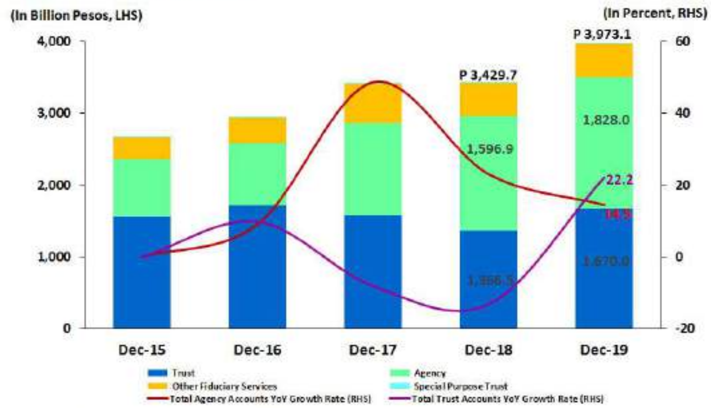
Source of data: Department of Supervisory Analytics

Investments in debt securities grew by 41.5 percent YoY while investments in equity securities slightly dipped by 0.8 percent. The industry's inclination to invest in liquid debt securities (61.8 percent of financial assets) and bank deposits, reflect an increasingly risk-averse profile of the players and majority of their investors amidst market volatility.

Trust and Agency accounts drive expansion in trust accountabilities

Trust and agency accounts,[2] which accounted for 88.0 percent of the total trust accountabilities, increased by 22.2 percent and 14.5 percent (Figure 4), respectively. This resulted to almost 16.0 percent expansion of trust accountabilities. In particular, the expansion in trust accounts was largely attributed to the increase in unit investment trust funds (UITFs) by 35.6 percent. Similarly, employee benefit and personal trust which comprised almost 40.0 percent of the total trust accountabilities also contributed to the growth in trust accountabilities.

Figure 4
Composition of Trust Accountabilities
As of End-Period Indicated



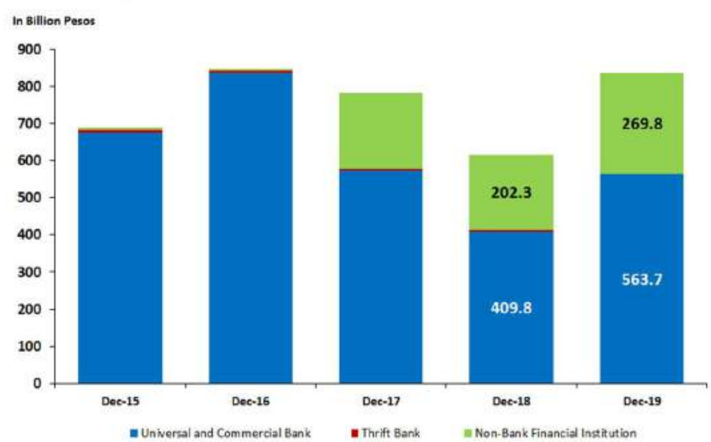
Source of data: Department of Supervisory Analytics

Meanwhile, the 14.5 percent increase in agency accounts was driven by the expansion in institutional agency accounts and individual agency accounts by 15.3 percent and 13.8 percent, respectively.

UITFs rose following growth in money market funds

Overall, UITFs rose by 35.6 percent mainly driven by the increase in U/KBs' UITFs by 37.6 percent or P153.9 billion (Figure 5). Likewise, UITF participants in the U/KBs grew to 266,387 from the previous year's participants of 254,188. The significant decline in UITFs in 2018 may have been driven by the re-balancing of clients' portfolios out of existing UITFs in favor of new deposits in banks which offered higher rates following the trend of interest rate increases in 2018.

Figure 5
Level of UITF, by Financial Institution
As of End-Periods Indicated

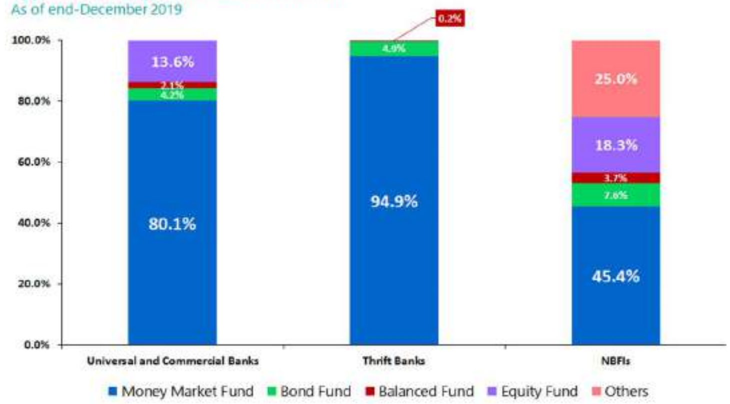


Source of data: Supervisory Data Analytics

[2] See glossary for definition of agency and trust accounts.

There are various types of UITFs[3] that are currently available including, among others, feeder funds, multi-class UITFs and UITFs with unit-playing feature which allows for a non-guaranteed stream of income to its participants. Among these, the Money Market Funds (MMFs) remained as investors' top choice indicating the investors' preference for holding short-term securities amid market volatilities (Figure 6). In particular, MMFs which dominate banks' UITFs, accounted for 68.9 percent or P575.0 billion of the total UITFs followed by Equity Funds with 15.1 percent share or P126.2 billion. Meanwhile, NBFIs' UITFs are more diversified and spread across MMFs, Equity Funds and Others.

Figure 6
Type of UITF, by Financial Institution
As of end-December 2019



Source of data: Department of Supervisory Analytics

Profit of trust institutions went up

The net income of trust institutions increased by 12.7 percent to P5.7 billion for the year ended December 2019 mainly due to the profitability of U/KBs' trust units. Specifically, fees and commissions of trust entities grew by 7.2 percent to P10.4 billion. Meanwhile, trust expenses slightly went up by 1.3 percent driven by the incremental P0.1 billion expenses on compensation/fringe benefits. The trust industry's net income was equivalent to 2.5 percent of the total net income of the Philippine banking system. Moreover, the return on trust assets stood at 0.2 percent.

Policy Directions in the Trust Industry

The BSP is formulating a Trust Business Model initiative that promotes an enabling regulatory environment in support of the growth of the trust and investment management industries while upholding effective governance, accountability, and integrity of the trust business. This entails the rationalization of existing regulations between trust and investment management relationships and discretionary and non-discretionary mandates.

Moreover, the BSP has been promoting the spin-off of trust departments of banks and quasi-banks (QBs) from their respective institutions to further strengthen the separation of the bank/QB operations from the trust operations and afford better protection to clients. Thus, the BSP expects more spin-offs of trust units within a bank/QB into Stand-alone trust corporations (SATCs).

The BSP is also reviewing existing regulations in order to make trust products and services more financially inclusive. Related to this effort, the BSP intends to enhance the sales and marketing guidelines for trust and asset management products.

[3] See glossary for definition of types of UITFs.

Non-Bank Financial Institutions with Quasi-Banking Functions

Overview

The non-bank financial institutions with quasi-banking functions (NBQBs) are financial institutions supervised and authorized by the BSP to facilitate bank-related financial services. Their primary function is to borrow funds from 20 or more lenders through issuances, endorsements or assignments with recourse or acceptance of deposit substitute, for the purpose of relending such funds. There were a total of 135 NBQBs with eight head offices and 127 branches/other offices in 2019.

For the semester under review, the NBQBs managed to grow their network despite asset rationalization, highlighting the sector's commitment to serve more of its clientele. Likewise, the industry also recorded improved core operating income which was chiefly driven by the increase in the earned interest income.

NBQBs Performance at a Glance

Total Assets
P279.4 billion

Total Loan Portfolio
P214.1 billion

Total Operating Income
P27.2 billion

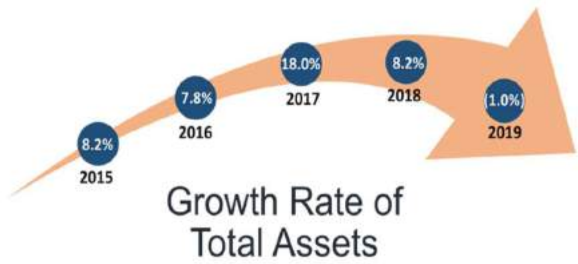
Operating Expenses
P17.4 billion

Non-Performing Loans
P10.4 billion

Non-Performing Assets
P11.5 billion

Financing Companies remained the main driver of the NBQBs' performance

Total assets modestly fell



The NBQB sector has maintained the P250 billion mark in its asset accumulation for the past three years. However, recent record showed a modest decline in the industry's total asset following the decrease in cash and due from the banks and investments which were used to pay-off costly borrowings. This development partially offset the market gains in the expansion of TLP.

By sub-group, the financing companies (FCs) with QB functions held the bulk or 87.9 percent of total assets of the industry.

In terms of distribution, loans comprised the majority or 76.6 percent of the NBQBs' assets. This is followed by cash and due from banks and investments of 10.2 percent and 9.1 percent, respectively.

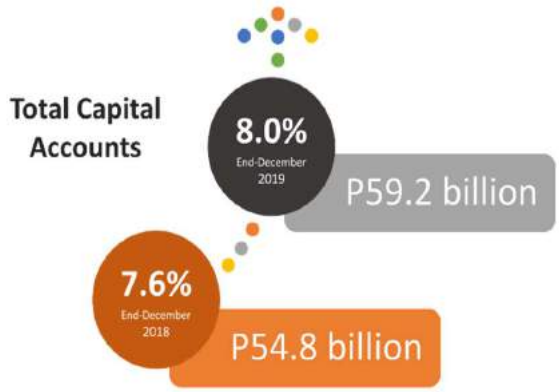
Loan portfolio registered a strong increase

The industry's net loans stood at P214.1 billion, up by 12.8 percent. By sub-group, FCs with QB functions held the largest share at 99.1 percent. The remaining share came from investment houses (IHs) with QB function at 0.9 percent.

The industry's NPL ratio moderately weakened to 4.7 percent from 3.8 percent last year. This developed as the 40.4 percent expansion in the NPLs outweighed the 8.9 percent increment in the TLP.

Importantly, the NBQB industry's TLP marked a milestone in 2019. The industry's TLP finally surpassed the level of its overall deposit substitutes as the loan-to-deposit substitute (LTD) ratio stood at 1.2 percent as of end-December 2019.

Capital accounts posted a robust increase



The NBQBs beefed up its capital by 8.0 percent to P59.2 billion. This stemmed from the 24.3 percent expansion in capital stock to P20.5 billion. Meanwhile, surplus, surplus reserves and undivided profits held the lion share in total capital accounts at 65.4 percent.

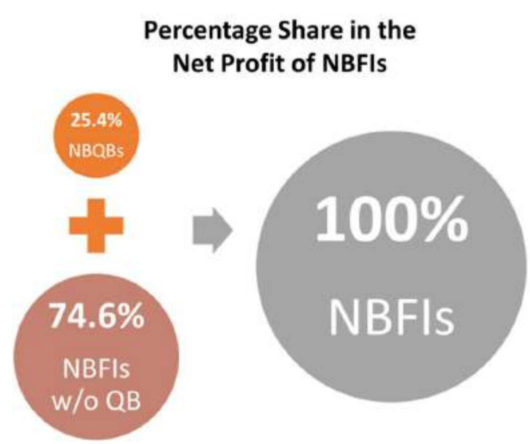
By sub-group, only the FCs registered hikes in their capital base. Total capital accounts of FCs with QB functions rose by 24.4 percent to P40.3 billion. The complementary rise in capital stock, and surplus, surplus reserves and undivided profits and the infusion of fresh capital propelled the expansion in the subgroup's total capital accounts.

Overall, the industry remained well-capitalized. Total capital account-to-total asset ratio stood at 21.2 percent, up from 19.4 percent last year. This transpired following the faster build-up in capital over total assets.

Solid return on equity despite slowdown in profits

The NBQB industry's total operating income recorded a 4.5 percent growth (P27.2 billion), which accounted for 25.4 percent of the total net profit of NBFIs. Trading income from liquidated investments likewise contributed to the NBQBs' operations. However, net profit of the industry slightly declined by 2.8 percent to P7.8 billion.

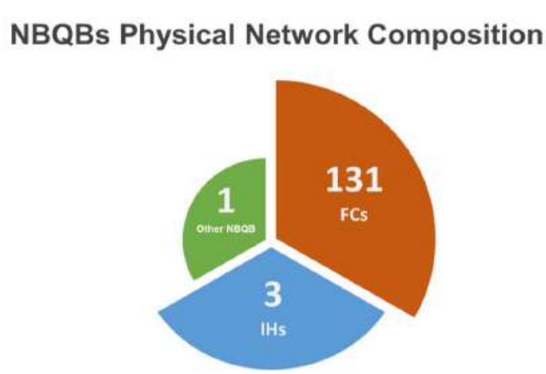
The decline in the net profit can be attributed to the 9.8 percent increase in the industry's operating expenses. In particular, provision for higher NPLs and overhead costs increased by 15.9 percent and 12.0 percent, respectively.



Accordingly, CTI ratio marginally weakened to 40.1 percent from 39.0 percent last year. This led to slower growth in the ROA and ROE at 2.79 percent and 13.0 percent, respectively.

Physical network continued to expand

During the review period, there were 135 operating NBQBs in the country consisting of 131 FCs, three IHs, and one other NBQB. The significant expansion in the NBQB network was brought by the 16 additional branches of FCs.



Non-Stock Savings and Loan Associations

Overview

Non-stock savings and loan associations (NSSLAs) are non-stock, non-profit corporations engaged in the accumulation of members' savings for lending to households by providing long-term financing for home building and/or development and for personal finance. NSSLAs are supervised by the BSP pursuant to Republic Act No. 8367, otherwise known as the Non-Stock Savings and Loan Association Act of 1997.

The NSSLA industry sustained its asset expansion on account of strong growth in lending activities. Despite the industry's upbeat lending activities, credit underwriting standards were not compromised as the non-performing loan (NPL) and non-performing asset (NPA) ratios continued to improve. The industry remained liquid, with stable funding and adequately capitalized with the growth in members' capital contribution. Profitability was sustained driven by the steady growth of loans to members. NSSLAs posted higher earnings mainly due to the increase in net interest income.

Meanwhile, NSSLAs' overall network stood at 200 with 63 head offices and 137 branches/other offices.

NSSLAs Performance at a Glance

Total Assets

P259.2 billion

Total Liabilities

P88.9 billion

Total Capital

P170.3 billion

Net Income After Tax

P22.5 billion

Total NPL

P15.7 billion

Total NPA

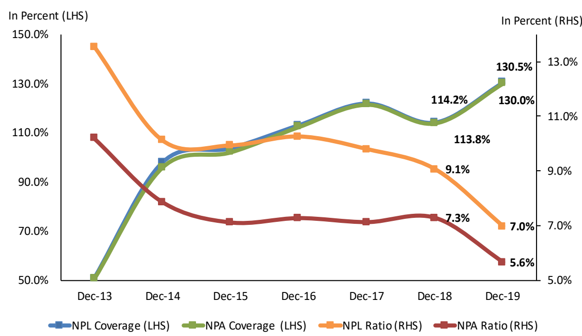
P15.8 billion

NSSLA industry assets continued to expand

The industry's total assets expanded mainly due to the infusion of additional funding. The industry sustained its focus on servicing the credit needs of its members as net loans, which accounted for 79.1 percent of total assets, rose to P205.0 billion from P177.1 billion last year. Cash and due from banks, with the second largest share of 8.1 percent, climbed to P20.9 billion from P18.0 billion. Net investments, with 7.4 percent share, also rose to P19.1 billion from P18.3 billion. The current asset mix broadly indicates the industry's traditional business model.

Asset quality improved as coverage widened

Figure 1
Non-Stock Savings and Loan Associations (NSSLAs)
Asset Quality Ratios
As of end-Period Indicated



Source of data: Department of Supervisory Analytics

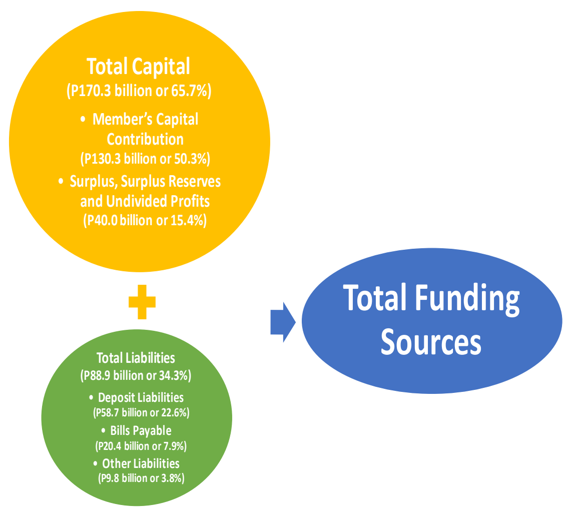
Progress was observed in the NSSLA industry's loan and asset quality following the improvements in the NPL and NPA ratios. The industry's NPL coverage ratio likewise showed marked improvement from the previous year. (Figure 1)

The headway was achieved despite continuing efforts to expand the loan portfolio, and is expected to be maintained with further strengthening of the industry's credit risk management system.[1]

Increased funding and capital support the industry's liquidity

The increase in NSSLA's funding source was mainly driven by the growth in members' capital contribution and undistributed profits.[2] Capital accounts remained to be the main source of funds. It accounted for 65.7 percent of total resources and rose to P170.3 billion from P153.6 billion (10.9 percent). Total liabilities, which accounted for 34.3 percent of the total resources, increased to P88.9 billion from P72.8 billion (22.1 percent).

Overall, the industry's funding sources remain relatively firm and sufficient to serve its members' needs. In particular, the NSSLAs' loan-to-deposit ratio dropped to 383.8 percent from 408.6 percent.



[1] BSP Circular No. 1046 dated 29 August 2019 or Enhanced Guidelines on Sound Credit Risk Management Practices for Non-Stock Savings and Loan Associations (NSSLAs); Amendments to the Manual of Regulations for Non-Bank Financial Institutions.

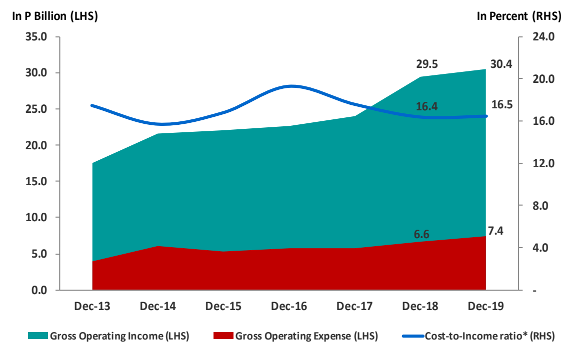
Meanwhile, as a share of total deposits, liquid assets (i.e., cash and due from banks and net investments), which accounted for 68.2 percent of the industry's total assets remain adequate and broadly indicative of the industry's capability to serve unexpected deposit withdrawals and loan requirements.

Net profit fueled by growing interest income

The NSSLA industry posted net profit of P22.5 billion, higher by 2.5 percent from the previous year. NSSLA's core earnings were primarily sourced from interest from lending activities at P27.5 billion (up from last year's P26.5 billion). Operating expenses (exclusive of provisions for credit losses) rose to P5.0 billion from P4.8 billion. Over-all, the industry cost-to-income ratio was relatively stable.

Meanwhile, NSSLAs' return on assets (ROA) and return on equity (ROE) tapered at 9.1 percent and 13.8 percent, from the previous year's 9.7 percent and 14.5 percent, respectively, as equity and asset growth outpaced earnings growth.

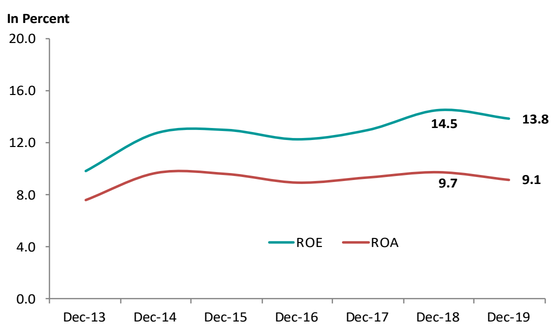
Figure 2
Non-Stock Savings and Loan Associations (NSSLAs)
Cost-to-Income Ratio
As of end-Periods Indicated



**Cost-to-Income Ratio refers to operating expenses, exclusive of bad debts and provisions to total operating income*

Source of data: Department of Supervisory Analytics

Figure 3
Non-Stock Savings and Loan Associations (NSSLAs)
Profitability Trend
As of end-Periods Indicated



Source of data: Department of Supervisory Analytics

With the implementation of the revised minimum capitalization of NSSLAs and capital contribution of members under BSP Circular No. 1045 dated 29 August 2019 and enhanced guidelines on sound credit risk management practices for NSSLAs under BSP Circular No. 1046 dated 29 August 2019, the NSSLAs are mandated to set appropriate minimum capital requirements and risk management system to support their risk-taking activities. Hence, with the continuing reforms initiated by the BSP to promote stronger capital base and effective risk management, NSSLAs are expected to remain relatively sound and stable.

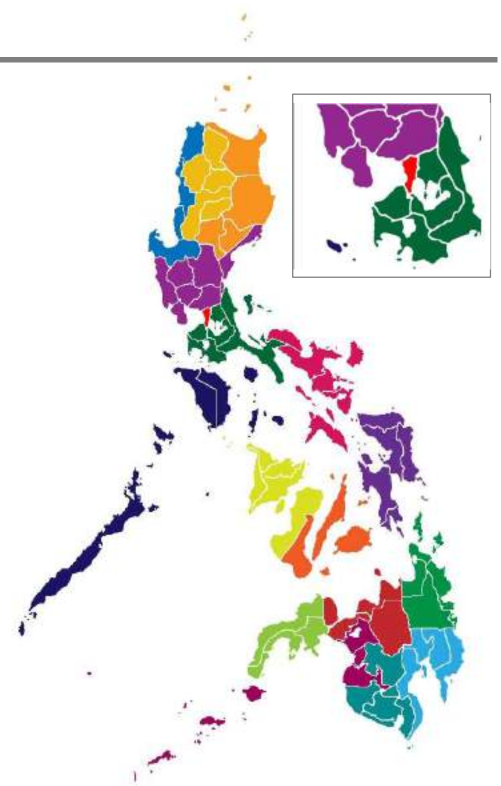
Pawnshops and Money Service Businesses

Overview

The Philippines has had challenges in propagating financial inclusion, particularly in less-urbanized regions. This is brought by a variety of factors, such as its archipelagic landscape, the cost of serving a large volume of retail clients and lack of documentary requirements in the informal sector. Thus, pawnshops and money service businesses (MSBs) have become major financial service access points to reach the financially unserved and underserved. The emergence of digital platforms brings possible new opportunities and risks for pawnshops and MSBs, and is a significant component of their business strategy. To address these challenges, the BSP adopts risk-based and proportionate regulation and supervision to ensure the safety and soundness of the individual institution as well as the financial system while promoting financial inclusion and consumer protection.

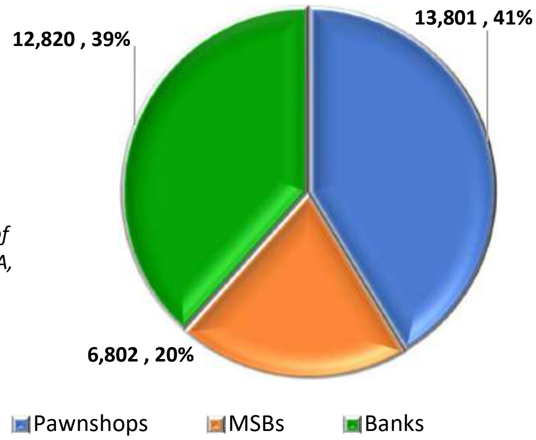
By the Numbers

- **95.8%** Percent of municipalities with financial access point *(BSP Q2 2019)*
- **13,801** BSP-registered pawnshop head offices (HOs) and branches
- **6,802** BSP-registered MSB HOs and branches
- **4,400** Pawnshops and MSBs in NCR
- **175** Pawnshops and MSBs in ARMM



Pawnshops and Money Service Businesses (MSBs) remained major financial service access

Figure 1. Major Financial Service Access Points
As of End-December 2019



Sources of Data: DSA, FSD IX

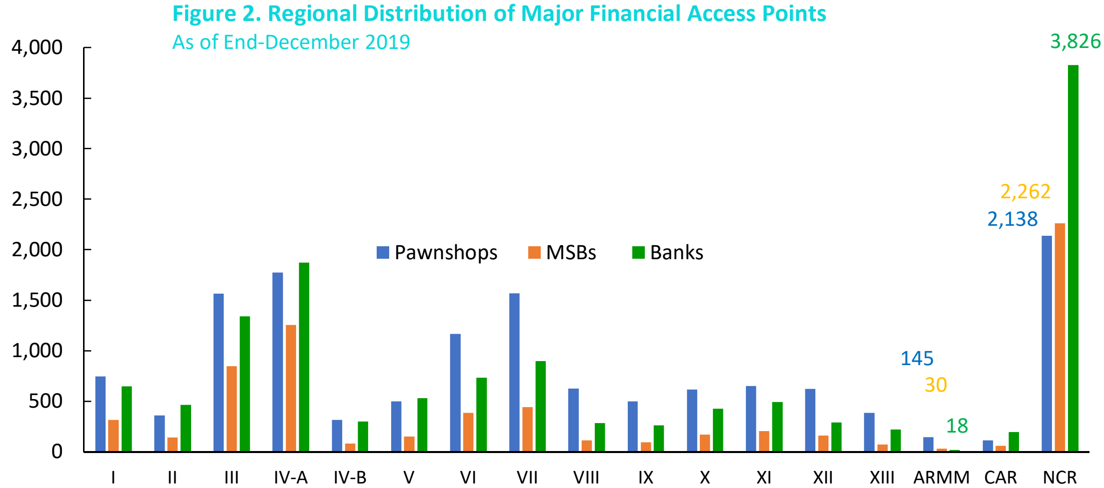
BSP-registered Pawnshops and MSBs, similar to banks, posted network expansion with annual growth of 14.0 percent and 24.1 percent, respectively.

Despite the network expansion and delisting of a significant player among MSBs, the respective industries were dominated by the larger players as the five biggest groups of pawnshops and MSBs make up 68.7 percent and 50.8 percent of the respective industry.

However, concentration of financial access points exists . . .

Combined, their physical networks outnumber banks in every region except for the Cordillera Administrative Region (CAR). Meanwhile, highly urbanized regions, particularly the National Capital Region (NCR), host the most number of financial access points with the Autonomous Region for Muslim Mindanao (ARMM) having the least (Figure 2).

Figure 2. Regional Distribution of Major Financial Access Points
As of End-December 2019

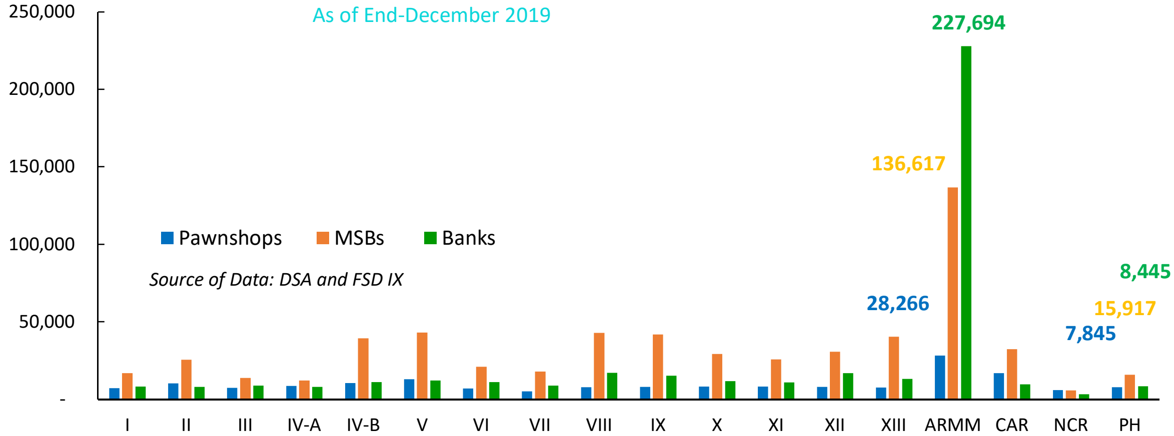


Source of Data: DSA and FSD IX

. . . which leaves more scope for financial inclusion initiatives.

The sparsity of financial access points in the ARMM resulted in the large number of the population served by each pawnshop, MSB or bank. This is in contrast to the large number of financial access points in the NCR or the national average (PH) which promotes competition to benefit the financial consumers. (Figure 3)

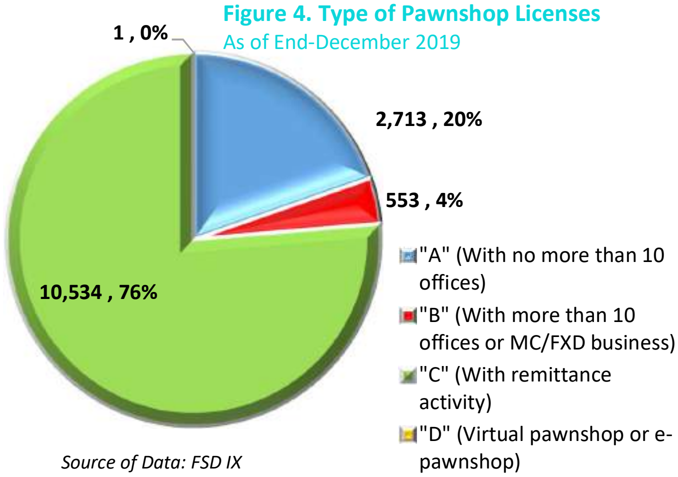
Figure 3. Number of Persons Served Per Access Point
As of End-December 2019



Most pawnshops offered corollary remittance activity while most MSBs are large-scale operators

Under existing regulations, pawnshops and MSBs are required to register under four and six license categories, respectively.

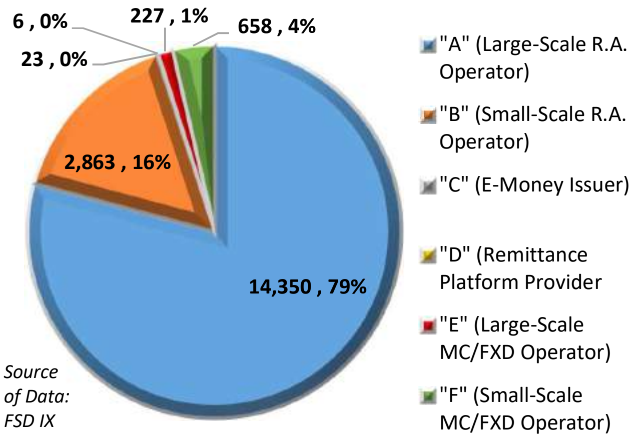
Figure 4. Type of Pawnshop Licenses
As of End-December 2019



The prevalence of pawnshop head offices (HOs) and branches with type "C" license indicate industry strategy to offer speedy processing of personal loans with the ability to remit the loan proceeds to distant recipients or convert other currencies to Peso. For the semester, 129 pawnshop branches are also functioning as either a remittance transfer company/ foreign exchange dealer/money changer (RTC/FXD/MC). Further, the sprouts of innovation are clearly in the industry as an e-pawnshop operator is registered to conduct its business through electronic channels. (Figure 4)

Meanwhile, MSBs are dominated by large-scale RTC HOs and branches that may also offer MC/FXD business with average monthly network volume of transactions of at least P75 million. They are required to maintain capital of at least P50 million. A large number of small scale RTCs and MCs/FXDs (the latter are mostly single office entities) are also registered (Figure 5). MSB Types A, B, E and F include 193 pawnshop HOs and 11,127 branches multifunctioning as pawnshop/RTC/FXD/MC. MSBs include RTCs/MCs/ FXDs which have large sophisticated chains with nationwide and international facilities.

Figure 5. Type of MSB Licenses
As of End-December 2019



Source of Data: FSD IX

MSBs create their niche in the electronic money (e-money) business

The BSP fosters the development of efficient and convenient retail payment and fund transfer mechanisms in the country. The availability and acceptance of e-money as a retail payment medium is being promoted by providing the necessary safeguards and controls to mitigate the risks associated in an e-money business.

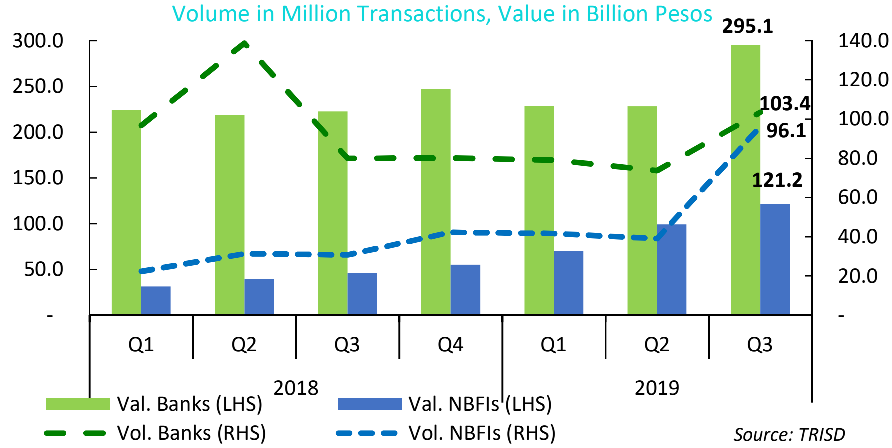
The MSBs' vast network provides access for every Filipino, especially the "unbanked" and the "underbanked" to avail of the basic financial products/ services (e.g., payment of services and remittance). Access to these products carries the potential of improving the well-being of the poor and the growth of micro, small and medium enterprises. In addition, greater financial inclusion can contribute to financial stability and economic development and is critical for achieving inclusive growth.

MSBs with EMI license are catching up with the volume of banks' e-money transactions

The volume (vol.) and value (val.) of e-money transactions in the country have been rising, driven by a consuming public that is increasingly more attuned to the use of electronic gadgets for their payment needs, supported by an enabling regulatory environment.

In fact, the December 2019 country diagnostic by the United Nations-based Better Than Cash Alliance (BTCA) reported that the volume of electronic payments (e-payments) usage in the Philippines climbed from 1 percent in 2013 to 10 percent in 2018, while the value of e-payments rose from 8 percent to 20 percent during the same period. The study also revealed that women in the Philippines are ahead of the men in adopting digital payment solutions.

Figure 6. Volume and Value of E-Money Transactions
For the Quarters Indicated
Volume in Million Transactions, Value in Billion Pesos



Source: TRISD

Banks are the dominant e-money issuers (EMIs) but the volume of transactions handled by MSBs (NBFIs) is rising supported by aggressive marketing, wider presence and ease of the transactions, particularly for the needs of the unbanked/underbanked segment of the population. (Figure 6)

While pawnshops and MSBs provide effective access to financial services for the unbanked and underbanked Filipino households and businesses, they are vulnerable to risks that may threaten banks. Some of these risks are credit from the pawnshops' lending activities, market from the foreign exchange exposures of FXDs/MCs and operational, particularly from technology. Further, the cash-intensive nature of their operations and ease of transactions with clients expose the industries to money laundering/terrorist financing (ML/TF) risks.

With the industries' vulnerability to ML/TF risks, the BSP ensures that enabling policy and regulatory environment is in place to effectively manage and mitigate these risks. Regulations are likewise being enhanced to promote the adoption of minimum standards of governance, risk management, internal control and consumer protection. Moreover, the BSP is coordinating with other government agencies such as the Department of Interior and Local Government and the Securities and Exchange Commission to promote consumer protection and to strengthen the implementation of the BSP's registration requirements for pawnshops and MSBs, among other objectives.

While pawnshops and MSBs are generally small players in terms of size, and the volume and amount of transactions, the number of customers they serve and the extent of their network have significant impact on the financial system. Hence, risk-based and proportionate regulation and supervision are deemed necessary to ensure the safety and soundness of the individual institution as well as the financial system.

In recognition of the important role of the large pawnshop network in building a more inclusive financial system and protecting the welfare of financial consumers, the BSP issued Circular No. 938 dated 23 December 2016, as amended by Circular No. 1039 dated 3 May 2019, to enhance financial inclusion, protect consumers and strengthen the pawnshop licensing process. Among others, the new rules, as amended, put high regard on the fitness and propriety of the pawnshop operators; required the pawnshops to secure license from the BSP and adopt pertinent BSP regulations; and introduced different types of BSP licenses for pawnshop operations.

Meanwhile, Circular No. 942 dated 20 January 2017, similarly amended by Circular No. 1039, implemented a comprehensive framework aimed at enhancing BSP oversight over MSB operations for the primary purpose of promoting more effective compliance with the Anti-Money Laundering Law, as amended. The Circular provided, among others, the BSP's reporting/notification requirements, regulatory approach, registration requirements and classifications depending on the average monthly network volume of transactions. This is in recognition that the MSBs' expansion and increasing sophistication may pose threats to the integrity and stability of the financial system in view of their transactions and platforms that are connected to the operations of BSP-supervised financial institutions (BSFIs).

The BSP also issued Circular No. 944 dated 06 February 2017 to provide an environment that encourages financial innovation while at the same time ensure that the Philippines shall not be used for money laundering/terrorist financing (ML/TF) activities and that the financial system and financial consumers are adequately protected. Specifically, the BSP recognized that Virtual Currency (VC) systems operators, considered as MSBs, have the potential to revolutionize the delivery of financial services, particularly for the payments and remittance, in view of their ability to provide faster and more economical transfer of funds, both domestic and international, and may further support financial inclusion. These benefits, however, should be considered along with the corresponding risks in VCs considering the higher degree of anonymity involved, the velocity of transactions, volatility of prices and global accessibility. In particular, VCs pose ML/TF risks, information technology risks, and consumer protection and financial stability concerns, among others.

Further, Circular No. 950 dated 15 March 2017 was issued covering pawnshops and MSBs and provided, among others, the BSP's supervisory expectations for customer identification process, covered and suspicious transaction reporting, record keeping and retention, and training programs, relative to initiatives on money laundering and countering financing of terrorism.

Finally, pawnshops and MSBs are expected to adopt minimum standards of consumer protection in the areas of disclosure and transparency, protection of client information, fair treatment, effective recourse and financial education pursuant to the BSP Consumer Protection Framework.

Conclusion and Policy Direction

Overview

The Philippine economy has been growing by more than 6 percent since 2012 until global volatilities and domestic uncertainties pulled the economic expansion at 5.9 percent in 2019. The domestic economy is poised to resume above 6 percent growth for the year 2020 until the corona virus disease 2019 (COVID-19) stymied national economies and threatened global recession. Nonetheless, the country is expected to remain resilient amid these challenging times on account of its relatively firm macroeconomic fundamentals — steady real gross domestic product (GDP) growth, manageable inflation environment, favorable external payments position, strong and resilient banking system and prudent fiscal position.

Prior to the COVID-19 outbreak, positive economic outlook was maintained by the banking industry leaders based on the preliminary results of the Banking Sector Outlook Survey (BSOS) for the second semester of 2019.[1] Banks remained optimistic on the country's economic prospect as 70.4 percent of the BSOS respondents projected the GDP to grow between 6.0 percent and 6.6 percent within the next two years. Likewise, the outlook on the Philippine banking system (PBS) remained stable as the projected economic growth and strength of the PBS were expected to result in double digit growth in assets, loans, deposits and net income.

The comprehensive prudential reforms in place ensure the resilience of BSP-supervised financial institutions (BSFIs) as evidenced by the sufficient buffers in place, i.e., capital and liquidity in excess of prudential requirements; satisfactory asset quality; and a stable source of core income. Nonetheless, the evolution of domestic and global threats to the banking system, the COVID-19 pandemic for instance, necessitates constant surveillance and enhancements of the supervisory framework to be at pace with fast-evolving market landscape. This is to ensure the robustness and sustained stability of the PBS that provides a reliable pillar to national economic growth and promotes a high quality of life for all Filipinos.

For its part, the BSP maintains its vigilance to be able to identify incipient risks to the financial system and manage these risks using its powers enhanced by Republic Act (R.A.) No. 11211, which amended R.A. No. 7653 or The New Central Bank Act.

[1] It should be noted that the impact of COVID-19 on banks' outlook in the economy is not yet reflected in the recent BSOS since the survey questionnaire was disseminated last December 2019.

BSP regulations and supervision are being enhanced to promote a safe, sound and resilient banking system

The BSP's regulatory and supervisory framework is likewise undergoing enhancements to uphold the gains that the banking system has reaped through the decades. These include strengthening risk governance, embracing innovation while promoting financial inclusion, upholding the integrity of the financial system and promoting consumer protection, as well as policy measures to accelerate capital market reforms, including foreign exchange initiatives.

Strengthening risk governance

In strengthening risk governance, the BSP is guided by the concept of proportionality towards achieving (a) enhanced risk management systems, and (b) sound capital position of BSFIs. This objective is complemented by the deployment of prompt and calibrated enforcement actions as well as dynamic and forward-looking assessment framework.

The BSP issued the Shari'ah Governance Framework SGF) for Islamic Banks (IBs) and Islamic Banking Units (IBUs). It sets appropriate institutional measures, arrangements, requirements, structure and policies of an IB or an IBU to ensure that there is effective and independent oversight of Shari'ah compliance of the Islamic banking business. The SGF complements the existing regulatory corporate governance framework.

BSFIs are likewise required to adopt the report on intraday liquidity which facilitates monitoring of their intraday liquidity position. This provides a tool to gauge the ability of covered banks and quasi banks (QBs) to meet their intraday obligations on a timely basis, ultimately contributing to the smooth and efficient functioning of the payment and settlement systems.

The BSP enhanced its capture of a bank's systemic importance in the Philippines following the latest developments in the banking sector and methodologies in the identification of Domestic Systematically Important Banks (D-SIBS).

The BSP strengthened the framework for managing interest rate risk in the banking book (IRRBB) by issuing the relevant guidelines for banks/quasi-banks (QBs). The guidelines aim to provide clear expectations on how a bank/QB should manage IRRBB and align the BSP's supervisory framework on interest rate risk with international standards.

Further, the BSP enhanced the risk management guidelines on investment activities of banks/QBs. The guidelines sets out the regulatory expectations in managing risks arising from investment activities considering the exposures of banks/QBs to a wide range of instruments, which include bonds issued by emerging economies, complex structured products, and other tradable assets.

The BSP revised the definition of a deposit substitute by excluding borrowings from banks, QBs and other financial intermediaries from deposit substitutes which are subject to reserve requirements. This facilitates the flow of funds within the financial system which may help reduce intermediation costs and, in turn, support economic activity. This also aligns the regulations with the provisions of the BSP Charter which was amended under Republic Act No. 11211.

Embracing innovation while promoting financial inclusion

The BSP encourages financial innovations through enabling regulations and ongoing cooperation with stakeholders to promote efficiency in the financial system while serving the most number of financial consumers. Some of the BSP initiatives for the semester highlighted the efforts to propagate these objectives.

The BSP held the "Digital Payments Leaders' Summit" on 2 December 2019 to renew the industry leaders' commitment to accelerate the adoption of electronic payments (e-payments) in the country. The summit was marked by the release of the study of the United Nations-based Better Than Cash Alliance (BTCA) which reported that the volume of e-payments usage in the Philippines grew from 1 percent in 2013 to 10 percent in 2018, while the value of e-payments rose from 8 percent to 20 percent during the same period. The study also revealed that women in the Philippines are ahead of the men in adopting digital payment solutions.

Under the guidance of the BSP, the payment industry participants led by the Philippine Payments Management, Inc. (PPMI), launched on 20 November 2019 another set of milestone initiatives under the National Retail Payment System (NRPS) — the Government e-Payments ("EGov Pay") Facility and the pilot of the first use case aligned with the National QR Code Standard ("QR Ph").

The QR is primarily intended to enable micro-merchants to accept electronic payments. The adoption of QR Ph was implemented under Circular No. 1055 dated 17 October 2019 to ensure interoperability of QR-enabled payment and financial services in line with the BSP's thrust of ensuring the efficiency of payment systems in support of inclusive economic development.

In accordance with R.A. No. 11127 or the National Payment Systems Act (NPSA), the BSP issued Circular No. 1049 dated 9 September 2019, providing for the registration of operators of payment systems (OPS), as defined in the NPSA. The Circular also created the new Manual of Regulations for Payment Systems (MORPS), which consolidated all relevant BSP issuances. It is a product of extensive consultations among private and public stakeholders in the payments industry, and is part of the phased-in implementation of the NPSA that prioritizes the creation of a baseline inventory of all OPS.

For its initiatives, the BSP was awarded the Artificial Intelligence Initiative and Data Management Initiative — in the Central Banking Fintech and Regtech Global awards on 4 September 2019. It was the only institution to win in two categories for this awarding year. The BSP won in the Artificial Intelligence Initiative category for its development of a prototype Chatbot to provide the public a more accessible and efficient means to engage the BSP on financial consumer concerns. The BSP also won in the Data Management Initiative category with the development of a prototype Application Programming Interface (API)-based prudential reporting system, which is scheduled to be implemented in 2020. This is part of BSP's continuing effort to strengthen its supervisory capacity in a rapidly evolving financial services landscape.

Other BSP initiatives on financial inclusion included enabling regulations and consumer empowerment through financial literacy.

For instance, the BSP issued Circular No. 1058 dated 15 November 2019 to enhance the guidelines on Peso consumer loans for Overseas Filipino Workers (OFWs), expressly facilitating easier OFW access to bank credit.

The BSP conducted financial education campaigns in partnership with other government agencies/private institutions in various forums: the 2nd BSP FinEd Stakeholders Expo on 25 November 2019; a financial literacy orientation for persons with disabilities on 2 September 2019; financial education programs for the labor sector with the Department of Labor and Employment (DOLE), the members of the Armed Forces of the Philippines (AFP), civil servants with the Civil Service Commission (CSC), on 18 November 2019, 13 August 2019 and 19 July 2019, respectively; and learning sessions for educators, students and members of the media in La Union on 17 and 18 July 2019.

Moreover, the BSP signed a memorandum of agreement (MOA) on 7 October 2019 with the Philippine Statistics Authority (PSA) to produce blank cards for the National ID under the Philippine Identification System (PhilSys). The National ID system will help address the lack of formal identification which constrains the informal sector from transacting with banks,

The BSP's efforts in promoting financial inclusion helped the country win global acclaim on the field. In fact, the Philippines remains as one of the top countries promoting financial inclusion, ranking fifth worldwide and first in Asia along with India, based on the results of the Global Microscope 2019 published by the Economist Intelligence Unit (EIU), the research arm of The Economist Group.

Upholding the integrity of the financial system and promoting consumer protection

The BSP adopts the policies of the Government to, among others, protect and preserve the integrity of the Philippine financial system; and promote broad and convenient access to high quality financial services and consider the interest of the general public.

In preserving the integrity of financial transactions, the BSP issues regulations and advisories to deter money laundering and terrorist financing, in coordination with domestic regulators (i.e., the Anti-Money Laundering Secretariat, the Securities and Exchange Commission, etc.) and international regulators/bodies (i.e., the United Nations, the United States Department of the Treasury, etc.)

In upholding the interest of the financial consumer, the BSP enhanced its regulations on Financial Consumer Protection under Circular No. 1048 dated 6 September 2019. The Circular strengthens market conduct practices of BSFIs by establishing guidelines that institutionalize consumer protection as an integral component of corporate governance and culture, as well as risk management.

In light of the possible increase in fees for the use of automated tellering machines (ATM), the BSP issued a statement on 13 August 2019 assuring the public that its policy on ATM fees is guided by best industry practices and that it is driven with the broader welfare of consumers in mind.

Accelerating capital market reforms, including foreign exchange (FX) initiatives

The BSP's continuing package of capital market reforms are intended to deepen the local capital markets by promoting price discovery and transparency, developing market infrastructure, improving market liquidity, and enhancing the ease of doing business in the country. Meanwhile, the FX market reforms intend to facilitate access to the banking system's FX resources for legitimate transactions, and further streamline and simplify relevant procedures and documentary requirements. The reforms allow investors and the public greater flexibility to manage their investments and cash flows as well as ease the conduct of business in the country.

The BSP has been relaxing rules on bond issuance as part of concerted efforts by government agencies to develop the domestic capital market. For instance, the reserve requirements for bonds were reduced under Circular No. 1054 dated 11 October 2019. The lower bank reserves on bond issuances is expected to reduce the bond issuers' intermediation cost that could be passed on to the holders of such securities.

The BSP also imposed a moratorium on the banks' issuance of long-term negotiable certificates of time deposit (LTNCTDs) while allowing related companies of the banks/QBs issuing bonds to underwrite or arrange the said financial instruments subject to certain conditions.

Policy direction moving forward

In its memorandum to all BSFIs No. 2002-005 dated 5 March 2020, the BSP announced the adoption of the Supervisory Assessment Framework (SAFr). The framework will facilitate the robust and dynamic assessment of BSFIs that explicitly links the systemic importance and risk profile of a BSFI to the crafting of supervisory plans for each supervised institution. The key feature of the SAFr is the use of business model analysis. The SAFr will replace the various rating systems currently employed by the BSP, including the CAMELS Rating and Risk Assessment System.

The BSP is cognizant that climate change and other environmental and social risks could pose financial stability concerns considering their significant and protracted implications on the bank's operations and financial interest. In particular, physical and transition risks arising from climate change could result in significant societal, economic and financial risks affecting the banks and their stakeholders. The BSP likewise recognizes the critical role of the financial industry in pursuing sustainable and resilient growth by enabling environmentally and socially responsible business decisions consistent with the aspirations set out for the Filipinos under the Philippine Development Plan. In this regard, the BSP has taken a two-pronged approach to sustainable finance: first, is undertaking capacity building and awareness campaigns; and second, mainstreaming environmental and social governance through the issuance of enabling regulation that will be implemented in 2020.

To further promote the efficient and timely delivery of its mandates, the BSP partnered with the University of the Philippines on the use of big data in central banking. Big data will be a valuable tool for the BSP as a data-driven institution because the flexibility and real-time availability of big data will allow the BSP to open up the possibility of extracting more timely economic signals, applying new statistical methodologies, enhancing economic forecasts and financial stability assessments, and obtaining rapid feedback on policy impacts, among other uses.

The BSP will fully implement the relevant provisions of R.A. No. 11211, as well as R.A. No. 11439, An Act Providing for the Regulation and Organization of Islamic Banks.

The BSP is also enhancing its Stress Testing Framework and its Supervisory Review Process with full implementation scheduled in 2021. It is implementing the recommendations of the Financial Sector Assessment Program (FSAP) in 2020, except for recommendations requiring statutory amendments.

Maintaining financial stability and stabilizing the financial market to cushion the economy from the impact of the COVID-19 pandemic

The impact of COVID-19 outbreak on the economy is still evolving. As of the writing of this Report, the situation is seen to entail widespread impact, e.g., potential global recession, decrease in consumer confidence, volatilities in financial markets, reduction in workforce productivity, and supply chain issues, among others. Many institutions (including banks) have business continuity plans, but these did not consider the uncertainties and complexities of a pandemic like COVID-19. Typical contingency plans do not generally take into account the widespread quarantines, school and business shutdowns, and travel restrictions that may occur in the case of such pandemic that could last for an extended period of time.

For its part, the BSP continues to monitor and acts promptly on the impact of the pandemic. Indeed, it has implemented various measures as part of the whole-of-the government approach towards combating the ill effects of the virus.

The BSP has issued supervisory and regulatory relief measures to assist financial institutions weather the health crisis and support affected households and business enterprises, as well as extraordinary measures to support domestic liquidity to cushion economic activity and stabilize financial markets during the COVID-19 pandemic.

The set of supervisory and regulatory measures provide incentives for BSFIs to (a) promote continued access to credit/financial services; (b) extend financial relief to their borrowers; and (c) support continuous delivery of financial services to enable consumers to complete financial transactions during the enhanced community quarantine period.

Promote continued access to credit/financial services

The BSP communicated its expectations for BSFIs and Operators of Payment Systems (OPS) to adopt and implement appropriate response plans and mechanisms to primarily ensure the health and safety of their employees and customers, while delivering continued financial services to the general public.

The BSP promoted the use of Information and Communication Technology by BSFIs in the delivery of financial services to help achieve the objectives of the community quarantine in place. In order to enable clients to maximize the use of online banking platforms or electronic money, banks were strongly encouraged to suspend all fees and charges imposed on the use of the same.

The BSP issued twin regulatory relief packages at both ends of the economic spectrum. At the wholesale level, the BSP adopted measures to increase the flow of liquidity to the banking system and the country’s largest conglomerates. The single borrowers limit has been temporarily increased and the conditions on the use of BSP’s rediscount facility have been relaxed. At the retail level, the BSP encouraged banks to keep lending to borrowers by temporarily encouraging restructuring and forbearance for affected borrowers.

Know-your-customer (KYC) requirements for financial transactions, including electronic or online customer onboarding, were likewise relaxed to facilitate the delivery of welfare funds to identified beneficiaries.

Financial assistance, in the form of loans, advances or other credit accommodations, may be granted by FIs to their employees who are affected by the COVID-19, subject to subsequent regularization with the BSP, if necessary.

Extend financial relief to borrowers

Moreover, the terms and conditions of the BSP financing facilities were eased to encourage banks to grant equivalent financial relief to their own borrowers. The financial impact of the relief is expected to be passed on to bank customers in the form of more flexible and favorable lending terms. Moreover, BSFIs under rehabilitation programs are given a six (6)-month moratorium on their monthly payments to the BSP.

The BSP temporarily waived the application of past-due status for affected borrowers and allowed a phased buildup of the allowance for loan losses over time.

At the payments and settlements front, banks were also encouraged to temporarily suspend the fees and charges on the use of electronic money transactions. Hence, majority of banks waived the fees and charges on PESONet and INSTAPay transactions.

The BSP also issued operational relief measures for FX transactions which eased the public's access to FX resources of the banking system to finance legitimate transactions.

Support continuous delivery of financial services

The domestic measures imposed to mitigate the transmission of the COVID-19 virus as well as the heightened health and safety risks faced by BSFI employees make it challenging for the BSFIs to operate during the emergency situation. In order to assist them in focusing their limited resources on the delivery of financial services and support their subsequent recovery efforts, the BSP granted certain operational relief measures.

The BSFIs' reports/documents and communications to the BSP were required to be transmitted through email to ease the exchange of communications. Likewise, the submission of certain prudential reports was suspended, except for the submission of four reports necessary for surveillance and policy-making. Monetary penalties will not be imposed by the BSP for delay in the submission of these reports. The submission of a notarized certification on these reports is also waived.

The period of compliance by BSFIs with the BSP's Type 3 licensing, supervisory and notification requirements was extended. Meanwhile, the notification requirements for adjustments in the banking hours and temporary closure of branches were suspended during the period of enhanced community quarantine.

The BSP reduced the maximum penalty for reserve deficiencies for the period March to May 2020. Moreover, banks/QBs which use their legal reserves to support liquidity requirements may request BSP approval on the non-imposition of penalties on legal reserve deficiencies for a period of six (6) months from 8 March 2020.

The minimum liquidity requirement (MLR) was reduced from 20 percent to 16 percent effective until 31 December 2020 to help covered banks meet the liquidity needs of their clients.

Finally, the BSP granted prudential accounting forbearance to reduce the impact of mark-to-market losses on the financial condition of BSFIs.

Extraordinary measures to ensure sufficient domestic liquidity

While the BSP believes that the Philippine financial system remains sound with adequate capital and liquidity buffers, it also recognized the need to shore up market confidence to ensure the proper functioning of the financial market and prevent serious repercussions on the economy over the medium term. Thus, extraordinary measures to complement the Government's broad-based health and fiscal programs in mitigating the impact of COVID-19 outbreak were adopted to ensure sufficient liquidity in the financial system. With these measures, the BSP aims to assist BSFIs in responding to the needs of Filipino households and businesses amid these challenging times.

With a manageable inflation environment and stable inflation expectations, the BSP cut its policy rate by 50 basis points (bps) to address the adverse spillovers associated with the COVID-19 pandemic. The action cushions the country's growth momentum and uplift market confidence amid stronger headwinds. The monetary policy easing likewise ensures adequate domestic liquidity and credit in the financial system as well as lowers borrowing costs for affected firms and households.

This was followed by a 200 bps reduction in the reserve requirement ratio (RRR) of U/KBs, effectively bringing down the RRR of big banks to 12 percent from 14 percent beginning 30 March 2020. The RRR cut helps alleviate the liquidity strain on banks arising from the global pandemic and provides ample liquidity in the banking system to accommodate the funding needs of both the retail and corporate sectors.

An advance dividend of P20 Billion was remitted by the BSP to help the National Government (NG) in the country's fight against COVID-19, deferring the increase in its capitalization as provided under R.A. No. 7653, as amended.

On 24 March 2020, the BSP opened a daily one-hour window within which it could purchase selected series of highly traded and liquid government securities (GS) from banks at market prices. The measure is aimed at reassuring market participants of demand for GS should they need to liquidate their holdings, thus encouraging participation in the GS auctions. The window will open between April and June 2020, or until market conditions return to normal.

Beginning 8 April 2020, the BSP scaled down its daily overnight reverse repurchase (RRP) volume offering as necessary depending on liquidity conditions to encourage counterparties to lend in the interbank market or re-channel their funds into other assets such as GS or loans.

The BSP entered in a GS repurchase agreement with the Bureau of the Treasury (BTr) amounting to P300 billion. The NG shall use the proceeds to finance expenditures authorized in its annual appropriation, as deemed necessary to support programs to counter the impact of the COVID-19 outbreak in the country.

Importantly, the Philippine financial system is projected to withstand the adverse impact of COVID-19 outbreak on account of its relatively stable and sound capital, leverage and liquidity buffers, ample loan loss reserves and robust earnings performance.

The BSP reassures the Filipino people of its commitment and readiness to deploy its full range of instruments to provide liquidity and ensure the efficient functioning of the domestic financial market. The BSP will continue to work closely with market participants and other relevant government agencies in monitoring the situation and carrying out appropriate policy responses in a timely manner, in support of the National Government's broader efforts to mitigate the adverse impact of the health crisis on the economy at large.

Common Lender Channel and Financial Strength in Emerging Asian Economies[1]

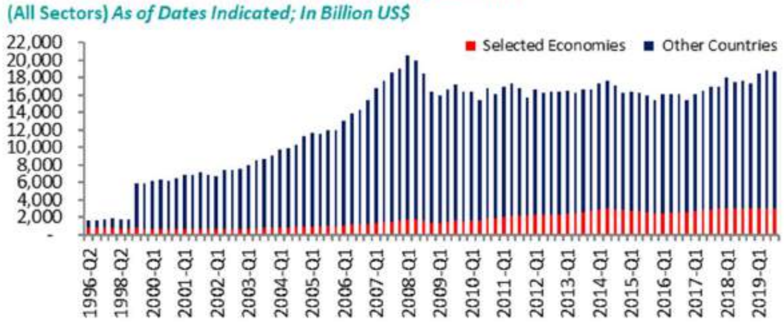
The context

Common lender channel is defined as a mechanism that facilitates the spread of financial shocks around the globe. This is seen when creditor banks withdraw from previously unaffected countries that are highly exposed to the epicenter of a crisis (Koch and Remolona 2018). Building on the works by Koch and Remolona (2018), this paper first analyses the presence of common lender channel in emerging Asian economies using panel country data and examines these economies' vulnerability to risks from cross-border spillovers, particularly in cross border borrowing. This study then utilizes data from the Bank for International Settlements (BIS) on international banking statistics to construct a concentration index for each of these countries using a Herfindahl-Hirschman Index (HHI) of these economies' liabilities from identified common lenders, including the Philippines.

The analysis in this paper is based on the value and composition (that is, by country, account, currency and by sectoral counter-party) of a bank's position of financial claims on, and liabilities to, the rest of the world of Selected Asian Emerging Economies to common lenders. These countries include Australia, China, Hongkong SAR, Indonesia, Japan, Korea, Malaysia, Philippines, Singapore, Thailand and New Zealand. The results of this study can be used to derive policy implications for the Selected Asian Emerging Economies.

Current Dynamics of Bank Credit among Selected Asian Emerging Economies

Figure 1
Consolidated International Claims of BIS Reporting Countries[1/]
(All Sectors) ***As of Dates Indicated; In Billion US$***



[1/] *Immediate Counterparty Basis; All countries excluding residents; All Sectors*
Source: Bank for International Settlements

[1] Prepared by Dr. Veronica B. Bayangos (Director), Mr. Patrick Joseph Sadornas (Bank Officer V), Mr. Rafael Cachuela, (Bank Officer III), Ms. Jessica Hutalla (Bank Officer IV) and Ms. Vernalyn Domantay-Maillig (Bank Officer IV) from the Supervisory Policy and Research Department (SPRD), Financial Supervision Sector, Bangko Sentral ng Pilipinas (BSP). The usual institutional disclaimer applies.

Box Article 1: Common Lender Channel and Financial Strength in Emerging Asian Economies

The amount of lending to Selected Asian Emerging Economies has risen since 2008, albeit at a relatively stable pace such that by end-September 2019, international lending to these economies stood at almost US$3 trillion (or, around 16.0 percent of international claims across all sectors). The share to the overall level (in billion US$) of international claims of Consolidated Banking Statistics (CBS) - reporting countries across all sectors (banks and non-banks) are highlighted in red bar (Figure 1). While the Selected Asian Emerging Economies' share is still relatively small compared to the rest of the world[2], it has roughly doubled over the past decade.

In the Philippines, international claims reached US$ 34.6 billion while liabilities amounted to US$ 26.3 billion and both have been increasing since 2016. Overall, total cross-border claims represented 10.3 percent of total banking assets, while liabilities accounted for 9.0 percent of total banking liabilities as of end-September 2019. The YoY growth of cross-border liabilities of the banking system as of end-September 2019 at 31.0 percent outpaced the YoY growth of cross-border claims at 21.7 percent. Nevertheless, the Philippine banking system remains a net cross-border lender with a net financial asset position of US$ 8.3 billion[3], a 6.0 percent drop from the previous year's net financial asset position of US$ 8.9 billion.

Emerging Asian Economies Concentration to Common Lenders

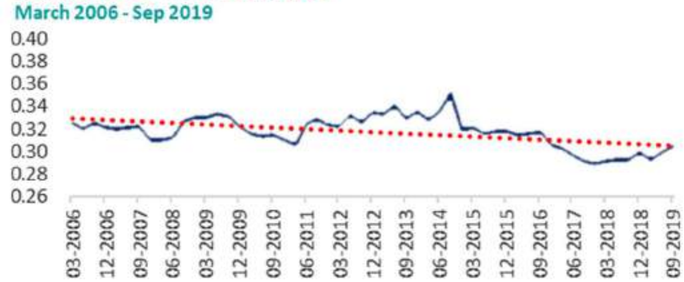
Concentration to lenders is measured using a Herfindahl-Hirschman Index (HHI) of Selected Asian Emerging Economies' liabilities from identified common lenders, namely, United States, Euro Area, Japan, United Kingdom, China and Hongkong SAR[4]. The index is calculated as the sum of squared market shares of all jurisdictions reporting international claims vis-à-vis a borrower from selected emerging Asian economies (borrowers from all sectors and claims in all currencies).

$$HHI_{country} = \sum_{i=1}^{6}\left(\frac{liability\ to\ counterparty\ i}{total\ common\ lenders}\right)^2 , \qquad \textbf{(Equation 1)}$$

where *i* refers to total common lenders.

The slowdown in the average concentration of cross-border liabilities to common lenders in Figure 2 indicates that emerging Asian economies have diversified their sources of funding away from common lenders. The steady decline in HHI to common lenders particularly after 2014 was driven by diversification by Australia, Singapore and New Zealand. By contrast, rising HHI path was noted in the case of China, Hong Kong SAR and Thailand.

Figure 2
Selected Countries Average Concentration of Cross-Border Liabilities to Common Lenders Index
March 2006 - Sep 2019



1/ Immediate Counterparty Basis; All Countries excluding residents; All Sectors
Source: Bank for International Settlements

[2] As of end-September 2019, outstanding international claims reached US$18.8 trillion, 201.4% higher than end-March 2000, but 8.4% lower than the peak recorded in end-March 2008 at US$20.5 trillion.

[3] Relative to the previous quarter, net financial asset position increased by 2.8 percent.

[4] The first four common lenders were identified by Koch and Remolona (2018). While China and Hongkong SAR were the top providers of funds among the Selected Asian Emerging Economies. The dataset is based on Locational Banking Statistics (LBS) of the BIS.

Meanwhile, in terms of volatility, the volatility of the average HHI of cross-border liabilities to common lenders dropped from March 2006 to June 2018. The biggest drop in the YoY growth of HHI was noted, on average, from March 2016 to June 2018, an indication that following uncertainties in global markets, diversification away from common lenders has been adopted by most emerging Asian economies. However, countries such as Hongkong, Indonesia, Malaysia, Thailand and New Zealand posted higher and positive volatilities during the period.

In the case of the Philippines, the HHI of Philippine banks' liabilities from identified common lenders have increased from previous quarters. The higher HHI as of end-September 2019 was driven by increased exposures of Philippine banks through its borrowings from the United Kingdom and Hongkong SAR, specifically against non-financial sectors. Nevertheless, the Philippine HHI relative to a threshold continues to be modest.

Empirical Methodology and Results

To examine the relative significance of factors affecting the growth of HHI and its impact on the growth of corporate loans and real GDP, a Dynamic Panel Generalized Method of Moments (GMM) is used. With regard to factors affecting growth of HHI, the results show the growth of cross-border liability flows has a negative relationship with the growth of the HHI or the concentration to common lenders. This could imply that as sources of funding increase, the reliance to common lenders decreases and is consistent with the increased diversification of emerging Asian economies when it comes to borrowing. Subsequently, as the domestic currency appreciates, this has a dampening effect on the need for increased dependence on common lender funding. Growth of corporate loans, meanwhile, can encourage concentration to common lenders. However, as bank capital adequacy increases, banks have more capacity to manage the risks from higher concentration to common lenders, particularly if and when these risks materialize.

On determinants affecting growth of corporate loans, the results show that both cross-border liability flow and HHI growth have a positive relationship with the growth of corporate loans. This could imply that lending and risk-taking activities become more pronounced as foreign borrowing increases. Meanwhile, on common lender factors affecting real GDP growth, HHI growth has a positive relationship, albeit the coefficient is insignificant. Moreover, cross-border liability growth has a negative relationship with GDP, albeit insignificant. Increased capital adequacy of banks exhibits a positive relationship with GDP growth.

With regard to the macroeconomic determinants of concentration to common lenders, the results find that economic growth has a positive relationship with common lender concentration. This could underline the procyclical nature of the common lender channel, that is, during booms, cross-border borrowing/lending become more concentrated in fewer foreign banks. Moreover, the results reveal the negative relationship between deposit liabilities and common lender concentration, that is, as domestic funding from deposits increases, the lesser the need to rely on funding from common lenders.

The effect of the common lender channel is simulated using panel Vector Autoregression (VAR) of quarterly data from 2006Q1 to 2018Q2 of emerging Asian economies. The common lender channel effect ensues when unexpected losses brought about by a crisis in one country induces banks to withdraw from other borrower countries. Hence, the ordering of the variables is intended to reflect this. An exogenous shock to cross-border funding will feed into the market concentration of countries to their respective common lenders, as represented by the HHI, then to the exchange rate. This transmission mechanism simulates an episode of an inflow or outflow of cross-border lending. Shocks are then transmitted domestically through the banking system's funding base or total deposit liabilities. The impact of banking sector on the real economy will then be determined through the lending channel, particularly on loans to corporation, which comprise the majority of loans by banks.

Using the first specification wherein cross-border liability flows was ordered first, the results show that both cross-border liability flows and HHI had insignificant impact on loans to corporation and subsequently, real GDP. This highlights that despite high concentration to common lenders and even amidst a pullback of cross-border funding, loans to corporations should remain relatively unaffected. This supports the findings of Koch and Remolona (2018) that emerging Asian countries have diversified their cross-border borrowings, as well as the fact that international borrowings of these countries have fallen compared to two decades ago. In doing so, countries are expected to be more resilient to external funding shocks. Moreover, cross-border liability inflow has a significant positive impact on the banking system's deposit liability in the first quarter after the shock, which is expected.

Employing the alternative specification wherein real GDP is ordered before cross-border liability flows and following the same sequence, the impact of both cross-border liability flows and HHI variables on loans to corporates are found to be still modest. Moreover, worth noting in this specification is that real GDP has an insignificant impact both on cross-border liability flows and HHI. This likewise supports the findings of Koch and Remolona (2018) that cross-border borrowing has become more diversified and lesser in recent years. In essence, the findings of both specifications reinforce the importance of having strong domestic funding, particularly from deposits, so as to shore up the resiliency of bank lending activities to external and internal shocks.

To test if there are nuances of the *common lender channel* on a per country level, VARs are likewise conducted for each emerging Asian country. On a per country level, the VARs yielded interesting results. Some countries, including South Korea and Indonesia, are more sensitive to common-lender related variables– that is, higher inflows of cross-border liabilities have significant positive impact on loans to corporate lending. By contrast, a high concentration to common lenders has a negative impact on corporate lending. Moreover, common lender-related variables in some countries are more affected by economic shocks – that is, during economic booms, cross-border borrowing and exposure to common lenders increases. For instance, South Korea and Indonesia showed a significant positive relationship between real GDP and to both HHI growth cross-border liability flows.

Implications of Findings for Asian Emerging Economies

The results suggest that diversifying sources of external financing may need to continue to reduce vulnerability to common lender problem. Possible reduction of funds coming from major internationally-active banks may happen during crisis and may affect supply to emerging Asian Economies. These economies should continue to be mindful of the spillover risk and need to strengthen their buffers to guard against the risk of a possible pullback by the common lenders.

Importantly, the findings of this study bring us to a broader issue on the importance of surveillance and prudential regulation. It can be recalled that cross-border lending in the BIS banking statistics measures foreign bank lending relevant for balance of payment financing. This is a fundamental variable for emerging markets, which have experienced balance of payment crises in the past decades. The increased presence of foreign banks in the domestic banking system necessitates the development of effective cross-border prudential supervision.

The findings so far imply that supervisors should continue to take steps, directly or through regulated entities, to provide that banks have adequate risk management processes in place to manage group-wide risk concentrations. Where necessary the supervisors should consider appropriate measures, such as reinforcing these processes with supervisory limits. Supervisors should monitor material risk concentrations on a timely basis, as needed, through regular reporting or by other means to help form a clear understanding of the risk concentrations of the financial conglomerate. Supervisors should encourage public disclosure of risk concentrations.

Supervisors across jurisdictions should liaise closely with one another to ascertain each other's concerns and coordinate as deemed appropriate any supervisory action relative to risk concentrations within the group. Importantly, supervisors should deal effectively and appropriately with material risk concentrations that are considered to have a detrimental effect on the regulated entities, either directly or through an overall detrimental effect on the group. In an increasingly inter-connected global financial system, regulators in the region should strengthen cooperation in the supervision of cross-border capital flows to reap the mutual benefits of cross-border finance while preserving financial stability.

What is the Cost of Compliance?[1]

Results of the Study on the Cost of Compliance with the BSP Regulations[2]

Introduction

With regulatory burden topping polls on challenges for bankers (Dahl, et. al., 2018), several studies have been conducted to better understand the cost of regulatory compliance. In the Philippines, banks have expressed concerns on the effect of implementation of new regulations on banks' revenue but are unable to quantify such.

In this respect, the BSP endeavored to conduct the Cost of Compliance Survey (COCS). This intends to identify the drivers of compliance costs and the measures undertaken to reduce such costs, as well as the methodology or framework employed by banks in identifying, measuring, and monitoring compliance costs.

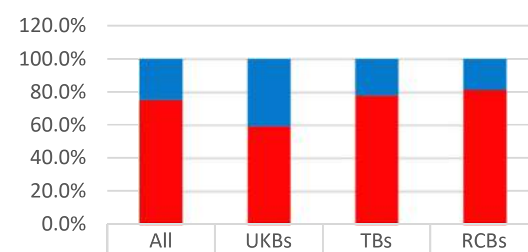
For the purpose of the survey, compliance costs refer to those incurred by the bank in undertaking actions necessary to comply with the BSP regulatory requirements such as manpower, capacity building, external service, and IT costs. Compliance costs do not include supervision fees, fines, and monetary sanctions imposed by the BSP. The study covered actual compliance-related costs incurred for the year ended 31 December 2018 and cumulative costs incurred arising from the issuance of landmark regulations[3] from 2014 to 2018.

The study recognizes that some costs incurred over the specified five-year period may not be identified. Nonetheless, the use of estimates was allowed in accomplishing the survey.

Results of the COCS

Compliance Cost Framework. Generally, banks do not have a framework in place to identify, measure and monitor compliance costs (Figure 1). The absence of compliance cost framework is attributed to the insufficient number of personnel, data, and knowledge to conduct the activity. Meanwhile, the respondents with frameworks in place utilized simple tools such as variance analysis, specific cost allocation, and cost center analysis for compliance cost monitoring.

Figure 1. Banks with Compliance Cost Framework



Percent Share	All	UKBs	TBs	RCBs
With	24.7%	40.9%	22.2%	18.7%
Without	75.3%	59.1%	77.8%	81.3%

[1] The study was conducted by Joanne T. Cortez (Bank Officer IV) and Luisa F. Ramirez (Bank Officer V) from the Supervisory Policy and Research Department (SPRD). The usual institutional disclaimer applies.

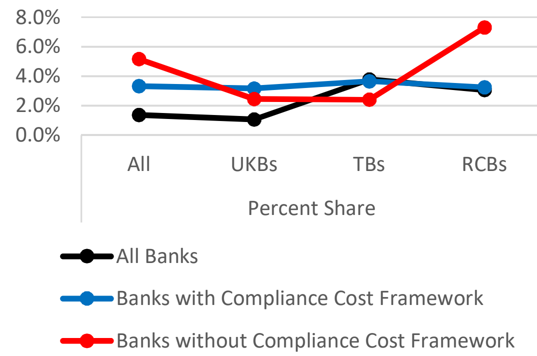
[2] The survey was conducted from 3 June 2019 to 7 August 2019 covering 160 banks, i.e., 45 universal/commercial banks (UKBs), 35 thrift banks (TBs), and 80 rural/cooperative banks (R/CBs). The TBs and R/CBs were randomly selected. Overall response rate is 60.6 percent. Respondents accounted for 76.9 percent of the total assets of the Philippine banking system as of end-December 2018.

[3] The landmark regulations covered by the study are regulations on capital, credit risk management (CRM), liquidity risk management (LRM), operational risk management (ORM), IT risk management (ITRM), Philippine Financial Reporting Standards (PFRS) 9, governance and Anti-Money Laundering (AML). BSP issuances that relaxes or liberalizes existing regulations are not covered by the study.

Box Article 2: What is the Cost of Compliance?

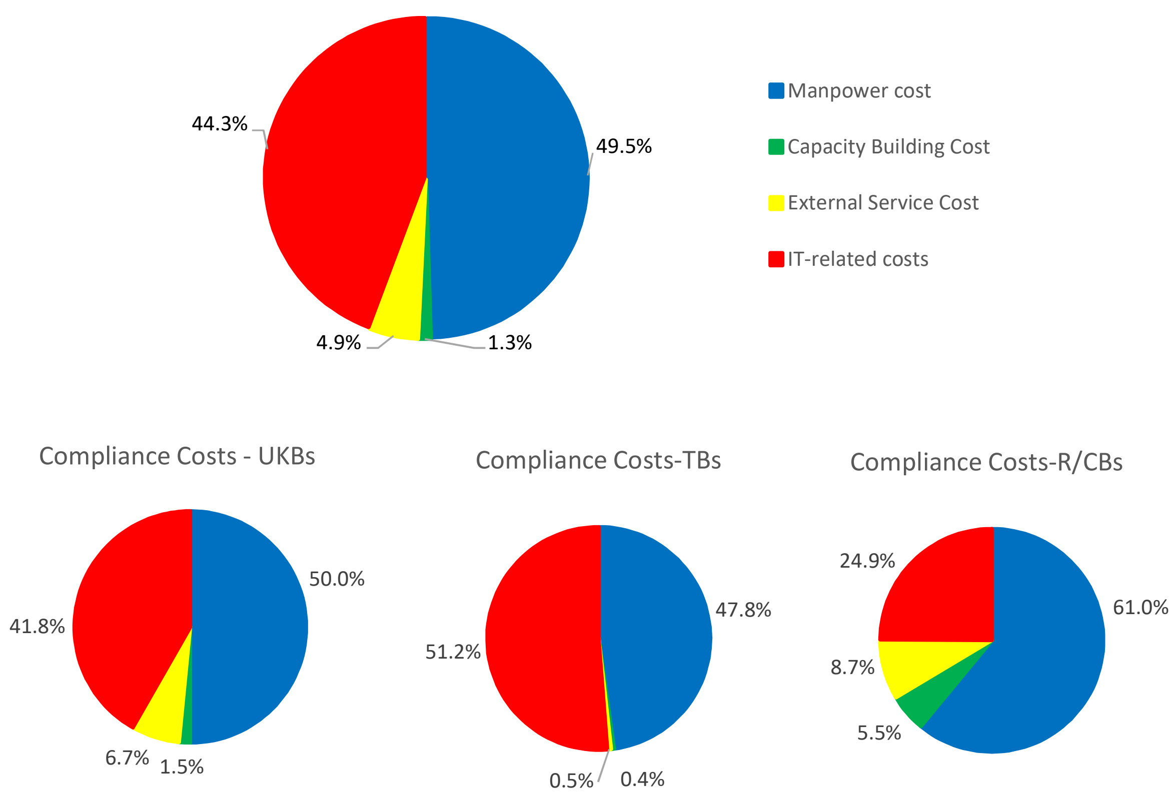
It should be noted that on the average, compliance cost to non-interest expense ratio of respondents without compliance cost frameworks is higher at 5.2 percent than for those with frameworks at 3.3 percent (Figure 2). Spong (1995) deduced from his study that in terms of financial characteristics, the most efficient banks are those that exert a concerted effort to control all aspects of cost, including salary expenses, fixed costs, and other non-interest expenses.

Figure 2. Compliance Costs to Non-interest Expense



Sources of Costs. A total of P4.3 billion compliance cost was incurred by respondent banks as of end-December 2018 (Figure 3 and Table 1). Almost half of the cost were allocated to cover the manpower cost or the cost of personnel time devoted to completing the activities required to achieve regulatory compliance. Such cost does not include the cost of staff supervision or management not directly attributable to the performance of regulatory compliance function. Another high cost incurred by banks is the IT-related cost to develop, purchase or acquired new IT system/application/software or upgrade existing systems, including related outsourcing and maintenance costs to meet the BSP regulatory and reporting requirements.

Figure 3. Breakdown of Compliance Costs - All Banks



Box Article 2: What is the Cost of Compliance?

Table 1. Breakdown of Compliance Cost by Bank Category

	in Million Pesos				Percent Share			
	All	UKBs	TBs	RCBs	All	UKBs	TBs	RCBs
Manpower cost	2,107.3	1,485.5	590.4	31.4	49.5%	50.0%	47.8%	61.0%
Capacity Building Cost	53.6	45.4	5.4	2.8	1.3%	1.5%	0.4%	5.5%
External Service Cost	209.6	198.4	6.7	4.5	4.9%	6.7%	0.5%	8.7%
IT-related costs	1,885.4	1,239.9	632.6	12.8	44.3%	41.8%	51.2%	24.9%
Total	4,255.9	2,969.3	1,235.1	51.5	100.0%	100.0%	100.0%	100.0%

Source: Results of COCS

For the purpose of the survey, compliance-related manpower costs are broken down into three categories: (1) those related to salaries and benefits of officers and staff reporting under the compliance department/unit; (2) those related to salaries and benefits of other personnel not reporting under the compliance department/unit but are performing compliance functions; and (3) those related to the per diem of additional members of the board of directors appointed in relation to new BSP regulations (Figure 4). Comparison of compliance-related manpower costs to bank-wide manpower cost is summarized in Table 2.

Figure 4. Compliance-related Manpower Cost

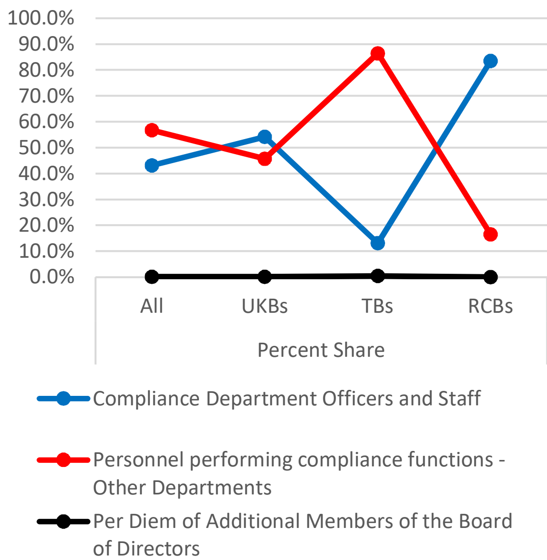


Table 2. Compliance-related Manpower Cost vis-à-vis Bank-wide Manpower Cost

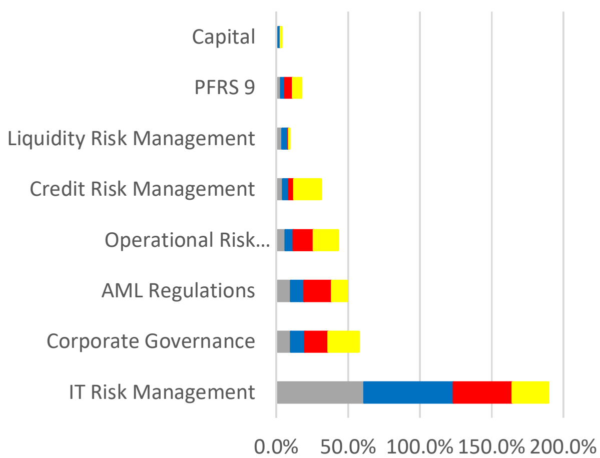
	Percent Share			
	All	UKBs	TBs	RCBs
Compliance Department Officers and Staff (a)	1.0%	1.0%	0.8%	4.5%
Personnel performing compliance functions - Other Departments (b)	1.3%	0.8%	5.6%	0.9%
Total Compliance-related manpower costs (a+b)	2.3%	1.8%	6.4%	5.4%
Total Bank-wide manpower costs	100.0%	100.0%	100.0%	100.0%

The manpower cost distribution is reflective of the compliance function structure in banks. In the case of U/KBs, compliance is a shared responsibility by the compliance department and other support units conducting "know your client" (KYC) verification, legal regulatory review, and risk identification. For, TBs, there are more personnel in the other departments but are performing compliance functions. The subsidiary TBs align their manpower structures with their parent banks. Given the simple operations of R/CBs, most of the compliance function are centralized in the compliance officer.

Box Article 2: What is the Cost of Compliance?

Meanwhile, the survey revealed that the highest cumulative compliance costs from 2014 to 2018 pertain to compliance with ITRM regulations. The setting-up of IT systems for risk data architecture, due diligence and reporting requirements was also part of the banks' compliance with other landmark regulations on corporate governance and AML (Figure 5). Majority of the IT costs were one-time expenditures for IT systems while the remaining part represented ongoing or recurring costs for system maintenance and updating.

Figure 5. Cost per Regulation per Bank Type (2014-2018)



	Percent Share			
	All	UKBs	TBs	RCBs
IT Risk Management	61.2%	62.3%	41.0%	25.1%
Corporate Governance	10.0%	9.7%	16.4%	21.2%
AML Regulations	9.9%	9.5%	19.0%	10.8%
Operational Risk Management	6.1%	5.7%	14.2%	16.9%
Credit Risk Management	4.4%	4.3%	3.5%	18.7%
Liquidity Risk Management	4.0%	4.2%	0.3%	0.5%
PFRS 9	3.0%	2.9%	5.4%	6.1%
Capital	1.3%	1.4%	0.1%	0.7%
Total	100.0%	100.0%	100.0%	100.0%

For the cumulative aggregate cost, the IT-related costs accounted for 73.3 percent of the total aggregate costs incurred from 2014 to 2018, followed by manpower costs at 14.9 percent share, external service cost at 10.8 percent share and capacity building cost at 1.0 percent.

Banks Outlook on Compliance Cost. Majority of the respondents perceive that total compliance cost will increase by less than 25.0 percent in 2019 compared to 2018 levels. The regulations pertaining to ITRM, AML, and Data Privacy are seen to have the highest cost allocation for 2019 to 2021. This may be attributed to the respondents' appreciation of the need to acquire/upgrade IT systems and infrastructures, hire additional manpower, and train personnel to meet supervisory expectations.

Moving forward, to reduce compliance costs, most respondents are looking at improving the training of personnel, automation of processes (e.g., use of regulatory technology), and outsourcing of activities. Other measures provided are hiring of more competent personnel and streamlining of banks policies and processes.

Conclusion

The Cost of Compliance Survey discloses the banks' general appreciation of compliance costs, its related framework, outlook, and strategies to handle the same. The results of the survey highlight that while banks incur incremental costs to address the BSP regulations, these are generally not monitored and are at a modest level. The two main drivers of compliance costs, manpower and IT, are reflective of the initiatives of respondent banks to address new regulations, which are by training of personnel and upgrading of IT system and/or infrastructures. Moreover, the relatively high number of employees not reporting to the compliance department but are performing compliance-related functions (e.g., business units, risk management units, and internal audit units) is reflective of banks' enterprise-wide responsibility for compliance. This also indicates banks' awareness of the need to strengthen the lines of defenses particularly in ensuring compliance with rules and regulations.

The results of the COCS are consistent with an earlier study by Talabong (2019). Using an accounting-based approach, compliance to BSP regulations, in general, was seen to contribute a modest amount to the level of cost of its supervised institutions.

This is likewise supported by the BSP's thrust to liberalize and rationalize regulatory expectations. Moreover, the minimal compliance costs to non-interest expenses across all types of banks reflects the BSP's initiatives in implementing the principle of proportionality in its regulation and supervision.

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Annex 1: Implementation of the Barangay Micro Business Enterprises Act

Overview

In line with Republic Act (R.A.) No. 9178, otherwise known as the "Barangay Micro Business Enterprises (BMBEs) Act of 2002", the banking system, together with concerned government financial institutions (GFIs), continued to serve the financing needs of BMBEs in 2019. The Bangko Sentral ng Pilipinas (BSP) maintains its commitment to foster an enabling regulatory environment to further improve credit delivery to BMBEs and other micro enterprises.

The BMBEs Act supports BMBE growth by opening credit windows

R.A. No. 9178 encourages the formation and growth of BMBEs through rationalized bureaucratic restrictions[1], active government intervention and granting of incentives and benefits.

BMBE

- A business entity engaged in the production, processing or manufacturing of products or commodities including agro-processing,trading and services
- Total assets, including those arising from loans but excluding land, shall not be more than P3 million
- Registered through DTI Negosyo Centers (one-stop shops for MSMEs)

Under the Act, incentives and benefits for BMBEs include the following: (1) exemption from income tax for income arising from BMBE operations, as well as reduction of or exemption from local taxes, fees and charges; (2) exemption from the coverage of the Minimum Wage Law, provided that BMBE employees are entitled to the same benefits for regular employees, such as social security and healthcare benefits; (3) technology transfer, production and management training, and marketing assistance extended to BMBEs and funded by the BMBE Development Fund; and (4) special credit and guarantee windows to serve the financing needs of BMBEs.

[1] The BMBE registration procedure as mandated under Section 4 of the BMBEs Act, amended by R.A. No. 10644 (An Act Promoting Job Generation and Inclusive Growth through the Development of Micro, Small and Medium Enterprises [MSMEs]) otherwise known as the "Go Negosyo" Act, enables a simpler BMBE registration process through Negosyo Centers (one-stop shops for MSMEs including BMBEs) handled by the Department of Trade and Industry (DTI), instead of the prior arrangement under the local government unit (LGU) where the BMBE operates.

To serve the financing needs of BMBEs, Section 9 of the BMBEs Act states that consistent with BSP policies, rules and regulations, special credit windows shall be set up for registered BMBEs by the following GFIs: Land Bank of the Philippines (LBP), Development Bank of the Philippines (DBP), Small Business Corporation (SBC)[2] and People's Credit and Finance Corporation (PCFC). Section 9 of the BMBEs Act also mandates the BSP to formulate the implementing rules on credit delivery, as well as establish incentive programs to encourage and improve credit delivery to BMBEs.

Meanwhile, the Government Service Insurance System (GSIS) and the Social Security System (SSS) are mandated to set up special credit windows to serve the financing needs of their respective members who wish to establish BMBEs. Furthermore, the SBC, in case of agribusiness activities, is required to set up a special guarantee window to provide the necessary credit guarantee to BMBEs.

BSP's existing regulations facilitate improved credit delivery to BMBEs

As a financial regulator, the BSP imposes administrative sanctions and other penalties on concerned GFIs that are non-compliant with the provisions of Sections 9 and 13 of the BMBEs Act. This is implemented under Circular No. 374 dated 11 March 2003 on the implementing rules and regulations (IRR) of credit delivery to BMBEs and the imposition of penalties on concerned GFIs for non-compliance with credit delivery requirements.

Under this regulatory framework, the special credit windows to be set up by the LBP, DBP, SBC and PCFC are expected to serve the credit needs of BMBEs either through retail or wholesale lending, or both, as the GFI may deem consistent with their corporate policies and objectives. Furthermore, the Circular prescribes that the GSIS and SSS will set up special credit windows to its members who may wish to establish BMBEs, and that SBC shall provide credit guarantee to BMBEs under its guarantee program.

Moreover, the BSP can impose administrative sanctions on concerned GFIs for any violation of the provisions of Sections 9 and 13 of the BMBEs Act, subject to a fine of not less than P0.5 million to be made payable to the BMBE Development Fund. In the case of a bank, penalty imposed will be without prejudice to the administrative sanctions under Section 37 of R.A. No. 7653 (The New Central Bank Act).

The Circular also prescribes the following conditions for banks and other financial institutions (FIs) that lend to BMBEs: (1) the interest on loans to BMBEs to be just and reasonable; (2) the schedule of loan amortization to take into consideration the projected cash flow of the borrowers; and (3) registered BMBE borrowers be exempted from submission of income tax returns as a condition to the grant of loans, considering that they are exempt from income tax for income arising from their operations, provided that before loan granting, banks to undertake reasonable measures to determine the borrowers' capability to pay.

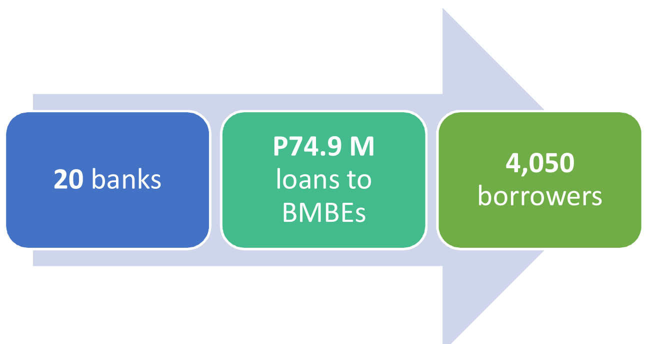
To encourage lending by private banks and other FIs to BMBEs, all loans from whatever sources granted to BMBEs under the BMBEs Act were considered as part of the alternative compliance with R.A. No. 6977 (Magna Carta for Small and Medium Enterprises), as amended. However, the mandatory credit allocation for micro, small and medium enterprises (MSMEs) as set forth in R.A. No. 6977, as amended by R.A. Nos. 8289 and 9501 (Magna Carta for MSMEs), ended last 16 June 2018.

[2] Formerly the Small Business Guarantee and Finance Corporation (SBGFC).

Under Circular No. 736 dated 20 July 2011[3], loans to BMBEs may still form part of a bank's compliance with the mandatory credit allocation for agriculture and agrarian reform credit at 100 percent of their outstanding balance provided that these credit allocations meet the qualification requirements for agri-agra compliance.

Banks continue to grant retail loans to BMBEs

The BSP monitors credit delivery to BMBEs by banks through the Report on Loans Granted to BMBEs which forms part of the quarterly MSME Report[4]. This report includes data on outstanding loans to BMBEs, number of borrowers and corresponding loan amounts utilized as alternative compliance with the mandatory credit allocation for MSMEs. Banks continue to submit their MSME reports to the BSP Department of Supervisory Analytics (DSA) even though the mandatory credit allocation for MSMEs already ended.



Based on bank-submitted MSME reports, a total of 20 banks granted retail loans to BMBEs amounting to P74.9 million[5] (Table 1), lower than the P188.3 million as of end-December 2018 but higher than the P58.0 million level as of end-December 2017. These loans were directly granted to 4,050 BMBE borrowers. Rural and cooperative banks continued to cater to the needs of most BMBE borrowers as the industry held the 92.0 percent share (P68.9 million) of the banking system's total credit to BMBEs.

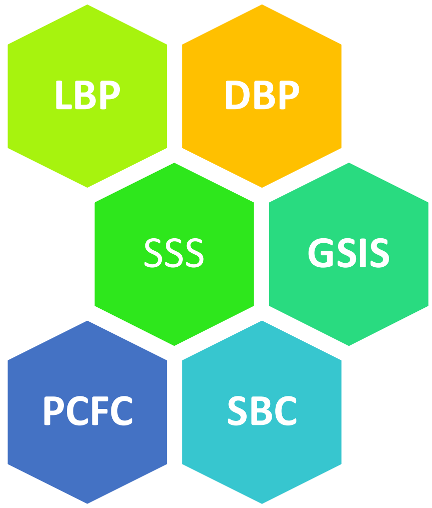
Table 1
Philippine Banking System
Banks' Loans to BMBEs
as of 31 December 2019
(Levels in Million Pesos)

Industry	No. of Banks	Outstanding Loans to BMBEs	No. of Borrowers
Universal and Commercial Bank	1	₱ 5.3 M	7
Thrift Bank	1	0.7	113
Rural Bank	16	33.8	3,292
Cooperative Bank	2	35.1	638
Total	**20**	**₱ 74.9 M**	**4,050**

Source of data: MSME Reports submitted by banks to the BSP

[3] Implemented the provisions of R.A. No. 10000 (Agri-Agra Reform Credit Act of 2009) and its IRR.
[4] Report on Compliance with Mandatory Credit Allocation Required Under R.A. No. 6977, as amended.
[5] No bank reported wholesale funds for on-lending to BMBE borrowers.

Concerned GFIs generally comply with requirement to extend credit delivery/guarantee to BMBEs



The concerned GFIs, namely LBP, DBP, SSS, GSIS, PCFC and SBC, provided the BSP copies of their respective annual reports on the status of the implementation of the BMBEs Act submitted to both Houses of Congress as mandated by Section 9 of the BMBEs Act.

Based on their reports to Congress, these GFIs were generally compliant with the requirement of the BMBEs Act on setting up special credit windows/facilities to serve the financing needs of BMBEs.

In line with the provisions of the BMBEs Act, the BSP continues to monitor GFIs' compliance with the requirements of the law while encouraging BMBE lending by private banks. Moreover, the BSP sustains its thrust to promote a regulatory environment that allows improved credit delivery to BMBEs and MSMEs in general, considering their role as drivers of broad-based and inclusive growth.

Annex 2: 2019 Survey on the Effects of Foreign Bank Entry into the Philippine Banking System

Overview

Foreign banks remained beneficial to the domestic economy by facilitating the flow of investments between the Philippines and other countries in 2019. These banks also participated in various economic and trade activities where business potentials of the country were showcased and disseminated to attract more foreign investors into the economy.

Foreign banks continued to invest substantially in human capital and technology in the banking system by providing employment opportunities; developing competent professionals through, among others, trainings on the latest trends in banking and finance; and introduction/adoption of innovations in their business processes.

Objective

The survey aims to determine the extent of foreign banks' support to the policy objectives embodied in Section 1 of Republic Act (R.A.) No. 7721, as amended by R.A. No. 10641, which provides that —

> "The State shall develop a self-reliant and independent national economy effectively controlled by Filipinos and encourage, promote, and maintain a stable, competitive, efficient, and dynamic banking and financial system that will stimulate economic growth, attract foreign investments, provide a wider variety of financial services to Philippine enterprises, households and individuals, strengthen linkages with global financial centers, enhance the country's competitiveness in the international market and serve as a channel for the flow of funds and investments into the economy to promote industrialization."

Methodology

Survey questionnaires were sent out to the 29 FBBs and subsidiaries to draw information on:

1. Investments and trade activities undertaken to attract foreign investments in the Philippines;
2. Financial products and services provided to local residents or companies based in the Philippines;
3. Banking technology introduced for the benefit of local clients and depositors;
4. Training and seminars conducted or extended to increase awareness and knowledge in various banking practices; and
5. Number of Filipino officers and employees employed.

Key Findings

A. INVESTMENTS, TRADE AND BUSINESS OPPORTUNITIES

Based on the result of the survey, the following are the activities conducted by the FBBs and subsidiaries to facilitate trade transactions, promote investments, and create business opportunities in the country:

1. Organized economic briefings to help clients understand what is happening globally and how it affects the Philippine market.

2. Arranged market forum with BSP Governor Benjamin Diokno as the featured guest, sharing his priorities and planned developments in the banking industry.

3. Organized/participated in investment and trade conference/roadshows in the Philippines and abroad to further enhance trade and investment relations between the Philippines and other countries.

4. Conducted non-deal roadshows or forums for the Republic of the Philippines to invite investments in securities issued by the Philippine Government.

5. Facilitated the flow of funds in the form of investments in equity and debt instruments, as well as initial/additional capital for the operation of global firms' subsidiaries/affiliates in the Philippines.

6. Arranged meetings for potential partnership of local companies with foreign investors.

7. Launched roundtables to introduce digital products to the public.

8. Helped match business needs of clients with their offered services onshore, and with branches abroad.

9. Acted as arranger/book runner/underwriter for the issuance of banks' and non-financial corporations' debt and capital instruments.

10. Provided financial advisory services to local corporations.

11. Arranged remittance service cooperation opportunities between Philippines and other countries.

12. Participated in expos focused on opening the country's market to Association of South East Asian Nations (ASEAN) member countries.

13. Partnered with various enablers and acquisition partners for payment transactions.

14. Sponsored various sports tournaments, association meetings, nesting/boothing activities, among others, in an effort to generate new leads for customer acquisition and increase market awareness for bank products and services.

B. PRINTED MATERIALS

The FBBs and subsidiaries disseminated the following printed materials to showcase the development in the industry:

1. Published an article in the business section of a national newspaper regarding the banking digitization.

2. Published an article in a national newspaper regarding partnership as an innovation key to insurance growth

3. Published articles in various newspapers regarding the continued growth of the bank both in the Philippines and in Asia.

4. Posted articles in a social media website regarding bank products and services, i.e. loan and savings application, digital banks.

C. NEW TECHNOLOGY

The foreign banks reported the implementation of the following financial technology (fintech) tools to better serve the banking public as well as to improve the efficiency of their operations:

Mobile Banking	Allows clients to view their balances and remit funds via mobile application
Overseas Imaging Applications System (OIAMS)	Digitizes customer information
Jumio Facial Recognition	Artificial intelligence (AI)-based facial recognition for client-verification during onboarding by identifying customer's ID, authenticate ID, selfie check, and liveness checking
GSave	A savings account in partnership with Gcash
Mobile Reload- Paymaya	Enables mobile reloading through bank application
PesoNet/Instapay	An interbank fund transfer facility
iMoney RCE	An implementation of an application programming interface (API) to allow clients to enter their Card application in the iMoney website.
Paperless Loan Origination System	Improves end-to-end loan processing by lowering the turnaround time and increasing volume
API Tool	Allows the integrated and flexible exchange of trade-related information between a bank and its clients – allowing for real time reporting of data when these are available in the bank’s system.

Survey Monkey	An online survey tool for managing survey inside the bank
Pymetrics	An online assessment tool to test applicants' cognitive and behavioral skills
IFRS 9	Used to compute Expected Credit Loss (ECL) and to identify the balances/exposures that are subject to default, and assets and contingent accounts that are subject to ECL.
ACTIMIZE	KYC Name screening system that checks customers against sanctions lists as well as PEPs and Adverse News. System aims to improve KYC Name Screening process, quality and business efficiency.
Trade Payables Management	A new product which offers invoice pre-payment financing to vendors.

D. TRAININGS/SEMINARS AND BRIEFINGS

The foreign banks reported that they conducted and/or attended various training and seminars covering the following topics:

Know Your Customer (KYC)	Stress Testing Exercise	PhilPaSS/PESONet
Business Continuity/ Disaster Preparedness/Safety	Data Privacy/Security/Information Technology	Cybersecurity, Fraud Detection, Cybercrime and Cyber Fraud Detection
Philippine Financial Reporting Standards 9 (PFRS 9)/ International Financial Reporting Standards (IFRS) 9/ Basel III/NSFR	Fraud/ Counterfeit Notes Detection/ Know Your Money and Counterfeit Detection/Forgery Detection/Anti-Money Laundering/Financial Crime Risk Management	Investment, Trade and Treasury Operations/Trade Finance/Trust/ Derivatives/Capital Markets/Foreign Exchange Regulations/Interest Rates
Financial Consumer Protection	Overseas Electronic Banking/Global Markets/Retail Banking	Real Estate Appraisal/Residential Real Estate Price Index
Credit/Credit Risk/Liquidity Risk/Climate Risk Management	Economic Briefings and Forums/ Taxation and Accounting/TRAIN Law/Project Finance/Sustainable Finance	Corporate Governance/Compliance/ Regulatory/Operations/HR/Personnel Skills Development/Occupational Safety & Health/Project Management/Internal Controls

Appendices

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Appendix 1. Philippine Banking System: Financial Highlights

Levels (P Billion)	2015	2016	2017	2018 *	2019 p/
Income Statement					
Total Operating Income	479.7	535.0	590.8	660.2	788.0
Net Interest Income	349.1	386.0	447.4	509.7	598.8
Non-interest Income	130.5	149.1	143.4	150.5	189.3
Non-Interest Expenses	310.4	341.3	378.2	426.0	476.4
Losses/Recoveries on Financial Assets	(22.1)	(30.0)	(33.7)	(31.7)	(50.5)
Bad Debts/Provisions for Credit Losses	(29.3)	(39.3)	(38.3)	(38.5)	(56.1)
Recovery on Charged-Off Assets	7.2	9.2	4.5	6.9	5.6
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	147.1	163.7	178.9	202.6	261.1
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	17.7	22.4	27.9	22.5	25.3
Total Profit/Loss Before Tax and Before Minority Interest	164.8	186.1	206.8	225.1	286.4
Income Tax Expense	29.5	31.7	38.7	46.2	56.0
Total Profit/Loss After Tax and Before Minority Interest	135.3	154.3	168.1	178.8	230.4
Minority Interest in Profit/(Loss) of Subsidiaries	-	-	-	-	-
Net Profit/(Loss)	135.3	154.3	168.1	178.8	230.4
Balance Sheet					
Total Assets 1/	12,089.1	13,591.2	15,166.2	16,911.4	18,331.7
Cash and Due from Banks	2,473.1	2,765.7	2,713.5	2,605.0	2,799.8
Financial Assets, gross (Other than Loans)	2,496.5	2,595.3	2,914.5	3,462.6	3,734.5
Financial Assets Held for Trading (HFT)	193.3	168.3	177.5	211.4	198.8
Financial Assets Designated at Fair Value through Profit or Loss	7.9	8.9	17.0	20.6	2.2
Available-for-Sale (AFS) Financial Assets	1,042.2	1,038.1	1,070.0	816.1	1,126.3
Held-to-Maturity (HTM) Financial Assets	1,144.4	1,254.0	1,542.4	2,414.5	2,407.2
Unquoted Debt Securities Classified as Loans (UDSCL)	89.2	106.4	88.3	0.1	-
Investments in Non-Marketable Equity Securities (INMES)	19.4	19.7	19.3	-	-
Accumulated Market Gains/(Losses)	2.5	(5.5)	(9.8)	(12.3)	22.6
Allowance for Credit Losses	25.9	24.9	23.5	17.6	18.0
Financial Assets, net (Other than Loans)	2,473.2	2,564.9	2,881.2	3,432.7	3,739.1
Loans, gross (inclusive of IBL)	6,527.3	7,612.1	8,865.6	10,075.6	10,964.8
Interbank Loans Receivable (IBL)	214.6	266.5	252.0	256.2	226.7
Loans, gross (exclusive of IBL)	6,312.7	7,345.6	8,613.6	9,819.4	10,738.1
Reverse Repurchase (RRP) with BSP and Other Banks	343.9	377.5	365.8	377.6	420.2
Loans, gross (exclusive of IBL and RRP with BSP and Other Banks)	5,968.7	6,968.1	8,247.7	9,441.8	10,317.9
Allowance for Probable Losses	161.6	172.8	184.3	187.3	208.0
Loans, net (exclusive of IBL and RRP with BSP and Other Banks)	5,807.1	6,795.3	8,063.5	9,254.4	10,109.9
Equity Investment in Subsidiaries, Associates and Joint Ventures, net	223.9	239.5	253.9	297.3	301.5
ROPA, net	93.1	91.5	92.3	96.9	97.2
Other Assets, net	460.3	490.3	543.9	591.2	637.1
Total Liabilities	10,685.6	12,043.1	13,409.4	14,843.9	16,012.0
Financial Liabilities Held for Trading	28.2	36.1	32.5	40.0	35.0
Financial Liabilities DFVPL	-	-	-	-	-
Deposits	9,231.3	10,506.6	11,727.0	12,760.9	13,665.1
Peso Liabilities	7,689.5	8,708.7	9,753.0	10,643.7	11,558.5
Foreign Currency	1,541.9	1,797.8	1,973.9	2,117.2	2,106.6
Bills Payable	629.4	703.9	787.2	933.9	864.2
Unsecured Subordinated Debt	113.8	89.7	87.0	87.0	48.0
Redeemable Preferred Shares	0.9	0.9	0.9	0.9	0.3
Other Liabilities	681.9	706.0	774.8	1,021.3	1,399.4
Total Capital Accounts 2/	1,403.6	1,548.1	1,756.8	2,067.5	2,319.7

1/ Adjusted to net off the account "Due from Head Office" with "Due to Head Office" of branches of foreign banks
2/ Inclusive of the portion of the "Net Due to Head Office" which qualified as capital

** Data for RCBs as of end-September 2018*
p/ Preliminary; Data for RCBs as of end-September 2019
Figures may not add up due to rounding-off
. . . Less than P0.05 billion

Appendix 2. Philippine Banking System: Growth Rates

Growth Rates	2015	2016	2017	2018 *	2019 p/
Income Statement					
Total Operating Income	2.7 %	11.5%	10.4%	13.0%	19.4 %
Net Interest Income	8.6 %	10.5%	15.9%	15.2%	17.5 %
Non-interest Income	(10.4%)	14.2%	(3.8%)	6.2%	25.8 %
Non-Interest Expenses	6.0 %	10.0%	10.8%	14.3%	11.8 %
Losses/Recoveries on Financial Assets	(13.8%)	35.6%	12.3%	(4.7%)	59.5 %
Bad Debts/Provisions for Credit Losses	(0.4%)	34.0%	(2.6%)	2.2%	45.5 %
Recovery on Charged-Off Assets	92.7 %	28.8%	(51.0%)	53.5%	(19.0%)
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	(0.9%)	11.3%	9.3%	13.7%	28.9 %
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	7.1 %	26.3%	24.8%	(19.4%)	12.7 %
Total Profit/Loss Before Tax and Before Minority Interest	(0.1%)	12.9%	11.1%	9.2%	27.3 %
Income Tax Expense	0.1 %	7.6%	21.9%	20.2%	21.1 %
Total Profit/Loss After Tax and Before Minority Interest	(0.2%)	14.0%	8.9%	6.7%	28.8 %
Minority Interest in Profit/(Loss) of Subsidiaries					
Net Profit/(Loss)	(0.2%)	14.0%	8.9%	6.7%	28.8 %
Balance Sheet					
Total Assets 1/	8.2 %	12.4%	11.6%	11.5%	8.4 %
Cash and Due from Banks	(0.2%)	11.8%	(1.9%)	(4.0%)	7.5 %
Financial Assets, gross (Other than Loans)	9.8 %	4.0%	12.3%	18.8%	7.9 %
Financial Assets Held for Trading (HFT)	(40.0%)	(12.9%)	5.5%	19.1%	(5.9%)
Financial Assets Designated at Fair Value through Profit or Loss	45.5 %	11.9%	91.1%	22.0%	(89.2%)
Available-for-Sale (AFS) Financial Assets	5.1 %	(0.4%)	3.1%	(23.7%)	38.0 %
Held-to-Maturity (HTM) Financial Assets	38.1 %	9.6%	23.0%	56.6%	(0.3%)
Unquoted Debt Securities Classified as Loans (UDSCL)	(15.4%)	19.2%	(16.9%)	(99.9%)	(100.0%)
Investments in Non-Marketable Equity Securities (INMES)	1.2 %	1.5%	(1.9%)	(100.0%)	
Accumulated Market Gains/(Losses)	(86.4%)	(319.6%)	78.6%	25.0%	(284.4%)
Allowance for Credit Losses	5.6 %	(3.9%)	(5.4%)	(25.0%)	1.9 %
Financial Assets, net (Other than Loans)	9.1 %	3.7%	12.3%	19.2%	8.9 %
Loans, gross (inclusive of IBL)	11.9 %	16.6%	16.5%	13.7%	8.8 %
Interbank Loans Receivable (IBL)	(12.9%)	24.2%	(5.4%)	1.7%	(11.5%)
Loans, gross (exclusive of IBL)	13.0 %	16.4%	17.3%	14.0%	9.4 %
Reverse Repurchase (RRP) with BSP and Other Banks	11.1 %	9.8%	(3.1%)	3.2%	11.3 %
Loans, gross (exclusive of IBL and RRP with BSP and Other Banks)	13.1 %	16.7%	18.4%	14.5%	9.3 %
Allowance for Probable Losses	0.0 %	6.9%	6.6%	1.7%	11.0 %
Loans, net (exclusive of IBL and RRP with BSP and Other Banks)	13.5 %	17.0%	18.7%	14.8%	9.2 %
Equity Investment in Subsidiaries, Associates and Joint Ventures, net	11.2 %	6.9%	6.0%	17.1%	1.4 %
ROPA, net	(4.0%)	(1.7%)	0.9%	4.9%	0.4 %
Other Assets, net	1.3 %	6.5%	10.9%	8.9%	7.8 %
Total Liabilities	9.0 %	12.7%	11.3%	10.7%	7.9 %
Financial Liabilities Held for Trading	(49.8%)	27.9%	(9.9%)	22.8%	(12.4%)
Financial Liabilities DFVPL					
Deposits	8.3 %	13.8%	11.6%	8.8%	7.1 %
Peso Liabilities	8.4 %	13.3%	12.0%	9.2%	8.6 %
Foreign Currency	7.5 %	16.6%	9.8%	7.3%	(0.5%)
Bills Payable	21.6 %	11.8%	11.8%	19.0%	(7.5%)
Unsecured Subordinated Debt	3.5 %	(21.2%)	(3.0%)	(0.0%)	(44.8%)
Redeemable Preferred Shares	(5.3%)	(2.5%)	2.7%	(1.0%)	(66.4%)
Other Liabilities	14.9 %	3.5%	9.7%	31.9%	37.0 %
Total Capital Accounts 2/	2.7 %	10.3%	13.5%	17.7%	12.2 %

1/ Adjusted to net off the account "Due from Head Office" with "Due to Head Office" of branches of foreign banks
2/ Inclusive of the portion of the "Net Due to Head Office" which qualified as capital

** Data for R/CBs as of end-September 2018*
p/ Preliminary; Data for RCBs as of end-September 2019

Appendix 3. Philippine Banking System: Selected Performance Indicators

Selected Ratios	2015	2016	2017	2018 *	2019 p/
Profitability					
Earning Asset Yield 1/	4.2 %	4.2 %	4.3 %	4.7 %	5.4 %
Funding Cost 2/	1.1 %	1.0 %	1.1 %	1.4 %	1.9 %
Interest Spread 3/	3.1 %	3.1 %	3.2 %	3.3 %	3.5 %
Net Interest Margin 4/	3.3 %	3.2 %	3.3 %	3.4 %	3.7 %
Non-Interest Income to Total Operating Income 5/	27.2 %	27.9 %	24.3 %	22.8 %	24.0 %
Cost-to-Income 6/	64.5 %	63.6 %	63.8 %	64.5 %	60.3 %
Return on Assets (ROA) 7/	1.2 %	1.2 %	1.2 %	1.1 %	1.3 %
Return on Equity (ROE) 7/	9.8 %	10.5 %	10.2 %	9.4 %	10.5 %
Liquidity					
Cash and Due from Banks to Deposits	26.8 %	26.3 %	23.1 %	20.4 %	20.5 %
Liquid Assets to Deposits 8/	53.6 %	50.7 %	47.7 %	47.3 %	47.9 %
Loans, gross to Deposits	70.7 %	72.5 %	75.6 %	79.0 %	80.2 %
Asset Quality					
Restructured Loans to Total Loan Portfolio (TLP)	0.5 %	0.5 %	0.5 %	0.4 %	0.4 %
Allowance for Credit Losses (ACL) to TLP	2.5 %	2.3 %	2.1 %	1.9 %	1.9 %
Gross Non-Performing Loans (NPL) to TLP	2.1 %	1.9 %	1.7 %	1.8 %	2.1 %
Net NPL to TLP	0.6 %	0.6 %	0.8 %	0.9 %	1.1 %
NPL Ratio net of IBL	2.1 %	1.9 %	1.8 %	1.8 %	2.1 %
NPL Coverage (ACL to Gross NPL)	118.4 %	119.9 %	120.4 %	104.9 %	92.3 %
Non-Performing Assets (NPA) to Gross Assets	2.0 %	1.8 %	1.7 %	1.7 %	1.8 %
NPA Coverage (Allowance on NPA to NPA)	77.3 %	80.5 %	81.6 %	75.5 %	70.1 %
ROPA to Gross Assets Ratio	0.9 %	0.8 %	0.7 %	0.6 %	0.6 %
ROPA Coverage Ratio	27.6 %	29.1 %	26.9 %	26.9 %	26.6 %
Distressed Assets	4.0 %	3.5 %	3.2 %	3.0 %	3.2 %
Capital Adequacy					
Total Capital Accounts to Total Assets 9/	11.6 %	11.4 %	11.6 %	12.2 %	12.7 %
Capital Adequacy Ratio (Solo) 10/ 11/	14.9 %	14.4 %	14.4 %	14.8 %	15.4 % a/
Common Equity Tier 1 (CET1) Ratio	12.4 %	12.5 %	12.6 %	13.2 %	14.1 %
Capital Conservation Buffer	6.4 %	6.5 %	6.6 %	7.2 %	8.1 %
Tier 1 Ratio	12.6 %	12.5 %	12.7 %	13.2 %	14.1 %
Capital Adequacy Ratio (Consolidated) 10/ 11/	15.8 %	15.1 %	15.0 %	15.4 %	16.0 % a/
Common Equity Tier 1 (CET1) Ratio	13.3 %	13.3 %	13.3 %	13.8 %	14.8 %
Capital Conservation Buffer	7.3 %	7.3 %	7.3 %	7.8 %	8.8 %
Tier 1 Ratio	13.5 %	13.3 %	13.3 %	13.9 %	14.8 %

1/ Earning Asset Yield refers to the ratio of interest income to average earning assets.

2/ Funding Cost refers to the ratio of interest expenses to average interest-bearing liabilities.

3/ Interest Spread refers to the difference between earning asset yield and funding cost.

4/ Net Interest Margin refers to the ratio of net interest income to average earning assets.

5/ Non-Interest income includes dividends income.

6/ Cost-to-Income Ratio refers to the ratio of non-interest expenses to total operating income.

7/ ROA and ROE refer to the ratios of net profit to average assets and capital, respectively.

8/ Liquid Assets refer to Cash and Due from Banks plus Financial Assets, net of amortization (net of financial assets in equity securities).

9/ Total capital accounts includes redeemable preferred shares.

10/ Refers to the ratio of qualifying capital to total risk-weighted assets.

11/ CAR data are for Universal and Commercial Banks and subsidiary banks and quasi-banks; excludes Stand-Alone Thrift, Rural and Cooperative Banks

** Data for RCBs as of end-September 2018*

p/ Preliminary; Data for RCBs as of end-September 2019

a/ Preliminary CAR data for U/KBs as of end-December 2019; with substitution

Appendix 4. Philippine Banking Offices: Number of Offices and Regional Profile

End-December 2019	Total	UNIVERSAL BANKS	COMMERCIAL BANKS	THRIFT BANKS	RURAL BANKS	COOPERATIVE BANKS
TOTAL	**12,870**	**6,342**	**573**	**2,683**	**3,111**	**161**
Head Offices	**547**	**21**	**25**	**50**	**426**	**25**
Branches/Other Offices	**12,323**	**6,321**	**548**	**2,633**	**2,685**	**136**
Regular Branch	9,882	6,107	533	1,791	1,340	111
Branch-Lite Unit	2,250	180	15	828	1,202	25
Microfinance-Oriented Branch	157			14	143	
Representative Office	16	16				
Remittance Desk Office	14	14				
Marketing Office	2	2				
Limited Purpose Branch	1	1				
Sub-Branch	1	1				

		End-December 2018	End-December 2019		
		Total	Total	Head Offices	Branches/ Other Offices
TOTAL		**12,364**	**12,870**	**547**	**12,323**
Nationwide		**12,316**	**12,820**	**547**	**12,273**
National Capital Region (NCR)		**3,739**	**3,826**	**79**	**3,747**
Luzon		**5,134**	**5,359**	**295**	**5,064**
Region I	- Ilocos	621	650	36	614
Region II	- Cagayan Valley	425	465	29	436
Region III	- Central Luzon	1,286	1,341	77	1,264
Region IV-A	- CALABARZON	1,825	1,872	95	1,777
Region IV-B	- MIMAROPA	292	302	22	280
Region V	- Bicol	499	532	21	511
Cordillera Administrative Region (CAR)		186	197	15	182
Visayas		**1,818**	**1,918**	**100**	**1,818**
Region VI	- Western Visayas	704	735	46	689
Region VII	- Central Visayas	855	897	39	858
Region VIII	- Eastern Visayas	259	286	15	271
Mindanao		**1,625**	**1,717**	**73**	**1,644**
Region IX	- Zamboanga Peninsula	238	261	15	246
Region X	- Northern Mindanao	407	430	26	404
Region XI	- Davao Region	470	493	13	480
Region XII	- SOCCSKSARGEN [1/]	275	293	10	283
ARMM		19	18	1	17
CARAGA		216	222	8	214
Overseas		**48**	**50**		**50**
Asia-Pacific		19	20		20
Europe		3	3		3
North America		5	5		5
Middle East		21	22		22

1/ Composed of the provinces of North Cotabato, South Cotabato, Sultan Kudarat and Sarangani, and the cities of General Santos, Koronadal, Tacurong and Kidapawan.

Appendix 5. Philippine Banking System: Density Ratio

	End-December 2018		End-June 2019		End-December 2019	
	Banking Offices per City/ Municipality	No. of persons served by each Banking Office [1/]	Banking Offices per City/ Municipality	No. of persons served by each Banking Office [1/]	Banking Offices per City/ Municipality	No. of persons served by each Banking Office [1/]
Nationwide	**8**	**8,653**	**8**	**8,667**	**8**	**8,445**
National Capital Region (NCR)	**220**	**3,483**	**221**	**3,495**	**225**	**3,438**
Luzon	**7**	**9,158**	**7**	**9,102**	**7**	**8,914**
Region I - Ilocos	5	8,570	5	8,373	5	8,283
Region II - Cagayan	5	8,569	5	8,218	5	7,935
Region III - Central Luzon	10	9,005	10	8,977	10	8,756
Region IV-A - CALABARZON	13	8,173	13	8,254	13	8,109
Region IV-B - MIMAROPA	4	11,239	4	11,458	4	11,079
Region V - Bicol	4	12,816	5	12,435	5	12,248
Cordillera Administrative Region (CAR)	2	10,111	3	9,912	3	9,710
Visayas	**4**	**11,353**	**4**	**11,446**	**5**	**10,927**
Region VI - Western Visayas	5	11,408	5	11,580	6	11,075
Region VII - Central Visayas	6	9,137	7	9,225	7	8,845
Region VIII - Eastern Visayas	2	18,522	2	18,223	2	17,076
Mindanao	**4**	**15,942**	**4**	**15,993**	**4**	**15,369**
Region IX - Zamboanga Peninsula	3	16,659	3	16,799	4	15,447
Region X - Northern Mindanao	4	12,118	4	12,242	5	11,644
Region XI - Davao Region	10	11,166	10	11,201	10	10,837
Region XII - SOCCSKSARGEN [2/]	6	17,716	6	17,414	6	16,938
ARMM	0	210,558	0	227,694	0	227,694
CARAGA	3	13,372	3	13,329	3	13,269

1/ Philippine population based on Philippine Statistics Authority (PSA) data

2/ Composed of the provinces of North Cotabato, South Cotabato, Sultan Kudarat and Sarangani, and the cities of General Santos, Koronadal, Tacurong and Kidapawan.

Appendix 6. Philippine Banking System: Number of Automated Teller Machines (ATMs)

		On-site		Off-site		Total	
		Dec '18	Dec '19	Dec '18	Dec '19	Dec '18	Dec '19
TOTAL		**11,724**	**11,989**	**9,554**	**9,791**	**21,278**	**21,780**
NATIONWIDE		**11,723**	**11,988**	**9,552**	**9,789**	**21,275**	**21,777**
National Capital Region (NCR)		**4,575**	**4,646**	**3,635**	**3,602**	**8,210**	**8,248**
Luzon		**4,000**	**4,091**	**3,478**	**3,606**	**7,478**	**7,697**
Region I	- Ilocos	419	426	292	312	711	738
Region II	- Cagayan	278	282	170	180	448	462
Region III	- Central Luzon	1,104	1,134	885	941	1,989	2,075
Region IV-A	- CALABARZON	1,518	1,522	1,649	1,660	3,167	3,182
Region IV-B	- MIMAROPA	181	195	115	119	296	314
Region V	- Bicol	346	372	233	257	579	629
Cordillera Administrative Region (CAR)		154	160	134	137	288	297
Visayas		**1,663**	**1,722**	**1,340**	**1,423**	**3,003**	**3,145**
Region VI	- Western Visayas	640	656	378	406	1,018	1,062
Region VII	- Central Visayas	787	810	819	853	1,606	1,663
Region VIII	- Eastern Visayas	236	256	143	164	379	420
Mindanao		**1,485**	**1,529**	**1,099**	**1,158**	**2,584**	**2,687**
Region IX	- Zamboanga Peninsula	199	208	142	151	341	359
Region X	- Northern Mindanao	340	351	267	294	607	645
Region XI	- Davao Region	484	493	369	363	853	856
Region XII	- SOCCSKSARGEN 1/	264	274	180	189	444	463
ARMM		27	28	15	20	42	48
CARAGA		171	175	126	141	297	316
OVERSEAS		**1**	**1**	**2**	**2**	**3**	**3**

1/ Composed of the provinces of North Cotabato, South Cotabato, Sultan Kudarat and Sarangani, and the cities of General Santos, Koronadal, Tacurong and Kidapawan.

Appendix 7: Number of BSFIs with Authority to Provide Electronic Payment and Financial Services (EPFS)
As of End-December 2019

	No. of BSFIs with Authority to Provide Electronic Payment and Financial Services (EPFS)	ATM Card	Credit Card	Electronic Money Issuers (Prepaid Card/Cash Card/ Remittance Card)	E-Money (E-Wallet)	Other Payment Cards	Internet Banking - Retail	Internet Banking - Corporate
Universal and Commercial Banks	41	25	15	18	2	5	26	32
Thrift Banks	30	30	1	8	1	-	15	6
Rural and Cooperative Banks	40	26	-	3	-	-	2	1
Banks	111	81	16	29	3	5	43	39
EMIs	20	-	1	18	5	-	-	-
Others	5	-	1	-	-	-	2	-
TOTAL	136	81	18	47	8	5	45	39

	Mobile Banking	Telephone banking	ATM Facility	Cash Accept Machine	Point of Sale facility	Payment Portal	Others
Universal and Commercial Banks	23	10	25	9	14	8	5
Thrift Banks	9	4	30	2	6	-	2
Rural and Cooperative Banks	4	-	33	-	2	-	4
Banks	36	14	88	11	22	8	11
EMIs	8	-	-	1	2	1	-
Others	3	-	-	-	-	-	-
TOTAL	47	14	88	12	24	9	11

Appendix 8. Philippine Banking System: Profitability Indicators

Levels (P Billion)	2015	2016	2017	2018 *	2019 p/
Total Operating Income	479.7	535.0	590.8	660.2	788.0
Net Interest Income	349.1	386.0	447.4	509.7	598.8
Interest Income	452.5	498.1	574.7	701.1	878.5
Provision for Lossses on Accrued Interest Income from Financial Assets	0.3	0.3	0.4	1.3	0.3
Interest Expenses	103.0	111.9	126.9	190.0	279.4
Non-interest Income	130.5	149.1	143.4	150.5	189.3
Dividend Income	3.9	4.1	3.3	3.4	3.4
Fee-based Income	70.9	75.9	84.8	90.7	99.8
Trading Income	4.4	12.0	11.1	10.4	24.8
FX Profit/(Loss)	7.4	6.9	7.2	9.1	8.5
Profit/(Loss) from Sale/Redemption/Derecognition of Non-Trading Financial Assets and Liabilities	17.2	25.2	8.1	4.0	30.2
Profit/(Loss) from Sale/Derecognition of Non-Financial Assets					
Profit/(Loss) on Financial Assets and Liabilities	12.0	9.7	13.9	18.2	9.2
Designated at Fair Value through Profit or Loss	(0.2)	0.3	0.3	. . .	(0.0)
Profit/(Loss) on Fair Value Adjustment in Hedge Accounting	. . .	. . .	(0.0)	0.1	. . .
Other Income	14.9	15.0	14.7	14.7	13.4
Non-Interest Expenses	310.4	341.3	378.2	426.0	476.4
Losses/Recoveries on Financial Assets	(22.1)	(30.0)	(33.7)	(31.7)	(50.5)
Bad Debts/Provisions for Credit Losses	29.3	39.3	38.3	38.5	56.1
Recovery on Charged-Off Assets	7.2	9.2	4.5	6.9	5.6
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	147.1	163.7	178.9	202.6	261.1
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	17.7	22.4	27.9	22.5	25.3
Total Profit/Loss Before Tax and Before Minority Interest	164.8	186.1	206.8	225.1	286.4
Income Tax Expense	29.5	31.7	38.7	46.2	56.0
Total Profit/Loss After Tax and Before Minority Interest	135.3	154.3	168.1	178.8	230.4
Minority Interest in Profit/(Loss) of Subsidiaries					0.0 %
Net Profit/(Loss)	135.3	154.3	168.1	178.8	230.4
Growth Rates					
Total Operating Income	2.7%	11.5%	10.4%	13.0%	19.4%
Net Interest Income	8.6%	10.5%	15.9%	15.2%	17.5%
Interest Income	9.9%	10.1%	15.4%	23.3%	25.3%
Provision for Lossses on Accrued Interest Income from Financial Assets	(26.4%)	(23.6%)	47.1%	260.3%	(78.5%)
Interest Expenses	14.6%	8.6%	13.4%	50.9%	47.0%
Non-interest Income	(10.4%)	14.2%	(3.8%)	6.2%	25.8%
Dividend Income	(5.1%)	5.7%	(19.2%)	1.3%	(0.2%)
Fee-based Income	7.2%	7.2%	11.6%	8.0%	10.1%
Trading Income	(56.4%)	172.1%	(7.5%)	(5.9%)	138.7%
FX Profit/(Loss)	30.9%	(6.6%)	4.0%	27.0%	(6.5%)
Profit/(Loss) from Sale/Redemption/Derecognition of Non-Trading Financial Assets and Liabilities	(12.1%)	46.5%	(67.9%)	(51.0%)	661.2%
Profit/(Loss) from Sale/Derecognition of Non-Financial Assets					
Profit/(Loss) on Financial Assets and Liabilities	(41.3%)	(19.6%)	44.4%	33.2%	(49.6%)
Designated at Fair Value through Profit or Loss	(104.6%)	(288.2%)	(7.2%)	(82.6%)	(133.7%)
Profit/(Loss) on Fair Value Adjustment in Hedge Accounting	(2,545.6%)	(52.2%)	(126.0%)	(3,967.0%)	(96.8%)
Other Income	(8.2%)	0.6%	(1.8%)	2.8%	(8.6%)
Non-Interest Expenses	6.0%	10.0%	10.8%	14.3%	11.8%
Losses/Recoveries on Financial Assets	(13.8%)	35.6%	12.3%	(4.7%)	59.5%
Bad Debts/Provisions for Credit Losses	(0.4%)	34.0%	(2.6%)	2.2%	45.5%
Recovery on Charged-Off Assets	92.7%	28.8%	(51.0%)	53.5%	(19.0%)
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	(0.9%)	11.3%	9.3%	13.7%	28.9%
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	7.1%	26.3%	24.8%	(19.4%)	12.7%
Total Profit/Loss Before Tax and Before Minority Interest	(0.1%)	12.9%	11.1%	9.2%	27.3%
Income Tax Expense	0.1%	7.6%	21.9%	20.2%	21.1%
Total Profit/Loss After Tax and Before Minority Interest	(0.2%)	14.0%	8.9%	6.7%	28.8%
Minority Interest in Profit/(Loss) of Subsidiaries					
Net Profit/(Loss)	(0.2%)	14.0%	8.9%	6.7%	28.8%

** Data for RCBs for end-September 2018*
p/ Preliminary; Data for RCBs for end-September 2019
. . . Less than P0.05 billion
(0.0) Less than negative P0.05 billion

Appendix 9. Philippine Banking System: Asset Quality Indicators

Levels (P Billion)	2015	2016	2017	2018 *	2019 p/
Total Assets	12,089.1	13,591.2	15,166.2	16,911.4	18,331.7
Gross Assets 1/	12,281.9	13,796.2	15,379.7	17,127.8	18,570.3
Total Loan Portfolio (TLP) 2/	6,527.3	7,612.1	8,865.6	10,075.6	10,964.8
Interbank Loans Receivable (IBL)	214.6	266.5	252.0	256.2	226.7
TLP 2/, net of Interbank Loans (IBL)	6,312.7	7,345.6	8,613.6	9,819.4	10,738.1
TLP, net of ACL	6,365.6	7,439.3	8,681.3	9,888.3	10,756.9
Gross Non-Performing Loans (NPL)	136.5	144.2	153.0	178.5	225.4
Net NPL 3/	41.9	43.3	67.9	88.4	116.4
Allowance for Credit Losses (ACL)	161.6	172.8	184.3	187.3	208.0
ROPA 2/ 4/	113.0	110.6	108.8	108.0	115.1
ROPA (inclusive of performing SCR)	124.6	124.0	122.0	126.3	128.3
Provisions for ROPA 5/	31.1	32.2	29.3	29.1	30.6
Restructured Loans (RL) 2/	34.5	37.6	46.7	39.7	43.4
RL, Performing	17.9	19.2	28.4	19.0	19.5
Distressed Assets 6/	267.4	274.0	290.2	305.6	360.0
Non-Performing Assets (NPAs) 7/	249.5	254.8	261.8	286.6	340.5
Allowance on NPA 8/	192.8	205.0	213.6	216.4	238.6
Performing Sales Contract Receivables	11.6	13.4	13.2	18.2	13.2
Growth Rates					
Total Assets	8.2 %	12.4 %	11.6 %	11.5 %	8.4 %
Gross Assets 1/	8.1 %	12.3 %	11.5 %	11.4 %	8.4 %
Total Loan Portfolio (TLP) 2/	11.9 %	16.6 %	16.5 %	13.6 %	8.8 %
Interbank Loans Receivable (IBL)	(12.9%)	24.2 %	(5.4%)	1.7 %	(11.5%)
TLP 2/, net of Interbank Loans (IBL)	13.0 %	16.4 %	17.3 %	14.0 %	9.4 %
TLP, net of ACL	12.3 %	16.9 %	16.7 %	13.9 %	8.8 %
Gross Non-Performing Loans (NPL)	1.2 %	5.6 %	6.1 %	16.7 %	26.3 %
Net NPL 3/	20.5 %	3.4 %	56.9 %	30.2 %	31.6 %
Allowance for Credit Losses (ACL)	0.0 %	6.9 %	6.6 %	1.7 %	11.0 %
ROPA 2/ 4/	(6.6%)	(2.1%)	(1.7%)	(0.7%)	6.5 %
ROPA (inclusive of performing SCR)	(6.3%)	(0.4%)	(1.7%)	3.5 %	1.6 %
Provisions for ROPA 5/	(12.7%)	3.3 %	(9.0%)	(0.8%)	5.4 %
Restructured Loans (RL) 2/	(2.0%)	9.3 %	24.0 %	(14.9%)	9.3 %
RL, Performing	(11.9%)	7.2 %	47.7 %	(33.0%)	2.6 %
Distressed Assets 6/	(3.2%)	2.5 %	5.9 %	5.3 %	17.8 %
Non-Performing Assets (NPAs) 7/	(2.5%)	2.1 %	2.7 %	9.5 %	18.8 %
Allowance on NPA 8/	(2.3%)	6.3 %	4.2 %	1.3 %	10.3 %
Performing Sales Contract Receivables	(3.0%)	15.7 %	(1.7%)	38.6 %	(27.7%)

1/ Gross Assets refer to Total Assets plus Allowance on NPA.
2/ Gross of Provisions
3/ Starting September 2017, Net NPLs refer to gross NPLs less specific allowance for credit losses on NPLs per BSP Circular No. 941.
4/ Real and Other Properties Acquired; ROPA includes Non-Current Assets Held for Sale and Non-Performing Sales Contract Receivables (SCR)
5/ Provisions for ROPA are inclusive of Accumulated Depreciation
6/ Distressed Assets refer to NPAs plus performing RLs.
7/ NPAs refer to Gross NPLs plus ROPA.
8/ Allowance on NPA refers to ACL plus Provisions for ROPA.

** Data for RCBs as of end-September 2018*
p/ Preliminary; Data for RCBs as of end-September 2019

Appendix 10. Foreign Currency Deposit Unit: Financial Highlights

	2016	2017	2018	2019
In US$ Million				
Income Statement				
Total Operating Income	1,281.9	1,064.2	1,097.2	1,443.0
Net Interest Income	728.8	811.4	913.3	979.8
Non-interest Income	553.1	252.9	183.9	463.1
Non-Interest Expenses	184.4	183.8	202.0	202.5
Losses/Recoveries on Financial Assets	(13.4)	(31.6)	(48.2)	(86.3)
Bad Debts/Provision for Credit Losses	(15.8)	(31.6)	(51.9)	(98.1)
Recovery on Charged-Off Assets	2.4	0.9	3.7	11.9
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subs., Associates & Joint Ventures	1,084.1	848.8	847.0	1,154.1
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates & Joint Ventures				
Total Profit/Loss Before Tax & Before Minority Interest	1,084.1	848.8	847.0	1,154.1
Income Tax Expense	25.5	25.6	34.8	42.3
Total Profit/Loss After Tax & Before Minority Interest	1,058.6	823.2	812.2	1,111.9
Minority Interest in Profit/(Loss) of Subsidiaries				
Net Profit or Loss	1,058.6	823.2	812.2	1,111.9
Balance Sheet				
Total Assets [1]	48,201.1	50,313.9	52,954.1	56,889.8
Cash and Due from Banks	6,931.9	6,952.4	4,314.8	5,344.2
Financial Assets, gross	22,332.1	22,471.5	27,242.0	28,155.9
Allowance for Credit Losses	23.7	23.6	28.9	32.5
Accumulated Market Gains/Losses	(23.0)	54.8	(159.5)	165.3
Financial Assets, net	22,285.4	22,502.6	27,053.6	28,288.7
Interbank Loans Receivable (IBL), net	4,472.6	3,734.6	3,343.2	3,129.6
Loans, gross (exclusive of IBL)	13,987.1	16,355.5	17,325.0	19,262.2
Allowance for Probable Losses [2]	147.4	144.6	174.6	250.6
Loans, net (exclusive of IBL)	13,839.6	16,211.0	17,150.4	19,011.6
Equity investments, net	-			
ROPA, net	0.2	2.8	2.8	29.2
Other Assets, net	671.4	910.4	1,089.3	1,086.8
Total Liabilities	47,525.1	49,618.9	52,385.1	55,760.8
Financial Liabilities Held for Trading	131.8	120.7	116.4	84.4
Financial Liabilities DFVPL	-	-	-	-
Deposit Liabilities	35,871.7	39,204.5	39,894.3	41,090.1
Due to Other Banks	688.0	528.8	467.7	322.5
Bills Payable	7,375.2	6,374.3	6,324.9	7,090.2
Bonds Payable, net	2,034.7	2,160.1	3,925.5	5,522.1
Unsecured Subordinated Debt, net	-	-	-	-
Other Liabilities	339.9	360.7	463.0	645.2
Due to HO/Br./Agencies/FCDU/RBU, net [3]	1,083.8	869.8	1,193.2	1,006.3
Total Capital Accounts [4]	676.0	695.0	569.0	1,129.0

1 Adjusted to net off the account "Due from Head Office" with "Due to Head Office" of branches of foreign banks
2 Inclusive of General Loan Loss Provision
3 Net of Due from Head Office/Branches/Agencies (Philippine branches of foreign banks) and Due from FCDU/RBU
4 Revised based on the Financial Reporting Package (FRP) data

Appendix 11. Foreign Currency Deposit Unit: Growth Rates

	2016	2017	2018	2019
Growth Rates				
Income Statement				
Total Operating Income	(14.4 %)	(17.0 %)	3.1 %	31.5 %
Net Interest Income	25.3 %	11.3 %	12.6 %	7.3 %
Non-interest Income	(66.7 %)	(54.3 %)	(27.3 %)	151.8 %
Non-Interest Expenses	9.6 %	(0.3 %)	9.9 %	0.2 %
Losses/Recoveries on Financial Assets	(404.4 %)	135.6 %	52.4 %	(79.1 %)
Bad Debts/Provision for Credit Losses	(247.8 %)	99.8 %	64.2 %	(89.2 %)
Recovery on Charged-Off Assets	54.3 %	(62.2 %)	307.7 %	220.6 %
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subs., Associates & Joint Ventures	(21.9 %)	(21.7 %)	(0.2 %)	36.3 %
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates & Joint Ventures				
Total Profit/Loss Before Tax & Before Minority Interest	(21.9 %)	(21.7 %)	(0.2 %)	36.3 %
Income Tax Expense	36.8 %	0.4 %	36.2 %	21.4 %
Total Profit/Loss After Tax & Before Minority Interest	(23.3 %)	(22.2 %)	(1.3 %)	36.9 %
Minority Interest in Profit/(Loss) of Subsidiaries				
Net Profit or Loss	(23.3 %)	(22.2 %)	(1.3 %)	36.9 %
Balance Sheet				
Total Assets [1]	9.4 %	4.4 %	5.2 %	7.4%
Cash and Due from Banks	32.6 %	0.3 %	(37.9 %)	23.9%
Financial Assets, gross	0.1 %	0.6 %	21.2 %	3.4%
Allowance for Credit Losses	(22.6 %)	(0.2 %)	22.2 %	12.4%
Accumulated Market Gains/Losses	(7.4 %)	(338.2 %)	(391.2 %)	-203.6%
Financial Assets, net	0.1 %	1.0 %	20.2 %	4.6%
Interbank Loans Receivable (IBL), net	36.8 %	(16.5 %)	(10.5 %)	(6.4 %)
Loans, gross (exclusive of IBL)	9.9 %	16.9 %	5.9 %	11.2%
Allowance for Probable Losses [2]	4.2 %	(2.0 %)	20.8 %	43.5%
Loans, net (exclusive of IBL)	10.0 %	17.1 %	5.8 %	10.9%
Equity investments, net				
ROPA, net	(57.9 %)	1,323.3 %	0.2 %	926.7 %
Other Assets, net	(8.7 %)	35.6 %	19.6 %	-0.2%
Total Liabilities	9.4 %	4.4 %	5.6 %	6.4%
Financial Liabilities Held for Trading	0.6 %	(8.4 %)	(3.5 %)	(27.5 %)
Financial Liabilities DFVPL				
Deposit Liabilities	10.6 %	9.3 %	1.8 %	3.0%
Due to Other Banks	(5.3 %)	(23.1 %)	(11.6 %)	(31.0 %)
Bills Payable	7.5 %	(13.6 %)	(0.8 %)	12.1%
Bonds Payable, net	0.0 %	6.2 %	81.7 %	40.7%
Unsecured Subordinated Debt, net				
Other Liabilities	39.9 %	6.1 %	28.4 %	39.3%
Due to HO/Br./Agencies/FCDU/RBU, net [3]	9.3 %	(19.7 %)	37.2 %	(15.7 %)
Total Capital Accounts [4]	4.9 %	2.8 %	(18.1 %)	98.4%

1 Adjusted to net off the account "Due from Head Office" with "Due to Head Office" of branches of foreign banks

2 Inclusive of General Loan Loss Provision

3 Net of Due from Head Office/Branches/Agencies (Philippine branches of foreign banks) and Due from FCDU/RBU

4 Revised based on the Financial Reporting Package (FRP) data

Appendix 12. Foreign Currency Deposit Unit: Selected Performance Indicators

	2016	2017	2018	2019
Selected Ratios				
Liquidity				
Liquid Assets to Deposits [1] (excl. of ROPs)	54.8	49.7	50.4	55.5
Liquid Assets to Deposits [1] (incl. of ROPs)	81.4	75.1	78.6	81.9
Loans, gross to Deposits	51.5	51.2	51.8	54.5
Asset Quality				
Non-Performing Loans (NPL) Ratio [2]	0.4	0.2	0.1	1.4
NPL Coverage Ratio [2]	243.1	542.1	846.2	94.2
Non-Performing Assets (NPA) to Gross Assets [2]	0.1	0.1	0.0	0.5
NPA Coverage Ratio [2]	242.3	489.3	742.8	82.0
Profitability				
Cost to Income Ratio	14.4	14.4	18.4	14.0
Return on Assets (ROA)	2.3	2.1	3.2	2.0
Net Interest Margin	1.6	1.5	1.8	1.8

1 Liquid assets refers to Cash and Due from Banks plus Financial Assets, net of amortization (net of financial assets in equity securities and allowance for credit losses)

2 Exclusive of IBL

Appendix 13. Total Trust Operations (Philippine Banks & NBFIs): Financial Highlights

Levels (P Billion)	2015	2016	2017	2018	2019
TOTAL ASSETS	**2,671.4**	**2,961.0**	**3,417.9**	**3429.3**	**3973.1**
Cash and Due from banks	384.6	287.4	2.0	1.3	0.4
Cash on Hand, Checks and Other Cash Items	0.0	0.0	0.0	0.0	0.0
Reserve Deposit Accounts	5.7	-	-	0.0	0.0
Special Deposit Accounts	378.9	-	-	0.0	0.0
Demand Deposit Account	-	1.9	2.0	1.3	0.4
Overnight Deposit Account	-	53.8	-	0.0	0.0
Term Deposit Account	-	231.7	-	0.0	0.0
Deposits in Banks	535.7	729.3	900.9	965.0	1,036.8
Financial Assets, gross (net of amortization)	1,397.0	1,547.7	1,900.9	2135.5	2,526.1
Accumulated Market Gains/Losses	80.0	59.6	79.8	-37.8	22.5
Allowance for Credit Losses	0.6	0.9	1.0	1.8	0.7
Financial Assets, net	1,476.3	1,606.3	1,979.7	2095.6	2,547.9
Loans, (gross)	73.8	69.6	85.6	75.3	91.0
Allowance for probable losses	6.5	1.9	2.9	1.8	2.3
Loans, net	67.4	67.7	82.6	73.4	88.6
Equity Investments (gross)	88.0	82.1	81.5	3.2	5.7
Allowance for probable losses	2.5	2.8	2.6	2.5	2.5
Accumulated Market Gain/(Loss)	-	0.0	0.0	0.0	0.0
Equity Investments (net)	85.4	79.3	78.9	0.7	3.2
ROPA (net)	0.1	0.1	0.1	0.1	0.1
Sales Contract Receivables (Non-Performing)	-	-	-	0.0	0.0
Other assets	121.9	190.7	373.7	293.3	296.1
TOTAL ACCOUNTABILITIES	**2,671.4**	**2,961.0**	**3,417.9**	**3,429.3**	**3,973.1**
Wealth/Asset/Fund Management Accounts (Trust)	1,559.1	1,715.3	1,574.2	1,366.2	1,670.0
UITF	677.4	831.7	768.0	604.2	820.8
Employee Benefit	311.3	318.0	352.0	363.3	407.0
Pre-Need	114.9	115.0	117.3	115.5	121.2
Other Institutional Trust Accounts	45.3	36.6	35.8	32.3	38.6
Personal Trust	391.5	393.8	286.1	230.1	258.1
Personal Pension Fund	-	-	-	-	-
Personal Retirement Fund	0.2	0.1	0.1	0.1	0.1
Other IndividualTrust Accounts	18.5	20.1	14.8	20.7	24.1
Wealth/Asset/Fund Management Accounts (Agency)	799.2	883.0	1,297.4	1,596.9	1,828.0
Employee Benefit	52.4	53.8	53.3	50.6	56.6
Pre-Need	0.8	0.8	0.8	0.8	0.8
Other Institutional Agency Accounts	506.0	564.3	792.9	825.6	951.7
Personal Pension Fund	-	-	-	-	-
Personal Retirement Fund	-	0.0	0.0	0.0	0.0
Other Individual Agency Accounts	240.0	264.1	450.4	719.9	818.9
Other Fiduciary Services	309.7	361.3	545.8	465.8	474.3
UITF	11.7	16.0	14.0	11.6	14.0
Court Trusts	66.0	65.9	65.8	65.5	65.2
Corporate Fiduciary Trust	45.7	40.5	49.1	65.1	58.4
Escrow	52.1	37.2	41.6	40.9	45.8
Custodianship	91.9	158.5	332.3	246.5	244.4
Safekeeping	0.1	0.1	0.0	0.0	0.0
Others	42.2	43.0	42.9	36.2	46.4
Advisory/Consultancy	-	-	-	-	
Special Purpose Trust	3.4	1.4	0.5	0.5	0.7

Figures may not add up due to rounding-off

0.0 Less than P0.05 billion

Appendix 14. Total Trust Operations (Philippine Banks & NBFIs): Growth Rates

	2015	2016	2017	2018	2019
TOTAL ASSETS	0.3 %	10.8 %	15.4 %	0.3 %	15.9 %
Cash and Due from banks	7.5 %	(25.3%)	(99.3%)	(36.3%)	(70.2%)
Cash on Hand, Checks and Other Cash Items			(42.0%)	756.4 %	277.7 %
Reserve Deposit Accounts	(25.2%)	(100.0%)			
Special Deposit Accounts	8.2 %	(100.0%)			
Demand Deposit Account			3.3 %	(36.4%)	(70.9%)
Overnight Deposit Account			(100.0%)		
Term Deposit Account			(100.0%)		
Deposits in Banks	7.9 %	36.2 %	23.5 %	7.1 %	7.4 %
Financial Assets, gross (net of amortization)	7.7 %	10.8 %	22.8 %	12.3 %	18.3 %
Accumulated Market Gains/Losses	(29.6%)	(25.5%)	34.0 %	(147.3%)	(159.5%)
Allowance for Credit Losses	(7.5%)	51.2 %	9.8 %	77.5 %	(63.5%)
Financial Assets, net	4.7 %	8.8 %	23.2 %	5.9 %	21.6 %
Loans, (gross)	(4.8%)	(5.7%)	23.0 %	(12.1%)	20.9 %
Allowance for probable losses	(8.8%)	(70.7%)	55.1 %	(37.3%)	26.9 %
Loans, net	(4.4%)	0.5 %	22.0 %	(11.2%)	20.8 %
Equity Investments (gross)	16.6 %	(6.7%)	(0.7%)	(96.1%)	79.2 %
Allowance for probable losses	(12.1%)	9.5 %	(4.9%)	(6.0%)	2.6 %
Accumulated Market Gain/(Loss)					
Equity Investments (net)	17.8 %	(7.1%)	(0.6%)	(99.1%)	333.2 %
ROPA (net)	(11.6%)	(37.9%)	(16.0%)	17.4 %	(7.4%)
Sales Contract Receivables (Non-Performing)					
Other assets	(52.4%)	56.4 %	95.9 %	(21.5%)	1.0 %
TOTAL ACCOUNTABILITIES	0.3 %	10.8 %	15.4 %	0.3 %	15.9 %
Wealth/Asset/Fund Management Accounts (Trust)	6.8 %	10.0 %	(8.2%)	(13.2%)	22.2 %
UITF	12.9 %	22.8 %	(7.7%)	(21.3%)	35.9 %
Employee Benefit	2.6 %	2.2 %	10.7 %	3.2 %	12.0 %
Pre-Need	1.5 %	0.0 %	2.0 %	(1.5%)	4.9 %
Other Institutional Trust Accounts	(12.1%)	(19.3%)	(2.0%)	(9.8%)	19.4 %
Personal Trust	5.1 %	0.6 %	(27.3%)	(19.6%)	12.2 %
Personal Pension Fund					
Personal Retirement Fund	(7.2%)	(51.8%)	(0.3%)	(3.5%)	2.7 %
Other IndividualTrust Accounts	0.4 %	9.1 %	(26.3%)	39.4 %	16.5 %
Wealth/Asset/Fund Management Accounts (Agency)	5.5 %	10.5 %	46.9 %	23.1 %	14.5 %
Employee Benefit	(8.1%)	2.8 %	(1.0%)	(5.1%)	12.0 %
Pre-Need	(40.5%)	(0.5%)	(2.7%)	(2.3%)	6.1 %
Other Institutional Agency Accounts	8.3 %	11.5 %	40.5 %	4.1 %	15.3 %
Personal Pension Fund					
Personal Retirement Fund	(100.0%)		1.1 %	(33.7%)	(4.5%)
Other Individual Agency Accounts	3.5 %	10.1 %	70.6 %	59.8 %	13.8 %
Other Fiduciary Services	(29.6%)	16.6 %	51.1 %	(14.7%)	1.8 %
UITF	70.6 %	36.6 %	(12.5%)	(17.5%)	20.9 %
Court Trusts	2.2 %	(0.1%)	(0.2%)	(0.4%)	(0.5%)
Corporate Fiduciary Trust	41.4 %	(11.4%)	21.2 %	32.7 %	(10.4%)
Escrow	(22.2%)	(28.6%)	11.8 %	(1.8%)	12.1 %
Custodianship	(59.1%)	72.4 %	109.7 %	(25.8%)	(0.9%)
Safekeeping	(5.7%)	3.2 %	(29.4%)	3.0 %	(13.8%)
Others	(6.0%)	1.9 %	(0.4%)	(15.6%)	28.3 %
Advisory/Consultancy					
Special Purpose Trust	(45.4%)	(59.1%)	(64.5%)	(3.5%)	52.9 %

0.0% Less than 0.05%

Appendix 15. Total Trust (Philippine Banks and NBFIs) : Selected Performance Indicators

Selected Ratios	2015	2016	2017	2018	2019
Liquidity					
Cash and Due from Banks to Total Accountabilities	14.4%	9.7%	0.1%	0.0%	0.0%
Liquid Assets to Total Accountabilities	66.7%	62.0%	55.7%	62.3%	63.6%
Loans (gross) to Total Accountabilities	2.8%	2.4%	2.5%	2.2%	2.3%
Asset Quality					
Non-Performing Loans (NPL) Ratio	1.2%	1.2%	1.5%	0.9%	1.1%
NPL Coverage Ratio	743.2%	219.4%	226.6%	268.6%	244.7%
Non-Performing Assets (NPA) to Gross Assets	0.0%	0.0%	0.0%	0.0%	0.0%
NPA Coverage Ratio	592.6%	190.6%	208.3%	225.0%	217.8%

0.0% Less than 0.05%

Appendix 16. Total Trust Operations (Philippine Banks & NBFIs): Balance Sheet Structure

	2015	2016	2017	2018	2019
ASSETS AND ACCOUNTABILITIES					
TOTAL ASSETS	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Cash and Due from banks	14.4%	9.7%	. . .	. . .	. . .
Cash on Hand, Checks and Other Cash Items	. . .	. . .	. . .	. . .	. . .
Reserve Deposit Accounts	0.2%	. . .	. . .	. . .	. . .
Special Deposit Accounts	14.2%	. . .	. . .	. . .	. . .
Demand Deposit Account	. . .	. . .	. . .	. . .	. . .
Overnight Deposit Account	. . .	1.8%	. . .	. . .	. . .
Term Deposit Account	. . .	7.8%	. . .	. . .	. . .
Deposits in Banks	20.1%	24.6%	26.4%	28.1%	26.1%
Financial Assets, gross (net of amortization)	52.3%	52.3%	55.6%	62.3%	63.6%
Accumulated Market Gains/Losses	3.0%	2.0%	2.3%	. . .	0.6%
Allowance for Credit Losses	. . .	. . .	. . .	. . .	. . .
Financial Assets, net	55.3%	54.2%	57.9%	61.1%	64.1%
Loans, (gross)	2.8%	2.4%	2.5%	2.2%	2.3%
Allowance for probable losses	0.2%	. . .	. . .	. . .	. . .
Loans, net	2.5%	2.3%	2.4%	2.1%	2.2%
Equity Investments (gross)	3.3%	2.8%	2.4%	. . .	0.1%
Allowance for probable losses	. . .	. . .	. . .	. . .	. . .
Accumulated Market Gain/(Loss)	. . .	. . .	. . .	. . .	. . .
Equity Investments (net)	3.2%	2.7%	2.3%	. . .	. . .
ROPA (net)	. . .	. . .	. . .	. . .	. . .
Sales Contract Receivables (Non-Performing)	. . .	. . .	. . .	. . .	. . .
Other assets	4.6%	6.4%	10.9%	8.6%	7.5%
TOTAL ACCOUNTABILITIES	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Wealth/Asset/Fund Management Accounts (Trust)	58.4%	57.9%	46.1%	39.8%	42.0%
UITF	25.4%	28.1%	22.5%	17.6%	20.7%
Employee Benefit	11.7%	10.7%	10.3%	10.6%	10.2%
Pre-Need	4.3%	3.9%	3.4%	3.4%	3.1%
Other Institutional Trust Accounts	1.7%	1.2%	1.0%	0.9%	1.0%
Personal Trust	14.7%	13.3%	8.4%	6.7%	6.5%
Personal Pension Fund	. . .	. . .	. . .	. . .	. . .
Personal Retirement Fund	. . .	. . .	. . .	. . .	. . .
Other Individual Trust Accounts	0.7%	0.7%	0.4%	0.6%	0.6%
Wealth/Asset/Fund Management Accounts (Agency)	29.9%	29.8%	38.0%	46.6%	46.0%
Employee Benefit	2.0%	1.8%	1.6%	1.5%	1.4%
Pre-Need	. . .	. . .	. . .	. . .	. . .
Other Institutional Agency Accounts	18.9%	19.1%	23.2%	24.1%	24.0%
Personal Pension Fund	. . .	. . .	. . .	. . .	. . .
Personal Retirement Fund	. . .	. . .	. . .	. . .	. . .
Other Individual Agency Accounts	9.0%	8.9%	13.2%	21.0%	20.6%
Other Fiduciary Services	11.6%	12.2%	16.0%	13.6%	11.9%
UITF	0.4%	0.5%	0.4%	0.3%	0.4%
Court Trusts	2.5%	2.2%	1.9%	1.9%	1.6%
Corporate Fiduciary Trust	1.7%	1.4%	1.4%	1.9%	1.5%
Escrow	2.0%	1.3%	1.2%	1.2%	1.2%
Custodianship	3.4%	5.4%	9.7%	7.2%	6.2%
Safekeeping	. . .	. . .	. . .	. . .	. . .
Others	1.6%	1.5%	1.3%	1.1%	1.2%
Advisory/Consultancy	. . .	. . .	. . .	. . .	. . .
Special Purpose Trust	0.1%	. . .	. . .	. . .	. . .

Figures may not add up due to rounding-off.

. . . Less than 0.05 percent

Appendix 17. Foreign Bank Branches and Subsidiaries: Financial Highlights

Levels (P Billion)	2015	2016	2017	2018	2019
Income Statement					
Total Operating Income	51.477	55.840	54.794	63.234	72.725
Net Interest Income	32.682	34.123	36.435	42.619	49.490
Non-interest Income	18.795	21.717	18.359	20.615	23.235
Non-Interest Expenses	36.491	37.419	36.965	40.470	43.671
Losses/Recoveries on Financial Assets	(4.549)	(2.094)	(4.264)	(4.491)	(4.144)
Bad Debts/Provisions for Credit Losses	6.793	8.530	5.763	(6.323)	(6.560)
Recovery on Charged-Off Assets	(2.244)	(6.436)	(1.500)	1.832	2.415
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	10.437	16.327	13.566	18.273	24.909
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	-	-	0.204	0.155	0.354
Total Profit/Loss Before Tax and Before Minority Interest	10.437	16.327	13.770	18.428	25.263
Income Tax Expense	4.498	5.117	4.069	6.122	6.699
Total Profit/Loss After Tax and Before Minority Interest	5.939	11.210	9.700	12.305	18.564
Minority Interest in Profit/(Loss) of Subsidiaries					
Net Profit or Loss	5.939	11.210	9.700	12.305	18.564
Balance Sheet					
Total Assets	987.770	1,055.132	1,083.179	1,204.461	1,254.315
Cash and Due from Banks	260.665	290.033	230.514	187.972	262.949
Financial Assets, gross (Other than Loans)	210.578	147.910	172.764	281.338	233.421
Financial Assets Held for Trading (HFT)	90.112	50.271	62.342	101.773	33.076
Financial Assets Designated at Fair Value through Profit and Loss (DFVPL)	0.000	-	-	0.016	0.016
Available-for-Sale (AFS) Financial Assets	109.430	90.335	96.911	155.612	172.203
Held-to-Maturity (HTM) Financial Assets	9.558	4.985	11.371	23.938	28.127
Unquoted Debt Securities Classified as Loans	1.341	2.172	1.991	-	-
Investments in Non-Marketable Equity Securities (INMES)	0.136	0.148	0.148	-	-
Allowance for Credit Losses	(0.753)	(0.453)	(0.853)	0.020	0.020
Accumulated Market Gains/Losses	0.494	0.492	0.302	(3.153)	1.185
Financial Assets, net (Other than Loans)	209.332	146.966	171.610	278.166	234.586
Interbank Loans Receivable (IBL)	47.983	58.208	70.750	58.666	40.207
Loans. Gross (inclusive of IBL)	502.866	602.644	664.197	722.273	728.135
Loans, gross (exclusive of IBL)	454.883	544.436	593.447	663.606	687.928
Reverse Repurchase (RRP) with BSP and Other Banks	109.049	177.862	124.662	132.721	163.376
Loans, gross (exclusive of IBL and RRP with BSP and Other Banks)	345.834	366.573	468.784	530.885	524.553
Allowance for Probable Losses	12.758	11.544	11.744	-	-
Equity Investment in Subsidiaries, Associates and Joint Ventures, net	2.233	2.233	2.524	2.443	2.886
ROPA, net	1.019	1.245	1.620	1.664	1.897
Other Assets, net	24.413	23.555	24.459	24.839	37.208
Total Liabilities	846.605	898.328	915.584	1,017.773	1,022.216
Financial Liabilities Held for Trading	15.306	21.585	15.434	21.246	19.520
Financial Liabilities DFVPL	-	-	-	-	-
Deposits	597.088	661.682	682.348	710.523	738.052
Peso Liablities	359.775	400.560	415.148	410.716	447.289
Foreign Currency	237.313	261.122	267.200	299.807	290.763
Bills Payable	15.959	8.956	18.291	41.247	19.270
Other Liabilities	218.157	206.048	197.567	50.175	70.171
Unsecured Subordinated Debt	-	-	1.990	1.991	1.992
Redeemable Preferred Shares	-	-	-	-	-
Total Capital Accounts	141.166	156.804	167.595	186.687	232.100

Figures may not add up due to rounding-off

. . . Less than P0.05 billion

Appendix 18. Foreign Bank Branches and Subsidiaries: Growth Rates

Growth Rates	2015	2016	2017	2018	2019
Income Statement					
Total Operating Income	0.9 %	8.5 %	(1.9 %)	15.3 %	15.0%
Net Interest Income	3.5 %	4.4 %	6.8 %	16.9 %	16.1%
Non-interest Income	(3.3 %)	15.6 %	(15.5 %)	12.2 %	12.7%
Non-Interest Expenses	3.7 %	2.5 %	(1.2 %)	9.6 %	7.9%
Losses/Recoveries on Financial Assets	(13.3 %)	(54.0 %)	103.6 %	5.5 %	-7.7%
Bad Debts/Provisions for Credit Losses	(2.5 %)	25.6 %	(32.4 %)	(209.7 %)	3.8%
Recovery on Charged-Off Assets	30.5 %	186.9 %	(76.7 %)	(220.0 %)	31.9%
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	(1.4 %)	56.4 %	(16.9 %)	34.9 %	36.3%
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures				(2.1 %)	129.1%
Total Profit/Loss Before Tax and Before Minority Interest	(1.4 %)	56.4 %	(15.7 %)	33.6 %	37.1%
Income Tax Expense	18.9 %	13.8 %	(20.5 %)	49.9 %	9.4%
Total Profit/Loss After Tax and Before Minority Interest	(12.7 %)	88.8 %	(13.5 %)	26.8 %	50.9%
Minority Interest in Profit/(Loss) of Subsidiaries					
Net Profit or Loss	(12.7 %)	88.8 %	(13.5 %)	26.8 %	50.9%
Balance Sheet					
Total Assets	(4.5 %)	6.8 %	2.7 %	0.1	4.1%
Cash and Due from Banks	(21.8 %)	11.3 %	(20.5 %)	(18.4 %)	39.9%
Financial Assets, gross (Other than Loans)	(4.5 %)	(29.8 %)	16.8 %	62.8 %	-17.0%
Financial Assets Held for Trading (HFT)	(30.7 %)	(44.2 %)	24.0 %	63.3 %	-67.5%
Financial Assets Designated at Fair Value through Profit and Loss (DFVPL)	(99.9 %)	(100.0 %)	0.0 %		0.0%
Available-for-Sale (AFS) Financial Assets	34.5 %	(17.5 %)	7.3 %	60.6 %	10.7%
Held-to-Maturity (HTM) Financial Assets	45.1 %	(47.8 %)	128.1 %	111.1 %	17.5%
Unquoted Debt Securities Classified as Loans	(1.6 %)	62.0 %	(8.3 %)	(100.0 %)	
Investments in Non-Marketable Equity Securities (INMES)	130.3 %	8.8 %	0.0 %	(100.0 %)	
Allowance for Credit Losses	(526.1 %)	(39.8 %)	88.3 %	(102.3 %)	-1.0%
Accumulated Market Gains/Losses	(1.1 %)	(0.4 %)	(38.6 %)	(1,159.0 %)	218.5%
Financial Assets, net (Other than Loans)	(4.9 %)	(29.8 %)	16.8 %	62.1 %	-15.7%
Interbank Loans Receivable (IBL)	(16.4 %)	21.3 %	21.5 %	(17.0 %)	-31.5%
Loans, gross (exclusive of IBL)	13.3 %	19.7 %	9.0 %	11.8 %	3.7%
Reverse Repurchase (RRP) with BSP and Other Banks	148.2 %	63.1 %	(29.9 %)	6.4 %	23.1%
Loans, gross (exclusive of IBL and RRP with BSP and Other Banks)	(3.3 %)	6.0 %	27.9 %	13.2 %	-1.2%
Allowance for Probable Losses	(12.0 %)	(9.5 %)	1.7 %	(100.0 %)	
Loans, net (exclusive of IBL and RRP with BSP and Other Banks)	(3.0 %)	6.6 %	28.7 %	16.2 %	
Equity Investment in Subsidiaries, Associates and Joint Ventures, net				(4.9 %)	18.1%
ROPA, net	32.8 %	22.2 %	30.1 %	4.9 %	14.0%
Other Assets, net	(26.2 %)	(3.5 %)	3.8 %	1.4 %	49.8%
Total Liabilities	4.2 %	6.1 %	1.9 %	11.2 %	0.4%
Financial Liabilities Held for Trading	2.6 %	41.0 %	(28.5 %)	37.4 %	-8.1%
Financial Liabilities DFVPL					
Deposits	(6.5 %)	10.8 %	3.1 %	4.1 %	3.9%
Peso Liablities	(9.0 %)	11.3 %	3.6 %	(1.1 %)	8.9%
Foreign Currency	(2.5 %)	10.0 %	2.3 %	12.2 %	-3.0%
Bills Payable	7.8 %	(43.9 %)	104.2 %	125.2 %	-53.3%
Other Liabilities	51.5 %	(5.6 %)	(4.1 %)	(5.5 %)	39.9%
Unsecured Subordinated Debt					
Redeemable Preferred Shares					
Total Capital Accounts	(36.3 %)	11.1 %	6.9 %	11.4 %	24.3%

Appendix 19. Foreign Bank Branches and Subsidiaries: Selected Performance Indicators

Selected Ratios	2015	2016	2017	2018	2019
Profitability					
Non-interest Income to Total Operating Income [1/]	36.5 %	38.9 %	33.5 %	32.6%	31.9%
Cost-to-Income [2/]	70.9 %	67.0 %	67.5 %	64.0%	60.0%
Return on Assets (ROA) [3/]	0.6 %	1.1 %	0.9 %	1.1%	1.5%
Return on Equity (ROE) [3/]	3.3 %	7.5 %	6.0 %	6.9%	8.9%
Liquidity					
Cash and Due from Banks to Deposits	43.7 %	43.8 %	33.8 %	26.5%	35.6%
Liquid Assets to Deposits [4/]	78.7 %	66.0 %	58.9 %	65.6%	67.4%
Loans, gross to Deposits	84.2 %	91.1 %	97.3 %	101.7%	98.7%
Asset Quality					
Allowance for Credit Losses (ACL) to TLP	2.5 %	1.9 %	1.8 %	1.8%	1.8%
Gross Non-Performing Loans (NPL) to TLP	1.5 %	1.2 %	1.3 %	1.0%	1.2%
NPL Ratio net of IBL	1.6 %	1.3 %	1.4 %	1.1%	1.2%
NPL Coverage (ACL to Gross NPL)	173.4 %	156.7 %	147.5 %	179.8%	157.7%
Non-Performing Assets (NPA) to Gross Assets	0.8 %	0.8 %	1.4 %	0.8%	0.8%
NPA Coverage (Allowance on NPA to NPA)	156.8 %	133.8 %	139.1 %	144.1%	133.2%
ROPA to Gross Assets Ratio	0.1 %	0.1 %	0.2 %	0.2%	0.2%
ROPA Coverage Ratio	25.4 %	20.5 %	20.4 %	22.0%	23.8%
Distressed Assets Ratio	1.8 %	1.5 %	1.4 %	1.4%	1.5%
Capital Adequacy					
Total Capital Accounts to Total Assets [5/]	14.3 %	14.9 %	15.5 %	15.5%	16.7%
Capital Adequacy Ratio (Solo) [6/]	21.3 %	23.3 %	21.8 %	22.0 %	

1/ Non-interest income now includes dividend income

2/ Cost-to-Income Ratio refers to the ratio of non-interest expenses to total operating income

3/ ROA and ROE refer to the ratio of annualized net profit to average assets and capital, respectively.

4/ Liquid Assets refer to Cash and Due from Banks plus Financial Assets, net of amortization (net of financial assets in equity securities).

5/ Total capital accounts includes redeemable preferred shares

6/ Refers to the ratio of qualifying capital to total risk-weighted assets. With the implementation of the reforms under the Basel III framework, the BSP issued Circular No. 781 dated 13 January 2013 providing the new computation of qualifying capital under the Basel III standards. While the three major risks (credit, market and operational risks) are still covered by the calculation of risk-based capital, the qualifying capital was strengthened through the eligibility criteria for recognition as capital including the required loss absorbency features of capital instruments.

Appendix 20: Non-Banks with Quasi-Banking Functions (NBQBs)

Financial Highlights

Levels (P Billion)	End-December				
	2015	2016	2017	2018	2019
Income Statement					
Total Operating Income	18.9	21.9	25.9	26.0	27.2
Net Interest Income	13.4	15.2	18.8	20.7	21.3
Non-interest Income	5.5	6.8	7.1	5.3	5.9
Operating Expenses	12.5	13.5	14.0	15.9	17.4
Bad Debts/Provisions for Probable Losses	4.2	4.7	4.8	5.7	6.5
Other Operating Expenses	8.3	8.8	9.2	10.2	10.9
Net Operating Income	6.4	8.4	11.8	10.2	9.8
Extraordinary Credits/(Charges)	1.2	1.0	1.1	1.2	0.9
Net Income Before Tax	7.5	9.5	13.0	11.4	10.7
Provisions for Income Tax	2.2	2.8	3.6	3.3	2.9
Net Income After Tax (NIAT)	5.3	6.6	9.4	8.1	7.8
Balance Sheet					
Total Assets	205.1	221.1	260.9	282.2	279.4
Cash and Due from Banks	33.3	37.7	42.0	40.3	28.4
Interbank Loans Receivable (IBL)	3.2	0.0	0.8	0.0	1.2
Loans, gross (exclusive of IBL)	105.2	133.7	167.3	196.7	221.5
Allowance for Probable Losses	3.3	3.6	4.0	6.8	7.5
Loans, net (exclusive of IBL)	101.9	130.1	163.3	189.9	214.1
Investments, net	55.5	42.8	44.3	40.2	25.4
ROPA, net	0.6	0.6	0.6	0.7	0.9
Other Assets	10.6	9.9	9.8	11.3	11.5
Total Liabilities	159.6	175.2	210.0	227.4	220.2
Bills Payable	127.2	137.8	177.6	191.0	178.2
Other Liabilities	32.4	37.4	32.4	36.3	42.0
Total Capital Accounts	45.5	45.9	51.0	54.9	59.2

Figures may not add up due to rounding-off

Appendix 21: Non-Banks with Quasi-Banking Functions (NBQBs)

Selected Performance Indicators

Growth Rates	End-December 2015	2016	2017	2018	2019
Income Statement					
Total Operating Income	(1.4 %)	16.2 %	17.9 %	0.6 %	4.5 %
Net Interest Income	12.5 %	13.3 %	24.0 %	10.0 %	2.9 %
Non-interest Income	(24.3 %)	23.2 %	4.3 %	(24.4 %)	10.7 %
Operating Expenses	8.7 %	7.9 %	4.0 %	12.9 %	9.8 %
Bad Debts/Provisions for Probable Losses	9.2 %	12.0 %	2.6 %	18.4 %	14.1 %
Other Operating Expenses	8.5 %	5.8 %	4.7 %	10.1 %	7.3 %
Net Operating Income	(16.7 %)	32.6 %	40.3 %	(14.0 %)	(3.7 %)
Extraordinary Credits/(Charges)	(10.6 %)	(13.4 %)	13.1 %	6.5 %	(26.2 %)
Net Income Before Tax	(15.8 %)	25.5 %	37.4 %	(12.2 %)	(6.1 %)
Provisions for Income Tax	(7.1 %)	24.9 %	26.6 %	(6.1 %)	(13.2 %)
Net Income After Tax (NIAT)	(19.1 %)	25.7 %	41.9 %	(14.6 %)	(3.1 %)
Balance Sheet					
Total Assets	8.2 %	7.8 %	18.0 %	8.2 %	(1.0 %)
Cash and due from Banks	12.5 %	13.0 %	11.5 %	(4.1 %)	
Interbank Loans Receivable (IBL)	51.9 %	(100.0 %)	300.0 %	(100.0 %)	1.2 %
Loans, gross (exclusive of IBL)	14.3 %	27.1 %	25.1 %	17.5 %	12.6 %
Allowance for Probable Losses	11.0 %	8.5 %	10.3 %	70.0 %	8.2 %
Loans, net (exclusive of IBL)	14.4 %	27.7 %	25.5 %	16.2 %	12.8 %
Investments, net	(2.3 %)	(22.9 %)	3.6 %	(9.4 %)	36.9 %
ROPA, net	(24.7 %)	(0.0 %)	13.1 %	3.9 %	37.2 %
Other Assets	(5.6 %)	(6.7 %)	(1.2 %)	14.8 %	3.5 %
Total Liabilities	10.0 %	9.8 %	19.8 %	8.3 %	(3.2 %)
Bills Payable	11.6 %	8.3 %	28.9 %	7.6 %	(6.7 %)
Other Liabilities	3.9 %	15.6 %	(13.4 %)	12.2 %	15.6 %
Total Capital Accounts	2.4 %	0.7 %	11.1 %	7.6 %	8.0 %
Selected Ratios					
Profitability					
Cost-to-Income [1/]	44.1 %	40.2 %	35.7 %	39.0 %	40.1 %
Return on Assets (ROA)	2.7 %	3.1 %	3.9 %	3.0 %	2.8 %
Return on Equity (ROE)	11.7 %	14.5 %	19.5 %	15.2 %	13.0 %
Liquidity					
Cash and Due from Banks to Bills Payable	26.2 %	27.3 %	23.7 %	21.1 %	16.0 %
Liquid Assets to Bills Payable [2/]	63.9 %	52.6 %	43.5 %	35.6 %	-
Loans, gross to Bills Payable	85.3 %	97.1 %	94.7 %	102.9 %	124.3 %
Asset Quality					
Non-performing Loans (NPL)	4.5 %	3.9 %	3.6 %	3.8 %	4.7 %
NPL Coverage	68.9 %	69.4 %	65.5 %	91.7 %	70.8 %
Non-Performing Assets (NPA) to Gross Assets	2.6 %	2.6 %	2.6 %	2.8 %	4.0 %
NPA Coverage	62.1 %	63.3 %	60.2 %	84.3 %	65.5 %
Capital Adequacy					
Total Capital Accounts to Total Assets	22.2 %	20.8 %	19.5 %	19.4 %	21.2 %
Business Mix					
Total Investments (gross) to Total Assets	26.8 %	19.2 %	16.8 %	14.4 %	9.3 %
Total Loans (gross) to Total Assets	52.9 %	60.5 %	64.4 %	69.7 %	79.3 %

1/ Cost-to-Income Ratio refers to operating expenses, exclusive of bad debts and provisions to total operating income

2/ Liquid Assets refer to Cash and Due from Banks plus Investments,net (less equity investments,net)

Appendix 22: Non-Banks with Quasi-Banking Functions (NBQBs)

Profitability Indicators

	End-December				
Levels (P Billion)	**2015**	**2016**	**2017**	**2018**	**2019**
Total Operating Income	18.9	21.9	25.9	26.0	27.2
Net Interest Income	13.4	15.2	18.8	20.7	21.3
Interest Expenses	4.5	4.7	5.7	8.0	10.9
Non-interest Income	5.5	6.8	7.1	5.3	5.9
Fee-based Income	4.7	5.3	5.0	4.5	4.0
Trading Income	(0.2)	0.2	0.8	(0.3)	0.6
Other Income	1.0	1.3	1.3	1.1	1.2
Operating Expenses	12.5	13.5	14.0	15.9	17.4
Bad Debts/Provisions for Probable Losses	4.2	4.7	4.8	5.7	6.5
Other Operating Expenses	8.3	8.8	9.2	10.2	10.9
Net Operating Income	6.4	8.4	11.8	10.2	9.8
Extraordinary Credits/(Charges)	1.2	1.0	1.1	1.2	0.9
Net Income Before Tax	7.5	9.5	13.0	11.4	10.7
Provisions for Income Tax	2.2	2.8	3.6	3.3	2.9
Net Income After Tax (NIAT)	5.3	6.6	9.4	8.1	7.8
Growth Rates					
Total Operating Income	(1.4 %)	16.2 %	17.9 %	0.6 %	4.5 %
Net Interest Income	12.5 %	13.3 %	24.0 %	10.0 %	2.9 %
Interest Expenses	15.4 %	5.0 %	19.9 %	41.2 %	36.0 %
Non-interest Income	(24.3 %)	23.2 %	4.3 %	(24.4 %)	10.7 %
Fee-based Income	3.7 %	12.7 %	(5.7 %)	(9.7 %)	(11.5 %)
Trading Income	(114.0 %)	(192.7 %)	300.3 %	(143.5 %)	(276.5 %)
Other Income	(17.3 %)	27.3 %	0.3 %	(9.1 %)	4.5 %
Operating Expenses	8.7 %	7.9 %	4.0 %	12.9 %	9.8 %
Bad Debts/Provisions for Probable Losses	9.2 %	12.0 %	2.6 %	18.4 %	14.1 %
Other Operating Expenses	8.5 %	5.8 %	4.7 %	10.1 %	7.3 %
Net Operating Income	(16.7 %)	32.6 %	40.3 %	(14.0 %)	(3.7 %)
Extraordinary Credits/(Charges)	(10.6 %)	(13.4 %)	13.1 %	6.5 %	(26.2 %)
Net Income Before Tax	(15.8 %)	25.5 %	37.4 %	(12.2 %)	(6.1 %)
Provisions for Income Tax	(7.1 %)	24.9 %	26.6 %	(6.1 %)	(13.2 %)
Net Income After Tax (NIAT)	(19.1 %)	25.7 %	41.9 %	(14.6 %)	(3.1 %)
Selected Ratios					
Earning Asset Yield [1/]	12.0 %	12.3 %	13.2 %	13.4 %	0.6 %
Funding Cost [2/]	3.7 %	3.6 %	3.6 %	4.3 %	6.0 %
Interest Spread [3/]	8.3 %	8.7 %	9.6 %	9.1 %	(5.5 %)
Net Interest Margin [4/]	9.0 %	9.4 %	10.1 %	9.7 %	9.1 %
Non-interest Income to Total Operating Income	29.1 %	30.8 %	27.3 %	20.5 %	21.6 %
Cost-to-Income [5/]	44.1 %	40.2 %	35.7 %	39.0 %	40.1 %
Return on Assets (ROA) [6/]	2.7 %	3.1 %	3.9 %	3.0 %	2.8 %
Return on Equity (ROE) [6/]	11.7 %	14.5 %	19.5 %	15.2 %	13.0 %

1/ *Earning Asset Yield refers to the ratio of interest income to average earning assets*

2/ *Funding Cost refers to the ratio of interest expenses to average interest-bearing liabilities*

3/ *Interest Spread refers to the difference between earning asset yield and funding cost*

4/ *Net Interest Margin refers to the ratio of net interest income to average earning assets*

5/ *Cost-to-Income Ratio refers to operating expenses, exclusive of bad debts and provisions to total operating income*

6/ *ROA and ROE refer to the ratio of annualized NIAT to average assets and capital, respectively.*

Figures may not add up due to rounding-off

Appendix 23: Non-Banks with Quasi-Banking Functions (NBQBs)

Asset Quality Indicators

Levels (P Billion)	End-December 2015	2016	2017	2018	2019
Total Assets	205.1	221.1	260.9	282.2	279.4
Gross Assets [1/]	208.5	224.8	265.1	289.2	287.0
Total Loan Portfolio (TLP)	108.4	133.7	168.1	196.7	214.1
Interbank Loans Receivable (IBL)	3.2	0.0	0.8	0.0	1.2
TLP, (exclusive of IBL)	105.2	133.7	167.3	196.7	221.5
TLP, net (exclusive of IBL)	101.9	130.1	163.3	189.9	214.1
Non-Performing Loans (NPL)	4.8	5.2	6.1	7.4	10.4
Loan Loss Reserves (LLR)	3.3	3.6	4.0	6.8	7.4
ROPA, gross	0.6	0.7	0.8	0.8	1.1
Allowance for ROPA	0.1	0.1	0.2	0.1	0.1
Restructured Loans (RL), gross	0.3	0.2	0.3	0.3	0.6
RL, current	0.1	0.1	0.0	0.1	0.0
Non-performing Assets (NPAs) [2/]	5.5	5.9	6.9	8.2	11.5
Allowance for Probable Losses on NPAs	3.3	3.6	4.0	6.8	7.5
Growth Rates					
Total Assets	8.2 %	7.8 %	18.0 %	8.2 %	(1.0 %)
Gross Assets [1/]	8.2 %	7.8 %	17.9 %	9.1 %	(0.7 %)
TLP	15.2 %	23.3 %	25.7 %	17.0 %	8.9 %
IBL	51.9 %	(100.0 %)	300.0 %	(100.0 %)	-
TLP (exclusive of IBL)	14.3 %	27.1 %	25.1 %	17.5 %	12.6 %
TLP, net (exclusive of IBL)	14.4 %	27.7 %	25.5 %	16.2 %	12.8 %
NPL	9.0 %	7.7 %	16.8 %	21.5 %	40.4 %
LLR	11.0 %	8.5 %	10.3 %	70.0 %	8.9 %
ROPA, gross	(25.3 %)	7.8 %	16.4 %	0.1 %	35.5 %
Allowance for ROPA	(29.7 %)	69.6 %	31.5 %	(15.3 %)	(27.5 %)
RL, gross	(12.6 %)	(27.3 %)	47.5 %	(14.7 %)	110.5 %
RL, current	(36.5 %)	(53.2 %)	(21.4 %)	84.7 %	(100.0 %)
NPAs [2/]	3.4 %	7.7 %	16.8 %	19.0 %	39.9 %
Allowance for Probable Losses on NPAs	9.6 %	9.8 %	11.0 %	66.7 %	10.3 %
Selected Ratios					
RL to TLP	0.3 %	0.2 %	0.2 %	0.1 %	0.3 %
LLR to TLP	3.1 %	2.7 %	2.4 %	3.5 %	3.3 %
NPL Ratio (inclusive of IBL)	4.5 %	3.9 %	3.6 %	3.8 %	4.7 %
NPL Ratio (exclusive of IBL)	4.6 %	3.9 %	3.6 %	3.8 %	4.7 %
NPL Coverage [3/]	68.9 %	69.4 %	65.5 %	91.7 %	70.8 %
NPA to Gross Assets	2.6 %	2.6 %	2.6 %	2.8 %	4.0 %
NPA Coverage [4/]	62.1 %	63.3 %	60.2 %	84.3 %	65.5 %

1/ *Gross Assets refer to Total Assets, net of reserves plus Loan Loss Reserves (LLR) plus provision for ROPA*

2/ *NPA refers to NPLs plus ROPA, gross excluding performing sales*

3/ *NPL Coverage refers to the ratio of LLR to NPL*

4/ *NPA Coverage refers to the ratio of valuation reserves (for Loans and ROPA) to NPAs*

Appendix 24. Non-Stock Savings and Loans Associations (NSSLAs)

Financial Highlights

Levels (P Billion)	2015	2016	2017	2018	2019
Income Statement					
Total Operating Income	22.1	22.7	24.1	29.5	30.4
Net Interest Income	19.0	19.7	21.3	26.5	27.5
Non-interest Income	3.1	3.0	2.8	3.0	2.9
Operating Expenses	5.3	5.7	5.8	6.6	7.4
Bad Debts/Provisions for Probable Losses	1.6	1.3	1.6	1.8	2.4
Other Operating Expenses	3.7	4.4	4.2	4.8	5.0
Net Operating Income	16.8	17.0	18.3	22.9	23.0
Extraordinary Credits/(Charges)	(1.4)	(1.4)	(0.8)	(1.6)	(0.5)
Net Income Before Tax	15.4	15.6	17.4	21.3	22.5
Provisions for Income Tax			0.0	0.0	0.0
Net Income After Tax (NIAT)	15.4	15.6	17.4	21.2	22.5
Balance Sheet					
Total Assets	166.1	180.1	193.5	226.4	259.2
Cash and Due from Banks	28.0	28.3	23.5	18.0	20.9
Loans, gross	126.0	137.9	153.2	197.5	225.5
Allowance for Probable Losses	13.0	16.0	18.3	20.4	20.5
Loans, net (inclusive of IBL)	113.0	121.9	134.9	177.1	205.0
Investments, net	14.4	18.8	23.4	18.3	19.1
ROPA, net	0.2	0.1	0.1	0.1	0.1
Other Assets	10.5	10.9	11.7	13.0	14.1
Total Liabilities	43.7	49.3	55.1	72.8	88.9
Deposit Liabilities	33.6	38.4	43.0	48.3	58.8
Bills Payable	3.9	4.0	5.0	17.0	20.4
Other Liabilities	6.2	6.9	7.1	7.4	9.8
Total Capital Accounts	122.4	130.8	138.4	153.6	170.3

0.0 Less than P50 million

Figures may not add up due to rounding-off

Appendix 25. Non-Stock Savings and Loan Associations (NSSLAs)
Selected Performance Indicators

	2015	2016	2017	2018	2019
Growth Rates					
Income Statement					
Total Operating Income	2.5 %	2.9 %	6.0 %	22.6 %	3.1 %
Net Interest Income	6.1 %	3.7 %	8.2 %	24.2 %	3.9 %
Non-interest Income	(15.4 %)	(2.2 %)	(8.6 %)	10.1 %	(3.4 %)
Operating Expenses	(13.9 %)	8.2 %	2.1 %	14.2 %	11.5 %
Bad Debts/Provisions for Probable Losses	(43.0 %)	(15.6 %)	20.6 %	14.1 %	32.7 %
Other Operating Expenses	9.6 %	18.1 %	(3.4 %)	14.3 %	3.6 %
Net Operating Income	9.0 %	1.3 %	7.3 %	25.3 %	0.7 %
Extraordinary Credits/(Charges)	9.2 %	1.7 %	(42.8 %)	95.6 %	(67.2 %)
Net Income Before Tax	8.9 %	1.2 %	11.8 %	22.0 %	5.7 %
Provisions for Income Tax	-	-	-	-	3.8 %
Net Income After Tax (NIAT)	8.8 %	1.2 %	11.8 %	22.0 %	5.7 %
Balance Sheet					
Total Assets	9.3 %	8.4 %	7.4 %	17.0 %	14.5 %
Cash and Due from Banks	35.6 %	1.2 %	(16.9 %)	(23.6 %)	16.3 %
Interbank Loans Receivable (IBL)					
Loans, gross	4.9 %	9.5 %	11.1 %	28.9 %	14.2 %
Allowance for Probable Losses	3.3 %	23.3 %	14.4 %	11.6 %	0.4 %
Loans, net	5.1 %	7.9 %	10.6 %	31.3 %	15.8 %
Investments, net	8.1 %	30.9 %	24.0 %	(21.7 %)	4.7 %
ROPA, net	15.7 %	(52.7 %)	(34.0 %)	(9.7 %)	(3.0 %)
Other Assets	2.2 %	3.8 %	7.1 %	11.0 %	8.5 %
Total Liabilities	17.6 %	13.0 %	11.8 %	32.0 %	22.2 %
Deposit Liabilities	13.9 %	14.3 %	11.9 %	12.4 %	21.6 %
Bills Payable	44.0 %	3.0 %	24.7 %	243.0 %	19.5 %
Other Liabilities	25.4 %	11.8 %	3.3 %	3.4 %	32.2 %
Total Capital Accounts	6.6 %	6.8 %	5.8 %	11.0 %	10.9 %
Selected Ratios					
Profitability					
Cost-to-Income [1/]	16.8 %	19.3 %	17.6 %	16.4 %	16.5 %
Return on Assets (ROA)	9.6 %	8.9 %	9.5 %	9.7 %	9.1 %
Return on Equity (ROE)	12.9%	12.2%	13.2%	14.5%	13.8%
Liquidity					
Cash and Due from Banks to Deposits	83.2 %	73.7 %	54.7 %	37.2 %	35.6 %
Liquid Assets to Deposits [2/]	126.1 %	122.7 %	109.0 %	75.0 %	68.2 %
Loans, gross to Deposits	374.9 %	358.9 %	356.2 %	408.6 %	383.8 %
Asset Quality					
Non-performing Loans (NPL) Ratio	9.9 %	10.2 %	9.8 %	9.1 %	7.0 %
NPL Coverage	103.7 %	113.1 %	122.0 %	114.2 %	130.5 %
Non-performing Assets (NPA) to Gross Assets	7.1 %	7.3 %	7.1 %	7.3 %	5.6 %
NPA Coverage	102.0 %	112.3 %	121.4 %	113.8 %	130.0 %
Capital Adequacy					
Total Capital Accounts to Total Assets	73.7 %	72.6 %	71.5 %	67.9 %	65.7 %
Paid-in Capital to Total Capital Accounts	80.0 %	79.6 %	78.9 %	77.4 %	76.5 %
Business Mix					
Total Investments (gross) to Total Assets	8.7 %	10.5 %	12.1 %	8.1 %	7.4 %
Total Loans (gross) to Total Assets	75.8 %	76.6 %	79.2 %	87.2 %	87.0 %

1/ *Cost-to-Income Ratio refers to operating expenses, exclusive of bad debts and provisions to total operating income*

2/ *Liquid Assets refers to Cash and Due from Banks plus Investments,net (less equity investments,net)*

Figures may not add up due to rounding-off

Appendix 26. Non-Stock Savings and Loan Associations (NSSLAs)

Profitability Indicators

Levels (P Billion)	2015	2016	2017	2018	2019
Total Operating Income	22.1	22.7	24.1	29.5	30.4
Net Interest Income	19.0	19.7	21.3	26.5	27.5
Interest Income	20.6	21.4	23.2	29.1	31.1
Interest Expenses	1.6	1.7	1.8	2.7	3.6
Non-interest Income	3.1	3.0	2.8	3.0	2.9
Fee-based Income	2.4	2.2	1.9	2.1	2.1
Trading Income	0.0	0.0	0.0	0.0	0.0
Trust department income	0.0	0.0	0.0	0.0	0.0
Other Income	0.7	0.8	0.9	0.9	0.8
Operating Expenses	5.3	5.7	5.8	6.6	7.4
Bad Debts/Provisions for Probable Losses	1.6	1.3	1.6	1.8	2.4
Other Operating Expenses	3.7	4.4	4.2	4.8	5.0
Net Operating Income	16.8	17.0	18.3	22.9	23.0
Extraordinary Credits/(Charges)	(1.4)	(1.4)	(0.8)	(1.6)	(0.5)
Net Income Before Tax	15.4	15.6	17.4	21.3	22.5
Provisions for Income Tax	0.0	0.0	0.0	0.0	0.0
Net Income After Tax (NIAT)	15.4	15.6	17.4	21.2	22.5
Growth Rates					
Total Operating Income	2.5 %	2.9 %	6.0 %	22.6 %	3.1 %
Net Interest Income	6.1 %	3.7 %	8.2 %	24.2 %	3.9 %
Interest Income	7.2 %	3.9 %	8.4 %	25.8 %	6.7 %
Interest Expenses	22.5 %	6.3 %	10.1 %	44.1 %	35.1 %
Non-interest Income	(15.4 %)	(2.2 %)	(8.6 %)	10.1 %	(3.4 %)
Fee-based Income	(22.9 %)	(4.5 %)	(16.9 %)	14.8 %	(1.7 %)
Trading Income	-	-	-	-	-
Trust department income	-	-	-	-	-
Other Income	24.0 %	5.1 %	16.2 %	0.2 %	(7.6 %)
Operating Expenses	(13.9 %)	8.2 %	2.1 %	14.2 %	11.5 %
Bad Debts/Provisions for Probable Losses	(43.0 %)	(15.6 %)	20.6 %	14.1 %	32.7 %
Other Operating Expenses	9.6 %	18.1 %	(3.4 %)	14.3 %	3.6 %
Net Operating Income	9.0 %	1.3 %	7.3 %	25.3 %	0.7 %
Extraordinary Credits/(Charges)	9.2 %	1.7 %	(42.8 %)	95.6 %	(67.2 %)
Net Income Before Tax	8.9 %	1.2 %	11.8 %	22.0 %	5.7 %
Provisions for Income Tax	-	-	-	-	-
Net Income After Tax (NIAT)	8.8 %	1.2 %	11.8 %	22.0 %	5.7 %
Selected Ratios					
Cost-to-Income [1/]	16.8 %	19.3 %	17.6 %	16.4%	16.5%
Return on Assets (ROA) [2/]	9.6 %	8.9 %	9.5 %	9.7 %	9.1 %
Return on Equity (ROE) [2/]	12.9 %	12.2 %	13.2 %	14.5 %	13.8 %

1/ *Cost-to-Income Ratio refers to operating expenses, exclusive of bad debts and provisions to total operating income*

2/ *ROA and ROE refer to the ratio of annualized NIAT to average assets and capital, respectively.*

0.0 Less than P50 million

Figures may not add up due to rounding-off

Appendix 27. Non-Stock Savings and Loan Associations (NSSLAs)

Asset Quality Indicators

Levels (P Billion)	2015	2016	2017	2018	2019
Total Assets	166.1	180.1	193.5	226.4	259.2
Gross Assets [1/]	179.1	196.1	211.8	246.8	279.7
Total Loan Portfolio (TLP)	126.0	137.9	153.2	197.5	225.5
TLP, exclusive of IBL	126.0	137.9	153.2	197.5	225.5
TLP, net (exclusive of IBL)	113.0	121.9	134.9	177.1	205.0
Non-performing Loans (NPL)	12.5	14.1	15.0	17.9	15.7
Loan Loss Reserves (LLR)	13.0	16.0	18.3	20.4	20.5
ROPA, gross	0.2	0.1	0.1	0.1	0.1
Non-Performing Assets (NPAs) [2/]	12.7	14.2	15.1	17.9	15.8
Allowance for Probable Losses on NPAs	13.0	16.0	18.3	20.4	20.5
Growth Rates					
Total Assets	9.3 %	8.4 %	7.4 %	17.0 %	14.5 %
Gross Assets [1/]	8.8 %	9.5 %	8.0 %	16.5 %	0.0 %
TLP	4.9 %	9.5 %	11.1 %	28.9 %	14.2 %
TLP (exclusive of IBL)	4.9 %	9.5 %	11.1 %	28.9 %	14.2 %
TLP, net (exclusive of IBL)	5.1 %	7.9 %	10.6 %	31.3 %	15.8 %
NPL	(5.2 %)	13.1 %	6.1 %	19.3 %	(12.1 %)
LLR	3.3 %	23.3 %	14.4 %	11.6 %	0.4 %
ROPA, gross	15.7 %	(52.7 %)	(34.0 %)	(9.7 %)	(3.7 %)
NPAs [2/]	(4.9 %)	12.0 %	5.8 %	19.1 %	(12.1 %)
Allowance for Probable Losses on NPAs	3.3 %	23.3 %	14.4 %	11.6 %	0.4 %
Selected Ratios					
LLR to TLP	10.3 %	11.6 %	11.9 %	10.3 %	9.1 %
NPL Ratio (inclusive of IBL)	9.9 %	10.2 %	9.8 %	9.1 %	7.0 %
NPL Ratio (exclusive of IBL)	9.9 %	10.2 %	9.8 %	9.1 %	7.0 %
NPL Coverage [3/]	103.7 %	113.1 %	122.0 %	114.2 %	130.5 %
NPA to Gross Assets	7.1 %	7.3 %	7.1 %	7.3 %	5.6 %
NPA Coverage [4/]	102.0 %	112.3 %	121.4 %	113.8 %	130.0 %

1/ Gross Assets refer to Total Assets, net of reserves plus Loan Loss Reserves (LLR) plus provision for ROPA

2/ NPA refers to NPLs plus ROPA, gross

3/ NPL Coverage refers to the ratio of LLR to NPL

4/ NPA Coverage refers to the ratio of LLR (for Loans and ROPA) to NPAs

… less than P 50 million

Appendix 28

PHYSICAL COMPOSITION

Financial Institutions Under BSP Supervision/Regulation

As of Semesters-Ended Indicated

TYPE OF FINANCIAL INSTITUTIONS (FIs)	DECEMBER 2018			JUNE 2019			DECEMBER 2019		
	TOTAL	HEAD OFFICE	OTHER OFFICES	TOTAL	HEAD OFFICE	OTHER OFFICES	TOTAL	HEAD OFFICE	OTHER OFFICES
BSP SUPERVISED/REGULATED FIs [1/]	**30,389**	**2,495**	**27,894**	**32,004**	**2,569**	**29,435**	**33,912**	**2,566**	**31,346**
I. BANKS [2/]	**12,364**	**571**	**11,793**	**12,543**	**554**	**11,989**	**12,870**	**547**	**12,323**
A. Universal and Commercial Banks	**6,642**	**45**	**6,597**	**6,676**	**46**	**6,630**	**6,915**	**46**	**6,869**
Universal Banks	**6,080**	**21**	**6,059**	**6,109**	**21**	**6,088**	**6,342**	**21**	**6,321**
Private Domestic Banks	5,463	12	5,451	5,488	12	5,476	5,710	12	5,698
Government Banks	605	3	602	609	3	606	620	3	617
Branches of Foreign Banks	12	6	6	12	6	6	12	6	6
Commercial Banks	**562**	**24**	**538**	**567**	**25**	**542**	**573**	**25**	**548**
Private Domestic Banks	442	5	437	446	5	441	452	5	447
Subsidiaries of Foreign Banks	99	2	97	99	2	97	99	2	97
Branches of Foreign Banks	21	17	4	22	18	4	22	18	4
B. Thrift Banks	**2,657**	**54**	**2,603**	**2,720**	**51**	**2,669**	**2,683**	**50**	**2,633**
Financial Institution-Linked Banks	**1,304**	**14**	**1,290**	**1,452**	**14**	**1,438**	**1,335**	**13**	**1,322**
Domestic Bank-Controlled	1,265	11	1,254	1,413	11	1,402	1,296	10	1,286
Foreign Bank-Controlled	39	3	36	39	3	36	39	3	36
Domestic NBFI-Controlled	-			-					
Foreign NBFI-Controlled	-			-					
Non-Linked	**1,353**	**40**	**1,313**	**1,268**	**37**	**1,231**	**1,348**	**37**	**1,311**
C. Rural and Cooperative Banks	**3,065**	**472**	**2,593**	**3,147**	**457**	**2,690**	**3,272**	**451**	**2,821**
Rural Banks	2,164	438	1,726	2,204	423	1,781	2,251	419	1,832
Microfinance-oriented Rural Banks	745	9	736	785	9	776	860	7	853
Cooperative Banks	156	25	131	158	25	133	161	25	136
II. NON-BANK FINANCIAL INSTITUTIONS (NBFIs)	**18,023**	**1,922**	**16,101**	**19,459**	**2,013**	**17,446**	**21,041**	**2,018**	**19,023**
A. With Quasi-Banking Function	**120**	**9**	**111**	**131**	**9**	**122**	**135**	**8**	**127**
Investment Houses	4	3	1	4	3	1	3	2	1
Financing Companies	115	5	110	126	5	121	131	5	126
Other Non-Bank with QBF Function	1	1		1	1		1	1	
B. Without Quasi-Banking Functions	**17,903**	**1,913**	**15,990**	**19,328**	**2,004**	**17,324**	**20,906**	**2,010**	**18,896**
AAB - Forex Corporation	5	5		4	4		2	2	
Credit Card Companies	5	5		5	5		5	5	
Credit Granting Entities	9	9		9	9		9	9	
Electronic Money Issuer - Others	9	9		18	12	6	24	18	6
Financing Companies	48	18	30	48	18	30	49	19	30
Government Non-Bank Financial Institutions	2	2		2	2		2	2	
Investment Companies	1	1		1	1		1	1	
Investment Houses	20	11	9	20	11	9	11	11	
Lending Investors	1	1		1	1		1	1	
Non-Stock Savings & Loan Associations	196	62	134	200	63	137	200	63	137
Pawnshops	12,107	1,013	11,094	13,190	1,062	12,128	13,801	1,077	12,724
Money Service Businesses [3/]	5,483	760	4,723	5,813	799	5,014	6,784	785	5,999
Remittance Agent (Subsidiary of a Bank)	1	1		1	1				
Securities Dealers/Brokers	13	13		13	13		13	13	
Trust Corporation	3	3		3	3		4	4	
III. OFFSHORE BANKING UNITS (OBUs)	2	2		2	2		1	1	

1/ *Excludes Foreign Banks' Representative Offices (ROs) in the Philippines*

2/ *Includes ROs abroad of domestic banks*

3/ *Excludes pawnshops multi-functioning as money service businesses*

Appendix 29

Comparative Statement of Condition

Philippine Banking System

As of Periods-Ended Indicated
(Amounts in Billion Pesos)

Selected Accounts	ALL BANKS 1/			UNIVERSAL & COMMERCIAL BANKS 1/ 2/			THRIFT BANKS			RURAL AND COOPERATIVE BANKS		
	End-Dec '18 *	End-Jun '19	End-Dec '19 p/	End-Dec '18	End-Jun '19	End-Dec '19	End-Dec '18	End-Jun '19	End-Dec '19	End-Sep '18	End-Jun '19	End-Sep '19
ASSETS	**16,911.431**	**17,250.137**	**18,331.666**	**15,421.154**	**15,756.124**	**16,918.865**	**1,244.691**	**1,235.839**	**1,152.622**	**245.586**	**258.174**	**260.178**
Cash and Due from Banks	2,604.954	2,358.864	2,799.842	2,402.489	2,181.580	2,612.099	147.474	122.074	134.508	54.991	55.210	53.236
Financial Assets (net)	3,432.746	3,766.174	3,739.140	3,272.790	3,605.160	3,592.117	123.349	120.450	104.413	36.607	40.564	42.609
Loan Portfolio (net) 3/	9,888.275	10,087.135	10,756.851	8,869.441	9,041.789	9,783.447	890.618	909.415	835.476	128.215	135.930	137.929
Equity Investments (net)	297.347	313.950	301.488	286.165	309.693	297.280	10.817	3.839	3.724	0.365	0.418	0.484
ROPA (net)	96.867	91.044	97.234	66.582	61.129	68.827	20.639	20.659	19.102	9.646	9.257	9.305
Other Assets	591.243	632.969	637.110	523.687	556.771	565.096	51.794	59.403	55.399	15.762	16.795	16.615
LIABILITIES AND CAPITAL	**16,911.431**	**17,250.137**	**18,331.666**	**15,421.154**	**15,756.124**	**16,918.865**	**1,244.691**	**1,235.839**	**1,152.622**	**245.586**	**258.174**	**260.178**
Liabilities	**14,843.919**	**15,048.636**	**16,011.999**	**13,564.460**	**13,783.615**	**14,820.541**	**1,082.914**	**1,059.502**	**984.363**	**196.545**	**205.519**	**207.095**
Financial Liabilities Held for Trading	39.954	42.416	35.013	39.951	42.411	35.013	0.003	0.005	-	-	-	-
Financial Liabilities DFVPL	-	-	-	-	-	-	-	-	-	-	-	-
Deposit Liabilities	12,760.887	12,859.135	13,665.067	11,595.959	11,702.760	12,588.038	991.492	973.570	892.892	173.436	182.805	184.137
Residents	12,634.790	12,728.262	13,531.479	11,474.025	11,575.606	12,458.185	987.331	969.852	889.159	173.434	182.804	184.135
Peso Liabilities	10,582.381	10,657.288	11,486.594	9,481.856	9,562.132	10,461.179	927.216	912.481	841.412	173.308	182.675	184.002
Demand and NOW	2,840.779	2,927.801	3,286.968	2,742.272	2,822.740	3,194.246	93.959	100.347	88.110	4.548	4.714	4.613
Savings	4,960.802	4,821.489	5,120.359	4,561.953	4,413.228	4,715.095	267.896	267.413	262.141	130.953	140.847	143.123
Time	2,544.798	2,691.688	2,850.372	1,950.090	2,118.455	2,331.550	556.901	536.261	482.702	37.807	36.972	36.120
LTNCD	236.001	216.310	228.894	227.541	207.709	220.287	8.460	8.460	8.460	-	0.142	0.147
Foreign Currency	2,052.409	2,070.974	2,044.885	1,992.168	2,013.474	1,997.006	60.115	57.371	47.746	0.126	0.129	0.133
Demand and NOW	56.177	56.397	57.549	56.118	56.366	57.514	0.058	0.031	0.035	-	-	-
Savings	991.194	1,027.594	1,007.320	964.596	1,000.346	982.094	26.492	27.137	25.113	0.105	0.111	0.113
Time	1,005.039	986.983	980.016	971.454	956.762	957.398	33.564	30.203	22.598	0.021	0.019	0.020
LTNCD	-	-	-	-	-	-	-	-	-	-	-	-
Non-Residents	126.097	130.873	133.588	121.934	127.154	129.853	4.161	3.718	3.734	0.002	0.001	0.001
Peso Liabilities	61.275	62.004	71.919	58.420	59.600	69.594	2.853	2.404	2.324	0.002	0.001	0.001
Demand and NOW	23.205	28.565	32.550	22.914	28.300	32.292	0.291	0.265	0.259	-	-	-
Savings	30.875	27.541	32.785	28.659	25.700	31.058	2.215	1.840	1.725	0.002	0.001	0.001
Time	7.194	5.899	6.584	6.847	5.600	6.244	0.347	0.299	0.340	0.000	0.000	0.000
LTNCD	-	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency	64.823	68.869	61.669	63.514	67.554	60.259	1.309	1.315	1.410	-	-	-
Demand and NOW	3.871	4.850	5.628	3.865	4.843	5.622	0.007	0.006	0.006	-	-	-
Savings	33.172	35.128	33.701	31.897	33.844	32.307	1.275	1.283	1.395	-	-	-
Time	27.779	28.892	22.339	27.753	28.866	22.331	0.027	0.025	0.009	-	-	-
LTNCD	-	-	-	-	-	-	-	-	-	-	-	-
Bills Payable	933.949	904.989	864.216	874.123	853.908	818.083	48.359	39.077	34.453	11.466	12.005	11.680
BSP	117.031	146.283	44.844	116.356	140.656	44.842	0.661	5.625	0.000	0.014	0.002	0.001
Interbank Loans Payable	314.901	321.997	314.486	282.485	295.283	284.471	26.051	20.465	24.235	6.366	6.249	5.780
Other Deposits Substitutes	359.220	302.258	386.462	355.494	298.076	384.391	3.726	4.182	2.071	-	-	-
Others	142.797	134.450	118.424	119.788	119.893	104.379	17.922	8.803	8.147	5.087	5.754	5.898
Unsecured Subordinated Debt	86.951	70.886	47.957	81.550	65.585	45.639	4.032	3.983	1.000	1.370	1.317	1.318
Redeemable Preferred Shares	0.887	0.298	0.298	0.000	0.000	0.000	0.772	0.122	0.122	0.114	0.176	0.175
Other Liabilities	1,021.291	1,170.912	1,399.448	972.878	1,118.951	1,333.767	38.255	42.745	55.895	10.159	9.216	9.786
Capital Accounts	**2,067.512**	**2,201.500**	**2,319.667**	**1,856.694**	**1,972.509**	**2,098.325**	**161.778**	**176.336**	**168.259**	**49.041**	**52.655**	**53.083**
Capital Stock	963.891	975.835	998.904	857.991	861.343	887.367	73.446	80.789	78.217	32.454	33.703	33.320
Assigned Capital	112.088	119.938	143.406	112.088	119.938	143.406	-	-	-	-	-	-
Net Due to HO, Br & Ags / Accum Earni	39.176	51.619	41.759	39.176	51.619	41.759	-	-	-	-	-	-
Other Equity Instruments 4/	13.178	13.324	15.515	12.000	12.000	12.000	0.399	0.528	2.749	0.779	0.797	0.766
Retained Earnings & Undivided Profits	939.179	1,040.783	1,120.083	835.438	927.608	1,013.793	87.933	95.020	87.292	15.808	18.155	18.997

1/ Total assets adjusted to net off the account "Due From Head Office" with "Due to Head Office" of branches of foreign banks
2/ Inclusive of branches of foreign banks with universal banking license, other foreign bank branches and subsidiaries, and 3 government banks: Development Bank of the Philippines (DBP), Land Bank of the Philippines (LBP), and Al Amanah Islamic Bank
3/ Inclusive of Interbank Loans Receivable
4/ Inclusive of Deposits for Stock Subscription
5/ Inclusive of Other Comprehensive Income and Appraisal Increment Reserve
** Data for RCBs as of end-September 2018*
p/ Preliminary; Data for RCBs as of end-September 2019
Note: "0.000" denotes a value below 0.0005
Figures may not add up due to rounding-off

Appendix 30

Comparative Statement of Income and Expenses

Philippine Banking System

For the Period-Ended Indicated

(Amounts in Billion Pesos)

Selected Accounts	ALL BANKS			UNIVERSAL & COMMERCIAL BANKS 1/			THRIFT BANKS			RURAL AND COOPERATIVE BANKS		
	Jan-Dec '18 *	Jan-Jun '19	Jan-Dec '19 p/	Jan-Dec '18	Jan-Jun '19	Jan-Dec '19	Jan-Dec '18	Jan-Jun '19	Jan-Dec '19	Jan-Sep '18	Jan-Jun '19	Jan-Sep '19
Operating Income	**660.218**	**377.244**	**788.018**	**564.202**	**324.390**	**689.536**	**75.272**	**37.416**	**74.862**	**20.744**	**15.438**	**23.620**
Net Interest Income	**509.730**	**287.213**	**598.750**	**431.782**	**244.511**	**518.935**	**62.177**	**30.826**	**61.505**	**15.771**	**11.877**	**18.310**
Interest Income	701.091	436.844	878.463	595.907	374.023	765.959	86.590	48.615	90.731	18.595	14.206	21.772
Provision for Losses on Accrued Interest	1.332	0.189	0.287	1.245	0.048	0.099	0.077	0.141	0.188	0.010	0.000	0.000
Less: Interest Expenses	190.030	149.441	279.426	162.880	129.465	246.925	24.336	17.648	29.038	2.814	2.329	3.462
Non-interest Income	**150.488**	**90.031**	**189.268**	**132.420**	**79.879**	**170.601**	**13.095**	**6.590**	**13.357**	**4.973**	**3.562**	**5.310**
Dividend Income	3.369	1.890	3.364	3.358	1.882	3.352	0.011	0.008	0.012	0.000	0.000	0.000
Fee-based Income	90.652	49.073	99.808	78.916	42.648	88.655	8.885	4.099	7.761	2.850	2.325	3.393
Trading Income/(Loss)	10.404	17.660	24.832	10.453	17.297	24.358	(0.052)	0.362	0.473	0.003	0.002	0.001
Foreign Exchange Income/(Lo	9.101	2.113	8.511	8.860	2.034	8.372	0.236	0.078	0.138	0.005	0.000	0.001
Other Income/(Loss)	36.962	19.295	52.752	30.833	16.018	45.864	4.015	2.043	4.974	2.114	1.234	1.915
Non-Interest Expenses	**425.955**	**232.269**	**476.402**	**359.206**	**194.492**	**407.966**	**50.850**	**26.187**	**50.862**	**15.898**	**11.590**	**17.575**
Losses/Recoveries on Financial Assets	**(31.673)**	**(18.245)**	**(50.532)**	**(25.966)**	**(15.891)**	**(44.209)**	**(4.746)**	**(1.859)**	**(5.681)**	**(0.960)**	**(0.495)**	**(0.642)**
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures Accounted for Using the Equity Method	**202.591**	**126.731**	**261.084**	**179.030**	**114.008**	**237.360**	**19.676**	**9.370**	**18.320**	**3.885**	**3.354**	**5.404**
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures Accounted for Using the Equity Method	**22.479**	**12.369**	**25.324**	**22.056**	**12.162**	**24.958**	**0.338**	**0.171**	**0.262**	**0.085**	**0.036**	**0.104**
Total Profit/Loss Before Tax and Before Minority Interest	**225.069**	**139.100**	**286.408**	**201.086**	**126.170**	**262.319**	**20.013**	**9.540**	**18.582**	**3.970**	**3.390**	**5.508**
Income Tax Expense	46.235	28.134	55.986	41.155	25.554	50.752	4.183	1.867	4.108	0.896	0.713	1.126
Total Profit/Loss After Tax and Before Minority Interest	**178.835**	**110.966**	**230.422**	**159.930**	**100.616**	**211.567**	**15.830**	**7.674**	**14.473**	**3.074**	**2.677**	**4.381**
Minority Interest in Profit/(Loss) of Subsidiaries			-			-			-			-
NET PROFIT/(LOSS)	**178.835**	**110.966**	**230.422**	**159.930**	**100.616**	**211.567**	**15.830**	**7.674**	**14.473**	**3.074**	**2.677**	**4.381**
Profitability												
Return on Assets (%)	**1.1**	**1.2**	**1.3**	**1.1**	**1.2**	**1.3**	**1.3**	**1.3**	**1.2**	**1.5**	**2.1**	**2.1**
Return on Equity (%)	**9.4**	**9.8**	**10.5**	**9.3**	**9.9**	**10.7**	**10.3**	**9.4**	**8.8**	**7.6**	**10.3**	**10.3**

1/ Inclusive of branches of foreign banks with universal banking license, other foreign bank branches and subsidiaries, and 3 government banks: Development Bank of the Philippines (DBP), Land Bank of the Philippines (LBP), and Al Amanah Islamic Bank

** Data for RCBs for Jan-Sep '18*

p/ Preliminary; Data for RCBs for Jan-Sep '19

Note: "0.000" denotes a value below 0.0005

Figures may not add up due to rounding-off

Appendix 31

Selected Performance Indicators

PHILIPPINE BANKING SYSTEM

As of Periods-Ended Indicated

(Ratios in Percent)

Selected Ratios	ALL BANKS			UNIVERSAL & COMMERCIAL BANKS			THRIFT BANKS			RURAL AND COOPERATIVE BANKS		
	End-Dec '18 *	End-Jun '19	End-Dec '19 p/	End-Dec '18	End-Jun '19	End-Dec '19	End-Dec '18	End-Jun '19	End-Dec '19	End-Sep '18	End-Jun '19	End-Sep '19
Profitability												
Earning Asset Yield 1/	4.7%	5.3%	5.4%	4.4%	5.0%	5.1%	7.6%	8.2%	8.0%	11.1%	12.0%	12.2%
Funding Cost 2/	1.4%	1.9%	1.9%	1.3%	1.8%	1.8%	2.4%	3.1%	2.9%	2.0%	2.3%	2.4%
Interest Spread 3/	3.3%	3.4%	3.5%	3.0%	3.2%	3.2%	5.2%	5.0%	5.1%	9.1%	9.7%	9.9%
Net Interest Margin 4/	3.4%	3.6%	3.7%	3.2%	3.4%	3.4%	5.4%	5.4%	5.4%	9.4%	10.1%	10.3%
Non-Interest Income to Total Operating Income 5/	22.8%	22.5%	24.0%	23.5%	23.0%	24.7%	17.4%	17.8%	17.8%	24.3%	25.2%	23.3%
Cost-to-Income 6/	64.5%	62.9%	60.3%	63.6%	61.5%	58.8%	66.9%	68.8%	67.2%	78.0%	75.1%	75.8%
Return on Assets (ROA) 7/	1.1%	1.2%	1.3%	1.1%	1.2%	1.3%	1.3%	1.3%	1.2%	1.5%	2.1%	2.1%
Return on Equity (ROE) 7/	9.4%	9.8%	10.5%	9.3%	9.9%	10.7%	10.3%	9.4%	8.8%	7.6%	10.3%	10.3%
Liquidity												
Cash and Due from Banks to Deposits	20.4%	18.3%	20.5%	20.7%	18.6%	20.8%	14.9%	12.5%	15.1%	31.7%	30.2%	28.9%
Liquid Assets to Deposits 8/	47.3%	47.6%	47.9%	48.9%	49.4%	49.3%	27.3%	24.9%	26.8%	52.8%	52.4%	52.1%
Loans, gross to Deposits	79.0%	80.0%	80.2%	77.8%	78.7%	79.1%	92.5%	96.1%	96.4%	81.3%	81.3%	81.8%
Asset Quality												
Restructured Loans to Total Loan Portfolio (TLP)	0.4%	0.4%	0.4%	0.4%	0.3%	0.4%	0.6%	0.5%	0.7%	1.7%	1.7%	1.6%
Allowance for Credit Losses (ACL) to TLP	1.9%	2.0%	1.9%	1.6%	1.8%	1.7%	2.9%	2.8%	2.9%	9.0%	8.6%	8.4%
Gross Non-Performing Loans (NPL) to TLP	1.8%	2.1%	2.1%	1.3%	1.6%	1.6%	5.3%	5.9%	6.0%	11.9%	11.4%	11.4%
Net NPL to TLP	0.9%	1.1%	1.1%	0.5%	0.7%	0.7%	3.6%	4.4%	4.3%	4.9%	4.7%	5.0%
NPL Ratio net of IBL	1.8%	2.2%	2.1%	1.3%	1.6%	1.6%	5.3%	5.9%	6.0%	11.9%	11.4%	11.4%
NPL Coverage (ACL to Gross NPL)	104.9%	93.3%	92.3%	130.7%	113.2%	108.9%	54.4%	46.8%	48.1%	76.1%	75.3%	73.4%
Non-Performing Assets (NPA) to Gross Assets	1.7%	1.9%	1.8%	1.2%	1.4%	1.4%	5.5%	6.2%	6.2%	10.1%	9.6%	9.6%
NPA Coverage (Allowance on NPA to NPA)	75.5%	71.3%	70.1%	90.3%	84.8%	81.2%	44.2%	39.6%	40.1%	52.9%	53.5%	52.7%
ROPA to Gross Assets Ratio	0.6%	0.6%	0.6%	0.5%	0.5%	0.5%	1.8%	1.9%	1.9%	3.7%	3.4%	3.3%
ROPA Coverage Ratio	26.9%	27.2%	26.6%	30.1%	30.4%	29.4%	22.5%	22.5%	21.3%	12.2%	13.2%	13.5%
Distressed Assets	3.0%	3.3%	3.2%	2.2%	2.5%	2.5%	7.8%	8.5%	8.7%	18.1%	17.2%	16.9%
Capital Adequacy												
Total Capital Accounts to Total Assets 9/	12.2%	12.8%	12.7%	12.0%	12.5%	12.4%	13.1%	14.3%	14.6%	20.0%	20.5%	20.5%
Capital Adequacy Ratio (Solo) 10/ 11/	15.0%	15.5%	15.6% a/	14.8%	15.3%	15.4% a/	16.0%	17.2%	17.5% a/	19.6% b/	19.9%	19.5% a/

1/ Earning Asset Yield refers to the ratio of interest income to average earning assets.

2/ Funding Cost refers to the ratio of interest expenses to average interest-bearing liabilities.

3/ Interest Spread refers to the difference between earning asset yield and funding cost.

4/ Net Interest Margin refers to the ratio of net interest income to average earning assets.

5/ Non-Interest income includes dividends income.

6/ Cost-to-Income Ratio refers to the ratio of non-interest expenses to total operating income.

7/ ROA and ROE refer to the ratios of net profit to average assets and capital, respectively.

8/ Liquid Assets refer to Cash and Due from Banks plus Financial Assets, net of amortization (net of financial assets in equity securities).

9/ Total capital accounts includes redeemable preferred shares.

10/ Refers to the ratio of qualifying capital to total risk-weighted assets.

11/ CAR for Universal and Commercial Banks and their subsidiary banks and quasi-banks based on Basel III risk-based capital adequacy framework; CAR for Stand-alone Thrift, Rural and Cooperative Banks based on Basel 1.5 framework.

** Balance Sheet and Income Statement data for RCBs as of end-September 2018*

p/ Preliminary; Data for RCBs as of end-September 2019

a/ Preliminary CAR data as of end-December 2019

b/ CAR data for RCBs as of end-December 2018

Appendix 32. Philippine Banking System: Financial Soundness Indicators

As of End-Periods Indicated, Ratios in Percent (%)

	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11
Capital adequacy																
Regulatory capital to risk-weighted assets																
Regulatory Tier 1 capital to risk-weighted assets																
Nonperforming loans net of provision to capital[1]																
Capital to assets	11.9	10.7	11.1	10.6	11.0	11.3	11.4	11.1	11.3	11.6	12.4	11.7	12.0	12.0	12.3	12.6
Asset quality																
Nonperforming loans to total gross loans	5.0	4.5	4.5	4.1	4.2	4.0	4.0	3.6	3.9	3.9	3.9	3.6	3.6	3.1	3.1	2.8
Sectoral distribution of loans to total loans																
Residents																
Banks																
BSP																
Government																
Other financial corporation																
Nonfinancial corporation																
Agri-agra																
MSMEs																
Households																
Nonresidents																
Earnings and profitability																
Return on assets	1.2	1.1	1.0	0.8	0.8	0.9	1.1	1.2	1.2	1.3	1.4	1.4	1.5	1.5	1.5	1.5
Return on equity	10.1	9.6	8.7	6.9	6.9	8.1	9.4	10.8	11.2	11.2	11.9	12.4	12.5	13.0	12.2	12.1
Interest margin to gross income[2]	60.8	62.4	64.1	68.4	69.7	69.7	67.9	66.4	65.5	65.5	62.9	62.8	63.3	62.3	64.5	64.2
Noninterest expenses to gross income[3]	67.7	70.3	72.6	74.0	72.9	71.0	66.8	65.8	64.8	64.2	63.8	63.5	63.4	63.2	64.1	65.0
Liquidity																
Liquid assets to total assets (liquid asset ratio)	37.7	36.3	37.3	37.9	37.8	38.4	39.7	38.9	41.8	40.6	41.6	43.3	43.4	41.1	41.6	40.6
Liquid assets to short-term liabilities[4]	54.6	51.9	52.0	52.5	51.6	52.5	54.3	52.7	57.3	55.0	57.2	59.7	60.2	57.0	58.8	56.5
Deposits to total (noninterbank) loans	163.2	159.5	161.4	157.5	160.8	163.4	170.4	166.5	174.8	170.7	168.3	168.1	165.3	155.9	153.2	150.6
Sensitivity to market risk																
Net open position in foreign exchange to capital[5]													-15.2	17.1	-0.3	-6.9

	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15
Capital adequacy																
Regulatory capital to risk-weighted assets									16.3	16.7	17.0	16.2	16.1	16.4	16.4	15.8
Regulatory Tier 1 capital to risk-weighted assets									14.6	14.7	14.7	13.8	13.7	14.1	14.1	13.5
Nonperforming loans net of provision to capital[1]					3.5	3.3	3.5	2.6	2.7	2.9	2.9	2.8	3.0	2.7	2.8	3.0
Capital to assets	13.1	12.8	13.5	13.1	14.4	13.0	12.4	11.3	11.6	11.7	11.9	12.2	12.4	12.8	12.8	11.6
Asset quality																
Nonperforming loans to total gross loans	3.0	2.6	2.7	2.5	3.4	3.3	3.2	2.8	2.8	2.7	2.6	2.3	2.5	2.4	2.3	2.1
Sectoral distribution of loans to total loans																
Residents									97.1	97.0	96.6	97.0	96.9	96.8	97.0	97.2
Banks									3.6	3.9	3.5	4.4	3.2	2.9	2.9	3.8
BSP									5.9	5.7	5.5	5.2	5.3	5.2	5.4	4.8
Government									4.4	4.3	4.1	3.9	4.0	4.1	4.0	3.7
Other financial corporation									6.4	6.5	6.7	6.6	6.8	6.6	7.0	6.6
Nonfinancial corporation									44.0	44.2	44.8	45.0	44.8	44.8	45.0	46.0
Agri-agra									6.7	6.5	6.4	6.3	6.4	6.5	6.1	6.0
MSMEs									7.5	7.3	7.1	7.3	7.2	7.1	7.1	7.1
Households									18.6	18.7	18.5	18.3	19.2	19.6	19.7	19.4
Nonresidents									2.9	3.0	3.4	3.0	3.1	3.2	3.0	2.8
Earnings and profitability																
Return on assets	1.6	1.6	1.6	1.6	2.0	2.0	1.9	1.6	1.2	1.2	1.2	1.3	1.3	1.3	1.2	1.2
Return on equity	13.0	12.7	12.2	12.4	14.3	15.4	14.7	13.3	9.7	9.5	9.7	10.9	11.1	10.7	10.1	9.8
Interest margin to gross income[2]	62.0	62.7	62.0	61.7	56.8	56.2	58.0	61.1	69.2	71.3	70.9	68.8	68.1	68.5	70.1	72.8
Noninterest expenses to gross income[3]	64.0	64.6	64.8	63.5	59.4	58.7	58.7	60.3	64.7	65.0	64.6	62.4	62.1	62.3	63.1	64.5
Liquidity																
Liquid assets to total assets (liquid asset ratio)	39.8	38.8	39.9	40.3	40.5	41.8	43.3	44.5	44.0	43.0	41.9	41.8	41.8	41.6	41.7	40.3
Liquid assets to short-term liabilities[4]	56.4	54.7	57.4	57.5	58.8	58.0	58.8	59.5	58.6	57.1	55.5	55.7	55.3	55.0	55.7	53.6
Deposits to total (noninterbank) loans	146.1	143.5	141.8	142.8	141.0	150.6	157.0	161.5	159.9	157.6	153.3	152.6	152.8	150.6	149.6	146.2
Sensitivity to market risk																
Net open position in foreign exchange to capital[5]	-14.2	10.6	12.4	6.4	-30.0	-10.2	-1.1	3.3	14.8	24.5	20.4	15.8	-3.6	29.7	6.7	8.4

	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
Capital adequacy																
Regulatory capital to risk-weighted assets	15.8	16.1	16.1	15.1	15.8	16.0	15.7	15.0	15.1	15.8	15.8	15.4	15.9	16.1	16.0	16.0
Regulatory Tier 1 capital to risk-weighted assets	13.9	14.3	14.3	13.3	14.1	14.2	14.0	13.3	13.4	14.1	14.2	13.9	14.3	14.6	14.7	14.8
Nonperforming loans net of provision to capital[1]	3.6	3.6	3.4	2.9	3.2	3.4	4.5	4.1	4.6	4.6	4.6	4.6	5.4	5.6	5.5	5.3
Capital to assets	11.9	12.2	12.1	11.4	11.9	11.9	11.9	11.6	11.7	12.4	12.5	12.2	12.6	12.8	12.8	12.7
Asset quality																
Nonperforming loans to total gross loans	2.2	2.2	2.1	1.9	2.0	1.9	1.9	1.7	1.8	1.9	1.8	1.8	2.1	2.1	2.2	2.1
Sectoral distribution of loans to total loans																
Residents	97.2	97.2	97.1	97.1	95.8	96.0	96.2	96.5	95.9	96.4	96.0	96.3	96.2	95.8	95.9	96.1
Banks	3.3	3.4	3.4	4.5	3.0	3.4	3.6	3.5	3.1	3.8	3.6	3.4	3.4	3.4	3.7	3.2
BSP	4.7	4.4	4.3	4.0	3.2	3.8	3.5	3.4	3.4	2.9	3.1	2.9	2.5	2.9	2.8	2.7
Government	3.8	3.8	3.6	3.3	3.2	3.3	3.0	2.8	2.5	2.3	2.2	2.2	2.2	2.4	2.3	2.5
Other financial corporation	6.6	6.7	6.5	6.6	6.5	6.1	6.5	6.6	6.3	6.8	7.3	7.6	7.8	7.6	7.9	8.1
Nonfinancial corporation	46.0	46.4	46.6	46.7	47.5	47.3	47.9	48.6	48.7	48.7	48.6	48.7	48.2	47.5	47.3	47.7
Agri-agra	6.0	5.7	5.5	5.7	5.8	6.0	5.7	5.7	5.9	6.0	5.9	6.3	6.4	6.3	6.1	6.1
MSMEs	7.0	6.7	6.7	6.5	6.4	6.1	6.1	6.0	6.0	6.0	5.8	5.7	5.5	5.4	5.2	5.3
Households	19.9	20.0	20.4	19.8	20.1	20.0	19.8	19.8	20.1	19.8	19.6	19.6	20.2	20.2	20.5	20.5
Nonresidents	2.8	2.8	2.9	2.9	4.2	4.0	3.8	3.5	4.1	3.6	4.0	3.7	3.8	4.2	4.1	3.9
Earnings and profitability																
Return on assets	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.1	1.2	1.2	1.3	1.3
Return on equity	9.7	9.8	10.0	10.5	10.0	9.8	9.8	10.2	10.1	9.5	9.5	9.4	9.6	9.8	10.3	10.5
Interest margin to gross income[2]	73.9	73.5	72.7	72.1	73.2	74.5	75.4	75.7	75.3	75.3	76.2	77.2	77.6	77.5	76.1	76.0
Noninterest expenses to gross income[3]	64.7	64.6	64.3	63.6	64.2	64.2	64.0	63.8	63.6	63.9	63.9	64.5	63.9	62.9	61.6	60.3
Liquidity																
Liquid assets to total assets (liquid asset ratio)	40.9	40.2	39.6	38.6	39.0	38.4	37.4	36.4	38.6	37.5	36.9	37.7	36.5	35.5	35.8	35.7
Liquid assets to short-term liabilities[4]	53.9	53.0	52.4	50.7	51.3	50.4	49.0	47.7	46.9	46.2	45.7	47.3	49.0	47.6	48.3	47.9
Deposits to total (noninterbank) loans	149.0	146.4	144.4	143.0	142.3	141.4	139.2	136.1	136.5	133.9	131.7	130.0	130.5	128.5	128.2	127.3
Sensitivity to market risk																
Net open position in foreign exchange to capital[5]	-3.0	6.1	7.0	7.0	16.2	19.7	7.5	14.1	36.4	26.8	15.6	-0.9	19.7	8.0	14.2	11.6

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1 Net NPL to capital ratio

2 Net interest income to total operating income

3 Cost to income ratio

4 Liquid assets to deposits ratio (narrow proxy)

5 Net FX position to unimpaired capital (consolidated)

Appendix 33
Contingent Accounts
Philippine Banking System
As of Periods Indicated
(Amounts in Billion Pesos)

Selected Accounts	TOTAL			UNIVERSAL and COMMERCIAL BANKS			THRIFT BANKS		
	End-Dec-'18	End-Jun '19	End-Dec '19	End-Dec-'18	End-Jun '19	End-Dec '19	End-Dec-'18	End-Jun '19	End-Dec '19
TRADE-RELATED ACCOUNTS	**150.488**	**148.955**	**143.764**	**147.386**	**148.352**	**142.634**	**3.101**	**0.602**	**1.130**
Domestic Commercial Letters of Credit Outstanding	17.927	12.957	11.509	15.735	12.818	11.363	2.192	0.139	0.146
Foreign Commercial Letters of Credit Outstanding	97.839	90.001	99.171	96.932	89.691	98.450	0.907	0.310	0.721
LCs - Confirmed	14.619	15.287	16.378	14.619	15.287	16.378	-	-	-
Shipside Bonds/Airway Bills	20.103	30.710	16.706	20.100	30.557	16.443	0.003	0.153	0.263
BANK GUARANTEES	**337.343**	**340.937**	**374.807**	**336.964**	**340.089**	**374.375**	**0.379**	**0.849**	**0.431**
Stand-by Letters of Credit	287.888	284.549	311.578	287.521	283.707	311.159	0.367	0.841	0.420
Outstanding Guarantees Issued	49.455	56.389	63.228	49.442	56.381	63.217	0.013	0.007	0.012
COMMITMENTS	**1,247.494**	**1,371.558**	**1,540.177**	**1,244.736**	**1,368.895**	**1,537.820**	**2.759**	**2.663**	**2.357**
Underwritten Accounts Unsold	-			-	-	-	-	-	-
Committed Credit Lines for CPs Issued	0.535	0.553	1.292	0.485	0.513	**1.247**	0.050	0.040	**0.045**
Credit Card Lines	839.008	938.788	1,018.150	836.934	936.660	**1,016.261**	2.073	2.128	**1.889**
Others	407.952	432.216	520.735	407.316	431.721	**520.312**	0.635	0.495	**0.423**
DERIVATIVES INSTRUMENTS *	**3,089.363**	**3,407.563**	**3,037.151**	**3,086.471**	**3,404.940**	**3,036.847**	**2.892**	**2.623**	**0.304**
Interest Rate Contracts	1,037.400	975.715	893.590	1,037.400	975.715	893.590	-	-	-
Foreign Exchange Contracts	2,050.985	2,431.561	2,143.278	2,048.094	2,428.938	2,142.974	2.892	2.623	0.304
Equity Contracts	-	-	-	-	-	-	-	-	-
Credit Derivatives	0.978	0.287	0.284	0.978	0.287	0.284	-	-	-
TRUST DEPARTMENT ACCOUNTS	**2,562.366**	**2,704.797**	**2,917.105**	**2,514.736**	**2,653.522**	**2,894.330**	**47.630**	**51.275**	**22.775**

**Notional Amounts of Derivatives Held For Trading (Stand-Alone and Embedded)*

Figures may not add up due to rounding-off

Appendix 34

Trust and Fund Management Operations - Assets and Accountabilities

Philippine Banks and Non-Bank Financial Institutions (NBFIs)
As of Semesters-Ended Indicated
(Amounts in Billion Pesos)

Selected Accounts	ALL BANKS/NBFIs			UNIVERSAL AND COMMERCIAL BANKS			THRIFT BANKS			NBFIs		
	End-Dec'18	End-Jun'19	End-Dec'19	End-Dec'18	End-Jun'19	End-Dec'19	End-Dec'18	End-Jun'19	End-Dec'19	End-Dec'18	End-Jun'19	End-Dec'19
TOTAL ASSETS	**3,429.7**	**3,702.8**	**3,973.1**	**2,515.0**	**2,653.3**	**2,894.3**	**47.6**	**49.9**	**22.8**	**867.0**	**999.6**	**1,056.0**
Peso / Regular Assets	**2,845.8**	**3,083.2**	**3,314.9**	**2,004.1**	**2,120.4**	**2,331.3**	**44.0**	**45.9**	**21.2**	**797.7**	**916.8**	**962.4**
Cash and Due from banks	1.3	0.7	0.4	1.3	0.7	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Deposits in Banks	862.0	854.4	909.6	743.8	707.5	750.2	9.2	8.8	4.7	109.0	138.1	154.7
Financial Assets, net	1,845.2	2,093.0	2,251.8	1,172.0	1,325.4	1,475.8	30.8	32.9	9.8	642.4	734.7	766.1
Loans, net	73.4	73.9	88.6	37.3	41.1	59.0	3.1	3.9	3.6	33.0	28.9	26.0
Equity Investments (net)	0.7	0.7	3.2	0.7	0.7	0.7	0.1	0.0	2.6	0.0	0.0	0.0
ROPA (net)	0.1	0.1	0.1	0.1	0.1	0.1	-	-	-	0.0	0.0	0.0
Other assets	63.1	60.5	61.1	49.0	45.0	45.2	0.8	0.3	0.5	13.4	15.1	15.5
FCDU/EFCDU Assets	**583.9**	**619.6**	**658.1**	**510.9**	**532.9**	**563.0**	**3.7**	**4.0**	**1.6**	**69.3**	**82.7**	**93.6**
Cash and Due from banks	-	-	-	-	-	-	-	-	-	-	-	-
Deposits in Banks	103.0	108.1	127.1	81.9	81.1	98.2	0.1	0.6	0.6	21.0	26.4	28.4
Financial Assets, net	250.8	274.1	296.1	199.5	216.3	230.6	3.5	3.3	0.9	47.7	54.5	64.5
Loans, net	-	-	-	-	-	-	-	-	-	-	-	-
Equity Investments (net)	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-	-
ROPA (net)			-	-	-	-	-	-	-	-	-	-
Other assets	230.2	237.5	234.9	229.5	235.5	234.2	0.1	0.1	0.0	0.6	1.8	0.7
TOTAL ACCOUNTABILITIES	**3,429.3**	**3,702.8**	**3,973.1**	**2,514.7**	**2,653.3**	**2,894.3**	47.6	**49.9**	**22.8**	**867.0**	**999.6**	**1,056.0**
Peso / Regular Accountabilities	**2,845.4**	**3,083.2**	**3,314.9**	**2,003.8**	**2,120.4**	**2,331.3**	**44.0**	**45.9**	**21.2**	**797.7**	**916.8**	**962.4**
Wealth/Asset/Fund Management Accounts (Trust)	2,632.1	1,237.2	1,454.9	1,807.3	843.9	1,020.3	43.6	7.5	6.0	781.2	385.8	428.6
UITF	518.9	516.7	702.7	360.2	341.6	497.6	3.6	3.2	1.2	155.1	171.9	203.9
Employee Benefit	404.7	381.0	396.6	277.1	264.3	277.0	3.7	3.7	3.7	123.9	113.0	115.9
Pre-Need	115.6	115.8	120.7	77.3	76.2	78.3	0.9	-	0.8	37.4	39.6	41.5
Others-Institutional Accounts	804.4	22.9	22.3	454.8	20.1	19.4	7.0	-	-	342.7	2.7	2.9
Personal Trust	188.8	200.3	212.1	135.4	141.1	147.5	0.6	0.5	0.2	52.8	58.6	64.4
Personal Pension Fund	-	-	-	-	-	-	-	-	-	-	-	-
Personal Retirement Fund	0.1	0.1	0.1	0.1	0.1	0.1	-	-	-	-	-	-
Others-Individual Accounts	599.6	0.4	0.4	502.4	0.4	0.4	27.9	-	-	69.3	-	0.0
Other Fiduciary Services	212.8	219.1	226.4	196.0	198.2	204.0	0.3	0.3	0.3	16.5	20.6	22.1
Advisory/Consultancy		0.0	0.0	-	0.0	0.0	-	-	-	-	0.0	0.0
Special Purpose Trust	0.5	0.5	0.7	0.5	0.5	0.7	-	-	-	-	-	-
FCDU/EFCDU Accountabilities	**583.9**	**619.6**	**658.1**	**510.9**	**532.9**	**563.0**	**3.7**	**4.0**	**1.6**	**69.3**	**82.7**	**93.6**
Wealth/Asset/Fund Management Accounts (Trust)	331.0	191.6	215.1	260.6	138.7	155.8	3.7	0.5	0.4	66.7	52.5	58.9
UITF	85.3	98.9	118.1	49.6	53.2	66.1	-	-	-	35.6	45.7	51.9
Employee Benefit	9.1	9.4	10.4	8.9	9.3	10.4	0.0	0.0	0.0	0.2	0.0	0.0
Pre-Need	0.7	0.6	0.6	0.7	0.6	0.6	-	-	-	0.0	0.0	0.0
Others-Institutional Accounts	53.5	16.0	16.3	31.4	16.0	16.3	0.4	-	-	21.7	-	-
Personal Trust	41.4	43.0	46.1	35.4	35.8	38.8	0.5	0.5	0.4	5.5	6.8	6.9
Personal Pension Fund		-	-	-	-	-	-	-	-	-	-	-
Personal Retirement Fund	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-	-
Others-Individual Accounts	141.0	23.9	23.7	134.5	23.9	23.7	2.8	-	-	3.7	-	-
Other Fiduciary Services	253.0	248.2	248.0	250.3	245.8	246.2	0.0	0.5	0.5	2.7	1.8	1.3
Advisory/Consultancy	-	-	-	-	-	-	-	-	-	-	-	-
Special Purpose Trust	-	-	-	-	-	-	-	-	-	-	-	-

Note: "0.000" denotes a value below 0.0005
Figures may not add up due to rounding-off

Appendix 35

Trust and Fund Management Operations - Assets and Accountabilities

Philippine Banks and Non-Bank Financial Institutions (NBFIs)
As of Semesters-Ended Indicated
(Amounts in Billion Pesos)

Selected Accounts	TOTAL TRUST			TRUST			AGENCY			OTHER FIDUCIARY			ADVISORY AND CONSULTANCY			SPECIAL PURPOSE		
	End-Dec'18	End-Jun'19	End-Dec'19	End-Dec'18	End-Jun'19	End-Dec'19	End-Dec'18	End-Jun'19	End-Dec'19	End-Dec'18	End-Jun'19	End-Dec'19	End-Dec'18	End-Jun'19	End-Dec'19	End-Dec'18	End-Jun'19	End-Dec'19
TOTAL ASSETS	**3,429.7**	**3,702.8**	**3,973.1**	**1,366.5**	**1,428.8**	**1,670.0**	**1,596.9**	**1,806.2**	**1,828.0**	**465.8**	**467.3**	**474.3**	-	-	-	**0.5**	**0.5**	**0.7**
Peso / Regular Assets	**2,845.8**	**3,083.2**	**3,314.9**	**1,199.6**	**1,237.2**	**1,454.9**	**1,432.8**	**1,626.4**	**1,632.9**	**212.8**	**219.1**	**226.4**	-	-	-	**0.5**	**0.5**	**0.7**
Cash and Due from banks	1.3	0.7	0.4	1.2	0.6	0.4	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-	-
Deposits in Banks	862.0	854.4	909.6	362.1	327.4	464.5	419.2	444.7	347.7	80.7	82.3	97.4	-	-	-	0.0	0.0	0.0
Financial Assets, net	1,845.2	2,093.0	2,251.8	784.4	863.7	943.3	946.9	1,109.6	1,197.1	113.8	119.6	111.2	-	-	-	0.0	0.0	0.3
Loans, net	73.4	73.9	88.6	14.7	11.8	12.0	57.9	61.4	76.1	0.3	0.3	0.1	-	-	-	0.4	0.4	0.4
Equity Investments (net)	0.7	0.7	3.2	0.6	0.2	0.2	0.2	0.2	2.6	0.0	0.4	0.4	-	-	-	-	-	-
ROPA (net)	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	-	0.0	0.1	0.1	-	-	-	-	-	-
Other assets	63.1	60.5	61.1	36.4	33.5	34.5	8.6	10.5	9.5	18.0	16.5	17.2	-	-	-	0.0	0.0	0.0
FCDU/EFCDU Assets	**583.9**	**619.6**	**658.1**	**167.0**	**191.6**	**215.1**	**164.0**	**179.8**	**195.1**	**253.0**	**248.2**	**248.0**	-	-	-	-	-	-
Cash and Due from banks			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits in Banks	103.0	108.1	127.1	74.6	78.8	96.7	15.4	16.2	15.8	13.1	13.1	14.6	-	-	-	-	-	-
Financial Assets, net	250.8	274.1	296.1	91.1	109.0	116.6	146.5	157.4	176.9	13.1	7.7	2.6	-	-	-	-	-	-
Loans, net			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity Investments (net)	0.0	0.0	0.0	-	-	-	0.0	0.0	0.0	-	-	-	-	-	-	-	-	-
ROPA (net)			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	230.2	237.5	234.9	1.3	3.9	1.8	2.1	6.2	2.4	226.8	227.3	230.7	-	-	-	-	-	-
TOTAL ACCOUNTABILITIES	**3,428.9**	**3,702.3**	**3,972.3**	**1,366.2**	**1,428.8**	**1,670.0**	**1,596.9**	**1,806.2**	**1,828.0**	**465.8**	**467.3**	**474.3**	-			-	-	-
Peso / Regular Accountabilities	**2,845.4**	**3,083.2**	**3,314.9**	**1,199.2**	**1,237.2**	**1,454.9**	**1,432.8**	**1,626.4**	**1,632.9**	**212.8**	**219.1**	**226.4**	-			**0.5**	**0.5**	**0.7**
Wealth/Asset/Fund Management Accounts	2,632.1	2,863.6	3,087.8	1,199.2	1,237.2	1,454.9	1,432.8	1,626.4	1,632.9	-	-	-	-			-	-	-
UITF	518.9	516.7	702.7	518.9	516.7	702.7	-	-	-	-	-	-	-			-	-	-
Employee Benefit	404.7	435.5	452.8	354.5	381.0	396.6	50.2	54.5	56.2	-	-	-	-			-	-	-
Pre-Need	115.6	116.6	121.5	114.8	115.8	120.7	0.8	0.9	0.8	-	-	-	-			-	-	-
Others-Institutional Accounts	804.4	891.0	924.1	21.7	22.9	22.3	782.7	868.2	901.8	-	-	-	-			-	-	-
Personal Trust	188.8	200.3	212.1	188.8	200.3	212.1	-	-	-	-	-	-	-			-	-	-
Personal Pension Fund			-			-	-	-	-	-	-	-	-			-	-	-
Personal Retirement Fund	0.1	0.1	0.1	0.1	0.1	0.1	-	-	-	-	-	-	-			-	-	-
Others-Individual Accounts	599.6	703.3	674.6	0.4	0.4	0.4	599.2	702.8	674.1	-	-	-	-			-	-	-
Other Fiduciary Services	212.8	219.1	226.4	-	-	-	-	-	-	212.8	219.1	226.4	-			-	-	-
Advisory/Consultancy			-	-	-	-	-	-	-	-	-	-	-			-	-	-
Special Purpose Trust	0.5	0.5	0.7	-	-	-	-	-	-	-	-	-	-			0.5	0.5	0.7
FCDU/EFCDU Accountabilities	**583.9**	**619.6**	**658.1**	**167.0**	**191.6**	**215.1**	**164.0**	**179.8**	**195.1**	**253.0**	**248.2**	**248.0**	-			-	-	-
Wealth/Asset/Fund Management Accounts	331.0	371.5	410.2	167.0	191.6	215.1	164.0	179.8	195.1	-	-	-	-			-	-	-
UITF	85.3	98.9	118.1	85.3	98.9	118.1	-	-	-	-	-	-	-			-	-	-
Employee Benefit	9.1	9.8	10.8	8.7	9.4	10.4	0.4	0.4	0.4	-	-	-	-			-	-	-
Pre-Need	0.7	0.6	0.6	0.7	0.6	0.6	-	-	-	-	-	-	-			-	-	-
Others-Institutional Accounts	53.5	63.1	66.2	10.6	16.0	16.3	42.9	47.1	49.9	-	-	-	-			-	-	-
Personal Trust	41.4	43.0	46.1	41.4	43.0	46.1	-	-	-	-	-	-	-			-	-	-
Personal Pension Fund			-			-	-	-	-	-	-	-	-			-	-	-
Personal Retirement Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-	-			-	-	-
Others-Individual Accounts	141.0	156.2	168.5	20.3	23.9	23.7	120.7	132.3	144.8	-	-	-	-			-	-	-
Other Fiduciary Services	253.0	248.2	248.0	-	-	-	-	-	-	253.0	248.2	248.0	-			-	-	-
Advisory/Consultancy			-	-	-	-	-	-	-	-	-	-	-			-	-	-
Special Purpose Trust			-	-	-	-	-	-	-	-	-	-	-			-	-	-

Note: "0.000" denotes a value below 0.0005
Figures may not add up due to rounding-off

Appendix 36

Trust and Fund Management Operations - Income and Expenses

Philippine Banks and Non-Bank Financial Institutions (NBFIs)

For the Period-Ended Indicated

(Amounts in Billion Pesos)

Selected Accounts	ALL BANKS/NBFIs			UNIVERSAL AND COMMERCIAL BANKS			THRIFT BANKS			NBFIs		
	End-Dec'18	End-Jun'19	End-Dec'19	End-Dec'18	End-Jun'19	End-Dec'19	End-Dec'18	End-Jun'19	End-Dec'19	End-Dec'18	End-Jun'19	End-Dec'18
TRUST INCOME	**10.1**	**6.7**	**14.2**	**7.1**	**5.1**	**10.8**	**0.1**	**0.1**	**0.1**	**2.9**	**1.5**	**3.2**
Fees and Commissions	9.7	6.4	13.5	6.9	4.9	10.4	0.1	0.1	0.1	2.7	1.4	3.0
Other Income	0.4	0.3	0.7	0.2	0.2	0.4	-	-	-	0.2	0.1	0.2
TRUST EXPENSES	**5.0**	3.8	**7.7**	**2.8**	**2.5**	**5.1**	**0.1**	**0.0**	**0.1**	**2.2**	**1.2**	**2.6**
Compensation/Fringe Benefits	2.0	1.3	2.8	1.4	1.0	2.1	0.0	0.0	0.0	0.5	0.3	0.7
Taxes and Licenses	0.9	0.6	1.3	0.5	0.4	0.8	0.0	0.0	0.0	0.4	0.2	0.4
Other Administrative Expenses	0.7	0.6	0.9	0.4	0.4	0.6	0.0	0.0	0.0	0.3	0.2	0.3
Depreciation/Amortization	0.4	0.4	0.8	0.1	0.2	0.4	0.0	0.0	0.0	0.3	0.1	0.3
Allocated Indirect Expenses	0.1	0.0	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Other Expenses	1.0	0.9	1.8	0.3	0.5	1.0	0.0	0.0	0.0	0.7	0.4	0.8
OPERATING INCOME / (LOSS)	**5.1**	**3.0**	**6.4**	**4.3**	**2.6**	**5.7**	**0.1**	**0.0**	**0.0**	**0.7**	**0.3**	**0.7**

Note: "0.000" denotes a value below 0.0005
Figures may not add up due to rounding-off

Appendix 37

Comparative Statement of Condition

Branches and Subsidiaries of Foreign Banks

As of Years-ended Indicated

(Amounts in Billion Pesos)

Selected Accounts	TOTAL			Foreign Bank Branches			Subsidiaries of Foreign Banks		
	2017	2018	2019	2017	2018	2019	2017	2018	2019
ASSETS	**1,083.179**	**1,204.461**	**1,254.315**	**907.295**	**998.503**	**1,060.292**	**175.884**	**205.957**	**194.023**
Cash and Due from Banks	230.514	187.972	**262.949**	197.993	147.900	233.774	32.521	40.072	29.175
Financial Assets (net)	171.610	278.166	**234.586**	151.756	246.275	200.879	19.854	31.891	33.707
Loan Portfolio (net)	652.452	709.376	**714.790**	538.799	585.601	595.241	113.654	123.775	119.549
Equity Investments (net)	2.524	2.443	**2.886**	2.524	2.443	2.886	-		-
ROPA (net)	1.620	1.664	**1.897**	0.015	0.014	0.012	1.605	1.650	1.885
Other Assets	24.459	24.839	**37.208**	16.208	16.270	27.500	8.251	8.569	9.708
LIABILITIES AND CAPITAL	**1,083.179**	**1,204.461**	**1,254.315**	**907.295**	**998.503**	**1,060.292**	**175.884**	**205.957**	**194.023**
Liabilities	915.584	1,017.773	1,022.216	763.747	835.529	856.838	151.837	182.244	165.377
Financial Liabilities Held for Trading	15.434	21.246	19.520	15.092	20.601	19.133	0.342	0.645	0.387
Financial Liabilities DFVPL			-	-		-	-		-
Deposit Liabilities	682.348	710.523	738.052	553.410	567.375	600.951	128.938	143.148	137.101
Peso Liabilities	415.148	410.716	447.289	313.784	301.596	342.076	101.363	109.120	105.213
Demand and NOW	193.017	187.644	217.841	156.653	154.500	180.105	36.365	33.143	37.736
Savings	116.514	107.257	112.178	93.766	82.742	86.639	22.748	24.515	25.539
Time/LTNCD	105.617	115.815	117.270	63.366	64.354	75.332	42.251	51.462	41.937
Foreign Currency	267.200	299.807	290.763	239.626	265.780	258.875	27.575	34.028	31.889
Demand and NOW	49.136	50.177	52.372	49.060	50.113	52.332	0.076	0.063	0.040
Savings	188.499	202.765	195.152	171.414	185.015	178.565	17.086	17.750	16.588
Time/LTNCD	29.565	46.865	43.239	19.152	30.651	27.978	10.413	16.214	15.261
Bills Payable	18.291	41.247	19.270	4.063	11.724	3.117	14.228	29.522	16.153
Deposit Substitutes	0.001		-	-			0.001		
Others	18.290	41.247	19.270	4.063	11.724	3.117	14.227	29.522	16.153
Unsecured Subordinated Debt	1.990	1.991	1.992	-		-	1.990	1.991	1.992
Redeemable Preferred Shares			-	-		-	-		-
Other Liabilities	197.521	50.175	70.171	191.182	43.304		6.339	6.870	9.666
Capital Accounts	167.595	186.687	232.100	143.548	162.974	203.453	24.047	23.713	28.646
Capital Stock	17.231	17.231	18.987	-		-	17.231	17.231	18.987
Assigned Capital	89.925	112.088	143.406	89.925	112.088	143.406	-		-
Net Due to HO, Br & Ags / Accum Earnings	45.765	39.176	41.759	45.765	39.176		-		-
Other Equity Instruments			-	-		-	-		-
Retained Earnings & Undivided Profits	14.674	21.552	26.392	7.858	14.506	17.959	6.816	7.046	8.433

Appendix 38

Comparative Statement of Income and Expenses

Branches and Subsidiaries of Foreign Banks

For the Years Indicated
(Amounts in Billion Pesos)

Selected Accounts	TOTAL			Foreign Bank Branches			Subsidiaries of Foreign Banks		
	2017	2018	2019	2017	2018	2019	2017	2018	2019
Operating Income	**54.794**	**63.234**	**72.725**	**45.461**	**54.011**	**63.045**	**9.333**	**9.223**	**9.679**
Net Interest Income	**36.435**	**42.619**	**49.490**	**28.840**	**34.779**	**41.455**	**7.595**	**7.840**	**8.035**
Interest Income	42.912	53.542	64.198	33.492	42.610	51.999	9.420	10.932	12.199
Provision for Losses on Accrued Interest	0.022	0.024	0.0282		0.000	-	0.022	0.023	0.028
Less: Interest Expenses	6.455	10.900	14.680	4.652	7.831	10.544	1.803	3.068	4.135
Non-interest Income	**18.359**	**20.615**	**23.235**	**16.621**	**19.233**	**21.591**	**1.738**	**1.382**	**1.644**
Dividend Income	0.390	0.279	0.229	0.385	0.274	0.227	0.005	0.005	0.003
Fee-based Income	10.806	11.385	11.860	10.031	10.607	11.022	0.775	0.779	0.839
Trading Income/(Loss)	4.962	6.924	9.401	4.866	6.925	9.079	0.097		0.322
Foreign Exchange Income/(Loss)	0.017	3.204	2.176		2.738	2.670	0.223	0.466	(0.494)
Other Income/(Loss)	2.183	2.027	1.744	1.545	1.427	1.263	0.638	0.600	0.481
Non-Interest Expenses	**36.965**	**40.470**	**43.671**	**30.075**	**33.244**	**36.162**	**6.889**	**7.225**	**7.509**
Losses/Recoveries on Financial Assets	**(4.264)**	**(4.491)**	**(4.144)**	**(3.819)**	**(3.193)**	**(3.668)**	**(0.445)**	**(1.298)**	**(0.476)**
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures Accounted for Using the Equity Method	**13.566**	**18.273**	**24.909**	**11.567**	**17.573**	**23.215**	**1.999**	**0.700**	**1.694**
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures Accounted for Using the Equity Method	**0.204**	**0.155**	**0.354**	**0.204**	**0.155**	**0.354**			-
Total Profit/Loss Before Tax and Before Minority Interest	**13.770**	**18.428**	**25.263**	**11.771**	**17.728**	**23.569**	**1.999**	**0.700**	**1.694**
Income Tax Expense	4.069	6.122	6.699	3.477	5.799	6.359	0.593	0.323	0.340
Total Profit/Loss After Tax and Before Minority Interest	**9.700**	**12.305**	**18.564**	**8.294**	**11.929**	**17.210**	**1.406**	**0.376**	**1.354**
Minority Interest in Profit/(Loss) of Subsidiaries			-			-			-
NET PROFIT/(LOSS)	**9.700**	**12.305**	**18.564**	**8.294**	**11.929**	**17.210**	**1.406**	**0.376**	**1.354**
Profitability						-			-
Return on Assets	**0.9**	**0.0**	**1.5%**	**0.9%**	**1.3%**	**1.7%**	**0.8%**	**0.2%**	**0.7%**
Return on Equity	**6.0**	**0.1**	**8.9%**	**6.0%**	**7.8%**	**9.4%**	**6.0%**	**1.6%**	**5.2%**

Figures may not add up due to rounding-off

Appendix 39

Comparative Statement of Condition

Non-Bank Financial Institutions (NBFIs)

As of Semesters-Ended Indicated

(Amounts in Billion Pesos)

Selected Accounts	ALL NBFIs 1/			NBQBs			NSSLAs			Other NBFIs 1/		
	End-Dec '18	End-Jun '19	End-Dec '19 p/	End-Dec '18	End-Jun '19	End-Dec '19 p/	End-Dec '18	End-Jun '19	End-Dec '19 p/	End-Dec '18	End-Jun '19	End-Dec '19 p/
ASSETS	**668.625**	**688.735**	**821.168**	**282.232**	**282.206**	**279.432**	**226.350**	**232.659**	**259.192**	**160.043**	**173.870**	**282.544**
Cash and Due from Banks	78.712	68.417	83.207	40.256	30.483	28.446	17.975	14.988	20.912	20.482	22.946	33.848
Loan Portfolio (net)	470.083	491.528	570.342	189.868	193.966	214.101	177.052	191.443	204.996	103.163	106.119	151.244
Investments (net)	76.501	81.619	77.199	40.165	46.065	25.360	18.291	18.897	19.147	18.044	16.658	32.693
ROPA (net)	3.382	4.316	15.531	0.675	0.707	0.925	0.059	0.048	0.059	2.649	3.562	14.547
Other Assets	39.947	42.854	75.200	11.268	10.986	10.599	12.974	7.284	14.079	15.705	24.585	50.523
LIABILITIES AND CAPITAL	**668.625**	**688.735**	**821.168**	**282.232**	**282.206**	**279.432**	**226.350**	**232.659**	**259.192**	**160.043**	**173.870**	**282.544**
Liabilities	**401.535**	**410.121**	**485.952**	**227.382**	**221.174**	**220.185**	**72.765**	**77.638**	**88.896**	**101.389**	**111.309**	**176.871**
Deposit Liabilities	**48.335**	**54.176**	**58.759**			-	**48.335**	**54.176**	**58.759**			-
Peso Liabilities	48.335	54.176	58.759			-	48.335	54.176	58.759			-
Demand and NOW			-			-			-			-
Savings	43.275	48.692	53.610			-	43.275	48.692	53.610			-
Time	5.060	5.483	5.149			-	5.060	5.483	5.149			-
Foreign Currency			-			-			-			
Bills Payable	**274.466**	**273.177**	**272.924**	**191.037**	**186.265**	**178.176**	**17.048**	**17.403**	**20.377**	**66.381**	**69.509**	**74.372**
Deposit Substitutes	122.208	123.985	127.112	120.929	123.599	127.000			-	1.279	0.386	0.112
Others	152.258	149.192	145.812	70.108	62.666	51.176	17.048	17.403	20.377	65.102	69.124	74.260
Special Financing												-
Time Certificates of Deposits - SF			-			-			-			-
Special Time Deposits			-			-			-			-
Unsecured Subordinated Debt			-			-			-			-
Other Liabilities	**78.734**	**82.769**	**154.269**	**36.344**	**34.910**	**42.009**	**7.382**	**6.059**	**9.760**	**35.008**	**41.799**	**102.499**
Capital Accounts	**267.090**	**278.614**	**335.216**	**54.850**	**61.032**	**59.247**	**153.586**	**155.021**	**170.296**	**58.654**	**62.562**	**105.673**
Capital Stock	182.239	184.748	222.141	16.512	20.352	20.517	118.950	123.012	130.335	46.777	41.383	71.289
Assigned Capital			-			-			-			-
Net Due to H.O.			-			-			-			-
Surplus, Surplus Reserves & Undivided Profits	84.851	93.867	113.075	38.338	40.679	38.730	34.636	32.009	39.961	11.877	21.178	34.384

1/ Includes only the reporting entities

p/ Preliminary

Figures may not add up due to rounding-off

Appendix 40

Comparative Statement of Income and Expenses

Non-Bank Financial Institutions (NBFIs)

For the Periods-Ended Indicated
(Amounts in Billion Pesos)

Selected Accounts	ALL NBFIs [1/]			NBQBs			NSSLAs			Other NBFIs [1/]		
	End-Dec '18	End-Jun '19	End-Dec '19 [p/]	End-Dec '18	End-Jun '19	End-Dec '19 [p/]	End-Dec '18	End-Jun '19	End-Dec '19 [p/]	End-Dec '18	End-Jun '19	End-Dec '19 [p/]
OPERATING INCOME	**80.527**	**54.163**	**106.915**	**26.025**	**13.278**	**27.170**	**29.496**	**14.376**	**30.412**	**25.006**	**26.510**	**49.333**
Net Interest Income	**59.898**	**35.405**	**75.177**	**20.696**	**10.099**	**21.302**	**26.468**	**12.858**	**27.488**	**12.733**	**12.448**	**26.387**
Interest Income	73.064	45.190	96.055	28.709	15.740	32.252	29.133	14.553	31.087	15.222	14.897	32.716
Less: Interest Expenses	13.166	9.785	20.879	8.013	5.641	10.950	2.665	1.695	3.599	2.489	2.449	6.330
Non-interest Income	**20.630**	**18.758**	**31.738**	**5.329**	**3.179**	**5.868**	**3.029**	**1.518**	**2.924**	**12.273**	**14.062**	**22.947**
Fee-based Income	10.698	5.310	13.970	4.521	2.073	4.007	2.144	1.102	2.106	4.033	2.135	7.856
Trading Income/(Loss)		0.472	0.463		0.419	0.598			-		0.053	(0.135)
Income from Corollary Businesses	4.910	8.679	8.738			-			-	4.910	8.679	8.738
Other Income/(Loss)	5.404	4.298	8.567	1.148	0.686	1.262	0.885	0.416	0.818	3.371	3.195	6.487
OPERATING EXPENSES	**42.032**	**32.060**	**60.657**	**15.853**	**8.444**	**17.416**	**6.634**	**4.144**	**7.398**	**19.545**	**19.472**	**35.843**
Bad Debts Written Off	**0.421**	**0.187**	**2.246**	0.421	**0.187**	**0.412**			-			**1.834**
Provision for Probable Losses	**8.055**	**5.335**	**10.165**	**5.276**	**2.865**	**6.115**	**1.800**	**1.978**	**2.388**	**0.980**	**0.492**	**1.662**
Other Operating Expenses	**33.556**	**26.537**	**48.246**	**10.156**	**5.392**	**10.889**	**4.834**	**2.166**	**5.010**	**18.566**	**18.980**	**32.347**
Overhead Costs	20.845	17.081	30.478	6.982	3.863	7.816	2.604	1.277	2.734	11.259	11.941	19.927
Other Expenses	12.711	9.456	17.768	3.174	1.529	3.072	2.230	0.889	2.276	7.307	7.039	12.420
NET OPERATING INCOME (LOSS)	**38.495**	**22.103**	**46.258**	**10.172**	**4.834**	**9.754**	**22.862**	**10.231**	**23.014**	**5.460**	**7.038**	**13.490**
Extraordinary Credits/(Charges)	**0.153**	**0.050**	**0.198**	**1.220**	**0.425**	**0.932**			**(0.519)**	**0.514**		**(0.216)**
NET INCOME/(LOSS) BEFORE TAX	**38.648**	**22.153**	**46.455**	**11.393**	**5.259**	**10.686**	**21.281**	**9.917**	**22.495**	**5.974**	**6.977**	**13.274**
Provision for income tax	**5.329**	**3.291**	**6.320**	**3.340**	**1.340**	**2.861**	**0.035**	**0.001**	**0.036**	**1.954**	**1.949**	**3.423**
NET INCOME/(LOSS) AFTER TAX	**33.319**	**18.863**	**40.136**	**8.053**	**3.919**	**7.825**	**21.246**	**9.916**	**22.459**	**4.020**	**5.028**	**9.851**
Profitability												
Return on Assets (%)	**5.1**	**5.1**	**5.3**	**3.0**	**2.9**	**2.8**	**9.7**	**9.2**	**9.1**	**2.5**	**3.1**	**4.3**
Return on Equity (%)	**12.9**	**12.6**	**13.1**	**15.3**	**13.9**	**13.0**	**14.5**	**13.6**	**13.8**	**6.9**	**8.7**	**11.7**

1/ Includes only the reporting entities
2/ Pawnshops' income from foreign exchange dealing/money changing, remittances, bills payments and other corollary businesses
p/ Preliminary
Note: "0.000" denotes a value below 0.0005
Figures may not add up due to rounding-off

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