Report on the
PHILIPPINE FINANCIAL SYSTEM

FIRST SEMESTER 2020

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. 6426 (Foreign Currency Deposit Act of 1972), R.A. No. 8367 (Revised Non-Stock Savings and Loans Association of 1997), 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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Glossary of Terms

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 may include, but need not be limited to, bankers' acceptances, promissory notes, participations, certificates of assignment and similar instruments with recourse, and repurchase agreements. The phrase 'obtaining funds from the public' shall mean borrowing from 20 or more lenders at any one time, and, for this purpose, 'lenders' shall refer to individuals and corporate entities that are not acting as financial intermediaries, subject to the safeguards and regulations issued by the Monetary Board. The Monetary Board shall determine what specific instruments shall be considered as deposit substitutes for the purposes of Section 94 of RA 11211: Provided, however, That deposit substitutes of commercial, industrial and other nonfinancial companies for the limited purpose of financing their own needs or the needs of their agents or dealers shall not be covered by the provisions of Section 94 of RA 11211.

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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 instruments measured at fair value through profit or loss (FVPL) including those held-for-trading (HFT) and at FVOCI.

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 BSP, Due from Other Banks, Financial Assets-debt instruments measured at fair value through profit or loss (FVPL), at fair value through other comprehensive income (FVOCI), and at amortized cost, Financial Assets-derivatives with positive fair value held for trading (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 debt and equity instruments measured and classified based on their contractual cash flow characteristics and the business model for holding the instruments as provided under the Philippine Financial Reporting Standards 9 (PFRS 9). The measurement categories in which financial assets shall be classified are as follows: debt instruments measured at fair value through profit or loss (FVPL); debt instruments at fair value through other comprehensive income (FVOCI); debt instruments at amortized cost; and equity instruments at FVPL including those held-for-trading (HFT) and at FVOCI.

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.

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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.

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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-June 2020, the BSP supervised/regulated financial institutions consisted of 541 banks with 12,371 branches and other offices, 1,250 non-bank financial institutions with 13,589 branches and one offshore banking unit.

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 Guaranty Corporation (HGC), now the Philippine Guarantee Corporation (PhilGuarantee), 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

The Philippine financial system entered the COVID-19 pandemic in a position of strength and stayed relatively sound and stable while providing continued support to the financing needs of the domestic economy.

The impact of the pandemic on the overall condition and performance of the banking system, which remains the core[1] of the domestic financial system, has been manageable. This was largely due to the BSP's implementation of timely, time-bound and crucial regulatory relief measures in the first half of 2020 (Box Article No. 1) which helped address the adverse repercussions of the pandemic.

The COVID-19 pandemic has significantly affected the banking system activities as the Enhanced Community Quarantine (ECQ) and social distancing measures prompted banks to adjust their daily operations while the slowdown in economic activities affected their borrowers' capacity to pay. In support, the BSP issued operational relief measures to its BSP supervised financial institutions (BSFIs). One of which is by suspending the submission of some bank reports during the strict community quarantine period. This is recognizing that the COVID-19 pandemic may result in the disruption of some bank operations. Hence, some of the data in this Report were as of end-March 2020.

The relative strength and sources of vulnerabilities of the Philippine Banking System (PBS) were also assessed in this Report based on a set of Financial Soundness Indicators (FSI) used to determine the current financial health and soundness of financial institutions in a country including their corporate and household counterparts. The analysis of the FSIs suggest that the Philippine banking system is stable and resilient despite global uncertainties related to the extent and path of COVID-19 menace. Meanwhile, the FSI analysis implies that consequent risks from lending should be monitored especially in the event of excessive uncertainties that could place additional pressures on the banking system in the short and medium run.

The impact of the pandemic on the overall condition and performance of the banking system has been manageable

The BSP, through the Financial Supervision Sector, deployed a comprehensive Baseline Survey in April 2020 among the top 20 universal/commercial banks (U/KBs) and their subsidiaries, thrift banks (TBs) and rural and cooperative banks (RCBs) to assess the impact of the Covid-19 pandemic on their financial and operational performance. Based on this Baseline Survey, banks already employed proactive control measures to support the continued delivery of financial services to the general public and at the same time, protect the welfare of their personnel as a response to this challenge.

Business continuity plans (BCP) likewise enabled banks to immediately respond to the situation. Majority of the banks' board members and senior managers continued their oversight function and addressed emerging concerns through the use of digital technology. The survey also showed that the top priorities of BSP-supervised financial institutions (BSFIs) were focused in the pursuit of digitalization initiatives and management of possible deterioration in asset quality.

Apparently, the COVID-19 pandemic accelerated the digital transformation of the banking system through the increased availability of access points and usage of digital financial platforms (Box Article No. 2). As of end-March 2020 (latest data), there were a total of 111 banks, consisting of 41 U/KBs, 29 TBs, and 41 RCBs, offering different modalities of the electronic banking platforms to the banking public.

Moreover, BSP data showed that around 4.1 million digital accounts were opened among banks and non-bank electronic money issuers during the ECQ period as digital financial transactions grew exponentially. Meanwhile, the volume and value of check payments and ATM withdrawals significantly declined from the third week of March 2020 to end-April 2020 (peak of strict economic lockdowns in the country).

Alongside, total PESONet transactions reached 12.0 million with total value of P1.0 trillion during the first six months of 2020. This represents an expansion of about 125.2 percent in volume and 91.9 percent in value, respectively, from year ago's levels. To date[2], there were 62 financial institutions that provide PESONet services to the banking public during the same period.

Highlights of the Report

InstaPay-related transactions reached 62.2 million with total value of P368.3 billion during the first six months of 2020. This represents huge respective growths of 526.9 percent in volume and 343.0 percent in value compared to the first six months of 2019. As of end-August 2020, there were 36 financial institutions that can send and receive InstaPay transactions and 11 financial institutions that can only receive them.

The Philippine economy contracted by 9 percent in the first half of the year, following 21 years of uninterrupted growth. This is mainly due to the Government's strict implementation of community quarantines in March to June 2020 in order to save lives and to boost the country's healthcare capacity.

Notwithstanding this, total assets of the banking system reached P18.6 trillion as of end-June 2020 and represented 98.8 percent of the country's nominal gross domestic product (GDP). This was mainly due to expansion of funds channeled to lending activities. Funding was principally sourced from deposits, bond issuances and capital infusion. The total assets' year-on-year (YoY) growth rate of 7.9 percent, however, was slower than the 9.8 percent growth rate in June 2019 and the 8.4 percent growth rate in December 2019.

U/KBs held the largest share of the banking system's total assets at 92.6 percent share while the total assets of TBs and RCBs at 6.0 percent and 1.4 percent, respectively, made up the remaining shares.

Banks continued their support of the financing needs of the economy during the pandemic as loans slowly expanded. Bank credit reached P10.8 trillion but annual growth decelerated to 5.2 percent as of end-June 2020, the lowest since end-March 2013. This is due to strict community quarantine which limits lending activities for production and consumption.

Nevertheless, interest spread increased to 3.7 percent as of end-June 2020 from 3.4 percent a year ago as earning asset yield of the banking system posted a 2 basis points increment while funding cost declined by 30 basis points to 1.6 percent from 1.9 percent in end-June 2019.

Total assets of the banking system reached P18.6 trillion as of end-June 2020 and represented 98.8 percent of the country's nominal gross domestic product (GDP)

By economic activity, loans to manufacturing, mining and quarrying as well as scientific, professional and technical activities dropped in end-June 2020. Modest growth was seen in loans to construction and wholesale and retail trade. Loans to real estate activities, and human health and social work activities, however, increased during the same period. Further growth in real estate lending is expected in line with the BSP's easing of real estate loan (REL) limit of U/KBs from 20 percent to 25 percent of the total loan portfolio, net of interbank loans.

In terms of pricing, residential real estate prices of various types of new housing units in the Philippines rose by 27.1 percent year-on-year (YoY) at end-June 2020 based on the Residential Real Estate Price Index (RREPI). This is the highest YoY growth rate recorded since the start of the series in the first quarter of 2016. By area, residential property prices in both the National Capital Region (NCR) and in Areas Outside NCR (AONCR) registered YoY growth. By category of housing units, residential property prices climbed YoY across all types of dwelling (condominium unit, single detached/attached house unit, townhouse and duplex), with prices of condominium units rising the fastest at 30.1 percent YoY.

Relative to nominal GDP, bank loans slightly rose to 57.5 percent but was slightly lower than the estimated trend. Banks expect borrowers to have muted appetite for borrowings following the lockdown.

Across banking groups, only the TB industry recorded lower loans, posting a decline of 15.6 percent in end-June 2020 from the same period the previous year due to the merger of two savings banks with their parent banks.

By contrast, the RCB industry's loan portfolio climbed by 2.0 percent from a year ago following the rise in loans to real estate activities and for household consumption. Based on latest data, the RCB industry lent out a total of P53.0 billion to MSMEs as of end-March 2020, higher than the P49.4 billion registered as of end-June 2019.

Loans to real estate activities, and human health and social work activities increased during the period

Highlights of the Report

The RCBs' total MSME exposures accounted for 35 percent of the industry's total loan portfolio of P151.7 billion as of end-March 2020. Meanwhile, the top RCBs continued to generate new MSME loans amounting to P783 million during the ECQ period. Moreover, loans to MSMEs for compliance with the RRs have increased from P8.8 billion average balance during the reserve week ending 30 April 2020 or, following the effectivity of the relief measure, to P105.2 billion during the reserve week ending 3 September 2020. This is an indication that outstanding MSME loans will continue to rise moving forward since the implementation of various relief measures of the BSP to support the financing requirements of the MSME sector.

Loan quality manageably weakened across banking groups contrary to market expectations. The non-performing loan (NPL) ratio climbed to 2.5 percent in June 2020. This is slightly higher than the 1.9 percent average during the past five years (2015-2019). In turn, the NPL coverage ratio went up to 109.9 percent following the 49.6 percent increase in allowance for credit losses.

In the BSP Baseline Survey some banks disclosed that they have yet to adjust to the computation of PDLs and NPLs to consider the mandatory grace period provided under the "Bayanihan to Heal as One Act". Banks are allowed to staggered booking of allowance for credit losses as a form of regulatory relief. Other banks confirmed that the growth in NPL was the combined effect of the pandemic, African swine flu (ASF) and Rice Tariffication Law.

The assessment of a set of financial indicators such as the NPL is important in identifying potential problems that may lead to vulnerability of the financial system. The banking system's NPL ratio went up to 2.5 percent as of end-June 2020, higher than the 2.1 percent posted in the same period last year. Borrowers from economic sectors such as real estate activities, wholesale and retail trade, as well as loans to individuals/households for consumption purposes i.e., auto loans and credit card receivables in particular, mainly contributed to the uptick of the banking system's NPL in the first half of 2020.

Philippine banks have continued to rein in the NPL ratio under 4.0 percent for more than 10 years, reflecting gains from prudent reforms and improvements in banks' credit risk management systems

On the whole, Philippine banks have continued to rein in the NPL ratio under 4.0 percent for more than 10 years, reflecting gains from prudent reforms and improvements in banks' credit risk management systems. 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.

By economic activity, loans to individuals for consumption purposes recorded the highest NPL ratio at 5.6 percent for U/KBs and 5.7 percent for TBs. By industry, the NPL ratio of the U/KB industry rose to 2.1 percent as of end-June 2020 from the 1.4 percent five-year average. Meanwhile, its NPL coverage ratio increased to 123.2 percent. The NPL ratio of the TB industry at 5.7 percent was slightly higher than the five-year average of 5 percent while its NPL coverage ratio increased to 60.4 percent. The RCB industry's NPL ratio of 11.2 percent was also marginally higher than the 11.1 percent five-year average while the NPL coverage ratio decreased to 73.7 percent.

As of end-June 2020, the growth in financial assets slowed down by 1.7 percent as banks opted to reduce treasury activities to be liquid. The banking system's net portfolio investments reached P3.7 trillion during the same period with accumulated market gains of P44.5 billion. Banks were able to ride out fluctuations in interest rates as 49.0 percent of these financial assets were booked as Debt Securities Measured at Amortized Cost.

Moreover, the BSP granted prudential accounting relief measures to reduce the impact of mark-to-market (MTM) losses resulting from banks' treasury operations during the pandemic. Based on the BSP survey, these BSFIs will likely maintain their strategy as the duration of their investments is reduced to maximize portfolio returns. The top U/KBs did not introduce major changes in the composition of their portfolios as they assess liquidity risk. Exposures are concentrated in highly-liquid and investment grade instruments.

Highlights of the Report

Funding was relatively stable during the semester in review. Asset expansion was principally funded by deposits, bond issuances and capital infusion. The growth of bank deposits specifically remained firm as consumers shift to digital payments while funding cost and quoted bank lending rates based on the BSP survey declined following the decisive reduction in reserve requirements (RR) that started in November 2019.

Driven by the growth in current and savings deposits, total deposits grew year-on-year (YoY) by 10.8 percent to reach P14.2 trillion as of end-June 2020. Time deposits, however, registered a minimal decrease as a result of falling interest rates. Time deposit rate shed 393 basis points to 1.861 percent as of end-February 2020 compared to the 5.386 percent recorded a year ago. In turn, deposits relative to nominal gross domestic product (GDP) climbed to 75.6 percent in end-June 2020, the highest ratio since end-March 2013.

The foreign exchange risk of bank funding remained manageable as foreign currency denominated deposits only accounted for 15.5 percent of the banking system's deposit base as of end-June 2020. Foreign currency-denominated deposits comprised 78.5 percent of the total funding source of the Foreign Currency Deposit Unit (FCDU) system. This represents an expansion by 6.0 percent annually to USD43.8 billion (P2,184.8 billion). Steady inflows, albeit lower overseas Filipinos' remittances for the first half of 2020, as well as improvement in the net inflows of direct investment supported the growth of FCDU deposits.

The annual growth in bonds payable complemented the growth in deposit liabilities as it recorded an upsurge in end-December 2018 to 150.4 percent but steadily declined to 48.9 percent in end-June 2020. In turn, bank funding cost, defined as the ratio of total annualized interest expense over average interest-bearing liabilities, slid to 1.6 percent as of end-June 2020 from a peak of 2.0 percent as of end-September 2019 following the reduction in reserve requirements (RR).

Asset expansion was principally funded by deposits, bond issuances and capital infusion

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

The banking system remains well-capitalized during the semester in review with a risk-based capital adequacy ratio (CAR) of 15.3 percent on solo basis as of end-March 2020 (latest data). The industry's leverage ratio also stood at 9.2 percent (solo basis) higher than the BSP threshold of 5 percent. The banking system's capital is made up of Common Equity Tier 1, at 14 percent, the highest quality among instruments eligible as capital. It is also resilient to credit and market risk shocks, based on the BSP's stress test exercise. All U/KBs complied with the required 10 percent minimum CAR on a solo basis. 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. 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.

Mainly driven by loans extended to the corporate sector, credit risk-weighted assets continued to dominate U/KBs' total risk-weighted assets (RWA) at 89.0 percent as of end-March 2020. Notably, the annual growth of the banking system's RWAs has been falling since end-December 2015 until end-December 2019 but started to pick up as of end-March 2020 as RWAs grew by 7.4 percent on account of the increased in credit RWAs.

Market risk-weighted assets, which made up 2.6 percent of the total industry's risk assets, went up by 5.9 percent mainly due to rising interest rate risk and foreign exchange risk exposures. Even in times of market fluctuations, the U/KBs remained resilient given their active capital-raising activities and robust earnings margins, enabling them to maintain adequate buffers against unexpected losses.

Operational risk-weighted assets also climbed by 3.1 percent annually following the rise in earnings of banks. Corollary to this, the BSP reminded the BSFIs to reinforce operational capabilities to support the anticipated increase in account opening, basic financial and payment transactions through online financial platforms, and cash management services. These BSFIs are expected to adopt appropriate business strategies that are more agile, flexible, and responsive to the financial services needs of the public and operational requirements under the New Economic Arrangement (NEA).

Highlights of the Report

During the review period, liquidity buffers of the banking system remain intact. Liquidity buffers of U/KBs and subsidiary banks and quasi banks remain ample as Liquidity Coverage Ratio (LCR) at 171.4 percent, and Net Stable Funding Ratio (NSFR) at 132 percent, remain above the BSP regulatory thresholds as of end-March 2020. Meanwhile, the minimum liquidity ratios (MLRs) of stand-alone TBs, rural banks (RBs) and cooperative banks (CBs) still surpassed the 20 percent minimum requirement of the BSP. As of end-December 2019 (latest data), the MLRs of stand-alone TBs, RBs and CBs improved to 32.6 percent, 54.8 percent and 37.1 percent, respectively.

Banks' liquid assets-to-deposits (LAD) ratio slightly strengthened at 49.6 percent from 47.6 percent a year ago.

The stock of high quality liquid assets (HQLA) of U/KBs are the most liquid and high-quality assets. Although lower than previous periods, the overall structural liquidity position of banks, after considering short-term liquidity requirements and projected lending activity, was estimated at P1 trillion. Funding gap (difference of deposit liabilities and total loan portfolio) was also positive at P3.4 trillion. This means that banks have sufficient liquidity to pursue their business operations. Contingency Funding Plans (CFPs) of most banks were not activated during the community quarantine period. Nonetheless, some banks have borrowed from existing credit lines (interbank loans) and tapped the BSP rediscounting facility to ensure ample liquidity.

Profitability or net income of the banking system fell by 22.5 percent annually to P86.5 billion at end-June 2020 due to increased provisioning requirements. This marks a sharp reversal compared to the 27.7 percent growth in earnings recorded in the same period a year ago. Net interest income still grew by 15.8 percent while trading income rose by 118.9 percent. However, provisions on credit losses for loans and financial assets significantly increased, weighing heavily on bank profitability. Other income sources are expected to slow down due to lower volume of transactions, waiver of inter-branch and interbank fees as well as the temporary grace period moratorium on the imposition of bank fees, penalties and charges under the Bayanihan Act.

Liquidity buffers of the banking system remain intact

The overall condition and performance of the non-bank sector underwent streamlining and rationalization to improve its financial standing and operational performance

To mitigate the adverse impact of the pandemic on profitability, banks plan to impose cost-cutting measures (e.g., deferred capital spending and freeze hiring of non-critical positions), intensify loan collection activities, step up loan monitoring, exercise prudence in loan releases, reduce cost of funds and boost marketing campaigns for new loans and deposits based on the BSP survey. Across banking groups, U/KBs also intend to reduce their exposures to vulnerable sectors and to increase ancillary or fee-based business while TBs and RCBs plan to fast track digitization initiatives to reduce operating expenses.

The banking system landscape became more streamlined as a result of the ongoing industry consolidation and supportive of its overall positive performance. Across banking groups, the banking system's network consisted of the following: 46 U/KBs with 6,947 branches, 48 TBs with 2,606 branches and 447 RCBs with 2,818 branches. While the U/KBs held the bulk of the system's total resources, they cornered the least share of 8.5 percent in terms of head office count. The RCBs consistently seized the substantial share at 82.6 percent while TBs held the remaining portion of 8.9 percent share.

Meanwhile, the trust operations of banks were not spared by the effects of COVID-19 pandemic and the various measures undertaken by the government to mitigate its spread. Total assets of the trust industry contracted by 20.8 percent annually following the decline in financial assets and deposits in banks of the U/KBs. Funds were mostly deployed into financial assets and deposits in banks. Nevertheless, 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. Details of the condition and performance of the trust operations of banks are discussed in a separate section of the Report.

Parallel to this, the overall condition and performance of the non-bank sector underwent streamlining and rationalization to improve its financial standing and operational performance. In particular, the total assets of non-banks with quasi-banking functions (NBQBs) performance weakened following the decline of key banking statistics - assets, liabilities, capital accounts, net profit, and loan and assets qualities. Despite this, the industry continued to increase its network allowing more clients to reach and serve at the onset of the pandemic.

Highlights of the Report

The non-stock savings and loan association industry (NSSLA) industry continued to increase its assets year-on-year on account of the growth in lending activities. Despite the industry's upbeat lending activities, credit quality has improved as the non-performing loan (NPL) and non-performing asset (NPA) ratios continued to decrease. The industry remained liquid, with stable funding and sufficient capitalization with the growth in members' capital contribution. Profitability was sustained driven by the steady growth of loans to members.

Meanwhile, pawnshops and money service businesses (MSBs) have become major financial service access points to help the financial inclusion objectives of the BSP particularly in serving the underbanked and unbanked areas of the country. The emergence of digital platforms and solutions bring possible opportunities as well as threats to the non-bank sector especially for pawnshops and MSBs, which have become a significant component of their business strategy. Nonetheless, the BSP-registered Pawnshops and MSBs bucked the COVID-19 threat and posted network expansion with YoY growth of 9.0 percent and 20.2 percent, respectively.

Overall, the Philippine financial system showed sustained resilience amid the COVID-19 pandemic. It was supported by the inherent soundness and stability of the banking system and the BSP's committed implementation of crucial regulatory relief measures and policy reforms to further cushion the financial system from the negative effects of the pandemic.

Moving forward, there is also merit in better understanding how the pandemic will shape the future banking landscape under the NEA. This will shape the emerging BSP's regulatory and supervisory architecture over the long-term.

ENDNOTES:

[1] Total assets of the banking system represent 81.9 percent of the total resources of the Philippine financial system as of end-June 2020.

[2] As of end-August 2020.

The Philippine Banking System

Overview

The Philippine banking system (PBS) remained on solid footing amid the Coronavirus Disease 2019 (COVID-19) pandemic as shown by growth in assets, loans, deposits, profitability, as well as stable capital and liquidity buffers. Funded by deposit generation, bond issuances and capital infusion, the banking system's total resources continued to expand to support the country's financing needs especially during the pandemic.

Both the universal and commercial banking (U/KB) and rural and cooperative banking (RCB) industries posted growth in total assets, loans and deposits in the first semester of 2020. However, the thrift banking (TB) industry's total assets, loans and deposits declined, largely driven by the consolidation of subsidiary TBs with their parent banks. The loan quality of all banking industries remained satisfactory amid higher loan loss provisioning. Moreover, across all banking groups, net profitability was positive and capital adequacy ratio stayed above minimum thresholds.

The BSP issued monetary and financial regulatory relief measures to assist the BSP-supervised financial institutions (BSFIs) endure the COVID-19 crisis as well as to continue their support to households and business enterprises. These measures provide incentives for BSFIs to extend financial relief to their borrowers, make credit available to consumers and particularly micro, small and medium enterprises (MSMEs), promote continued access to credit/financial services, support continued delivery of financial services to enable consumers to complete financial transactions during the enhanced community quarantine (ECQ) period, and support the level of domestic liquidity.

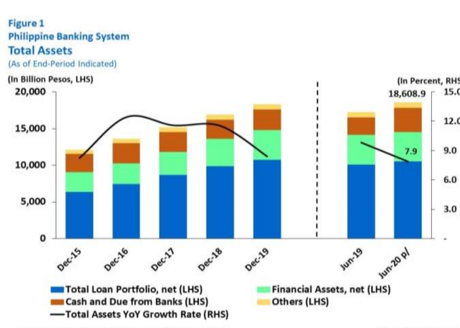
ASSET EXPANSION WAS DRIVEN BY GROWTH IN LOANS

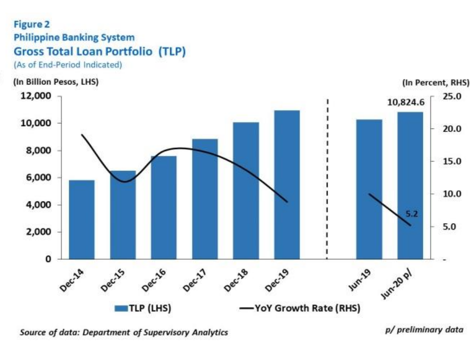
The rise in total assets of the PBS to P18,608.9 billion as of end-June 2020 was mainly due to expansion of funds channeled to lending activities and sourced from deposits, bond issuances and capital infusion. The total assets' year-on-year (YoY) growth rate of 7.9 percent, however, was slower than the 9.8 percent growth rate in June 2019 and the 8.4 percent growth rate in December 2019.

U/KBs held the bulk of the banking system's total assets at P17,236.1 billion (92.6 percent share) while the total assets of TBs and RCBs stood at P1,107.1 billion (6.0 percent share) and P265.7 billion (1.4 percent share), respectively.

U/KBs' total assets grew YoY by 9.4 percent, slower than the 10.3 percent growth rate in June 2019. Meanwhile, RCBs' total assets increased by 2.9 percent, slower than the 8.5 percent growth rate in June 2019. TBs' total assets, however, declined by 10.4 percent, as compared to the 4.0 percent growth rate in June 2019, following the consolidation of subsidiary TBs with their parent banks.

Total loan portfolio (TLP), net of allowance for credit losses, made up the largest share of the banking system's total assets at 56.5 percent (P10,523.2 billion) followed by financial assets other than loans[1] and cash and due from banks with 21.4 percent share (P3,985.2 billion) and 17.9 percent share (P3,333.3 billion), respectively (Figure 1).





The Philippine Banking System

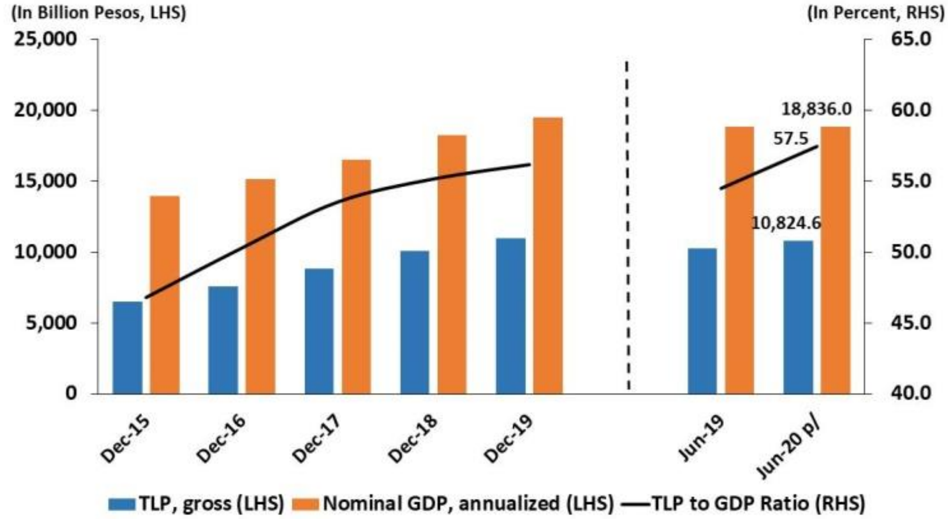
As the growth rate of the gross domestic product (GDP) dropped in the second quarter of 2020[2] amid the COVID-19 pandemic, the banking system's credit growth decelerated. The banking system's gross TLP went up YoY by 5.2 percent to P10,824.6 billion, slower than the 10.0 percent growth rate in June 2019 and the 8.8 percent growth rate in December 2019 (Figure 2).

Based on the results of the baseline survey deployed by the BSP Financial Supervision Sector (FSS) to assess the impact of the COVID-19 pandemic on the BSP-supervised financial institutions' (BSFIs) financial and operational performance[3], banks anticipate muted overall credit demand as some businesses reopen following the lifting of the ECQ. Gross TLP of surveyed banks is expected to grow modestly by end-December 2020.

Meanwhile, to ensure availability of credit during the COVID-19 crisis, the BSP issued regulatory relief measures to incentivize banks to assist strategic borrowers such as MSMEs and critically affected large enterprises to carry on with their business, as well as hasten recovery and sustainability of their operations, during the post-crisis period. These measures to incentivize lending include reduction of the credit risk weights of loans granted to MSMEs that are current in status to 50 percent from 75 percent (qualified MSME portfolio) and 100 percent (non-qualified MSME portfolio); recognizing loans to MSMEs and critically-affected large enterprises as alternative reserves compliance; assignment of a zero-percent risk weight not only to loans that are guaranteed by the Philippine Guarantee Corporation but also loans that are guaranteed by the Agricultural Guarantee Fund Pool (AGFP) and the Agricultural Credit Policy Council (ACPC); temporary increase of the single borrower's limit (SBL) to 30 percent from 25 percent until 31 March 2021; and deferment of the implementation of the revised risk-based capital framework applicable to stand-alone TBs and RCBs.

While there was slower loan growth for the PBS in end-June 2020, the ratio of TLP to annualized nominal GDP inched up to 57.5 percent from 54.5 percent as of end-June 2019 and 56.2 percent as of end-December 2019 (Figure 3). This indicates sustained deployment of funds for lending to production activities.

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

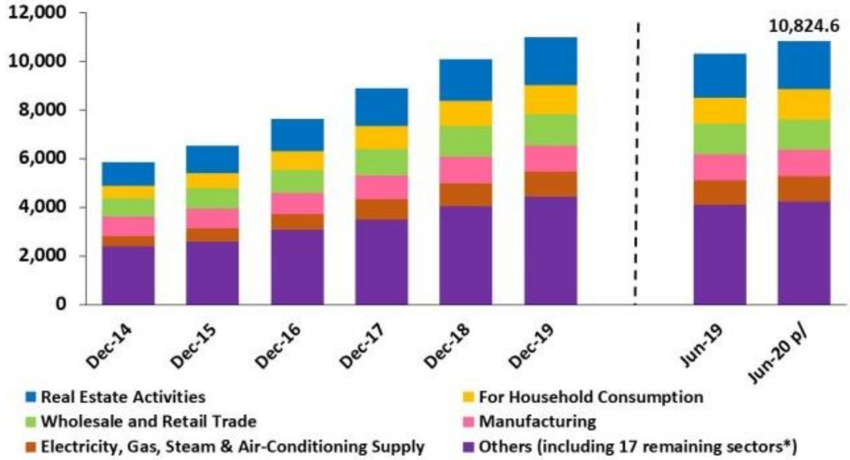


Sources of data: Department of Supervisory Analytics, Philippine Statistics Authority *p/ preliminary data*

Loans were broad-based across various industry and borrower types. Real estate activities continued to comprise the largest share of the banking system's TLP at 18.3 percent (Figure 4). This was followed by loans for household consumption and wholesale and retail trade which had shares of 11.5 percent each. Manufacturing followed with a share of 10.0 percent. Real estate activities and loans for household consumption posted double-digit YoY growth rates of 11.2 percent and 14.2 percent, respectively, due to sustained lending to the real estate industry and the consumer segment.

For U/KBs, real estate activities and the wholesale and retail trade and manufacturing sectors had the largest shares of lending. Meanwhile, for TBs, loans for household consumption held the largest share of the industry's TLP followed by real estate activities. For TBs, loans for household consumption and real estate activities both declined by more than 10 percent YoY. The share of loans for household consumption was slightly higher this year for TBs. For RCBs, loans for household consumption also held the largest share of the industry's TLP followed by wholesale and retail trade and agriculture, forestry and fishing. Among major activities, loans for wholesale and retail trade posted the highest YoY growth and a slightly higher share this year for RCBs.

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



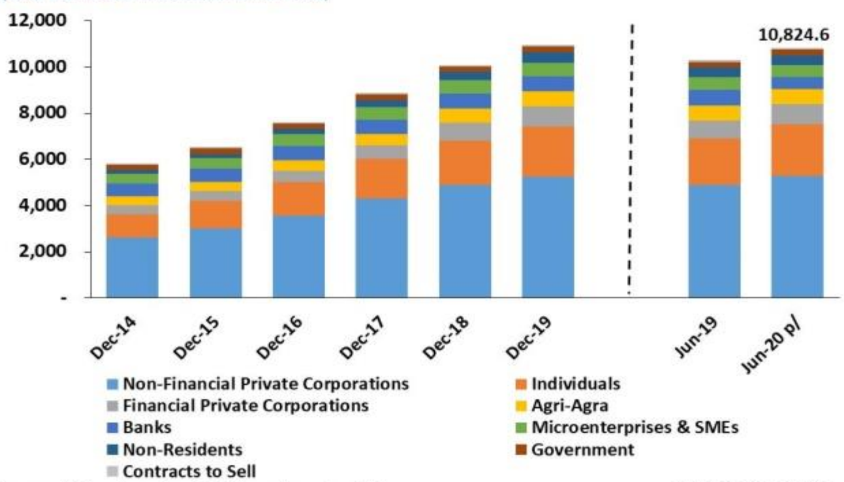
* These refer to economic sectors under the 2009 PSIC.

Source of data: Department of Supervisory Analytics

p/ preliminary data

As to counterparty, corporate and individual borrowers took the largest shares of the banking system's loan portfolio (Figure 5). Resident non-financial private corporations represented almost half of borrowers in the banking system with loans amounting to P5,293.5 billion (at 48.9 percent). Resident individuals followed with loans totaling P2,233.6 billion (at 20.6 percent). Loans to resident individuals went up YoY by 11.0 percent YoY while the growth rate for resident non-financial private corporations was lower at 8.2 percent.

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



Source of data: Department of Supervisory Analytics

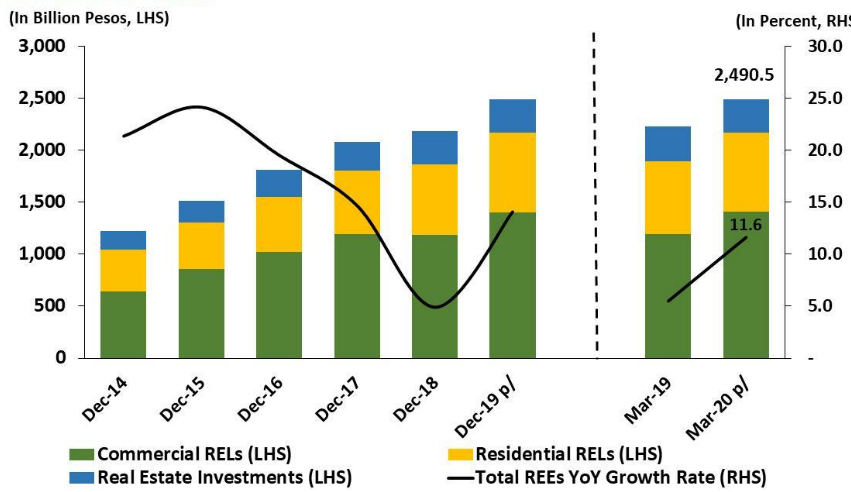
p/ preliminary data

For TBs and RCBs, however, individuals had the largest share of lending at 68.0 percent and 46.2 percent of their respective industry's lending, indicating the consumer finance market of these banks. Meanwhile, for RCBs, MSMEs also captured a substantial share of the industry's TLP at 34.9 percent.

GROWTH OF REAL ESTATE EXPOSURES AND CONSUMER LOANS CONTINUED

Both real estate exposures (REEs) and consumer loans (CLs) continued to expand. The REEs of U/KBs and TBs, on a consolidated basis, increased by 11.6 percent YoY to P2,490.5 billion as of end-March 2020[4] (Figure 6). This growth rate is higher than the end-March 2019 growth rate of 5.5 percent but lower than the end-December 2019 growth rate of 14.1 percent.

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

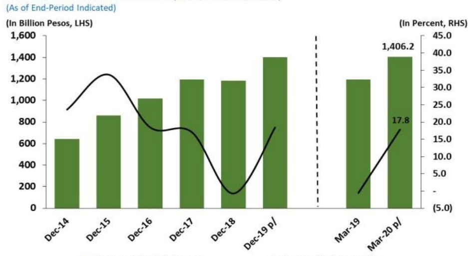


Source of data: Department of Supervisory Analytics　　*p/ preliminary data*

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 14.6 percent YoY to P2,169.8 billion as of end-March 2020, as compared to the 3.8 percent growth rate in March 2019. Commercial RELs, which account for almost two-thirds of total RELs and mainly driven by the growth in REEs, grew by 17.8 percent YoY to P1,406.2 billion, as compared to the 0.6 percent decline in March 2019 (Figure 7). Loans for land development and acquisition, construction and/or improvement of commercial real estate units, which comprised more than three-fourths of commercial RELs as of end-March 2020 and are mostly loans to land developers/construction companies, grew by 20.6 percent YoY, while loans for ancillary real estate activities increased by 9.1 percent.

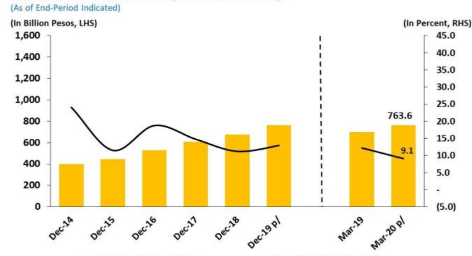
Meanwhile, residential RELs went up by 9.1 percent YoY to P763.6 billion, slower than the 12.2 percent growth rate in March 2019 (Figure 8). With the real estate loan limit of U/KBs increased to 25 percent from 20 percent of their TLP net of interbank loans, real estate activity is seen to expand further in the near term amid the pandemic. The higher loan limit encourages bank lending to households for the acquisition or construction of residential real estate properties. By category, low-cost and mid-end housing held the largest shares of residential RELs at 46.9 percent and 36.8 percent, respectively. High-end housing made up 15.9 percent of residential RELs while socialized housing comprised only 0.4 percent of residential RELs.

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

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



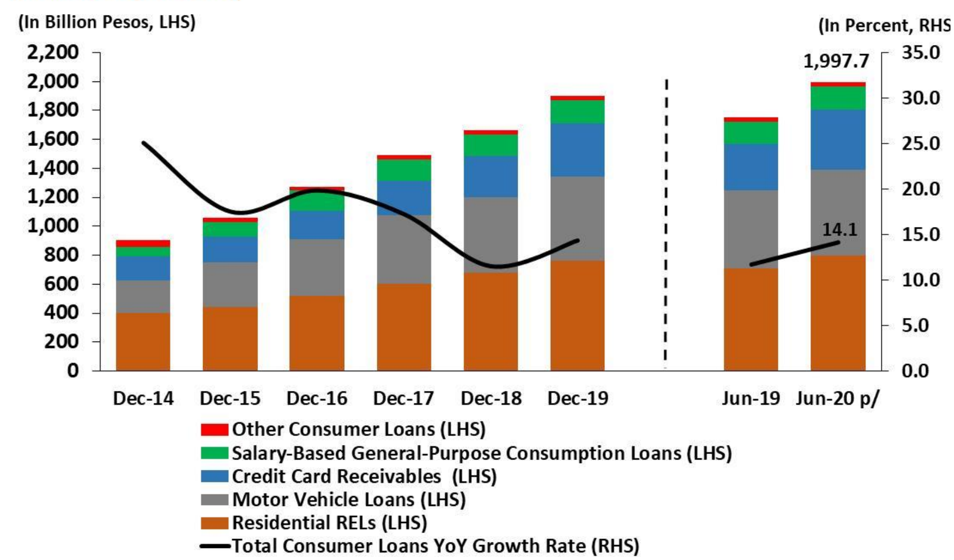
Source of data: Department of Supervisory Analytics
p/ preliminary data

In terms of pricing, residential real estate prices of various types of new housing units in the Philippines rose by 27.1 percent YoY in Q2 2020 based on the Residential Real Estate Price Index (RREPI). This is the highest YoY growth rate recorded since the start of the series in Q1 2016. By area, residential property prices in both the National Capital Region (NCR) and in Areas Outside NCR (AONCR) registered YoY growth. By category of housing units, residential property prices climbed YoY across all types of dwelling (condominium unit, single detached/attached house unit, townhouse and duplex), with prices of condominium units rising the fastest at 30.1 percent YoY. Banks cited the following reasons for the uptick in real estate prices in Q2 2020 : (a) higher demand for high-end projects, which drove the average price per square meter (sqm) upwards; and (b) rising prices of construction materials, labor costs and other indirect costs, e.g., higher marketing costs of appraised premium properties.

The results of the real estate stress test (REST)[5] as of end-March 2020 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, consumer loans (CLs) also expanded. Representing 18.7 percent of gross TLP, CLs of U/KBs and TBs, on solo basis, went up by 14.1 percent to P1,997.7 billion as of end-June 2020 (Figure 9). This growth rate is higher than the end-June 2019 growth rate of 11.7 percent but slightly lower than the end-December 2019 growth rate of 14.4 percent. Residential RELs made up the largest share of total CLs at 40.0 percent (P800.0 billion), followed by motor vehicle loans (MVLs)[6] at 29.6 percent (P591.5 billion), credit card receivables (CCRs) at 20.7 percent (P412.7 billion), salary-based general-purpose consumption loans (SBGPCLs) at 8.1 percent (P161.8 billion) and other consumer loans at 1.6 percent. Relative to annualized nominal GDP, CLs rose to 10.6 percent as of end-June 2020 from 9.3 percent as of end-June 2019 and 9.7 percent as of end-December 2019.

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



Source of data: Department of Supervisory Analytics *p/ preliminary data*

BANKS CONTINUED TO SET ASIDE FUNDS FOR MSMES AND AGRI-AGRA BORROWERS

While the mandatory credit allocation for 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 continues to monitor the credit allocation of banks to the MSME sector. Table 1 shows that based on bank-submitted MSME reports, as of end-March 2020, the banking system provided a total of P538.7 billion credit to MSMEs, which was 6.4 percent of TLP net of exclusions. This level was slightly lower than the P541.1 billion credit as of end-March 2019. In particular, the banking system's total credit allocation to MEs stood at P327.6 billion as of end-March 2020 while funds allocated to MSEs totaled P211.0 billion.

Table 1
Philippine Banking System
Credit Allocation to Micro, Small and Medium Enterprises (MSMEs)
As of End-March 2020 p/
(Levels in Billion Pesos)

	All Banks	U/KBs	TBs	RCBs
Credit Allocation to Micro and Small Enterprises (MSEs)	**211.0**	145.6	35.7	29.8
Credit Allocation to Medium Enterprises (MEs)	**327.6**	276.0	36.6	15.1
Total Credit Allocation to MSMEs	**538.7**	421.5	72.3	44.8

Source of data: Department of Supervisory Analytics ***p/ preliminary data***

The BSP expects credit allocation to MSMEs to increase moving forward with the issuance of the BSP regulatory relief allowing peso-denominated loans to MSMEs and certain large enterprises that were critically affected by the pandemic to be utilized as a form of alternative compliance with the reserve requirements (RR) against deposit liabilities and deposit substitutes. Since the issuance of the said relief, banks have continued to grant new loans or re-finance existing ones to MSMEs as well as to critically-affected large enterprises. The BSP has allowed this prudential measure encouraging bank to lend more to MSMEs and critically-affected large enterprises effective 24 April 2020 and 29 May 2020, respectively.[7]

Notably, following such relief measure, there was an increase in the amount of bank loans extended to MSMEs as well as large enterprises that are used for compliance with the RR. Preliminary data revealed that for the reserve week ending 3 September 2020, 98 banks extended loans to MSMEs as an alternative mode of compliance with the RR with an average daily balance of P105.2 billion. This represents a significant increase from the P8.8 billion average daily balance of MSME loans used by 51 banks immediately after the effectivity of the measure during the reserve week ending 30 April 2020.

Meanwhile, 11 banks provided loans to large enterprises as an alternative mode of compliance with the RR, with average daily loan balance of P25.5 billion based on preliminary data for the reserve week ending 3 September 2020. This is a substantial increase from the P114 million average daily loan balance to large enterprises which was used by 10 banks during the reserve week ending 4 June 2020, the start of the effectivity of the measure.

The BSP fosters a conducive regulatory environment for the continued development and growth of MSMEs. In this regard, it supports the passage of the Government Financial Institutions Unified Initiatives to Distressed Enterprises for Economic Recovery (GUIDE) bill which seeks to strengthen the capacity of government financial institutions (GFIs) so they could provide the needed assistance to MSMEs and other strategically important companies.

Meanwhile, under R.A. No. 10000 (the Agri-Agra Reform Credit Act of 2009), banks allocated a total of P712.2 billion of loanable funds for agriculture and agrarian reform credit as of end-March 2020, higher than the P711.0 billion allocation as of end-March 2019. However, the banking system's 10.5 percent compliance ratio for other agricultural credit as of end-March 2020 was below the required 15.0 percent. Moreover, its compliance ratio for agrarian reform credit was 0.9 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-March 2020 p/
(Levels in Billion Pesos, Ratios in Percent)

	All Banks	U/KBs	TBs	RCBs
Total Loanable Funds Generated	**6,241.6**	5,825.8	320.7	95.1
Minimum Amount Required to be Allocated for:				
Agrarian Reform Credit (AGRA, 10%)	**624.2**	582.6	32.1	9.5
Other Agricultural Credit (AGRI, 15%)	**936.2**	873.9	48.1	14.3
Total	**1,560.4**	1,456.4	80.2	23.8
Compliance with AGRA				
Total compliance with AGRA	**58.5**	46.4	2.6	9.4
Percentage of Compliance with AGRA	**0.9%**	0.8%	0.8%	9.9%
Compliance with AGRI				
Total compliance with AGRI	**653.7**	612.8	19.7	21.2
Percentage of Compliance with AGRI	**10.5%**	10.5%	6.1%	22.3%
Total				
Total compliance for AGRI-AGRA	**712.2**	659.2	22.3	30.7
Percentage of Compliance for AGRI-AGRA	**11.4%**	11.3%	7.0%	32.2%

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

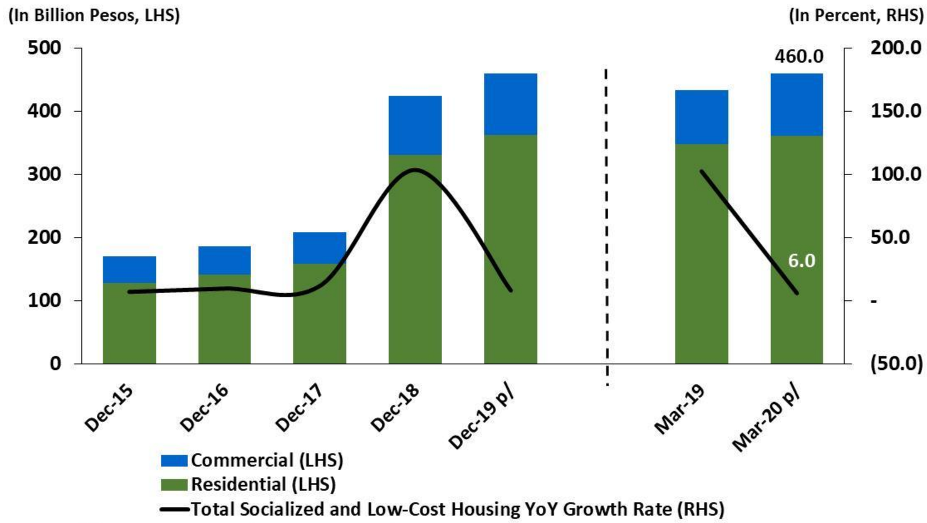
Source of data: Department of Supervisory Analytics

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 is pushing for the enactment of the Rural Agricultural and Fisheries Financing Enhancement System Act which aims to overhaul R.A. No. 10000 and strengthen rural development by providing for a holistic approach that takes into account the broader agricultural financing ecosystem and rural community development requirements.

Meanwhile, 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 the existing BSP data on RELs. The exposure to socialized and low-cost housing of U/KBs and TBs, on a consolidated basis, amounted to P460.0 billion as of end-March 2020, higher than the P434.0 billion level as of end-March 2019 (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)



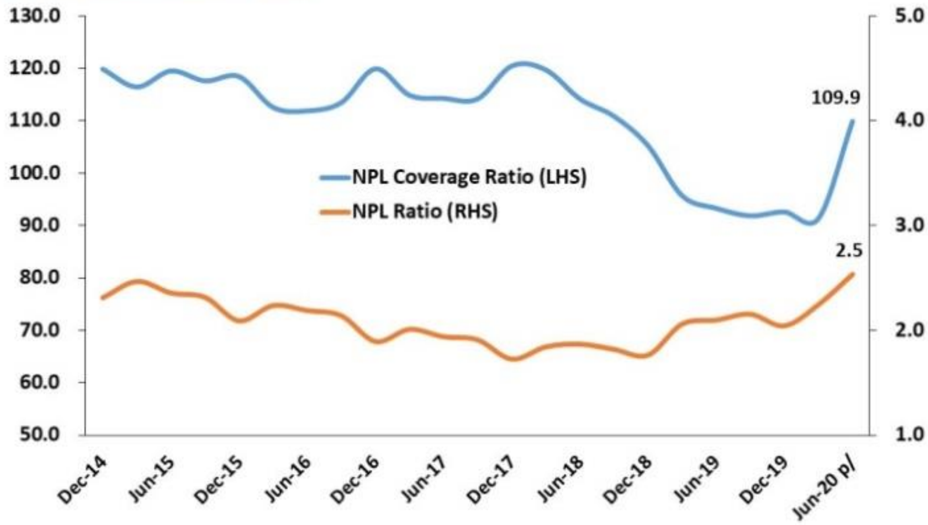
Source of data: Department of Supervisory Analytics *p/ preliminary data*

LOAN QUALITY REMAINED SATISFACTORY AMID HIGHER LOAN LOSS PROVISIONING

The quality of the PBS' loan portfolio remained satisfactory. The non-performing loan (NPL) ratio was manageable at 2.5 percent as of end-June 2020, albeit higher than the 2.1 percent ratio as of end-June 2019 and the 2.0 percent ratio as of end-December 2019 (Figure 11). U/KBs' NPL ratio of 2.1 percent as of end-June 2020 was higher than the 1.6 percent ratio as of end-June 2019. The NPL ratios of TBs and RCBs were posted at 5.7 percent and 11.2 percent as of end-June 2020, slightly lower than the 5.9 percent and 11.4 percent ratios, respectively, as of end-June 2019.

Increased NPL levels of loans to the real estate and wholesale and retail trade sectors, as well as loans to individuals for consumption purposes, mainly contributed to the growth of the banking system's NPLs. Meanwhile, the non-performing REL ratio was maintained low at 1.7 percent as of end-March 2020, the same ratio as of end-March 2019 and as of end-December 2019. The non-performing CL ratio went up to 5.6 percent as of end-June 2020 from the 4.0 percent ratio as of end-June 2019 and the 4.1 percent ratio as of end-December 2019. This was brought about by the uptick in the NPL ratios of residential RELs and MVLs.

Figure 11
Philippine Banking System
Non-Performing Loan (NPL) Ratio and NPL Coverage Ratio
(As of End-Period Indicated, In Percent)



Source of data: Department of Supervisory Analytics *p/ preliminary data*

Nonetheless, the increase in NPLs was matched by higher loan loss provisioning. Loan loss reserves have been increasing since the start of this year resulting to a higher NPL coverage ratio of 109.9 percent as of end-June 2020, as compared to the 93.3 percent ratio as of end-June 2019 and the 92.6 percent ratio as of end-December 2019. Meanwhile, the non-performing asset[8] (NPA) ratio of the banking system was posted at 2.1 percent, higher than the 1.9 percent ratio as of end-June 2019 and the 1.8 percent ratio as of end-December 2019. The NPA coverage ratio remained strong at 85.8 percent, higher than the 71.3 percent ratio as of end-June 2019 and the 70.3 percent ratio as of end-December 2019.

The BSP has granted banks temporary regulatory and rediscounting relief measures to enable them to extend the same relief measures to their borrowers in the form of more flexible and favorable lending terms (e.g., granting of temporary grace period for loan payments or restructuring loan accounts of affected borrowers). These relief measures include: (a) exclusion of exposure of affected borrowers from the computation of past due loan and NPL ratios until 31 December 2021, subject to BSP reporting, and (b) staggered booking of allowance for credit losses for loans extended to affected borrowers for a maximum period of five years, subject to the BSP's approval.

Based on the results of the baseline survey on the impact of the COVID-19 pandemic on the PBS, the NPL ratio is projected to nearly double to 4.6 percent by end-December 2020 as borrowers' capacity to pay have been weakened by disruptions in their cash flows. Meanwhile, the NPL coverage ratio is projected to remain higher by end-December 2020. Nonetheless, the long-term impact of the pandemic on borrowers' capacity to pay has yet to be seen since based on the survey responses, majority of the banks' borrowers have availed of the grace period under the "Bayanihan to Heal As One Act".

Importantly, the BSP supports the enactment of the Financial Institutions Strategic Transfer (FIST) Act which aims to assist banks and other financial institutions with offloading their debts and managing their NPAs affected by the pandemic. The bill is envisioned to encourage the private sector to incorporate and invest in FIST Corporations and help in the rehabilitation of distressed businesses.

BANKS' INVESTMENT PORTFOLIO SLIGHTLY DECLINED

Gross financial assets[9] slightly decreased by 1.7 percent YoY to P3,700.6 billion as of end-June 2020. In particular, gross financial assets were mostly composed of debt securities measured at amortized cost[10] at P1,825.0 billion (49.3 percent share) and financial assets measured at fair value through other comprehensive income[11] at P1,577.5 billion (42.6 percent share). Minimal shares were those of financial assets measured at fair value through profit or loss[12] which stood at P298.1 billion (8.1 percent share). In terms of counterparty, securities issued by the National Government accounted for the bulk of U/KBs and TBs' investment portfolio at P2,565.1 billion (70.1 percent share).

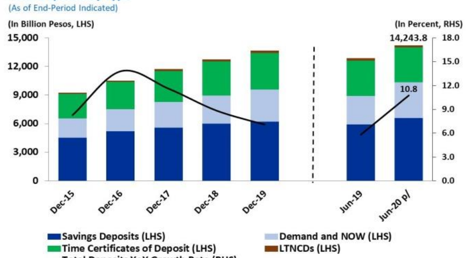
DEPOSITS AND PROCEEDS FROM BOND ISSUANCES FUELED BANK LENDING ACTIVITIES

The PBS' increased lending activities were mostly funded by the rise in deposits to P14,243.8 billion as of end-June 2020 (Figure 12). The 10.8 percent YoY growth rate in total deposits is higher than the end-June 2019 growth rate of 5.8 percent and the end-December 2019 growth rate of 7.1 percent.

Regulatory relief measures to support domestic liquidity include the reduction of reserve requirement rates of banks and quasi-banks; cumulative reduction in the BSP policy rates; reduction in the overnight reverse repurchase (RRP) volume offering; suspension of term deposit facility auctions for certain tenors; and temporary reduction in the term spread on the peso rediscounting loans relative to the overnight lending rate to zero.

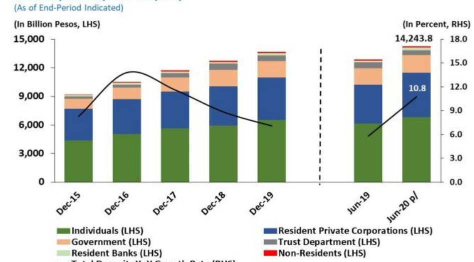
Savings deposits had the biggest share of total deposits at 46.4 percent, followed by demand deposits and NOW accounts with 26.4 percent share and time certificates of deposit with 25.7 percent share. As to counterparty, deposits were mostly sourced from resident individuals and private corporations, with 47.8 percent and 32.7 percent shares, respectively. (Figure 13).

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



Source of data: Department of Supervisory Analytics *p/ preliminary data*

Figure 13
Philippine Banking System
Total Deposits by Counterparty
(As of End-Period Indicated)



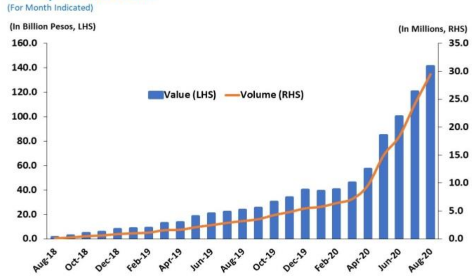
Source of data: Department of Supervisory Analytics *p/ preliminary data*

Another major source of funding was bonds payable which expanded by 48.9 percent YoY to P631.1 billion as of end-June 2020. This growth rate, however, is lower than the end-June 2019 growth rate of 160.0 percent and the end-December 2019 growth rate of 111.8 percent.

SIGNIFICANT RISE IN INSTAPAY AND PESONET TRANSACTIONS SEEN DURING THE PANDEMIC

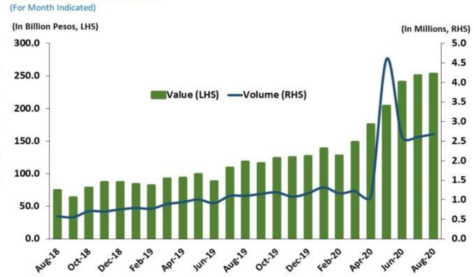
Consumers were observed to have substantially used digital payments and electronic money platforms in conducting their financial transactions during the pandemic. During the first six months of 2020, the total value of InstaPay and PESONET transactions went up by 343.0 percent and 91.9 percent, respectively, as compared to the same period last year. This trend continued. During the first eight months of 2020, the total value of InstaPay and PESONet transactions rose by 388.7 percent and 100.7 percent, respectively, as compared to the same period last year (Figures 14 and 15). Meanwhile, the total volume of InstaPay and PESONet transactions during the first eight months of 2020 rose by 623.8 percent and 129.6 percent, respectively, as compared to the same period last year. This trend is indicative of the shift by individuals and businesses to digital payment services given the limited mobility, shortened operating hours of business establishments and the necessity of avoiding face-to-face transactions amid the crisis. As one of the relief measures to promote continued access to financial services by retail clients affected by community quarantine arrangements, the BSP strongly encouraged BSFIs to temporarily suspend all fees and charges imposed on the use of online banking platforms or electronic money, including InstaPay and PesoNET electronic fund transfers. Likewise, the BSP has temporarily waived the transaction fees charged for fund transfer instructions made with the Philippine Payment and Settlement System (PhilPaSS).

Figure 14
InstaPay Value and Volume
(For Month Indicated)



Source of data: Payment System Oversight Department

Figure 15
PESONet Value and Volume
(For Month Indicated)

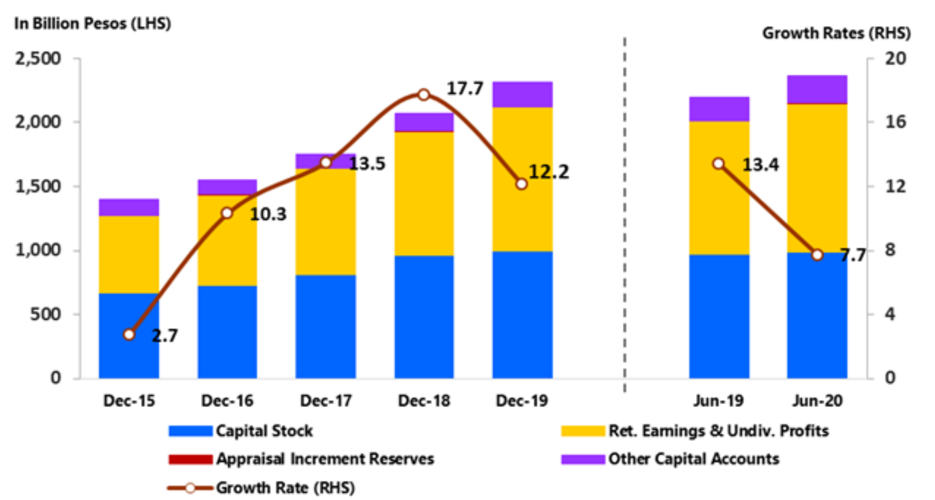


Source of data: Payment System Oversight Department

CAPITAL POSITION OF BANKS REMAINED POSITIVE

Amid the uncertainties posed by the COVID-19 crisis, the capital position of the banking system during the first half of 2020 showed positive stance as banks capital level rose to P2,369.3 billion, which is a 7.7 percent growth YoY, albeit lower compared to previous semester and year ago growth rates (Figure 16). The higher capital for the current period was mainly fuelled by the 12.0 percent or P124.6 billion increase YoY in retained earnings and undivided profits which held the lion's share at 48.9 percent of the total capital accounts of banks.

Figure 16
Philippine Banking System
Components of Banks' Capital and its Growth Rates (Y-O-Y)
As of End-Periods Indicated

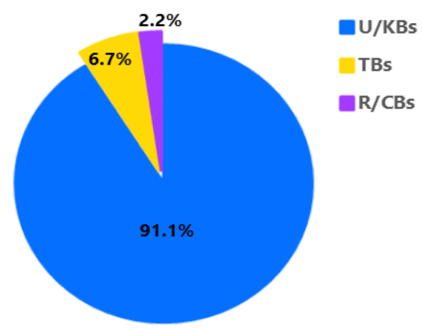


Source: Department of Supervisory Analytics

In terms of capital mix, the capital growth was also attributed to the banks' fresh capital infusion of P30.1 billion raising the capital stock to P991.4 billion. Other capital components consisting of deposits for stock subscription, assigned capital of foreign banks and accumulated earnings also posted growth which all contributed to higher capital of banks during the semester. The assigned capital of foreign banks, which had 6.1 percent of the industry capital rose by 20.4 percent. Meanwhile, other equity instruments, appraisal increment and other comprehensive income went down during the period. Aggregately, they comprised a modest 0.6 percent of the industry capital. (Figure 16)

Across banking groups, the U/KBs which held majority of the banking systems' capital at 91.1 percent share posted 9.4 percent increase during the semester. The R/CBs which held the least share at 2.2 percent also grew by 4.4 percent[13]. Meanwhile, the remaining 6.7 percent share was held by the TBs with capital decline of 10.4 percent as of end-June 2020 following merger of two thrift banks with their parent banks. (Figure17)

Figure 17
Philippine Banking System
Percent Share to Total Capital by Industry Sub-group
As of End-June 2020

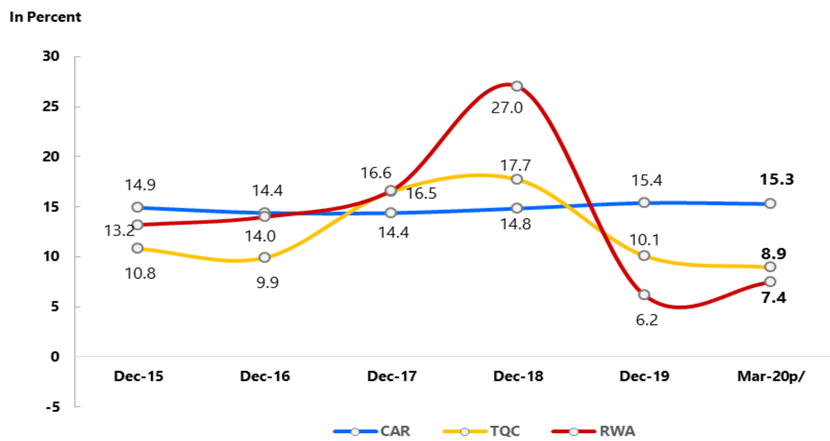


Source: Deprtmenr of Supervisory Analytics

BANKS CAPITAL ADEQUACY RATIOS STAYED ABOVE BSP THRESHOLDS

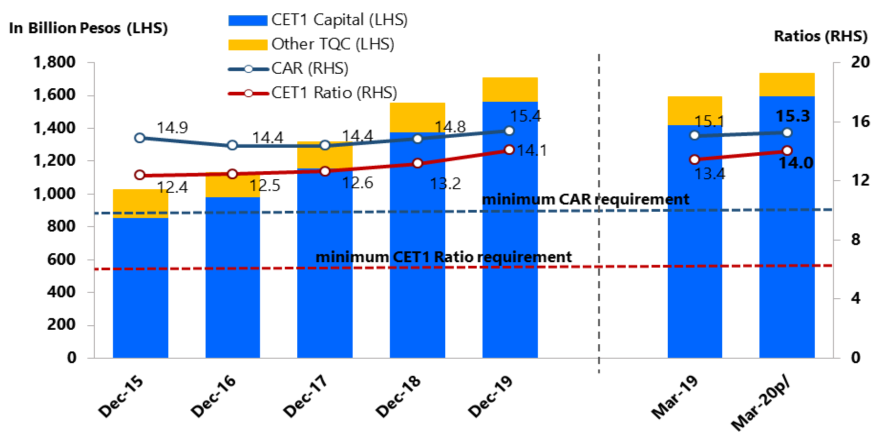
Under the Basel III framework, the U/KBs' risk-based CARs on both solo and consolidated bases registered at 15.3 percent and 15.9 percent, respectively, as of end-March 2020. These CARs showed improved performance compared with the year ago ratios of 15.1 percent (solo) and 15.8 percent (consolidated); although, slightly lower than last semester's CARs of 15.4 percent and 16.0 percent, respectively. The banking system's strong capital position was attributed to the banks' efforts in pursuing capital build-up measures that resulted in accumulation of qualifying capital at a faster rate of 8.9 percent which outweighed the 7.4 percent rise in risk-assets.[14] Moreover, banks were able to hold more high-quality capital during the current period as shown in the increased common equity tier 1 (CET1) ratio of 14.0 percent from last year's 13.4 percent, albeit slightly lower than the previous semester's 14.1 percent. (Figures 18 and 19)

Figure 18
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: Departmner of Supervisory Analytics

Figure 19
Universal and Commercial Banks
Risk-Based Capital Composition and Ratios (Solo Basis)
As of End-Periods Indicated

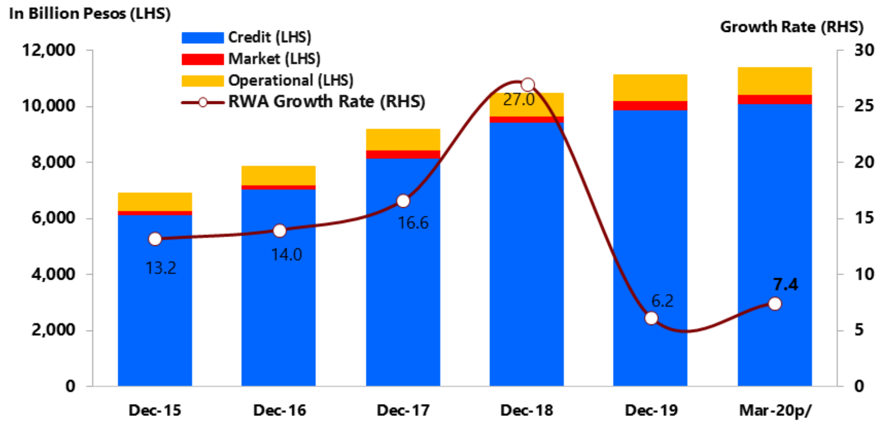


Source: Department of Supervisory Analytics

Cognizant of the potential shocks to capital brought by the COVID-19 situation, the BSP, as a relief measure, has allowed banks to use their stock of capital conservation and Liquidity Coverage Ratio (LCR) buffers during the pandemic. Banks concerned will be given a reasonable time to restore their buffers after the health crisis.[15]

On the risk-assets side, the total risk-weighted assets (RWA) grew by 7.4 percent as of end-March 2020. The credit risk-weighted assets (CRWA) continued to dominate U/KBs' total RWA at 89.0 percent as of end-March 2020 (Figure 20). The increasing CRWA of banks was mainly on account of loans extended to the corporate sector granted under sound credit underwriting standards. The expanded loan portfolio of banks was supported by a stable capital base.

Figure 20
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 2.6 percent of the total industry's risk assets, went up by 5.9 percent mainly due to exposures in interest rate and FX risks. 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 such as those that may arise from the current pandemic crisis. 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 3.1 percent YoY resulting from the increased earnings of banks since most banks adopted the basic indicator approach (BIA) in computing their ORWAs. As of the review period, two foreign banks calculated their ORWAs using the standardized approach (TSA) while the rest of the U/KBs applied the BIA.[16]

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.[17] 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.

With regard to the implementation of the Basel III framework, the BSP issued corresponding guidelines in the adoption of additional performance indicators which include the Basel III Leverage Ratio (BLR)[18], the LCR,[19] the Net Stable Funding Ratio (NSFR) standards[20].

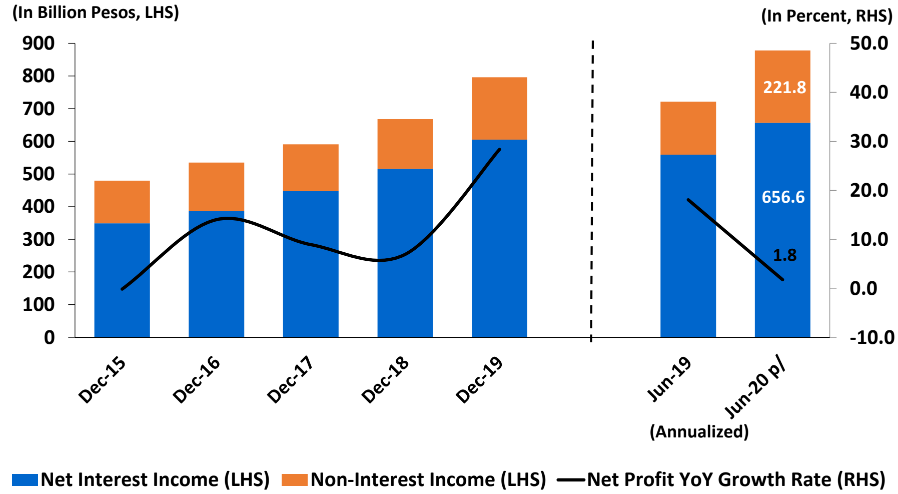
More recently, the BSP issued the reporting guidelines on intraday liquidity position of banks.[21] The guidelines complete the BSP's phased-in approach in implementing the four packages of reforms on liquidity risk management. The Basel III capital and liquidity standards are applicable to U/KBs, as well as their subsidiary banks/quasi-banks. Stand-alone TBs and RCBs are subject to a simpler liquidity metric called the Minimum Liquidity Ratio (MLR).[22] In April 2020, the BSP reduced the MLR from 20 percent to 16 percent until 31 December 2020 to help stand-alone banks meet liquidity requirements during the pandemic.[23] These financial performance metrics were fully discussed under the section on Financial Stability Indicators (FSI).

THE BANKING SYSTEM RECORDED POSITIVE BOTTOMLINE BUT NET PROFIT DECLINED

Banking operations were affected by the pandemic as the net profit of the banking system shrank by 22.1 percent YoY to P86.5 billion for the semester-ended June 2020. The increase in the Provision for Credit Losses on Loans and Other Financial Assets to P104.5 billion for the semester-ended June 2020 brought down the banking system's net profit for the said period. Nonetheless, annualized net profit increased, albeit by only 1.8 percent YoY to P207.4 billion for the period-ended June 2020 (Figure 21). This overall profitability was driven by the 17.4 percent increase in annualized net interest income (NII) to P656.6 billion primarily from lending activities.

The increase in loan loss provision is expected as banks anticipate the possible increase in NPLs due to the pandemic and the ECQ. Likewise, other income sources such as fee income are expected to slow down due to lower volume of transactions, waiver of interbranch and interbank fees as well as the temporary grace period moratorium on bank fees and charges. On a positive note, COVID-19 related expenses are likely to be offset by lower business volume and deferment of capital expenditures and non-essential expenses.

Figure 21
Philippine Banking System
Sources of Revenue
(As of End-Period Indicated)



Source of data: Department of Supervisory Analytics *p/ preliminary data*

OFF-BOOK ASSETS REGISTERED MODEST INCREASE

The banking system's off-balance sheet assets rose to P10,170.01 billion as of end-June 2020 (Table 3). The slight increase in contingent accounts was mainly attributed to increases in commitments and trust accounts. These accounts comprised 47.0 percent of the total contingent assets of banks (Figure 22).

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

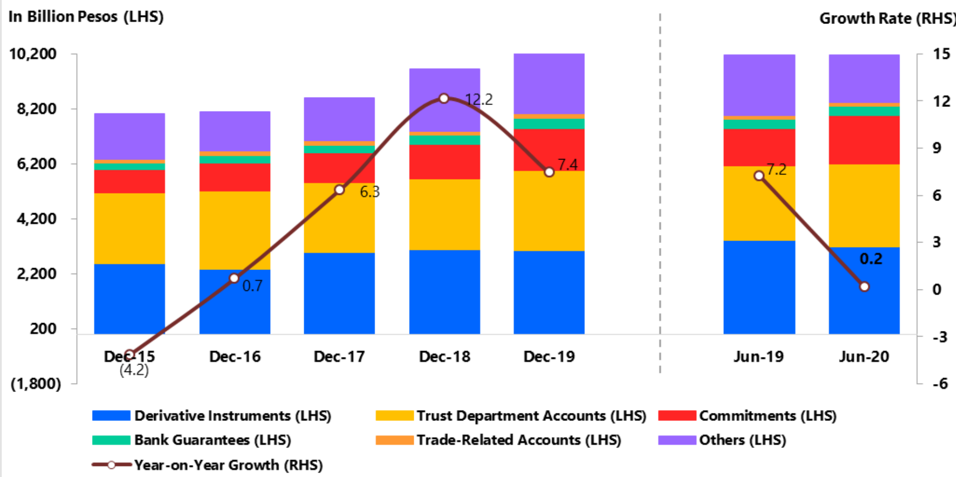
	June 2019	June 2020	YoY Change (%)
On-Balance Sheet	17,242.9	**18,608.9**	7.9
Off-Balance Sheet*	10,153.0	**10,170.0**	0.2

**Includes trust assets of banks but discussed separately in a stand-alone section.*
Source: Department of Supervisory Analytics

By component, the total credit card lines[24] which grew by 39.7 percent steered the banking system's commitments[25] to reach P1,780.2 billion. Credit card lines held 73.7 percent of the bank's total commitments. Likewise, trust assets went up by 10.8 percent during the semester. The more upbeat trust activities of banks were mainly channeled to debt and equity securities.[26] These accounts contributed to the modest increase in the total off-book accounts of banks in the first half of 2020.

Meanwhile, derivative instruments which account for 31.3 percent of the total contingent accounts declined by 6.5 percent due to lower balances from interest rates and foreign exchange contracts. Trade-related accounts also slid by 24.9 percent which may be attributed to slower trading activities during the pandemic period. Similarly, bank guarantees declined by 0.6 percent. While these accounts may have dampened the recorded increase in the total off-book assets, the industry managed to cap the end of the semester with a positive growth.

Figure 22
Philippine Banking System
Composition of Contingent Accounts
As of End-Periods Indicated

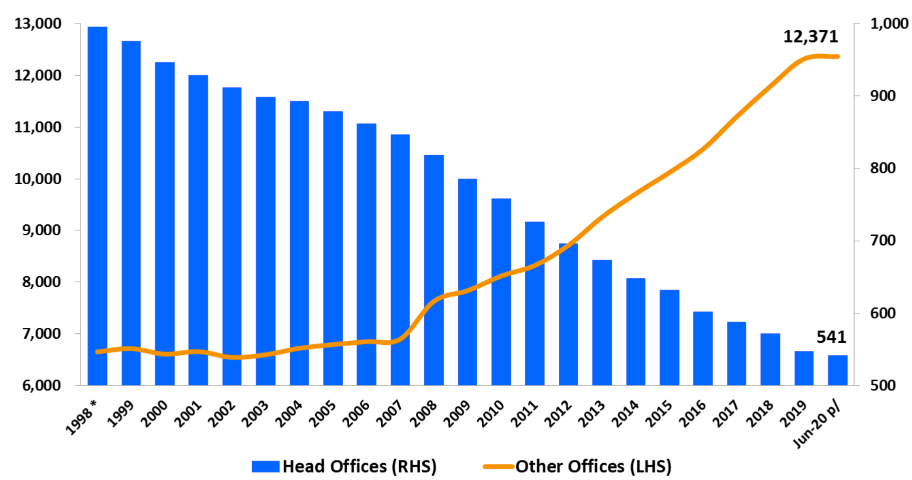


Source of data: Department of Supervisory Analytics

BANKING NETWORK CONTINUED TO EXPAND AND TO ADJUST OPERATIONS DURING PANDEMIC

The physical network of the banking system continued to expand as branch operations extend their client reach to a wider range in line with the industry's commitment to the BSP's financial inclusion agenda. More than two decades through the BSP's industry consolidation agenda starting in 1998, the total number of banking units soared to 12,912 composed of 541 head offices and 12,371 other offices. (Figure 23)

Figure 23
Philippine Banking System
Total Banking Units
(As of end-Periods indicated)



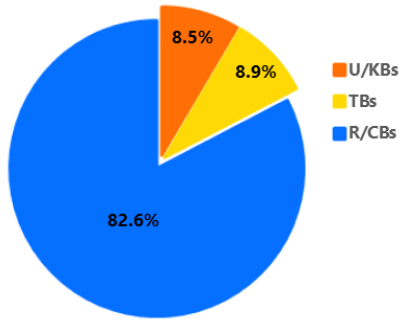
** BSP's merger and consolidation policy amended and rationalized in 1998 with the issuance of Circular No. 172 dated 3 September 1998.*

Source: Department of Supervisory Analytiocs

p/ preliminary data

Across banking groups, the banking system's network consisted of the following: 46 U/KBs with 6,947 branches, 48 TBs with 2,606 branches and 447 RCBs with 2,818 branches. U/KBs held the smallest portion in terms of head office count, yet seized the biggest share at 82.6 percent of the system's total resources. RCBs consistently held the lion's share of operating banks, albeit many of which are stand-alone units. (Figure 24)

Figure 24
Philippine Banking System
Number of Operating Banks
As of End-June 2020



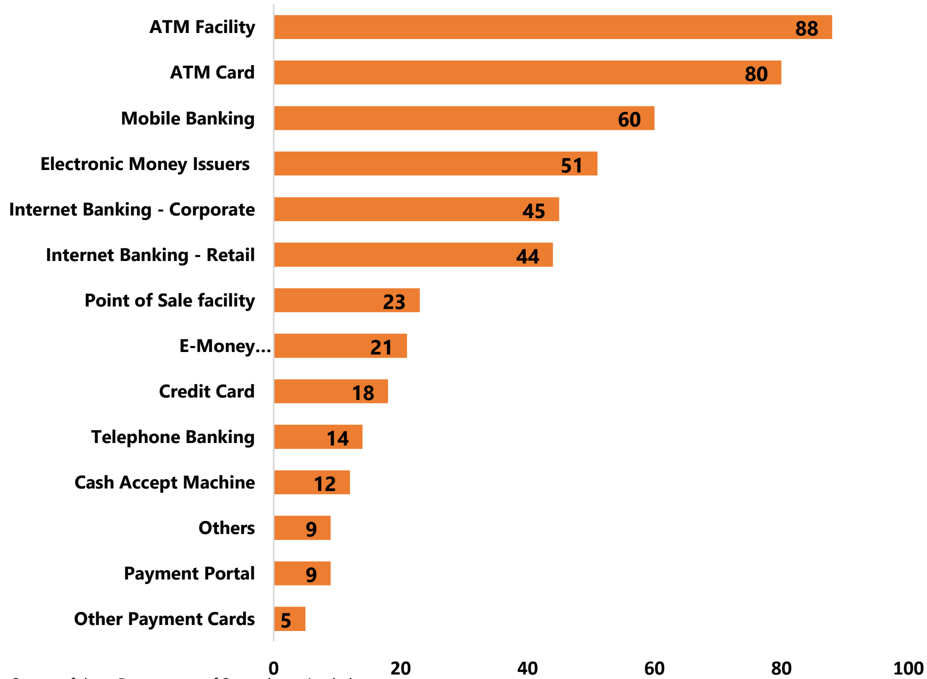
Source: Department of Supervisory Analytics

Based on the results of the comprehensive BSP Baseline Survey, the COVID-19 pandemic has significantly affected the banking system's performance as the ECQ and social distancing pushed banks to adjust their daily operations while the slowdown in economic activity affected their borrowers' capacity to pay. Amid these challenges, banks employed proactive control measures to support the continued delivery of financial services to the general public and at the same time, protect the welfare of their personnel.

The survey also reported that U/KBs have activated their Business Continuity Plans (BCP) tapping their alternate sites and adopted a split operations model to ensure continuity of operations in case one site or team gets infected or needs to be quarantined. Banks have also implemented shortened banking hours and reduced banking days during the community quarantine. Alongside, digital solutions, remote access and other IT capabilities were adopted and enhanced.

Banks continued to embrace Fintech innovations in order to thrive in the evolving financial landscape that increasingly leans towards digitized transactions. As of end-June 2020, the use of ATMs remained to be the lead electronic facility used by majority of BSFIs (143). Following major industry players include BSFIs with mobile banking services (60), Electronic Money Issuers (EMIs) (51) and the retail (44) and corporate (45) internet banking services. BSFIs engage in electronic payment and financial services (EPFS) to improve efficiency of financial transactions. (Figure 25)

Figure 25
Philippine Banking System:
Electronic Payment and and Financial Services (EPFS)
As of End-June 2020



Source of data: Department of Supervisory Analytics

On the regulatory support, the BSP granted operational relief measures to assist the BSFIs in focusing their limited resources on the delivery of financial services and support their subsequent recovery efforts. These includes, among others, eased of the BSFI's reporting requirements, relaxed the penalties for reserve deficiencies, and set a period of compliance to regularize the BSFIs reporting obligations. Also, the notification requirements related to changes in banking days and hours and temporary closure of bank/branch/branch-lite units and BSFI offices/service units and submission of documentary requirements for Type C licenses were further relaxed.

Cognizant of the profound impact of quarantine restrictions on bank operations, supervisors have considered banks' operational resilience as a supervisory priority during the pandemic. Efforts include monitoring of bank programs and initiatives to address health and occupational risks posed by COVID-19 crisis while ensuring continuity of banking operations. The fluidity of the situation with the pandemic requires banks to be agile in adapting to any change in their operating environment, including being able to immediately shift to alternative working arrangements when government actions require them to do so.

ENDNOTE:

[1] Composed of investments in debt and equity securities, as well as equity investments in subsidiaries/associates/joint ventures, net of allowance for credit losses.

[2] Philippine Statistics Authority press release, 6 August 2020, "GDP growth rate drops by 16.5 percent in the second quarter of 2020; the lowest starting 1981 series."

[3] The "Baseline Survey on the Impact of the Coronavirus Disease 2019 (COVID-19) Pandemic on the Philippine Banking System" was deployed by the BSP Financial Supervision Sector on the top 20 U/KBs and their 16 subsidiary banks, top 20 stand-alone TBs, and top 20 stand-alone RCBs.

[4] Latest available preliminary data.

[5] Under Section 363-A of the Manual of Regulations for Banks, a prudential limit is set for REEs and other real estate property of U/KBs. For this purpose, a stress test will be undertaken on a U/KBs' REEs and other real estate property under an assumed write-off of 25 percent.

[6] These MVLs are mainly auto loans which stood at P561.3 billion (94.9 percent share) while the rest are motorcycle loans at P30.2 billion.

[7] The relief period is eligible until 30 December 2021, subject to certain control measures, as follows: (a) The subject loans were granted/renewed/restructured after 15 March 2020; (b) The bank/quasi-bank may include loans that were granted on or before 15 March 2020 but were subsequently renewed or restructured after this date, provided, that it can demonstrate growth in the respective loan portfolio; and (c) The loans are not encumbered, or rediscounted with the BSP, or earmarked for any other purpose.

[8] NPAs are composed of NPLs and real and other properties acquired, gross.

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

[10] Debt securities measured at amortized cost are classified as held-to-maturity financial assets in the existing Financial Reporting Package submitted by banks to the BSP.

[11] Financial assets measured at fair value through other comprehensive income are classified as available-for-sale financial assets in the FRP.

[12] Financial assets measured at fair value through profit or loss are classified as financial assets held-for-trading and designated at fair value through profit or loss in the FRP.

[13] Based on latest available FRP data as of end-March 2020.

[14] Computations were based on CAR reports of U/KBs on Solo basis.

[15] See Memorandum No. 2020-039 dated 4 May 2020 on the Utilization of Basel III Capital and Liquidity Buffers.

[16] Under the basic indicator approach, banks must hold capital for operational risk equal to 15 percent of the average gross income over the previous three years of positive annual GI. For the standardized approach, banks compute their capital charge based on income derived from various business lines. (Source: Circular 538 dated 4 August 2006 on the Revised Risk-Based Capital Adequacy Framework)

[17] Latest available CAR data of stand-alone banks is as of end-December 2019. Based on solo basis CAR reports which are combination of Basel III and Basel 1.5 frameworks.

[18] See Circular No. 889 dated 9 June 2015 on the Implementing Guidelines on the Basel III Leverage Ratio Framework.

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

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

[21] See Circular No.1064 dated 03 December 2019 on the Report on Intraday Liquidity of U/KBs and their Subsidiary Banks/Quasi-Banks.

[22] See Circular No. 996 dated 8 February 2018 on the Minimum Prudential Liquidity Requirements for Stand-alone TBs, RCBs and Quasi-Banks.

[23] See Memorandum No. M-2020-020 dated 7 April 2020 on the Reduction on the MLR in response to COVID-19.

[24] 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.

[25] 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.

[26] The trust data was based on Schedule 38 of the FRP report submitted as of end-June 2020. The more comprehensive trends in the trust industry discussed in a separate section of this Report was based on the Trust Report submitted as of end-March 2020.

BSP Relief Measures During the Pandemic[1]

Introduction

On 08 March 2020, the Philippine Government declared a state of public health emergency throughout the country with the issuance of Presidential Proclamation No. 922 in light of the increasing threat of COVID-19. This was immediately followed by an announcement on 16 March 2020 on the implementation of strict enhanced community quarantine (ECQ) in the entire Luzon (including its associated islands), which is effectively a total lockdown, restricting people mobility except for essential works and health circumstances, in response to the pandemic. Schools, non-essential shops and businesses were closed, and public transport was shut down. Moreover, some provinces sealed their borders to protect their community from the entry of the contagious virus. Thereafter, the lockdown has been repeatedly extended on selected places during the first half of 2020, which resulted to economic disruptions.

The Bangko Sentral ng Pilipinas (BSP), cognizant of the enormous challenge posed by the COVID-19 pandemic in the financial industry and the consumer households/businesses, immediately implemented monetary policy actions and regulatory relief measures to help address the adverse economic repercussions of the pandemic, and for the BSP supervised financial institutions (BSFIs) to sustained its pivotal role in the economy in supporting households and business enterprises amidst the health crisis. These measures encourage BSFIs to extend financial relief to their borrowers, incentivize bank lending, promote continued access to credit/financial services, ensure continued delivery of financial services to enable consumers to complete financial transactions during the quarantine period and support the level of domestic liquidity. The highlights of these regulatory and operational relief measures, as well as the monetary policy actions adopted by the BSP are discussed in the succeeding sections.

Box Article 1: BSP Relief Measures During the Pandemic

Extension of Financial Relief to Borrowers

BSFIs were given regulatory relief to enable them to grant equivalent financial relief to their borrowers in the form of more flexible and favorable lending terms, or restructure loan accounts. [2]

- Loans of affected borrowers are excluded from the past due and non-performing classification from 08 March 2020 until 31 December 2021, subject to reporting to the BSP as well as waiver of documentary requirements for restructuring of loans.

- Banks can stagger booking of allowance for credit losses for loans extended to affected borrowers for a maximum period of five (5) years, subject to approval of the BSP.

- Banks with outstanding rediscounting obligations with the BSP are entitled to (a) a 60-day grace period on the settlement of outstanding obligations from 8 March 2020, without penalty charges, or (b) the restructuring of rediscounted loans of end-user borrowers affected by the COVID-19, subject to BSP approval on a case-to-case basis. Banks which renew rediscounting lines or avail of rediscounting loans with the BSP will be assessed against relaxed eligibility criteria.

Incentivized Lending

The BSP's prudential measures aim to assist the micro, small and medium enterprises (MSMEs) and large enterprises carry on with their business during the COVID-19 crisis, as well as hasten recovery and sustainability of their operations, during the post-crisis period.

- The BSP reduced the credit risk weights of loans granted to MSMEs that are current in status to 50 percent from 75 percent (qualified MSME portfolio1) and 100 percent (non-qualified MSME portfolio). The reduced credit risk weight will be subject to review by end-December 2021.[3]

Box Article 1: BSP Relief Measures During the Pandemic

- The BSP also approved the assignment of a zero-percent risk weight not only to loans that are guaranteed by the Philippine Guarantee Corporation but also loans that are guaranteed by the Agricultural Guarantee Fund Pool (AGFP) and the Agricultural Credit Policy Council (ACPC). This move is meant to encourage banks to lend to small farmers and fisherfolk as these are the types of exposures that are mainly covered by the guarantee programs of the AGFP and ACPC.[4]

- Peso-denominated loans to MSMEs, and certain large enterprises that were critically impacted by the pandemic shall be recognized as forms of alternative compliance with banks'/QBs' reserve requirements against deposit liabilities and deposit substitutes. This is effective from 24 April 2020 for MSME loans and 29 May 2020 for loans to large enterprises and lapses until 30 December 2021, subject to certain control measures, as follows:[5]

  a. The subject loans were granted/renewed/restructured after 15 March 2020;

  b. The bank/QB can demonstrate growth in the respective loan portfolio; and,

  c. The loans are not encumbered, or rediscounted with the BSP, or earmarked for any other purpose.

- The SBL was temporarily raised to 30 percent from 25 percent until 31 March 2021. This measure aims to promote the flow of liquidity at the wholesale level and ensure sustained credit for programs and projects that will support economic recovery. The relaxation also covers increase in the 25 percent SBL for project finance loans to finance initiatives that are in line with the priority programs of the Government.[6]

- To enable stand-alone thrift banks (TBs), rural banks and cooperative banks (R/CBs) to continuously provide support to their rural community-based clients, the BSP deferred the implementation of the revised risk-based capital adequacy framework applicable to these banks. The revised framework will now take effect on 1 January 2023 instead of the initial set date on 1 January 2022.[7]

Box Article 1: BSP Relief Measures During the Pandemic

- Additionally, the minimum liquidity ratio (MLR) of stand-alone TBs and R/CBs was also reduced from 20 percent to 16 percent until end-December 2020.[8] This will provide stand-alone banks additional buffers to meet liquidity demands during the pandemic.

- Likewise, banks/quasi-banks were allowed to use capital conservation and Liquidity Coverage Ratio (LCR) buffers during the crisis situation. They will be given a reasonable time to restore these buffers after the health crisis. The banking system's buffers are seen to be able to withstand the impact of the COVID-19 crisis in 2020.[9]

Promotion of Continued Access to Financial Services

Policies were placed to ensure access to formal financing channels by retail clients, who would be deeply affected by the community quarantine arrangements. The use of information technology in carrying out financial transactions is highly encouraged during the ECQ period.

- The BSP relaxed the Know-Your-Costumer (KYC) requirements, particularly, the presentation of valid IDs by retail clients, including micro-business owners, to facilitate their access to formal financing channels. The period of applicability was extended up to 31 March 2021, which may be further extended depending on the developments of the COVID-19 situation.[10]

- BSFIs are strongly encouraged to temporarily suspend all fees and charges imposed on the use of online banking platforms or electronic money, including those imposed on the use of Instapay and PesoNet electronic fund transfer.[11] This will reduce the burden on the consumers and help facilitate banking transactions during the COVID-19 situation. The BSP likewise advised BSFIs to augment existing capabilities and implement appropriate strategies in order to address customers' growing requirements for digital channels.[12]

- Fees related to the grant of license or authority to provide Types A[13] and B[14] Advanced Electronic Payments and Financial Services (EPFS) were waived to encourage BSFIs to provide safe, efficient and reliable digital channels that support critical payment use in cases such as social benefit transfers, payments to merchants or billers including to the Government, payments to suppliers and remittances. The waiver of licensing fees was extended until 31 March 2021.[15]

- The BSP granted operational relief measures for foreign exchange (FX) transactions to facilitate the public's access to FX resources of the banking system to finance legitimate transactions.[16]

- Financial assistance, in the form of loans, advances or other credit accommodations, may be granted by BSFIs to their officers that are affected by the COVID-19, subject to subsequent regularization with the BSP, if necessary.[17]

Support for Continued Financial Services Delivery

The BSP granted operational relief measures to assist BSFIs in focusing their limited resources on the delivery of financial services and support their subsequent recovery efforts.

- The BSP reporting requirements were substantially eased. The submission of reports to the BSP Financial Supervision Sector that fall due within the months of March to June 2020 was suspended, except for the submission of four reports necessary for surveillance and policymaking.[18] Moreover, reports or documents sent through an official e-mail address of the BSFI to the BSP-FSS shall be recognized as an authorized submission without the need for a physical signature.[19] Monetary penalties shall not be imposed by the BSP for delay in the submission of these reports.

- Banks/quasi-banks (QBs) that used 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 months from 8 March 2020.[20] In July 2020, the penalty that may be imposed for reserve deficiencies was further relaxed and subjected to a maximum limit until 31 March 2021.[21]

- The BSP also provided accounting relief measures to reduce the impact of mark-to-market (MTM) losses on the financial condition. Banks' debt securities lodged at fair value category may also be reclassified to the amortized cost category.[22]

- The exposure limit of 15 percent of the market value of the Unit Investment Trust Fund (UITF) was temporarily eased providing banks sufficient leeway to correct any breaches in limits during the COVID-19 crisis. Banks are expected to correct their breaches, if any, within thirty (30) calendar days from the time that the ECQ is lifted.[23]

- The notification requirements related to changes in banking days and hours and temporary closure of bank/branch/branch-lite units and BSFI offices/service units were further relaxed. A BSFI shall submit a consolidated report on the banking unit/s that was/were temporarily closed from March 2020 to March 2021 to the BSP on or before 31 March 2021.[24]

- The period of compliance with BSP supervisory requirements particularly with the submission of documentary requirements related to activities that fall under a Type C license was extended. BSFIs were given an additional three months from the effectivity of BSP's Memorandum No. 057 dated 21 July 2020 to submit the documentary requirements related to activities under a Type C license that fall due within the months of March to June 2020.

Support for Sufficient Level of Domestic Liquidity and Economic Activity

The BSP has also adopted monetary policy measures to support domestic liquidity and National Government (NG) finances in the battle against the COVID-19 crisis.

- Advance remittance of P20.0 billion dividends to the NG to support its programs during the ECQ period due to the pandemic. Meanwhile, under the newly amended charter,[27] the BSP is no longer mandated to remit its dividends to the NG until the increase in its capitalization has been fully paid.[26]

- Cumulative reduction in the BSP policy rates totalling 175 basis points (bps) as of latest.[27] The interest rate on the BSP's overnight reverse repurchase (RRP) facility was now maintained at 2.25 percent while rates on overnight deposits and lending facilities were kept at 1.75 percent and 2.75 percent, respectively.

Box Article 1: BSP Relief Measures During the Pandemic

- Reduction of reserve requirement rates of U/KBs and NBQBs by 200 bps starting reserve week 3 April 2020 and TBs and RCBs by 100 bps effective reserve week 31 July 2020.[28]

- Adoption of extraordinary relief measures by the BSP at the height of the pandemic which, among others, include the following:[29]

  a. Purchase of P300.0 billion worth of government securities under a repurchase agreement with the Bureau of the Treasury (about 1.6 percent of 2019 GDP).

  b. Reduction in the overnight reverse repurchase (RRP) volume offering;

  c. Expansion of eligible government securities purchased at the secondary market;

  d. Provisional advances to the National Government amounting to P540 billion, after the previous P300-billion repurchase agreement was settled in full in September; and

  e. Suspension of term deposit facility auctions for certain tenors.

- Easing of terms of rediscounting rates and loan availments, as follows: [30]

  a. Temporary reduction in the term spread on the peso rediscounting loans relative to the overnight lending rate to zero, initially for additional 75 days or until 30 September 2020, but subsequently extended to 31 January 2021; and

  b. Reduction of the spread on exporters' United States Dollar (USD) and Japanese Yen (JPY) rediscounting loans also extended to 31 January 2021.

- BSFIs were required to ensure that basic cash services are always available through timely and adequate provisioning of cash in the ATM terminals. Likewise, BSFIs are enjoined to closely monitor other operational issues that may have significant business impact, which include but are not limited to cybersecurity concerns, critical 3rd party service provider issues, and customer complaints.[31]

- Approval of regulatory reliefs to Non-Stock Savings and Loan Associations (NSSLAs), to allow them to recognize as income the accrued interest earned during the 30-day mandatory grace period and subsequent extensions provided under Republic Act No. 11469 also known as "The Bayanihan to Heal as One Act."[32] These additional relief measures will help the NSSLAs in managing the effects of COVID-19 pandemic.

ENDNOTE:

* Coronavirus: Flaticon.com. This section has been designed using resources from Flaticon.com. The file can be downloaded through this link: <div>Icons made by Freepik from www.flaticon.com</div>

[1] This article was prepared by the Supervisory Research and Reports Group of the Supervisory Policy and Research Department. The regulatory relief measures covered in this article were those issued until 30 September 2020.

[2] Memorandum No. 2020-008 dated 14 March 2020 as amended by Memorandum No. 2020-032 dated 27 April 2020.

[3] Memorandum No 2020-034 dated 28 April 2020.

[4] Circular No. 1084 dated 28 April 2020.

[5] Circular Nos. 1083 (MSMEs) and 1087 (large enterprises) dated 22 April and 27 May 2020, respectively.

[6] Memorandum No. 2020-057 dated 21 July 2020.

[7] Circular No. 1084 dated 28 April 2020.

[8] Memorandum No. 2020-020 dated 7 April 2020.

[9] Memorandum No. 2020-039 dated 4 May 2020.

[10] Memorandum Nos. 2020-015 and 2020-057 dated 30 March 2020 and 21 July 2020, respectively.

[11] Memorandum No. 2020-030 dated 24 April 2020.

[12] Memorandum No. 2020-008 dated 14 March 2020.

[13] This applies to BSFIs that can be assessed against the prudential criteria provided under the Policy and Regulations on Licensing. These applicants must have been examined by the BSP.

[14] This applies to proponents that cannot be assessed against the prudential criteria provided under the Policy and Regulations on Licensing. These include newly established BSFIs and new applicants for an authority to operate as "Electronic Money Issuer-Others".

[15] Memorandum No. 2020-033 dated 27 April 2020, as amended.

[16] Circular No. 1080 dated 27 March 2020.

[17] Memorandum No. 2020-008 dated 14 March 2020.

[18] These reports include the Financial Reporting Package for Banks, the Consolidated Foreign Exchange Position Report, the event-driven report requirements, and the reserve requirements-related reports.

[19] Memorandum Nos. 2020-007, 2020-011, 2020-049 and 2020-057 dated 13 March 2020, 19 March 2020, 9 June 2020 and 21 July 2020, respectively.

[20] Memorandum No. 2020-008 dated 14 March 2020.

ENDNOTE:

[21] Memorandum No. 2020-057 dated 21 July 2020.

[22] Memorandum No. 2020-022 dated 8 April 2020.

[23] Memorandum No. 2020-038 dated 1 May 2020.

[24] Memorandum Nos. 2020-011 and 2020-057 dated 19 March 2020 and 21 July 2020, respectively.

[25] Section 2 of Republic Act (R.A.) No. 7653, as amended by R.A. 11211.

[26] BSP media release dated 26 March 2020 on the BSP's advance remittance of P20.0 billion to the NG to help the country's fight against COVID-19.

[27] Based on series of Monetary Board meetings held on 6 February 2020, 19 March 2020, 16 April 2020 and 25 June 2020 reducing policy rates by 25 bps, 50 bps, 50 bps and 50 bps, respectively.

[28] Circular No. 1082 dated 31 March 2020 and Circular No. 1092 dated 27 July 2020.

[29] BSP media release dated 10 April 2020.

[30] Memorandum No. M-2020-056 dated 16 July 2020 as amended by Memorandum No. M-2020-076 dated 29 September 2020.

[31] Memorandum No. M-2020-062 dated 5 August 2020.

[32] Memorandum No. M-2020-075 dated 27 September 2020.

Digital Payments and Cybercrimes During the Lockdown[1]

Introduction

When the entire Luzon and its associated islands were placed under Enhanced Community Quarantine (ECQ) on 17 March 2020 in an effort to contain the spread of the COVID-19 virus,[2] Filipinos had to resort to virtual or digital measures to carry out important tasks and activities including payments. The need to restrict physical movement and contact was so compelling that in the beginning of the ECQ alone, for the period 17 March to 15 April 2020, around 81,727 purely digital accounts were opened per day among banks and non-bank electronic money issuers in the Philippines. A daily average of around 113,300 more were recorded in the succeeding 15 days bringing the total number of accounts opened between 17 March to 30 April 2020 to approximately 4.2 million.[3]

This accelerated shift to digitization is a welcome development for the Bangko Sentral ng Pilipinas (BSP) which has promoted the use of digital payments and has nurtured an enabling regulatory environment for digital transformation since 2017. These include support for the enactment of the National Payment Systems Act, launch of the National Retail Payments System (NRPS), and streamlining of licensing requirements for BSP-supervised financial institutions (BSFIs) intending to offer electronic payment and financial services under Circular No. 1033 dated 22 February 2019. Likewise, KYC requirements for online customer onboarding and transactions were relaxed during the ECQ under Memorandum No. M-2020-15 dated 30 March 2020. Memorandum No. M-2020-030 dated 24 April 2020 advised BSFIs to augment their existing capabilities and implement appropriate strategies to address the increasing demand for digital financial services during the ECQ.

Digitalization is being pushed for its potential to drive further growth in the financial sector, increase the efficiency of the financial system, and accelerate financial inclusion. Under its Digital Payments Transformation Roadmap, the BSP aims to shift at least 50 percent of retail payment transactions to digital, and to have at least 70.0 percent of adult Filipinos owning and using a bank account or e-wallet by 2023.[4]

Box Article 2: Digital Payments and Cybercrimes During the Lockdown

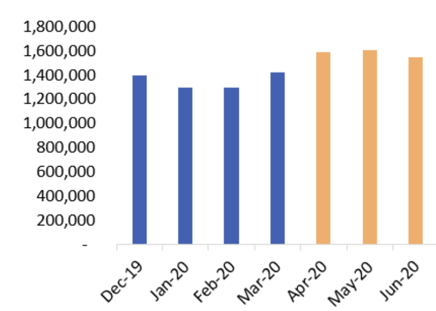
RISE IN DIGITAL PAYMENTS

Since their launch, the automated clearing houses (ACH) under the NRPS have seen a sustained increase in volume and value of retail fund transfers. PESONet's (Batch Electronic Fund Transfer [EFT] Credit) volume increased from 0.3 million in November 2017 when it was launched to 2.6 million as of June 2020. A leap in PESONet value from P52.8 billion to P240.6 billion was also noted for the same period. InstaPay's (Real-time Low Value EFT Credit) volume, on the other hand, rose from just 1,740 in April 2018 when InstaPay went live to 18.3 million as of end June 2020. For this same period, the value likewise grew from P19.1 million to P100.3 billion.

PESONet's annualized transaction value saw an increase from 5.4 percent vis-a-vis nominal household final consumption expenditure (NHFCE) and 5.5 percent vis-à-vis deposit liabilities in the first quarter of 2018 to 11.6 percent and 11.9 percent, respectively, in the first quarter of 2020. On the other hand, InstaPay's annualized transaction value grew from 0.2 percent vis-a-vis nominal household final consumption expenditure (NHFCE) and deposit liabilities in the second quarter of 2018 to 3.5 percent and 3.6 percent, respectively, in the first quarter of 2020.

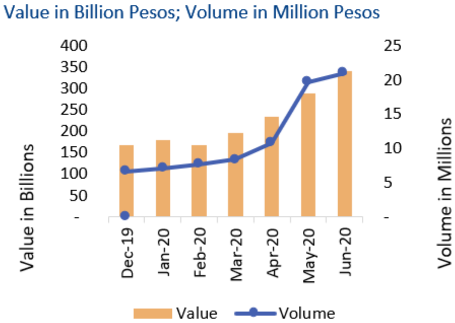
While there has been an uptick in the holding of cash as a precautionary measure during the ECQ,[5] this period has seen the most demand for NRPS so far.[6]

Figure 1
Cash in Circulation in the Philippines
From 01 December 2019 to 30 June 2020
In Million Pesos



Source: BSP

Figure 2
Combined NRPS Transactions in the Philippines
From 01 December 2019 to 30 June 2020
Value in Billion Pesos; Volume in Million Pesos



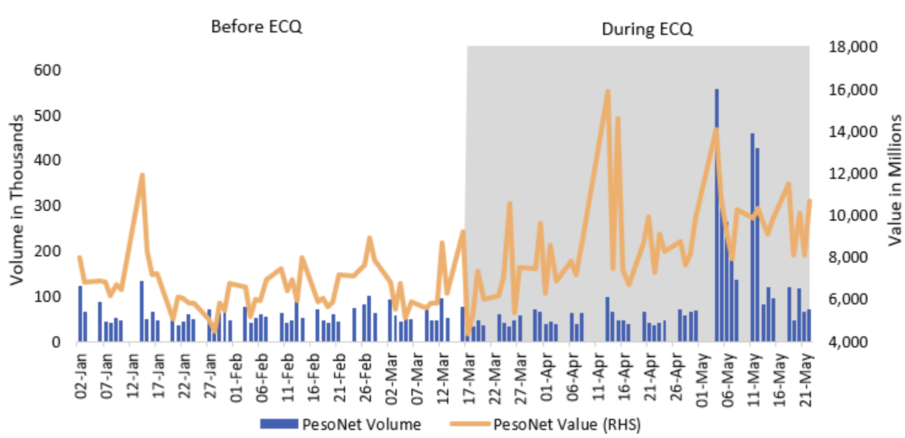
Source: PSOD, BSP

Box Article 2: Digital Payments and Cybercrimes During the Lockdown

In a direct comparison of transactions reported by financial institutions during the 76-day period spanning the ECQ (17 March to 31 May 2020) and the same number of days prior to it (from 01 January to 16 March 2020), there has been a 74.0 percent increase in volume and 42.0 percent increase in value of NRPS transactions during the ECQ. Prior to the ECQ, NRPS transactions stood at 18.4 million in volume and P428.2 billion in value, respectively. During the ECQ, transactions rose to 32.1 million in volume and P607.9 billion in value.[7]

Broken down into transactions using PESONet and InstaPay, PESONet saw a 95.0 percent increase in volume and 35 percent increase in value during the 76 days comprising the ECQ compared to the 76 days prior. InstaPay transactions also increased by 77.0 percent in volume and 59.0 percent in value, respectively. The increased usage of PESONet, which is designed to be the electronic alternative for checks, coincided with a marked decline in the usage of checks. The increased popularity of InstaPay, which is designed as a cashless alternative to make low-value payments, also coincided with a downtrend in ATM withdrawals.

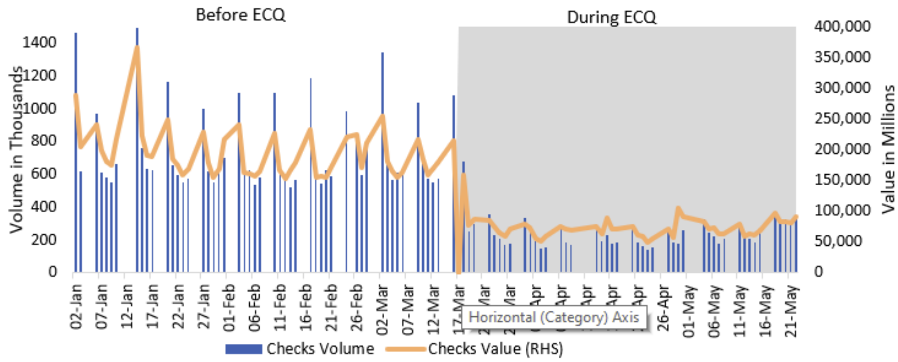
Figure 3
PESONet Transactions During the 76-Day ECQ and 76 Days Pre-ECQ
From 01 January 2020 to 31 May 2020
Volume in Thousands; Value in Million Pesos



Source: PSOD, BSP

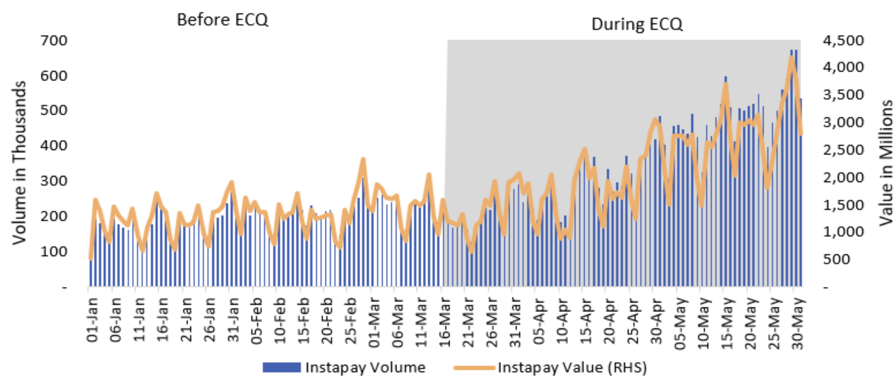
Box Article 2: Digital Payments and Cybercrimes During the Lockdown

Figure 4
Check Transactions During the 76-Day ECQ and 76 Days Pre-ECQ
From 01 January 2020 to 31 May 2020
Volume in Thousands; Value in Million Pesos



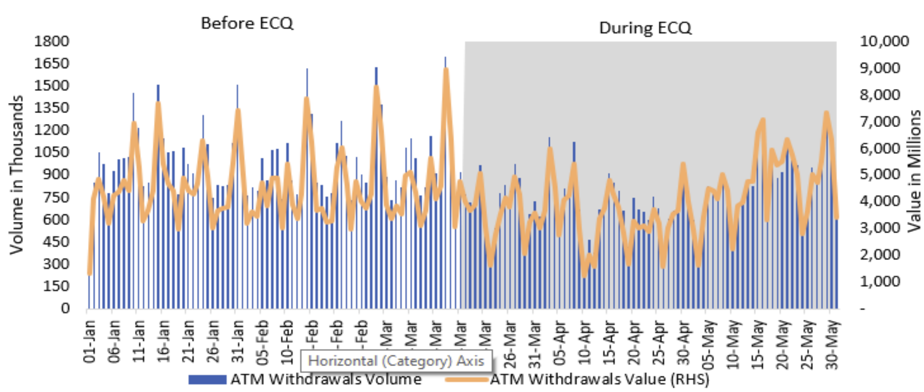
Source: PSOD, BSP

Figure 5
InstaPay Transactions During the 76-Day ECQ and 76 Days Pre-ECQ
From 01 January 2020 to 31 May 2020
Volume in Thousands; Value in Million Pesos



Source: PSOD, BSP

Figure 6
ATM Withdrawals During the 76-Day ECQ and 76 Days Pre-ECQ
From 01 January 2020 to 31 May 2020
Volume in Thousands; Value in Million Pesos



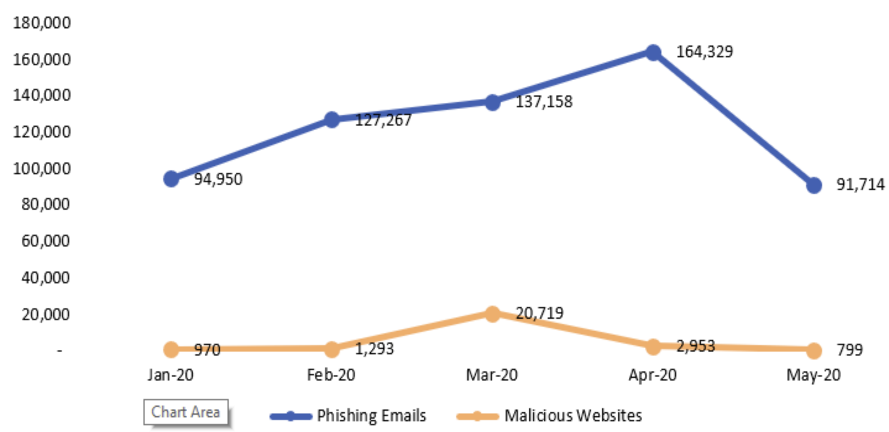
Source: PSOD, BSP

RISE IN CYBERTHREAT LEVELS

While the BSP has relaxed reporting requirements for the months of March to May 2020 under Memorandum No. M-2020-011 dated 19 March 2020 in order to provide additional operational relief for BSFIs in managing the COVID-19 situation, event-driven technology and cyber-risk reporting and notification requirements under Circular No. 1019 dated 31 October 2018 remained in effect. Select BSFIs were also required to submit reports on a weekly, instead of monthly, basis during the duration of the ECQ to give the BSP enhanced visibility of the changing IT risk landscape. Data gathered from these reports showed a significant increase in the number and variety of cyberthreats seen during the period 11 April to 29 May 2020. They ranged from COVID-19 themed phishing campaigns and malicious websites to the usual ransomware, malware and distributed denial of service (DDoS) attacks, among others.[8]

While phishing emails and malicious websites had been on an uptrend since January 2020, threat on malicious websites peaked at the onset of the ECQ period in March mimicking global trends.[9] This was followed by phishing emails which peaked in April.

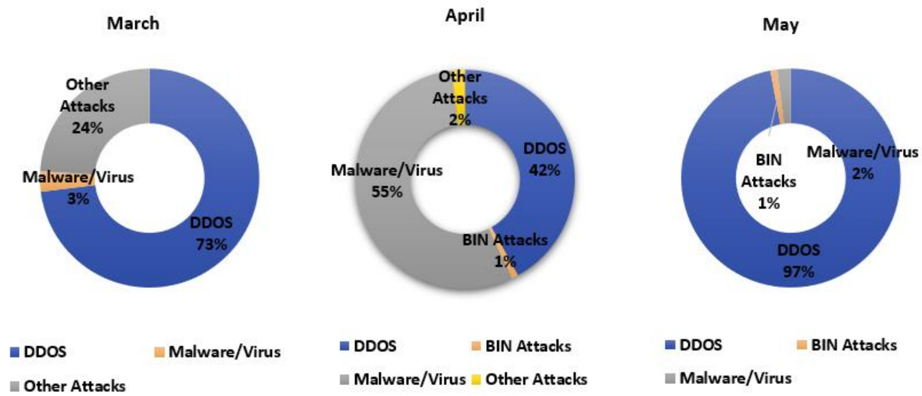
Figure 7
Phishing Emails and Malicious Websites
From 01 January 2020 to 31 May 2020



Source: TRISD, BSP

Other types of attacks were likewise perpetrated with each month seeing a different set of attacks. A variety of attack methods were employed in March but DDoS attacks predominated at 73.0 percent. Malware/virus were most reported in April at 55.0 percent. DDoS attacks surged back in May at 97.0 percent of all attacks reported.

Figure 8
Attack Methods Employed
From 01 March 2020 to 31 May 2020



Source: TRISD, BSP

These heightened cyberthreat levels reversed towards the end of the ECQ period. COVID-19-themed malicious websites and phishing emails declined to pre-ECQ levels after reaching their peaks in March and April, respectively. This downward shift could be attributed to countermeasures deployed by the BSP and BSFIs,[10] including continuous monitoring, increased coordination, and targeted information awareness campaigns providing relevant and helpful information about COVID-19 cyber threats and scams.

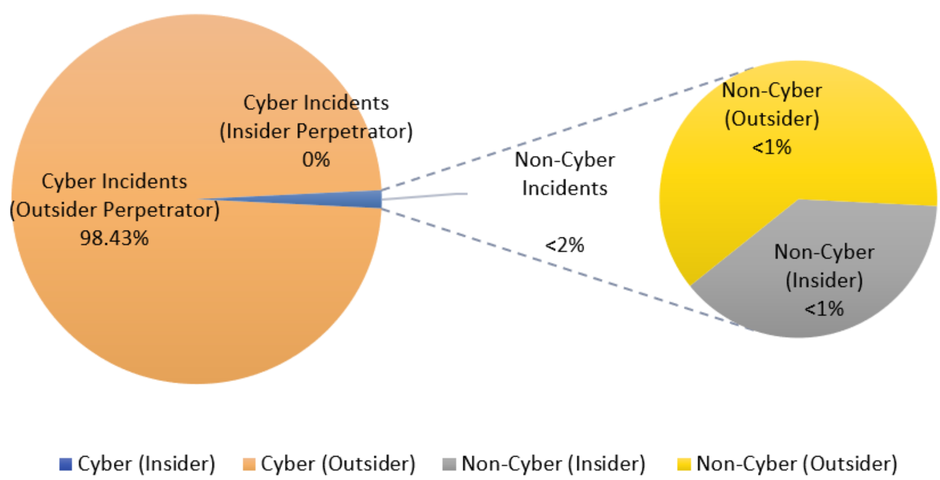
SUSTAINED CYBERTHREATS

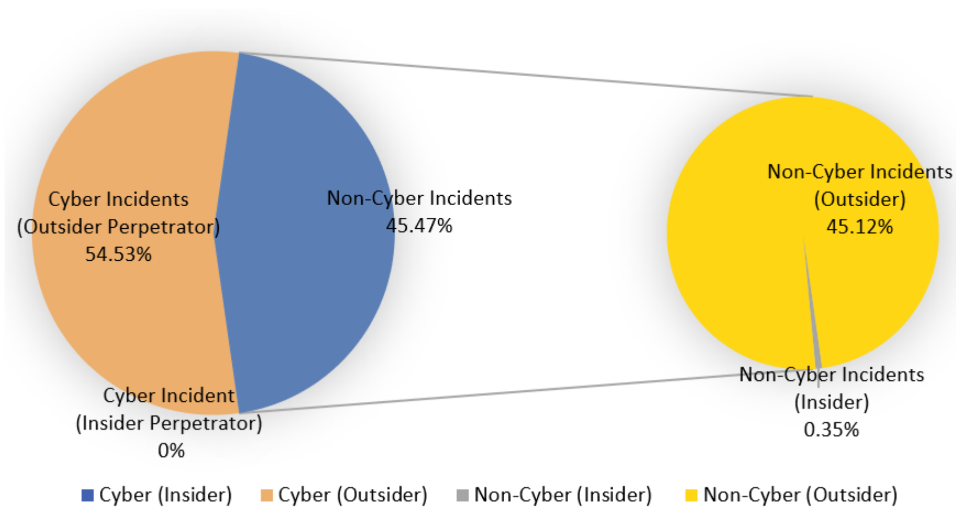
Prior to the ECQ, the BSP issued Memorandum M-2020-009 dated 14 March 2020 cautioning BSFIs to stay vigilant against cyber threats that take advantage of the COVID-19 pandemic. The BSFIs have an existing requirement to have a comprehensive business continuity management (BCM) process in place as an integral part of their operational risk management system in order to resume critical operations swiftly and minimize operational, financial, legal, reputational, and other material risks arising from adverse situations.

The disruption caused by the lockdown offered cybercriminals a unique opportunity to exploit the vulnerabilities in systems, networks, and applications used in remote working arrangements. Based on the Reports on Crimes and Losses filed by banks during the ECQ covering the period 15 March to 18 May 2020, 98.4 percent of all criminal incidents reported were classified as cyber. All of these 817 cyber incidents were perpetrated by outsiders.

They resulted in 54.5 percent of total losses to the industry (amounting to P60.6 million of P111.1 million). Most or 80.5 percent of all cyber incidents reported were credit card and internet banking-related, accounting for 79.0 percent of total losses.

Figure 9
Reported Crimes and Losses
Philippine Banking Industry
From 15 March 2020 to 18 May 2020





Source: DSA, BSP

SUMMARY AND IMPLICATIONS FOR POLICY

The Philippine experience during the lockdown underscored the following: (a) the Filipinos' capacity to easily shift to digital transactions, (b) cyber criminals' propensity to exploit a crisis for their own gain, and (c) the importance of the BSP's support both in promoting the industry's digital transformation, in order to ease consumers' transition to digital financial services, and increasing BSFIs' capability to withstand the crisis.

With continued limitations on mobility and need for social distancing to prevent the spread of the COVID-19 virus, encouraging the use of digital payments remains necessary. Concomitant to this is the need to further strengthen BSFIs' operational resilience in order to ensure their capability to continually service the needs of their financial consumers even in adverse situations. Hence, updating of the BSP's operational resilience standards for BSFIs, taking into account elements highlighted during the ECQ, such as cyber resilience and adequate IT infrastructure, is in order.[11] Enhancement of cyber resiliency, as well as anti-money laundering frameworks, should however be balanced with the need to avoid imposing an excessive burden to BSFIs that could hinder their ability to deliver key financial services.[12]

As the country transitions to the new economy, the BSFIs' review of their respective BCMs is warranted to ensure their ability to operate on an ongoing basis and to limit losses should another severe business disruption occur.[13] This includes a thorough evaluation of the BCM's effectiveness during the pandemic and incorporation of lessons learned during the ECQ.

ENDNOTE:

[1] This article was prepared by Atty. Marie Tanya Z. Recalde, Bank Officer V, Department of Supervisory Policy and Research.

[2] By President Rodrigo R. Duterte under Proclamation No. 929 dated 16 March 2020.

[3] Data provided by the Technology Risk and Innovation Supervision Department (TRISD).

[4] Bangko Sentral ng Pilipinas, "BSP Advises Consumers to Practice Cyber Hygiene in Online Financial Transactions" (Media Release 05 August 2020).

[5] As of June 2020, cash and demand deposits (M1) are equivalent to 26.3 percent of nominal GDP. Cash in circulation relative to nominal GDP has accelerated from 5.05 percent in 2012 to 7.15 percent in 2019.

[6] NRPS participating institutions waived transaction fees during the ECQ.

[7] Data provided by the Payment System Oversight Department (PSOD), BSP.

[8] Bangko Sentral ng Pilipinas, TRISD, "Surveillance Report on COVID-19 Themed Cyber-Attacks," 2020, Issue No. 03, Manila.

[9] In its April 2020 report, entitled "Global Landscape in COVID-19 Cyberthreat #WashYourCyberHand," the Interpol reported an increase in malicious and high-risk domains registered with the keywords "COVID" or "corona." 2,022 malicious and 40,261 high-risk newly registered domains were discovered of 31 March 2020, according to Palo Alto Networks. Retrieved from www.interpol.int on 09 September 2020.

[10] BSP, TRISD, "Surveillance Report on COVID-19 Themed Cyber-Attacks," 2020, Issue No. 03, Manila.

[11] Rodrigo Coelho and Jermy Prenio, "Covid-19 and operational resilience: addressing financial institutions' operational challenges in a pandemic," Financial Stability Institute Briefs, No. 2 (2020): 5-6.

ENDNOTE:

[12] Juan Carlos Crisanto and Jermy Prenio, “Financial crime in times of Covid-19 – AML and cyber resilience measures,” FSI Briefs, no.7 (2020): 8.

[13] Principle 10 of the Basel Committee on Banking Supervision’s Principles for the Sound Management of Operational Risk pertains to Business Resiliency and Continuity. Banks should have business resiliency and continuity plans in place to ensure an ability to operate on an ongoing basis and limit losses in the event of severe business disruption.

Financial Soundness of the Philippine Banking Sector

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.[1]

Capital Adequacy
CAR: 15.3%; Tier 1: 14.0%

Asset Quality
NPL: 2.5%

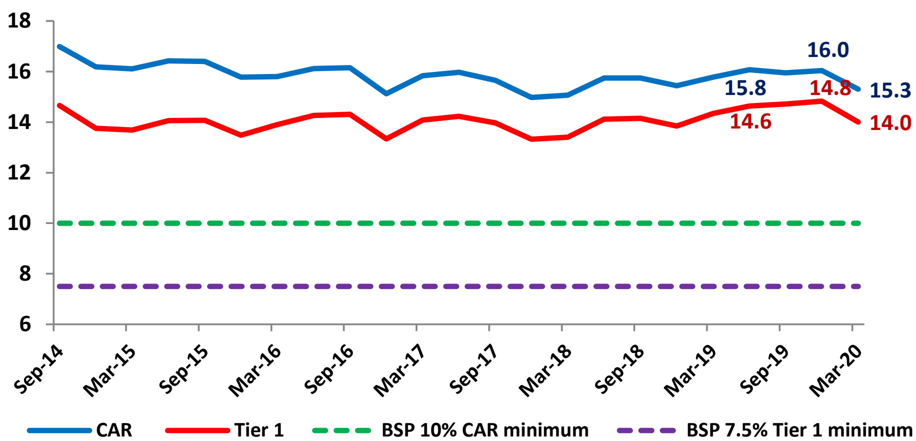
Earnings
ROE: 9.1%; ROA: 1.2%

Liquidity
NSFR: 132.0%

CAPITAL ADEQUACY

Capital adequacy ultimately determines the resilience 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, including the COVID-19 pandemic.

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



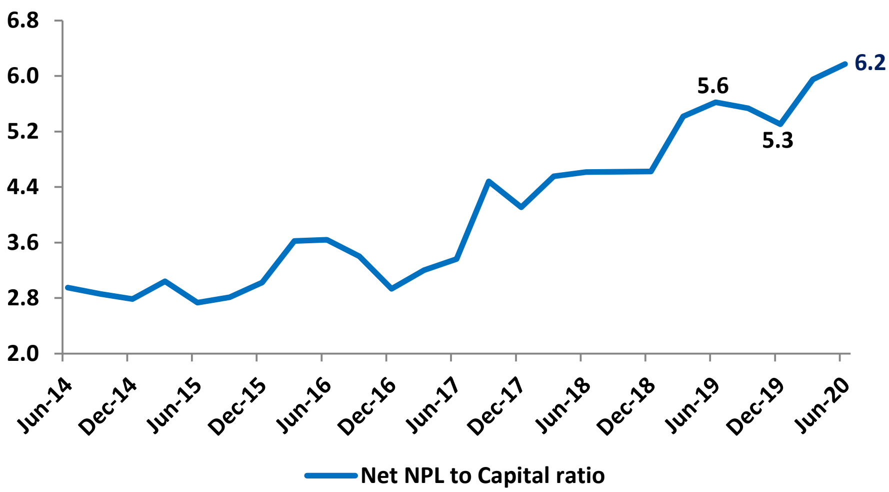
Source: Department of Supervisory Analytics

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.

During the semester in review, large parts of the country were under a lockdown, which severely constricted economic activity. As a result, loans with substantial retail component contributed significantly to the growth of the banking system's NPL as of end-June 2020. For instance, Real Estate Activities (41.8 percent), Consumer Finance (Motor Vehicle Loans, 36.0 percent; Credit Card Receivables, 21.3 percent), and Wholesale and Retail Trade (17.3 percent) reported significant increase in the NPLs (in level terms) from end-December 2019.

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 109.9 percent, with domestic private UBs and foreign banks posting well-above the 100 percent threshold at 131.2 percent and 192.1 percent, respectively, as of end-June 2020.

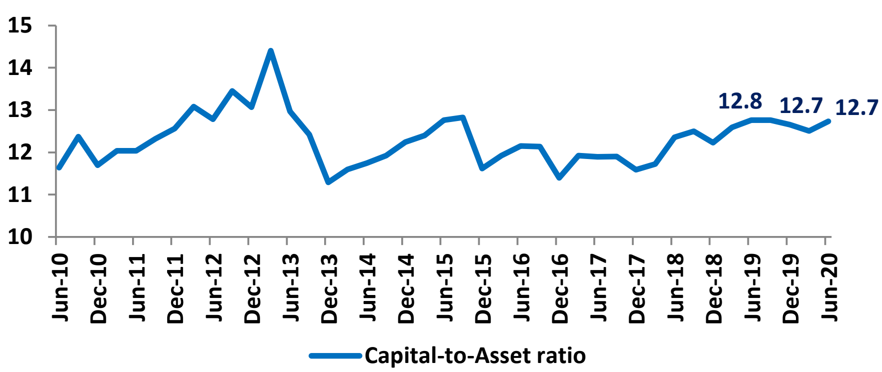
Figure 2
Net NPL to Capital Ratio of the PBS
As of End-Periods Indicated, In Percent (%)



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.

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



Source: Department of Supervisory Analytics

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-March 2020 of 9.9 percent was well-above the BSP and international thresholds of 5.0 percent and 3.0 percent, respectively.

ASSET QUALITY

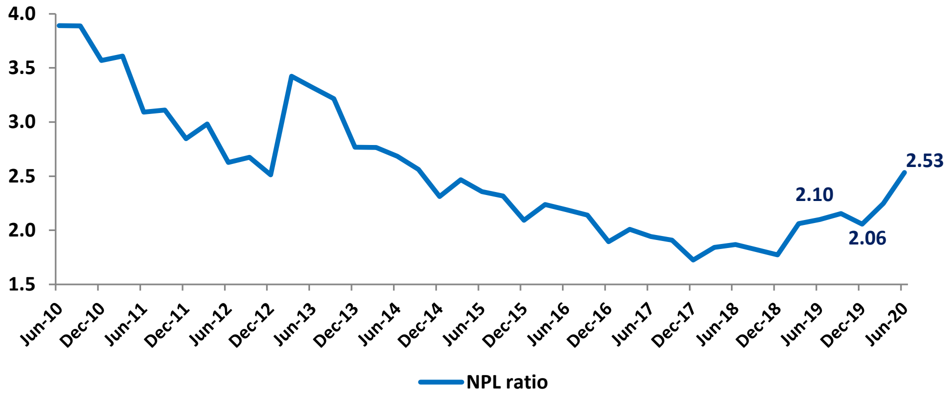
Philippine banks are by and large traditional, i.e., basic business model of deposit-taking and lending, with the total loan portfolio (TLP) representing 58.2 percent of total assets of the banking system as of end-June 2020. Hence, the most important indicator to measure asset quality is the ratio of NPLs to total gross loans.

Philippine banks' NPL ratio went up to 2.53 percent as of end-June 2020, higher than 2.04 percent in the previous semester and 2.10 percent in the same period last year. Borrowers from economic sectors such as real estate activities, wholesale and retail trade, as well as loans to individuals/households for consumption purposes (i.e. auto loans and credit card receivables in particular) mainly contributed to the uptick of the banking system's NPL in the first half of 2020.

Financial Soundness of the Philippine Banking System

On the whole, Philippine banks have continued to rein in the NPL ratio under 4.0 percent for more than 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]

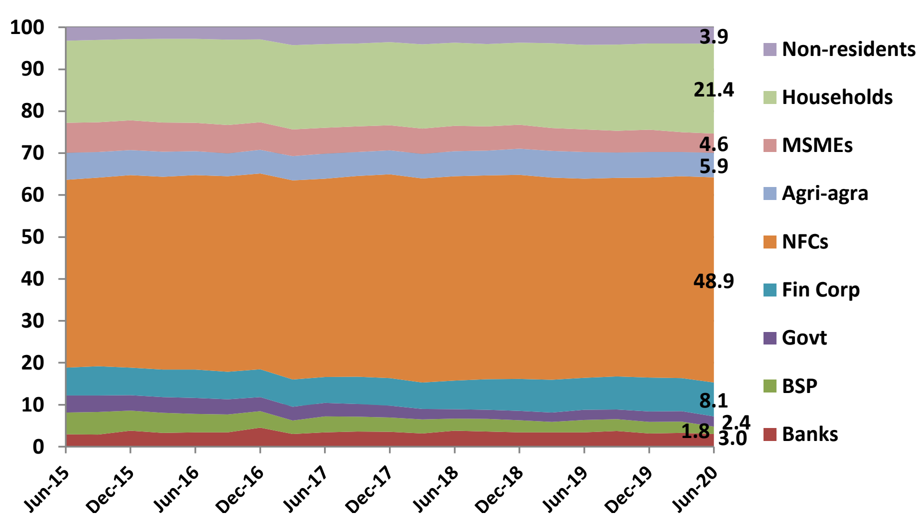
Figure 4
NPL Ratio of the Philippine Banking System
As of End-Periods Indicated, In Percent (%)



Source: Department of Supervisory Analytics

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

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

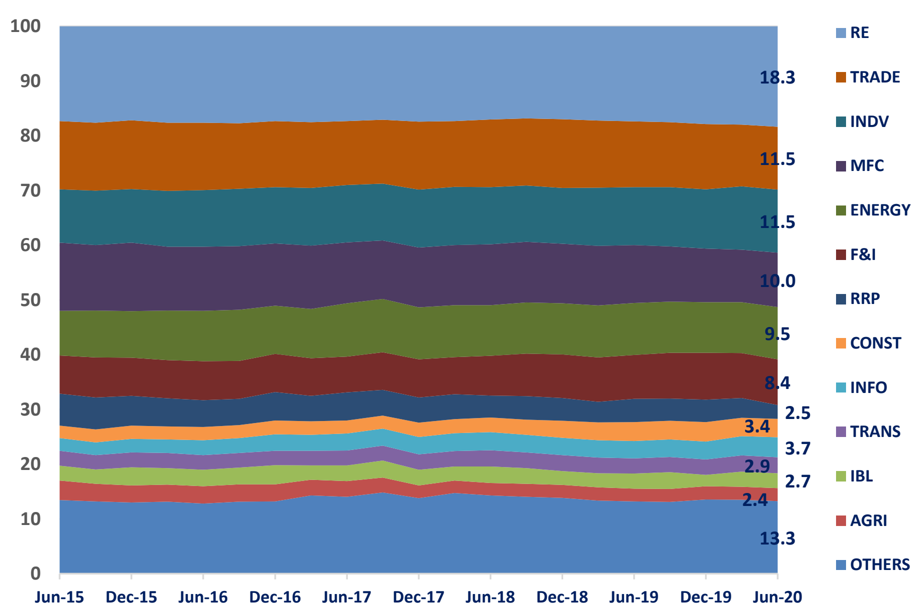


In Figure 5, the sectoral distribution of loans in the Philippine economy reflects the needs of the growing economy and largely stable as there are no significant changes during the period (1H 2015 to 1H 2020).

Lack of diversification in the loan portfolio signals the existence of an important vulnerability in the financial system. Loan concentration in a specific economic sector or activity (measured as a share of total loans) makes banks vulnerable to adverse development in that particular economic sector or activity. Hence, the particular sectors of the economy where banks tend to have credit concentration should be closely monitored for macroprudential purposes.

Non-financial corporations (NFCs) captured the biggest share at around 48.9 percent, followed by households at around 21.4 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 or overheating leading to loan quality deterioration.

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



Source: Department of Supervisory Analytics

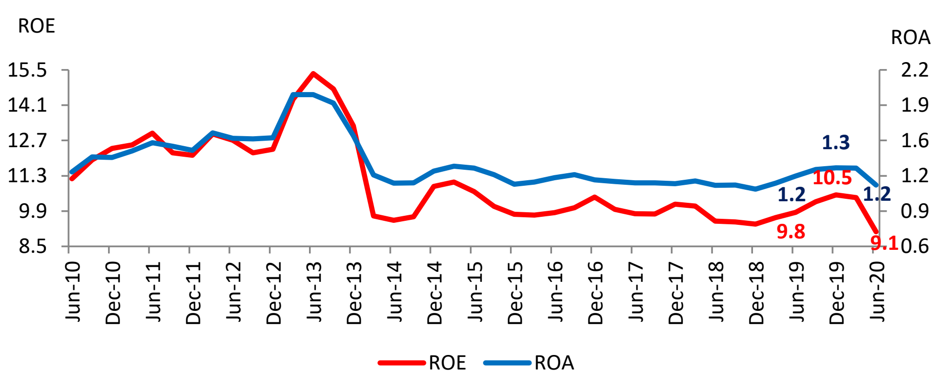
Further, the 48.9 percent share of the NFCs is considered diversified based on loans decomposition as to economic activity. Figure 6 shows that credit granted to real estate activities (RE) at 18.3 percent is favorably below the regulatory cap of 20 percent.

Other activities that figured prominently include wholesale and retail trade [TRADE] (11.5 percent), loans to individuals for consumption purposes [INDV] (11.5 percent), manufacturing [MFC] (10.0 percent), electricity, gas, steam and aircon supply [ENERGY] (9.5 percent), and, financial and insurance activities [F&I] (8.4 percent).

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 slightly weakened to 9.1 percent in June 2020 from last year's 9.8 percent, mainly due to the YoY decline of 21.2 percent in net income as loans and other financial assets took a hit from the pandemic in form of increased provisions for credit losses. Meanwhile, the ROA for end-June 2020 was registered at 1.2 percent, barely moving from that of last year. Moving forward, the Basel III Leverage Ratio indicates some room for banks to increase risk exposures and improve profitability.

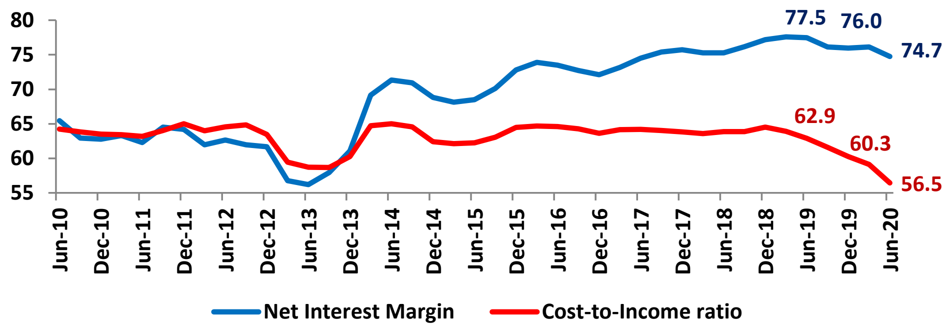
Figure 7
Annualized ROA and ROE of the Philippine Banking System
As of End-Period Indicated, In Percent (%)



Source: Department of Supervisory Analytics

Majority of banks' income were still derived from lending activities (core business), although annualized net interest margin trend has recently gone down (Figure 8). Meanwhile, the annualized cost-to-income (CTI) ratio, an indicator of operational efficiency, has improved significantly to 56.5 percent in the first half of 2020 due to the growing preference of financial consumers to use digital platforms versus over-the-counter transactions.

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



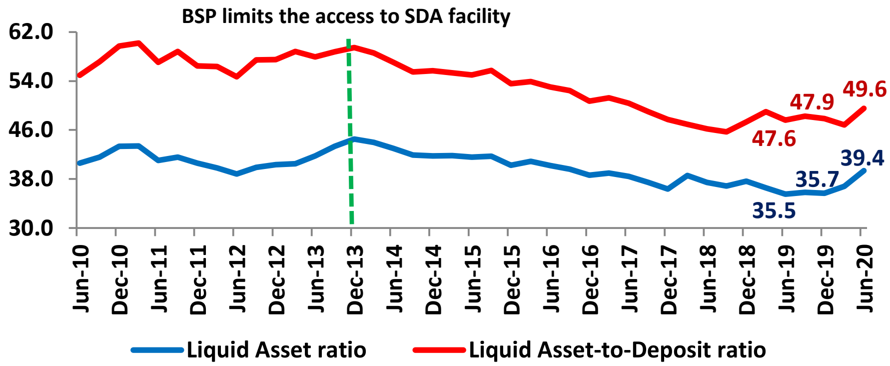
Source: Department of Supervisory Analytics

LIQUIDITY

A common measure of liquidity is the proportion of liquid assets to total assets (liquid asset ratio), which indicates the extent of the bank's liquidity buffer. Liquidity, for instance, serves as a buffer 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 39.4 percent average for end- June 2020.[8] (Figure 9). This suggests the presence of ample liquidity in the system. Cash on Hand, for instance, grew YoY by 23.9 percent as banks build cash buffers primarily to serve over-the-counter and ATM withdrawals in areas under lockdown.

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

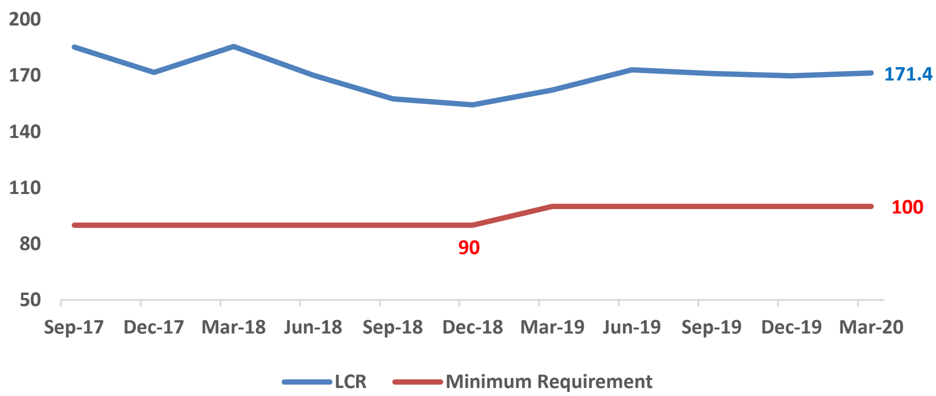
Another measure of liquidity is the ratio of liquid assets to deposits (a proxy for short-term liabilities), which indicates the amount of deposits that would have to be covered by asset sales if access to funding was lost. The liquid asset-to-deposit ratio was also quite high at 49.6 percent during 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]

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-March 2020, the LCR of the U/KBs was at 171.4 percent on a solo basis. This was well-above the BSP's phased 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

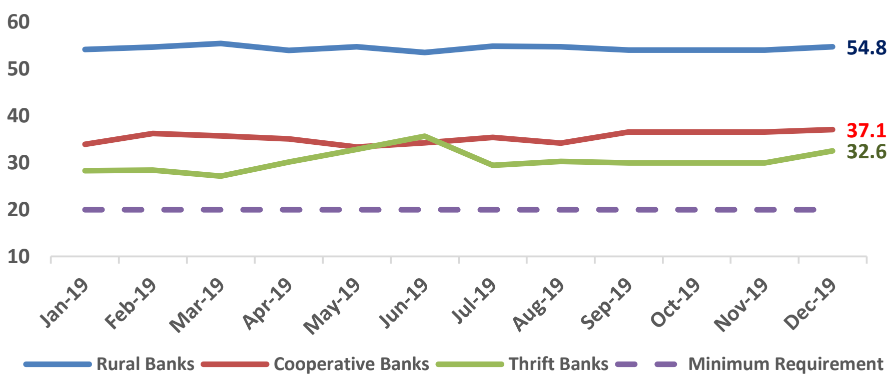
Meanwhile, the NFSR of the U/KBs as of end-March 2020 registered at 132.0 percent on a consolidated basis. The ratio is higher than the NFSR reported as of end-March 2019 at 131.0 percent. Importantly, the NSFRs of U/KBs and subsidiary TBs/QBs are well-above the minimum regulatory requirement of 100 percent, indicating more than sufficient capability to fund requirement for the medium term.

On one hand, the banks' NSFR profile shows that 80.3 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-December 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 (%)



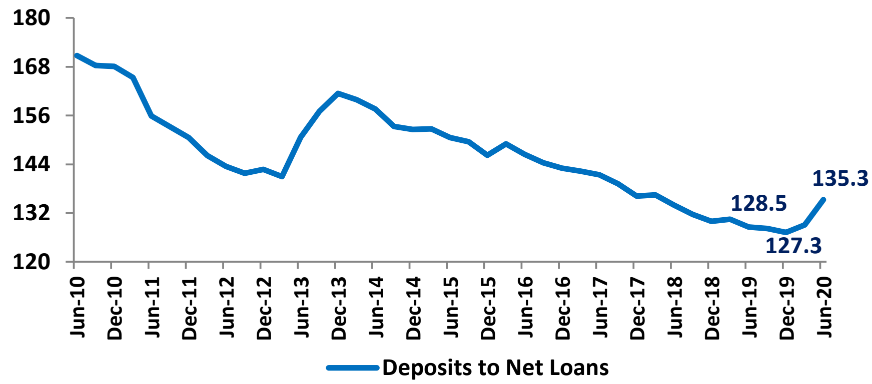
Source: Department of Supervisory Analytics

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 against deposit liabilities and deposit substitutes, 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.

Figure 12 shows 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

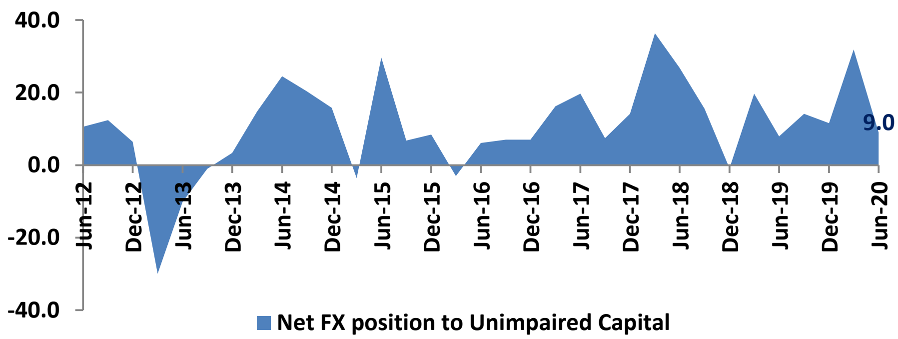
The *funding cost*[14] of Philippine banks stood at 1.6 percent as of end-June 2020, lower than 1.9 percent, both as of end-December 2019 and end-June 2019. The relatively low funding cost confirms that low cost deposits remained a stable and the biggest source of funds for banks' operations.

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.

From the first semester of 2012 to the first semester of 2020, the net FX position to unimpaired capital of U/KBs averaged around 10.8 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 are generally used to serve clients' FX requirements.

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

IMPLICATIONS TO MACROPRUDENTIAL POLICY

The financial soundness indicators suggest that the Philippine banking system is stable and resilient despite global uncertainties related to the extent and path of COVID-19 menace. Meanwhile, the analysis in this section implies that consequent risks from lending should 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 (pronounced "safer") ensures that the BSP supervisory assessment framework is able to promote a seamless, dynamic and a more forward-looking supervisory approach, which embeds business model and impact analyses. In particular, SAFr aims to establish clear relationships between on-site and off-site assessment frameworks and supervisory actions, to rationalize existing rating systems (including CAMELS and ROCA[16]) and output, and to align supervisory reports and tools with the assessment framework. The SAFr incorporates three major elements: (a) the BSFI's impact on the financial system, (b) the BSFI's risk profile, and (c) supervisory intensity. On the whole, SAFr targets to improve the robustness of the assessment framework and the effective adoption of the principle of proportionality in supervision, emphasizing the use of good judgment that is supported by data and a technology-driven platform.

Meanwhile, the BSP has provided time-bound and targeted regulatory and operational relief measures to BSFIs to assist them endure the pandemic and hasten their recovery. These include extension of financial relief to borrowers, incentivize lending, promotion of continued access to financial services, support for continued financial services delivery, and support for sufficient level of domestic liquidity and economic activity (see Box Article 1).

Importantly, a legislation is expected to help financial institutions dispose potential build-up of non-performing assets following the pandemic outbreak. The Financial Institutions Strategic Transfer Act (FIST) was approved by the House of Representatives on 02 June 2020 as House Bill No. 6816 which aims to assist banks and other financial institutions with offloading their debts and managing their NPAs affected by the pandemic. The bill is envisioned to encourage the private sector to incorporate and invest in FIST Corporations and help in the rehabilitation of distressed businesses with the end view of contributing to economic growth. The bill was transmitted to the Senate for plenary approval under Senate Bill No. 1849 or the proposed FIST Act.

ENDNOTES:

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

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.

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 03 February 2006 and Circular No. 855 dated 29 October 2014.

8 Compared with ASEAN counterparts: Indonesia (19.3 percent), Malaysia (22.3 percent), Thailand (21.1 percent), and Vietnam (10.6 percent) (Source: IMF FSIs – Data and Metadata Tables).

9 Under Circular No. 996 dated 08 February 2018; Circular No. 1007 dated 06 June 2018; Circular No. 1034 dated 15 March 2019; and Circular No. 1035 dated 15 March 2019.

10 Under Circular No. 1064 dated 03 December 2019.

11 Under existing BSP rules and regulations, the minimum LCR requirement for U/KBs is 90 percent beginning 01 January 2018 and 100 percent from 01 January 2019 onwards.

ENDNOTES:

[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.

[13] Net loans refer to total loan portfolio (TLP) less interbank loans (IBL). This also represents the core loans of the banking system.

[14] *Funding cost* is the ratio of annualized interest expense to average interest-bearing liabilities.

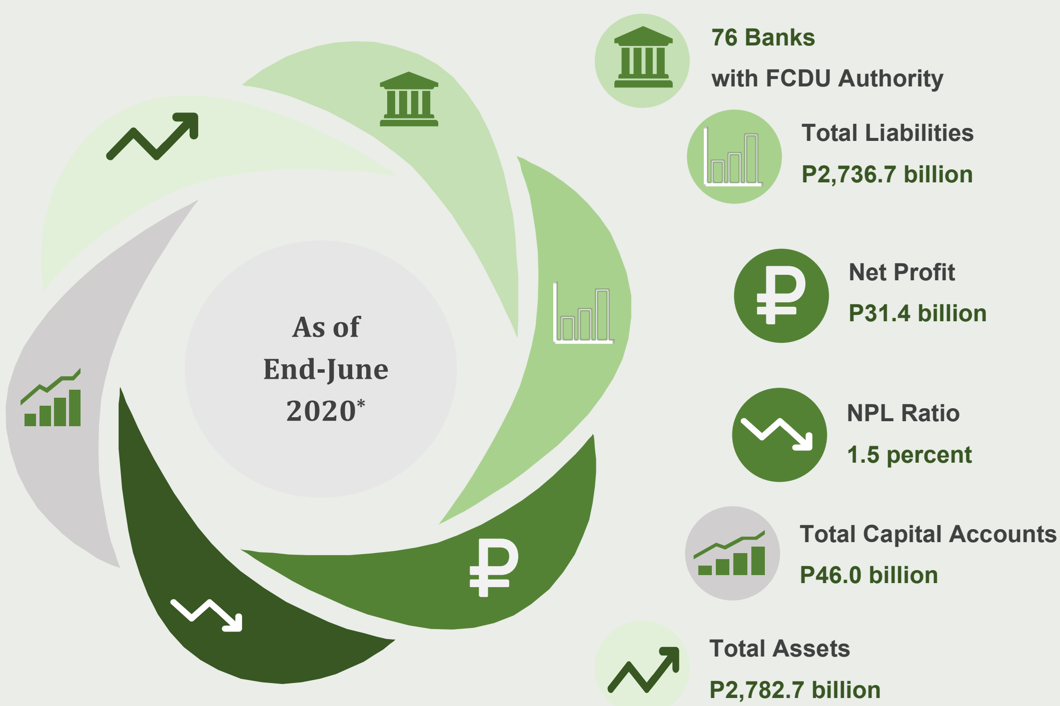
[15] Under Memorandum No. M-2020-005 dated 05 March 2020.

[16] ROCA stands for Risk Management, Operational Controls, Compliance, and Asset Quality.

Foreign Currency Deposit Unit System

Overview

The FCDUs' total resources was fueled by robust deposit generation and active bond issuance. These were deployed towards upbeat lending activities and significant investments in financial assets. Amid the uncertainties brought about by the COVID-19 pandemic, the FCDUs' core earnings was higher for the period ending June 2020 following the increase in net interest income and gains from financial assets.



Based on closing rate of P49.851/USD as of 30 June 2020

FCDU NETWORK REMAINED INTACT

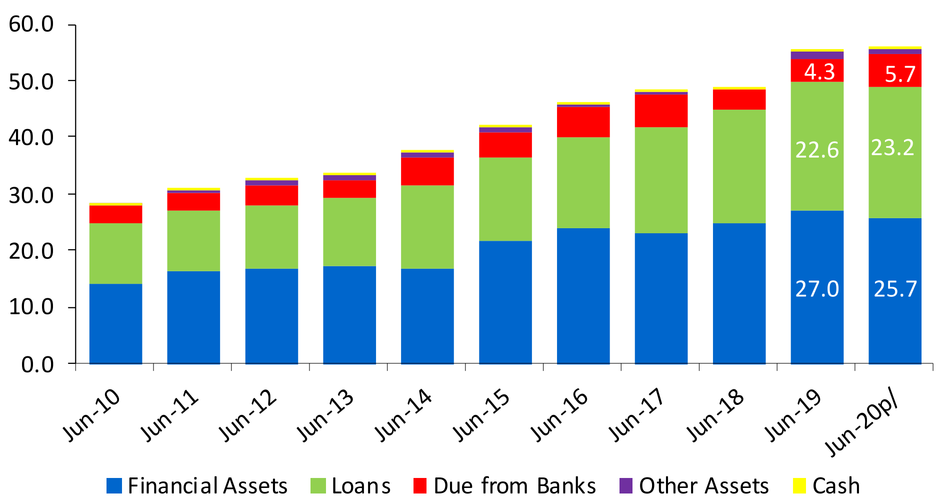
A total of 76 banks have FCDU authority as of end-June 2020, but was a unit short of the 77 FCDUs recorded at end-June 2019. Out of the total network, 43 universal and commercial banks (U/KBs) and one thrift bank (TB) have expanded FCDU (EFCDU) authorities, while three U/KBs, 20 TBs and nine rural and cooperative banks (R/CBs) maintained basic FCDU licenses.

FCDU ASSETS STEADY GROWTH DRIVEN MAINLY BY LIQUID FINANCIAL ASSETS

Total resources of the FCDU system slightly increased by 0.1 percent to USD 55.8 billion (P2,782.7 billion[1]), from the level reported a year ago. The FCDU assets was equivalent to 15.0 percent of the Philippine banking system's total assets as of end-June 2020.

By composition, majority of FCDU assets were comprised of financial assets and loans (Figure 1). Loans which accounted for 41.6 percent of the total FCDU assets, grew by 2.6 percent (USD0.6 billion) year-on-year (YoY). This contributed to the marginal increase in the FCDUs' resources. Likewise, due from BSP/Other banks which held 10.2 percent of the total resources also increased by 31.4 percent (USD1.4 billion). Meanwhile, cash[2] which was only 0.6 percent of the total FCDU assets declined by 34.3 percent (USD0.2 billion), mainly driven by the YoY drop of the 2 U/KBs' cash on hand.

Figure 1
FCDU Assets Components
As of End-Periods Indicated; In Billion USD

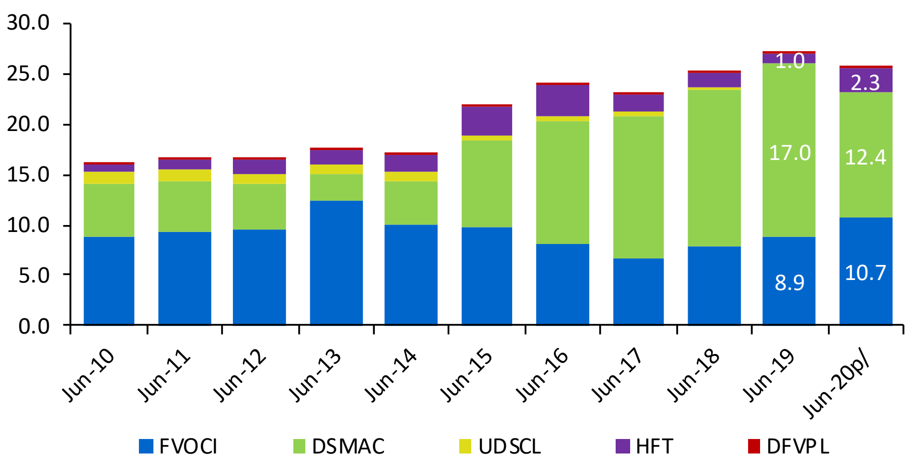


Source of data: Department of Supervisory Analytics
p/ preliminary

DECLINE IN DEBT SECURITIES MEASURED AT AMORTIZED COST DUE TO SALES AND RECLASSIFICATION OF SECURITIES

The total financial assets of the FCDU system, largely USD denominated, was mainly composed of Financial Assets Measured at Fair Value Through Other Comprehensive Income (FVOCI) and Debt Securities Measured at Amortized Cost (DSMAC), respectively, under the Philippine Financial Reporting Standards 9 (PFRS 9).[3] DSMAC and FVOCI made up 48.7 percent and 42.1 percent of FCDUs' financial asset portfolio as of end-June 2020, respectively (Figure 2). Meanwhile, banks began to shift their investments to DSMAC, which have been on an uptrend since 2014, due to the rising interest rates in the United States. However, DSMAC declined by USD4.6 billion YoY to USD12.4 billion from year ago's USD17.0 billion which can be attributed to the sale of Held-to-Collect (HTC) securities from the FCDU books in the first half of 2020 of some banks as well as reclassification of securities from HTC to the FVOCI account during the same period.

Figure 2
Composition of Financial Assets
As of End-Periods Indicated; In Billion USD



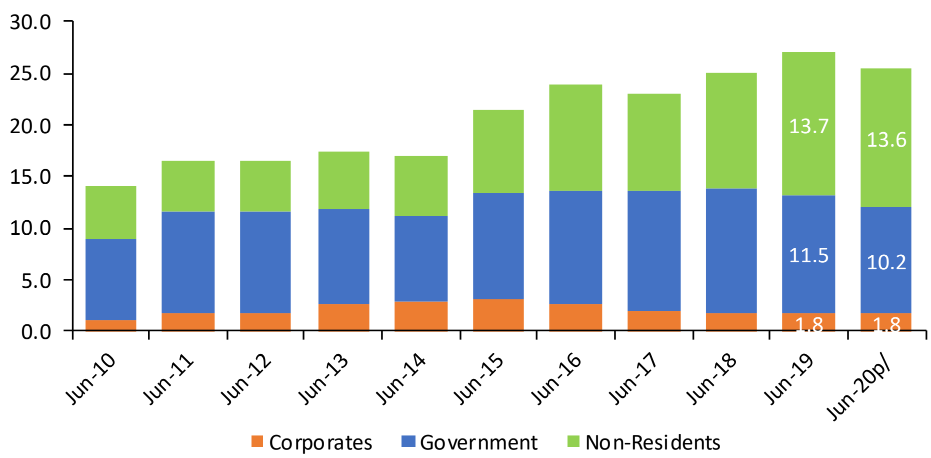
Source of data: Department of Supervisory Analytics *p/ preliminary*

The HTC sales could be attributed to (a) an increase in the credit risk associated with the securities; (b) an increase in loan loss provisioning requirements due to the pandemic; (c) a need to improve liquidity positions to meet funding requirements; and (d) the impending passage of the Passive Income and Financial Intermediary Taxation Act.

As expected given the decreasing interest rate environment, the sale of HTC securities has resulted in positive impact on the banks' income, as reflected in the increase in gains from the sales of non-trading assets during the first half of the year.

Investments in securities issued by non-residents dominated the total FCDU investment portfolio which stood at USD13.6 billion (53.2 percent share), followed by the National Government (NG) at USD10.2 billion (39.9 percent share) as of end-June 2020 (Figure 3). Prior to 2019, the NG used to be the main issuer of FCDU investments in the country. The shift effectively diversified the FCDU investment portfolio.

Figure 3
FCDU Investments by Issuer
As of End-Periods Indicated, In Billion USD



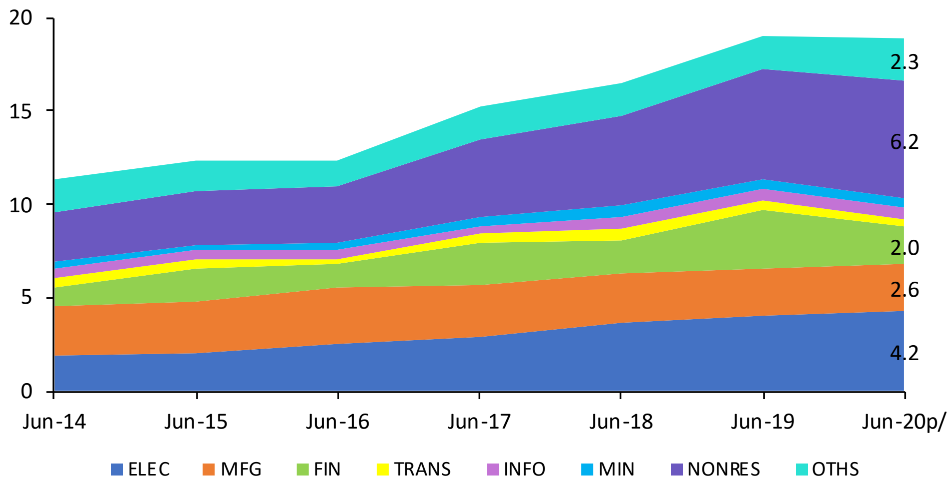
Source of data: Department of Supervisory Analytics *p/ preliminary*

ELECTRICITY, MANUFACTURING, AND FINANCIAL/ INSURANCE ACTIVITIES REMAINED THE PRIMARY RECIPIENTS OF FDCU LOANS

By economic activity, FCDU loans were largely channeled to the Electricity, Gas, Steam and Air-Conditioning Supply (ELEC), the Manufacturing (MFG), and the Financial and Insurance Activities (FIN) sectors from 2015 to 2020 with the average share of 20.2 percent, 17.9 percent, and 12.9 percent, respectively.

As of end-June 2020, these sectors held an aggregate share of 46.9 percent of the industry loans. Meanwhile, loans to non-residents[4] (NONRES) continued to hold a significant portion of the FCDU system's total loan portfolio with an average share of 28.3 percent from 2015 to 2020. The rise in FCDU loans to non-residents may be attributed to the BSP's thrust to further liberalize the foreign exchange rules. (Figure 4)

Figure 4
Industry Recipients of FCDU Loans
As of End-Periods Indicated, In Billion USD



Source: Department of Supervisory Analytics

p/ preliminary

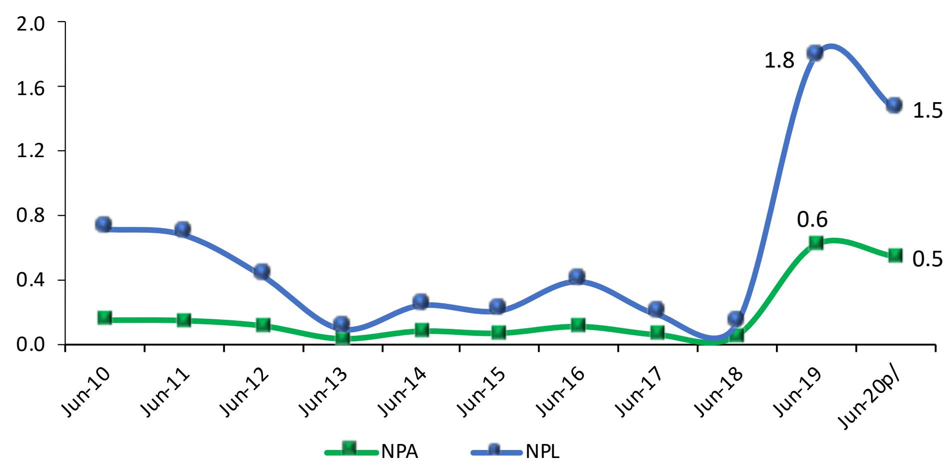
In terms of maturity profile, FCDU loans with long-term maturity continue to hold the bulk of the total at 51.0 percent. The remaining half was shared by loans with medium-term and short-term maturities at 25.6 percent and 23.4 percent, respectively. Meanwhile, net FCDU loans of USD23.2 billion (P1,156.9 billion) represented 11.0 percent of the banking system's net loan portfolio of P10,523.2 billion as of end-June 2020.

ASSET QUALITY IMPROVED AMID DECLINE IN LOANS

The loan portfolio of the FCDU system remained satisfactory amid the decline in loans. The non-performing loans (NPL) ratio stood at 1.5 percent, 0.3 percentage point lower from last year's 1.8 percent (Figure 5). The lower NPL ratio emanated from the 18.7 percent and 1.0 percent YoY decline in NPLs and total loan portfolio (TLP), respectively. The NPL coverage ratio soared to 119.0 percent from 64.7 percent at end-June 2019.

Similarly, the ratio of FCDUs' non-performing assets (NPA) marginally improved to 0.5 percent at end-June 2020, while the coverage of provision for impaired assets at 107.8 percent mirrored the movement of the NPL coverage ratio. Nonetheless, these developments underscored that FCDUs remained stable and well-provisioned against unexpected loan losses.

Figure 5
FCDU Asset Quality Ratios
As of End-Period Indicated; In Percent (%)



Source of data: Department of Supervisory Analytics

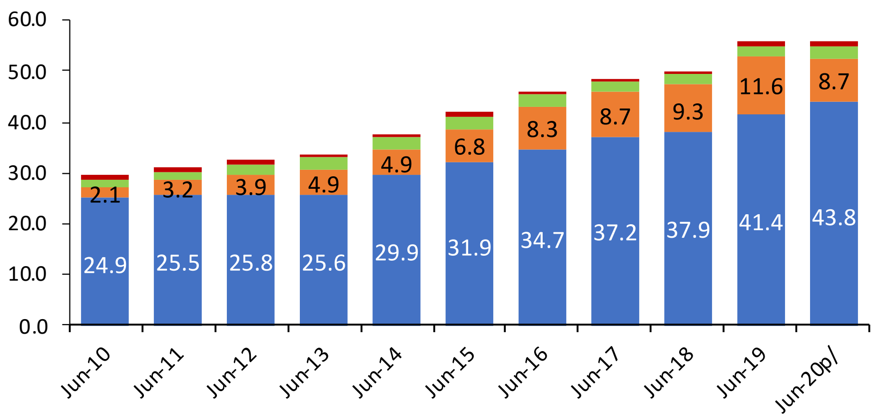
p/ preliminary

Meanwhile, 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 FUNDING

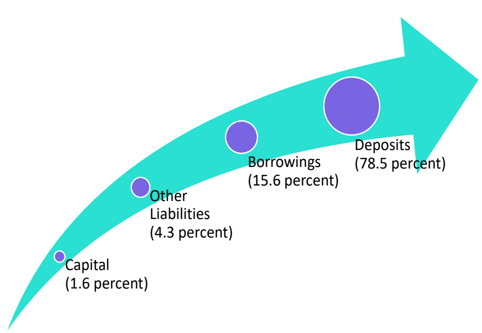
Total deposits continued to be the main source of funding for the country's FCDU system. As of end-June 2020, deposits which comprised 78.5 percent of the total funding source of the FCDU system increased by 6.0 percent YoY to USD43.8 billion (P2,184.8 billion) as of end-June 2020 (Figure 6). Steady inflows, albeit lower overseas Filipinos' remittances for the first half of 2020, as well as improvement in the net inflows of direct investment[5] supported the growth of FCDU deposits.

Figure 6
FCDU Funding Sources
As of End-Periods Indicated; In Billion USD



Source of data: Department of Supervisory Analytics *p/ preliminary*

Bank borrowings, which accounted for 15.6 percent of the total funding source of the FCDU system, decreased by P2.9 billion mainly due to the significant drop in bills payable by 45.5 percent YoY. Meanwhile, other liabilities which comprised 4.3 percent of the FCDUs' funding source increased by 12.7 percent following the P0.5 billion YoY growth in due to other banks.



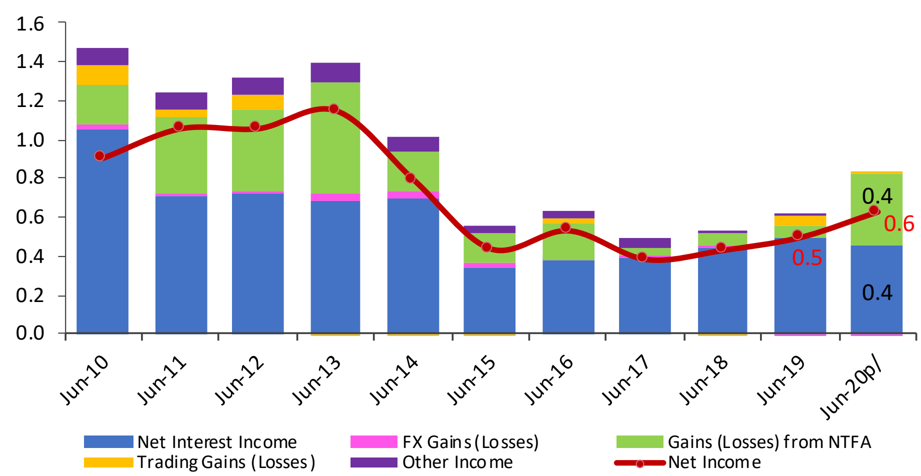
The funding sources of FCDU are expected to sustain its growth momentum with the gradual reopening of advanced economies with investment interest in the Philippines amid the COVID-19 pandemic. Likewise, the continuing easing of foreign exchange rules, capital market reforms, and the entry of new foreign banks may also contribute to this growth momentum.

FCDUs SUSTAINED PROFITABLE OPERATIONS AMID UNCERTAINTIES IN GLOBAL ECONOMIC GROWTH

Amid global economic growth slowdown and the lockdown phase of the country brought about by the COVID-19 pandemic, the overall FCDU operations remained upbeat as the system recorded a positive bottom line with an annualized net profit of USD0.6 billion (P31.4 billion) for the period ending June 2020. The profitability of the FCDU system was mainly driven by the 122.2 percent increase in non-interest income.

In particular, gains from non-trading financial assets (NTFA) posted a USD0.3 billion increase to USD0.4 billion (P18.8 billion). In addition, the USD14.0 million decline in other administrative expenses which led to the 15.7 percent decline in non-interest expense also contributed to the profitable operations of the FCDUs during the period. (Figure 7)

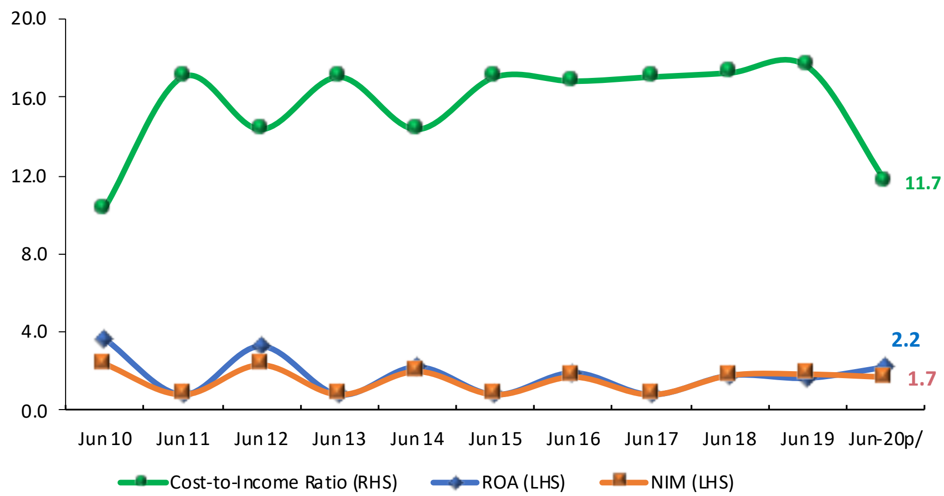
Figure 7
FCDU Income Accounts
As of End-Periods Indicated; In Billion USD



Source of data: Department of Supervisory Analytics *p/ preliminary*

Buoyed by strong core earnings, the FCDUs' increased profitability resulted in improved performance metric for the period. In particular, the FCDUs' annualized return on assets (ROA) was recorded at 2.2 percent as of end-June 2020, higher than the 1.2 percent ROA of the banking system. Meanwhile, the relatively low global interest environment helped squeeze the FCDUs' net interest margin (NIM) at 1.7 percent (Figure 8).

Figure 8
FCDU Profitability Ratios
As of End-Period Indicated; In Percent (%)



Source of Data: Department of Supervisory Analytics

p/ preliminary

As a measure of operational efficiency, the FCDUs' cost-to-income (CTI) ratio for the period also improved to 11.7 percent from last year's ratio of 17.6 percent following the increase in non-interest income and decrease in expenses during the period. Nonetheless, the FCDUs outperformed the banking system's CTI ratio of 56.5 percent during the same period.

ENDNOTE:

[1] Closing rate P49.851/USD as of 30 June 2020.

[2] Cash pertains to cash on hand plus checks and other cash items.

[3] These accounts are lodged as Available for Sale (AFS) Financial Assets and Held-to Maturity (HTM) Financial Assets prior to the adoption of PFRS 9. Meanwhile, Unquoted Debt Securities Classified As Loans (UDSCL) is no longer used following the adoption of PFRS 9.

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

[5] The direct investment account registered a 22.3 percent increase in net inflows in the first six months of 2020 to US$2.2 billion from US$1.8 billion last year. (Source: BSP Balance of Payments Report Second Quarter 2020).

Trust Operations

Overview

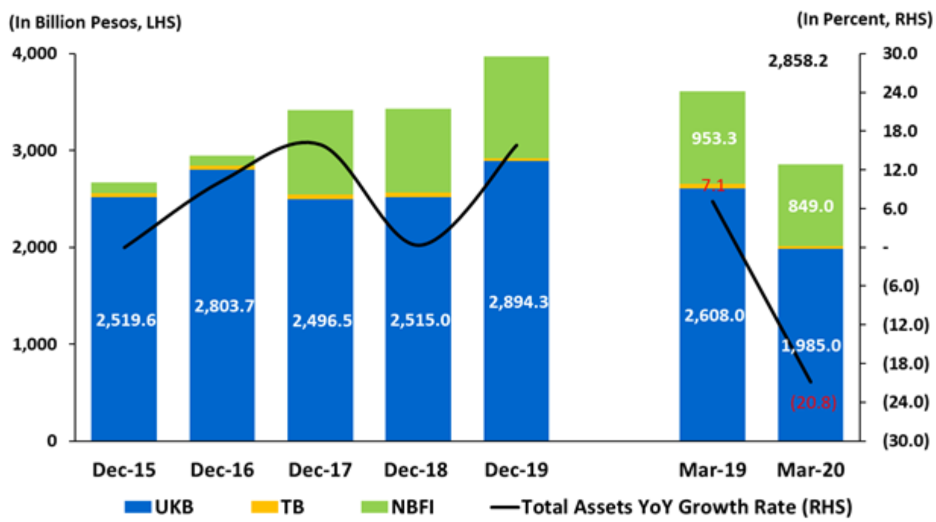
Total assets of the trust industry contracted by 20.8 percent year-on-year (YoY)[1] following the decline in financial assets and deposits in banks of the universal and commercial banks (U/KBs). The industry was not spared by the effects of Covid-19 pandemic. The industry's total assets fell following the decrease of financial assets. In particular, the trust industry's investments in debt and equity securities declined to minimize the risk exposure attendant in the market. Investors prefer to keep cash and other liquid assets rather than invest in high-yielding instruments during this time of pandemic. Meanwhile, the trust industry reported higher earnings due to the rise in fees and commissions of trust entities.

1. **Funds mostly deployed into financial assets and deposits in banks**
2. **Asset quality remained satisfactory**
3. **Trust operations continued to be profitable**

TOTAL ASSETS OF TRUST INDUSTRY FELL FOLLOWING THE DECREASE IN FINANCIAL ASSETS

A total of 28 financial institutions (FIs) have trust licenses. However, two trust entities have inactive trust operations, while the 26 FIs with active trust operations consist of trust departments (TDs) of 18 U/KBs and 4 thrift banks (TBs), and four non-bank FIs (NBFIs).[2] The TDs of 13 UBs accounted for 67.2 percent of the total trust assets followed by NBFIs with 28.3 percent share.

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

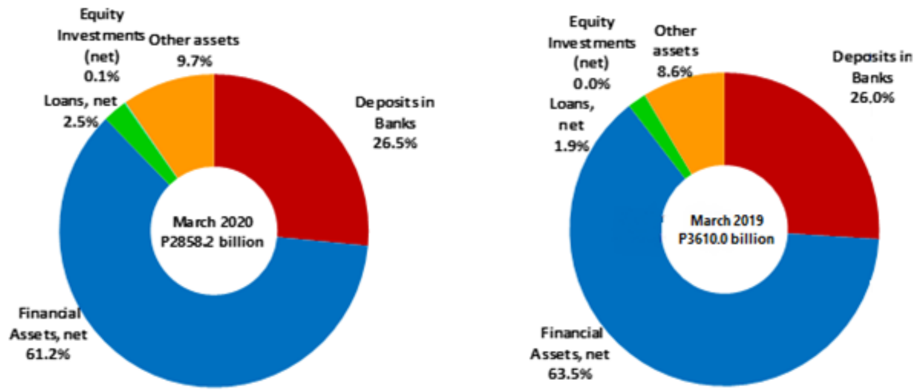


Source of data: Department of Supervisory Analytics

Total assets of the trust industry fell by 20.8 percent to P2,858.2 billion (Figure 1). The decline in trust assets was mainly driven by the decrease in the total trust assets of the U/KBs and NBFIs by 23.9 percent and 11.0 percent, respectively. The industry's asset was equivalent to 15.5 percent of the Philippine banking system's total assets as of end-March 2020, down from 23.5 percent from end-December 2019.

Trust Operations

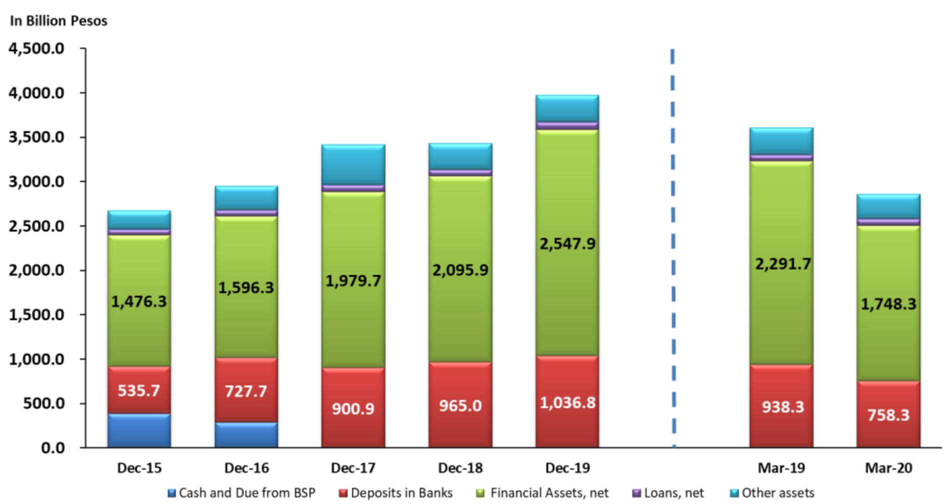
Figure 2
Composition of Trust Assets
As of End-Periods Indicated



Note: Cash and Due from BSP and Equity investments accounted for less than 0.05 percent of the industry's assets as of end-June 20189
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 61.2 percent and 26.5 percent of the total assets of the industry, respectively, highlighting its liquidity position. The YoY growth of financial assets significantly slid from P2,291.7 billion in end-March 2019 to P1,748.3 billion in end-March 2020 as trust departments of U/KBs and NBFIs opted to reduce their investments on financial assets (which resulted to decrease in total trust assets) to maximize portfolio returns.

Figure 3
Trend of Trust Assets Composition
As of End-Periods Indicated



Source of data: Department of Supervisory Analytics

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 (Figure 3). The 27.5 percent and 14.2 percent decrease in the financial assets of U/KBs and the NBFIs, respectively, contributed to the 23.7 percent decrease in financial assets of the industry. Similarly, deposits in banks by the trust entities decreased by 19.2 percent, driven by the decrease in deposits from trust units of U/KBs, which shrank by P184.4 billion.

FINANCIAL ASSETS UNDERPINNED THE INDUSTRY'S ASSET QUALITY AND LIQUIDITY

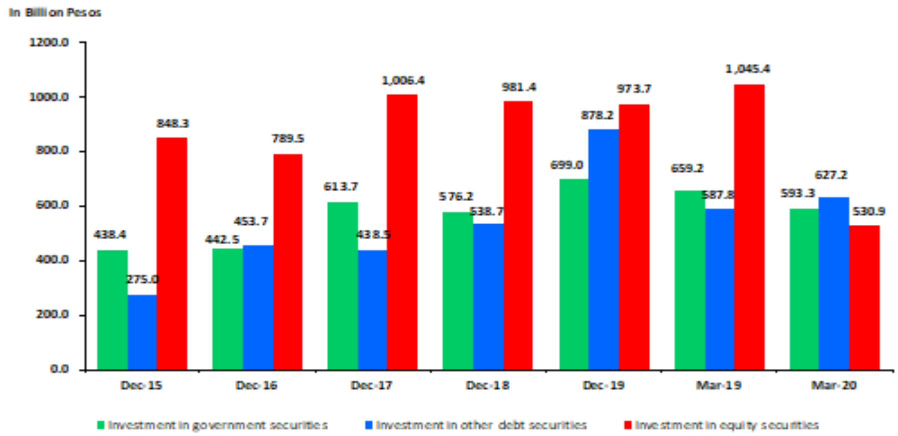
The quality of the trust industry assets remained satisfactory, with the non-performing loan (NPL) and non-performing asset (NPA) ratios at below 1.5 percent. Moreover, the industry's NPL and NPA coverage ratios remained above 100 percent to adequately provide against potential losses as of end-March 2020.

Despite the decline in liquid assets, the trust industry remained liquid given that 87.7 percent of assets were in highly marketable securities and deposits in bank. In addition, the ratio of liquid assets-to-total accountabilities posted at 61.6 percent, indicating ability to service fund withdrawals.

LOWER INVESTMENTS IN DEBT AND EQUITY SECURITIES

A large portion of trust assets, amounting to P1,751.4 billion, was invested in debt and equity securities (Figure 4). Most of these investments were government securities and booked as financial assets held-to-collect (HTC) and fair value through profit and loss (FVTPL). The industry's strategy to invest in liquid debt securities (69.7 percent of financial assets) and in bank deposits reflects an increasingly risk-averse profile of the players and their investors amid market volatility recorded particularly during the pandemic.

Figure 4
Investments in Debt and Equity Securities
As of End-Periods Indicated



Source of data: Department of Supervisory Analytics

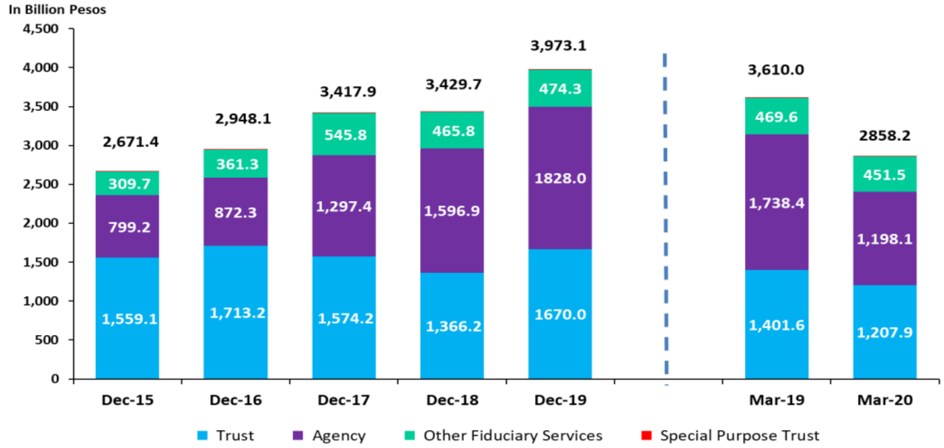
As a response to the uncertainties brought about the global pandemic, trust industry's initial response was to choose "safe" investments. Investments in risky assets such as equity securities were greatly reduced, as reflected in the trust industry's investment portfolio. From end-December 2019 to end-March 2020 and from end-March 2019 to end-March 2020, investments in equity securities fell by 45.5 percent and 49.2 percent, respectively. Trust industry has reduced their investments in equity securities to minimize the risk exposure attendant in the equity markets.

Interestingly, there was also a decrease in investments in government securities and other debt securities, albeit being considered safe haven by investors, by 28.6 percent from end-December 2019 to end-March 2020. This indicates that people prefer to keep cash and other liquid assets to finance their needs during the pandemic.

CONTRACTION IN TRUST ACCOUNTABILITIES DRIVEN BY TRUST AND AGENCY ACCOUNTS

Trust and agency accounts, which accounted for 84.2 percent of the total trust accountabilities, decreased by 13.8 percent and 31.1 percent (Figure 5), respectively. This resulted in a 20.8 percent reduction of trust accountabilities. The decline in trust accounts was largely attributed to the decrease in personal trust by 50.1 percent. Similarly, employee benefit and pre-need which comprised almost 32.5 percent of the total trust accountabilities also contributed to the decrease in trust accountabilities.

Figure 5
Composition of Trust Accountabilities
As of End-Periods Indicated



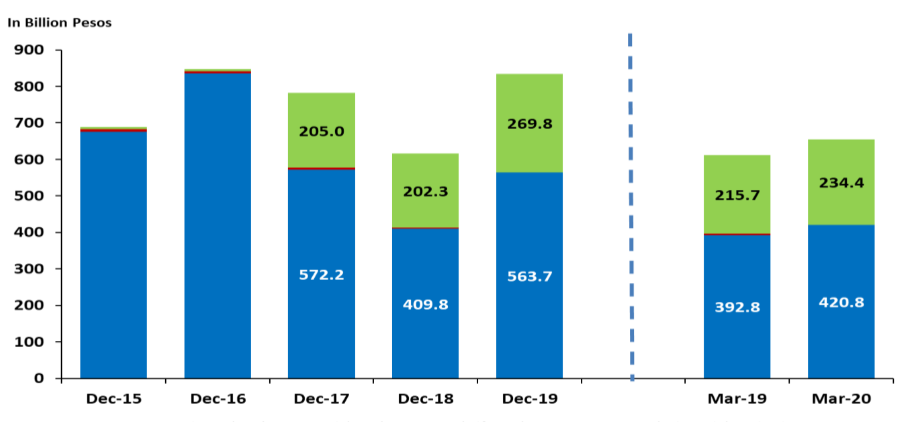
Source of data: Department of Supervisory Analytics

Meanwhile, the 31.1 percent decrease in agency accounts was driven by the reduction in institutional agency accounts and individual agency accounts by 28.6 percent and 35.0 percent, respectively.

UITFS A BRIGHT SPOT DURING THESE UNCERTAIN TIMES

Overall, UITFs rose by 7.3 percent mainly driven by the increase in U/KBs' UITFs by 7.1 percent or P28.0 billion (Figure 6). Likewise, NBFI's UITF increased by 8.7 percent or P18.7 billion. The increase in UITFs which bucked the trend of decreases could be due to increased visibility and promotion of the product to consumers compared to the other products of the FIs.

Figure 6
Level of UITF, by Financial Institution
As of End-Periods Indicated



Source of data: Supervisory Data Analytics

PROFIT OF TRUST INSTITUTIONS WENT UP

The net income of trust institutions increased by 30.0 percent to P1.3 billion YoY end-March 2020 mainly due to the profitability of U/KBs' trust units. Specifically, fees and commissions of trust entities grew by 26.3 percent to P2.4 billion. Meanwhile, trust expenses went up by 33.3 percent or by P0.3 billion.

POLICY DIRECTION OF TRUST INDUSTRY

The BSP is leveraging on digital technology to bring trust products and services closer to Filipino people. Related to this effort, the BSP, together with other regulatory agencies and market participants, virtually launched the digital PERA, or Personal Equity and Retirement Account[3], on 08 September 2020. PERA, established under Republic Act No. 9505, is a voluntary supplementary retirement account to promote greater financial security for Filipinos here and abroad.

Since its implementation in December 2016, the PERA industry has not gained significant momentum and considered underutilized. As of July 29, 2020, only 1,586 Filipinos have invested in PERA, with total contributions of P137 million. Using the existing digital technology available today, the PERA investment process is easier as it now offers a one-stop shop digital experience for investor and covers the following: education, client on-boarding, settlement of transactions, and monitoring of PERA investments. With this new platform, Filipinos can now conveniently open or access their PERA account and invest 24/7, anywhere in the world using a mobile gadget. The traditional investment schemes for PERA still exist, so various options remain. The BSP is now aiming to reach 5 million Filipinos in a period of 5 years, or what we call "5 in 5." With the digital PERA, the BSP hopes to attract more Filipinos to plan and save for the future as digital PERA is a convenient and affordable program that aims to boost retirement savings.

ENDNOTE:

[1] Data are up to end-March 2020 only due to the suspension of the submission of reporting requirements as part of the BSP operation relief measures during the strict community quarantine period (Memorandum Nos. 2020-011 and 2020-049 dated 19 March 2020 and 9 June 2020, respectively

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

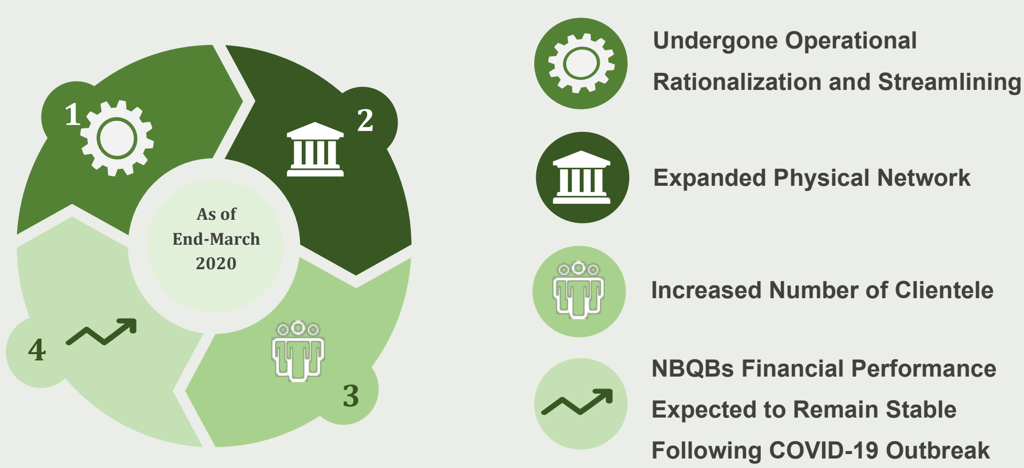
[3] PERA was established under Republic Act No. 9505, otherwise known as the "Personal Equity and Retirement Account (PERA) Act of 2008".

Non-Bank Financial Institutions with Quasi-Banking Functions

Overview

As of end-March 2020[1], the non-bank financial institutions with quasi-banking functions[2] (NBQB) industry undergone streamlining and rationalization to improve its financial standing and operational performance. This initiative induced significant movements in its key banking indicators - assets, liabilities, net profit, and loan and assets qualities. Moreover, the industry continued to increase its physical network allowing more clients to reach and serve at the onset of the COVID-19 pandemic.

Moving forward, the NBQB industry is expected to remain stable as most of the financing companies (FCs) and investment houses (IHs) with QB license are linked with more stable and resilient universal and commercial banks (U/KBs). The Bangko Sentral ng Pilipinas (BSP), however, should remain watchful of the industry's increasing non-performing loan (NPL) ratio.



BILLS PAYABLE REMAINED THE MAIN SOURCE OF FUNDS

At 61.6 percent of the total source of funds, bills payable comprise the bulk of the NBQBs source of funds, of which 74.3 percent is deposit substitute (Figure 1). The industry's total liabilities dropped by 36.5 percent to P142.0 billion on the account of year-on-year (YoY) decrease in bills payable and other liabilities by 41.0 percent (P111.4 billion) and 12.0 percent (P30.5 billion), respectively.

The double-digit decline in the industry's bills payable is expected as the BSP adopted the new definition of deposit substitutes[3] that excludes borrowings from financial intermediaries such as repurchase agreements and bonds issuances, among others, from deposit substitutes which is subject to reserve requirements to boost liquidity in the financial system. Likewise, the streamlining in the industry through merger and acquisition also contributed to the decrease in both the NBQBs' bills payable and other liabilities during the covered period.

Figure 1
Source of Funds
As of End-March 2020

NBQB'S ASSET HELD A QUARTER IN THE NBFIS' TOTAL ASSETS

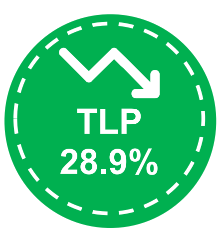
The NBQBs total assets reached P180.9 billion or lower by 36.2 percent YoY as of end-March 2020. This represents 25.1 percent of the non-bank financial institutions[4] (NBFIs) gross assets (Figure 2). Among the main channels for the industry's assets are loans, net investments, cash and due from banks, and other assets with percentage share of 74.6 percent, 12.2 percent, 9.5 percent, and 3.7 percent, respectively.

Figure 2
Total Assets (Percentage Share)
As of End-March 2020

FC's share of P150.7 billion remained the key driver for the NBQBs total resources which accounts for 83.3 percent of industry's total assets.

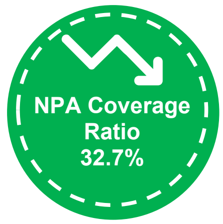
It is worth noting that the decrease in the total assets of the industry can be attributed to the merger or acquisition of large banks with/to their NBQB subsidiaries to improve synergy and cross-sell, increase profitability and improve capital efficiency, and be more competitive in the market.

LOAN AND ASSET QUALITY RATIOS WERE SATISFACTORY



During the period, the NBQBs' TLP dropped by 28.9 percent to P137.5 billion following the changes in customer behavior and caution exercised by the industry in funding their clients' operations particularly to those providing non-essential products and services. Ironically, the industry's NPL slightly expanded by 0.8 percent to P7.4 billion. This was primarily because of the expansion in the industry's items in litigation by 109.2 percent in a span of one year.

The increase in the industry NPLs pushed the NPL ratio to 5.4 percent, nearly two percentage points higher than year ago's 3.8 percent. The NPL coverage ratio narrowed to 35.3 percent due to the decrease in loan loss reserves to P2.6 billion.



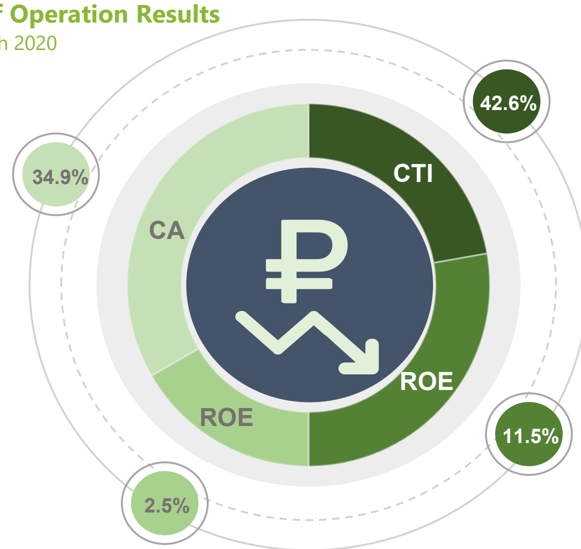
The NBQBs' non-performing assets (NPA) went up by 4.5 percent to P8.5 billion from year ago's P8.1 billion despite the reduction in the gross assets. Likewise, the NPA coverage ratio registered at 32.7 percent driven by the reduction in allowance for NPAs.

Real and Other Properties Owned or Acquired (ROPOA) of NBQBs registered at P1.1 billion, a 40.2 percent increase from last year. This increment is mainly attributed to the increase in the acquisition of land, building, and other properties due to industry's clients inability to fulfill repayment obligations. Distressed assets grew by 2.5 percent to P8.6 billion from year ago's P8.4 billion. As a result, the distressed assets ratio of the industry remained relatively manageable at 6.2 percent.

PROFIT DECLINED DUE TO SOFTER NON-INTEREST INCOME

The NBQBs industry posted a total operating income of P1.6 billion for the covered period, which accounted for 4.1 percent of the NBFIs total operating income. This is 76.1 percent lower than recorded from last year's level of P6.5 billion. The decline is mainly driven by the deterioration in the collection of non-interest income, particularly the trading income.

Figure 3
Overview of Operation Results
As of End-March 2020



The annualized cost-to-income (CTI) ratio rose to 42.6 percent as the slump in net profit outweighed the decline in operating expenses. Meanwhile, the industry posted lower annualized return on assets (ROA) and annualized return on equity (ROE) at 2.5 percent and 11.5 percent, respectively.

As a natural consequence, the waning in the net income collection also brought significant decline in capital accounts (CA) by 34.9 percent YoY as of end-Mach 2020. Despite this, capital stock increased by 1.7 percent to P19.4 billion, with most of the contribution coming from FCs of 70.4 percent or P13.7 billion. (Figure 3)

PHYSICAL NETWORK CONTINUED TO GROW

The total number of NBQB expanded, despite mergers and acquisitions, by three from last year's 131 overall physical network during the period. The industry's physical network is composed of one other NBQB, three IHs and 130 FCs. The overall number of operating NBQBs, with 7 head offices and 127 other offices, in the country represents 0.9 percent of the total 14,839 NBFIs supervised/regulated by the BSP (Figure 4).

Figure 4
Overview of Physical Network Performance
As of End-March 2020

ENDNOTE:

[1] Data are up to end-March 2020 only due to the suspension of the submission of reporting requirements as part of the BSP operation relief measures during the strict community quarantine period (Memorandum Nos. 2020-011 and 2020-049 dated 19 March 2020 and 9 June 2020, respectively).

[2] NBQBs are NBFIs authorized by the BSP to borrow funds from 20 or more lenders for their own account through issuances, endorsement or assignment with recourse or acceptance of deposit substitutes for purpose of re-lending or purchasing receivables and other obligations.

[3] The Monetary Board adopted the new definition for deposit substitute under Section 38 of Republic Act (RA) 11211 or the New Central Bank Act enacted on 14 February 2019.

[4] NBFIs are financial institutions that do not have a full banking license but facilitate bank-related financial services such as investment, risk pooling, contractual savings, and market brokering.

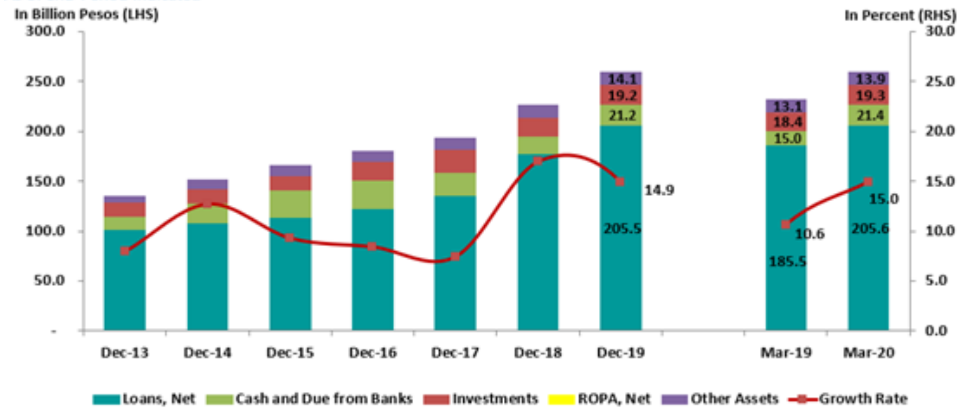
Non-Stock Savings and Loan Associations

Overview

Total assets of the non-stock savings and loan association industry (NSSLA) continued to increase year-on-year[1] on account of the growth in lending activities. Despite the industry's upbeat lending activities, credit quality has improved as the non-performing loan (NPL) and non-performing asset (NPA) ratios continued to decrease amid the COVID-19 pandemic. The industry remained liquid, with stable funding and sufficient capitalization with the growth in members' capital contribution. Profitability was sustained by the steady growth of loans to members.

NSSLA ASSET EXPANSION CONTINUED, DRIVEN BY GROWTH IN LOANS

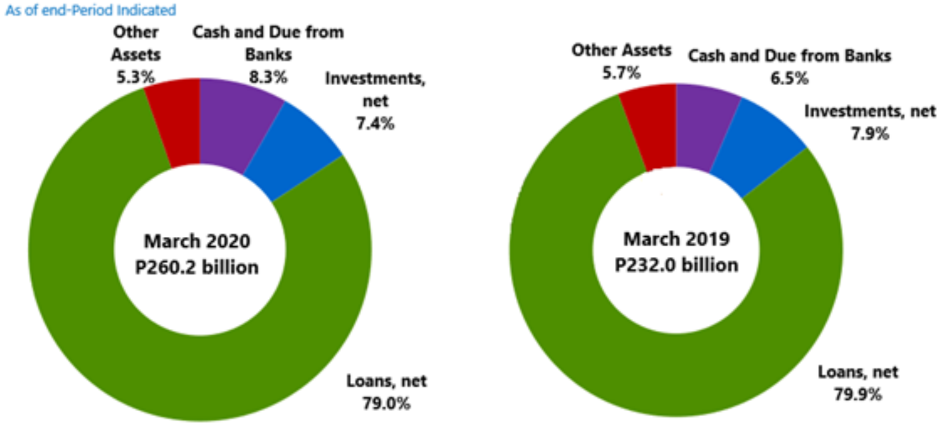
Figure 1
Non-Stock Savings and Loan Associations (NSSLAs)
Asset Mix
As of end-Period Indicated



Source of Data: Department of Supervisory Analytics

The industry's total assets expanded mainly due to the rise in net loans, cash and due from banks and net investments. The industry sustained its focus on servicing the credit needs of its members as net loans, which accounted for 79.0 percent of total assets, rose by 10.8 percent to P205.6 billion from P185.5 billion last year. Cash and due from banks, with the second largest share of 8.3 percent, climbed by 42.8 percent to P21.4 billion from P15.0 billion. Net investments, with 7.4 percent share, also rose by 4.8 percent to P19.3 billion from P18.4 billion (Figures 1 and 2). The current asset mix broadly indicates the industry's traditional business model.

Figure 2
Non-Stock Savings and Loan Associations (NSSLAs)
Asset Mix
As of end-Period Indicated



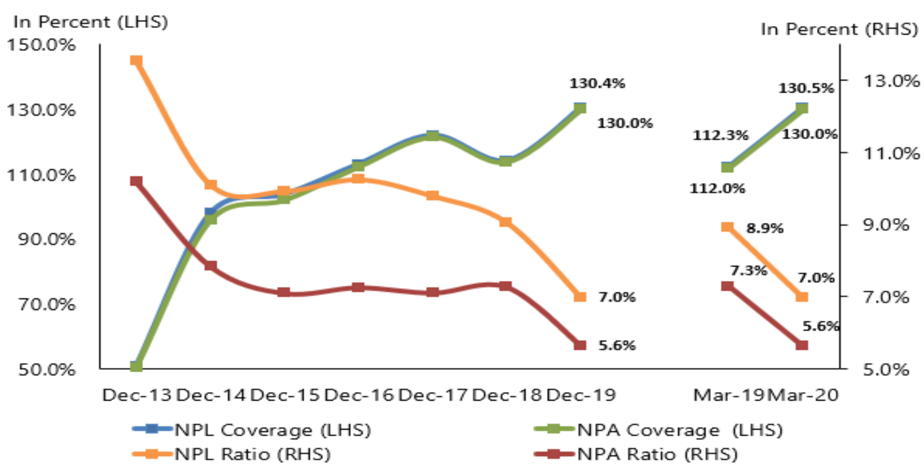
Source of data: Department of Supervisory Analytics

Overall, the industry's funding sources remain relatively firm and sufficient to serve its members' needs. In particular, the NSSLAs' debt-to-equity ratio has increased from 47.3 percent at end-March 2019 to 52.1 percent at end-March 2020. This developed as NSSLAs opted to tap deposits and borrowing arrangements to augment funding from capital contributions. Moreover, with the unique business model of the NSSLA industry wherein most of its funding are sourced from capital contributions, the NSSLA's loan-to-deposit ratio is at 383.6 percent as of end-March 2020, lower compared to 399.7 percent as of end-March 2019.

ASSET QUALITY IMPROVED AS COVERAGE EDGED UP

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 and NPA coverage ratios likewise showed marked improvement from the previous year (Figure 3). The increase was achieved despite the expansion of the loan portfolio, and is expected to be maintained with further strengthening of the industry's credit risk management system.[2]

Figure 3
Non-Stock Savings and Loan Associations (NSSLAs)
Asset Quality Ratios



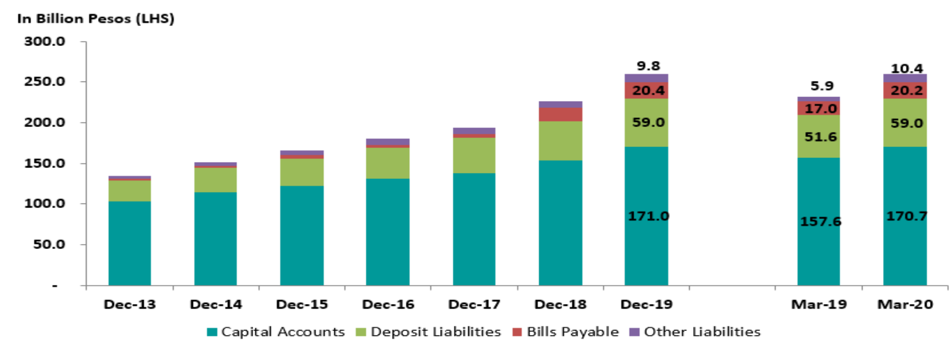
Source of data: Department of Supervisory Analytics

Meanwhile, the NPL and NPA coverage ratios as of end-March 2020 had no significant movement compared to the values presented as of end-December 2019, remaining roughly the same within the three-month period. The anticipated impact of COVID-19 pandemic remains to be seen as quarantine restrictions and the supporting regulatory relief measures were only implemented starting mid of March 2020.

HIGHER FUNDING AND CAPITAL LIFTED THE INDUSTRY'S LIQUIDITY

The increase in NSSLA's funding source was mainly driven by the growth in members' capital contribution. Capital accounts remained to be the main source of funds. It amounted to P170.7 billion and rose from P157.6 billion. Deposit liabilities increased to P59.0 billion from P51.6 billion. Bills Payable increased to P20.2 billion from P17.0 billion and Other liabilities also increased, from P5.9 billion in end-March 2019 to P10.4 billion in end-March 2020 (Figure 4).

Figure 4
Non-Stock Savings and Loan Associations (NSSLAs)
Funding Mix
As of end-Period Indicated



Source of Data: Department of Supervisory Analytics

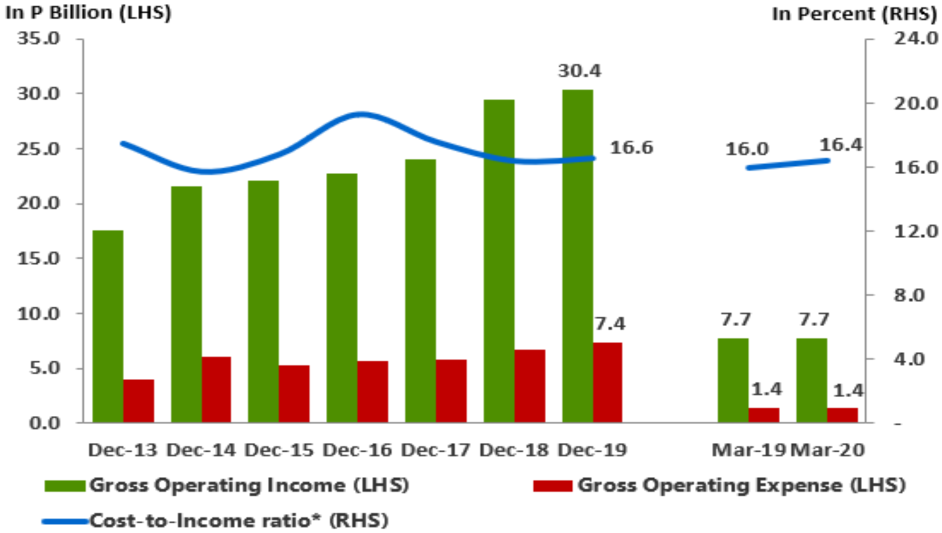
Meanwhile, as a share of total deposits, liquid assets (i.e., cash and due from banks and net investments), which accounts for 69.0 percent of the industry's total deposits remain sufficient and broadly indicative of the industry's capability to serve unexpected deposit withdrawals and loan requirements.

NET PROFIT FUELED BY RISING INTEREST INCOME

With the increase in the loan portfolio of the NSSLAs, the industry's operating income improved. The industry posted a net profit of P6.2 billion, higher by 1.2 percent from the previous year. NSSLA's core earnings were primarily sourced from interest from lending activities at P7.0 billion (up from last year's P6.9 billion). The bulk of the industry's revenues came from interest income at 90.1 percent share while non-interest income only accounted for 9.6 percent at end-March 2020 which is also similarly reflected at end-March 2019. Operating expenses (exclusive of provisions for credit losses) remained at P1.4 billion. Over-all, the industry cost-to-income ratio was relatively stable at 16.4 percent (Figure 5).

Non-Stock Savings and Loan Associations

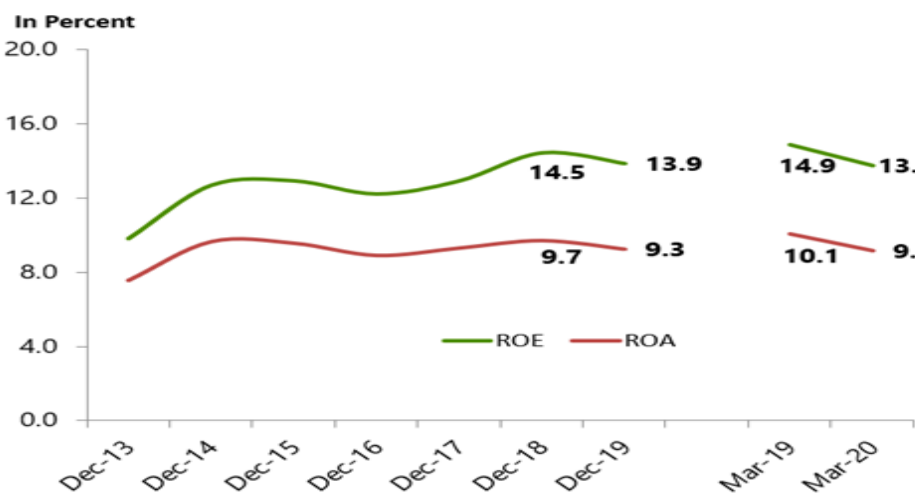
Figure 5
Non-Stock Savings and Loan Associations (NSSLAs)
Cost-to-Income Ratio
As of end-Periods Indicated



*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

Meanwhile, NSSLAs' return on assets (ROA) and return on equity (ROE) fell to 9.2 percent and 13.8 percent, from the previous year's 10.1 percent and 14.9 percent, respectively, as equity and asset growth outpaced earnings growth (Figure 6).

Figure 6
Non-Stock Savings and Loan Associations (NSSLAs)
Profitability Trend
As of end-Periods Indicated



Source of data: Department of Supervisory Analytics

POLICY DIRECTION IN THE NSSLA INDUSTRY

Moving forward, the BSP, encouraged and driven by its financial inclusion policy, will help promote public awareness on NSSLAs as viable financial institutions and vehicle for inclusive growth. It will likewise continue to support plan to revisit R.A. No. 8367 to make the NSSLA framework attuned with the present industry circumstances, introduce provisions that may lead to further productivity and greater protection of members' welfare.

The BSP will also pursue further regulatory enhancements such as enhanced corporate governance standards for NSSLAs, and greater cooperation through strategic partnerships with key industry players and relevant government agencies. In this regard, the BSP shall continue to engage the NSSLA industry, through the Alliance of Non-Stock Savings and Loan Association, (ANSLI) Inc.

ENDNOTE:

[1] Data are up to end-March 2020 only due to the suspension of the submission of reporting requirements as part of the BSP operation relief measures during the strict community quarantine period (Memorandum Nos. 2020-011 and 2020-049 dated 19 March 2020 and 9 June 2020, respectively.

[2] 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.

Pawnshops and Money Service Businesses

Overview

The Philippines has faced 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 platform brings possible new opportunities and risks for pawnshops and MSBs. To address these challenges in customer onboarding and cyber resilience, the BSP adopts a 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.

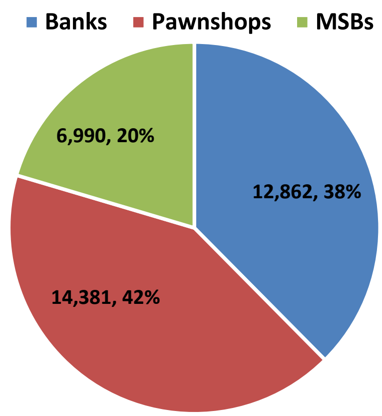
By the Numbers

- **94.5%** Percent of municipalities with at least 1 financial access point (BSP Q4 2019)
- **14,381** BSP-registered pawnshop head offices (HOs) and branches
- **6,990** BSP-registered MSB HOs and branches
- **4,523** Pawnshops and MSBs in NCR
- **173** Pawnshops and MSBs in ARMM

PAWNSHOPS AND MONEY SERVICE BUSINESSES (MSBs) REMAIN MAJOR FINANCIAL SERVICE ACCESS POINTS

BSP-registered Pawnshops and MSBs bucked the COVID-19 threat and posted network expansion with year-on-year (YoY) growth of 9.0 percent and 20.2 percent, respectively. Despite the network expansion and delisting of a significant player among MSBs, the respective industries exhibited concentration as the five biggest groups of pawnshops and MSBs make up 69.0 percent and 61.1 percent of the respective industries.

Figure 1. Major Financial Access Points
As of End-June 2020



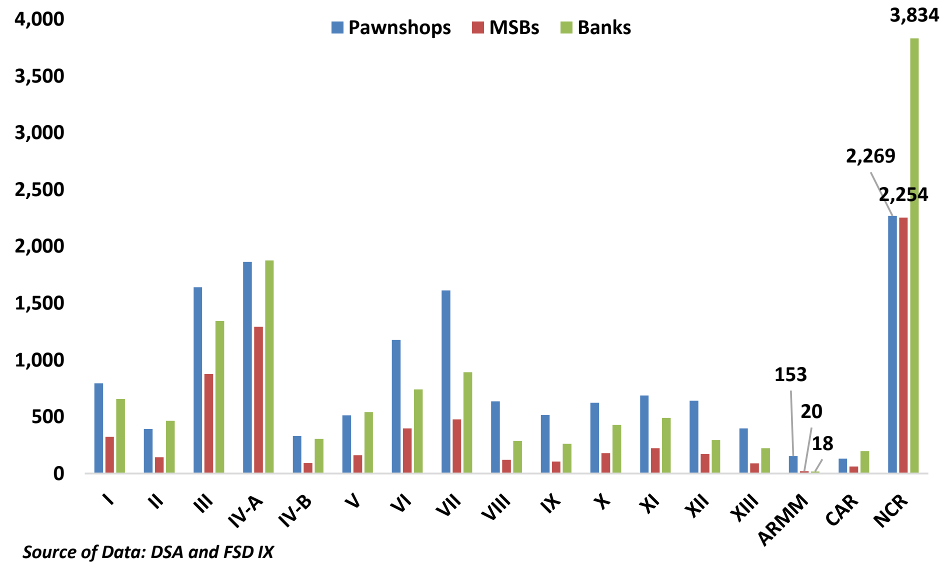
Source of Data: DSA and FSD IX

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 greatest number of financial access points with the Autonomous Region for Muslim Mindanao (ARMM) having the least (Figure 2).

Pawnshops and Money Service Businesses

Figure 2. Regional Distribution of Major Financial Access Points
As of End-June 2020

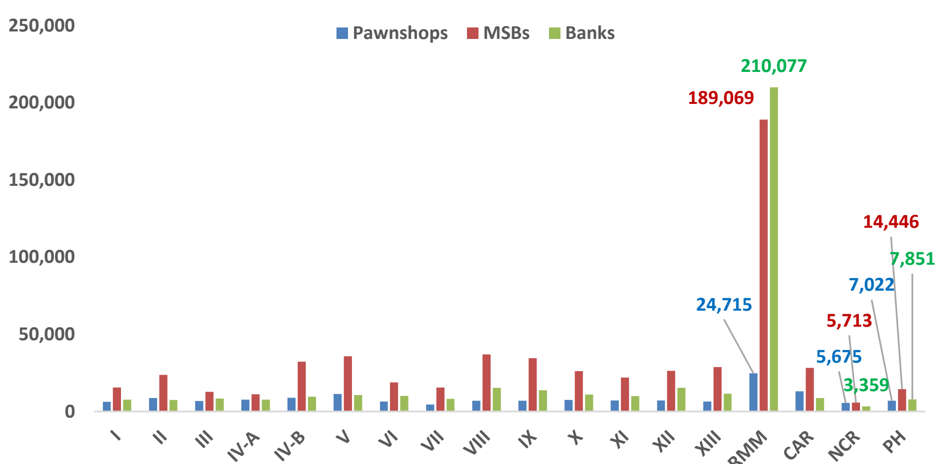


Source of Data: DSA and FSD IX

. . . 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-June 2020



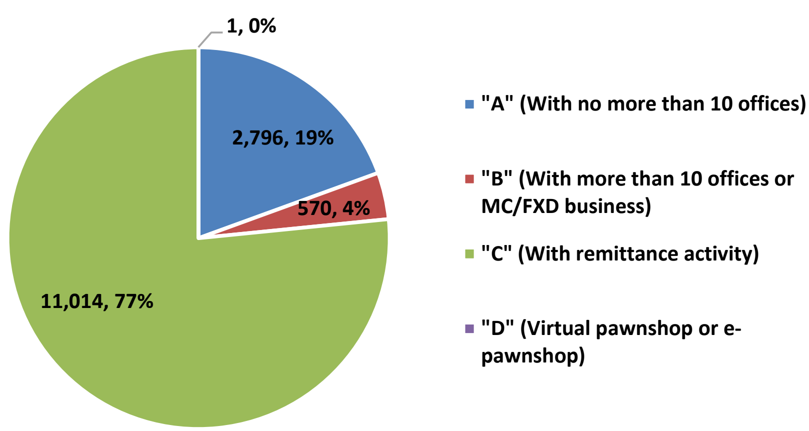
Source of Data: DSA and FSD IX

MOST PAWNSHOPS OFFER 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.

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, 143 pawnshop entities 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).

Figure 4. Type of Pawnshop Licenses
As of End-June 2020

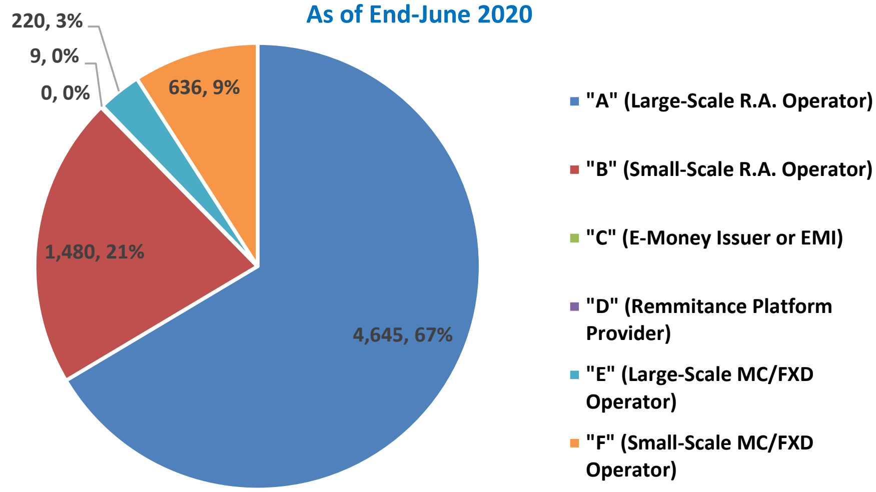


Source of Data: FSD IX

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).

Pawnshops and Money Service Businesses

Figure 5. Type of MSB Licenses
As of End-June 2020



Source of Data: FSD IX

MSB Types A, B, E and F include 193 pawnshop HOs and 11,641 branches multifunctioning as pawnshop/RTC/FXD/MC. MSBs include RTCs/MCs/FXDs which have large sophisticated chains with nationwide and international facilities.

MSBs CURVE THEIR NICHE IN 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.

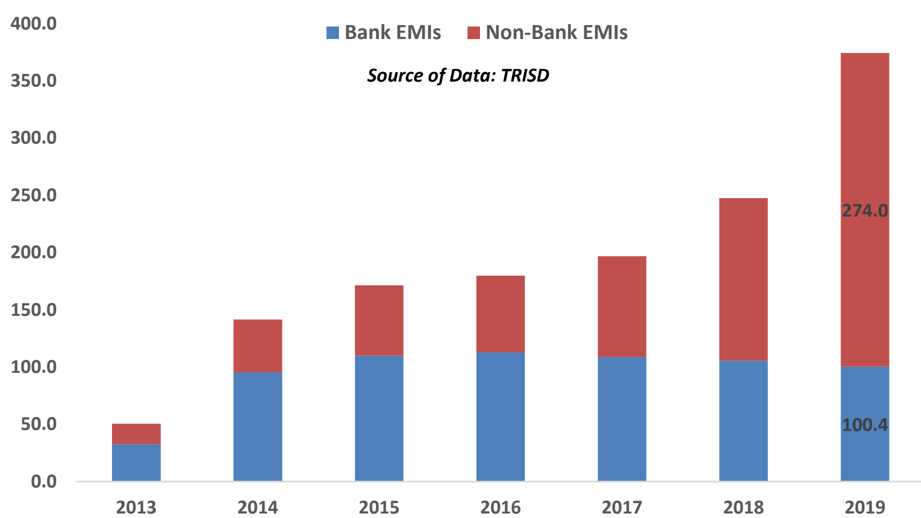
The MSBs' vast network provides access for every Filipino, especially the "unbanked" and the "underbanked" to avail of the basic financial products/services (e.g., payment of services and remittance). Access to these products carries the potential of improving the well-being of the poor and the growth 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

Since the issuance of Circular No. 649 in 2009[1], the e-money products have increased in usage and adoption in the Philippine market. The volume and value of e-money transactions in the country have increased as the consuming public has been increasingly becoming more attuned to the use of electronic gadgets for their payment needs, supported by an enabling environment.

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. The usage of e-money from 2013 to 2019 for the non-bank EMIs alone posted an average annual growth rate (AAGR) of 64.1 percent, which is almost twice the AAGR of banks (at 33.4 percent) for the same period (Figure 6)[2].

Figure 6. Usage of E-Money Per Issuer
As of End Periods Indicated; In Billions



By and large, this trend in e-money usage is expected to persist in the first half of 2020 as suggested by Box Article 2, entitled "Digital Payments and Cybercrimes During the Lockdown".

COVID-19 HAS GREATLY AFFECTED THE REMITTANCE INDUSTRY

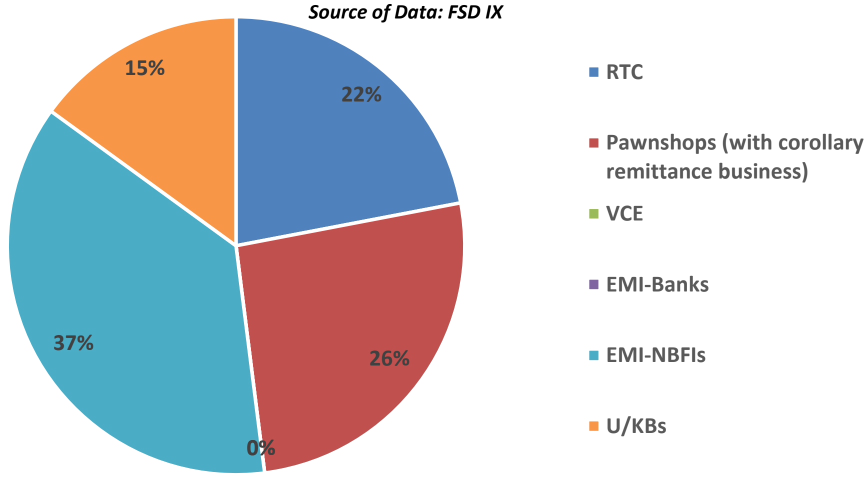
The outbreak of the COVID-19 poses challenges in the remittance market and operations as it affected the livelihood of migrant workers, both domestic and international. The Department of Foreign Affairs (DFA) and the Philippine Overseas Employment Administration (POEA) reported a large number of repatriation and displacement of Overseas Filipino Workers (OFWs) due to economic disruptions brought about by the pandemic.

As a net receiver of international remittances, the effects of the pandemic are seen as profound on the Philippine remittance market as the crisis affected the OFWs capacity to send remittances back home. OF cash remittances from three consecutive months have declined since March 2020. A notable 19.3 percent contraction was posted in May 2020 YoY. Cash remittance, in particular, is projected to decline by 5.0 percent in the end-December 2020, mainly due to large repatriation of overseas workers and major economic disruptions in host countries.

Remittance flows can take place through various channels. These include formal or regulated channels such as banks and money transfer operators or MSBs, which include pawnshops with corollary remittance activity, and informal channels such as sending via bus/courier companies, friends or relatives. Pawnshops with corollary remittance activity and MSBs such as RTCs, EMIs and VCEs, are the major access points for delivery of remittance services considering their reach all over the country. As of end-May 2020, there were 505 BSFIs with a total of 45,182 remittance access points. In terms of the number of physical operating units, pawnshops and MSBs have the wider reach at 85.0 percent of the total physical remittance access points, while U/KBs are at 15.0 percent share (Figure 7).

Figure 7. Remittance Channel by Total Operating Network

Source of Data: FSD IX



To have a baseline assessment of the impact of the COVID-19 crisis on the remittance industry and to aid in determining the appropriate regulatory measures that the BSP can undertake to assist the industry, the BSP conducted an impact survey on 06 May 2020 to selected remittance and transfer companies, U/KBs and EMIs with significant remittance operations (mainly for MSBs).

Preliminary results showed that the COVID-19 pandemic has greatly affected the remittance channels (RCs), with approximately 75.0 percent of the respondents reporting decline in the volume and value of both international and domestic remittances based on their transactions for the month of April 2020. The decline was mainly attributed to the loss/reduction in income of migrant workers due to the pandemic. The industry's prospect for international remittance is largely not favorable, with 54.0 percent expecting a decline in both volume and value of transactions, while 43.0 percent of them are forecasting a decline of more than 20.0 percent.

Pawnshops and Money Service Businesses

Meanwhile, ninety-three percent of the RCs remain operational during the community quarantine, which is attributed to a number of factors: (a) authority provided by the government for remittance service to be continuously offered even during the community quarantine period; (b) adoption of business continuity plan (BCP) made in adherence to BSP regulation, among others, to ensure business continuity; and (c) actions taken by the BSP to support the industry inclusive of issuance of regulatory relief measures, provision of Inter-Agency Task Force identification to facilitate mobility of RC personnel, coupled with constant monitoring and coordination of the BSP supervising departments with BSFIs.

In addition, the BSP conducted another survey in June 2020 to assess the impact of the COVID-19 pandemic on the NBFIs. The survey includes responses gathered from top 20 pawnshops and top 19 MSBs, representing 78.9 percent and 73.7 percent, respectively, of their industry network as of 31 May 2020.

Results of the survey revealed that many pawnshops observed weakening in loan quality and profitability. This could eventually affect their liquidity and capital. Meanwhile, some MSBs encountered difficulties in meeting liquidity requirements since their depository banks have limited operating hours. Further, restricted mobility has hampered the supply of cash across their branches.

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 a 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 particular, pawnshops and MSBs crafted recovery plans and have deferred/scaled down expansion plans. Pawnshops pursued other operational strategies (e.g., reduced manpower, streamline expenses, promotional initiatives) to cushion the impact on asset quality and sales; and are enhancing systems and technology capabilities, expanding products and services, and modifying processes to cope with the new normal.

THE BSP PURSUED SOME INITIATIVES RELATIVE TO COVID-19

The BSP conducted regular monitoring and daily surveillance of the pawnshops and MSBs operations, continuous engagement with the industry association, to help the BSP assess the situation at the ground and timely deployment of corresponding measures.

To help the pawnshop industry's ease access to liquidity and cash, the BSP has taken some initiatives. First, the BSP approved on 21 April 2020 the opening of operations of the Security Plant Complex-Gold Buying Station to accommodate pawnshop request while ensuring the safety and health of the BSP and BSFIs personnel concerned. Second, the BSP has provided additional supply of cash to Pawnshops' depository banks of up to three times their normal requirements. Third, the regulation on borrowing limits for pawnshops was temporarily relaxed by increasing the maximum borrowing limit from 50 percent to 70 percent of total pledged loans until 31 December 2021.

POLICY DIRECTION IN THE PAWNSHOP AND MSB INDUSTRY

Given the presence of pawnshops and MSBs nationwide, the BSP has instituted measures to strengthen the BSP and Local Government Units' surveillance functions and information sharing regarding pawnshops and money service business in particular, to ensure that these institutions comply with relevant laws and regulations. The LGUs and BSP will periodically provide information on pawnshops and MSBs issued with business permit and BSP license to operate.

Ultimately, this undertaking is aimed towards the pursuit of a common goal of promoting consumer protection—especially against illegal and unfair practices from entities operating without permits or licenses and those that are involved in money laundering or terrorist financing activities, so that Filipinos anywhere in the country can have access to legitimate financial services of their choice.

Pawnshops and Money Service Businesses

The results of the Baseline Assessment on the Impact of COVID-19 Pandemic on the Philippine Pawnshop Industry and MSBs which was rolled out on 23 June 2020 will also be used by the BSP to guide its engagement with Pawnshops and MSBs as the country gradually reopens the economy and to serve as guide post in the prioritization of regulatory and supervisory initiatives and activities, including policy direction.

ENDNOTES:

[1] Circular No. 649 dated 09 March 2009, or Guidelines governing the issuance of electronic money (e-money) and the operations of electronic money issuers (EMI) in the Philippines.

[2] Data are up to end-December 2019 only due to suspension of submission of reporting requirements as part of the BSP operation relief measures during the strict community quarantine period under Memorandum Nos. 2020-011 and 2020-049 dated 19 March 2020 and 09 June 2020, respectively.

Conclusion and Policy Direction

Conclusion

Indeed, the COVID-19 crisis is a crisis unlike any other and it did not emanate from financial sector vulnerabilities like the 1980 Debt Crisis, the 1997 Asian Financial Crisis or the 2007/08 Global Financial Crisis. Its far-reaching and evolving effects are strongly felt nonetheless by the financial sector. But, the Philippine economy has its green shoots towards recovery.

The domestic economy too was not spared. The Philippine economy contracted by 9 percent in the first half of the year, following 21 years of uninterrupted growth. This is mainly due to the Government's strict implementation of community quarantines in March to June 2020 in order to save lives and to boost the country's healthcare capacity.

Said economic contraction was not fully reflective of the country's strong fundamentals or prospects moving forward. The BSP expects the recovery process to commence sooner as more industries re-open following the relaxation of the quarantine measures throughout the country, and as more government stimulus measures are rolled out.

The country's gross domestic product (GDP) is expected to swing from a range of negative 7.0 to negative 9.0 percent this year, to a range of positive 6.5 to 7.5 percent next year and in 2022.

The BSP expects inflation to remain manageable and settle within the government's 2.0-4.0 percent target range by next year and in 2022. In particular, inflation is expected to average at 2.3 percent for 2020, 2.8 percent for 2021, and 3.0 percent for 2022.

The net inflows of foreign direct investments (FDI) is seen to improve from US$4.1 billion this year to US$6.5 billion next year as the economy further reopen and as business confidence globally will start to bounce back.

Economic contraction was not fully reflective of the country's strong fundamentals or prospects moving forward

On overseas Filipino remittances which fuel consumer-related loans of the banking system, the BSP forecasts a turnaround to 4 percent growth next year from a decline of 5 percent this year.

The strength of the Philippine Peso remains market-driven and supported by sound macroeconomic fundamentals. The peso averaged PHP48.41/US$1 as of 12 October 2020. The peso's strength was supported by positive market view given the country's manageable inflation environment, a strong and resilient banking system, prudent fiscal position, and a high level of international reserve buffer. These developments are fundamentally healthy and seen to aid the country's competitiveness and strengthen the domestic currency in the long run.

Fiscal position remains sound, with manageable fiscal deficit and low levels of government indebtedness. Outstanding external debt stood at US$87.5 billion as of end-June 2020 from the quarter-ago level of US$81.4 billion (start of ECQ). The rise in debt stock was due mainly to higher external borrowings to fund the financing requirements of the pandemic programs. Nevertheless, external debt maturity profile remained predominantly medium- to long-term. The debt service ratio (DSR) increased slightly to 7.8 percent from 7.7 percent a year ago. In terms of solvency ratios, external debt-to-GDP ratio increased to 23.7 percent due in part to the contraction in GDP.

Parallel to this, the BSP has injected a total of PHP1.9 trillion in the financial system, equivalent to 9.6 percent of GDP, as part of its liquidity-easing measures to address the impact of the pandemic.

Meanwhile, banks continued to operate and extend the required financial services to the economy despite the implementation of enhanced community quarantine (ECQ). In support, the BSP issued operational relief measures to its BSP supervised financial institutions (BSFIs). One of which is by suspending the submission of some bank reports during the strict community quarantine period. This is recognizing that the COVID-19 pandemic may result in the disruption of some bank operations. Hence, some of the data in this Report were as of end-March 2020.

Conclusion and Policy Direction

During the semester in review, the Philippine banking system (PBS) remained on solid footing amid the COVID-19 pandemic as shown by growth in assets, loans, deposits, profitability, as well as stable capital and liquidity buffers. Funded by deposit generation, bond issuances and capital infusion, the banking system's total resources continued to expand to support the country's financing needs especially during the pandemic.

Both the universal and commercial banking (U/KB) and rural and cooperative banking (RCB) industries posted growth in total assets, loans and deposits in the first semester of 2020. However, the thrift banking (TB) industry's total assets, loans and deposits declined, largely driven by the consolidation of subsidiary TBs with their parent banks. The loan quality of all banking industries remained satisfactory amid higher loan loss provisioning. Moreover, across all banking groups, net profitability was positive and capital adequacy ratio stayed above minimum thresholds.

Parallel to this, the BSP issued timely, time-bound and crucial monetary and regulatory relief measures to assist the BSFIs endure the COVID-19 crisis as well as to continue their support to households and business enterprises. These measures provide incentives for BSFIs to extend financial relief to their borrowers, make credit available to consumers and particularly micro, small and medium enterprises (MSMEs), promote continued access to credit/financial services, support continued delivery of financial services to enable consumers to complete financial transactions during the enhanced community quarantine (ECQ) period, and support the level of domestic liquidity.

Indeed, the Philippine financial system entered the COVID-19 crisis from a position of strength. It remained sound and stable during the crisis as manifested by key balance sheet and profitability indicators and supported by the enabling regulatory and supervisory framework of the BSP. Moving forward, the COVID-19 pandemic necessitates constant surveillance and continuing enhancements of the regulatory and supervisory framework to be at pace with fast evolving market landscape and its potential vulnerabilities.

POLICY DIRECTION MOVING FORWARD

Over the short run, there is a need to closely and frequently monitor risk dynamics in a holistic manner to capture the true health of financial institutions following the adoption of relief measures. Financial supervisors should continue to engage these BSFIs in understanding how the COVID-19 situation has affected their business model, quality of assets, lending capacity, liquidity position, business operations and overall risk profile, how they are managing risks on their exposure and the role of the board and management in these activities. More high-frequency banking indicators are also needed to track the developments and impact of the pandemic. Given the intensity of the impact and the speed of the spread of the COVID-19 shock, keeping track of the fast-changing situation is crucially important.

MORE INTENSE OFF-SITE SURVEILLANCE

During the pandemic, the BSP-Financial Supervision Sector (FSS) conducted weekly monitoring of financial and operational developments of the BSFIs, including the domestic systemically important banks. These were formalized in more offsite supervision tools by Financial Supervision Departments (FSDs) as part of Supervisory Assessment Framework (SAFr) and separate thematic assessments such as the Liquidity Report, PESONet and InstaPay, The New Norm in Payments, Surveillance Report on COVID-19 Themed Cyber-Attacks, Remit Express, Analysis on Bank Exposures, The Anti-Money Laundering/Countering the Financing of Terrorism Surveillance Report and Weekly Banking Sector Highlights. More stress-testing exercises were conducted during the pandemic. These are then used to analyze emerging risks and vulnerabilities that could warrant supervisory actions and are consolidated in the Banking Sector Risk Analysis (BSRA). To identify possible supervisory actions, the FSS rolled out a Comprehensive Baseline Survey of BSFIs to assess the impact of the COVID-19 pandemic on the financial and operational performance of banks, particularly on asset quality, liquidity position, profitability, and capital position as well as on digital payments and cyber resilience.

CALIBRATION OF EXIT STRATEGIES OF THE BSP RELIEF MEASURES

The exit strategies of the relief measures needs to be carefully calibrated. Granular and forward-looking data on the impact of pandemic on credit worthiness of borrowers (corporations and households) and their capacity to pay based on surveys, balance sheet analysis and quantitative modeling will be extremely useful to financial supervisors. The BSP intends to work closely with BSFIs on the timing of a possible exit strategy with precise and clear communication on the features of exit strategies and possible impact to the financial system.

MONITORING OF KEY REFORMS ADOPTED TOWARDS CAPITAL MARKET DEEPENING AND FINANCIAL STABILITY

The BSP will continue to monitor financial market developments following the key reforms implemented by the BSP towards deepening of domestic capital market and sustaining financial stability:

ISSUANCE OF BSP SECURITIES. BSP Securities are monetary instruments issued by the BSP under the Interest Rate Corridor (IRC) framework for its monetary policy implementation and liquidity management operations. BSP Securities will likewise add to the pool of risk-free assets in the financial system alongside the securities issued by the National Government which can be traded for liquidity purposes. Through the regular auction of BSP Securities, the issuance of BSP Securities can contribute to improved price discovery for debt instruments and support monetary policy transmission in the process. The BSP and the Bureau of the Treasury (BTr) signed the Memorandum of Agreement (MOA) for the linkage of the BSP's Monetary Operations System (MOS) and the BTr's National Registry of Scripless Securities (NRoSS)[1] on 1 July 2020. The connectivity of the BSP's MOS to the BTr's NRoSS is an integral part of the process for the issuance of BSP Securities.[2]

DIGITAL PERSONAL EQUITY AND RETIREMENT ACCOUNT (PERA). On a macro perspective, PERA plays a pivotal role in capital market development and in driving economic growth by accumulating long-term savings and increasing the availability of funds for long-term investments. PERA is a voluntary retirement account that can be a supplementary source of retirement benefits in addition to state-sponsored retirement programs implemented by the Social Security System or Government Service Insurance System. PERA is structured to encourage Filipinos to invest in long-term retirement saving/investment products while enjoying certain tax incentives. Its digitalization is seen to enable PERA-accredited banks and financial institutions to provide convenient and affordable retirement saving products. The digital PERA will allow Filipinos to invest in PERA investment products anytime, anywhere using only their mobile phones and other devices. This is firmly in line with the BSP's thrust to foster digitalization in the financial system and to bring the BSP closer to the people.

AMENDMENTS TO THE REGULATIONS GOVERNING PERA. The guidelines are issued in order to provide guidance on the administration and recording of PERA funds under a self-custody arrangement and to ensure adherence to the Revised PERA Rules. To streamline the PERA investment process and improve operational efficiency, the Revised PERA Rules introduced the PERA cash self-custody arrangement[3]. The amendment also granted the concerned regulatory authority the flexibility to issue rules and regulations with respect to the accreditation requirements for custodians and administrators and to prescribe the basic security deposit for the faithful performance of Administrator's duties.

SUSTAINABLE FINANCE. The BSP's Sustainable Finance Framework (Circular No. 1085 dated 29 April 2020) provides high-level expectations on the integration of sustainability principles in the corporate governance, risk management systems, business objectives and operations of banks. The BSP is also a member of the Network for Greening the Financial System (NGFS), a group of central banks and supervisors organized to enhance the role of the financial sector in managing climate and other environment-related risks and mobilize capital to support the transition towards a sustainable economy. This is part of the BSP's initiatives to promote the sustainability agenda in the financial system.

Likewise, in 2019, the Securities and Exchange Commission (SEC) issued guidelines on the issuance of green/social/ sustainability bonds under the Association of Southeast Asian Nations (ASEAN) Green/Social/Sustainability Bond Standards. With the global move towards sustainable development and the growing demand for sustainable investments, it is expected that these guidelines will assist companies in attracting global investors who have committed to increasing their green and social impact.

PRUDENTIAL RELIEF ON DEBT SECURITIES HELD BY MARKET MAKERS. The BSP approved the exclusion of debt securities acquired as a result of market making activities of BSFI from the Single Borrowers Limit (SBL) for 90 and 60 calendar days as part of the BSP's commitment to contribute to capital market development in the country by promoting liquidity and price transparency in the market. The SBL relief will provide BSFIs with additional latitude to engage in market making activities and enable them to continue providing prices for the debt securities in the secondary market as well as to make available an exit mechanism for investors to liquidate their holdings.

OTHERS

THE BUREAU OF TREASURY (BTR) IS EXPLORING THE FEASIBILITY OF ISSUING THE FIRST SOVEREIGN SUKUK IN CONSULTATION WITH THE ASIAN DEVELOPMENT BANK (ADB) relative to the implementation of the Islamic Banking Law which is spearheaded by the BSP in coordination with other relevant regulation agencies. The ADB recently extended the timelines of the Technical Assistance Agreement with the Government to include providing assistance to the DOF/BTr in the drafting of relevant regulations and structures in the issuance of the country's first sovereign sukuk. The aim is to jumpstart the Islamic capital market that will supplement the expanded Islamic banking system being developed by the BSP.

CEILING ON FINANCE CHARGES FOR CREDIT CARD RECEIVABLES. Banks shall impose a maximum finance charge equivalent to an effective annual interest rate of 24 percent for credit card cash advances and installment purchases. The maximum finance charge shall be subject to a review every six (6) months. Banks shall only charge interest or finance charges arising from the non-payment in full or on time of the outstanding balance based on the unpaid amount of the outstanding balance as of statement cut-off date.

PASSAGE OF KEY LEGISLATION TO ADDRESS THE IMPACT OF THE COVID-19 PANDEMIC

The BSP is also working with both houses of Congress for the passage of key legislation that will help BSFIs address the impact of the pandemic.

First is the Financial Institutions Strategic Transfer (FIST) Act that will assist the financial system in performing its role of efficiently mobilizing savings and investments toward productive sectors of the economy.

Second is the Government Financial Institutions (GFIs) Unified Initiatives to Distressed Enterprises for Economic Recovery (GUIDE) Bill which seeks to strengthen the capacity of Government Financial Institutions, including: the Land Bank and the DBP in providing the needed assistance to MSMEs, and other strategically important companies (SIC).

Lastly, the amendment of the Agri-Agra Bill that aims to strengthen rural development by providing for a holistic approach in addressing the financing needs of the broader agricultural financing ecosystem.

VIGOROUS PURSUIT OF BSP REFORM AGENDA

Over the long run, the BSP will not lose sight of its reform agenda.

Conclusion and Policy Direction

ISLAMIC BANKING

On 27 December 2019, shortly after Republic Act No. 11439 (An Act Providing for the Regulation and Organization of Islamic Banks) took effect in September 2019, the BSP issued the preliminary implementing regulations consisting of (a) Circular No. 1069 on the Guidelines on the Establishment of Islamic Banks and Islamic Banking Units (IB/IBUs), and (b) Circular No. 1070 on the Shari'ah Governance Framework.

Circular No. 1069 issued in December 2019 specifically covers the risk-based licensing framework for IB/IBU which is aligned with the BSP's risk-based licensing framework and ease of doing business concept. Coupled with the ongoing policy initiatives on digital banking, greater prospects are anticipated for the Islamic bank (IB) or Islamic banking unit (IBU) in 2-3 years as soon the economies adjust to the New Economy Arrangements. This will be aligned with the completion of the supportive regulatory framework.

Moreover, the BSP Task Force on Islamic Banking continues to conduct policy studies to implement the provisions covering prudential reporting, liquidity and capital adequacy framework for Islamic banks or IBUs. The ongoing policy initiatives for IB/IBU programmed until 2021 includes the reporting framework, liquidity framework, capital adequacy and leverage ratio framework, and customized training modules on Islamic Banks.

SUSTAINABLE FINANCE

Corollary to this, the BSP is embracing the principles of sustainable development. The BSP has launched the Sustainable Central Banking program as part of its strategic objectives. This program aims to integrate environmentally responsible and sustainable policies and work practices within the BSP.

The BSP is embracing the principles of sustainable development

Conclusion and Policy Direction

Cognizant of the risks posed by climate-related and sustainability issues to the stability of the financial system as well as the inherent role of the BSP as the regulator to "lead by example", the Sustainable Central Banking Program was pursued by the BSP as part of its Strategy Map for 2020-2023. This is the commitment of the BSP to promote sustainable growth by fostering environmentally responsible and sustainable policies and work practices. Likewise, "leading by example" is one of the best ways to usher the transition and shape the behavior of supervised institutions towards the adoption of sustainability principles in their corporate governance, risk management systems, strategic objectives and operations.

Considering the multi-dimensional nature and considerable challenges in embedding sustainability within the BSP, the Sustainable Central Banking Program adopts a phased approach to implementation. In the first phase, the BSP will endeavor to build awareness and increase understanding among the Top-Level and Middle-Level Management on sustainability concepts, Environmental Social and Governance (ESG) integration, and various climate and environmental risks in relation to the BSP mandate. The BSP has partnered with various development partners for the conduct of targeted and/or ladderized capacity-building workshops for BSP officers and staff.

In the second phase, the BSP will conduct two layers of assessment on the impact of climate change to BSP offices and operations. First is on the vulnerability assessment on the potential impacts of climate change and other environmental risks in the BSP branches and offices. Second is on the self-assessment exercise to determine the effect of climate change and other environment related factors to the BSP operations and vice-versa. This will also cover stock-taking of existing mitigating measures and identify specific goals and priority plans for the transition of BSP units.

For the banking industry, the BSP will also be issuing enabling regulations on sustainability or Environmental, Social and Governance (ESG)-related guidelines in phases to encourage the financial services industry to invest in activities that will promote climate-resilient, green, and sustainable growth.

Conclusion and Policy Direction

Thus, the Roadmap will provide the key steps or milestones, plans, and strategies towards the adoption of sustainability principles in the regulatory and supervisory framework and integration of ESG factors in the BSP's culture, core values and governance, enterprise-wide risk management system, consumer protection and financial education advocacies, investment management decisions, and other operational activities/functions.

THE BSP DIGITAL PAYMENTS TRANSFORMATION ROADMAP 2020-2023

The BSP Digital Payments Transformation Roadmap aims to have an efficient, inclusive, safe and secure digital payments ecosystem that supports the diverse needs and capabilities of individuals and firms, towards achievement of the BSP's mandates.

The roadmap identifies two key strategic objectives: (1) converting 50 percent of the total volume of retail payments into digital form and expanding the number of the financially included to 70 percent of Filipino adults, and (2) availability of more innovative digital financial products and services designed to be responsive to the needs of consumers.

It is anchored on three pillars: (a) digital payment streams, (b) digital finance infrastructure, and (c) digital governance standards, which are envisaged to successfully transform the cash-heavy Philippine economy into a cash-lite economy. These are aimed at broadening the use of digital payment platforms, ensuring that these are supported by robust infrastructure and governed by internationally recognized standards.

Amid the pandemic, the BSP launched two crucial projects: the financial institutions portal (FI) and the BSP Online Buddy (BOB). The FI portal is an online secure web-based facility that will replace email submission of reports, while BOB is a chatbot designed to respond to consumer concerns. These artificial intelligence inspired projects will enable the BSP to gain more access to high-quality and granular information from its supervised institutions and the banking public for policy making and supervisory research in the future.

Further, the COVID-19 pandemic has been a catalyst for the accelerated digital transformation of financial services. Clearly, it presents an opportunity for the BSP to advance its digitalization initiatives. Under its three-year digital payments transformation roadmap, the BSP is in the process of laying the enabling framework for: (1) Digital banking, (2) Open banking, (3) Data Governance and Ethical Use of Data for Banks, and (4) Open Architecture/Cross-selling.

The establishment of digital banks will largely offer financial products and services through digital platform or electronic channels with minimal reliance on physical touchpoints in the market.

The BSP is also looking into the adoption of an Open Banking ecosystem which espouses consent-driven data portability, interoperability and collaborative partnerships among incumbent financial institutions and new third party players. Through open banking, third parties such as FinTechs will be allowed to access financial information needed to develop innovative applications and services and provide account holders with greater financial options.

Since a digital ecosystem is heavily dependent on the transferability and use of electronic data, the BSP's third priority is the setting of policies on data governance and the ethical use of data.

Finally, an open architecture on the sale and provision of financial services is being designed to allow financial institutions to market and offer financial products of other financial institutions in their own app or website. This will support the propagation of digital financial products and broaden the range of institutions that can serve as touch points for offerings of different providers.

DEVELOPMENT OF CREDIT RISK DATABASE FOR MSMES

The BSP is also working with the Japanese Government on the development a Credit Risk Database for MSMEs. This is expected to be an important market infrastructure which will lessen the dependence of banks on collateral and increase MSME access to financing.

On the whole, the concerted efforts of the BSP and the industry to support economic recovery and growth will reinforce market confidence and sustained stability of the Philippine financial system over the medium-term. The inherent strength of the financial system and the economy have also laid the foundation of resilience and early signs of recovery from the impact of the COVID-19 pandemic.

ENDNOTES:

[1] The NRoSS is an electronic registry system for government securities (GS) and facilitates the settlement and recording of transfers of GS through an established interface with the trading platform for secondary market trades and the BSP's Philippine Payment and Settlement System (PhilPaSS)

[2] The MOS is a web-based electronic platform that enables counterparties to participate in the BSP's peso liquidity facilities. The MOS-NRoSS linkage will facilitate the seamless process of the auction of BSP-issued securities and the registry and recording of these securities to enable primary market issuance and secondary market trading.

[3] Under this arrangement, the Contributor will have the option to be the custodian of his own PERA funds and income thereof.

List of Appendices

Appendix 1. Philippine Banking System: Financial Highlights

Levels (P Billion)	End-December 2017	2018	2019	End-June 2019	2020 p/
Income Statement					
Total Operating Income	590.8	668.1	796.3	377.2	451.4
Net Interest Income	447.4	515.6	605.2	287.2	332.5
Non-interest Income	143.4	152.5	191.1	90.0	118.9
Non-Interest Expenses	378.2	432.3	483.2	232.3	241.4
Losses/Recoveries on Financial Assets	(33.7)	(31.9)	(51.2)	(18.2)	(104.2)
Provision for Credit Losses on Loans & Other Fin'l Assets	(35.0)	(35.5)	(52.9)	(19.7)	(104.5)
Bad Debts Written Off	(3.3)	(3.4)	(3.9)	(1.9)	(1.4)
Recovery on Charged-Off Assets	4.5	6.9	5.6	3.4	1.8
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	178.9	203.9	261.9	126.7	105.8
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	27.9	22.5	25.4	12.4	4.9
Total Profit/Loss Before Tax and Before Minority Interest	206.8	226.4	287.2	139.1	110.8
Income Tax Expense	38.7	46.7	56.6	28.1	24.3
Total Profit/Loss After Tax and Before Minority Interest	168.1	179.7	230.7	111.0	86.5
Minority Interest in Profit/(Loss) of Subsidiaries	-	-	-	-	-
Net Profit/(Loss)	168.1	179.7	230.7	111.0	86.5
Balance Sheet					
Total Assets 1/	15,166.2	16,916.1	18,338.2	17,250.1	18,608.9
Cash and Due from Banks	2,713.5	2,605.1	2,804.1	2,358.9	3,333.3
Financial Assets, gross (Other than Loans)	2,914.5	3,464.2	3,734.2	3,763.8	3,700.6
Financial Assets Held for Trading (HFT)	177.5	211.4	198.8	255.7	294.5
Financial Assets Designated at Fair Value through Profit or Loss	17.0	22.4	2.2	2.9	3.5
Available-for-Sale (AFS) Financial Assets	1,070.0	816.0	1,125.6	1,041.9	1,577.5
Held-to-Maturity (HTM) Financial Assets	1,542.4	2,414.3	2,407.5	2,463.3	1,825.0
Unquoted Debt Securities Classified as Loans (UDSCL)	88.3	0.1	-	-	-
Investments in Non-Marketable Equity Securities (INMES)	19.3	. . .	. . .	-	-
Accumulated Market Gains/(Losses)	(9.8)	(12.3)	22.7	20.3	44.5
Allowance for Credit Losses	23.5	17.6	18.0	17.9	19.3
Financial Assets, net (Other than Loans)	2,881.2	3,434.3	3,738.9	3,766.2	3,725.8
Loans, gross (inclusive of IBL)	8,865.6	10,077.9	10,966.1	10,288.6	10,824.6
Interbank Loans Receivable (IBL)	252.0	256.2	226.7	283.3	295.5
Loans, gross (exclusive of IBL)	8,613.6	9,821.7	10,739.4	10,005.2	10,529.2
Reverse Repurchase (RRP) with BSP and Other Banks	365.8	377.6	420.2	371.6	224.2
Loans, gross (exclusive of IBL and RRP with BSP and Other Banks)	8,247.7	9,444.1	10,319.2	9,633.7	10,304.9
Allowance for Probable Losses	184.3	187.1	207.5	201.4	301.4
Loans, net (exclusive of IBL and RRP with BSP and Other Banks)	8,063.5	9,256.9	10,111.7	9,432.2	10,003.5
Equity Investment in Subsidiaries, Associates and Joint Ventures, net	253.9	297.4	301.5	314.0	259.4
ROPA, net	92.3	96.8	96.9	91.0	93.5
Other Assets, net	543.9	591.7	638.2	633.0	673.6
Total Liabilities	13,409.4	14,848.0	16,019.6	15,048.6	16,239.6
Financial Liabilities Held for Trading	32.5	40.0	35.0	42.4	47.1
Financial Liabilities DFVPL	-	-	-	-	-
Deposits	11,727.0	12,764.1	13,669.5	12,859.1	14,243.8
Peso Liabilities	9,753.0	10,646.9	11,562.9	10,719.3	12,034.1
Foreign Currency	1,973.9	2,117.2	2,106.6	2,139.8	2,209.7
Bills Payable	787.2	936.1	867.3	905.0	525.7
Unsecured Subordinated Debt	87.0	86.9	48.0	70.9	33.8
Redeemable Preferred Shares	0.9	0.9	0.3	0.3	0.3
Other Liabilities	774.8	1,020.1	1,399.5	1,170.9	1,389.0
Total Capital Accounts 2/	1,756.8	2,068.1	2,318.6	2,201.5	2,369.3

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

p/ Preliminary; Data for RCBs as of end-March 2020
Figures may not add up due to rounding-off
. . . Less than P0.05 billion

Appendix 2. Philippine Banking System: Growth Rates

Growth Rates	End-December			End-June	
	2017	2018	2019	2019	2020 p/
Income Statement					
Total Operating Income	10.4%	13.1%	19.2%	16.5 %	19.7 %
Net Interest Income	15.9%	15.2%	17.4%	17.8 %	15.8 %
Non-interest Income	(3.8%)	6.4%	25.3%	12.4 %	32.1 %
Non-Interest Expenses	10.8%	14.3%	11.8%	10.9 %	3.9 %
Losses/Recoveries on Financial Assets	12.3%	(5.4%)	60.3%	15.2 %	471.2 %
Provision for Credit Losses on Loans & Other Fin'l Assets	(1.6%)	1.4%	49.1%	13.4 %	429.4 %
Bad Debts Written Off	(12.1%)	3.2%	14.9%	14.5 %	(24.5%)
Recovery on Charged-Off Assets	(51.0%)	53.2%	(18.8%)	5.5 %	(48.1%)
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	9.3%	14.0%	28.4%	28.7 %	(16.5%)
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	24.8%	(19.3%)	12.6%	23.8 %	(60.2%)
Total Profit/Loss Before Tax and Before Minority Interest	11.1%	9.5%	26.9%	28.2 %	(20.4%)
Income Tax Expense	21.9%	20.6%	21.2%	30.3 %	(13.7%)
Total Profit/Loss After Tax and Before Minority Interest	8.9%	6.9%	28.4%	27.7 %	(22.1%)
Minority Interest in Profit/(Loss) of Subsidiaries					
Net Profit/(Loss)	8.9%	6.9%	28.4%	27.7 %	(22.1%)
Balance Sheet					
Total Assets 1/	11.6%	11.5%	8.4%	9.8 %	7.9 %
Cash and Due from Banks	(1.9%)	(4.0%)	7.6%	(2.1%)	41.3 %
Financial Assets, gross (Other than Loans)	12.3%	18.9%	7.8%	16.2 %	(1.7%)
Financial Assets Held for Trading (HFT)	5.5%	19.1%	(5.9%)	26.3 %	15.2 %
Financial Assets Designated at Fair Value through Profit or Loss	91.1%	31.8%	(90.1%)	(80.6%)	22.8 %
Available-for-Sale (AFS) Financial Assets	3.1%	(23.7%)	37.9%	18.7 %	51.4 %
Held-to-Maturity (HTM) Financial Assets	23.0%	56.5%	(0.3%)	18.5 %	(25.9%)
Unquoted Debt Securities Classified as Loans (UDSCL)	(16.9%)	(99.9%)	(100.0%)	(100.0%)	
Investments in Non-Marketable Equity Securities (INMES)	(1.9%)	(99.8%)	3.0%	(100.0%)	
Accumulated Market Gains/(Losses)	78.6%	24.8%	(284.7%)	(247.8%)	119.8 %
Allowance for Credit Losses	(5.4%)	(25.0%)	1.8%	(20.7%)	8.1 %
Financial Assets, net (Other than Loans)	12.3%	19.2%	8.9%	17.6 %	(1.1%)
Loans, gross (inclusive of IBL)	16.5%	13.7%	8.8%	10.0 %	5.2 %
Interbank Loans Receivable (IBL)	(5.4%)	1.7%	(11.5%)	1.1 %	4.3 %
Loans, gross (exclusive of IBL)	17.3%	14.0%	9.3%	10.3 %	5.2 %
Reverse Repurchase (RRP) with BSP and Other Banks	(3.1%)	3.2%	11.3%	7.6 %	(39.7%)
Loans, gross (exclusive of IBL and RRP with BSP and Other Banks)	18.4%	14.5%	9.3%	10.4 %	7.0 %
Allowance for Probable Losses	6.6%	1.6%	10.9%	1.0 %	49.6 %
Loans, net (exclusive of IBL and RRP with BSP and Other Banks)	18.7%	14.8%	9.2%	10.6 %	6.1 %
Equity Investment in Subsidiaries, Associates and Joint Ventures, net	6.0%	17.1%	1.4%	12.9 %	(17.4%)
ROPA, net	0.9%	4.8%	0.1%	(5.1%)	2.7 %
Other Assets, net	10.9%	8.8%	7.8%	11.4 %	6.4 %
Total Liabilities	11.3%	10.7%	7.9%	9.3 %	7.9 %
Financial Liabilities Held for Trading	(9.9%)	22.8%	(12.4%)	(4.7%)	11.1 %
Financial Liabilities DFVPL					
Deposits	11.6%	8.8%	7.1%	5.8 %	10.8 %
Peso Liabilities	12.0%	9.2%	8.6%	6.0 %	12.3 %
Foreign Currency	9.8%	7.3%	(0.5%)	4.8 %	3.3 %
Bills Payable	11.8%	18.9%	(7.3%)	37.1 %	(41.9%)
Unsecured Subordinated Debt	(3.0%)	(0.1%)	(44.8%)	(18.4%)	(52.4%)
Redeemable Preferred Shares	2.7%	(0.9%)	(66.7%)	(66.0%)	(13.8%)
Other Liabilities	9.7%	31.7%	37.2%	42.5 %	18.6 %
Total Capital Accounts 2/	13.5%	17.7%	12.1%	13.5 %	7.6 %

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

p/ Preliminary; Data for RCBs as of end-March 2020

Appendix 3. Philippine Banking System: Selected Performance Indicators

Selected Ratios	End-December 2017	End-December 2018	End-December 2019	End-June 2019	End-June 2020 p/
Profitability					
Earning Asset Yield 1/	4.3 %	4.7 %	5.4 %	5.3 %	5.3 %
Funding Cost 2/	1.1 %	1.4 %	1.9 %	1.9 %	1.6 %
Interest Spread 3/	3.2 %	3.3 %	3.5 %	3.4 %	3.7 %
Net Interest Margin 4/	3.3 %	3.4 %	3.7 %	3.6 %	3.9 %
Non-Interest Income to Total Operating Income 5/	24.3 %	22.8 %	24.0 %	22.5 %	25.3 %
Cost-to-Income 6/	63.8 %	64.4 %	60.3 %	62.9 %	56.5 %
Return on Assets (ROA) 7/	1.2 %	1.1 %	1.3 %	1.2 %	1.2 %
Return on Equity (ROE) 7/	10.2 %	9.4 %	10.5 %	9.8 %	9.1 %
Liquidity					
Cash and Due from Banks to Deposits	23.1 %	20.4 %	20.5 %	18.3 %	23.4 %
Liquid Assets to Deposits 8/	47.7 %	47.3 %	47.9 %	47.6 %	49.6 %
Loans, gross to Deposits	75.6 %	79.0 %	80.2 %	80.0 %	76.0 %
Asset Quality					
Restructured Loans to Total Loan Portfolio (TLP)	0.5 %	0.4 %	0.4 %	0.4 %	0.4 %
Allowance for Credit Losses (ACL) to TLP	2.1 %	1.9 %	1.9 %	2.0 %	2.8 %
Gross Non-Performing Loans (NPL) to TLP [NPL Ratio]	1.7 %	1.8 %	2.0 %	2.1 %	2.5 %
Net NPL to TLP	0.8 %	0.9 %	1.1 %	1.1 %	1.3 %
NPL Ratio net of IBL	1.8 %	1.8 %	2.1 %	2.2 %	2.6 %
NPL Coverage Ratio (ACL to Gross NPL)	120.4 %	105.2 %	92.6 %	93.3 %	109.9 %
Non-Performing Assets (NPA) to Gross Assets [NPA Ratio]	1.7 %	1.7 %	1.8 %	1.9 %	2.1 %
NPA Coverage Ratio (Allowance on NPA to NPA)	81.6 %	75.7 %	70.3 %	71.3 %	85.8 %
ROPA to Gross Assets Ratio	0.7 %	0.6 %	0.6 %	0.6 %	0.6 %
ROPA Coverage Ratio	26.9 %	27.0 %	26.7 %	27.2 %	27.9 %
Distressed Assets	3.2 %	3.0 %	3.2 %	3.3 %	3.7 %
Capital Adequacy					
Total Capital Accounts to Total Assets 9/	11.6 %	12.2 %	12.6 %	12.8 %	12.7 %
Capital Adequacy Ratio (Solo) 10/ 11/	14.4 %	14.8 %	15.4 %	15.3 %	15.3 % a/
Common Equity Tier 1 (CET1) Ratio	12.6 %	13.2 %	14.1 %	13.8 %	14.0 %
Capital Conservation Buffer	6.6 %	7.2 %	8.1 %	7.8 %	8.0 %
Tier 1 Ratio	12.7 %	13.2 %	14.1 %	13.8 %	14.1 %
Capital Adequacy Ratio (Consolidated) 10/ 11/	15.0 %	15.4 %	16.0 %	15.9 %	15.9 % a/
Common Equity Tier 1 (CET1) Ratio	13.3 %	13.8 %	14.8 %	14.5 %	14.7 %
Capital Conservation Buffer	7.3 %	7.8 %	8.8 %	8.5 %	8.7 %
Tier 1 Ratio	13.3 %	13.9 %	14.8 %	14.5 %	14.7 %

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

p/ Preliminary; Data for RCBs as of end-March 2020
a/ Preliminary CAR data for U/KBs as of end-March 2020

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

End-June 2020 p/	Total	UNIVERSAL BANKS	COMMERCIAL BANKS	THRIFT BANKS	RURAL BANKS	COOPERATIVE BANKS
TOTAL	**12,912**	**6,420**	**573**	**2,654**	**3,102**	**163**
Head Offices	**541**	**21**	**25**	**48**	**422**	**25**
Branches/Other Offices	**12,371**	**6,399**	**548**	**2,606**	**2,680**	**138**
Regular Branch	9,902	6,184	533	1,748	1,324	113
Branch-Lite Unit	2,278	181	15	844	1,213	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-June 2019	End-June 2020 p/		
		Total	Total	Head Offices	Branches/ Other Offices
TOTAL		**12,543**	**12,912**	**541**	**12,371**
Nationwide		**12,494**	**12,862**	**541**	**12,321**
National Capital Region (NCR)		**3,764**	**3,834**	**78**	**3,756**
Luzon		**5,248**	**5,386**	**293**	**5,093**
Region I	- Ilocos	643	656	36	620
Region II	- Cagayan Valley	449	464	28	436
Region III	- Central Luzon	1,307	1,344	77	1,267
Region IV-A	- CALABARZON	1,840	1,878	95	1,783
Region IV-B	- MIMAROPA	292	306	22	284
Region V	- Bicol	524	540	20	520
Cordillera Administrative Region (CAR)		193	198	15	183
Visayas		**1,832**	**1,922**	**98**	**1,824**
Region VI	- Western Visayas	703	742	45	697
Region VII	- Central Visayas	861	892	38	854
Region VIII	- Eastern Visayas	268	288	15	273
Mindanao		**1,650**	**1,720**	**72**	**1,648**
Region IX	- Zamboanga Peninsula	240	262	15	247
Region X	- Northern Mindanao	409	429	25	404
Region XI	- Davao Region	477	491	13	478
Region XII	- SOCCSKSARGEN 1/	285	296	10	286
ARMM		18	18	1	17
CARAGA		221	224	8	216
Overseas		**49**	**50**		**50**
Asia-Pacific		20	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.

p/ Preliminary

Appendix 5. Philippine Banking System: Density Ratio

		End-June 2019		End-December 2019		End-June 2020 p/	
		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**	**8,667**	**8**	**8,445**	**8**	**8,183**
National Capital Region (NCR)		**221**	**3,495**	**225**	**3,438**	**237**	**3,287**
Luzon		**7**	**9,102**	**7**	**8,914**	**7**	**8,686**
Region I	- Ilocos	5	8,373	5	8,283	5	7,986
Region II	- Cagayan	5	8,218	5	7,935	5	7,770
Region III	- Central Luzon	10	8,977	10	8,756	11	8,505
Region IV-A	- CALABARZON	13	8,254	13	8,109	14	7,987
Region IV-B	- MIMAROPA	4	11,458	4	11,079	4	10,656
Region V	- Bicol	5	12,435	5	12,248	5	11,893
Cordillera Administrative Region (CAR)		3	9,912	3	9,710	3	9,186
Visayas		**4**	**11,446**	**5**	**10,927**	**5**	**10,660**
Region VI	- Western Visayas	5	11,580	6	11,075	6	10,783
Region VII	- Central Visayas	7	9,225	7	8,845	7	8,699
Region VIII	- Eastern Visayas	2	18,223	2	17,076	2	16,315
Mindanao		**4**	**15,993**	**4**	**15,369**	**4**	**14,885**
Region IX	- Zamboanga Peninsula	3	16,799	4	15,447	4	14,728
Region X	- Northern Mindanao	4	12,242	5	11,644	5	11,235
Region XI	- Davao Region	10	11,201	10	10,837	10	10,631
Region XII	- SOCCSKSARGEN 2/	6	17,414	6	16,938	6	16,261
ARMM		0	227,694	0	227,694	0	230,414
CARAGA		3	13,329	3	13,269	3	12,876

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.

p/ Preliminary

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

	On-site			Off-site			Total		
	Jun '19	Dec '19	Mar '20 p/	Jun '19	Dec '19	Mar '20 p/	Jun '19	Dec '19	Mar '20 p/
TOTAL	12,017	11,989	12,064	9,827	9,791	10,098	21,844	21,780	22,162
UNIVERSAL BANKS	9,375	9,479	9,623	8,549	8,742	9,041	17,924	18,221	18,664
COMMERCIAL BANKS	568	578	580	457	476	475	1,025	1,054	1,055
THRIFT BANKS	1,553	1,387	1,316	759	506	508	2,312	1,893	1,824
RURAL BANKS	491	515	519	62	67	74	553	582	593
COOPERATIVE BANKS	30	30	26			0	30	30	26

p/ Preliminary

Appendix 7: Number of BSFIs with Authority to Provide Electronic Payment and Financial Services (EPFS)

As of End-June 2020 p/

	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	42	25	16	18	3	5	26	37
Thrift Banks	29	28	1	6	-	-	12	7
Rural and Cooperative Banks	43	27	-	3	-	-	2	1
Banks	114	80	17	27	3	5	40	45
EMIs	24	-	-	24	18	-	1	-
Others	5	-	1	-	-	-	3	-
TOTAL	143	80	18	51	21	5	44	45

	Mobile Banking	Telephone banking	ATM Facility	Cash Accept Machine	Point of Sale facility	Payment Portal	Others
Universal and Commercial Banks	24	10	24	10	14	8	8
Thrift Banks	10	4	28	1	5	-	-
Rural and Cooperative Banks	5	-	36	-	2	-	1
Banks	39	14	88	11	21	8	9
EMIs	18	-	-	1	2	1	-
Others	3	-	-	-	-	-	-
TOTAL	60	14	88	12	23	9	9

p/ Preliminary

Appendix 8. Philippine Banking System: Profitability Indicators

	End-December			End-June	
Levels (P Billion)	**2017**	**2018**	**2019**	**2019**	**2020 p/**
Total Operating Income	590.8	668.1	796.3	377.2	451.4
Net Interest Income	447.4	515.6	605.2	287.2	332.5
Interest Income	574.7	708.0	886.0	436.8	438.8
Provision for Lossses on Accrued Interest Income from Financial Assets	0.4	1.3	0.3	0.2	1.0
Interest Expenses	126.9	191.1	280.5	149.4	105.3
Non-interest Income	143.4	152.5	191.1	90.0	118.9
Dividend Income	3.3	3.4	3.4	1.9	1.7
Fee-based Income	84.8	91.8	100.9	49.1	41.9
Trading Income	11.1	10.4	24.8	17.7	12.2
FX Profit/(Loss)	7.2	9.1	8.5	2.1	1.9
Profit/(Loss) from Sale/Redemption/Derecognition of Non-Trading Financial Assets and Liabilities	8.1	4.0	30.2	7.9	56.5
Profit/(Loss) from Sale/Derecognition of Non-Financial Assets					
Profit/(Loss) on Financial Assets and Liabilities	13.9	18.5	9.5	4.4	2.1
Designated at Fair Value through Profit or Loss	0.3	0.1	(0.0)	(0.0)	0.3
Profit/(Loss) on Fair Value Adjustment in Hedge Accounting	(0.0)	0.1	. . .	(0.0)	(2.9)
Other Income	14.7	15.2	13.8	7.1	5.3
Non-Interest Expenses	378.2	432.3	483.2	232.3	241.4
Losses/Recoveries on Financial Assets	(33.7)	(31.9)	(51.2)	(18.2)	(104.2)
Provision for Credit Losses on Loans & Other Fin'l Assets	(35.0)	(35.5)	(52.9)	(19.7)	(104.5)
Bad Debts Written Off	(3.3)	(3.4)	(3.9)	(1.9)	(1.4)
Recovery on Charged-Off Assets	4.5	6.9	5.6	3.4	1.8
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	178.9	203.9	261.9	126.7	105.8
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	27.9	22.5	25.4	12.4	4.9
Total Profit/Loss Before Tax and Before Minority Interest	206.8	226.4	287.2	139.1	110.8
Income Tax Expense	38.7	46.7	56.6	28.1	24.3
Total Profit/Loss After Tax and Before Minority Interest	168.1	179.7	230.7	111.0	86.5
Minority Interest in Profit/(Loss) of Subsidiaries					-
Net Profit/(Loss)	168.1	179.7	230.7	111.0	86.5
Growth Rates					
Total Operating Income	10.4%	13.1%	19.2%	16.5%	19.7%
Net Interest Income	15.9%	15.2%	17.4%	17.8%	15.8%
Interest Income	15.4%	23.2%	25.1%	34.0%	0.4%
Provision for Lossses on Accrued Interest Income from Financial Assets	47.1%	255.0%	(78.4%)	(82.1%)	430.1%
Interest Expenses	13.4%	50.6%	46.8%	83.9%	(29.5%)
Non-interest Income	(3.8%)	6.4%	25.3%	12.4%	32.1%
Dividend Income	(19.2%)	1.4%	(0.2%)	38.8%	(11.9%)
Fee-based Income	11.6%	8.3%	9.9%	13.5%	(14.5%)
Trading Income	(7.5%)	(6.0%)	138.7%	94.7%	(30.8%)
FX Profit/(Loss)	4.0%	27.0%	(6.5%)	(28.2%)	(11.1%)
Profit/(Loss) from Sale/Redemption/Derecognition of Non-Trading Financial Assets and Liabilities	(67.9%)	(51.1%)	661.2%	109.8%	617.9%
Profit/(Loss) from Sale/Derecognition of Non-Financial Assets					
Profit/(Loss) on Financial Assets and Liabilities	44.4%	33.1%	(48.8%)	(63.0%)	(52.5%)
Designated at Fair Value through Profit or Loss	(7.2%)	(74.5%)	(159.2%)	(106.4%)	(2,729.6%)
Profit/(Loss) on Fair Value Adjustment in Hedge Accounting	(126.0%)	(3,967.0%)	(96.8%)	(103.4%)	92549.6%
Other Income	(1.8%)	2.9%	(8.9%)	(7.9%)	(25.5%)
Non-Interest Expenses	10.8%	14.3%	11.8%	10.9%	3.9%
Losses/Recoveries on Financial Assets	12.3%	(5.4%)	60.3%	15.2%	471.2%
Provision for Credit Losses on Loans & Other Fin'l Assets	(1.6%)	1.4%	49.1%	13.4%	429.4%
Bad Debts Written Off	(12.1%)	3.2%	14.9%	14.5%	(24.5%)
Recovery on Charged-Off Assets	(51.0%)	53.2%	(18.8%)	5.5%	(48.1%)
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	9.3%	14.0%	28.4%	28.7%	(16.5%)
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	24.8%	(19.3%)	12.6%	23.8%	(60.2%)
Total Profit/Loss Before Tax and Before Minority Interest	11.1%	9.5%	26.9%	28.2%	(20.4%)
Income Tax Expense	21.9%	20.6%	21.2%	30.3%	(13.7%)
Total Profit/Loss After Tax and Before Minority Interest	8.9%	6.9%	28.4%	27.7%	(22.1%)
Minority Interest in Profit/(Loss) of Subsidiaries					
Net Profit/(Loss)	8.9%	6.9%	28.4%	27.7%	(22.1%)

p/ Preliminary; Data for RCBs for end-March 2020
. . . Less than P0.05 billion
(0.0) Less than negative P0.05 billion

Appendix 9. Philippine Banking System: Asset Quality Indicators

	End-December			End-June	
Levels (P Billion)	**2017**	**2018**	**2019**	**2019**	**2020** p/
Total Assets	15,166.2	16,916.1	18,338.2	17,250.1	18,608.9
Gross Assets 1/	15,379.7	17,132.4	18,576.4	17,480.9	18,942.2
Total Loan Portfolio (TLP) 2/	8,865.6	10,077.9	10,966.1	10,288.6	10,824.6
Interbank Loans Receivable (IBL)	252.0	256.2	226.7	283.3	295.5
TLP 2/, net of Interbank Loans (IBL)	8,613.6	9,821.7	10,739.4	10,005.2	10,529.2
TLP, net of ACL	8,681.3	9,890.8	10,758.6	10,087.1	10,523.2
Gross Non-Performing Loans (NPL)	153.0	177.8	224.1	215.9	274.3
Net NPL 3/	67.9	87.9	115.8	116.4	141.0
Allowance for Credit Losses (ACL)	184.3	187.1	207.5	201.4	301.4
ROPA 2/ 4/	108.8	107.9	114.7	107.9	114.2
ROPA (inclusive of performing SCR)	122.0	126.2	128.0	120.9	125.9
Provisions for ROPA 5/	29.3	29.1	30.7	29.4	31.9
Restructured Loans (RL) 2/	46.7	39.7	43.2	38.6	48.4
RL, Performing	28.4	19.0	19.6	17.4	21.4
Distressed Assets 6/	290.2	304.7	358.4	341.2	409.9
Non-Performing Assets (NPAs) 7/	261.8	285.8	338.8	323.8	388.5
Allowance on NPA 8/	213.6	216.2	238.2	230.8	333.3
Performing Sales Contract Receivables	13.2	18.3	13.3	12.9	11.7
Growth Rates					
Total Assets	11.6 %	11.5 %	8.4 %	9.8 %	7.9 %
Gross Assets 1/	11.5 %	11.4 %	8.4 %	9.7 %	8.4 %
Total Loan Portfolio (TLP) 2/	16.5 %	13.7 %	8.8 %	10.0 %	5.2 %
Interbank Loans Receivable (IBL)	(5.4%)	1.7 %	(11.5%)	1.1 %	4.3 %
TLP 2/, net of Interbank Loans (IBL)	17.3 %	14.0 %	9.3 %	10.3 %	5.2 %
TLP, net of ACL	16.7 %	13.9 %	8.8 %	10.2 %	4.3 %
Gross Non-Performing Loans (NPL)	6.1 %	16.2 %	26.0 %	23.5 %	27.1 %
Net NPL 3/	56.9 %	29.3 %	31.9 %	38.8 %	21.1 %
Allowance for Credit Losses (ACL)	6.6 %	1.6 %	10.9 %	1.0 %	49.6 %
ROPA 2/ 4/	(1.7%)	(0.8%)	6.3 %	(0.3%)	5.8 %
ROPA (inclusive of performing SCR)	(1.7%)	3.5 %	1.4 %	(3.7%)	4.2 %
Provisions for ROPA 5/	(9.0%)	(0.7%)	5.3 %	0.5 %	8.6 %
Restructured Loans (RL) 2/	24.0 %	(14.9%)	8.7 %	(14.0%)	25.6 %
RL, Performing	47.7 %	(33.1%)	3.1 %	(22.6%)	23.1 %
Distressed Assets 6/	5.9 %	5.0 %	17.6 %	11.7 %	20.1 %
Non-Performing Assets (NPAs) 7/	2.7 %	9.2 %	18.6 %	14.4 %	20.0 %
Allowance on NPA 8/	4.2 %	1.2 %	10.1 %	0.9 %	44.4 %
Performing Sales Contract Receivables	(1.7%)	39.2 %	(27.5%)	(25.0%)	(9.2%)

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.

p/ Preliminary; Data for RCBs as of end-March 2020

Appendix 10. Foreign Currency Deposit Unit: Financial Highlights

	End-December			End-June	
	2017	2018	2019	2019	2020 p/
In US$ Million					
Income Statement					
Total Operating Income	1,064.2	1,097.2	1,443.0	644.0	792.9
Net Interest Income	811.4	913.3	979.8	489.3	449.2
Non-interest Income	252.9	183.9	463.1	154.7	343.7
Non-Interest Expenses	183.8	202.0	202.5	101.1	85.2
Losses/Recoveries on Financial Assets	(31.6)	(48.2)	(86.3)	(28.1)	(55.9)
Bad Debts/Provision for Credit Losses	(31.6)	(51.9)	(98.1)	(37.4)	(58.7)
Recovery on Charged-Off Assets	0.9	3.7	11.9	9.3	2.8
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subs., Associates & Joint Ventures	848.8	847.0	1,154.10	514.8	650.9
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates & Joint Ventures					
Total Profit/Loss Before Tax & Before Minority Interest	848.8	847.0	1,154.1	514.8	650.9
Income Tax Expense	25.6	34.8	42.3	16.8	22.0
Total Profit/Loss After Tax & Before Minority Interest	823.2	812.2	1,111.9	498.0	628.9
Minority Interest in Profit/(Loss) of Subsidiaries					
Net Profit or Loss	823.2	812.2	1,111.9	498.0	628.9
Balance Sheet					
Total Assets [1]	50,313.9	52,954.1	56,889.8	55,773.0	55,820.2
Cash and Due from Banks	6,952.4	4,314.8	5,344.20	4,872.7	6,043.8
Financial Assets, gross	22,471.5	27,242.0	28,155.90	26,925.3	25,527.0
Allowance for Credit Losses	23.6	28.9	32.5	31.8	33.6
Accumulated Market Gains/Losses	54.8	(159.5)	165.3	135.8	236.3
Financial Assets, net	22,502.6	27,053.6	28,288.70	27,029.3	25,729.8
Interbank Loans Receivable (IBL), net	3,734.6	3,343.2	3,129.60	3,777.9	4,679.1
Loans, gross (exclusive of IBL)	16,355.5	17,325.0	19,262.20	19,055.8	18,858.3
Allowance for Probable Losses [2]	144.6	174.6	250.6	219.9	329.7
Loans, net (exclusive of IBL)	16,211.0	17,150.4	19,011.60	18,835.9	18,528.6
Equity investments, net					
ROPA, net	2.8	2.8	29.2	2.8	28.7
Other Assets, net	910.4	1,089.3	1,086.80	1,254.3	810.2
Total Liabilities	49,618.9	52,385.1	55,760.80	55,081.7	54,897.5
Financial Liabilities Held for Trading	120.7	116.4	84.4	104.5	185.1
Financial Liabilities DFVPL	-	-	-	-	-
Deposit Liabilities	39,204.5	39,894.3	41,090.10	41,350.4	43,827.4
Due to Other Banks	528.8	467.7	322.5	351.0	836.7
Bills Payable	6,374.3	6,324.9	7,090.20	6,790.7	3,697.7
Bonds Payable, net	2,160.1	3,925.5	5,522.10	4,822.3	4,984.4
Unsecured Subordinated Debt, net	-	-	-	-	-
Other Liabilities	360.7	463.0	645.2	548.3	337.6
Due to HO/Br./Agencies/FCDU/RBU, net [3]	869.8	1,193.2	1,006.30	1,114.4	1,028.7
Total Capital Accounts [4]	695.0	569.0	1,129.00	691.3	922.7

1 Adjusted to net off the account "Due from Head Office" with "Due to Head Office" of branches of foreign banks
2 Inclusive of 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
p/ preliminary

Appendix 11. Foreign Currency Deposit Unit: Growth Rates

	End-December			End-June	
	2017	2018	2019	2019	2020 p/
Growth Rates					
Income Statement					
Total Operating Income	(17.0 %)	3.1 %	31.5%	17.4 %	23.1 %
Net Interest Income	11.3 %	12.6 %	7.3%	12.3 %	(8.2 %)
Non-interest Income	(54.3 %)	(27.3 %)	151.8%	37.1 %	122.2 %
Non-Interest Expenses	(0.3 %)	9.9 %	0.2%	9.0 %	(15.7 %)
Losses/Recoveries on Financial Assets	135.6 %	52.4 %	(79.1 %)	(256.0 %)	98.8 %
Bad Debts/Provision for Credit Losses	99.8 %	64.2 %	(89.2 %)	(373.2 %)	57.1 %
Recovery on Charged-Off Assets	(62.2 %)	307.7 %	220.6%	225.2 %	(69.6 %)
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subs., Associates & Joint Ventures	(21.7 %)	(0.2 %)	36.3%	14.9 %	26.4 %
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates & Joint Ventures					
Total Profit/Loss Before Tax & Before Minority Interest	(21.7 %)	(0.2 %)	36.3%	14.9 %	26.4 %
Income Tax Expense	0.4 %	36.2 %	21.4%	2.4 %	30.6 %
Total Profit/Loss After Tax & Before Minority Interest	(22.2 %)	(1.3 %)	36.9%	15.4 %	26.3 %
Minority Interest in Profit/(Loss) of Subsidiaries					
Net Profit or Loss	(22.2 %)	(1.3 %)	36.9%	15.4 %	26.3 %
Balance Sheet					
Total Assets [1]	4.4 %	5.2 %	7.4%	12.6 %	0.1 %
Cash and Due from Banks	0.3 %	(37.9 %)	23.9%	31.0 %	24.0 %
Financial Assets, gross	0.6 %	21.2 %	3.4%	7.2 %	(5.2 %)
Allowance for Credit Losses	(0.2 %)	22.2 %	12.4%	(8.4 %)	5.6 %
Accumulated Market Gains/Losses	(338.2 %)	(391.2 %)	(203.6 %)	165.4 %	74.1 %
Financial Assets, net	1.0 %	20.2 %	4.6%	8.7 %	(4.8 %)
Interbank Loans Receivable (IBL), net	(16.5 %)	(10.5 %)	(6.4 %)	1.7 %	23.9 %
Loans, gross (exclusive of IBL)	16.9 %	5.9 %	11.2%	15.7 %	(1.0 %)
Allowance for Probable Losses [2]	(2.0 %)	20.8 %	43.5%	55.3 %	49.9 %
Loans, net (exclusive of IBL)	17.1 %	5.8 %	10.9%	15.4 %	(1.6 %)
Equity investments, net					
ROPA, net	1,323.3 %	0.2 %	926.7%	(0.1 %)	908.7 %
Other Assets, net	35.6 %	19.6 %	(0.2 %)	38.2 %	(35.4 %)
Total Liabilities	4.4 %	5.6 %	6.4%	11.7 %	(0.3 %)
Financial Liabilities Held for Trading	(8.4 %)	(3.5 %)	(27.5 %)	(38.1 %)	77.1 %
Financial Liabilities DFVPL					
Deposit Liabilities	9.3 %	1.8 %	3.0 %	9.0 %	6.0 %
Due to Other Banks	(23.1 %)	(11.6 %)	(31.0 %)	16.9 %	138.3 %
Bills Payable	(13.6 %)	(0.8 %)	12.1%	9.3 %	(45.5 %)
Bonds Payable, net	6.2 %	81.7 %	40.7%	57.8 %	3.4 %
Unsecured Subordinated Debt, net					
Other Liabilities	6.1 %	28.4 %	39.3%	35.5 %	(38.4 %)
Due to HO/Br./Agencies/FCDU/RBU, net [3]	(19.7 %)	37.2 %	(15.7 %)	(7.3 %)	(7.7 %)
Total Capital Accounts [4]	2.8 %	(18.1 %)	98.4%	171.1 %	33.5 %

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
p/ preliminary

Appendix 12. Foreign Currency Deposit Unit: Selected Performance Indicators

	End-December			End-June	
	2017	2018	2019	2019	2020 p/
Selected Ratios					
Liquidity					
Liquid Assets to Deposits [1] (excl. of ROPs)	49.7	50.4	55.5	50.9	48.0
Liquid Assets to Deposits [1] (incl. of ROPs)	75.1	78.6	81.9	77.2	72.5
Loans, gross to Deposits	51.2	51.8	54.5	55.2	53.7
Asset Quality					
Non-Performing Loans (NPL) Ratio [2]	0.2	0.1	0.1	1.8	1.5
NPL Coverage Ratio [2]	542.1	846.2	94.2	64.4	119.0
Non-Performing Assets (NPA) to Gross Assets [2]	0.1	0.0	0.5	0.6	0.5
NPA Coverage Ratio [2]	489.3	742.8	82.0	64.1	107.8
Profitability					
Cost to Income Ratio	14.4	17.4	14.0	17.6	11.7
Return on Assets (ROA)	2.1	1.6	2.0	1.7	2.2
Net Interest Margin	1.5	1.6	1.8	1.9	1.7

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

p/ preliminary

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

Levels (P Billion)	End-December 2017	2018	2019	End-March 2019	2020
TOTAL ASSETS	**3,417.9**	**3,429.3**	**3,973.1**	**3,610.0**	**2,858.2**
Cash and Due from banks	2.0	1.3	0.4	0.7	0.3
Cash on Hand, Checks and Other Cash Items	0.0	0.0	0.0	0.0	0.0
Reserve Deposit Accounts	-	-	-	-	-
Special Deposit Accounts	-	-	-	-	-
Demand Deposit Account	2.0	1.3	0.4	0.7	0.3
Overnight Deposit Account	-	-	-	-	-
Term Deposit Account	-	-	-	-	-
Deposits in Banks	900.9	965.0	1,036.8	938.3	758.3
Financial Assets, gross (net of amortization)	1,900.9	2,135.5	2,526.1	2,290.0	1,759.7
Accumulated Market Gains/Losses	79.8	(37.8)	22.5	2.0	(11.3)
Allowance for Credit Losses	1.0	1.8	0.7	0.4	0.1
Financial Assets, net	1,979.7	2,095.9	2,547.9	2,291.7	1,748.3
Loans, (gross)	85.6	75.3	91.0	72.1	74.8
Allowance for probable losses	2.9	1.8	2.3	2.2	2.5
Loans, net	82.6	73.4	88.6	69.9	72.3
Equity Investments (gross)	81.5	3.2	5.7	3.2	5.7
Allowance for probable losses	2.6	2.5	2.5	2.5	2.5
Accumulated Market Gain/(Loss)	-	-	-	-	-
Equity Investments (net)	78.9	0.7	3.2	0.7	3.1
ROPA (net)	0.1	0.1	0.1	0.1	0.1
Sales Contract Receivables (Non-Performing)	-	-	-	-	-
Other assets	373.7	293.3	296.1	308.6	275.8
TOTAL ACCOUNTABILITIES	**3,417.9**	**3,429.3**	**3,973.1**	**3,610.0**	**2,858.2**
Wealth/Asset/Fund Management Accounts (Trust)	1,574.2	1,366.2	1,670.0	1,401.6	1,207.9
UITF	768.0	604.2	820.8	598.7	642.8
Employee Benefit	352.0	363.3	407.0	381.3	306.3
Pre-Need	117.3	115.5	121.2	120.3	85.7
Other Institutional Trust Accounts	35.8	32.3	38.6	38.3	30.2
Personal Trust	286.1	230.1	258.1	240.0	119.7
Personal Pension Fund	-	-	-	-	-
Personal Retirement Fund	0.1	0.1	0.1	0.1	0.1
Other IndividualTrust Accounts	14.8	20.7	24.1	22.9	23.1
Wealth/Asset/Fund Management Accounts (Agency)	1,297.4	1,596.9	1,828.0	1,738.4	1,198.1
Employee Benefit	53.3	50.6	56.6	52.3	45.5
Pre-Need	0.8	0.8	0.8	0.9	0.7
Other Institutional Agency Accounts	792.9	825.6	951.7	886.2	632.4
Personal Pension Fund	-	-	-	-	-
Personal Retirement Fund	0.0	0.0	0.0	0.0	0.0
Other Individual Agency Accounts	450.4	719.9	818.9	799.0	519.4
Other Fiduciary Services	545.8	465.8	474.3	469.6	451.5
UITF	14.0	11.6	14.0	13.1	13.6
Court Trusts	65.8	65.5	65.2	65.5	65.1
Corporate Fiduciary Trust	49.1	65.1	58.4	56.5	45.7
Escrow	41.6	40.9	45.8	41.5	39.7
Custodianship	332.3	246.5	244.4	261.4	241.8
Safekeeping	0.0	0.0	0.0	0.0	0.0
Others	42.9	36.2	46.4	31.6	45.5
Advisory/Consultancy	0.0	0.0	0.0	0.0	0.0
Special Purpose Trust	0.5	0.5	0.7	0.5	0.8

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

	End-December			End-March	
	2017	2018	2019	2019	2020
TOTAL ASSETS	15.9 %	0.3 %	15.9 %	7.1 %	(20.8%)
Cash and Due from banks	(99.3%)	(36.3%)	(70.2%)	(63.4%)	(56.7%)
Cash on Hand, Checks and Other Cash Items	(42.0%)	756.4 %	277.7 %	296.5 %	(92.1%)
Reserve Deposit Accounts					
Special Deposit Accounts					
Demand Deposit Account	3.4 %	(36.4%)	(70.9%)	(63.5%)	(56.6%)
Overnight Deposit Account	(100.0%)				
Term Deposit Account	(100.0%)				
Deposits in Banks	23.8 %	7.1 %	7.4 %	4.2 %	(19.2%)
Financial Assets, gross (net of amortization)	23.0 %	12.3 %	18.3 %	19.4 %	(23.2%)
Accumulated Market Gains/Losses	53.3 %	(147.3%)	(159.5%)	(94.0%)	(654.6%)
Allowance for Credit Losses	56.2 %	77.5 %	(63.5%)	(62.5%)	(63.8%)
Financial Assets, net	24.0 %	5.9 %	21.6 %	17.5 %	(23.7%)
Loans, (gross)	23.2 %	(12.1%)	20.9 %	(19.4%)	3.7 %
Allowance for probable losses	55.4 %	(37.3%)	26.9 %	(47.5%)	12.9 %
Loans, net	22.3 %	(11.2%)	20.8 %	(18.0%)	3.4 %
Equity Investments (gross)	(0.0%)	(96.1%)	79.2 %	(96.0%)	76.5 %
Allowance for probable losses	(4.9%)	(6.0%)	2.6 %	(2.8%)	2.6 %
Accumulated Market Gain/(Loss)					
Equity Investments (net)	0.2 %	(99.1%)	333.4 %	(99.0%)	321.6 %
ROPA (net)	(16.0%)	17.4 %	(7.4%)	23.8 %	(6.8%)
Sales Contract Receivables (Non-Performing)					
Other assets	96.0 %	(21.5%)	1.0 %	(12.7%)	(10.6%)
TOTAL ACCOUNTABILITIES	15.9 %	0.3 %	15.9 %	7.1 %	(20.8%)
Wealth/Asset/Fund Management Accounts (Trust)	(8.1%)	(13.2%)	22.2 %	(8.6%)	(13.8%)
UITF	(7.6%)	(21.3%)	35.9 %	(20.5%)	7.4 %
Employee Benefit	11.2 %	3.2 %	12.0 %	7.1 %	(19.7%)
Pre-Need	2.0 %	(1.5%)	4.9 %	4.5 %	(28.7%)
Other Institutional Trust Accounts	(1.9%)	(9.8%)	19.4 %	14.7 %	(21.3%)
Personal Trust	(27.3%)	(19.6%)	12.2 %	(7.6%)	(50.1%)
Personal Pension Fund					
Personal Retirement Fund	(0.3%)	(3.5%)	2.7 %	(2.8%)	3.7 %
Other IndividualTrust Accounts	(26.3%)	39.4 %	16.5 %	47.2 %	0.8 %
Wealth/Asset/Fund Management Accounts (Agency)	48.7 %	23.1 %	14.5 %	33.5 %	(31.1%)
Employee Benefit	(0.4%)	(5.1%)	12.0 %	0.8 %	(13.0%)
Pre-Need	(2.7%)	(2.3%)	6.1 %	13.8 %	(16.6%)
Other Institutional Agency Accounts	42.8 %	4.1 %	15.3 %	17.1 %	(28.6%)
Personal Pension Fund					
Personal Retirement Fund	1.1 %	(33.7%)	(4.5%)	(5.3%)	(1.6%)
Other Individual Agency Accounts	71.3 %	59.8 %	13.8 %	62.0 %	(35.0%)
Other Fiduciary Services	51.1 %	(14.7%)	1.8 %	(12.0%)	(3.9%)
UITF	(12.5%)	(17.5%)	20.9 %	6.0 %	4.2 %
Court Trusts	(0.2%)	(0.4%)	(0.5%)	(0.5%)	(0.5%)
Corporate Fiduciary Trust	21.2 %	32.7 %	(10.4%)	6.9 %	(19.2%)
Escrow	11.8 %	(1.8%)	12.1 %	(11.5%)	(4.1%)
Custodianship	109.7 %	(25.8%)	(0.9%)	(16.8%)	(7.5%)
Safekeeping	(29.4%)	3.0 %	(13.8%)	3.4 %	(27.5%)
Others	(0.4%)	(15.6%)	28.3 %	(23.8%)	44.1 %
Advisory/Consultancy				5.6 %	0.0 %
Special Purpose Trust	(64.5%)	(3.5%)	52.9 %	(3.9%)	62.7 %

0.0% *Less than 0.05%*

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

Selected Ratios	End-December 2017	End-December 2018	End-December 2019	End-March 2019	End-March 2020
Liquidity					
Cash and Due from Banks to Total Accountabilities	0.1%	0.0%	0.0%	0.0%	0.0%
Liquid Assets to Total Accountabilities	55.7%	62.3%	63.6%	258.1%	223.6%
Loans (gross) to Total Accountabilities	2.5%	2.2%	2.3%	60.0%	75.4%
Asset Quality					
Non-Performing Loans (NPL) Ratio	1.5%	0.9%	1.1%	1.0%	1.2%
NPL Coverage Ratio	226.6%	268.6%	244.7%	319.7%	274.3%
Non-Performing Assets (NPA) to Gross Assets	0.0%	0.0%	0.0%	0.0%	0.0%
NPA Coverage Ratio	208.3%	225.0%	217.8%	266.7%	242.4%

0.0% *Less than 0.05%*

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

	End-December			End-March	
	2017	2018	2019	2019	2020
ASSETS AND ACCOUNTABILITIES					
TOTAL ASSETS	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Cash and Due from banks	. . .	. . .	. . .	. . .	. . .
Cash on Hand, Checks and Other Cash Items	. . .	. . .	. . .	. . .	. . .
Reserve Deposit Accounts	. . .	. . .	. . .	. . .	. . .
Special Deposit Accounts	. . .	. . .	. . .	. . .	. . .
Demand Deposit Account	. . .	. . .	. . .	. . .	. . .
Overnight Deposit Account	. . .	. . .	. . .	. . .	. . .
Term Deposit Account	. . .	. . .	. . .	. . .	. . .
Deposits in Banks	26.4%	28.1%	26.1%	26.0%	26.5%
Financial Assets, gross (net of amortization)	55.6%	62.3%	63.6%	63.4%	61.6%
Accumulated Market Gains/Losses	2.3%	. . .	0.6%	. . .	. . .
Allowance for Credit Losses	. . .	. . .	. . .	. . .	. . .
Financial Assets, net	57.9%	61.1%	64.1%	63.5%	61.2%
Loans, (gross)	2.5%	2.2%	2.3%	2.0%	2.6%
Allowance for probable losses	. . .	. . .	. . .	. . .	. . .
Loans, net	2.4%	2.1%	2.2%	1.9%	2.5%
Equity Investments (gross)	2.4%	. . .	0.1%	. . .	0.2%
Allowance for probable losses	. . .	. . .	. . .	. . .	. . .
Accumulated Market Gain/(Loss)	. . .	. . .	. . .	. . .	. . .
Equity Investments (net)	2.3%	. . .	. . .	. . .	0.1%
ROPA (net)	. . .	. . .	. . .	. . .	. . .
Sales Contract Receivables (Non-Performing)	. . .	. . .	. . .	. . .	. . .
Other assets	10.9%	8.6%	7.5%	8.5%	9.6%
TOTAL ACCOUNTABILITIES	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Wealth/Asset/Fund Management Accounts (Trust)	46.1%	39.8%	42.0%	38.8%	42.3%
UITF	22.5%	17.6%	20.7%	16.6%	22.5%
Employee Benefit	10.3%	10.6%	10.2%	10.6%	10.7%
Pre-Need	3.4%	3.4%	3.1%	3.3%	3.0%
Other Institutional Trust Accounts	1.0%	0.9%	1.0%	1.1%	1.1%
Personal Trust	8.4%	6.7%	6.5%	6.6%	4.2%
Personal Pension Fund	. . .	. . .	. . .	. . .	. . .
Personal Retirement Fund	. . .	. . .	. . .	. . .	. . .
Other Individual Trust Accounts	0.4%	0.6%	0.6%	0.6%	0.8%
Wealth/Asset/Fund Management Accounts (Agency)	38.0%	46.6%	46.0%	48.2%	41.9%
Employee Benefit	1.6%	1.5%	1.4%	1.4%	1.6%
Pre-Need	. . .	. . .	. . .	. . .	. . .
Other Institutional Agency Accounts	23.2%	24.1%	24.0%	24.5%	22.1%
Personal Pension Fund	. . .	. . .	. . .	. . .	. . .
Personal Retirement Fund	. . .	. . .	. . .	. . .	. . .
Other Individual Agency Accounts	13.2%	21.0%	20.6%	22.1%	18.2%
Other Fiduciary Services	16.0%	13.6%	11.9%	13.0%	15.8%
UITF	0.4%	0.3%	0.4%	0.4%	0.5%
Court Trusts	1.9%	1.9%	1.6%	1.8%	2.3%
Corporate Fiduciary Trust	1.4%	1.9%	1.5%	1.6%	1.6%
Escrow	1.2%	1.2%	1.2%	1.1%	1.4%
Custodianship	9.7%	7.2%	6.2%	7.2%	8.5%
Safekeeping	. . .	. . .	. . .	. . .	. . .
Others	1.3%	1.1%	1.2%	0.9%	1.6%
Advisory/Consultancy	. . .	. . .	. . .	. . .	. . .
Special Purpose Trust	. . .	. . .	. . .	. . .	. . .

Figures may not add up due to rounding-off.

. . . Less than 0.05 percent

Appendix 17. Non-Banks with Quasi-Banking Functions (NBQBs)

Financial Highlights

Levels (P Billion)	End-December 2017	End-December 2018	End-December 2019	End-March 2019	End-March 2020
Income Statement					
Total Operating Income	25.9	26.0	27.2	6.5	1.6
Net Interest Income	18.8	20.7	21.3	5.0	1.9
Non-interest Income	7.1	5.3	5.9	1.5	(0.3)
Operating Expenses	14.0	15.9	17.4	4.2	1.7
Bad Debts/Provisions for Probable Losses	4.8	0.4	0.4	0.1	0.1
Other Operating Expenses	9.2	10.2	10.9	2.7	1.2
Net Operating Income	11.8	10.2	9.8	2.4	(0.0)
Extraordinary Credits/(Charges)	1.1	1.2	0.1	0.2	0.0
Net Income Before Tax	13.0	11.4	10.7	2.6	(0.0)
Provisions for Income Tax	3.6	3.3	2.9	0.6	0.2
Net Income After Tax (NIAT)	9.4	8.1	7.8	1.9	(0.2)
Balance Sheet					
Total Assets	260.9	282.2	279.4	283.4	180.9
Cash and Due from Banks	42.0	40.2	28.4	37.5	17.2
Interbank Loans Receivable (IBL)	0.8	0.0	1.2	0.3	4.1
Loans, gross (inclusive of IBL)	167.3	196.7	221.5	193.4	137.5
Allowance for Probable Losses	4.0	6.8	7.4	6.7	2.6
Loans, net (inclusive of IBL)	163.3	189.9	214.1	186.7	134.9
Investments, net	44.3	40.2	25.4	47.6	22.1
ROPA, net	0.6	0.7	0.9	0.6	0.9
Other Assets	9.8	11.9	11.5	11.6	6.7
Total Liabilities	210.0	227.4	220.2	223.7	142.0
Bills Payable	177.6	191.0	178.2	188.9	111.4
Other Liabilities	32.4	36.3	42.0	34.7	30.5
Total Capital Accounts	51.0	54.8	59.2	59.8	38.9

Figures may not add up due to rounding-off

Appendix 18. Non-Banks with Quasi-Banking Functions (NBQBs)

Selected Performance Indicators

	End-December			End-March	
Growth Rates	**2017**	**2018**	**2019**	**2019**	**2020**
Income Statement					
Total Operating Income	17.9 %	0.5%	4.6%	4.8 %	(75.4 %)
Net Interest Income	24.0 %	10.0%	2.9%	0.0 %	(62.0 %)
Operating Expenses	4.0 %	13.3%	9.4%	5.0 %	(59.5 %)
Bad Debts/Provisions for Probable Losses	2.6 %	(91.7%)	0.0%	0.0 %	0.0 %
Other Operating Expenses	4.7 %	10.6%	6.9%	8.0 %	(55.6 %)
Net Operating Income	40.3 %	(13.8%)	-3.9%	4.3 %	(100.4 %)
Extraordinary Credits/(Charges)	13.1 %	4.7%	-91.7%	(66.7 %)	(80.0 %)
Net Income Before Tax	37.4 %	(12.2%)	-6.1%	(7.1 %)	(101.2 %)
Provisions for Income Tax	26.6 %	(7.2%)	-12.1%	(33.3 %)	(66.7 %)
Net Income After Tax (NIAT)	41.9 %	(14.0%)	-3.7%	(5.0 %)	(110.2 %)
Balance Sheet					
Total Assets	18.0 %	8.2 %	(1.0 %)	9.1 %	(36.2 %)
Cash and due from Banks	11.5 %	(4.3 %)	(29.4 %)	3.1 %	(54.1 %)
Interbank Loans Receivable (IBL)	300.0 %	(100.0 %)	-	(33.3 %)	1,266.7 %
Loans, gross (exclusive of IBL)	25.1 %	17.6 %	12.6 %	11.1 %	(28.9 %)
Allowance for Probable Losses	10.3 %	70.1 %	8.8 %	1,511.8 %	(60.8 %)
Loans, net (exclusive of IBL)	25.5 %	16.3 %	12.7 %	11.3 %	(27.7 %)
Investments, net	3.6 %	(9.3 %)	(36.9 %)	9.3 %	(53.6 %)
ROPA, net	13.1 %	7.9 %	32.2 %	4.9 %	47.3 %
Other Assets	(1.2 %)	21.2 %	(3.2 %)	(3.0 %)	(42.6 %)
Total Liabilities	19.8 %	8.3 %	(3.2 %)	7.2 %	(36.5 %)
Bills Payable	28.9 %	7.6 %	(6.7 %)	8.4 %	(41.0 %)
Other Liabilities	(13.4 %)	12.0 %	15.7 %	0.7 %	(12.0 %)
Total Capital Accounts	11.1 %	7.5 %	8.1 %	17.2 %	(34.9 %)
Selected Ratios					
Profitability					
Cost-to-Income [1/]	35.7 %	39.0 %	40.1 %	39.1 %	42.6 %
Return on Assets (ROA)	3.9 %	3.0 %	2.8 %	3.0 %	2.5 %
Return on Equity (ROE)	19.5 %	15.3 %	13.7 %	14.5 %	11.5 %
Asset Quality					
Non-performing Loans (NPL)	3.6 %	3.8 %	4.7 %	3.8 %	5.4 %
NPL Coverage	65.5 %	91.0 %	70.8 %	90.9 %	35.3 %
Non-Performing Assets (NPA) to Gross Assets	2.6 %	3.7 %	4.0 %	2.8 %	4.6 %
NPA Coverage	60.2 %	125.9 %	65.5 %	84.0 %	32.7 %

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 19. Non-Banks with Quasi-Banking Functions (NBQBs)

Profitability Indicators

Levels (P Billion)	**End-December 2017**	**2018**	**2019**	**End-March 2019**	**2020**
Total Operating Income	25.9	26.0	27.2	6.5	1.6
Net Interest Income	18.8	20.7	21.3	5.0	1.9
Interest Income	24.5	1.4	1.3	0.4	0.3
Interest Expenses	5.7	8.0	10.9	2.8	1.6
Non-interest Income	7.1	5.3	5.9	1.5	(0.3)
Fee-based Income	5.0	4.5	4.0	1.0	0.2
Trading Income	0.8	(0.3)	0.6	0.1	(0.1)
Other Income	1.3	1.1	1.3	0.4	(0.4)
Operating Expenses	14.0	15.9	17.4	4.2	1.7
Bad Debts/Provisions for Probable Losses	4.8	0.4	0.4	0.1	0.1
Other Operating Expenses	9.2	10.2	10.9	2.7	1.2
Net Operating Income	11.8	10.2	9.8	2.4	(0.0)
Extraordinary Credits/(Charges)	1.1	1.2	0.1	0.2	0.0
Net Income Before Tax	13.0	11.4	10.7	2.6	(0.0)
Provisions for Income Tax	3.6	3.3	2.9	0.6	0.2
Net Income After Tax (NIAT)	9.4	8.1	7.8	1.9	(0.2)
Growth Rates					
Total Operating Income	17.9 %	0.5 %	4.6 %	4.8 %	(75.4 %)
Net Interest Income	24.0 %	10.0 %	2.9 %	0.0 %	(62.0 %)
Interest Income	(15.1 %)	(94.3 %)	(7.1 %)	33.3 %	(25.0 %)
Interest Expenses	19.9 %	41.0 %	36.3 %	64.7 %	(42.9 %)
Non-interest Income	4.3 %	(24.8 %)	11.3 %	25.0 %	(120.0 %)
Fee-based Income	(5.7 %)	(10.1 %)	(11.1 %)	(9.1 %)	(80.0 %)
Trading Income	300.3 %	(138.3 %)	(300.0 %)	(200.0 %)	(200.0 %)
Other Income	0.3 %	(12.9 %)	18.2 %	100.0 %	(200.0 %)
Operating Expenses	4.0 %	13.3 %	9.4 %	5.0 %	(59.5 %)
Bad Debts/Provisions for Probable Losses	2.6 %	(91.7 %)	0.0 %	0.0 %	0.0 %
Other Operating Expenses	4.7 %	10.6 %	6.9 %	8.0 %	(55.6 %)
Net Operating Income	40.3 %	(13.8 %)	(3.9 %)	4.3 %	(100.4 %)
Extraordinary Credits/(Charges)	13.1 %	4.7 %	(91.7 %)	(66.7 %)	(80.0 %)
Net Income Before Tax	37.4 %	(12.2 %)	(6.1 %)	(7.1 %)	(101.2 %)
Provisions for Income Tax	26.6 %	(7.2 %)	(12.1 %)	(33.3 %)	(66.7 %)
Net Income After Tax (NIAT)	41.9 %	(14.0 %)	(3.7 %)	(5.0 %)	(110.2 %)
Selected Ratios					
Earning Asset Yield 1/	13.2 %	0.7 %	0.6 %	0.7 %	0.6 %
Funding Cost 2/	3.6 %	4.4 %	5.9 %	5.0 %	6.6 %
Interest Spread 3/	9.6 %	9.6 %	(5.4 %)	(4.3 %)	(5.9 %)
Net Interest Margin 4/	10.1 %	(3.7 %)	9.3 %	9.6 %	9.7 %
Non-interest Income to Total Operating Income	27.3 %	20.5 %	21.6 %	21.4 %	18.2 %
Cost-to-Income 5/	35.7 %	39.0 %	40.1 %	39.1 %	42.6 %
Return on Assets (ROA) 6/	3.9 %	3.0 %	2.8 %	3.0 %	2.5 %
Return on Equity (ROE) 6/	19.5 %	15.3 %	13.7 %	14.5 %	11.5 %

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 20. Non-Banks with Quasi-Banking Functions (NBQBs)

Asset Quality Indicators

	End-December			End-March	
Levels (P Billion)	**2017**	**2018**	**2019**	**2019**	**2020**
Total Assets	260.9	282.2	279.4	283.4	180.9
Gross Assets [1/]	265.1	289.2	287.0	290.3	183.7
Total Loan Portfolio (TLP)	168.1	196.7	221.5	193.4	137.5
Interbank Loans Receivable (IBL)	0.8	-	1.2	0.3	4.1
TLP, net (inclusive of IBL)	163.3	189.9	214.1	186.7	134.9
Non-Performing Loans (NPL)	6.1	7.4	10.4	7.4	7.4
Loan Loss Reserves (LLR)	4.0	6.8	7.3	6.7	2.6
ROPA, gross	0.8	0.7	1.1	0.8	1.1
Allowance for ROPA	0.2	0.1	0.1	0.1	0.2
Restructured Loans (RL), gross	0.3	0.3	0.6	0.3	0.5
RL, current	0.0	0.0	0.0	0.1	0.0
Non-performing Assets (NPAs) [2/]	6.9	8.2	11.5	8.1	8.5
Allowance for Probable Losses on NPAs	4.2	6.9	7.5	6.8	2.8
Growth Rates					
Total Assets	18.0 %	8.2 %	(1.0 %)	9.1 %	(36.2 %)
Gross Assets [1/]	17.9 %	9.1 %	(0.8 %)	9.1 %	(36.7 %)
TLP	25.7 %	17.0 %	12.6 %	11.1 %	(28.9 %)
IBL	300.0 %	-	-	(40.0 %)	1,266.7 %
TLP, net (inclusive of IBL)	25.5 %	16.3 %	12.7 %	11.3 %	(27.7 %)
NPL	16.8 %	21.4 %	40.5 %	17.5 %	0.0 %
LLR	10.3 %	70.1 %	7.4 %	8.1 %	(61.2 %)
ROPA, gross	16.4 %	(13.8 %)	57.1 %	0.0 %	37.5 %
Allowance for ROPA	31.5 %	(38.7 %)	0.0 %	(50.0 %)	100.0 %
RL, gross	47.5 %	(10.2 %)	100.0 %	0.0 %	66.7 %
RL, current	(21.4 %)	(76.2 %)	(100.0 %)	-	(100.0 %)
NPAs [2/]	16.8 %	18.7 %	40.2 %	14.1 %	4.9 %
Allowance for Probable Losses on NPAs	11.0 %	65.9 %	8.7 %	6.2 %	(58.8 %)
Selected Ratios					
RL to TLP	0.2 %	0.2 %	0.3 %	0.2 %	0.3%
LLR to TLP	2.4 %	10.3 %	3.3 %	3.5 %	1.9%
NPL Ratio (inclusive of IBL)	3.6 %	3.8 %	4.7 %	3.8 %	5.4%
NPL Ratio (exclusive of IBL)	3.6 %	3.8 %	4.7 %	3.8 %	5.6%
NPL Coverage [3/]	65.5 %	91.0 %	70.8 %	90.9 %	35.3%
NPA to Gross Assets	2.6 %	3.7 %	4.0 %	2.8 %	4.6%
NPA Coverage [4/]	60.2 %	125.9 %	65.5 %	84.0 %	32.7%

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 21. Non-Stock Savings and Loans Associations (NSSLAs)
Financial Highlights

Levels (P Billion)	End-December 2017	2018	2019	End-March 2019	2020
Income Statement					
Total Operating Income	24.1	29.5	30.4	7.7	7.7
Net Interest Income	21.3	26.5	27.5	6.9	7.0
Non-interest Income	2.8	3.0	2.9	0.8	0.8
Operating Expenses	5.8	6.6	7.4	1.4	1.4
Bad Debts/Provisions for Probable Losses	1.6	1.8	2.4	0.3	0.3
Other Operating Expenses	4.2	4.8	5.0	1.1	1.0
Net Operating Income	18.3	22.9	23.0	6.3	6.4
Extraordinary Credits/(Charges)	(0.8)	(1.6)	(0.5)	(0.2)	(0.2)
Net Income Before Tax	17.4	21.3	22.5	6.1	6.2
Provisions for Income Tax	0.0	0.0	0.0		0.0
Net Income After Tax (NIAT)	17.4	21.2	22.5	6.1	6.2
Balance Sheet					
Total Assets	193.5	226.4	260.1	232.0	260.2
Cash and Due from Banks	23.5	18.0	21.2	15.0	21.4
Loans, gross	153.2	197.5	226.1	206.2	226.2
Allowance for Probable Losses	18.3	20.4	20.6	20.6	20.6
Loans, net (inclusive of IBL)	134.9	177.1	205.5	185.5	205.6
Investments, net	23.4	18.3	19.2	18.4	19.3
Other Assets	11.8	13.0	14.1	13.1	13.9
Total Liabilities	55.1	72.8	89.1	74.5	89.0
Deposit Liabilities	43.0	48.3	59.0	51.6	59.0
Bills Payable	5.0	17.0	20.4	17.0	20.2
Other Liabilities	7.1	7.4	9.8	5.9	9.9
Total Capital Accounts	138.4	153.6	171.0	157.6	170.7

0.0 Less than P50 million

Figures may not add up due to rounding-off

Appendix 22. Non-Stock Savings and Loan Associations (NSSLAs)
Selected Performance Indicators

	End-December			End-March	
	2017	2018	2019	2019	2020
Growth Rates					
Income Statement					
Total Operating Income	6.0 %	22.6 %	3.1 %	10.3 %	0.5 %
Net Interest Income	8.2 %	24.2 %	3.9 %	12.8 %	0.7 %
Non-interest Income	(8.6 %)	10.1 %	(3.4 %)	(7.9 %)	(1.5 %)
Operating Expenses	2.1 %	14.2 %	11.5 %	(8.7 %)	(2.7 %)
Bad Debts/Provisions for Probable Losses	20.6 %	14.1 %	32.7 %	(27.6 %)	(0.2 %)
Other Operating Expenses	(3.4 %)	14.3 %	3.6 %	(1.0 %)	(3.5 %)
Net Operating Income	7.3 %	25.3 %	0.7 %	15.7 %	1.2 %
Extraordinary Credits/(Charges)	(42.8 %)	95.6 %	(67.2 %)	(50.7 %)	(1.1 %)
Net Income Before Tax	11.8 %	22.0 %	5.7 %	20.7 %	1.2 %
Provisions for Income Tax		23.8 %	3.8 %		
Net Income After Tax (NIAT)	11.8 %	22.0 %	5.7 %	20.7 %	1.2 %
Balance Sheet					
Total Assets	7.4 %	17.0 %	14.9 %	10.6 %	12.1 %
Cash and Due from Banks	(16.9 %)	(23.6 %)	18.2 %	(3.8 %)	42.8 %
Loans, gross	11.1 %	28.9 %	14.5 %	13.1 %	9.7 %
Allowance for Probable Losses	14.4 %	11.6 %	0.8 %	10.9 %	(0.4 %)
Loans, net	10.6 %	31.3 %	16.1 %	13.4 %	10.8 %
Investments, net	24.0 %	(21.7 %)	4.9 %	0.7 %	4.8 %
Other Assets	6.7 %	10.9 %	8.6 %	7.1 %	5.8 %
Total Liabilities	11.8 %	32.0 %	22.5 %	9.5 %	19.5 %
Deposit Liabilities	11.9 %	12.4 %	22.0 %	11.7 %	14.3 %
Bills Payable	24.7 %	243.0 %	19.5 %	7.8 %	18.6 %
Other Liabilities	3.3 %	3.4 %	32.6 %	(2.5 %)	67.3 %
Total Capital Accounts	5.8 %	11.0 %	11.3 %	11.2 %	8.4 %
Selected Ratios					
Profitability					
Cost-to-Income [1/]	17.6 %	16.4 %	16.6 %	16.0 %	16.4 %
Return on Assets (ROA)	9.3 %	9.7 %	9.3 %	10.1 %	9.2 %
Return on Equity (ROE)	12.9%	14.5%	13.9%	14.9%	13.8%
Liquidity	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Cash and Due from Banks to Deposits	54.7 %	37.2 %	36.0 %	29.1 %	36.3 %
Liquid Assets to Deposits [2/]	109.0 %	75.0 %	68.6 %	64.7 %	69.0 %
Loans, gross to Deposits	356.2 %	408.6 %	383.4 %	399.7 %	383.6 %
Asset Quality	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Non-performing Loans (NPL) Ratio	9.8 %	9.1 %	7.0 %	8.9 %	7.0 %
NPL Coverage	122.0 %	114.2 %	130.4 %	112.3 %	130.5 %
Non-performing Assets (NPA) to Gross Assets	7.1 %	7.3 %	5.6 %	7.3 %	5.6 %
NPA Coverage	121.4 %	113.8 %	130.0 %	112.0 %	130.0 %
Capital Adequacy	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Total Capital Accounts to Total Assets	65.3 %	62.2 %	60.9 %	62.4 %	60.8 %
Paid-in Capital to Total Capital Accounts	78.9 %	77.4 %	76.6 %	76.9 %	76.9 %
Business Mix	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Total Investments (gross) to Total Assets	11.0 %	7.4 %	6.8 %	7.3 %	6.9 %
Total Loans (gross) to Total Assets	72.3 %	80.0 %	80.6 %	81.6 %	80.6 %

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)

. . . Less than 0.5 %

Figures may not add up due to rounding-off

Appendix 23. Non-Stock Savings and Loan Associations (NSSLAs)
Profitability Indicators

	End-December			End-March	
	2017	2018	2019	2019	2020
Income Statement					
Total Operating Income	24.1	29.5	30.5	7.7	7.7
Net Interest Income	21.3	26.5	27.6	6.9	7.0
Interest Income	23.2	29.1	31.2	7.7	7.8
Interest Expenses	1.8	2.7	3.6	0.8	0.8
Non-interest Income	2.8	3.0	2.9	0.8	0.8
Fee-based Income	1.9	2.1	2.1	0.6	0.6
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	0.9	0.9	0.8	0.2	0.2
Operating Expenses	5.8	6.6	7.4	1.4	1.4
Bad Debts/Provisions for Probable Losses	1.6	1.8	2.4	0.3	0.3
Other Operating Expenses	4.2	4.8	5.1	1.1	1.0
Net Operating Income	18.3	22.9	23.1	6.3	6.4
Extraordinary Credits/(Charges)	(0.8)	(1.6)	(0.5)	(0.2)	(0.2)
Net Income Before Tax	17.4	21.3	22.6	6.1	6.2
Provisions for Income Tax	0.0	0.0	0.0	0.0	0.0
Net Income After Tax (NIAT)	17.4	21.2	22.5	6.1	6.2
Growth Rates					
Total Operating Income	6.0 %	22.6 %	3.5 %	10.3 %	0.5 %
Net Interest Income	8.2 %	24.2 %	4.2 %	12.8 %	0.7 %
Interest Income	8.4 %	25.8 %	7.1 %	15.8 %	0.9 %
Interest Expenses	10.1 %	44.1 %	35.1 %	48.7 %	2.3 %
Non-interest Income	(8.6 %)	10.1 %	(3.0 %)	(7.9 %)	(1.5 %)
Fee-based Income	(16.9 %)	14.8 %	(1.2 %)	9.9 %	0.7 %
Trading Income	-	-	-	-	-
Trust department income	-	-	-	-	-
Other Income	16.2 %	0.2 %	(7.4 %)	(42.0 %)	(9.5 %)
Operating Expenses	2.1 %	14.2 %	12.2 %	(8.7 %)	(2.7 %)
Bad Debts/Provisions for Probable Losses	20.6 %	14.1 %	33.0 %	(27.6 %)	(0.2 %)
Other Operating Expenses	(3.4 %)	14.3 %	4.5 %	(1.0 %)	(3.5 %)
Net Operating Income	7.3 %	25.3 %	0.9 %	15.7 %	1.2 %
Extraordinary Credits/(Charges)	(42.8 %)	95.6 %	(67.2 %)	(50.7 %)	(1.1 %)
Net Income Before Tax	11.8 %	22.0 %	6.0 %	20.7 %	1.2 %
Provisions for Income Tax	-	0.24	0.04	-	-
Net Income After Tax (NIAT)	11.8 %	22.0 %	6.0 %	20.7 %	1.2 %
Selected Ratios					
Cost-to-Income [1/]	17.6 %	16.4 %	16.6 %	16.0 %	16.4 %
Return on Assets (ROA) [2/]	9.3 %	9.7 %	9.3 %	10.1 %	9.2 %
Return on Equity (ROE) [2/]	12.9%	14.5%	13.9%	14.9%	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 24. Non-Stock Savings and Loan Associations (NSSLAs)
Asset Quality Indicators

	End-December			End-March	
Levels (P Billion)	**2017**	**2018**	**2019**	**2019**	**2020**
Total Assets	193.5	226.4	260.1	232.0	260.2
Gross Assets [1/]	211.8	246.8	280.7	252.7	280.8
Total Loan Portfolio (TLP)	153.2	197.5	226.1	206.2	226.2
TLP, exclusive of IBL	153.2	197.5	226.1	206.2	226.2
TLP, net (exclusive of IBL)	134.9	177.1	205.5	185.5	205.6
Non-performing Loans (NPL)	15.0	17.9	15.8	18.4	15.8
Loan Loss Reserves (LLR)	18.3	20.4	20.6	20.6	20.6
ROPA, gross	0.1	0.1	0.1	0.1	0.1
Non-Performing Assets (NPAs) [2/]	15.1	17.9	15.8	18.4	15.8
Allowance for Probable Losses on NPAs	18.3	20.4	20.6	20.6	20.6
Growth Rates					
Total Assets	7.4 %	17.0 %	14.9 %	10.6 %	12.1 %
Gross Assets [1/]	8.0 %	16.5 %	13.7 %	10.7 %	11.1 %
TLP	11.1 %	28.9 %	14.5 %	13.1 %	9.7 %
TLP (exclusive of IBL)	11.1 %	28.9 %	14.5 %	13.1 %	9.7 %
TLP, net (exclusive of IBL)	10.6 %	31.3 %	16.1 %	13.4 %	10.8 %
NPL	6.1 %	19.3 %	(11.8 %)	21.5 %	(14.2 %)
LLR	14.4 %	11.6 %	0.8 %	10.9 %	(0.4 %)
ROPA, gross	(33.8 %)	(9.7 %)	(3.0 %)	(16.6 %)	3.5 %
NPAs [2/]	5.8 %	19.1 %	(11.7 %)	21.3 %	(14.2 %)
Allowance for Probable Losses on NPAs	14.4 %	11.6 %	0.8 %	10.9 %	(0.4 %)
Selected Ratios					
LLR to TLP	11.9 %	10.3 %	9.1 %	10.0 %	9.1 %
NPL Ratio (inclusive of IBL)	9.8 %	9.1 %	7.0 %	8.9 %	7.0 %
NPL Coverage [3/]	122.0 %	114.2 %	130.4 %	112.3 %	130.5 %
NPA to Gross Assets	7.1 %	7.3 %	5.6 %	7.3 %	5.6 %
NPA Coverage [4/]	121.4 %	113.8 %	130.0 %	112.0 %	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 25

PHYSICAL COMPOSITION

Financial Institutions Under BSP Supervision/Regulation

As of Semesters-Ended Indicated

TYPE OF FINANCIAL INSTITUTIONS (FIs)	JUNE 2019			DECEMBER 2019			JUNE 2020 [p/]		
	TOTAL	HEAD OFFICE	OTHER OFFICES	TOTAL	HEAD OFFICE	OTHER OFFICES	TOTAL	HEAD OFFICE	OTHER OFFICES
BSP SUPERVISED/REGULATED FIs [1/]	**32,004**	**2,569**	**29,435**	**33,912**	**2,566**	**31,346**	**34,742**	**2,579**	**32,163**
I. BANKS [2/]	**12,543**	**554**	**11,989**	**12,870**	**547**	**12,323**	**12,912**	**541**	**12,371**
A. Universal and Commercial Banks	**6,676**	**46**	**6,630**	**6,915**	**46**	**6,869**	**6,993**	**46**	**6,947**
Universal Banks	**6,109**	**21**	**6,088**	**6,342**	**21**	**6,321**	**6,420**	**21**	**6,399**
Private Domestic Banks	5,488	12	5,476	5,710	12	5,698	5,791	12	5,779
Government Banks	609	3	606	620	3	617	617	3	614
Branches of Foreign Banks	12	6	6	12	6	6	12	6	6
Commercial Banks	**567**	**25**	**542**	**573**	**25**	**548**	**573**	**25**	**548**
Private Domestic Banks	446	5	441	452	5	447	452	5	447
Subsidiaries of Foreign Banks	99	2	97	99	2	97	99	2	97
Branches of Foreign Banks	22	18	4	22	18	4	22	18	4
B. Thrift Banks	**2,720**	**51**	**2,669**	**2,683**	**50**	**2,633**	**2,654**	**48**	**2,606**
Financial Institution-Linked Banks	**1,452**	**14**	**1,438**	**1,335**	**13**	**1,322**	**1,267**	**12**	**1,255**
Domestic Bank-Controlled	1,413	11	1,402	1,296	10	1,286	1,229	9	1,220
Foreign Bank-Controlled	39	3	36	39	3	36	38	3	35
Domestic NBFI-Controlled	-								
Foreign NBFI-Controlled	-								
Non-Linked	**1,268**	**37**	**1,231**	**1,348**	**37**	**1,311**	**1,387**	**36**	**1,351**
C. Rural and Cooperative Banks	**3,147**	**457**	**2,690**	**3,272**	**451**	**2,821**	**3,265**	**447**	**2,818**
Rural Banks	2,204	423	1,781	2,251	419	1,832	2,232	415	1,817
Microfinance-oriented Rural Banks	785	9	776	860	7	853	870	7	863
Cooperative Banks	158	25	133	161	25	136	163	25	138
II. NON-BANK FINANCIAL INSTITUTIONS (NBFIs)	**19,459**	**2,013**	**17,446**	**21,041**	**2,018**	**19,023**	**21,829**	**2,037**	**19,792**
A. With Quasi-Banking Function	**131**	**9**	**122**	**135**	**8**	**127**	**134**	**7**	**127**
Investment Houses	4	3	1	3	2	1	3	2	1
Financing Companies	126	5	121	131	5	126	130	4	126
Other Non-Bank with QBF Function	1	1		1	1		1	1	
B. Without Quasi-Banking Functions	**19,328**	**2,004**	**17,324**	**20,906**	**2,010**	**18,896**	**21,695**	**2,030**	**19,665**
AAB - Forex Corporation	4	4		2	2		2	2	
Credit Card Companies	5	5		5	5		5	5	
Credit Granting Entities	9	9		9	9		9	9	
Electronic Money Issuer - Others	18	12	6	24	18	6	27	21	6
Financing Companies	48	18	30	49	19	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	11	11		11	11	
Lending Investors	1	1		1	1		1	1	
Non-Stock Savings & Loan Associations	200	63	137	200	63	137	200	63	137
Pawnshops	13,190	1,062	12,128	13,801	1,077	12,724	14,381	1,092	13,289
Money Service Businesses [3/]	5,813	799	5,014	6,784	785	5,999	6,990	787	6,203
Remittance Agent (Subsidiary of a Bank)	1	1							
Securities Dealers/Brokers	13	13		13	13		13	13	
Trust Corporation	3	3		4	4		4	4	
III. OFFSHORE BANKING UNITS (OBUs)	**2**	**2**		**1**	**1**		**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*

p/ *Preliminary*

Appendix 26

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-Jun '19	End-Dec '19	End-Jun '20 p/	End-Jun '19	End-Dec '19	End-Jun '20	End-Jun '19	End-Dec '19	End-Jun '20	End-Jun '19	End-Dec '19	End-Mar '20
ASSETS	**17,250.137**	**18,338.240**	**18,608.877**	**15,756.124**	**16,918.865**	**17,236.136**	**1,235.839**	**1,152.622**	**1,107.061**	**258.174**	**266.752**	**265.679**
Cash and Due from Banks	2,358.864	2,804.135	3,333.336	2,181.580	2,612.099	3,112.851	122.074	134.508	163.383	55.210	57.528	57.102
Loan Portfolio (net) [3]	10,087.135	10,758.604	10,523.213	9,041.789	9,783.447	9,622.247	909.415	835.476	761.789	135.930	139.682	139.177
Financial Assets (net)	3,766.174	3,738.915	3,725.801	3,605.160	3,592.117	3,581.497	120.450	104.413	101.942	40.564	42.384	42.362
Equity Investments (net)	313.950	301.514	259.430	309.693	297.280	254.569	3.839	3.724	4.310	0.418	0.510	0.551
ROPA (net)	91.044	96.914	93.537	61.129	68.827	66.922	20.659	19.102	17.737	9.257	8.984	8.878
Other Assets	632.969	638.158	673.560	556.771	565.096	598.051	59.403	55.399	57.899	16.795	17.664	17.609
LIABILITIES AND CAPITAL	**17,250.137**	**18,338.240**	**18,608.877**	**15,756.124**	**16,918.865**	**17,236.136**	**1,235.839**	**1,152.622**	**1,107.061**	**258.174**	**266.752**	**265.679**
Liabilities	**15,048.636**	**16,019.593**	**16,239.626**	**13,783.615**	**14,820.541**	**15,077.322**	**1,059.502**	**984.363**	**949.037**	**205.519**	**214.689**	**213.267**
Financial Liabilities Held for Trading	42.416	35.013	47.120	42.411	35.013	47.120	0.005	-	-	-	-	-
Financial Liabilities DFVPL	-	-	-	-	-	-	-	-	-	-	-	-
Deposit Liabilities	12,859.135	13,669.469	14,243.774	11,702.760	12,588.038	13,198.101	973.570	892.892	857.468	182.805	188.538	188.205
Residents	12,728.262	13,535.880	14,134.642	11,575.606	12,458.185	13,092.476	969.852	889.159	853.963	182.804	188.536	188.203
Peso Liabilities	10,657.288	11,490.995	11,971.209	9,562.132	10,461.179	10,978.161	912.481	841.412	804.984	182.675	188.404	188.064
Demand and NOW	2,927.801	3,287.318	3,662.475	2,822.740	3,194.246	3,570.975	100.347	88.110	86.723	4.714	4.962	4.776
Savings	4,821.489	5,124.052	5,435.319	4,413.228	4,715.095	5,027.117	267.413	262.141	260.437	140.847	146.816	147.765
Time	2,691.688	2,850.711	2,655.504	2,118.455	2,331.550	2,170.644	536.261	482.702	449.365	36.972	36.459	35.495
LTNCD	216.310	228.914	217.911	207.709	220.287	209.425	8.460	8.460	8.460	0.142	0.167	0.027
Foreign Currency	2,070.974	2,044.885	2,163.434	2,013.474	1,997.006	2,114.315	57.371	47.746	48.979	0.129	0.132	0.140
Demand and NOW	56.397	57.549	62.694	56.366	57.514	62.659	0.031	0.035	0.035	-	-	-
Savings	1,027.594	1,007.320	1,116.858	1,000.346	982.094	1,090.795	27.137	25.113	25.945	0.111	0.113	0.117
Time	986.983	980.016	983.882	956.762	957.398	960.861	30.203	22.598	22.999	0.019	0.020	0.022
LTNCD	-	-	-	-	-	-	-	-	-	-	-	-
Non-Residents	130.873	133.589	109.131	127.154	129.853	105.625	3.718	3.734	3.505	0.001	0.002	0.001
Peso Liabilities	62.004	71.920	62.847	59.600	69.594	60.649	2.404	2.324	2.198	0.001	0.002	0.001
Demand and NOW	28.565	32.550	25.411	28.300	32.292	25.131	0.265	0.259	0.280	-	-	-
Savings	27.541	32.786	30.689	25.700	31.058	28.964	1.840	1.725	1.724	0.001	0.002	0.001
Time	5.899	6.584	6.748	5.600	6.244	6.554	0.299	0.340	0.194	0.000	0.000	0.000
LTNCD	-	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency	68.869	61.669	46.284	67.554	60.259	44.976	1.315	1.410	1.307	-	-	-
Demand and NOW	4.850	5.628	3.370	4.843	5.622	3.365	0.006	0.006	0.005	-	-	-
Savings	35.128	33.701	30.070	33.844	32.307	28.777	1.283	1.395	1.293	-	-	-
Time	28.892	22.339	12.844	28.866	22.331	12.834	0.025	0.009	0.010	-	-	-
LTNCD	-	-	-	-	-	-	-	-	-	-	-	-
Bills Payable	904.989	867.301	525.701	853.908	818.083	480.873	39.077	34.453	31.125	12.005	14.765	13.703
BSP	146.283	44.845	16.700	140.656	44.842	16.277	5.625	0.000	0.423	0.002	0.003	0.001
Interbank Loans Payable	321.997	315.328	201.588	295.283	284.471	175.809	20.465	24.235	20.323	6.249	6.621	5.456
Other Deposits Substitutes	302.258	386.462	196.923	298.076	384.391	195.198	4.182	2.071	1.725	-	-	-
Others	134.450	120.667	110.490	119.893	104.379	93.589	8.803	8.147	8.654	5.754	8.140	8.247
Unsecured Subordinated Debt	70.886	47.987	33.752	65.585	45.639	31.434	3.983	1.000	1.000	1.317	1.348	1.318
Redeemable Preferred Shares	0.298	0.293	0.257	0.000	0.000	0.000	0.122	0.122	0.087	0.176	0.171	0.170
Other Liabilities	1,170.912	1,399.530	1,389.022	1,118.951	1,333.767	1,319.794	42.745	55.895	59.356	9.216	9.868	9.872
Capital Accounts	**2,201.500**	**2,318.647**	**2,369.250**	**1,972.509**	**2,098.325**	**2,158.814**	**176.336**	**168.259**	**158.024**	**52.655**	**52.063**	**52.412**
Capital Stock	975.835	998.123	991.427	861.343	887.367	888.270	80.789	78.217	70.527	33.703	32.539	32.630
Assigned Capital	119.938	143.406	144.437	119.938	143.406	144.437	-	-	-	-	-	-
Net Due to HO, Br & Ags / Accum Earnin[gs]	51.619	41.759	56.907	51.619	41.759	56.907	-	-	-	-	-	-
Other Equity Instruments [4]	13.324	15.116	15.231	12.000	12.000	12.000	0.528	2.749	2.789	0.797	0.366	0.442
Retained Earnings & Undivided Profits [5]	1,040.783	1,120.244	1,161.249	927.608	1,013.793	1,057.200	95.020	87.292	84.708	18.155	19.158	19.340

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
p/ Preliminary; Data for RCBs as of end-March 2020
Note: "0.000" denotes a value below 0.0005
Figures may not add up due to rounding-off

Appendix 27

Comparative Statement of Income and Expenses

Philippine Banking System

For the Period Indicated

(Amounts in Billion Pesos)

Selected Accounts	ALL BANKS			UNIVERSAL & COMMERCIAL BANKS [1/]			THRIFT BANKS			RURAL AND COOPERATIVE BANKS		
	Jan-Jun '19	Jan-Dec '19	Jan-Jun '20 [p/]	Jan-Jun '19	Jan-Dec '19	Jan-Jun '20	Jan-Jun '19	Jan-Dec '19	Jan-Jun '20	Jan-Jun '19	Jan-Dec '19	Jan-Mar '20
Operating Income	**377.244**	**796.263**	**451.402**	**324.390**	**689.536**	**406.651**	**37.416**	**74.862**	**36.759**	**15.438**	**31.865**	**7.992**
Net Interest Income	**287.213**	**605.198**	**332.457**	**244.511**	**518.935**	**294.582**	**30.826**	**61.505**	**31.525**	**11.877**	**24.758**	**6.350**
Interest Income	436.844	886.023	438.763	374.023	765.959	388.050	48.615	90.731	43.291	14.206	29.332	7.422
Provision for Losses on Accrued Interest	0.189	0.288	1.004	0.048	0.099	0.763	0.141	0.188	0.239	0.000	0.002	0.002
Less: Interest Expenses	149.441	280.536	105.302	129.465	246.925	92.704	17.648	29.038	11.527	2.329	4.573	1.070
Non-interest Income	**90.031**	**191.065**	**118.944**	**79.879**	**170.601**	**112.068**	**6.590**	**13.357**	**5.234**	**3.562**	**7.107**	**1.642**
Dividend Income	1.890	3.364	1.665	1.882	3.352	1.656	0.008	0.012	0.009	0.000	0.001	0.000
Fee-based Income	49.073	100.911	41.942	42.648	88.655	38.104	4.099	7.761	2.775	2.325	4.496	1.062
Trading Income/(Loss)	17.660	24.832	12.216	17.297	24.358	11.301	0.362	0.473	0.915	0.002	0.000	-
Foreign Exchange Income/(Loss)	2.113	8.511	1.878	2.034	8.372	1.822	0.078	0.138	0.055	0.000	0.001	0.001
Other Income/(Loss)	19.295	53.447	61.244	16.018	45.864	59.185	2.043	4.974	1.480	1.234	2.609	0.579
Non-Interest Expenses	**232.269**	**483.224**	**241.364**	**194.492**	**407.966**	**211.636**	**26.187**	**50.862**	**23.764**	**11.590**	**24.396**	**5.964**
Losses/Recoveries on Financial Assets	**(18.245)**	**(51.170)**	**(104.207)**	**(15.891)**	**(44.209)**	**(99.080)**	**(1.859)**	**(5.681)**	**(4.859)**	**(0.495)**	**(1.279)**	**(0.268)**
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures Accounted for Using the Equity Method	**126.731**	**261.869**	**105.831**	**114.008**	**237.360**	**95.934**	**9.370**	**18.320**	**8.137**	**3.354**	**6.189**	**1.760**
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures Accounted for Using the Equity Method	**12.369**	**25.373**	**4.927**	**12.162**	**24.958**	**4.782**	**0.171**	**0.262**	**0.118**	**0.036**	**0.153**	**0.027**
Total Profit/Loss Before Tax and Before Minority Interest	**139.100**	**287.242**	**110.757**	**126.170**	**262.319**	**100.716**	**9.540**	**18.582**	**8.255**	**3.390**	**6.342**	**1.787**
Income Tax Expense	28.134	56.571	24.277	25.554	50.752	22.046	1.867	4.108	1.796	0.713	1.711	0.435
Total Profit/Loss After Tax and Before Minority Interest	**110.966**	**230.671**	**86.481**	**100.616**	**211.567**	**78.670**	**7.674**	**14.473**	**6.459**	**2.677**	**4.631**	**1.352**
Minority Interest in Profit/(Loss) of Subsidiaries			-			-			-			-
NET PROFIT/(LOSS)	**110.966**	**230.671**	**86.481**	**100.616**	**211.567**	**78.670**	**7.674**	**14.473**	**6.459**	**2.677**	**4.631**	**1.352**
Profitability												
Return on Assets (%)	**1.24**	**1.31**	**1.16**	**1.22**	**1.31**	**1.15**	**1.28**	**1.21**	**1.13**	**2.07**	**1.79**	**1.74**
Return on Equity (%)	**9.83**	**10.52**	**9.08**	**9.87**	**10.70**	**9.18**	**9.38**	**8.77**	**7.93**	**10.33**	**9.11**	**8.76**

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

p/ Preliminary; Data for RCBs for Jan-Mar '20

Note: "0.000" denotes a value below 0.0005

Figures may not add up due to rounding-off

Appendix 28

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-Jun '19	End-Dec '19	End-Jun '20 p/	End-Jun '19	End-Dec '19	End-Jun '20	End-Jun '19	End-Dec '19	End-Jun '20	End-Jun '19	End-Dec '19	End-Mar '20
Profitability												
Earning Asset Yield [1/]	5.3%	5.4%	5.3%	5.0%	5.1%	5.0%	8.2%	8.0%	7.7%	12.0%	12.3%	12.5%
Funding Cost [2/]	1.9%	1.9%	1.6%	1.8%	1.8%	1.5%	3.1%	2.9%	2.4%	2.3%	2.3%	2.3%
Interest Spread [3/]	3.4%	3.5%	3.7%	3.2%	3.2%	3.5%	5.0%	5.1%	5.4%	9.7%	10.0%	10.2%
Net Interest Margin [4/]	3.6%	3.7%	3.9%	3.4%	3.4%	3.7%	5.4%	5.4%	5.6%	10.1%	10.4%	10.6%
Non-Interest Income to Total Operating Income [5/]	22.5%	24.0%	25.3%	23.0%	24.7%	26.3%	17.8%	17.8%	16.2%	25.2%	22.3%	21.6%
Cost-to-Income [6/]	62.9%	60.3%	56.5%	61.5%	58.8%	54.8%	68.8%	67.2%	65.3%	75.1%	76.1%	76.0%
Return on Assets (ROA) [7/]	1.2%	1.3%	1.2%	1.2%	1.3%	1.1%	1.3%	1.2%	1.1%	2.1%	1.8%	1.7%
Return on Equity (ROE) [7/]	9.8%	10.5%	9.1%	9.9%	10.7%	9.2%	9.4%	8.8%	7.9%	10.3%	9.1%	8.8%
Liquidity												
Cash and Due from Banks to Deposits	18.3%	20.5%	23.4%	18.6%	20.8%	23.6%	12.5%	15.1%	19.1%	30.2%	30.5%	30.3%
Liquid Assets to Deposits [8/]	47.6%	47.9%	49.6%	49.4%	49.3%	50.7%	24.9%	26.8%	30.9%	52.4%	53.0%	52.8%
Loans, gross to Deposits	80.0%	80.2%	76.0%	78.7%	79.1%	74.9%	96.1%	96.4%	92.0%	81.3%	80.5%	80.6%
Asset Quality												
Restructured Loans to Total Loan Portfolio (TLP)	0.4%	0.4%	0.4%	0.3%	0.4%	0.4%	0.5%	0.7%	0.6%	1.7%	1.4%	1.4%
Allowance for Credit Losses (ACL) to TLP	2.0%	1.9%	2.8%	1.8%	1.7%	2.6%	2.8%	2.9%	3.4%	8.6%	8.0%	8.3%
Gross Non-Performing Loans (NPL) to TLP	2.1%	2.0%	2.5%	1.6%	1.6%	2.1%	5.9%	6.0%	5.7%	11.4%	10.5%	11.2%
Net NPL to TLP	1.1%	1.1%	1.3%	0.7%	0.7%	1.1%	4.4%	4.3%	3.6%	4.7%	4.6%	5.0%
NPL Ratio net of IBL	2.2%	2.1%	2.6%	1.6%	1.6%	2.2%	5.9%	6.0%	5.7%	11.4%	10.5%	11.2%
NPL Coverage (ACL to Gross NPL)	93.3%	92.6%	109.9%	113.2%	108.9%	123.3%	46.8%	48.1%	60.4%	75.3%	76.4%	73.7%
Non-Performing Assets (NPA) to Gross Assets	1.9%	1.8%	2.1%	1.4%	1.4%	1.7%	6.2%	6.2%	5.8%	9.6%	8.8%	9.2%
NPA Coverage (Allowance on NPA to NPA)	71.3%	70.3%	85.8%	84.8%	81.2%	96.9%	39.6%	40.1%	48.3%	53.5%	54.5%	53.6%
ROPA to Gross Assets Ratio	0.6%	0.6%	0.6%	0.5%	0.5%	0.5%	1.9%	1.9%	1.8%	3.4%	3.1%	3.1%
ROPA Coverage Ratio	27.2%	26.7%	27.9%	30.4%	29.4%	30.7%	22.5%	21.3%	22.4%	13.2%	14.4%	14.3%
Distressed Assets	3.3%	3.2%	3.7%	2.5%	2.5%	3.2%	8.5%	8.7%	8.4%	17.2%	15.8%	16.5%
Capital Adequacy												
Total Capital Accounts to Total Assets [9/]	12.8%	12.6%	12.7%	12.5%	12.4%	12.5%	14.3%	14.6%	14.3%	20.5%	19.6%	19.8%
Capital Adequacy Ratio (Solo) [10/] [11/]	15.5%	15.6%	15.6% a/	15.3%	15.4%	15.3% b/	17.2%	17.5%	17.5% c/	19.9%	19.5%	19.5% c/

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.

p/ Preliminary; Data for RCBs as of end-March 2020
a/ CAR data for PBS as of end-December 2019
b/ CAR data for U/KBs as of end-March 2020
c/ CAR data for TBs and RCBs as of end-December 2019

Appendix 29. Philippine Banking System: Financial Soundness Indicators

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

	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	Mar-12	Jun-12
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	11.1	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	13.1	12.8
Asset quality																
Nonperforming loans to total gross loans	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	3.0	2.6
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	1.0	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	1.6	1.6
Return on equity	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	13.0	12.7
Interest margin to gross income[2]	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	62.0	62.7
Noninterest expenses to gross income[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	64.0	64.6
Liquidity																
Liquid assets to total assets (liquid asset ratio)	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	39.8	38.8
Liquid assets to short-term liabilities[4]	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	56.4	54.7
Deposits to total (noninterbank) loans	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	146.1	143.5
Sensitivity to market risk																
Net open position in foreign exchange to capital[5]											-15.2	17.1	-0.3	-6.9	-14.2	10.6

	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	Mar-16	Jun-16
Capital adequacy																
Regulatory capital to risk-weighted assets							16.3	16.7	17.0	16.2	16.1	16.4	16.4	15.8	15.8	16.1
Regulatory Tier 1 capital to risk-weighted assets							14.6	14.7	14.7	13.8	13.7	14.1	14.1	13.5	13.9	14.3
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	3.6	3.6
Capital to assets	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	11.9	12.2
Asset quality																
Nonperforming loans to total gross loans	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	2.2	2.2
Sectoral distribution of loans to total loans																
Residents							97.1	97.0	96.6	97.0	96.9	96.8	97.0	97.2	97.2	97.2
Banks							3.6	3.9	3.5	4.4	3.2	2.9	2.9	3.8	3.3	3.4
BSP							5.9	5.7	5.5	5.2	5.3	5.2	5.4	4.8	4.7	4.4
Government							4.4	4.3	4.1	3.9	4.0	4.1	4.0	3.7	3.8	3.8
Other financial corporation							6.4	6.5	6.7	6.6	6.8	6.6	7.0	6.6	6.6	6.7
Nonfinancial corporation							44.0	44.2	44.8	45.0	44.8	44.8	45.0	46.0	46.0	46.4
Agri-agra							6.7	6.5	6.4	6.3	6.4	6.5	6.1	6.0	6.0	5.7
MSMEs							7.5	7.3	7.1	7.3	7.2	7.1	7.1	7.1	7.0	6.7
Households							18.6	18.7	18.5	18.3	19.2	19.6	19.7	19.4	19.9	20.0
Nonresidents							2.9	3.0	3.4	3.0	3.1	3.2	3.0	2.8	2.8	2.8
Earnings and profitability																
Return on assets	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	1.2	1.2
Return on equity	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	9.7	9.8
Interest margin to gross income[2]	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	73.9	73.5
Noninterest expenses to gross income[3]	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	64.7	64.6
Liquidity																
Liquid assets to total assets (liquid asset ratio)	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	40.9	40.2
Liquid assets to short-term liabilities[4]	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	53.9	53.0
Deposits to total (noninterbank) loans	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	149.0	146.4
Sensitivity to market risk																
Net open position in foreign exchange to capital[5]	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	-3.0	6.1

	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	Mar-20	Jun-20
Capital adequacy																
Regulatory capital to risk-weighted assets	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	15.3	
Regulatory Tier 1 capital to risk-weighted assets	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	14.0	
Nonperforming loans net of provision to capital[1]	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	6.0	6.2
Capital to assets	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	12.5	12.7
Asset quality																
Nonperforming loans to total gross loans	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	2.2	2.5
Sectoral distribution of loans to total loans																
Residents	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	96.2	96.1
Banks	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	3.3	3.0
BSP	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	2.7	1.8
Government	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	2.4	2.4
Other financial corporation	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	7.9	8.1
Nonfinancial corporation	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	48.1	48.9
Agri-agra	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	5.8	5.9
MSMEs	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	4.7	4.6
Households	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	21.1	21.4
Nonresidents	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	3.8	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	1.1	1.2	1.2	1.3	1.3	1.3	1.2
Return on equity	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	10.4	9.1
Interest margin to gross income[2]	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	76.2	74.7
Noninterest expenses to gross income[3]	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	59.1	56.5
Liquidity																
Liquid assets to total assets (liquid asset ratio)	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	36.8	39.4
Liquid assets to short-term liabilities[4]	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	46.8	49.6
Deposits to total (noninterbank) loans	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	129.0	135.3
Sensitivity to market risk																
Net open position in foreign exchange to capital[5]	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	31.9	9.0

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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 30

Contingent Accounts

Philippine Banking System

As of Periods Indicated
(Amounts in Billion Pesos)

Selected Accounts	TOTAL			UNIVERSAL and COMMERCIAL BANKS			THRIFT BANKS		
	End-Jun '19	End-Dec '19	End-Jun '20 p/	End-Jun '19	End-Dec '19	End-Jun '20 p/	End-Jun '19	End-Dec '19	End-Jun '20 p/
TRADE-RELATED ACCOUNTS	**148.955**	**143.764**	**111.872**	**148.352**	**142.634**	**110.834**	**0.602**	**1.130**	**1.039**
Domestic Commercial Letters of Credit Outstanding	12.957	11.509	4.396	12.818	11.363	4.364	0.139	0.146	0.031
Foreign Commercial Letters of Credit Outstanding	90.001	99.171	70.690	89.691	98.450	70.172	0.310	0.721	0.518
LCs - Confirmed	15.287	16.378	15.268	15.287	16.378	15.268	-	-	-
Shipside Bonds/Airway Bills	30.710	16.706	21.519	30.557	16.443	21.029	0.153	0.263	0.490
BANK GUARANTEES	**340.937**	**374.807**	**338.740**	**340.089**	**374.375**	**338.367**	**0.849**	**0.431**	**0.373**
Stand-by Letters of Credit	284.549	311.578	275.512	283.707	311.159	275.151	0.841	0.420	0.361
Outstanding Guarantees Issued	56.389	63.228	63.228	56.381	63.217	63.217	0.007	0.012	0.012
COMMITMENTS	**1,371.558**	**1,540.177**	**1,780.238**	**1,368.895**	**1,537.820**	**1,777.758**	**2.663**	**2.357**	**2.480**
Underwritten Accounts Unsold				-	-	-	-	-	-
Committed Credit Lines for CPs Issued	0.553	1.292	0.052	0.513	1.247	-	0.040	0.045	**0.052**
Credit Card Lines	938.788	1,018.150	1,311.553	936.660	1,016.261	**1,309.597**	2.128	1.889	**1.956**
Others	432.216	520.735	468.633	431.721	520.312	**468.161**	0.495	0.423	**0.472**
DERIVATIVES INSTRUMENTS *	**3,407.563**	**3,037.151**	**3,187.399**	**3,404.940**	**3,036.847**	**3,187.298**	**2.623**	**0.304**	**0.101**
Interest Rate Contracts	975.715	893.590	893.590	975.715	893.590	893.590	-		
Foreign Exchange Contracts	2,431.561	2,143.278	2,288.497	2,428.938	2,142.974	2,288.397	2.623	0.304	0.101
Equity Contracts	-	-	-	-	-	-	-	-	-
Credit Derivatives	0.287	0.284	5.312	0.287	0.284	5.312	-		
TRUST DEPARTMENT ACCOUNTS	**2,704.797**	**2,917.105**	**2,996.231**	**2,653.522**	**2,894.330**	**2,967.738**	**51.275**	**22.775**	**28.494**

Notional Amounts of Derivatives Held For Trading (Stand-Alone and Embedded)
Figures may not add up due to rounding-off
p/ Preliminary

Appendix 31

Trust and Fund Management Operations - Assets and Accountabilities

Philippine Banks and Non-Bank Financial Institutions (NBFIs)

As of Periods-Ended Indicated

(Amounts in Billion Pesos)

Selected Accounts	ALL BANKS/NBFIs			UNIVERSAL AND COMMERCIAL BANKS			THRIFT BANKS			NBFIs		
	End-Mar '19	End-Dec '19	End-Mar '20	End-Mar '19	End-Dec '19	End-Mar '20	End-Mar '19	End-Dec '19	End-Mar '20	End-Mar '19	End-Dec '19	End-Mar '20
TOTAL ASSETS	**2,858.2**	**3,973.1**	**3,610.0**	**1,985.0**	**2,894.3**	**2,608.0**	**24.2**	**22.8**	**48.8**	**849.0**	**1,056.0**	**953.3**
Peso / Regular Assets	**2,397.4**	**3,314.9**	**2,990.0**	**1,612.2**	**2,331.3**	**2,067.6**	**22.6**	**21.2**	**44.6**	**762.6**	**962.4**	**877.8**
Cash and Due from banks	0.3	0.4	0.7	0.3	0.4	0.7	0.0	0.0	0.0	0.0	0.0	0.0
Deposits in Banks	653.0	909.6	835.8	514.6	750.2	694.5	4.3	4.7	8.2	134.0	154.7	133.0
Financial Assets, net	1,621.2	2,251.8	2,022.5	1,019.8	1,475.8	1,289.3	10.9	9.8	31.8	590.4	766.1	701.4
Loans, net	72.3	88.6	69.9	43.1	59.0	36.6	4.3	3.6	3.8	24.9	26.0	29.5
Equity Investments (net)	3.1	3.2	0.7	0.6	0.7	0.7	2.6	2.6	0.1	-	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	47.5	61.1	60.3	33.8	45.2	45.7	0.5	0.5	0.7	13.2	15.5	13.8
FCDU/EFCDU Assets	**460.8**	**658.1**	**620.0**	**372.8**	**563.0**	**540.3**	**1.5**	**1.6**	**4.2**	**86.5**	**93.6**	**75.5**
Cash and Due from banks	-	-	-	-	-	-	-	-	-	-	-	-
Deposits in Banks	105.3	127.1	102.5	75.0	98.2	79.5	0.6	0.6	0.6	29.7	28.4	22.4
Financial Assets, net	127.1	296.1	269.2	70.2	230.6	213.8	0.9	0.9	3.5	56.0	64.5	51.9
Loans, net	-	-	-	-	-	-	-	-	-	-	-	-
Equity Investments (net)	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-	-
ROPA (net)	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	228.3	234.9	248.3	227.6	234.2	247.1	0.0	0.0	0.1	0.7	0.7	1.2
TOTAL ACCOUNTABILITIES	**2,858.2**	**3,973.1**	**3,610.0**	**1,985.0**	**2,894.3**	**2,608.0**	**24.2**	**22.8**	**48.8**	**849.0**	**1,056.0**	**953.3**
Peso / Regular Accountabilities	**2,397.4**	**3,314.9**	**2,990.0**	**1,612.2**	**2,331.3**	**2,067.6**	**22.6**	**21.2**	**44.6**	**762.6**	**962.4**	**877.8**
Wealth/Asset/Fund Management Accounts	2,187.9	3,087.8	2,786.3	1,421.8	2,126.6	1,881.5	21.8	20.9	44.3	744.2	940.3	860.5
UITF	543.9	702.7	510.0	367.5	497.6	343.1	1.2	1.2	3.3	175.3	203.9	163.6
Employee Benefit	342.9	452.8	423.5	215.7	311.7	290.7	3.7	3.7	3.8	123.6	137.3	128.9
Pre-Need	85.9	121.5	120.4	51.6	79.1	80.9	0.8	0.8	0.9	33.5	41.5	38.6
Others-Institutional Accounts	622.3	924.1	864.8	341.4	515.2	470.6	6.4	6.0	6.9	274.5	402.9	387.3
Personal Trust	106.3	212.1	197.6	56.7	147.5	139.9	0.2	0.2	0.6	49.4	64.4	57.1
Personal Pension Fund	-	-	-	-	-	-	-	-	-	-	-	-
Personal Retirement Fund	0.1	0.1	0.1	0.1	0.1	0.1	-	-	-	-	-	-
Others-Individual Accounts	486.4	674.6	670.0	388.8	575.3	556.2	9.6	8.9	28.8	88.0	90.3	85.0
Other Fiduciary Services	208.8	226.4	203.2	189.6	204.0	185.6	0.8	0.3	0.3	18.3	22.1	17.3
Advisory/Consultancy	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-	0.0	0.0	0.0
Special Purpose Trust	0.8	0.7	0.5	0.8	0.7	0.5	-	-	-	-	-	-
FCDU/EFCDU Accountabilities	**460.8**	**658.1**	**620.0**	**372.8**	**563.0**	**540.3**	**1.5**	**1.6**	**4.2**	**86.5**	**93.6**	**75.5**
Wealth/Asset/Fund Management Accounts	218.1	410.2	353.7	134.0	316.8	277.7	1.0	1.1	3.7	83.0	92.3	72.3
UITF	98.9	118.1	88.7	53.4	66.1	49.7	-	-	-	45.5	51.9	39.1
Employee Benefit	8.8	10.8	10.1	8.7	10.7	9.9	0.0	0.0	0.0	0.1	0.2	0.2
Pre-Need	0.5	0.6	0.8	0.5	0.6	0.8	-	-	-	0.0	0.0	0.0
Others-Institutional Accounts	40.3	66.2	59.8	15.9	39.1	36.6	0.2	0.2	0.4	24.3	26.9	22.9
Personal Trust	13.4	46.1	42.4	6.0	38.8	35.6	0.4	0.4	0.5	7.0	6.9	6.3
Personal Pension Fund	-	-	-	-	-	-	-	-	-	-	-	-
Personal Retirement Fund	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-	-
Others-Individual Accounts	56.2	168.5	151.8	49.6	161.6	145.1	0.5	0.5	2.8	6.1	6.4	3.9
Other Fiduciary Services	242.7	248.0	266.4	238.8	246.2	262.7	0.5	0.5	0.5	3.4	1.3	3.2
Advisory/Consultancy	-	-	-	-	-	-	-	-	-	-	-	-
Special Purpose Trust	-	-	-	-	-	-	-	-	-	-	-	-

Note: "0.000" denotes a value below 0.0005

Figures may not add up due to rounding-off

Appendix 32

Trust and Fund Management Operations - Assets and Accountabilities

Philippine Banks and Non-Bank Financial Institutions (NBFIs)

As of Periods-Ended Indicated

(Amounts in Billion Pesos)

Selected Accounts	TOTAL TRUST			TRUST			AGENCY			OTHER FIDUCIARY			ADVISORY AND CONSULTANCY			SPECIAL PURPOSE		
	End-Mar '19	End-Dec '19	End-Mar '20	End-Mar '19	End-Dec '19	End-Mar '20	End-Mar '19	End-Dec '19	End-Mar '20	End-Mar '19	End-Dec '19	End-Mar '20	End-Mar '19	End-Dec '19	End-Mar '20	End-Mar '19	End-Dec '19	End-Mar '20
TOTAL ASSETS	**2,858.2**	**3,973.1**	**3,610.0**	**1,207.9**	**1,670.0**	**1,401.6**	**1,198.1**	**1,828.0**	**1,738.4**	**451.5**	**474.3**	**469.6**	-	-	-	**0.8**	**0.7**	**0.5**
Peso / Regular Assets	**2,397.4**	**3,314.9**	**2,990.0**	**1,054.6**	**1,454.9**	**1,221.9**	**1,133.3**	**1,632.9**	**1,564.4**	**208.8**	**226.4**	**203.2**	-	-	-	**0.8**	**0.7**	**0.5**
Cash and Due from banks	0.3	0.4	0.7	0.3	0.4	0.7	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-	-
Deposits in Banks	653.0	909.6	835.8	342.8	464.5	330.6	230.4	347.7	434.9	79.8	97.4	70.2	-	-	-	0.0	0.0	0.0
Financial Assets, net	1,621.2	2,251.8	2,022.5	680.9	943.3	842.0	828.7	1,197.1	1,062.7	111.3	111.2	117.8	-	-	-	0.3	0.3	0.0
Loans, net	72.3	88.6	69.9	6.7	12.0	12.1	65.0	76.1	57.0	0.1	0.1	0.3	-	-	-	0.4	0.4	0.4
Equity Investments (net)	3.1	3.2	0.7	0.1	0.2	0.6	2.6	2.6	0.2	0.4	0.4	0.0	-	-	-	-	-	-
ROPA (net)	0.1	0.1	0.1	0.0	0.0	0.0	-	-	-	0.1	0.1	0.1	-	-	-	-	-	-
Other assets	47.5	61.1	60.3	23.7	34.5	35.9	6.6	9.5	9.6	17.2	17.2	14.8	-	-	-	0.0	0.0	0.0
FCDU/EFCDU Assets	**460.8**	**658.1**	**620.0**	**153.3**	**215.1**	**179.7**	**64.8**	**195.1**	**173.9**	**242.7**	**248.0**	**266.4**	-	-	-	-	-	-
Cash and Due from banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits in Banks	105.3	127.1	102.5	85.3	96.7	73.3	8.2	15.8	15.9	11.8	14.6	13.3	-	-	-	-	-	-
Financial Assets, net	127.1	296.1	269.2	66.6	116.6	104.3	55.9	176.9	155.8	4.6	2.6	9.1	-	-	-	-	-	-
Loans, net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity Investments (net)	0.0	0.0	0.0	-	-	-	0.0	0.0	0.0	-	-	-	-	-	-	-	-	-
ROPA (net)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	228.3	234.9	248.3	1.4	1.8	2.1	0.7	2.4	2.3	226.3	230.7	244.0	-	-	-	-	-	-
TOTAL ACCOUNTABILITIES	**2,858.2**	**3,973.1**	**3,610.0**	**1,207.9**	**1,670.0**	**1,401.6**	**1,198.1**	**1,828.0**	**1,738.4**	**451.5**	**474.3**	**469.6**	-	-	-	**0.8**	**0.7**	**0.5**
Peso / Regular Accountabilities	**2,397.4**	**3,314.9**	**2,990.0**	**1,054.6**	**1,454.9**	**1,221.9**	**1,133.3**	**1,632.9**	**1,564.4**	**208.8**	**226.4**	**203.2**	-	-	-	**0.8**	**0.7**	**0.5**
Wealth/Asset/Fund Management Accounts	2,187.9	3,087.8	2,786.3	1,054.6	1,454.9	1,221.9	1,133.3	1,632.9	1,564.4	-	-	-	-	-	-	-	-	-
UITF	543.9	702.7	510.0	543.9	702.7	510.0				-	-	-	-	-	-	-	-	-
Employee Benefit	342.9	452.8	423.5	297.8	396.6	371.6	45.1	56.2	51.9	-	-	-	-	-	-	-	-	-
Pre-Need	85.9	121.5	120.4	85.2	120.7	119.5	0.7	0.8	0.9	-	-	-	-	-	-	-	-	-
Others-Institutional Accounts	622.3	924.1	864.8	20.8	22.3	22.7	601.5	901.8	842.0	-	-	-	-	-	-	-	-	-
Personal Trust	106.3	212.1	197.6	106.3	212.1	197.6	-	-	-	-	-	-	-	-	-	-	-	-
Personal Pension Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Personal Retirement Fund	0.1	0.1	0.1	0.1	0.1	0.1	-	-	-	-	-	-	-	-	-	-	-	-
Others-Individual Accounts	486.4	674.6	670.0	0.4	0.4	0.4	486.0	674.1	669.6	-	-	-	-	-	-	-	-	-
Other Fiduciary Services	208.8	226.4	203.2							208.8	226.4	203.2	-	-	-	-	-	-
Advisory/Consultancy	-	-	-							-	-	-	-	-	-	-	-	-
Special Purpose Trust	0.8	0.7	0.5							-	-	-	-	-	-	0.8	0.7	0.5
FCDU/EFCDU Accountabilities	**460.8**	**658.1**	**620.0**	**153.3**	**215.1**	**179.7**	**64.8**	**195.1**	**173.9**	**242.7**	**248.0**	**266.4**	-	-	-	-	-	-
Wealth/Asset/Fund Management Accounts	218.1	410.2	353.7	153.3	215.1	179.7	64.8	195.1	173.9	-	-	-	-	-	-	-	-	-
UITF	98.9	118.1	88.7	98.9	118.1	88.7				-	-	-	-	-	-	-	-	-
Employee Benefit	8.8	10.8	10.1	8.4	10.4	9.7	0.4	0.4	0.4	-	-	-	-	-	-	-	-	-
Pre-Need	0.5	0.6	0.8	0.5	0.6	0.8	-	-	-	-	-	-	-	-	-	-	-	-
Others-Institutional Accounts	40.3	66.2	59.8	9.4	16.3	15.6	31.0	49.9	44.2	-	-	-	-	-	-	-	-	-
Personal Trust	13.4	46.1	42.4	13.4	46.1	42.4	-	-	-	-	-	-	-	-	-	-	-	-
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	56.2	168.5	151.8	22.7	23.7	22.5	33.4	144.8	129.3	-	-	-	-	-	-	-	-	-
Other Fiduciary Services	242.7	248.0	266.4							242.7	248.0	266.4	-	-	-	-	-	-
Advisory/Consultancy	-	-	-							-	-	-	-	-	-	-	-	-
Special Purpose Trust	-	-	-							-	-	-	-	-	-	-	-	-

Note: "0.000" denotes a value below 0.0005

Figures may not add up due to rounding-off

Appendix 33

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-Mar '19	End-Dec '19	End-Mar '20	End-Mar '19	End-Dec '19	End-Mar '20	End-Mar '19	End-Dec '19	End-Mar '20	End-Mar '19	End-Dec '19	End-Mar '20
TRUST INCOME	**2.0**	**10.8**	**2.5**	**1.2**	**7.5**	**1.8**	**0.0**	**0.1**	**0.0**	**0.7**	**3.2**	**0.7**
Fees and Commissions	1.9	10.4	2.4	1.2	7.4	1.7	0.0	0.1	0.0	0.7	3.0	0.7
Other Income	0.1	0.4	0.1	0.0	0.2	0.0			-	0.0	0.2	0.1
TRUST EXPENSES	**0.9**	**5.1**	**1.2**	**0.4**	**2.5**	**0.6**	**0.0**	**0.1**	**0.0**	**0.5**	**2.6**	**0.6**
Compensation/Fringe Benefits	0.4	2.1	0.5	0.2	1.4	0.3	0.0	0.0	0.0	0.1	0.7	0.1
Taxes and Licenses	0.2	0.8	0.2	0.1	0.4	0.1	0.0	0.0	0.0	0.1	0.4	0.1
Other Administrative Expenses	0.1	0.6	0.2	0.1	0.3	0.1	0.0	0.0	0.0	0.0	0.3	0.1
Depreciation/Amortization	0.1	0.4	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.1	0.3	0.1
Allocated Indirect Expenses	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Expenses	0.2	1.0	0.2	0.0	0.2	0.1	0.0	0.0	0.0	0.2	0.8	0.2
OPERATING INCOME / (LOSS)	**1.0**	**5.7**	**1.3**	**0.8**	**5.1**	**1.1**	**0.0**	**0.0**	**0.0**	**0.2**	**0.7**	**0.2**

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

Appendix 34

Comparative Statement of Condition

Non-Bank Financial Institutions (NBFIs)

As of Periods-Ended Indicated

(Amounts in Billion Pesos)

Selected Accounts	ALL NBFIs 1/			NBQBs			NSSLAs			Other NBFIs 1/		
	End-Mar '19	End-Dec '19	End-Mar '20	End-Mar '19	End-Dec '19	End-Mar '20	End-Mar '19	End-Dec '19	End-Mar '20	End-Mar '19	End-Dec '19	End-Mar '20
ASSETS	**675.0**	**822.1**	**719.6**	**283.4**	**279.4**	**180.9**	**232.0**	**260.1**	**260.2**	**159.5**	**282.5**	**278.5**
Cash and Due from Banks	72.6	83.5	74.6	37.5	28.4	17.2	15.0	21.2	21.4	20.1	33.8	36.0
Loan Portfolio (net, inclusive of IBL)	472.9	570.9	486.7	186.7	214.1	134.9	185.5	205.5	205.6	100.7	151.2	146.2
Investments (net)	84.6	77.2	74.5	47.6	25.4	22.1	18.4	19.2	19.3	18.6	32.7	33.1
Other Assets (inclusive of ROPOA, net)	45.2	90.7	84.1	11.6	11.5	6.7	13.1	14.1	13.9	20.4	65.1	63.5
LIABILITIES AND CAPITAL	**675.0**	**822.1**	**719.1**	**283.4**	**279.4**	**180.9**	**232.0**	**260.1**	**259.8**	**159.5**	**282.5**	**278.5**
Liabilities	398.4	486.2	404.3	223.7	220.2	142.0	74.5	89.1	89.0	100.2	176.9	173.3
Deposit Liabilities	51.6	59.0	59.0	-	-	-	51.6	59.0	**59.0**	-	-	-
Peso Liabilities	51.6	59.0	59.0	-	-	-	51.6	59.0	59.0	-	-	-
Demand and NOW	-	-	-	-	-	-	-	-		-	-	-
Savings	46.7	53.6	53.5	-	-	-	46.7	53.6	53.5	-	-	-
Time	4.9	5.4	5.4	-	-	-	4.9	5.4	5.4	-	-	-
Foreign Currency	-	-	-	-	-	-	-	-	-	-	-	-
Bills Payable	270.0	272.9	200.6	188.9	178.2	111.4	17.0	20.4	20.2	64.1	74.4	69.0
Deposit Substitutes	126.8	127.1	82.9	126.5	127.0	82.8	-	-		0.4	0.1	0.1
Others	143.2	145.8	117.7	62.5	51.2	28.6	17.0	20.4	20.2	63.7	74.3	68.9
Special Financing	-	-	-	-	-	-	-	-	-	-	-	-
Time Certificates of Deposits - SF	-	-	-	-	-	-	-	-	-	-	-	-
Special Time Deposits	-	-	-	-	-	-	-	-	-	-	-	-
Unsecured Subordinated Debt	-	-	-	-	-	-	-	-	-	-	-	-
Other Liabilities	76.7	154.3	144.7	34.7	42.0	30.5	5.9	9.8	9.9	36.1	102.5	104.3
Capital Accounts	**276.6**	**335.9**	**314.8**	**59.8**	**59.2**	**38.9**	**157.6**	**171.0**	**170.7**	**59.3**	**105.7**	**105.2**
Capital Stock	187.0	222.8	222.6	19.1	20.5	19.4	121.1	131.0	131.3	46.8	71.3	71.8
Assigned Capital	-	-	-	-	-	-	-	-		-	-	-
Net Due to H.O.	-	-	-	-	-	-	-	-		-	-	-
Surplus, Surplus Reserves & Undivided Profits	89.6	113.1	92.3	40.7	38.7	19.5	36.4	40.0	39.5	12.5	34.4	33.4

1/ Includes only the reporting entities

Figures may not add up due to rounding-off

Appendix 35

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-Mar '19	End-Dec '19	End-Mar '20	End-Mar '19	End-Dec '19	End-Mar '20	End-Mar '19	End-Dec '19	End-Mar '20	End-Mar '19	End-Dec '19	End-Mar '20
OPERATING INCOME	**32.2**	**107.0**	**38.2**	**6.5**	**27.2**	**1.6**	**7.7**	**30.5**	**7.7**	**18.0**	**49.3**	**28.9**
Net Interest Income	**21.2**	**75.3**	**24.2**	**5.0**	**21.3**	**1.9**	**6.9**	**27.6**	**7.0**	**9.3**	**26.4**	**15.4**
Interest Income	17.3	46.9	20.4	0.4	1.3	0.3	7.7	31.2	7.8	9.2	14.4	12.3
Leasing Income	8.7	49.3	8.3	7.4	30.9	3.3			-	1.3	18.3	5.0
Less: Interest Expenses	4.8	20.9	4.5	2.8	10.9	1.6	0.8	3.6	0.8	1.2	6.3	2.0
Non-interest Income	**11.0**	**31.8**	**14.0**	**1.5**	**5.9**	**(0.3)**	**0.8**	**2.9**	**0.8**	**8.7**	**22.9**	**13.6**
Fee-based Income	2.6	14.0	2.5	1.0	4.0	0.2	0.6	2.1	0.6	1.0	7.9	1.7
Trading Income/(Loss)	0.2	0.5	(0.3)	0.1	0.6	(0.1)			-	0.0		(0.1)
Income from Corollary Businesses [2/]	4.9	8.7	8.6			-			-	4.9	8.7	8.6
Other Income/(Loss)	3.3	8.6	3.1	0.4	1.3	(0.4)	0.2	0.8	0.2	2.7	6.5	3.4
OPERATING EXPENSES	**20.1**	**60.7**	**25.2**	**4.2**	**17.4**	**1.6**	**1.4**	**7.4**	**1.4**	**14.6**	**35.8**	**22.2**
Bad Debts Written Off	**0.1**	**2.2**	**1.5**	**0.1**	**0.4**	**0.1**			**-**		**1.8**	**1.4**
Provision for Probable Losses	**2.0**	**10.2**	**1.1**	**1.4**	**6.1**	**0.3**	**0.3**	**2.4**	**0.3**	**0.3**	**1.7**	**0.5**
Other Operating Expenses	**18.1**	**48.3**	**22.5**	**2.7**	**10.9**	**1.2**	**1.1**	**5.1**	**1.0**	**14.3**	**32.3**	**20.2**
Overhead Costs	11.3	30.5	15.0	1.9	7.8	1.0	0.7	2.8	0.6	8.7	19.9	13.3
Other Expenses	6.8	17.8	7.5	0.8	3.1	0.2	0.4	2.3	0.4	5.6	12.4	6.9
NET OPERATING INCOME (LOSS)	**12.1**	**46.3**	**13.0**	**2.4**	**9.8**	**(0.1)**	**6.3**	**23.1**	**6.4**	**3.4**	**13.5**	**6.7**
Extraordinary Credits/(Charges)	**0.0**	**0.2**	**(0.1)**	**0.2**	**0.9**	**0.0**			**(0.2)**	**0.0**		**0.0**
NET INCOME/(LOSS) BEFORE TAX	**12.1**	**46.5**	**12.9**	**2.6**	**10.7**	**(0.0)**	**6.1**	**22.6**	**6.2**	**3.4**	**13.3**	**6.7**
Provision for income tax	**1.8**	**6.3**	**2.0**	**0.6**	**2.9**	**0.2**		**0.0**	**-**	**1.1**	**3.4**	**1.8**
NET INCOME/(LOSS) AFTER TAX	**10.3**	**40.2**	**10.9**	**1.9**	**7.8**	**(0.2)**	**6.1**	**22.5**	**6.2**	**2.3**	**9.9**	**4.9**
Profitability												
Return on Assets (%)	**5.07**	**5.39**	**5.85**	**2.96**	**2.79**	**2.45**	**10.09**	**9.26**	**9.18**	**1.83**	**4.45**	**5.70**
Return on Equity (%)	**12.50**	**13.33**	**13.79**	**14.50**	**13.72**	**11.54**	**14.90**	**13.88**	**13.77**	**4.91**	**11.99**	**15.18**

1/ Includes only the reporting entities
2/ Pawnshops' income from foreign exchange dealing/money changing, remittances, bills payments and other corollary businesses
Figures may not add up due to rounding-off

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