Report on the Philippine Financial System

1st Semester 2021

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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A. FINANCIAL TERMS

1. **Allowance on Non-Performing Assets** 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 following minimum key features: simplified know-your-customer (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. **Bonds payable** refers to the amortized cost of obligations arising from the issuance of bonds.

5. **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.

6. **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.

7. **Capital Conservation Buffer (CCB)** refers to the 2.5 percent of Common Equity Tier 1 capital required of universal banks/commercial banks (U/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.

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

9. **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.

10. **Credit Risk** refers to a risk of default on a debt that may arise from a borrower failing to make required payments such as failure to repay a loan or meet contractual obligations.

11. **Demand Deposit** refers to deposits, subject to withdrawal by check thru available bank channels and/or thru the automated teller machines (ATMs) which are otherwise known as current or checking accounts. The bank may or may not pay interest on these accounts.

12. **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 Republic Act (R.A.) No. 11211: Provided, however, that deposit substitutes of commercial, industrial and other non-financial 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 R.A. No. 11211.

13. **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.

14. **Digital bank** refers to a bank that offers financial products and services that are processed end-to-end through a digital platform and/or electronic channels with no physical branches offering financial products and services. This is a new bank category that is separate and distinct from the existing bank classifications.

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

16. **Dividend Income** refers to cash dividends earned and/or actually collected on equity instruments measured at fair value through profit or loss (FVTPL) including those measured at fair value through other comprehensive income (FVOCI).

17. **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.

18. **Earning Assets** refer to the sum of Due from BSP, Due From Other Banks, Financial Assets-debt instruments measured at FVTPL, at FVOCI, and at amortized cost, Financial Assets-derivatives with positive fair value held for trading (stand-alone and embedded), and total loan portfolio 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.

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

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

21. **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.

22. **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 FVTPL; debt instruments at FVOCI; debt instruments at amortized cost; and equity instruments at FVTPL including those held-for-trading (HFT) and at FVOCI.

23. **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.

24. **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.

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

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

27. **Financial Soundness Indicators (FSIs)** are indicators of the current financial health and soundness of the financial institutions in a country, and of their corporate and household counterparts. They include both aggregated individual institution data and indicators that are representative of the markets in which the financial institutions operate. Supervisory data are important sources for calculation of FSIs. FSIs are calculated and disseminated to support macroprudential analysis.

28. **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".

29. **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 R.A. No. 6426 (Foreign Currency Deposit Act of the Philippines), as amended.

30. **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.

31. **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 non-performing asset 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*.

32. **Gross Domestic Product (GDP)** is the sum of gross value added of all resident producer units. **Gross value added (GVA)** is defined as the value of output less the value of intermediate consumption. **Output** is defined the goods and services produced by an establishment. It is equal to the value of sales adjust for the changes in inventories of finished goods, that is goods produced and ready for sale but not yet sold, or goods sold adjusted for sales of goods produced in an earlier period. Meanwhile, **Intermediate Consumption** consists of the value of the goods and services consumed as inputs by a process of production, excluding fixed assets whose consumption is recorded as consumption of fixed capital.

33. **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 standard.

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

35. **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.

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

37. **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.

38. **Liquid assets** refer to the sum of cash and due from banks, and net financial assets, exclusive of equity investments.

39. **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.

40. **Long Term Negotiable Certificates of Deposit (LTNCD)** refers to interest bearing negotiable certificates of deposit with a minimum maturity of five (5) years.

41. **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.

42. **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.

43. **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.

44. **Money Service Business (MSB)** 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 MC/FXD.

45. **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.

46. **Negotiable Order of Withdrawal (NOW) Accounts** refers to the interest-bearing savings deposit which are withdrawable by means of Negotiable Orders of Withdrawal.

47. **Net Cash Outflows (NCO)** pertain 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, thereby establishing the amount of HQLA that a bank would be required to hold.

48. **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.

49. **Net Open Position in Foreign Exchange** refers to the sum of the net position of on-balance-sheet foreign currency debt instruments; net positions in financial derivatives; on-balance-sheet holdings of foreign currency equity assets; net future foreign currency income and expenses not yet accrued but already fully hedged; foreign currency guarantees and similar instruments that are certain to be called and are likely to be irrecoverable; and, depending on the national commercial accounting practice, any other item representing a profit/loss in foreign currencies of the foreign currency positions set out in a single unit of account.

50. **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.

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

52. **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.

53. **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.

54. **Non-Performing Assets (NPAs)** 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).

55. **Non-Performing Loans (NPLs)** 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.

56. **Open Finance** is the term used to describe the extension of open banking data-sharing principles to enable third party providers to access customers' data across a broader range of financial sectors and products, including savings and investments.

57. **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*.

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

59. **Personal Equity and Retirement Account (PERA)** is a voluntary retirement saving program that supplements the existing retirement benefits from Social Security System, Government Service Insurance System and employers. A Filipino citizen with the capacity to contract and have a Tax Identification Number (TIN) can be a PERA contributor.

60. **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.

61. **Quasi-banks (QBs)** 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 R.A. 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. Lenders shall refer to individuals and corporate entities that are not banks, quasi-banks or other financial intermediaries;
    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.

62. **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.

63. **Real Estate Exposures (REEs)** refer to:
    a. Real estate loans (RELs), which consist of:
        - Residential RELs to individual households for occupancy; and
        - Commercial RELs, which refer to loans granted to the following:
            i. Individuals (including sole proprietorships), other than residential real estate loans granted to individual households for occupancy;

ii. Land developers/construction companies; and
iii. Other corporate borrowers, such as real estate brokers, real estate lessors, property management companies, holding companies, and others;

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.

REEs do not include loans and investments in debt and equity securities, which are used to finance infrastructure projects for public use.

64. **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.

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

66. **Relief Measures** refer to policy and regulatory issuances of the BSP especially aimed at providing assistance to BSP-supervised financial institutions (BSFIs) and support to household and business enterprises to endure the adverse effects of the COVID-19 pandemic crisis. These regulatory and operational relief measures aimed to 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 during the pandemic.

67. **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.

68. **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).

69. **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 on their behalf.

70. **Residential Real Estate Price Index (RREPI)** is an indicator of change in the prices of residential properties in the Philippines over a period of time. The growth rate of the index measures the house price inflation.

71. **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.

72. **Savings Deposit** refers to interest- or non-interest-bearing deposits which are withdrawable upon demand thru available bank channels.

73. **Securities** refers to a fungible, negotiable financial instrument that holds some type of monetary value. It is generally categorized into two; equity securities, or securities that represents ownership interest held by shareholders in an entity, realized in the form of shares of capital stock, and

debt securities, or securities that represents borrowed money that must be repaid, with terms that stipulate the size of the loan, interest rate, and maturity or renewal date.

74. **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

75. **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.

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

77. **Sustainable Finance** refers to any form of financial product or service which integrates environmental, social and governance criteria into business decisions that supports economic growth and provides lasting benefit for both clients and society while reducing pressures on the environment. This also covers green finance which is designed to facilitate the flow of funds towards green economic activities and climate change mitigation and adaptation projects.

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

79. **Time Certificates of Deposit** refers to interest-bearing deposits with specific maturity dates and evidenced by certificates issued by the bank.

80. **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.

81. **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.

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

83. **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.

84. **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.

85. **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.

86. **Unimpaired Capital (Regulatory Net Worth)** refers to the total of unimpaired paid-in capital including paid-in surplus, retained earnings and undivided profit, net of valuation

reserves and other adjustments as may be required by the BSP.

87. **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.

88. **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.

89. **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 1 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), countercyclical capital buffer (Circular No. 1024 dated 6 December 2018), and higher loss absorbency (HLA) capital requirement for domestic systemically important bank (D-SIB) (Circular No. 856 dated 29 October 2014, as amended).

3. **Common Equity Tier 1 (CET1) Ratio** refers to the ratio of regulatory CET1 capital to risk-weighted assets.

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

5. **Credit-to-GDP** refers to the ratio of gross total loan portfolio to annualized nominal GDP.

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

7. **Deposits to Net Loans Ratio** refers to the ratio of total deposits to total loan portfolio, exclusive of interbank loans.

8. **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).

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

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

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

12. **Liquid Asset Ratio** refers to the ratio of liquid assets to total assets.

13. **Liquid Asset-to-Deposit Ratio** refers to the ratio of liquid assets to total deposits.

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

15. **Loan Concentration by Counterparty** refers to the ratio of lending to major counterparties to total loan portfolio.

16. **Loan Concentration by Economic Activity** refers to the ratio of lending to major economic activities to total loan portfolio.

17. **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, RCBs, and QBs.

18. **Net Foreign Exchange Position-to-Unimpaired Capital Ratio** refers to the ratio of net open position in foreign exchange to unimpaired capital.

19. **Net Interest Income-to-Total Operating Income Ratio** refers to the proportion of net interest income to total operating income.

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

21. **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).

22. **NPA Coverage Ratio** refers to the ratio of allowance on NPAs to total NPAs.

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

24. **NPL Coverage Ratio** refers to the ratio of allowance for credit losses on loans to total NPLs.

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

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

27. **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 2021, the BSP supervised/regulated financial institutions consisted of 523 banks with 12,603 branches and other offices, 2,053 non-bank financial institutions with 21,216 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 Guarantee Corporation (HGC) effective 7 February 2002, in accordance with Section 94 of R.A. No. 8791 or The General Banking Law of 2000).

HIGHLIGHTS OF THE REPORT

Overview

The Philippine financial system sustained its resilience amid the challenges posed by the COVID-19 pandemic and continued to support the financing requirements of the domestic economy in the first half of 2021.

The strengths and sources of vulnerabilities of the Philippine Banking System (PBS), as the core of the financial system, were assessed in this Report based on a set of Financial Soundness Indicators (FSIs). The FSIs are used to determine the financial health and soundness of financial institutions in a country.

The analysis of the FSIs suggests that the PBS remains sound and stable amid global uncertainties brought by the COVID-19 crisis. In the first semester of 2021, the banking system displayed solid footing as evidenced by continued growth in assets, deposits, and capital, as well as sufficient capital and liquidity buffers, net profit and ample loan loss reserves. The asset expansion, which was largely funded by deposits, enabled the banking system to support the country's financing needs and to deliver relevant financial products and services during the pandemic.

Total assets of the banking system rose to P19,811.2 billion as of end-June 2021 and represented 107.2 percent of the country's annualized nominal gross domestic product (GDP). The asset expansion was primarily channeled to lending and investment activities while funding was mainly sourced from deposits, followed by capital and bonds. The year-on-year (YoY) growth rate in bank assets of 6.4 percent was slower than the 8.0 percent growth rate in June 2020 but higher than the 6.1 percent growth rate in December 2020.

Across banking groups, universal and commercial banks (U/KBs) still made up the bulk of the banking system's total assets at P18,328.3 billion (92.5 percent share) while thrift banks (TBs) and rural and cooperative banks' (RCBs) share stood at P1,186.4 billion (6.0 percent share) and P296.5 billion (1.5 percent share), respectively.

As to composition, loans remained the largest portion of the banking system's asset mix at 52.4 percent (P10,377.9 billion). This was followed by financial assets other than loans and cash and due from banks with 26.2 percent share (P5,185.8 billion) and 17.8 percent share (P3,518.4 billion), respectively.

Credit activities remained muted as the emergence of the new Delta variant and the risk of infection continued to affect prospects for economic recovery. Gross loans declined YoY by 0.4 percent as of end-June 2021, slower than the 5.2 percent growth rate in June 2020. Notwithstanding, lending activity is projected to improve in the coming months in view of the accelerated vaccination program and implementation of enhanced safety protocols of the National Government.

This view is consistent with the results of the Philippine Banking Sector Outlook Survey (BSOS) for the First Semester of 2021 which showed that majority of respondent banks estimated double-digit growth in their loans over the next two years.

It is also reassuring that banks continued to lend or grant financial relief to their borrowers based on the latest data on new loans granted and restructured loans for the semester ended June 2021.

By economic activity, loans remained broad-based. Real estate activities received the largest loans from the banking system at 19.3 percent share. This was followed by wholesale and retail trade, loans for household consumption, electricity, gas, steam and air-conditioning supply and manufacturing with shares of 10.9 percent, 10.7 percent, 9.8 percent, and 9.4 percent, respectively.

Since real estate activities remain crucial to the development of the country's economy and to encourage banks to extend credit to this sector, the BSP eased the real estate loan limit from 20 percent to 25 percent. As of end-June 2021, combined loans, and investments of U/KBs and TBs to the real estate sector expanded by 9.4 percent YoY to P2,736.8 billion, higher than the 8.1 percent posted a year ago. Real estate exposures were made up mainly of real estate loans with 85.4 percent share while the rest were real estate investments.

By contrast, total consumer loans of U/KBs and TBs slipped by 2.8 percent YoY to P1,940.8 billion as of end-June 2021. This decline may be attributed to pessimistic consumer outlook and net tightening of overall credit standards for household loans.

Amid subdued economy, the BSP maintained its accommodative policy stance which helped keep market interest rates low. Notably, the series of policy rate cuts implemented by the BSP have been passed on by banks to consumers and business enterprises through lower and declining loan interest rates. Based on BSP data, the overall mean and median interest rates on loans by banks showed a general downtrend from end-March 2020, during the start of the enhanced community quarantine period, to end-June 2021.

Overall mean weighted average interest rates (WAIR) of banks went down to 5.2 percent as of end-June 2021 from 8.2 percent as of end-March 2020 and 5.7 percent as of end-September 2020. Similarly, the overall median WAIR declined to 4.9 percent as of end-June 2021 from 5.8 percent as of end-March 2020 and 5.0 percent as of end-September 2020. Across loan types, a general declining trend was also observed particularly in both mean and median WAIR of loans to private corporations and individuals.

Aside from accommodative monetary policies, the BSP continued to implement key policy reforms and relief measures to support the recovery of key vulnerable sectors, including micro-, small, and medium enterprises (MSMEs). The BSP allowed banks to use new or refinanced MSME loans as alternative compliance with the reserve requirement. For the reserve week ending 1 July 2021, the banking system allocated an average of P190.5 billion loans to MSMEs as alternative compliance with the reserve requirements. This level, which represents 13.0 percent of total required reserves, is a substantial increase from the P8.7 billion in MSME loans reported for the week ending 30 April 2020. Furthermore, the BSP's measures which encourage lending to MSMEs such as reduced credit risk weight for MSME loans remain in place.

Meanwhile, banks allocated a total of P789.7 billion of loanable funds as compliance with the agri-agra credit as of end-June 2021. At this amount, banks' compliance ratio for other agricultural credit was 9.7 percent, lower than the 15.0 percent requirement, while compliance ratio for agrarian reform credit stood at 1.0 percent, which was also below the required 10.0 percent under the law. The BSP, in collaboration with other government agencies, approved the amendments the implementing rules and regulations of R.A. No. 10000. These amendments aim to broaden access of the agrarian reform sector to bank financing, streamline banks' process of investing in agri-agra eligible securities, and promote innovative financing solutions, within the legal ambit of R.A. No. 10000.

Banks increased their portfolio investments to P4,913.3 billion or up by 32.6 percent YoY as of end-June 2021. This expansion may be attributed to banks' rebalancing efforts as they seek other income-generating opportunities amid the continued pressure on credit activities due to subdued economic activities. Investments were predominantly composed of financial assets measured at fair value through other comprehensive income at P2,386.0 billion (48.6 percent share) and debt securities measured at amortized cost at P2,146.5 billion (43.7 percent share). Financial assets measured at fair value through profit or loss had a minimal share at P380.8 billion (7.7 percent share). In terms of counterparty, securities issued by the National Government accounted for the bulk of U/KBs and TBs' investment portfolio at P3,271.2 billion (67.3 percent share).

The lending and investment activities of the banking system were mostly funded by deposits which grew by 7.6 percent YoY to P15,346.1 billion as of end-June 2021, lower than the 10.9 percent registered growth last year. By composition, savings deposits occupied the biggest share at 48.9 percent, followed by demand deposits and NOW accounts (28.9 percent share) and time certificates of deposit (20.9 percent share). Long-term negotiable certificates of deposit (LTNCDs) had a minimal share at 1.3 percent.

By counterparty, deposits were mostly sourced from resident individuals (45.5 percent share) and private corporations (34.0 percent share). Deposits from resident private corporations went up by 11.9 percent YoY while those from individuals had a lower YoY growth rate of 2.2 percent.

Another source of funding, although minimal at 3.5 percent of the banking system's total assets, was bonds payable which increased by 10.9 percent YoY to P699.8 billion.

In line with the BSP's efforts to liberalize the foreign currency market in the country, operations of banks with foreign currency deposit units (FCDUs) continued to expand. As of end-June 2021, there were 76 banks with FCDU authority with total asset size of USD56.2 billion (P2,728.1 billion), representing 13.8 percent of the PBS' total assets. Asset mix of banks' FCDU remained relatively stable and primarily deployed towards loans and investments in financial assets.

The FCDU liquidity position was also robust with stable funding mainly from deposits and bond issuances contributing to funds available to service the payment and settlement requirements of the country both at the local and international front. Amid market volatility due to the COVID-19 pandemic, the profitable operation of FCDUs was sustained through the increase in fees and commissions income.

Banks posted high capital buffers. As of end-June 2021, the capital adequacy ratios (CARs) of the PBS improved to 17.2 percent and 17.7 percent on solo and consolidated bases, respectively, from the previous year's 16.4 percent and 16.8 percent. These CARs remained well-above the minimum thresholds set by the BSP at 10 percent and the Bank for International Settlements (BIS) at 8 percent.

Banks' risk-taking activities were mainly supported by Common Equity Tier 1 (CET1), the highest quality among instruments eligible as capital. The strong capital position is a result of the capital reforms implemented by the BSP over the years and the PBS' positive performance. The capital for the current period was mainly fueled by the 8.9 percent YoY increase in retained earnings and undivided profits which held a combined share of 50.3 percent of the total capital accounts of the PBS.

By industry, U/KBs remained the largest holder of the PBS' capital at 91.2 percent share and posted 6.0 percent increase during the year. The RCBs, with the least share of 2.2 percent also grew by 6.5 percent. Meanwhile, the remaining 6.6 percent share was held by the TBs with capital increase of 4.0 percent as of end-June 2021.

In terms of liquidity buffers, the PBS maintained ample supply of liquidity, relatively higher than the BSP's minimum requirements. As of end-June 2021, the U/KB industry's consolidated Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) stood at 196.4 percent and 144.5 percent, respectively, notably higher than the 100 percent required by the BSP. For smaller banks, particularly stand-alone TBs, RBs, CBs, the minimum liquidity ratios were at record highs, surpassing the 20 percent minimum requirement.

The BSP is also set to roll-out the Report on Intraday Liquidity for U/KBs and their subsidiary TBs/quasi-banks (QBs) in January 2022. 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.

As to profitability, for the first half of 2021, banks' performance rebounded as net profit of the system went up by 42.9 percent YoY to P122.7 billion. Apart from the improvement in cost of funding and higher income from fees and commissions, banks' early recognition of their loan-loss provisions in 2020 enabled the banking system to temper the impact of this crisis on its earnings. However, on an annualized basis, the banking system's net profit declined by 6.6 percent YoY to P192.0 billion mainly due to the sizable provision for credit losses on loans and other financial assets.

The PBS exhibited leaner and stronger banking landscape supportive of its overall condition and performance. As of end-June 2021, total physical network rose to 13,126 due to additional new other offices. This comprised of 523 head offices and 12,603 branches.

The acceleration of digital transformation and rise of e-payments likewise paved the way for further improvement in banking services in the country. The BSP introduced a "Digital bank" as a distinct bank classification in December 2020. As of end-June 2021, there were three (3) approved digital banks which are completing the licensing requirements to be able to operate as a digital bank.

Meanwhile, the trust industry recorded double-digit growth in assets and net income amid the pandemic. As of end-June 2021, total assets increased by 18.4 percent YoY to P4,820.4 billion while net income went up by 33.5 percent YoY due to increase in fees and commissions.

The total assets of the trust industry represented about 24.3 percent of the banking system's total assets. Asset mix remained relatively stable with most funds placed in financial assets and bank deposits.

Trust accountabilities also increased driven largely by trust and agency accounts. This improvement is a combination of increased visibility and accessibility of trust products, as well as efforts to improve the offering of Personal Equity and Retirement Account (PERA) through digitalization, massive information campaign, and constant engagement with various industry associations and financial institutions, among others.

Other non-bank financial institutions (NBFIs) were able to register net profit and ample liquidity position despite the ongoing crisis. Asset quality of NBFIs showed slight weakening but remained manageable and was matched with adequate provisioning.

The overall condition and performance of the non-stock savings and loan association (NSSLA) industry remained satisfactory. The NSSLAs' total resources continued to expand, although at a much slower rate, and these were deployed towards lending activities and investments in financial assets. Loan quality remained manageable. The increase in bad loans was matched with high loan-loss provisions. The NSSLAs' liquidity position was robust with stable funding from members' capital contribution and deposits. Profitability was also sustained for the period ending June 2021 due to steady growth of loans to members.

The Pawnshops and Money Service Businesses (MSBs) continued to expand their footprint, even surpassing the total physical network of banks nationwide in the first semester of 2021. Majority of the industries' branches were heavily concentrated in urban zones, particularly in Luzon, as most of their clients and consumers are residing in this area.

Given the pawnshops and MSBs' extensive reach, the National Government utilized these financial entities in the distribution of financial assistance to affected families and individuals during the implementation of the enhanced community quarantine in the country.

As for NBFIs with quasi-banking functions (NBQBs), the industry underwent streamlining and rationalization to improve its financial standing and operational performance. This move was reflected in the industry's key indicators - assets, liabilities, net profit, and loan and asset quality. NBQB industry is expected to remain stable as most of the financing companies and investment houses with QB license are linked to more stable and resilient U/KBs.

Given the continuing uncertainty posed by the global pandemic, the BSP will continue to monitor risks and vulnerabilities that may amplify impact on the economy and put undue pressure on the performance of the PBS.

The BSP's supervisory framework will continue to be reinforced by technological solutions that leverage on artificial intelligence and machine learning. These tools will support the operationalization of regulatory and supervisory processes as well as the implementation of the Supervisory Assessment Framework (SAFr). The SAFr aims to further strengthen the assessment of the continuing safety and soundness of supervised entities through calibrated and proportionate supervisory plans for each supervised institution based on systemic importance and risk profile.

Lastly, the BSP will continue to adopt prudential standards that will strengthen risk governance, promote responsible innovation, and uphold financial integrity in supervised institutions. These efforts will be complemented by initiatives aimed at deepening the domestic capital market, advancing financial inclusion, and mainstreaming of sustainability principles, in coordination with other authorities.

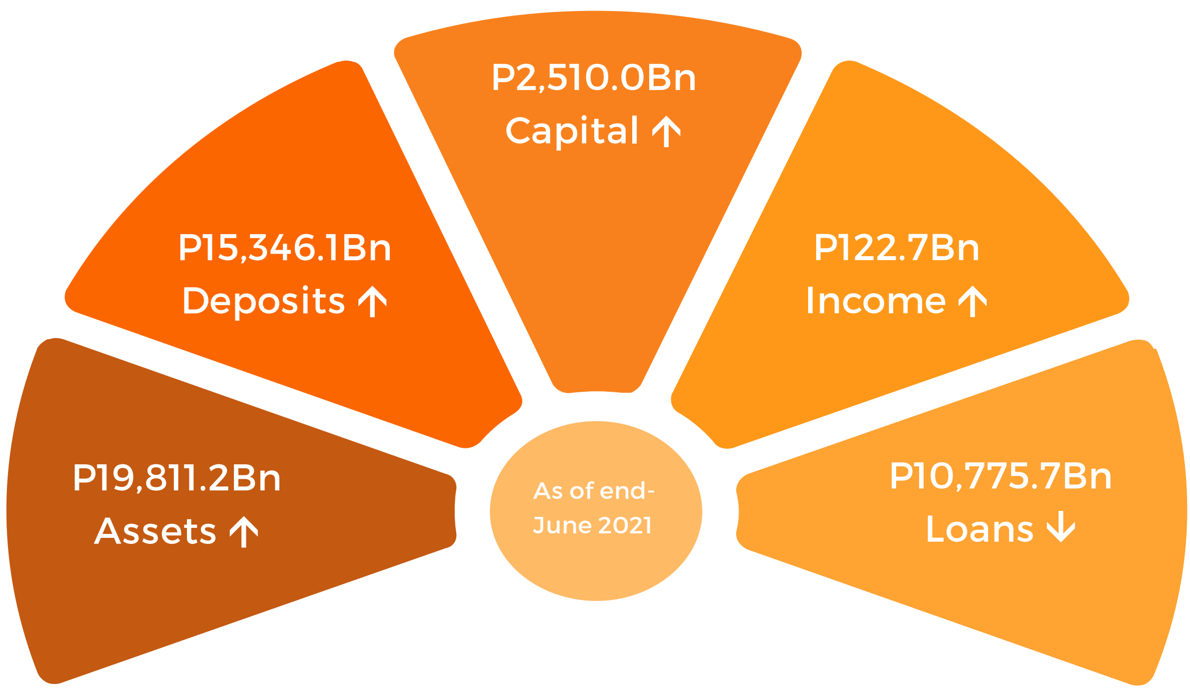
PHILIPPINE BANKING SYSTEM

Overview

The Philippine banking system (PBS) sustained a solid footing amid the COVID-19 pandemic as evidenced by growth in assets, deposits, and capital, as well as ample loan loss reserves, sufficient capital buffers and positive net profit. Funded by deposit generation, the continued expansion of resources enabled the banking system to support the country's financing needs and to continue delivering relevant financial products and services during the pandemic.

The universal and commercial banking (U/KB), thrift banking (TB) and rural and cooperative banking (RCB) industries posted growth in total assets, deposits and capital during the first semester of year 2021. The loan quality of all banking groups remained manageable as loan loss provisions increased to cushion higher non-performing loan (NPL) levels. This was further reinforced by high capital adequacy ratios (CARs), well-above the BSP regulatory minimum and international standards, as well as positive net earnings across all banking groups.

The strength and resilience of the PBS were complemented by the prudential and strategic reforms undertaken by the BSP over the years, as well as the BSP's swift, time-bound and targeted relief measures. These regulatory and operational relief measures, most of which are still in effect until end-December 2021, provide incentives for BSP-supervised financial institutions (BSFIs) to ensure steady flow of liquidity and availability of financial services to businesses and households.



ASSET EXPANSION CONTINUED BUT AT A SOFTER PACE

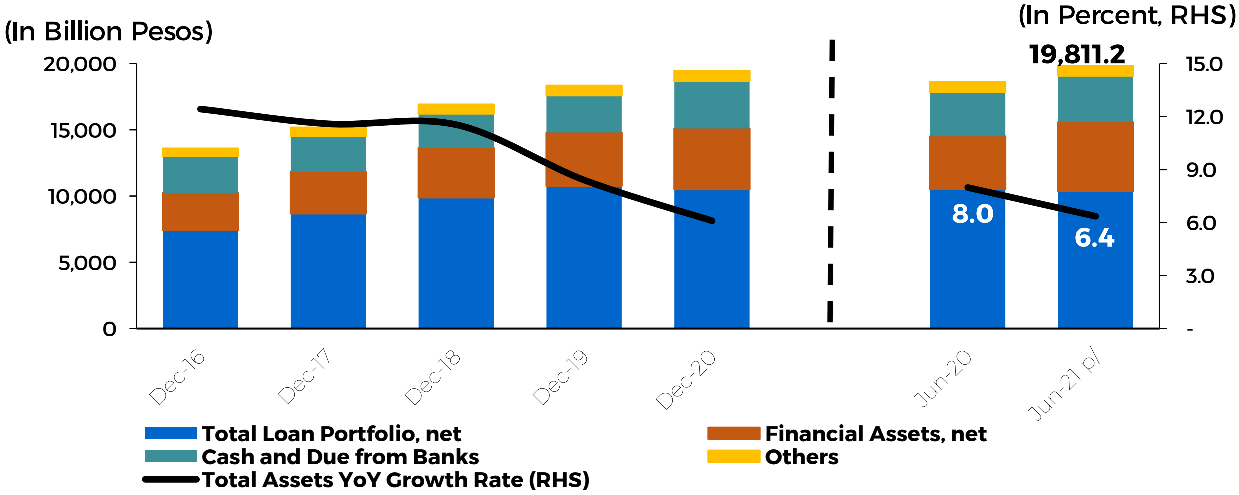
Total resources of the PBS rose to P19,811.2 billion as of end-June 2021 primarily due to expansion of funds channeled to lending and investment activities and sourced from deposits as well as bond issuances and capital infusion. The total assets' year-on-year (YoY) growth rate of 6.4 percent was slower than the 8.0 percent growth rate in June 2020 but higher than the 6.1 percent growth rate in December 2020 (Figure 1).

U/KBs made up the bulk of the banking system's total assets at P18,328.3 billion (92.5 percent share) while the total assets of TBs and RCBs stood at P1, 186.4 billion (6.0 percent share) and P296.5 billion (1.5 percent share), respectively.

U/KBs' total assets went up YoY by 6.3 percent, slower than the 9.4 percent growth rate in June 2020. Meanwhile, TBs' total assets expanded by 6.0 percent, compared to the 9.4 percent drop in June 2020. RCBs' total assets grew by 9.0 percent, higher than the 5.3 percent growth rate in June 2020.

Total loan portfolio (TLP), net of allowance for credit losses, held the largest share of the banking system's total assets at 52.4 percent (P10,377.9 billion) followed by financial assets other than loans, net[1] and cash and due from banks with 26.2 percent share (P5,185.8 billion) and 17.8 percent share (P3,518.4 billion), respectively. Meanwhile, other

Figure 1. Total Assets of the PBS
As of end-Period Indicated

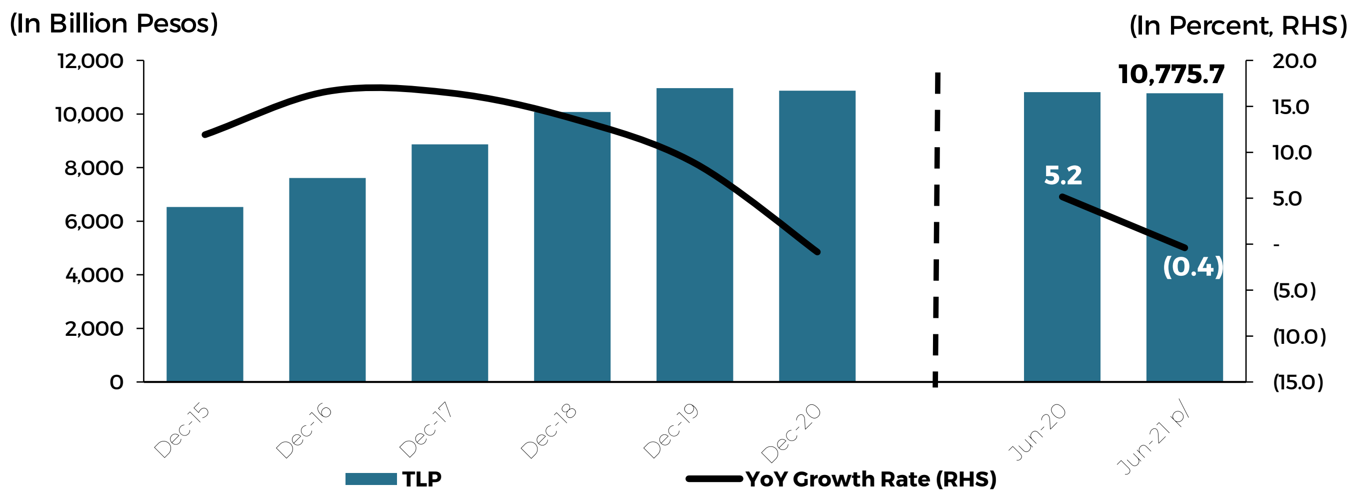


Source: DSA

p/ preliminary data

[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

Figure 2. Gross Total Loan Portfolio (TLP) of the PBS
As of end-Period Indicated



Source: DSA

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assets[2] had 3.6 percent share (P729.1 billion).

LOAN GROWTH DECELERATED AMID THE PANDEMIC

The banking system's credit growth has remained muted as the emergence of the new Delta variant and the risk of infection continues to affect prospects for economic recovery. Gross TLP declined YoY by 0.4 percent to P10,775.7 billion as of end-June 2021, slower than the 5.2 percent growth rate in June 2020 (Figure 2). Meanwhile, the ratio of TLP to annualized nominal gross domestic product (GDP) stood at 58.3 percent as of end-June 2021, higher than the 57.5 percent ratio as of end-June 2020.

While banks currently remain cautious in their lending, the national government's accelerated vaccination program and implementation of stricter but risk-based safety measures are expected to contribute to improvement in business operating conditions in the country and thus spur credit activity. Moreover, latest consumer and business confidence surveys[3] point to a more optimistic outlook in the succeeding quarters, which is expected to buoy lending activity going forward.

This view is consistent with the results of the Banking Sector Outlook Survey (BSOS) for the First

[2] Includes real and other properties acquired (ROPA), net

[3] Based on the results of: (i) Q2 2021 Senior Loan Officers Survey (SLOS), and (ii) Q2 2021 Consumer Expectations Survey (CES).

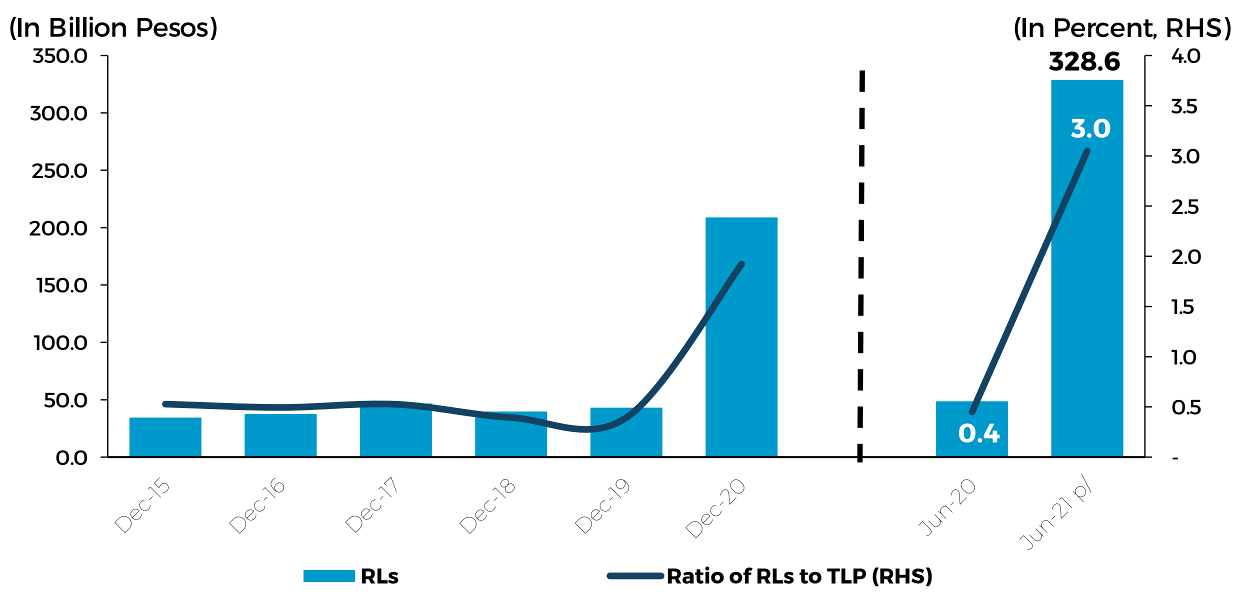
Semester of 2021 which showed that majority of U/KBs' and TBs' projection of credit growth hovered between 10 and 15 percent over the next two years while majority of RCBs' projection of credit growth was at the 15 to 20 percent range.

Moreover, banks continued to lend despite the pandemic. The total amount of new loans granted by U/KBs for the month of June 2021 stood at P728.7 billion. This represents 7.4 percent of the U/KB industry's TLP of P9,843.7 billion as of end-June 2021.

Amid the health crisis, banks have also been active in restructuring loans of their borrowers. As of end-June 2021, the level of restructured loans (RLs) of the PBS grew more than five times to P328.6 billion, substantially higher than the P48.7 billion posted for the same period last year. This was equivalent to 3.0 percent of the PBS' loan portfolio, up from 0.4 percent recorded a year ago (Figure 3). This reflects continued efforts of banks to grant financial relief to their borrowers through modifications in their loan payment terms.

Loans remained broad-based across various industry and borrower types. As to economic activity, real estate activities had the largest share of TLP at 19.3 percent (Figure 4). This was followed by wholesale and retail trade and loans for household consumption with TLP shares of 10.9 percent and 10.7 percent,

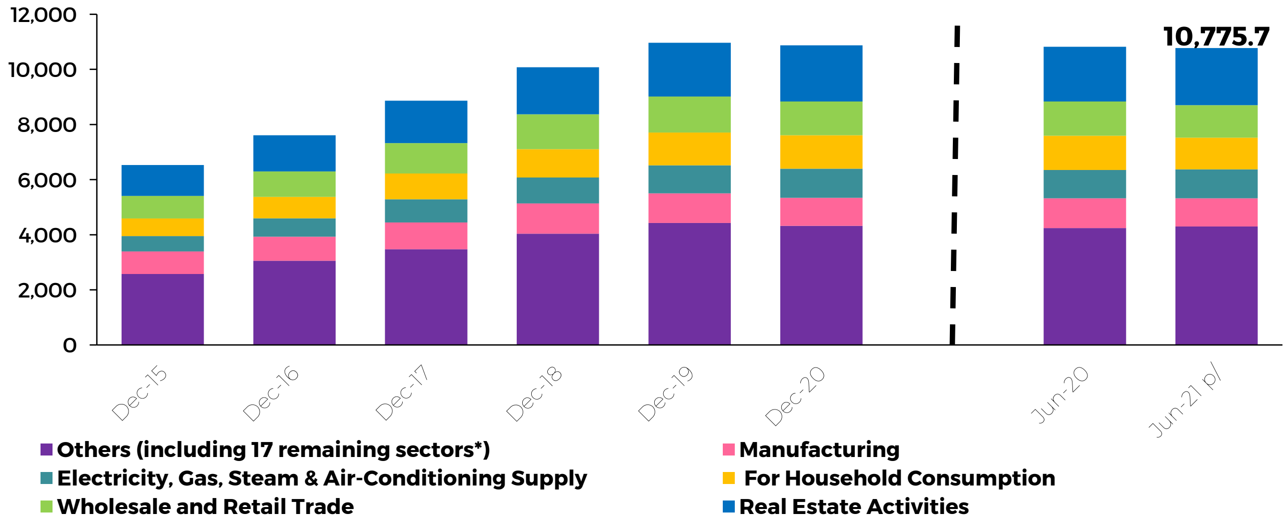
Figure 3. Gross Restructured Loans (RLs) of the PBS
As of end-Period Indicated



Source: DSA

p/ preliminary data

Figure 4. Gross TLP by Economic Activity of the PBS
As of end-Period Indicated, In Billion Pesos



** These refer to economic sectors under the 2009 PSIC.*

Source: DSA

p/ preliminary data

respectively. Electricity, gas, steam and air-conditioning supply and manufacturing had TLP shares of 9.8 percent and 9.4 percent, respectively. Real estate activities posted a YoY growth rate of 4.7 percent, indicating sustained lending to the real estate industry. Loans to the electricity, gas, steam and air-conditioning supply sector increased by 2.2 percent YoY. However, loans for household consumption and loans to the manufacturing and wholesale and retail trade sectors declined by 7.6 percent, 5.6 percent and 5.2 percent YoY, respectively.

For U/KBs, real estate activities, wholesale and retail trade, electricity, gas, steam and air-conditioning supply, and manufacturing had the largest shares of lending. Loans for real estate activities and electricity, gas, steam and air-conditioning supply registered YoY growth for U/KBs. Meanwhile, for TBs, loans for household consumption held the largest share of the industry's TLP followed by real estate activities. Loans for real estate activities grew YoY but loans for household consumption declined YoY. 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. These three major activities posted YoY growth for RCBs.

As to counterparty, corporate and individual borrowers represented the largest shares of the PBS' loan portfolio (Figure 5). Resident non-financial private corporations took almost half of borrowers in the banking system with loans totaling

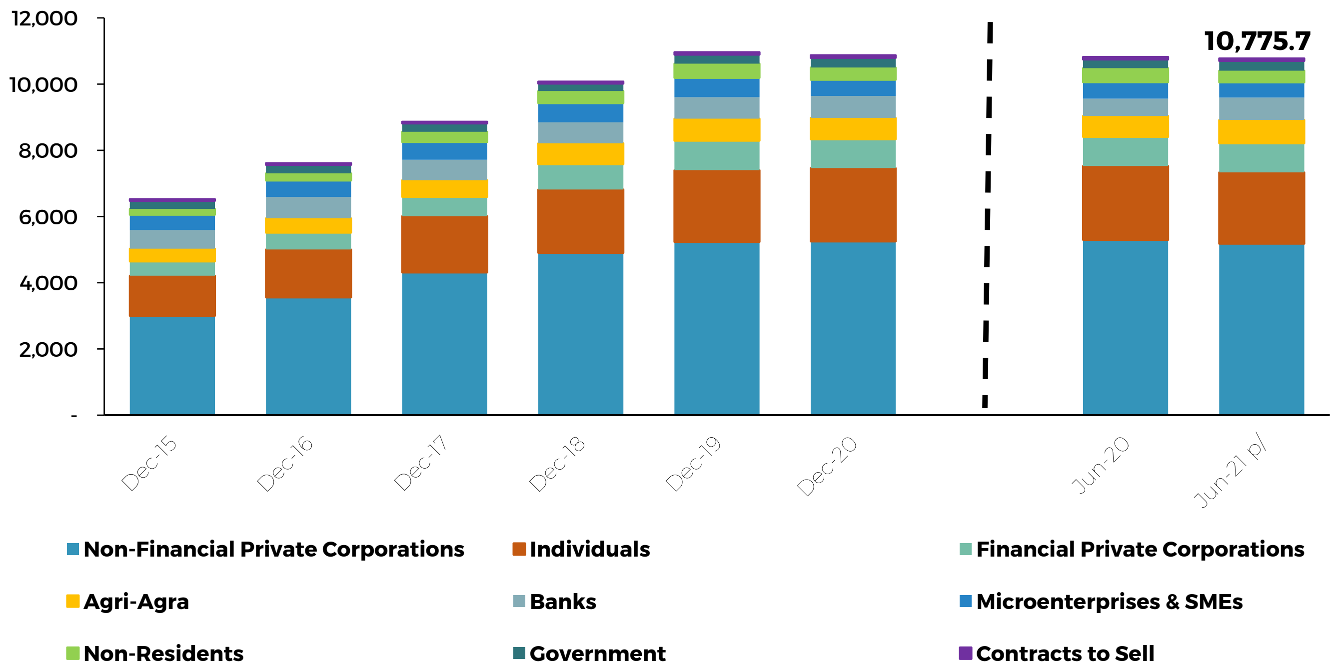
P5,178.5 billion (48.1 percent share). Resident individuals followed with loans amounting to P2,152.6 billion (20.0 percent share). However, these loans both contracted YoY by 2.2 percent and 3.5 percent, respectively.

For TBs and RCBs, however, individuals had the largest share at 67.8 percent and 48.3 percent of their respective industry's lending, indicating the consumer finance market of these banks. Meanwhile, for RCBs, microenterprises and small and medium enterprises (SMEs) also captured a substantial share of the industry's TLP at 33.7 percent.

INTEREST RATES ON LOANS SHOWED A GENERAL DOWNTREND

Amid this pandemic, the BSP's accommodative policy stance has helped keep market interest rates low. It has been observed that the policy rate cuts implemented by the BSP have been passed on by banks to consumers and business enterprises through lower and declining loan interest rates. The overall mean and median interest rates on loans by U/KBs showed a general downtrend from end-March 2020, during the start of the

Figure 5. Gross TLP by Counterparty of the PBS
As of end-Period Indicated, In Billion Pesos



Source: DSA

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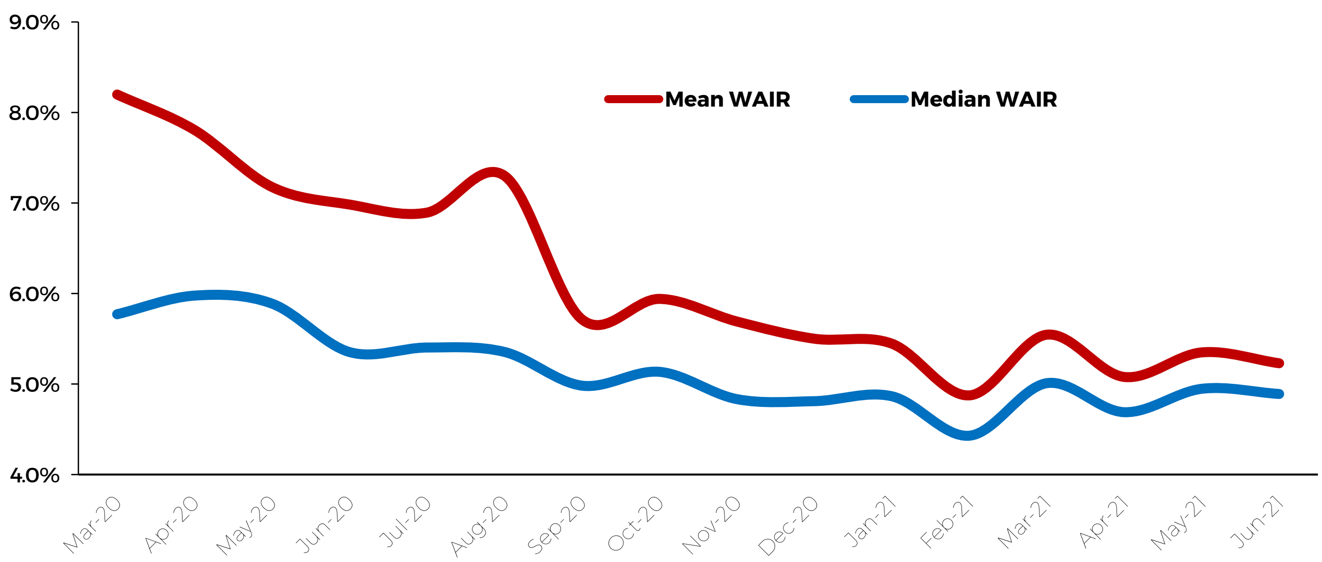
Figure 6. Weighted Average Interest Rates (WAIR) on U/KBs Loans
For end-Period Indicated, In Percent



Source: DSA

enhanced community quarantine (ECQ) period, to end-June 2021.

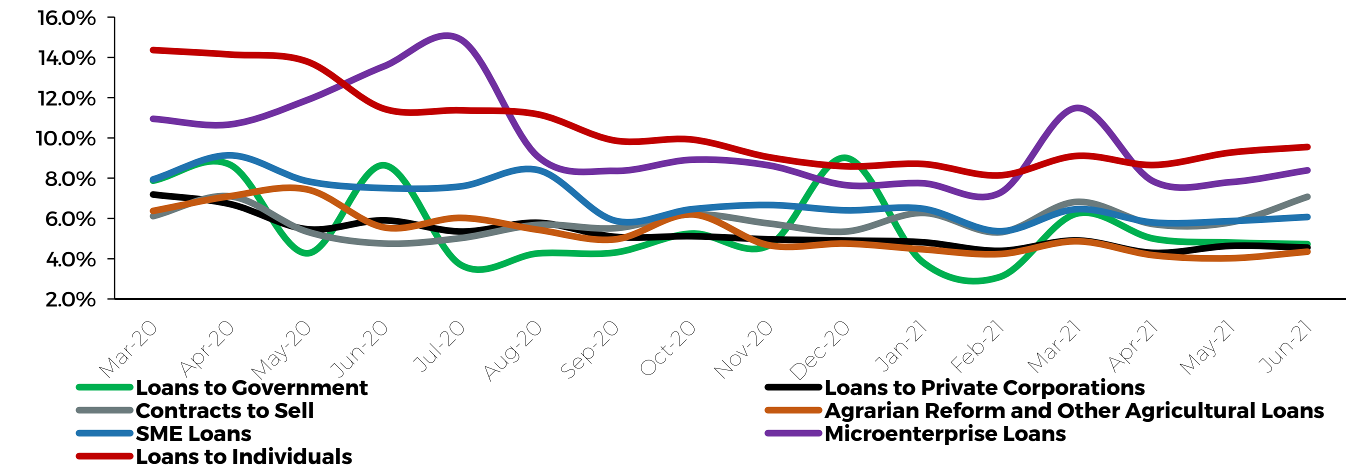
The U/KB industry's overall mean weighted average interest rates (WAIR) dropped to 5.2 percent as of end-June 2021 from 8.2 percent as of end-March 2020 and 5.7 percent as of end-September 2020 (Figure 6). Similarly, the overall median WAIR declined to 4.9 percent as of end-June 2021 from 5.8 percent as of end-March 2020 and 5.0 percent as of end-September 2020.

Across loan types, a general declining trend was observed particularly in both mean and median WAIR of loans to private corporations and individuals (Figures 7 and 8).

UTILIZATION OF LOANS TO MSMES AS ALTERNATIVE COMPLIANCE WITH RESERVE REQUIREMENTS GREW SUBSTANTIALLY

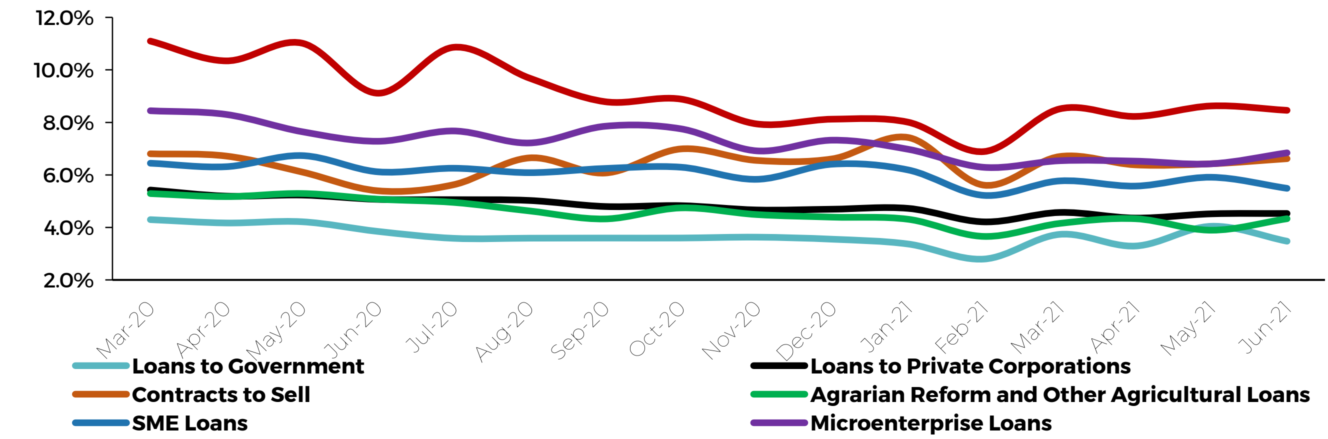
Aside from accommodative monetary policies, the BSP's menu of regulatory relief measures aims to support the recovery of the vulnerable sectors that have been affected by the pandemic. Towards this end, the BSP allowed banks to use peso-denominated loans to micro, small and medium enterprises (MSMEs) and large enterprises (LEs) that are not affiliated with conglomerates as a form of alternative compliance with the reserve requirements against deposit liabilities and deposit substitutes[4]. In particular, for the reserve week ending 1 July 2021, the banking system allocated an average of P190.5 billion loans to MSMEs as alternative compliance with the reserve requirements (Figure 9). This level is a substantial increase from the P8.7 billion in MSME loans reported for the week ending 30 April 2020. This also represents 13.0 percent of total required reserves.

Figure 7. Mean WAIR on U/KBs Loans (by Loan Type)
For end-Period Indicated, In Percent



Source: DSA

Figure 8. Median WAIR on U/KBs Loans (by Loan Type)
For end-Period Indicated, In Percent

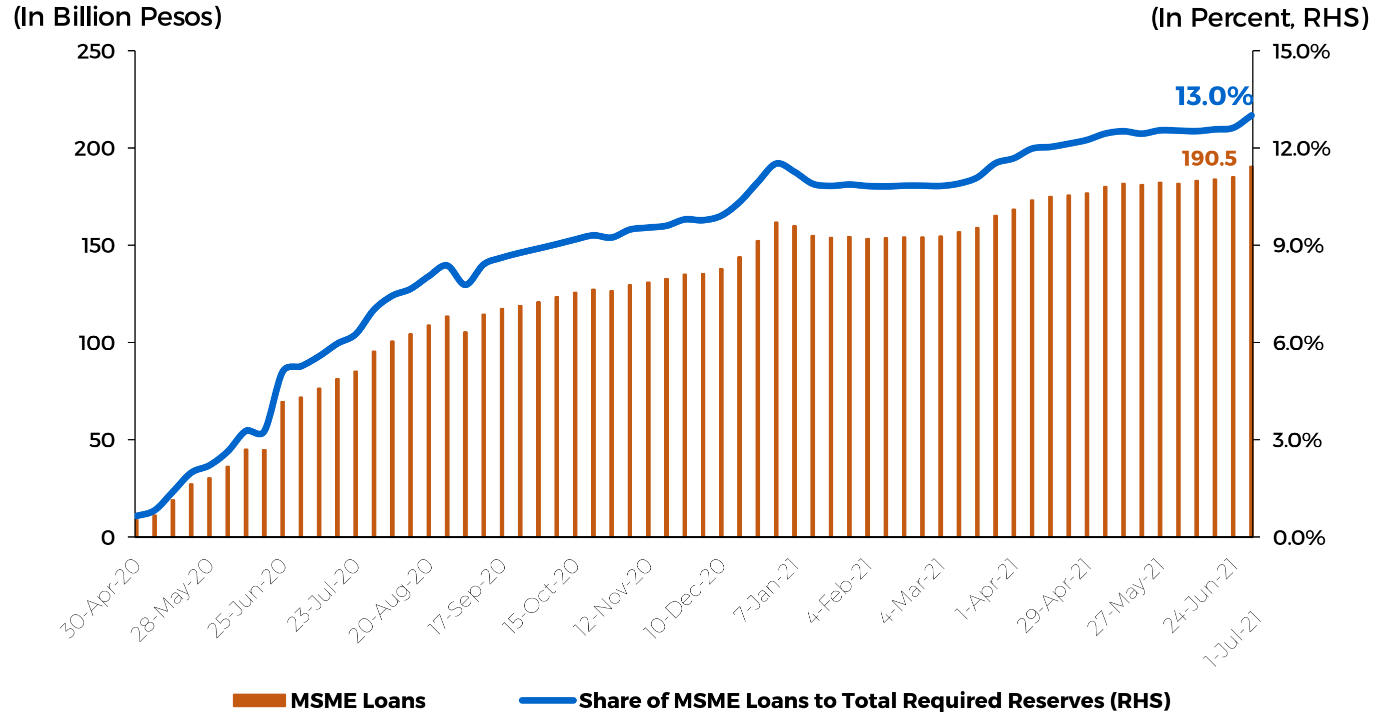


Source: DSA

[4] This policy became effective on 24 April 2020 for MSME loans and 29 May 2020 for loans to LEs and lapses on 29 December 2022 subject to early closure, if the aggregate limits of P300 billion and P425 billion for MSME loans and loans to LEs, respectively, are met prior to said date.

Philippine Banking System

Figure 9. MSME Loans Used as Alternative Compliance with RR of the PBS
For end-Week Indicated



Source: DSA

REAL ESTATE EXPOSURES EXPANDED BUT CONSUMER LOANS WENT DOWN

The real estate exposures (REEs) of U/KBs and TBs, on consolidated basis, expanded by 9.4 percent YoY to P2,736.8 billion as of end-June 2021 (Figure 10). This growth rate was higher than the end-June 2020 growth rate of 8.1 percent.

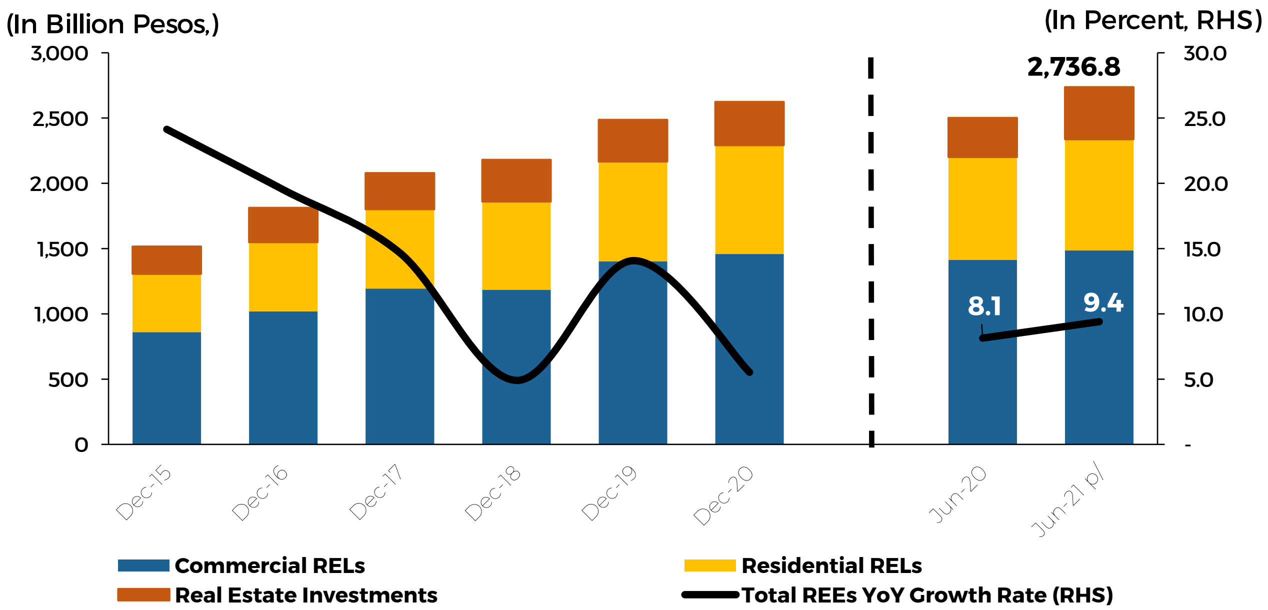
REEs were made up mainly of real estate loans (RELs) with 85.4 percent share while the rest were real estate investments. Total RELs continued to expand albeit at a decelerated pace of 6.1 percent YoY to P2,336.6 billion as of end-June 2021. This growth rate is lower than the 11.2 percent growth rate in June 2020. Commercial RELs, which account for almost two-thirds of total RELs and mainly drive the growth in REEs, increased by 5.2 percent YoY to P1,486.3 billion as of end-June 2021, as compared to the 11.7 percent growth rate in June 2020 (Figure 11). 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-June 2021 and were mostly loans to land developers/

construction companies, increased by 3.3 percent YoY, while loans for ancillary real estate activities inched up by 12.5 percent.

Residential RELs went up by 7.9 percent YoY to P850.3 billion as of end-June 2021, as compared to the 10.3 percent growth rate in June 2020 (Figure 12). By category, low-cost and mid-end housing held the largest shares of residential RELs at 45.4 percent and 40.5 percent, respectively. High-end housing comprised 13.6 percent of residential RELs while socialized housing made up only 0.5 percent of residential RELs.

Meanwhile, residential real estate prices of various types of new housing units in the Philippines declined in Q2 2021 based on the Residential Real Estate Price Index (RREPI). Nationwide house prices contracted by 9.4 percent YoY due to the continued effects of the pandemic on residential property demand. By area, residential property prices decreased YoY in the National Capital Region (NCR) and in Areas Outside NCR (AONCR). By type of housing units, the YoY decline was largely driven by the fall in prices of condominium units and single detached houses.

Figure 10. Real Estate Exposure (REE) of U/KBs and TBs (Consolidated)
As of end-Period Indicated



Source: DSA

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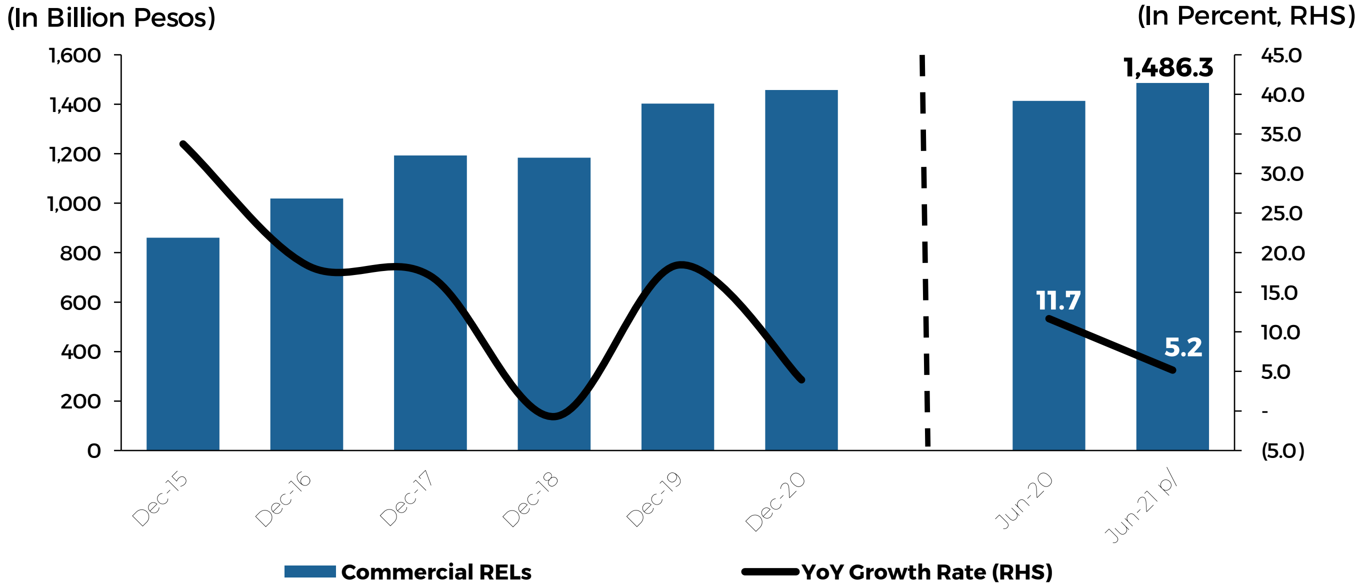
Figure 11. Commercial RELs of U/KBs and TBs (Consolidated)
As of end-Period Indicated



Source: DSA

p/ preliminary data

The results of the real estate stress test (REST)[5] as of end-June 2021 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.

The level of consumer loans (CLs) of U/KBs and TBs, on solo basis, went down by 2.8 percent to P1,940.8 billion as of end-June 2021 (Figure 13). This rate is lower than the end-June 2020 growth rate of 14.1 percent. The decline is consistent with the results of latest consumer and business confidence surveys[6] for Q2 2021 which indicate continued pessimistic consumer outlook and a net tightening of overall credit standards for household loans.

By composition, residential RELs made up the largest share of total CLs at 43.6 percent (P846.3 billion), followed by motor vehicle loans (MVLs)[7] at 25.8 percent (P500.7 billion), credit card receivables (CCRs) at 20.7 percent (P402.3 billion), salary-based general-

[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 under an assumed write-off of 25 percent. For purposes of REST limits., REEs, as prescribed under Circular No. 1093, exclude residential real estate loans to individual households for occupancy, and other real estate property recorded under "Real and Other Properties Acquired (ROPA)" and "Non-Current Assets Held for Sale (NCAHS)".

[6] Ibid.

[7] These MVLs were mainly auto loans which stood at P469.6 billion (93.8 percent share) while the rest were motorcycle loans at P31.1 billion (6.2 percent share).

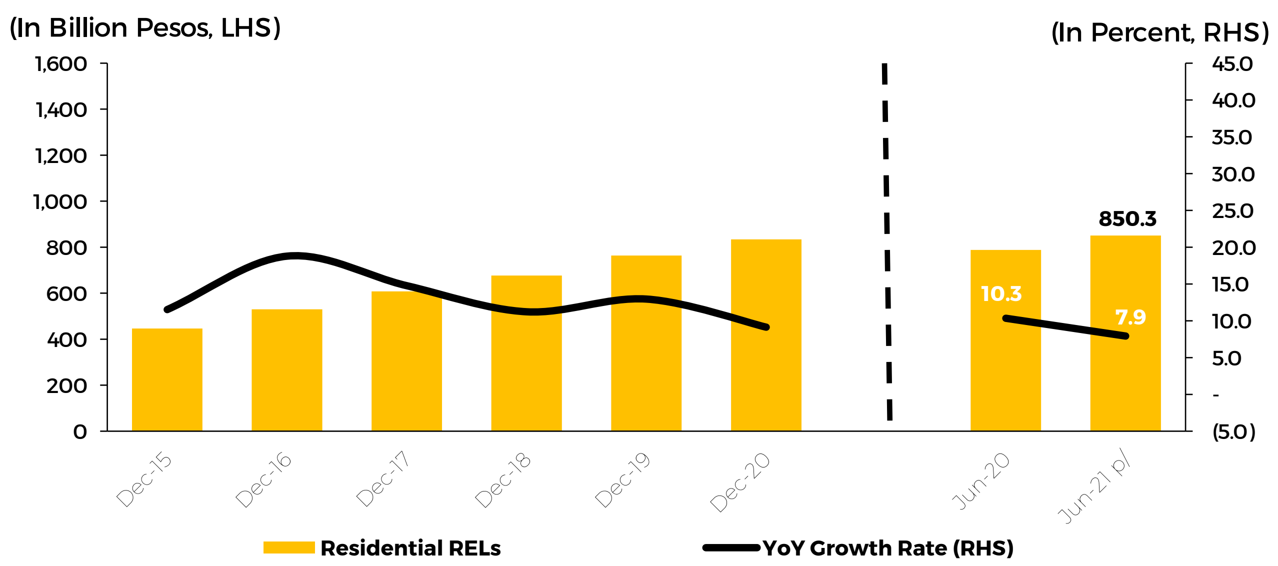
purpose consumption loans (SBGPCLs) at 8.6 percent (P165.9 billion) and other consumer loans at 1.3 percent (P25.6 billion).

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-June 2021, the banking system provided a total of P454.8 billion credit to MSMEs, which was 5.4 percent of TLP net of exclusions. This level was lower than the P485.8 billion credit as of end-June 2020. In particular, the banking system's total credit allocation to medium enterprises summed up to P278.3 billion as of end-June 2021 while funds allocated to micro- and small enterprises stood at P176.5 billion.

The BSP continues to promote a regulatory environment conducive to the continued development and growth of MSMEs. For instance, the reduction in credit risk weights of loans granted to MSMEs[8] and the

Figure 12. Residential RELs of U/KBs and TBs (Consolidated)
As of end-Period Indicated

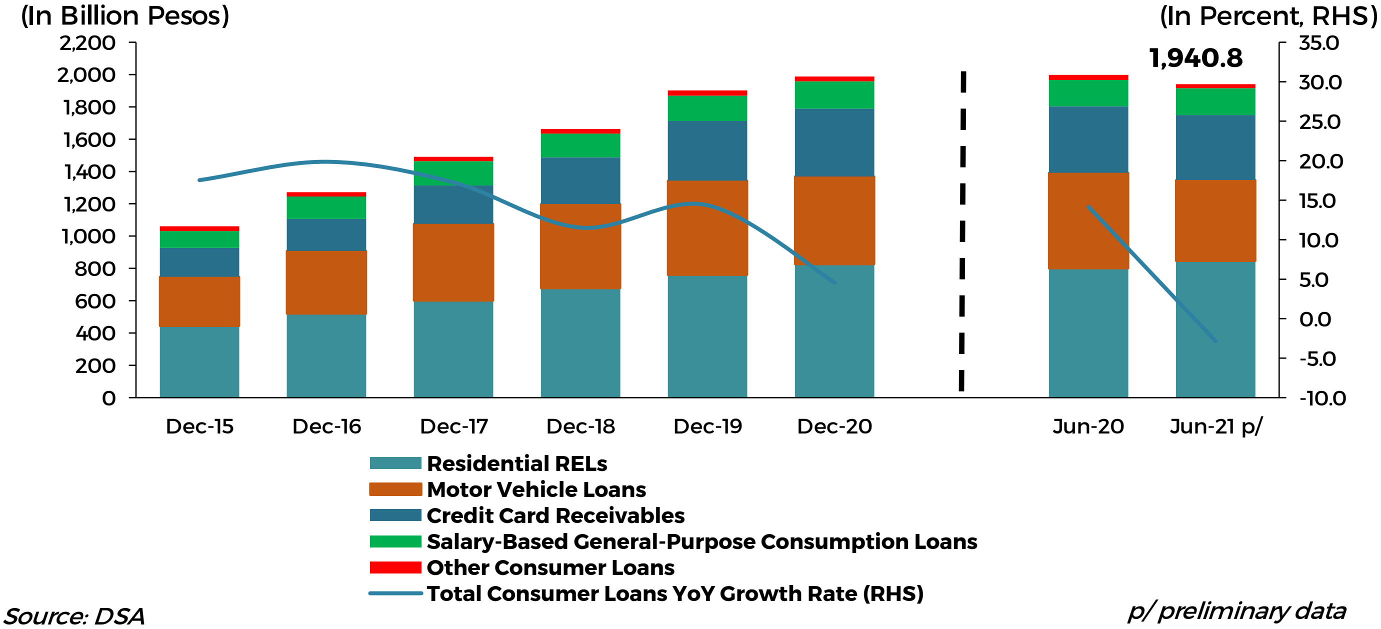


Source: DSA

p/ preliminary data

[8] The BSP reduced the credit risk weights of loans granted to MSMEs that are current in status to 50 percent from 75 percent for qualified MSME portfolio (i.e., diversified with at least 500 borrowers over a number of industries), and from 100 percent for non-qualified MSME portfolio. The reduced credit risk weights would be subject to review by end-December 2021.

Figure 13. Consumer Loans of U/KBs and TBs (Solo)
As of end-Period Indicated



Source: DSA *p/ preliminary data*

assignment of zero percent risk weight for MSME loans[9] freed up capital and enabled banks to channel funding and thus extend more credit to MSMEs. Other initiatives include conduct of a study that promotes innovative financing for MSMEs, development of credit risk database for MSMEs[10], promotion of credit surety fund (CSF)[11], and adoption of a standard business loan application form[12] as well as key legislation[13] that will provide and improve access to credit of MSMEs, provide and improve access to credit of MSMEs.

The BSP likewise advocated the passage of critical laws that will establish market-enabling infrastructures[14].

[9] MSME loans that are guaranteed by the Philippine Guarantee Corporation (PGC), Agricultural Guarantee Fund Pool (AGFP) and the Agricultural Credit Policy Council (ACPC).

[10] In collaboration with the Japan International Cooperation Agency (JICA).

[11] A credit enhancement scheme, which aims to give MSMEs access to non-collateral bank financing by way of surety cover issued jointly and severally by the parties of the CSF.

[12] Standardization of Business Loan Application Form (SBLAF) which aims to introduce the adoption of a standard business loan application document in the banking industry to make the loan application process more streamlined and borrower-friendly, particularly for small enterprises.

[13] Government Financial Institutions Unified Initiatives to Distressed Enterprises for Economic Recovery (GUIDE) bill which seeks to strengthen the capacity of government financial institutions, namely Land Bank of the Philippines and Development Bank of the Philippines, in order to provide the needed assistance to MSMEs and other strategically important companies.

[14] "Personal Property Security Act" (PPSA) which encourages the use of movable collateral such as warehouse receipts, inventories, receivables and equipment, crops and other non-real property assets of MSMEs, among others, as acceptable loan collateral.

Meanwhile, under R.A. No. 10000 (the Agri-Agra Reform Credit Act of 2009), banks allocated a total of P789.7 billion of loanable funds for agriculture and agrarian reform credit as of end-June 2021, higher than the P695.1 billion allocation as of end-June 2020. However, the banking system's 9.7 percent compliance ratio for other agricultural credit as of end-June 2021 was below the required 15.0 percent. Moreover, its compliance ratio for agrarian reform credit was 1.0 percent which was below the required 10.0 percent (Table 2).

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, the Department of Agriculture (DA) and the Department of Agrarian Reform (DAR) approved the amendments to the Implementing Rules and Regulations (IRR) of R.A. No. 10000. These amendments broaden access of the agrarian reform sector to bank financing, streamline banks' process of investing in agri-agra eligible securities, and promote innovative financing solutions, within the legal ambit of R.A. No. 10000.

Since the IRR amendments are only an interim measure pending the passage of the proposed amendments to Agri-Agra Law, the BSP is currently pushing for the enactment of comprehensive amendments to R.A. No. 10000 which recommend a financing approach that considers the

Table 1. Credit Allocation to MSMEs of the PBS
As of end-June 2021 p/
(Levels in Billion Pesos)

	All Banks	U/KBs	TBs	RCBs
Credit Allocation to Micro and Small Enterprises (MSEs)	176.5	113.7	33.1	29.7
Credit Allocation to Medium Enterprises (MEs)	278.3	228.8	34.4	15.0
Total Credit Allocation to MSMEs	454.8	342.6	67.5	44.7

Source: DSA

p/ preliminary data

Table 2. Compliance with Mandatory Allocation for Agra-Agri Credit of the PBS [1/]
As of End-June 2021 [p/]
(Levels in Billion Pesos, Ratios in Percent)

	All Banks	U/KBs	TBs	RCBs
Total Loanable Funds Generated	7,422.1	6,965.3	337.3	119.5
Minimum Amount Required to be Allocated for:				
Agrarian Reform Credit (AGRA, 10%)	742.2	696.5	33.7	12.0
Other Agricultural Credit (AGRI, 15%)	1,113.3	1,044.8	50.6	17.9
Total	1,855.5	1,741.3	84.3	29.9
Compliance with AGRA				
Total compliance with AGRA	71.6	57.6	3.3	10.7
Percentage of Compliance with AGRA	1.0%	0.8%	1.0%	8.9%
Compliance with AGRI				
Total compliance with AGRI	718.1	682.7	17.6	17.8
Percentage of Compliance with AGRI	9.7%	9.8%	5.2%	14.9%
Total				
Total compliance for AGRI-AGRA	789.7	740.3	20.8	28.5
Percentage of Compliance for AGRI-AGRA	10.6%	10.6%	6.2%	23.8%

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

Source: DSA

requirements of the broader agricultural ecosystem. The proposed amendments to the Law are envisioned to strengthen rural development and improve well-being of agricultural and rural community beneficiaries.

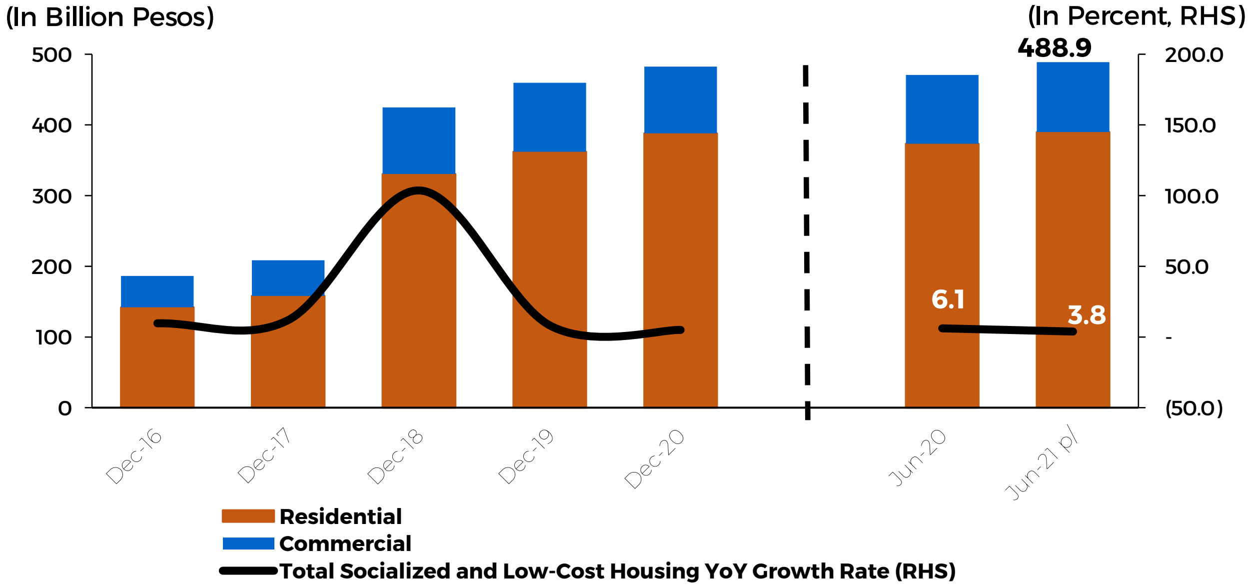
The BSP has also expanded the eligible modes of compliance with the mandatory agrarian reform credit allocation by including actual extension of loans to agrarian reform beneficiaries (ARBs) and/or ARB households, for purposes of financing agriculture, fisheries and agrarian reform activities. Actual extension of loans to agri-business enterprises that maintain agricultural commodity supply-chain arrangements directly with qualified borrowers and loans for activities involved in agricultural value chain financing are also considered as allowable alternative modes of compliance with the mandatory agriculture and agrarian reform credit.[15]

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 based on the existing BSP data on RELs. The exposure to socialized and low-cost housing of U/KBs and TBs, on consolidated basis, amounted to P488.9 billion as of end-June 2021, higher than the P470.8 billion level as of end-June 2020 (Figure 14). Most of the banks' exposure were utilized for purposes of financing residential housing units for own occupancy of borrowers.

BANKS' INVESTMENT PORTFOLIO EXPANDED

Gross financial assets[16], excluding loan accounts, increased by 32.6 percent YoY to P4,913.3 billion as of end-June 2021. In particular, gross financial assets were mostly composed of financial assets measured at fair value through other comprehensive income (FVOCI)[17] at P2,386.0 billion (48.6 percent share) and debt securities measured at

Figure 14. U/KBs and TBs Exposure to Socialized and Low-Cost Housing (Consolidated)
As of end-Period Indicated

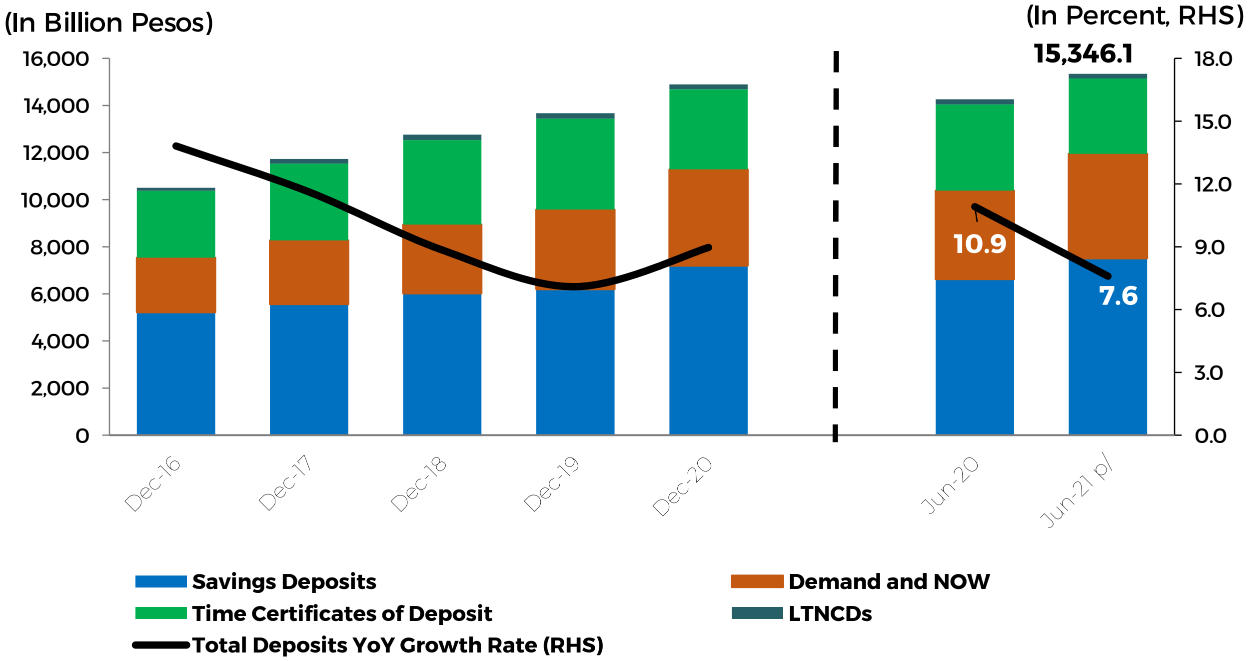


Source: DSA

p/ preliminary data

15 Circular No. 1111 dated 3 March 2021.
16 Other than loans and equity investments in subsidiaries, associates and joint ventures.
17 Financial assets measured FVOCI are classified as available-for-sale (AFS) financial assets in the existing Financial Reporting Package (FRP) submitted by banks to the BSP.

Figure 15. PBS Total Deposits (by Type)
As of end-Period Indicated



Source: DSA *p/ preliminary data*

amortized cost[18] at P2,146.5 billion (43.7 percent share). Financial assets measured at fair value through profit or loss (FVTPL)[19] had a minimal share at P380.8 billion (7.7 percent share). In terms of counterparty, securities issued by the National Government accounted for the bulk of U/KBs and TBs' investment portfolio at P3,271.2 billion (67.3 percent share).

DEPOSITS FUNDED BANKS' LENDING AND INVESTMENT ACTIVITIES

The lending and investment activities of the PBS were largely funded by deposits which grew by 7.6 percent YoY to P15,346.1 billion as of end-June 2021 (Figure 15). Savings deposits had the biggest share of total deposits at 48.9 percent, followed by demand deposits and NOW accounts with 28.9 percent share and time certificates of deposit with 20.9 percent share. Long-term negotiable certificates of

[18] Debt securities measured at amortized cost are classified as held-to-maturity (HTM) financial assets in the FRP.

[19] Financial assets measured at FVTPL are classified as financial assets held-for-trading (HFT) and designated at fair value through profit or loss (DFVPL) in the FRP.

deposit (LTNCDs) had a minimal share at 1.3 percent.

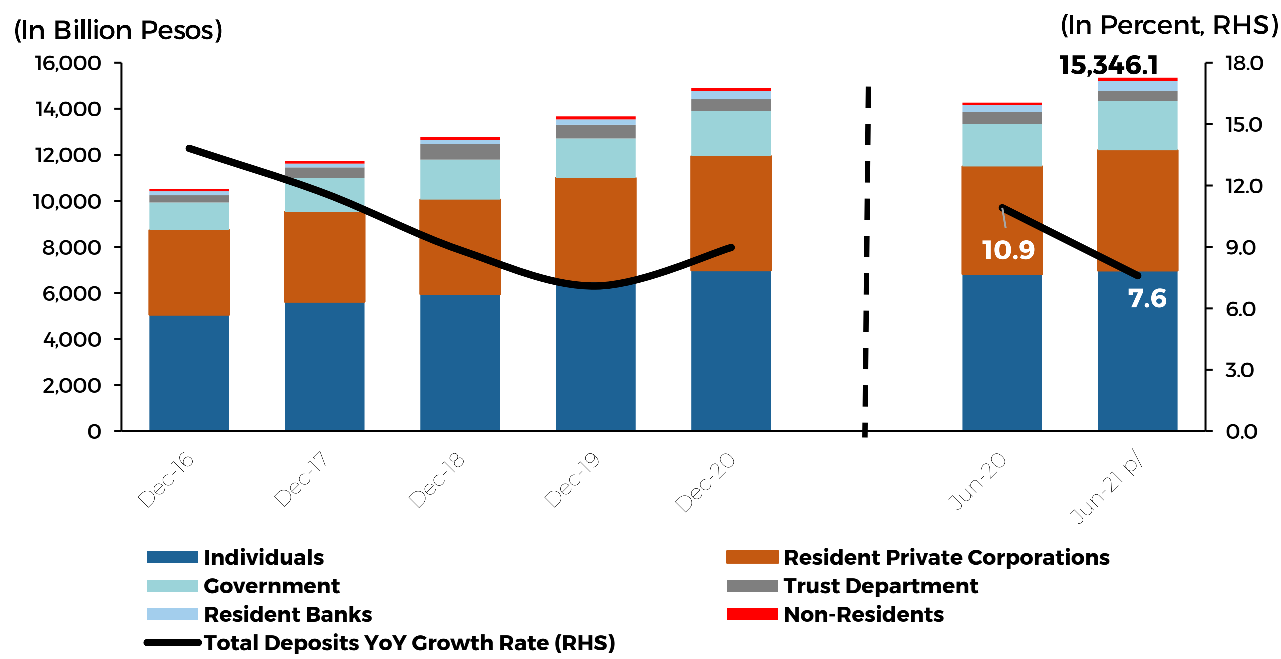
As to counterparty, deposits were mostly sourced from resident individuals and private corporations, with 45.5 percent and 34.0 percent shares, respectively (Figure 16). Deposits from resident private corporations went up by 11.9 percent YoY while those from individuals had a lower YoY growth rate of 2.2 percent. For TBs and RCBs, individuals took the bulk at 65.1 percent and 85.6 percent of their respective industry's deposits. This indicates that consumers and households are the major clientele of the TB and RCB industries for both lending and deposit-taking operations.

Another source of funding, although minimal at 3.5 percent of the PBS' total assets, was bonds payable which increased by 10.9 percent YoY to P699.8 billion.

INSTAPAY AND PESONET TRANSACTIONS SUBSTANTIALLY INCREASED

Given the limited mobility brought about by community quarantine restrictions during this crisis and the tendency to avoid face-to-face transactions amid health and safety protocols, consumers and businesses substantially used digital

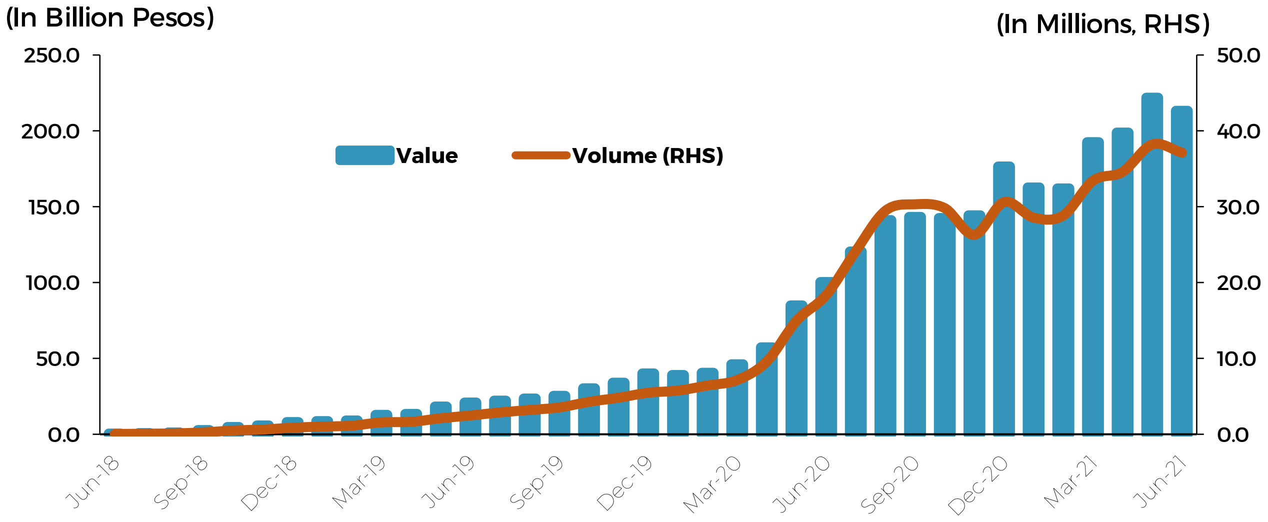
Figure 16. PBS Total Deposits (by Counterparty)
As of end-Period Indicated



Source: DSA

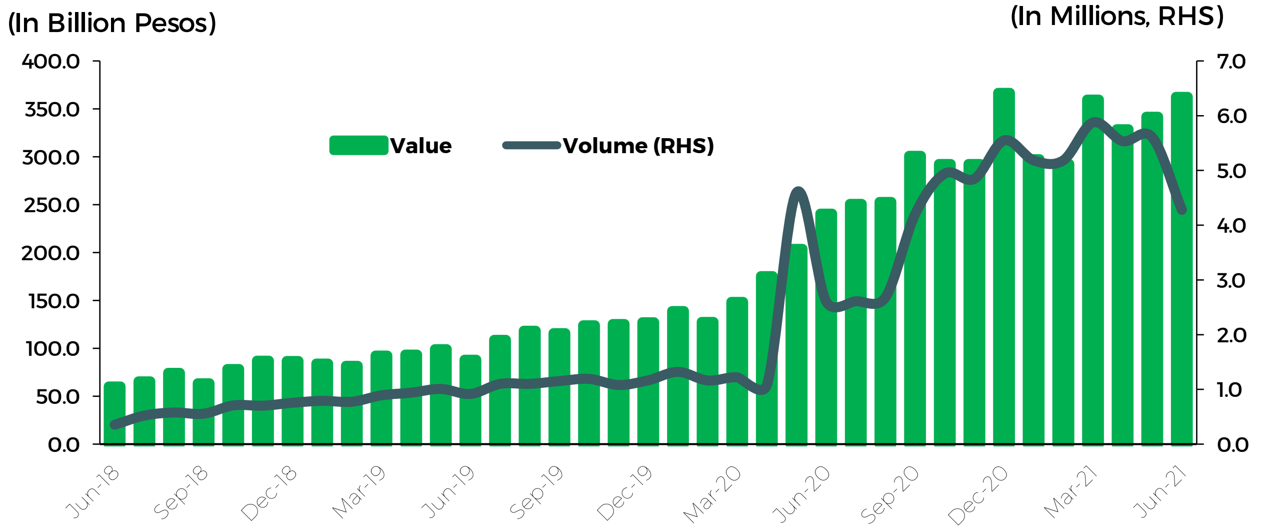
p/ preliminary data

Figure 17. InstaPay Value and Volume
For Month Indicated



Source: Bancnet

Figure 18. PESONet Value and Volume
For Month Indicated



Source: Philippine Clearing House Corporation (PCHC)

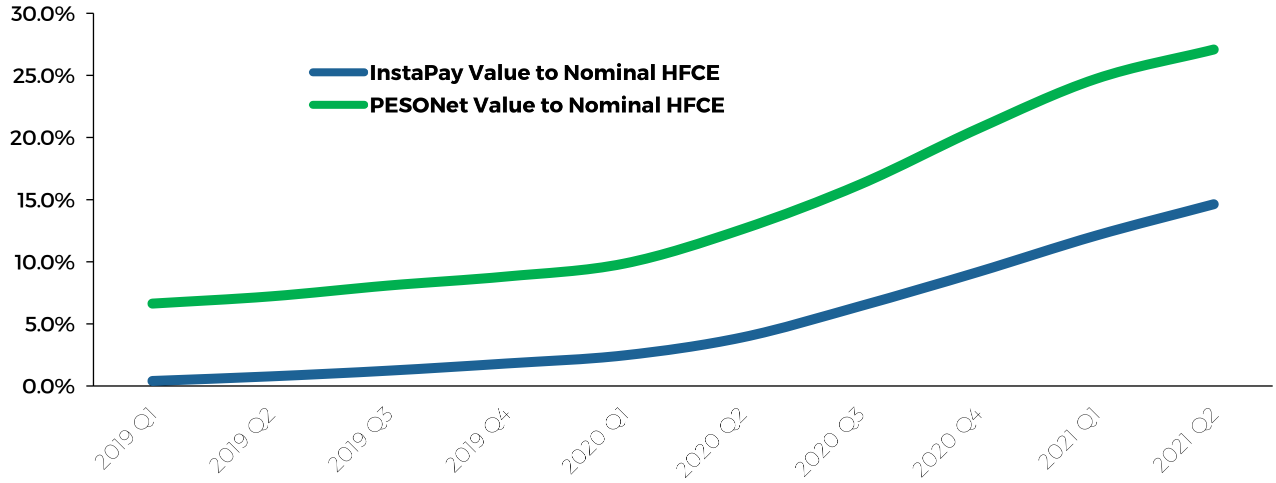
channels in accessing financial products and services.

For the year-ended June 2021, the total value of InstaPay and PESONet transactions went up by 271.4 percent and 113.1 percent, respectively, as compared to the year-ended June 2020. Meanwhile, the total volume of InstaPay and PESONet transactions for the year-ended June 2021 rose by 329.8 percent and 200.9 percent, respectively, as compared to the year-ended June 2020 (Figure 17 and Figure 18).

Relative to household spending as indicated in the National Accounts of the Philippines, the value of InstaPay and PESONet transactions were on an upward trend. The ratio of the annualized value of InstaPay transactions to annualized nominal household final consumption expenditure (HFCE) rose to 14.6 percent in Q2 2021 from 3.9 percent in Q2 2020. For PESONet, the ratio increased to 27.1 percent in Q2 2021 from 12.6 percent in Q2 2020 (Figure 19).

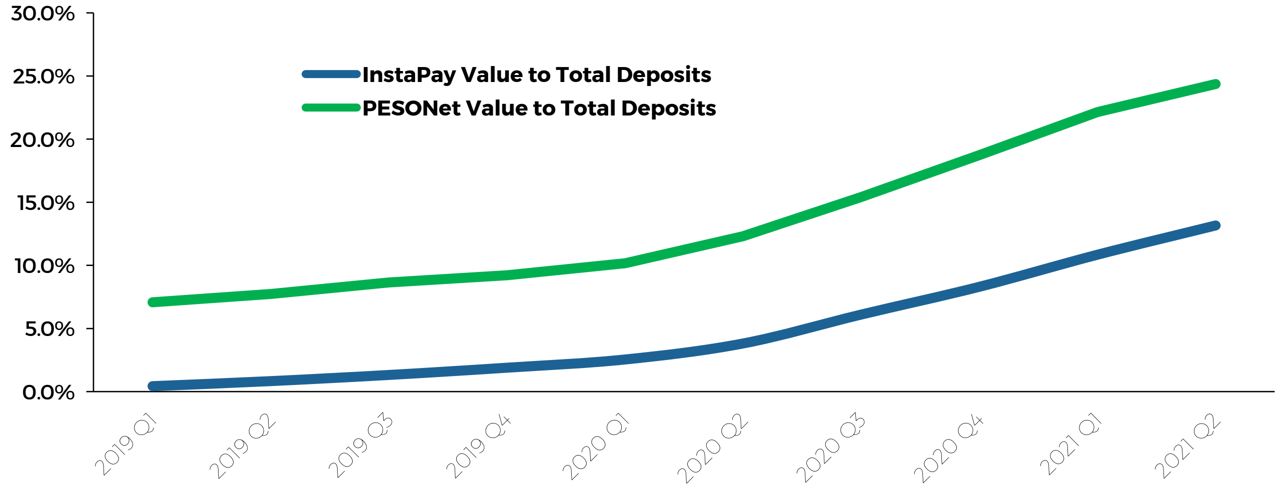
Meanwhile, as a share of total deposits, the value of InstaPay and PESONet transactions showed a similar upward trajectory. The ratio of the annualized value of InstaPay transactions to total deposits went up to 13.2 percent in Q2 2021 from 3.8 percent in Q2 2020. For PESONet, the ratio went up to 24.4 percent in Q2 2021 from 12.3 percent in Q2 2020 (Figure 20).

Figure 19. InstaPay and PESONet Value, Annualized to Nominal Household Final Consumption Expenditure (HFCE), Annualized
For Quarter Indicated, In Percent



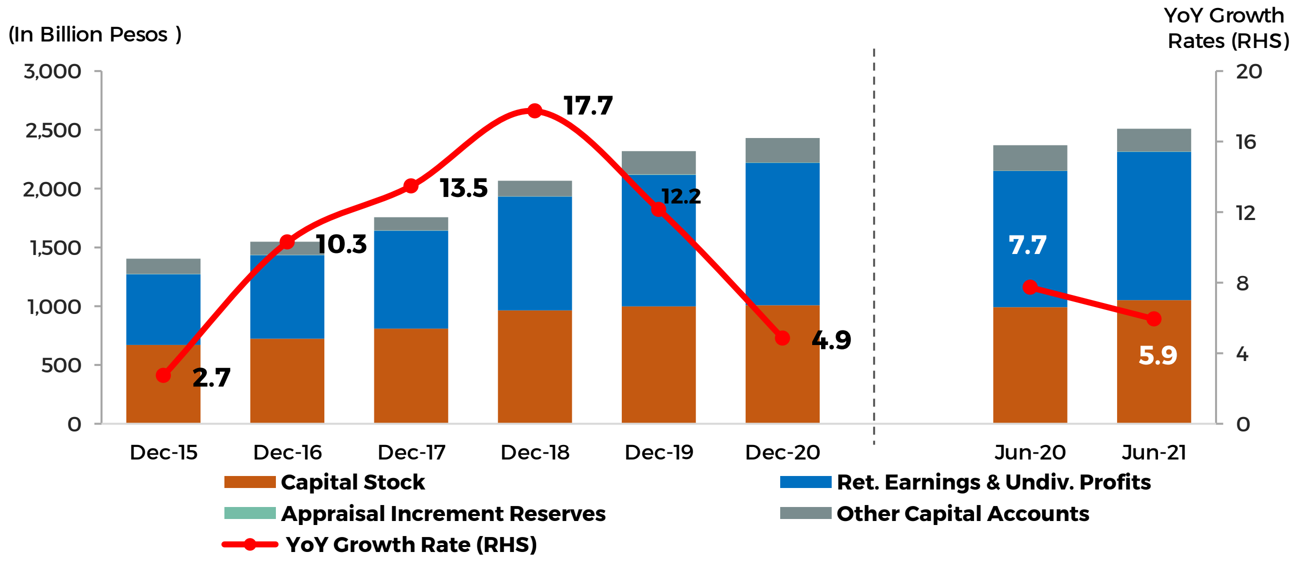
Source: DSA, Philippine Statistics Authority (PSA), BancNet, PCHC

Figure 20. InstaPay and PESONet Value, Annualized to Total Deposits
For Quarter Indicated, In Percent



Source: DSA, BancNet, PCHC

Figure 21 Components of PBS' Capital and Growth Rates
As of end-Periods Indicated



Source: DSA

BANKS MAINTAINED ADEQUATE CAPITAL AMID COVID-19 CRISIS

As of end-June 2021, the PBS' capital rose by 5.9 percent YoY to P2,510.0 billion, albeit lower compared to the previous year's growth rate (Figure 21). The capital for the current period was mainly fueled by the 8.9 percent or P103.1 billion increase YoY in retained earnings and undivided profits which held a combined share of 50.3 percent of the total capital accounts of the PBS.

The growth in capital was also attributable to the PBS' fresh capital infusion of P63.3 billion, raising the capital stock to P1,051.3 billion. Total paid-in capital stock, other equity instruments and assigned capital for foreign banks summed up to P1,211.4 billion, accounting for 48.3 percent of the total PBS capital.

By industry, U/KBs' capital remained the largest holder of the PBS' capital at 91.2 percent share and posted 6.0 percent increase during the year. RCBs' capital, with the least share of 2.2 percent, also grew by 6.5 percent. Meanwhile, the remaining 6.6 percent share was held by the TBs with capital increase of 4.0 percent as of end-June 2021. (Figure 22).

BANKS REMAINED PROFITABLE

The net profit of the PBS went up by 42.9 percent YoY to P122.7 billion for the semester-ended June 2021. Apart from the improvement in cost of funding and higher income from fees and commissions, banks' early recognition of their loan-loss provisions since 2020 has enabled the PBS to temper the impact of this crisis on its earnings. As of end-June 2021, the PBS funding cost was 0.8 percent, lower than the 1.6 percent recorded a year ago. Meanwhile, other income from fees and commissions grew by 20.8 percent YoY (up by P8.8 billion).

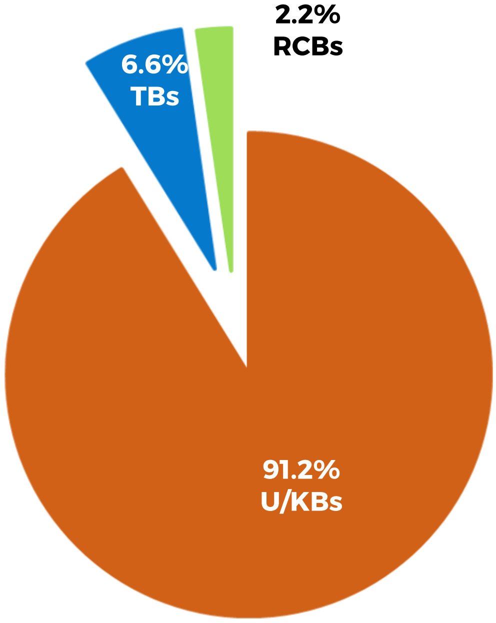
However, on an annualized basis, the PBS' net profit declined by 6.6 percent YoY to P192.0 billion for the period-ended June 2021 mainly due to the sizable provision for credit losses on loans and other financial assets. Whereas, annualized net interest income (NII) increased by 1.1 percent YoY to P662.6 billion primarily due to the 45.3 percent drop in annualized interest expense as compared to the 11.3 percent decrease in annualized interest income (Figure 23).

CONTINGENT ASSETS POSTED DOUBLE-DIGIT GROWTH

Outperforming on-balance sheet assets, the PBS' off-balance sheet assets rose by 15.1 percent to P11,747.4 billion as of end-June 2021 (Table 3).

The robust increase in contingent accounts was mainly attributed to YoY increase in trust department accounts (by 19.2 percent or up by P574.9 billion), derivative instruments (by 16.7 percent or up by P573.3 billion), and securities held under custodianship by bank proper (by 24.9 percent or up by

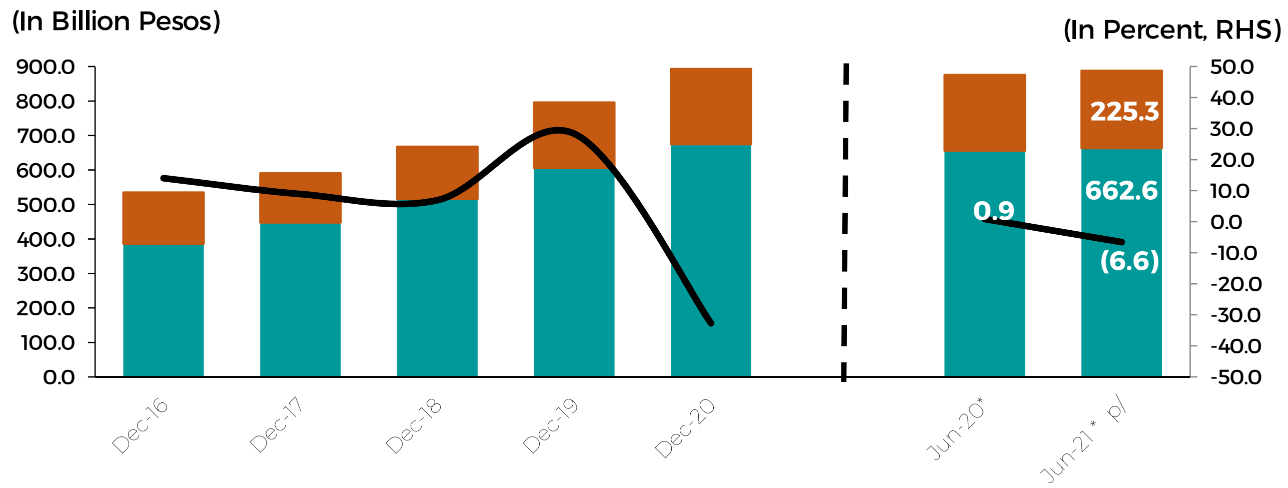
Figure 22. Share to PBS' Total Capital by Bank Industry
As of end-June 2021



Source: DSA

Philippine Banking System

Figure 23. Sources of the PBS Revenue
As of end-Period Indicated



** Annualized*
p/ preliminary data

Source: DSA

P316.1 billion). These accounts comprised 78.0 percent of the total contingent assets (Figure 24).

Preliminary data from the United Nations Conference on Trade and Development (UNCTAD) for the first half of 2021 show an increase in the value of global merchandise trade of about 30 percent compared to 2020 and of about 15 percent compared to 2019. Consequently, business guarantees and trade-related guarantees recorded double-digit growth at 20.1 percent (P67.3 billion) and 34.7 percent (P38.8 billion), respectively. UNCTAD projects global trade to further recover during the second half of 2021.

The general upswing in off-balance sheet assets of the banks was partly offset by the 4.4 percent (P79.8 billion) shrinkage in commitments (mostly credit card lines), but kept a share-to-total of 14.8 percent as of end-June 2021.

LEANER AND STRONGER BANKING LANDSCAPE EVEN DURING CRISIS

The increase in bank assets was also accompanied by an expansion in the banks' physical network which is in line with the industry's commitment to the BSP's financial inclusion agenda. As of end-June 2021, the total number of banking units rose to 13,126 on account of new other offices added to the overall network (Figure 25).

Across banking groups, the banking system's network consisted of the following: 46 U/KBs with 6,995 other offices, 48 TBs with 2,722 other offices and 429 RCBs with 2,886 other offices. As of the review period, U/KBs held the smallest portion in terms of head office count at 8.8 percent, yet seized the bulk of the system's total resources at 92.5 percent share. RCBs consistently held the lion's share of operating banks at 82.0 percent, albeit many of which are stand-alone units (Figure 26).

The BSP recognizes the role of digital platforms in driving greater efficiency in the delivery of financial products and services and in expanding reach to the unserved and underserved market segments. In December 2020, the BSP introduced digital banks as a distinct bank classification.[20] As of end-June 2021, there were three (3) approved digital banks.[21]

Islamic banking is also seen to further promote the BSP's financial inclusion agenda, providing an alternative to other sources of funding. Currently, there is only one (1) authorized bank that provides Islamic banking services in the country.

While the BSP promotes the streamlining and consolidation of the banking industry, banks are encouraged to widen their presence and broaden their geographical and digital footprints through the establishment of branch-lite units, other offices and digital access points to bring more innovative and efficient financial services to the countryside, particularly the hard to reach financially unserved and underserved areas.

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

	June 2020	June 2021	YoY Change (%)
On-Balance Sheet	18,627.2	19,811.2	6.4
Off-Balance Sheet*	10,205.5	11,747.4	15.1

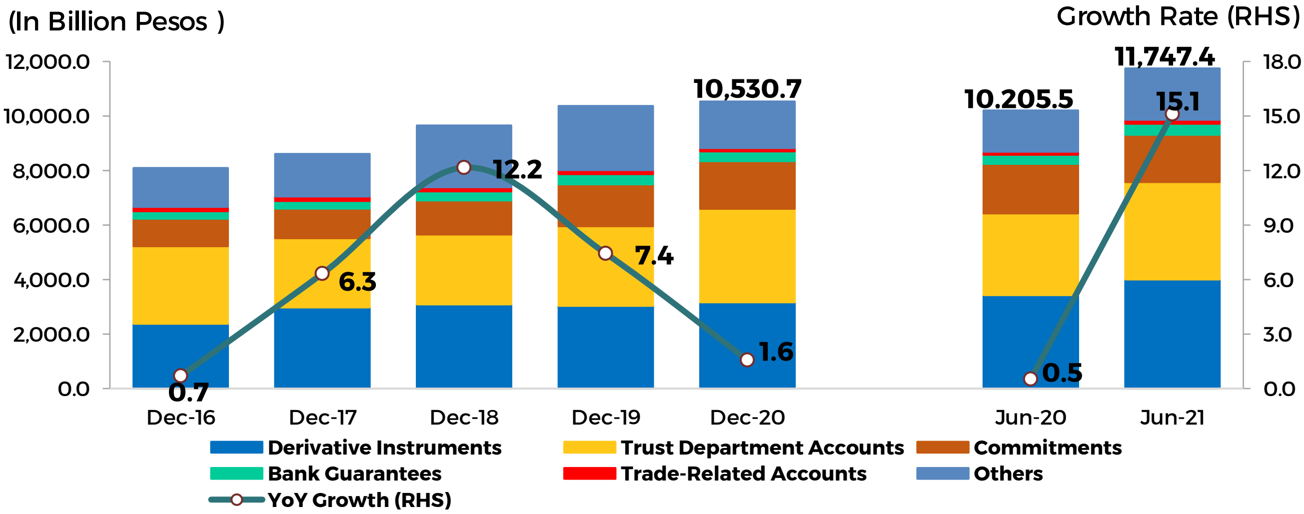
**Includes trust assets of banks but discussed separately in a stand-alone section.*

Source: DSA

20 Circular No. 1105 dated on 2 December 2020

21 These banks are in different stages of completing the remaining licensing requirements before they can operate as digital banks. The BSP closed the window for establishment of digital banks starting 31 August 2021 per Memorandum No. 2021-046 dated 19 August 2021.

Figure 24. Composition of the PBS Contingent Accounts
As of end-Periods Indicated



Source: DSA

Cognizant of the impact of the current crisis in people's daily activities, banks further strengthened their financial intermediary roles leaning towards fintech and other digitized innovations. BSFIs largely depended on the use of their authority to provide electronic payment and financial services (EPFS). As of end-June 2021, the use of automated teller machines or ATMs (ATM card and facility) remained to be the lead electronic facility used by majority of BSFIs (163). Other major industry players include BSFIs with mobile banking services (86), Electronic Money Issuers (EMIs, 61) and internet banking services for the retail (57) and corporate (47) sectors (Figure 27).

POLICY DIRECTION

Notwithstanding the positive performance of the PBS amid the pandemic, the BSP has been closely monitoring developments including emerging risks that may affect the stability of the financial system. In this regard, the BSP continues to strengthen its reform agenda to ensure that banks are able to weather the impact of the crisis through sound corporate governance and risk management practices.

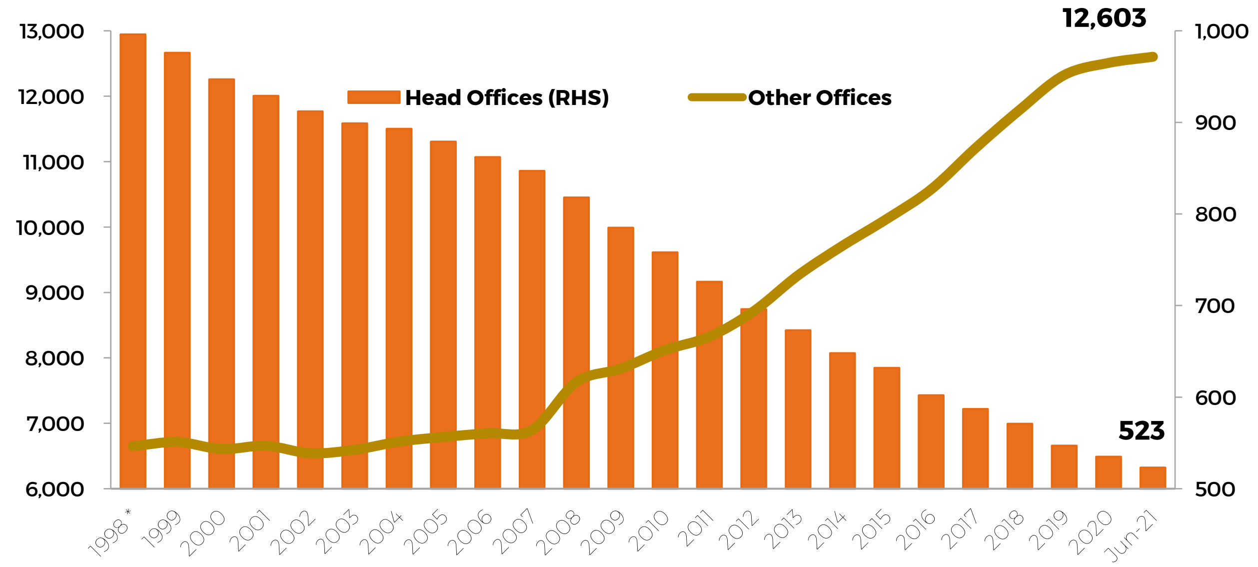
In particular, the BSP's prudential and financial sector reforms focus on three (3) areas, namely, strengthening risk governance, promoting responsible innovation and upholding of financial integrity. These areas are complemented by initiatives aimed at deepening of the domestic capital market, advancement of financial inclusion and adoption of sustainability principles.

The BSP has recently issued regulations and undertaken initiatives[22] that are all directed toward this end.

Under risk governance, the BSP has established guidelines on reputational risk management[23]. as well as required banks to observe and exercise extraordinary due diligence in the recruitment of their personnel[24]. These regulations reinforce the banking industry's commitment to adhere to the highest standards of integrity and foster confidence in the banking system.

Also, the BSP has approved a liquidity risk management framework for Islamic banks (IBs) and Islamic banking units (IBUs). The regulatory issuance is basically anchored on the existing liquidity risk management framework for conventional banks with additional provisions to cover the specificities of Islamic banking. The aim is to create an enabling environment that will allow Islamic banks to operate alongside the conventional banks under the same regulatory approach, taking into consideration the unique features of Islamic financial activities/transactions.[25]

Figure 25. Total Banking Unit of the PBS
As of end-Periods indicated



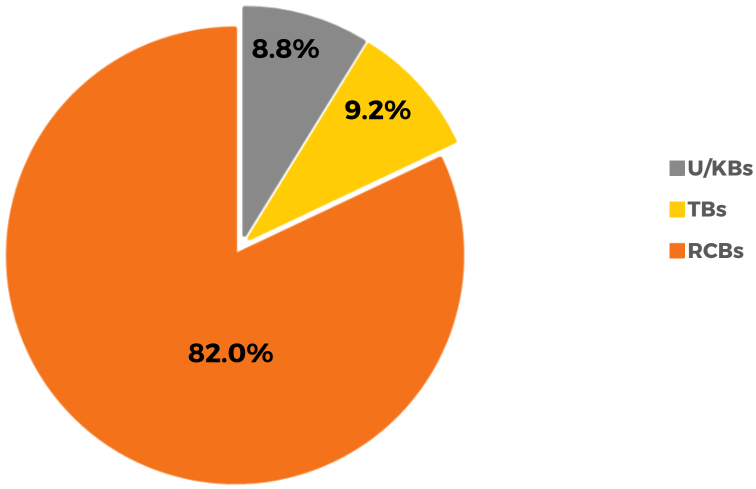
** BSP's merger and consolidation policy amended and rationalized in 1998 with the issuance of Circular No. 172 dated 3 September 1998.*

Source: DSA

p/ preliminary data

[22] For the period 1 January to 30 June 2021.
[23] Circular No. 1114 dated on 16 April 2021.
[24] Circular No. 1112 dated on 8 April 2021.
[25] Circular No. 1116 dated on 25 May 2021.

Figure 26. Number of Operating Banks
As of end-June 2021



Source: DSA

To promote responsible innovation, the BSP approved the rules and regulations governing the operations of Virtual Asset Service Providers (VASP) or entities that facilitate financial services through the conduct of virtual asset (VA) activities, to cover new business models and activities. This is in line with the thrust of the BSP to promote financial innovation while remaining sensitive to its attendant risks. The said guidelines amended the regulations on virtual currency exchanges (VCE) that were issued in 2017.[26]

The BSP has likewise approved the guidelines on Open Finance Framework which is seen as a key enabler for digital transformation and financial inclusion. The Open Finance Framework recognizes that advances in technology will facilitate the development of bespoke products and services for every Filipino using their own consumer data. The Open Finance Framework promotes consent-driven data portability, interoperability, and collaborative partnerships between financial institutions and fintech players. Consumers will have the power to grant access to their financial data that will shape a customer-centric product development objective. The framework covers different financial institutions and a broader array of financial products such as, but not limited to, banking products and services, investments, pensions, and insurance.[27]

[26] Circular No. 1108 dated on 26 January 2021 and Memorandum No. M-2021-013 dated 18 February 2021.

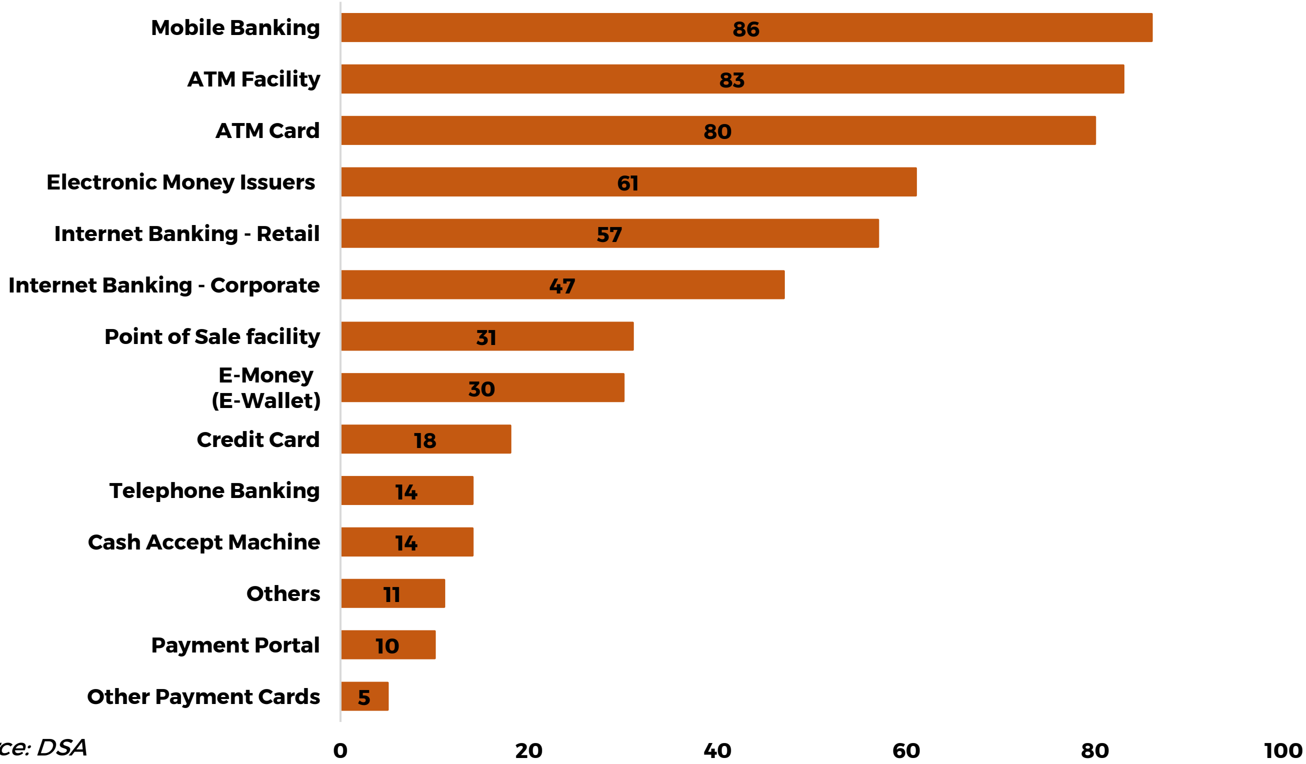
[27] Circular No. 1122 dated on 17 June 2021.

By and large, the BSP recognizes that the future of financial services delivery rests on financial technology (fintech). Hence, the BSP has started to implement solutions using artificial intelligence (AI) and machine learning for its regulatory and supervisory processes. These include, but are not limited to, a chatbot, an automated complaints-handling system, a social media listening tool founded on Big Data to support financial sector monitoring, an online reporting portal (or Financial Institution Portal) of supervised entities to the BSP, and visualization tools to identify trends and areas of supervisory concern.

Meanwhile, the BSP remains supportive of national government efforts aimed at upholding the financial integrity of the banking system.

The Financial Action Task Force (FATF) included the Philippines in its latest "grey list" of countries, which means that the Philippines will be under increased monitoring as it proves its progress against money-laundering as well as terrorist and proliferation financing (ML/TF/PF). This may potentially increase the cost of doing business with Filipinos as regulators and financial institutions add another layer of

Figure 27
Philippine Banking System:
Electronic Payment and and Financial Services (EPFS)
As of end-June 2021



Source: DSA

scrutiny on their transactions.

While the country has not yet received any report on changes in the cost of transactions, the Anti-Money Laundering Council (AMLC) continues to engage different stakeholders to inform them of the actions taken by the country to address the remaining issues identified in the Mutual Evaluation Report.[28]

The Philippines has swiftly acted on the concerns raised in the report and is taking a whole of government approach in addressing ML/TF/PF issues and completing key commitments.

The BSP remains steadfast and committed to implementing initiatives aimed at further strengthening banking system's framework and defenses against money laundering, terrorist financing and proliferation financing risks.

The BSP will continue with its strategic initiatives to promote awareness and enhance the capabilities of its supervised financial institutions against these risks. These include, among others, enhancing the risk-based anti-money laundering (AML)/ countering terrorism and proliferation financing supervisory framework and conducting thematic reviews and assessments. The BSP also looks forward to having more frequent engagements with the industry to discuss any emerging threats or trends.

On deepening of the domestic capital market, the BSP approved amendments to the regulations on securities custodianship and securities registry operations, which aim to simplify the licensing process and expand both the client base and the number of financial institutions offering said services.[29]

The BSP also amended regulations to further expand the menu of financial derivative instruments available to banks, and their clients for risk management and diversification of exposures, and at the same time ensuring the prudent use of the same.[30]

For the advancement of financial inclusion, the BSP, along with government agencies[31], has approved the amendments to the IRR of R.A. No. 10000, otherwise

[28] BSP, "AMLC Statement," Press Release: 26 June 2021.
[29] Circular No. 1121 dated on 8 June 2021.
[30] Circular No. 1119 dated 7 June 2021.
[31] DA and DAR.

known as "The Agri-Agra Reform Credit Act of 2009".

Recognizing the importance of small businesses in the economy, the BSP is working with key government agencies and the banking industry on the adoption of a standard business loan application document to make the loan application process more streamlined and borrower-friendly, particularly for small enterprises. The target is for the various banking industry associations to start adopting the SBLAF document in the second quarter of 2022.

The BSP is likewise supporting the conduct of a comprehensive Supply Chain Finance (SCF) Market Development Study to promote SCF as an innovative financing approach for MSMEs by leveraging on their receivables and inventory flows, as well as supply chain relationships. The outcomes and recommendations of the Study will inform strategic interventions, including possible regulatory issuances, to promote SCF.

The BSP has also embraced sustainability principles and rolled-out a two-pronged approach to sustainable finance: first, by increasing capacity building and awareness initiatives; and second, by mainstreaming sustainable finance through the issuance of enabling regulations. The capacity building initiatives include participation in global/regional conversations on sustainable finance, conduct of study on banks' perception on sustainable finance, and capacity building for both internal and external stakeholders.

In terms of regulations, the BSP has issued the Sustainable Finance Framework[32] which sets out the expectations of the BSP on the integration of sustainability principles, including those covering environment and social (E&S) risk areas in the corporate governance and risk management frameworks as well as in the strategic objectives and operations of banks. The second-phase on regulations for sustainable financing will consider climate change risk in the assessment of credit and operational risk management of the banking industry. And finally, the last phase will cover potential regulatory incentives to be granted to banks which adhere to sustainability principles.

Moving forward, there are key pieces of proposed legislation that will enable BSP to take on a more

[32] Circular No. 1085 dated 29 April 2020.

proactive stance in responding to threats to safety and soundness of individual financial institutions and the financial system. These include the Deposit Secrecy Bill, Financial Consumer Protection Act, Amendments to the Agri-Agra Mandatory Credit Allocation, the Government Financial Institutions Unified Initiatives to Distressed Enterprises for Economic Recovery (GUIDE) Bill, and Amendments to the Philippine Deposit Insurance Corporation (PDIC) Charter Bill, among others.

On the whole, the BSP will continue to pursue policy reforms aimed at promoting the safety and soundness of the financial system against the backdrop of rapid advancements in technological innovations, an evolving financial ecosystem, and the increasing attention towards the attainment of social and environmental goals as a means to ensure balanced, equitable and sustainable economic growth.

Importantly, the BSP's policy reform agenda is still guided by the principle of proportionality in adopting international best practice in its strategic policy objectives. In other words, the BSP calibrates its regulations by taking into consideration the peculiarities and conditions of local financial institutions.

FINANCIAL SOUNDNESS OF THE PHILIPPINE BANKING SYSTEM

Overview

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

Capital Adequacy

↑CAR: 17.6%; ↑CET1: 16.4%

Asset Quality

↑NPL: 4.5%

Earnings

↓ROE: 7.9%; ↓ROA: 1.0%

Liquidity

↑NSFR: 144.5% ↑LCR: 196.4%

Sensitivity to Market Risk

↑Net FX to Capital: 0.2%

THE BSP FSIs

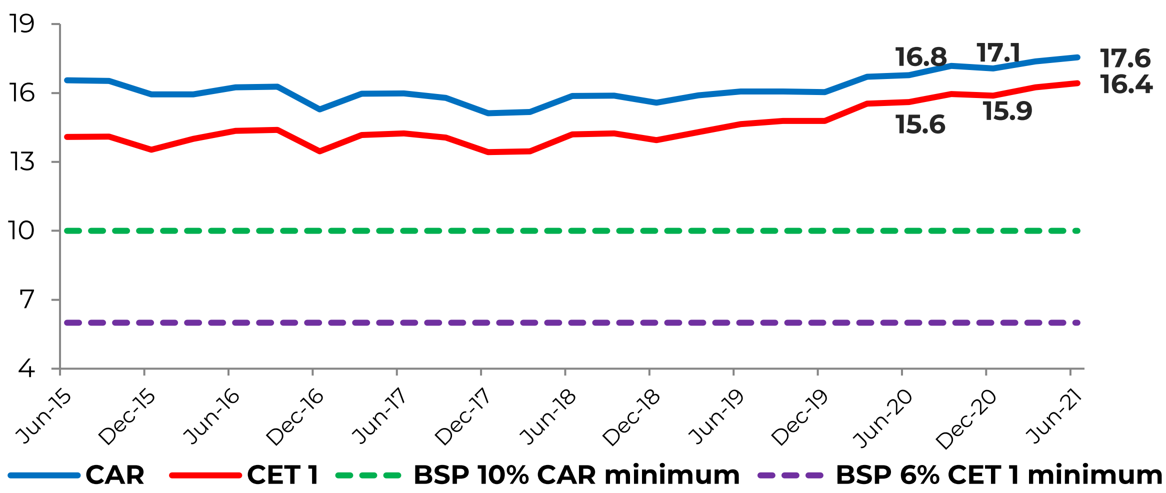
Based on the methodology introduced by the International Monetary Fund (IMF), a core set of FSIs covering the BSP-supervised financial institutions (BSFIs) were identified under the headings of capital adequacy, asset quality, earnings and profitability, liquidity, and sensitivity to market risk.

CAPITAL ADEQUACY

Capital adequacy ultimately indicates the resilience of financial institutions to withstand shocks to their balance sheet and provides a snapshot of the stability of the financial system. Figure 1 shows that both the Capital Adequacy Ratio[1] (CAR) and common equity tier 1 (CET1)[2] ratios of Philippine universal and commercial banks (U/KBs), on a consolidated basis, were well above the BSP minimum requirements. These indicate that U/KBs are prepared to withstand shocks to their balance sheet, including those related to the COVID-19 pandemic. In fact, as of end-June 2021, the U/KBs breached another record high on its CAR and CET1 metrics. The CAR scaled 17.0 percent on a solo basis and 17.6 on a consolidated basis; while CET1 ratio hit 15.9 percent on a solo basis and 16.4 percent on a consolidated basis.

An important indicator on the capacity of capital to absorb losses from non-performing loans (NPLs) is the ratio of NPLs, net of provisions, to average capital. This ratio can help point to potential issues in addressing asset quality concerns, which can become serious over time.

Figure 1. CAR and CET 1 Ratio of U/KBs (Consolidated)
As of End-Periods Indicated, In Percent (%)

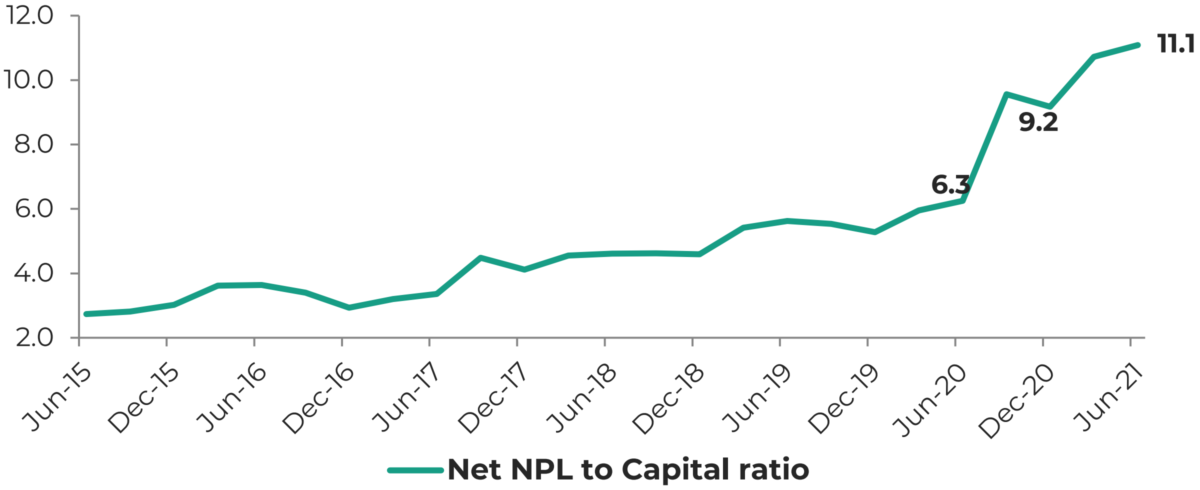


Source: DSA

[1] Regulatory Capital to Risk-Weighted Assets (RWA).

[2] Regulatory CET1 Capital to RWA. The CAR and CET1 ratios are the most common measures of capital adequacy under the Basel Committee on Banking Supervision (BCBS) standards.

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



Source: DSA

Between first semester 2020 and first semester 2021, large parts of the country remained under strict quarantine measures, which severely slowed down economic activities. As a result, loans with highly retail component contributed significantly to the increase in the banking system's NPL as of end-June 2021. In particular, Residential Real Estate Loans (82.3 percent year-on-year (YoY) increase in NPLs), Consumer Finance (Motor Vehicle Loans, 96.2 percent YoY increase in NPLs; Credit Card Receivables, 45.4 percent YoY increase in NPLs), and Wholesale and Retail Trade (65.6 percent YoY increase in NPLs) reported significant YoY increase in the NPLs (in levels) from end-June 2020.[3]

Thus, Figure 2 shows a sharp increase in the Philippine banks' net NPL to capital ratio between June 2020 and June 2021. Nevertheless, banks recorded an NPL coverage ratio of 82.4 percent, with domestic private UBs and foreign banks posting NPL coverage ratios of 88.8 percent and 128.0 percent, respectively, as of end-June 2021.

Leverage

The leverage ratio shows the financial position of the bank in terms of its debt, capital, and assets or on- and off-balance sheet exposures, as applicable. It is used to ensure the capital adequacy of banks and place constraints on the

[3] The BSP strongly considers the time-bound relief measures implemented as crucial in supporting banks to weather the crisis and in promoting the overall stability of the financial system. The BSP is currently assessing the appropriate timing to reduce or scale back the COVID-19 relief measures to ensure smooth transition post-pandemic. The BSP underscores that while there are regulatory relief measures implemented such as staggered booking of allowance for credit losses and exclusion of eligible accounts from past due or non-performing loan classifications, the banking industry statistics published on the BSP website reflect the actual level of soured loans and do not consider said relief measures.

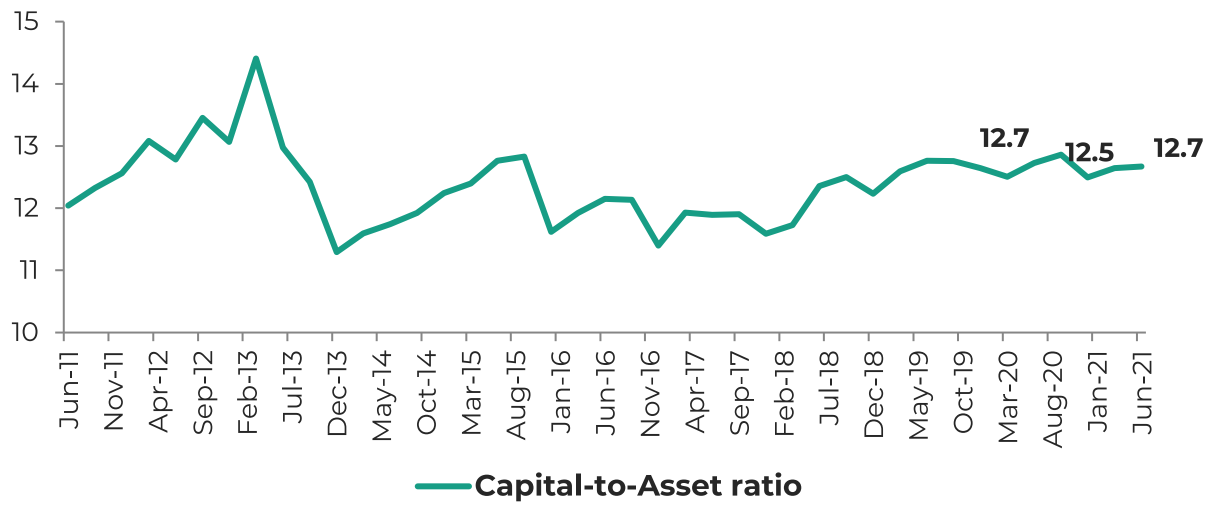
extent to which bank assets are funded by the banks' own capital. The two leverage ratios used to measure the financial health of the banks are capital-to-asset ratio and Basel III leverage ratio (BLR).

The capital-to-asset ratio[4] is used to measure the extent to which assets are funded by the banks' own funds. Figure 3 shows that a reasonable level of bank assets is backed up by the banks' own funds.

Parallel to this, the BSP adopted the Basel III Leverage Ratio (BLR)[5] 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."[6]

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/KB industry's BLR as of end-June 2021 stood at 9.7 percent on solo basis and 10.1 percent on consolidated basis, well-above the BSP and international thresholds of 5.0 percent and 3.0 percent, respectively.

Figure 3.Capital-to-Asset Ratio of the PBS
As of end-Periods Indicated, In Percent (%)



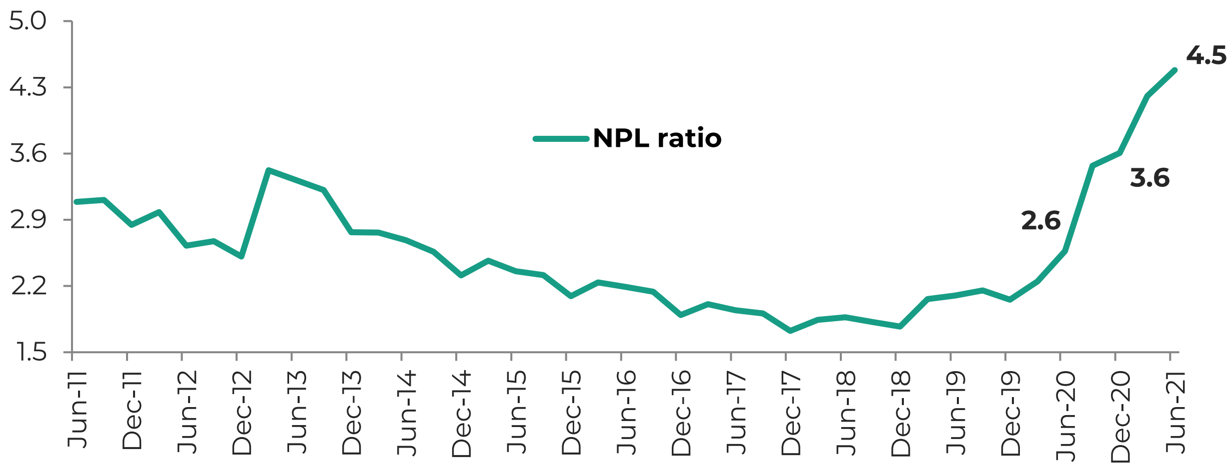
Source: DSA

4 Pertains to ratio of total capital accounts to total assets.

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

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

Figure 4. NPL Ratio of the PBS
As of end-Periods Indicated, In Percent (%)



Source: DSA

ASSET QUALITY

The main business of Philippine banks largely revolved around lending and deposit-taking activities. As of end- June 2021, gross total loans comprised 54.4 percent of the banking system's total assets. Deposits remained the primary source of bank's funding. Hence, the most important indicator to measure asset quality is the ratio of NPLs to total gross loans.

Philippine banks' NPL ratio rose to 4.5 percent for the first half of 2021, higher than 3.6 percent in the previous semester and 2.6 percent in the same period last year (Figure 4). Loans extended to 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 year-on-year (YoY) uptick in the banking system's NPL as of end-June 2021.

Over the years, Philippine banks maintained a manageable NPL ratio, owing to prudent reforms and continued improvements in banks' credit risk management systems and corporate governance.

The full operationalization of the Financial Institutions Strategic Transfer (FIST) Act, and release of its implementing rules and regulations (IRR) provide banks with the means to dispose of their non-performing assets (NPAs) and increase the system's risk-bearing capacity and ability to expand investment and lending activities by freeing-up banks' capital.[7]

[7] The FIST Act was signed by the President into law as Republic Act No. 11523 on 16 February 2021. Its Implementing Rules and Regulations (IRR) was drafted by the Securities and Exchange Commission (SEC) Team, in coordination with relevant government agencies, including the BSP (Official Gazette, 26 March 2021). The SEC is

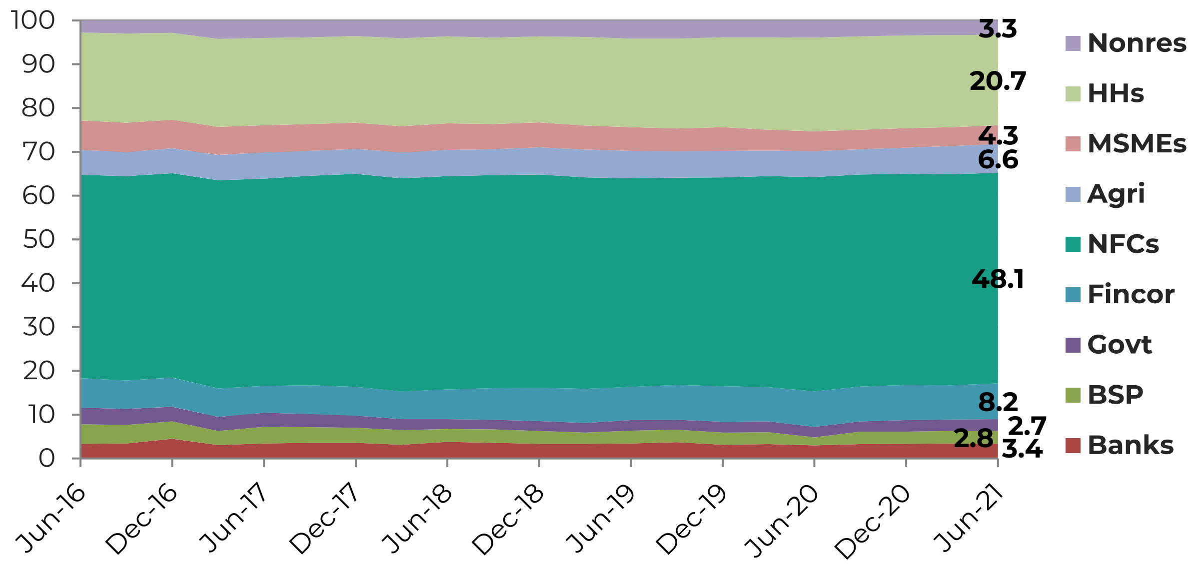
Moreover, banks' level of NPLs is seen to remain at a manageable level and would not reach the double-digit ratio registered during the Asian Financial Crisis.

In particular, the BSP estimates that NPL ratios of the banking sector will settle between 5.0 percent to 6.0 percent by end-December 2021.[8] This view is consistent with the feedback gathered from the industry as majority of banks expect a downgrade in the quality of their loans due to slowdown in economic activities. Banks, however, believe that the NPL ratio will remain relatively low, and this will be accompanied by high loan-loss provisions.[9]

Prior to the global health crisis, the issuance of guidelines on Risk Management System[10] fundamentally strengthened the credit risk management of the BSFIs. This resulted in a steady improvement in the quality of banks' loans.

Meanwhile, lack of diversification in the loan portfolio may signal the existence of a 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, those particular sectors of the economy where

Figure 5. Loans by Economic Sectors of the PBS
As of end-Periods Indicated, In Percent (%)



Source: DSA

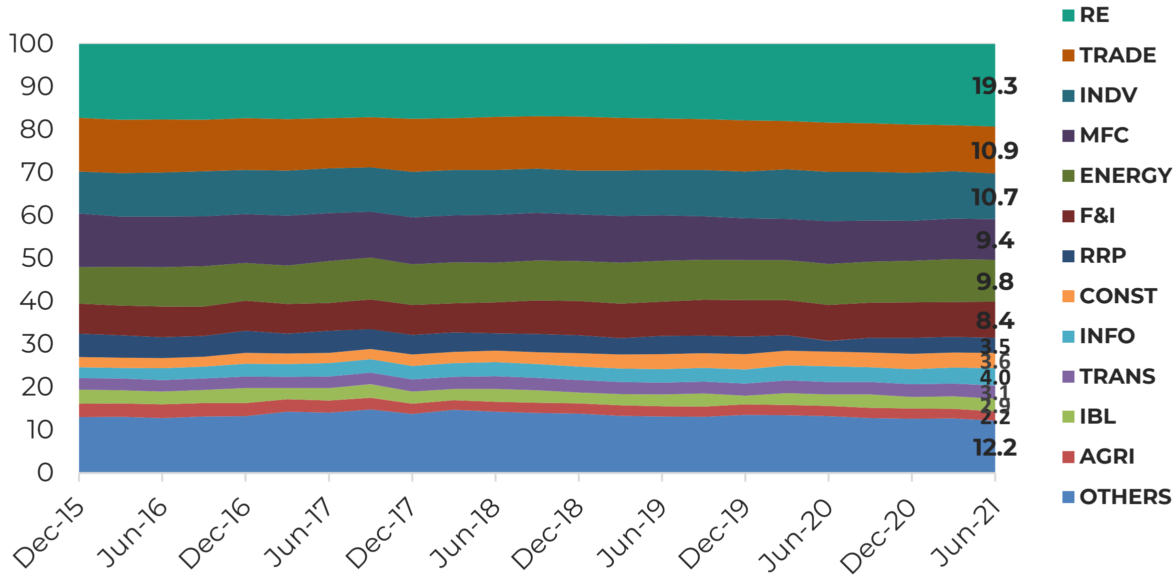
the primary implementing agency of the FIST Act.

8 The implementation of the FIST Act is projected to reduce average NPL ratio of the banking system by 0.6 to 5.8 percentage points for the years 2021 to 2025.

9 Based on the Philippine Banking Sector Outlook Survey (BSOS) First Semester 2021.

10 Circular No. 510 dated 03 February 2006 and Circular No. 855 dated 29 October 2014.

Figure 6. Loans by Economic Activity of the PBS
As of end-Periods Indicated, In Percent (%)



Source: DSA

banks tend to have credit concentration are closely monitored for macroprudential purposes.

As shown in Figure 5, the sectoral distribution of loans in the Philippine economy reflects the peculiar needs of an emerging economy and remains largely stable as there were no significant shifts during the period (from first half of 2016 to first half of 2021). In particular, non-financial corporations (NFCs) captured the biggest share at around 48.1 percent (high loan concentration), followed by households[11] (HHs) at around 20.7 percent (relative loan concentration). Loans to banks, other financial corporations (Fincor), and NFCs are aggregated under private corporations, and together with the household sector, these types of credit (around 80.3 percent aggregate share) are closely monitored for any signs of poor performance or overheating leading to loan quality deterioration.

Nonetheless, loans of Philippine banks are considered well-diversified based on loan decomposition as to economic activity (Figure 6). For instance, credit granted to real estate activities (RE), though leading at 19.3 percent share, is favorably below the amended regulatory cap of 25 percent.[12]

Other activities that figured prominently include wholesale and retail trade (TRADE, 10.9 percent), loans to individuals for consumption purposes (INDV, 10.7 percent), electricity, gas,

[11] Include loans to individuals for consumption and residential housing purposes.

[12] Circular No. 1093 dated 20 August 2020 (Amendments to the Real Estate Limits of Banks).

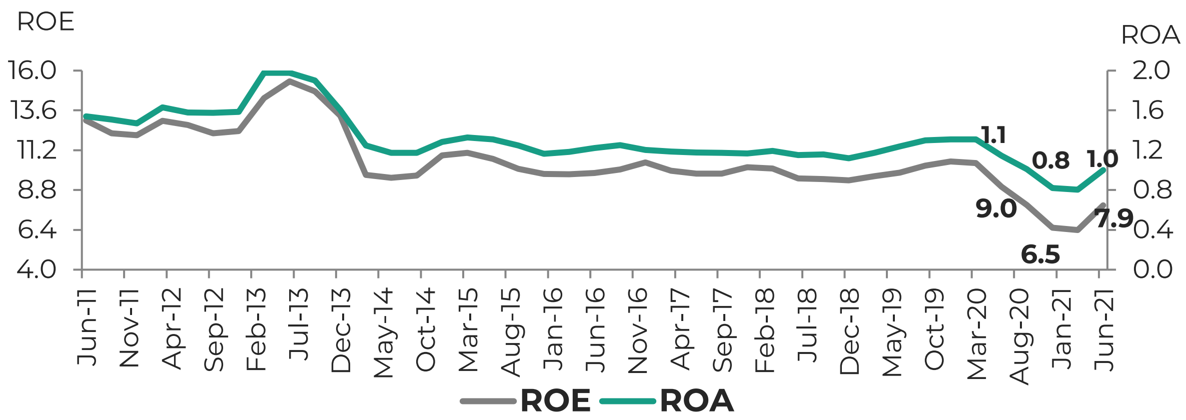
steam and aircon supply (ENERGY, 9.8 percent), manufacturing (MFC, 9.4 percent), and financial and insurance activities (F&I, 8.4 percent).

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 weakened to 7.9 percent in June 2021 from the previous year's 9.0 percent, mainly due to the YoY decline of 6.6 percent in annualized net profit as loans and other financial assets took a hit from the pandemic in the form of increased annualized provisions for credit losses (up by 145.4 percent), partly buoyed by the increase in annualized net interest income and annualized non-interest income of 1.1 percent and 2.0 percent, respectively. Likewise, the RoA for end-June 2021 slid to 1.0 percent from 1.1 percent a year ago. Nonetheless, moving forward, the Basel III Leverage Ratio indicates ample room for banks to increase risk exposures and improve profitability.

Majority of banks' income were still derived from lending activities (core business) as ratio of annualized net interest income to total operating income hovered above 74.0 percent (Figure 8). Meanwhile, the annualized cost-to-income (CTI) ratio, an indicator of operational efficiency, has improved YoY to 56.0 percent for the period-ended June 2021 as shaped by Management's decision to reduce costs and shift to digital channels in delivering products and services.

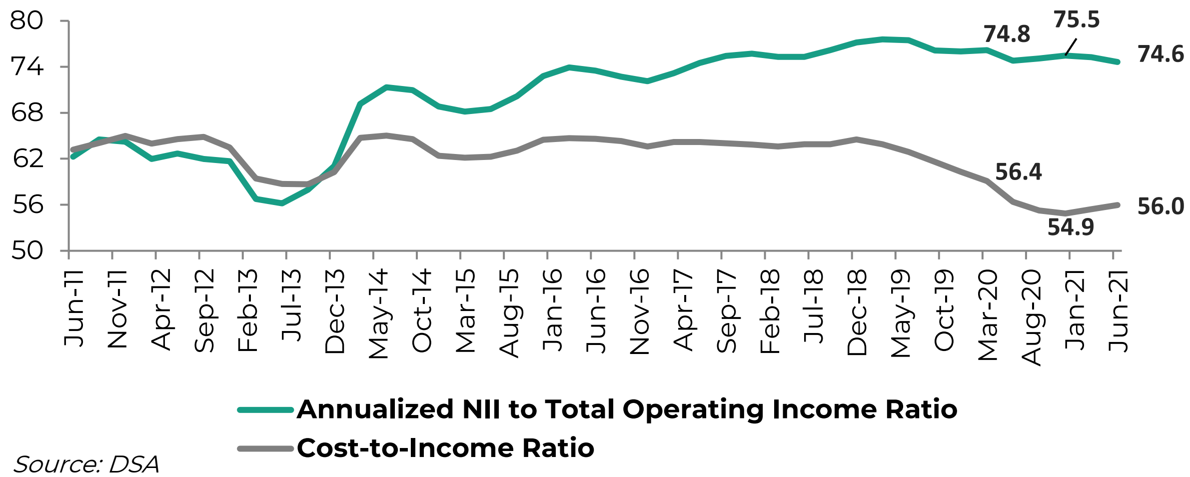
Figure 7. Annualized ROA and ROE of the PBS
As of end-Period Indicated, In Percent (%)



Source: DSA

Figure 8. Annualized Net Interest Income (NII) to Total Operating Income Ratio and Cost-to-Income Ratio of the PBS

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



Source: DSA

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, 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 42.6 percent average for end-June 2021[13] (Figure 9). This suggests the presence of ample liquidity in the system. Financial assets, net (exclusive of equity investments), for instance, grew YoY by 31.7 percent as banks rebalanced their portfolios and managed risks more efficiently in the midst of the pandemic.

Another measure of liquidity is the ratio of liquid assets to deposits (a proxy for short-term liabilities), which indicates the deposits that would have to be covered by asset sales if access to funding is lost. The liquid asset-to-deposit ratio was also quite high at 54.9 percent during the period as banks continue to hold liquidity buffer to serve client demand even in times of financial shocks.

The BSP adopted the Basel III Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) for subsidiary banks/quasi-banks (QBs) of U/KBs, and Minimum Liquidity Ratio (MLR) for stand-alone thrift banks (TBs), rural banks (RBs), cooperative banks (CBs), and QBs.[14] It is set to roll-out

[13] Compared with ASEAN counterparts: Indonesia (19.0 percent), Malaysia (22.0 percent), Thailand (22.2 percent), and Vietnam (11.7 percent) (Source: IMF FSIs – Data and Metadata Tables).

[14] Circular No. 1034 dated 15 March 2019, and Circular No. 1035 dated 15 March 2019.

the Report on Intraday Liquidity for U/KBs and their subsidiary thrift banks/quasi-banks (TBs/QBs) in January 2022. 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.[15]

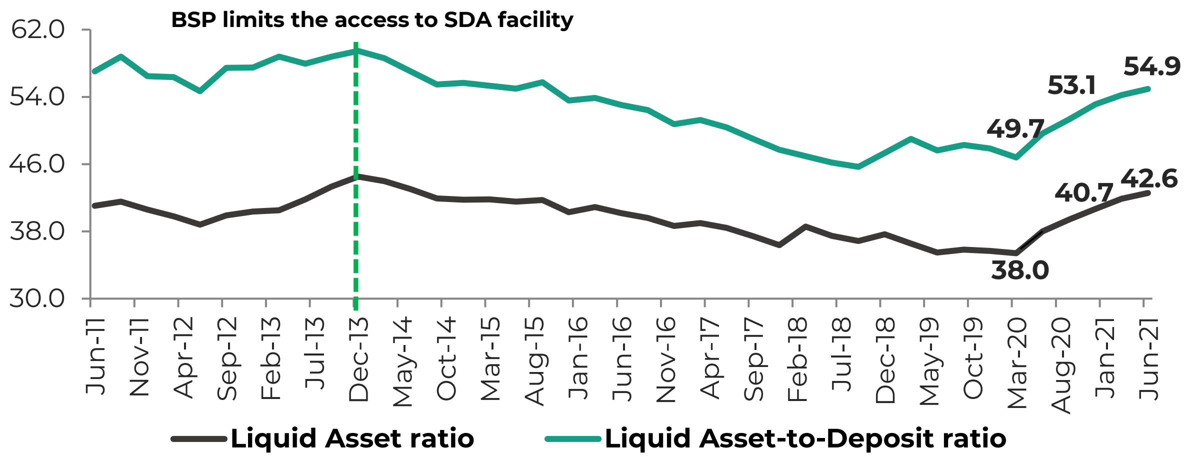
As of end-June 2021, the LCR of the U/KBs was at 198.4 percent on a solo basis, and 196.4 percent on a consolidated basis. These were well-above the regulatory threshold of 100 percent[16] (Figure 10). Since the implementation of the LCR, banks posted ratios that were consistently above the regulatory minimum, indicating high levels of high-quality liquid assets (HQLA). This indicates resilience of the banking system to potential short-term liquidity disruptions.

Meanwhile, the NFSR of the U/KBs as of end-June 2021 registered at 144.4 percent and 144.5 percent on a solo and consolidated bases, respectively, which were well-above the minimum regulatory requirement of 100 percent, indicating more than sufficient capability to fund requirement for the medium term. The ratios are higher than the NFSR reported as of end-December 2020 at 141.2 percent and 143.1 percent, respectively.

The banks' NSFR profile shows that 77.3 percent of assets requiring stable funding are

Figure 9. Liquid Asset Ratio and Liquid Asset-to-Deposit Ratio of the PBS

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

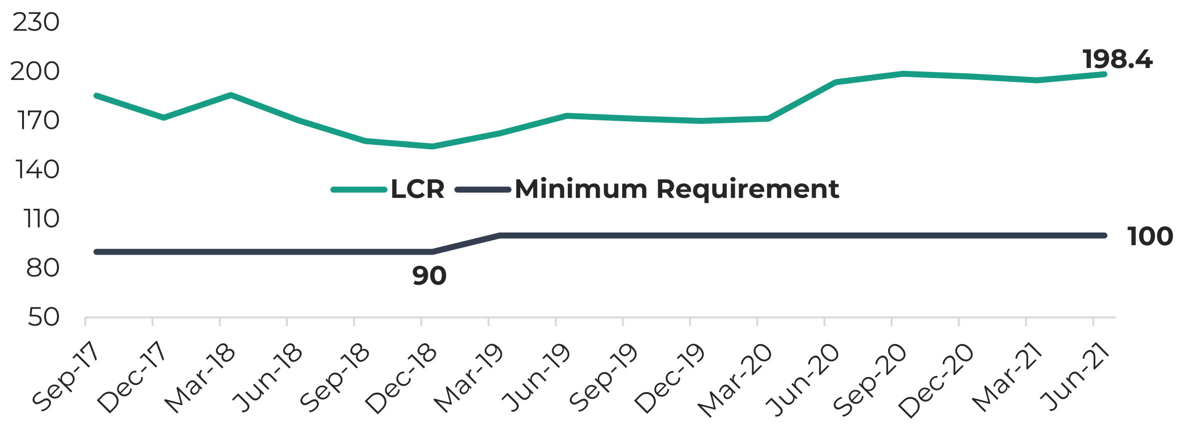


Source: DSA

[15] Circular No. 1064 dated 03 December 2019.

[16] 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.

Figure 10. LCR U/KBs
As of end-Periods Indicated, In Percent (%)



Source: DSA

performing loans and non-HQLA securities. Meanwhile, 74.7 percent of the banks' available stable funding (ASF) is from retail deposits and wholesale deposits with tenor of more than one (1) year.

For stand-alone TBs, RBs and CBs, the liquidity measure is called the minimum liquidity ratio (MLR). Guided by the principle of proportionality[17], 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.[18]

As of end-June 2021, the MLR of stand-alone TBs, RBs, and CBs were at record highs, surpassing the 20 percent minimum requirement (Figure 11).

Banks' relative ease of compliance with the liquidity requirements can likewise be attributed to the BSP's accommodative monetary policy actions. These include 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*[19] is also used to detect liquidity problems. A low ratio may

[17] 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.

[18] This is 16 percent based on regulatory relief granted until end-December 2021, per Memorandum No. M-2020-020 dated 7 April 2020 and Memorandum No. M-2020-085 dated 1 December 2020.

[19] Net loans refer to total loan portfolio (TLP) less interbank loans (IBL). This also

indicate potential liquidity stress in the banking system and sentiments of 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) and use of funds in less liquid assets (loans, exclusive of interbank call loans).

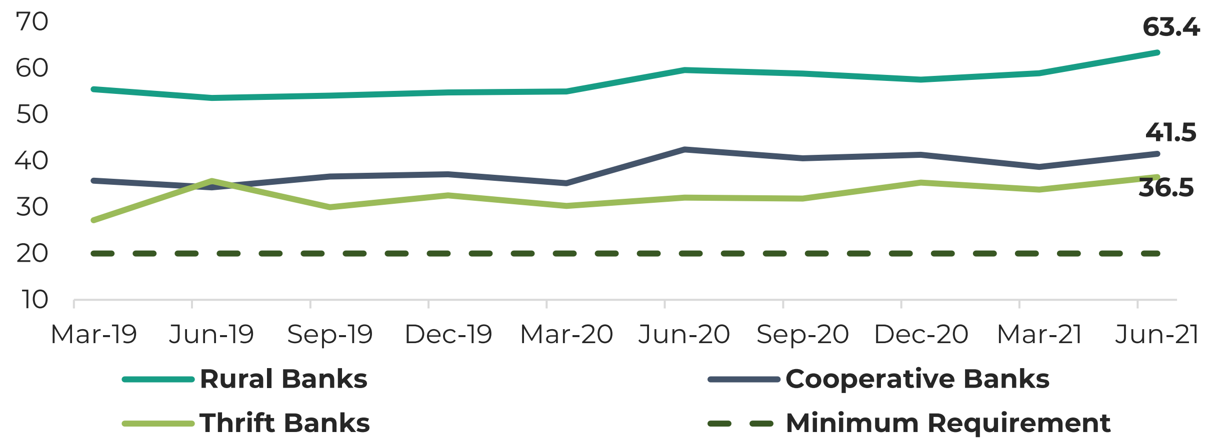
The *funding cost*[20] of Philippine banks stood at 0.8 percent as of end-June 2021, lower than 1.1 percent and 1.6 percent as of end-December 2020 and end-June 2020, respectively. The relatively low funding cost confirms that low-cost deposits have remained a stable and the biggest source of funds for banks' operations.

SENSITIVITY TO MARKET RISK

A 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 2013 to the first semester of 2021, the net FX position to unimpaired capital of U/KBs averaged 0.4 percent (overbought position), indicating that the industry has minimal net open FX exposures relative to unimpaired capital that may be affected by volatility in the FX market. This shows that banks' FX

Figure 11. MLR of Stand-Alone TBs, RBs, and CBs
As of end-Periods Indicated, In Percent (%)

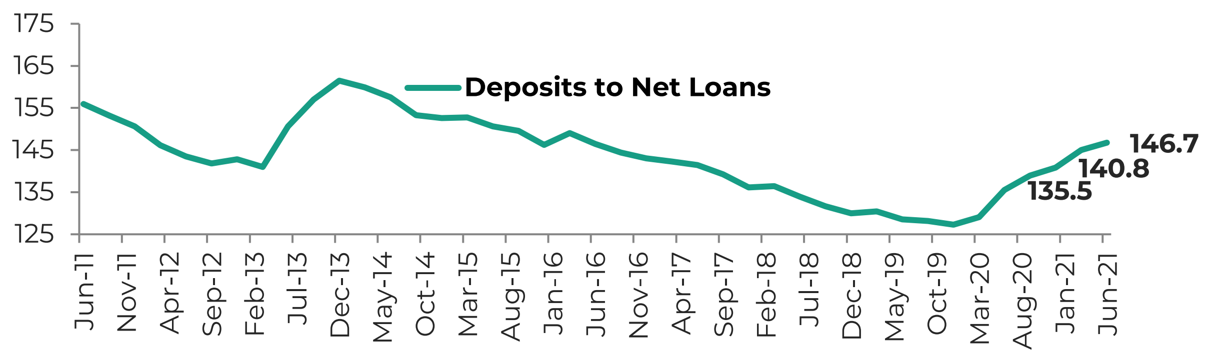


Source:DSA

represents the core loans of the banking system.

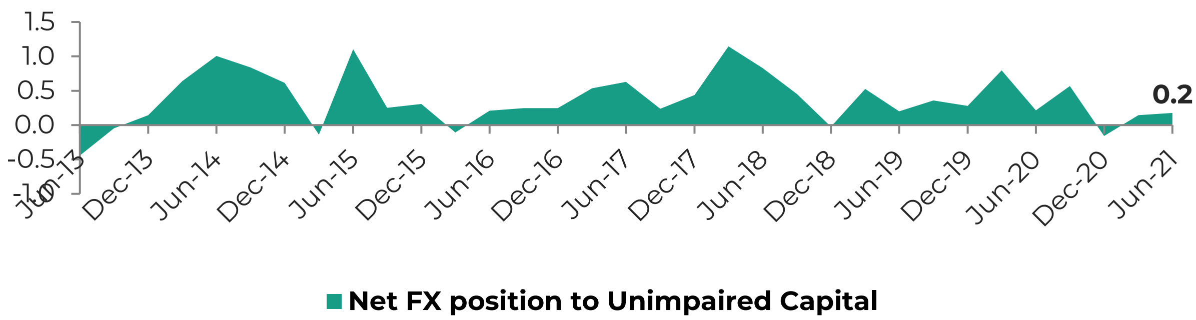
[20] Funding cost is the ratio of annualized interest expense to average interest-bearing liabilities.

Figure 12. Deposits to Net Loans of the PSB
As of end-Periods Indicated, In Percent (%)



Source: DSA

Figure 13. Net FX Position to Unimpared Capital of U/KBS
As of end-Periods Indicated, In Percent (%)



Source: DSA

position is primarily used to serve clients' FX requirements, e.g., hedging for international trade businesses, and not for futures and options reselling.

IMPLICATIONS TO MICROPRUDENTIAL 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 the COVID-19 menace. This is supported by the results of internal stress test exercise which point to banks' sufficient capital and liquidity buffers to withstand assumed loss from credit, market and liquidity risk.

Notwithstanding this, the BSP continues to monitor risks from credit exposures, including emerging risks from the demand side (e.g., headline inflation, residential real estate price index) and supply side (e.g., call rate, credit spread) factors, which may amplify impact on the economy. Bank earnings remained hard pressed amid threats from rising soured loans attributed to subdued economic activities, tepid loan demand, and increased risk of borrower's default.

On the whole, intense supervisory engagement with banks will continue to supplement the close monitoring and surveillance activities currently being employed. Policy reforms and initiatives are also being undertaken to further support the economy and ensure continued resilience and soundness of the financial system.

The issuance by the BSP of the implementing guidelines of the FIST Act is expected to support rebound in loan growth. The FIST Act serves as a standby mechanism to offload NPAs and improve banks' credit, liquidity, and capital position, if needed.

The BSP also adopted guidelines which further strengthen bank risk governance frameworks in the areas of capital and treasury operations.

Domestic systemically important banks (D-SIBs) were required to separately submit their Internal Capital Adequacy Assessment Process (ICAAP) document and recovery plan on an annual basis.[21] D-SIBs are expected to ensure that processes and information contained in both documents are consistent, coherent, and up to date. The amendment aims to better embed the recovery planning work in the broader crisis preparedness framework.

The BSP also raised the bank's net open foreign exchange position (NOP)[22] to the lower of 25 percent of qualifying capital or USD150 million, from the previous limit of 20 percent of unimpaired capital or USD50 million, whichever is lower.

A new calculation methodology for the NOP was likewise prescribed, with the open position computed as the higher of the absolute value of the sum of net long or short positions in individual currencies, rather than as the net position across all currencies.

This aligns the BSP's approach with international practice and makes it consistent with the computation of a bank's FX position under the risk-based capital adequacy framework.

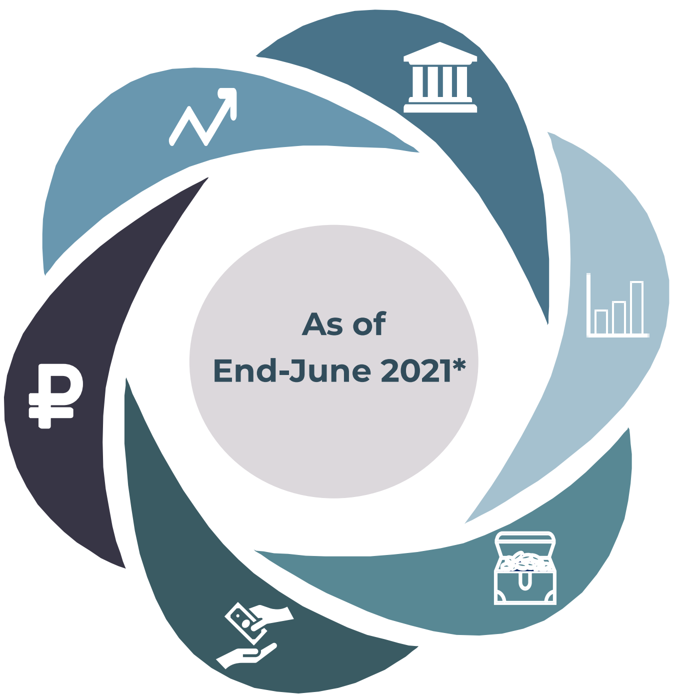
[21] The recovery plan shall be submitted every 30 June of each year separate from the ICAAP document. Submission shall commence on 30 June 2022. The BSP shall review the submission as part of the overall supervisory process for D-SIBs

[22] A bank's NOP represents the amount of its net assets and/or liabilities denominated in foreign currency.

FOREIGN CURRENCY DEPOSIT UNIT

Overview

The Foreign Currency Deposit Unit's (FCDU) total resources continued to expand, and these were deployed towards lending activities and investments in financial assets. The FCDU liquidity position was robust with stable funding mainly from deposits and bond issuances contributing to funds available to service the payment and settlement requirements of the country both at the local and international fronts. Amid market volatility due to the COVID-19 pandemic, the profitable operation of FCDUs was sustained following the increase in non-interest income from fees and commissions.



Banks with FCDU Authority
76 banks

Total Assets
P2,728.1 billion

Total Capital Accounts
P55.4 billion

Total Liabilities
P2,672.7 billion

Net Profit
P27.8 billion

NPL Ratio
5.1 percent

**Based on closing rate of P48.544/USD as of 30 June 2021*

FCDU NETWORK REMAINED EXTENSIVE

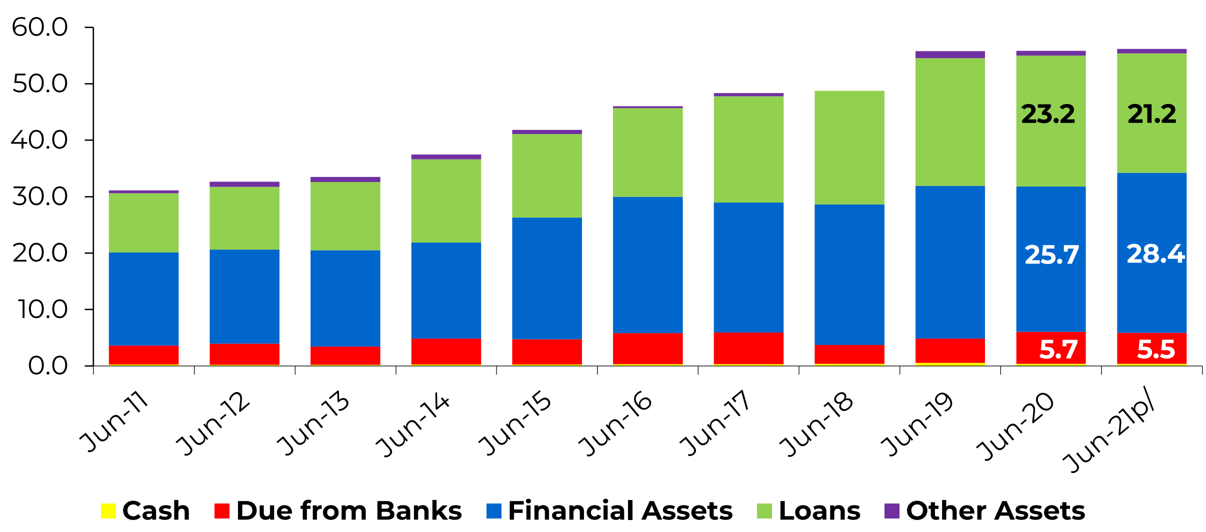
A total of 76 financial institutions (FIs) have FCDU authority, of which 44 banks have expanded FCDU (EFCDU) as of end-June 2021. This consists of 20 universal and commercial banks (U/KBs), 21 thrift banks (TBs), nine (9) rural and cooperative banks (RCBs) and 26 foreign banks. More than half of the total network have EFCDU authority (43 U/KBs and one (1) TB) and the remaining maintained basic FCDU licenses (3 U/KBs, 20 TBs and 9 RCBs).

FCDU ASSET EXPANSION CONTINUED, DRIVEN MAINLY BY LIQUID FINANCIAL ASSETS

The total FCDU assets slightly increased by 0.7 percent to USD56.2 billion (P2,728.1 billion), from the level reported a year ago. This represents about 13.8 percent of the Philippine banking system's total assets as of end-June 2021. Meanwhile, the top 5 FCDU banks with 51.8 percent share to the total FCDU assets reported USD29.1 billion (P1,412.5 billion) in FCDU assets.

By composition, majority of FCDU assets were comprised of financial

Figure 1. FCDU Assets Components
As of end-Periods Indicated, In Billion USD

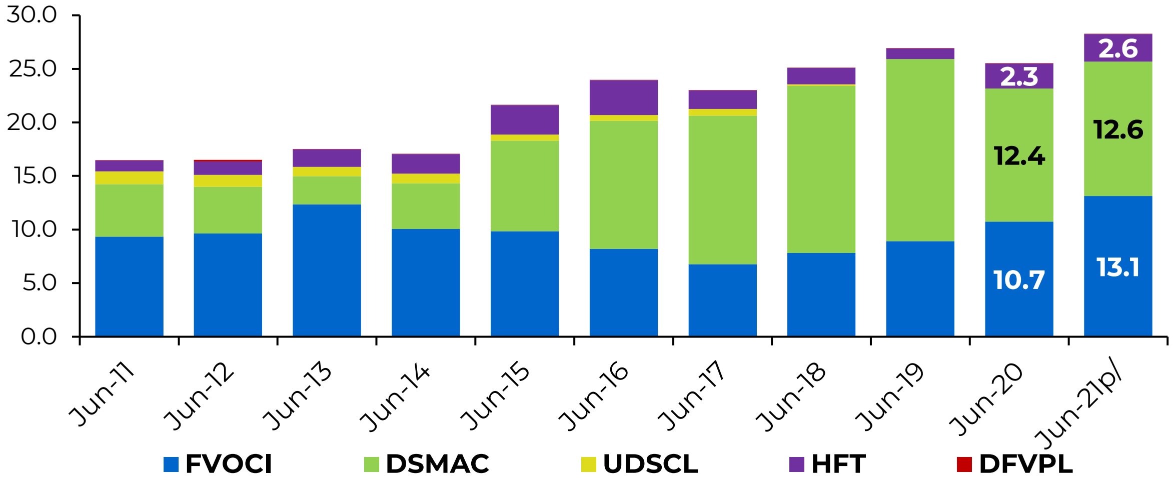


Source: DSA

p/ preliminary

Foreign Currency Deposit Unit

Figure 2. Composition of Financial Assets
As of end-Periods Indicated, In Billion USD



Source: DSA *p/ preliminary*

assets and loans (Figure 1). Net financial assets (other than loans) which accounted for 50.5 percent of the total FCDU assets, grew by 10.3 percent year-on-year (YoY). This mainly contributed to the marginal increase in the FCDUs' resources. Cash which was only 0.7 percent of the total FCDU assets rose by 5.5 percent (USD19.6 million). However, net total loans[1] which comprised 37.7 percent of the total FCDU assets dropped by 8.8 percent (USD2.0 billion).

The continued risk of infection and community quarantine restrictions dampened the prospects for economic recovery in the second half of 2021. Amid this backdrop, FCDU loans declined due to lower loan demand from borrowers as well as low appetite of banks to lend. Meanwhile, due from BSP and Other banks which held 9.8 percent of the total resources declined by 3.5 percent (USD0.2 billion).

INVESTMENTS IN FINANCIAL ASSETS REMAINED UPBEAT AMID LOW INTEREST RATES

The FCDUs portfolio investments, predominantly USD-denominated, were mainly composed of Financial Assets Measured at Fair Value Through Other Comprehensive Income (FVOCI) and Debt Securities Measured at Amortized Cost

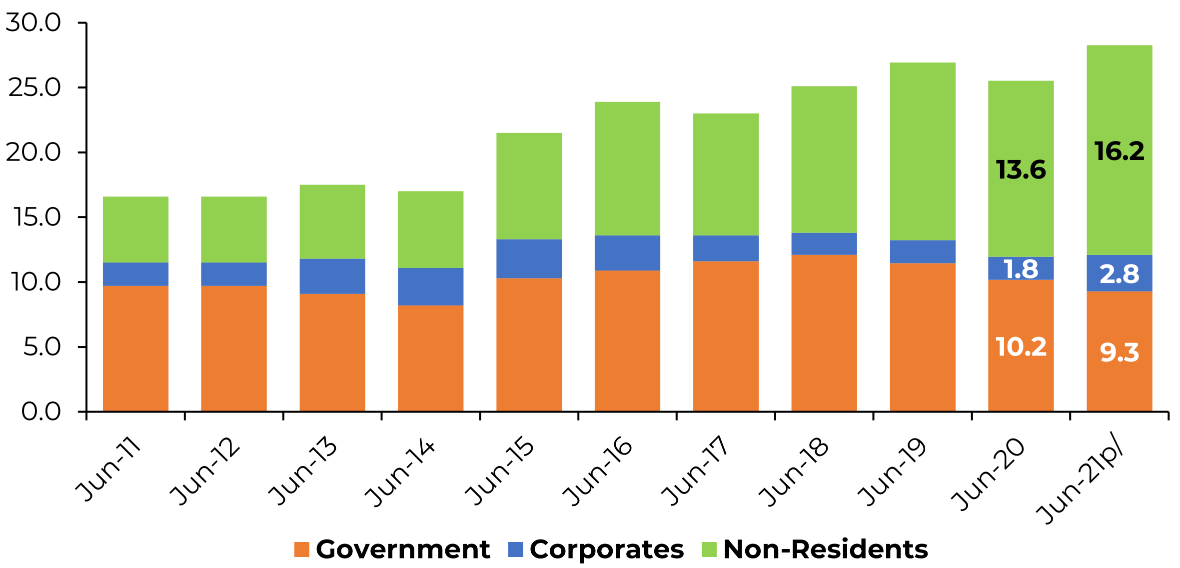
[1] Includes Interbank Loans Receivable (IBL).

(DSMAC) respectively, under the Philippine Financial Reporting Standards (PFRS) 9.[2]

FVOCI and DSMAC accounted for 46.4 percent and 44.4 percent of FCDUs' portfolio investments as of end-June 2021, respectively (Figure 2). FVOCI increased by 22.2 percent YoY to USD13.1 billion as banks shifted their holdings from DSMAC to FVOCI to take advantage of changes in the fair value of their investments in debt securities amid falling global and domestic interest rates.

Investments in securities issued by non-residents dominated the total FCDU investment portfolio which stood at USD16.2 billion (57.2 percent share), followed by the National Government (NG) at USD9.3 billion (32.9 percent share) as of end-June 2021 (Figure 3). Prior to 2019, the NG used to be the main issuer of FCDU investments in the country. Meanwhile, the USD0.9 billion (8.8 percent) YoY decline in securities issued by the Philippine government was largely attributed to the significant drop in the ROP holdings of one (1) U/KB amounting to USD1.5 billion.

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



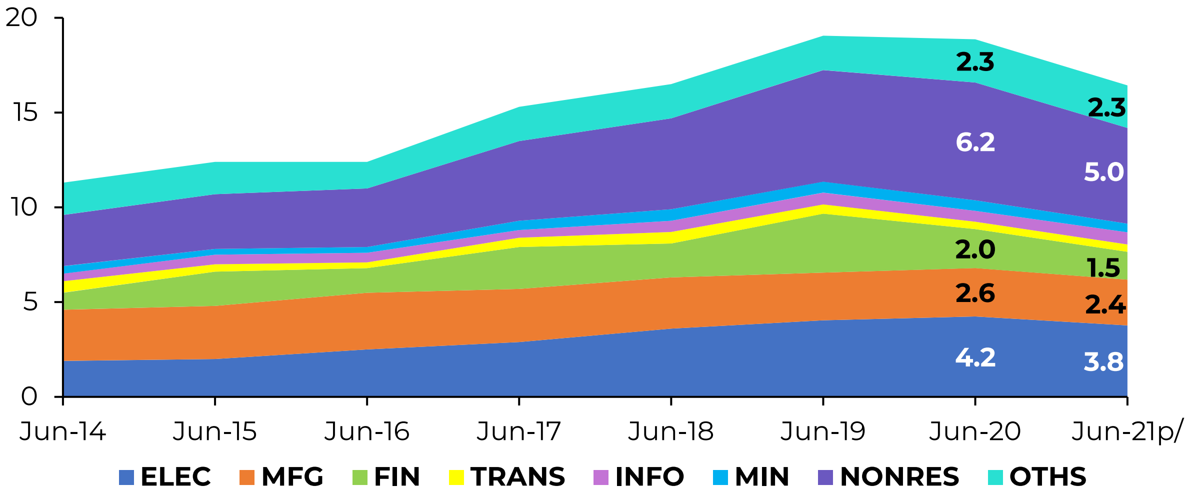
Source: DSA

p/ preliminary

[2] 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.

Foreign Currency Deposit Unit

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



Source: DSA *p/ preliminary*

ELECTRICITY, MANUFACTURING, AND FINANCIAL AND INSURANCE ACTIVITIES REMAINED AS PRIMARY RECIPIENTS OF FCDU LOANS

By economic activity, FCDU loans[3] were mainly channeled to the Electricity, Gas, Steam and Air-Conditioning Supply (ELEC), the Manufacturing (MFG), and the Financial and Insurance Activities (FIN) sectors from 2016 to 2021 with average share of 21.4 percent, 16.6 percent, and 12.0 percent, respectively. As of end-June 2021, these sectors held an aggregate share of 46.6 percent of the industry loans.

Figure 4 indicates that loans to non-residents (NONRES) continued to hold a significant portion of the system's FCDU loans with an average share of 29.3 percent from 2016 to 2021. As of end-June 2021, loans to non-residents declined by 18.8 percent (USD1.2 billion). The drop in FCDU loans to non-residents may be due to the lending banks' tightening of credit standards and lower loan demand on the part of non-resident borrowers.

In terms of maturity profile, FCDU loans with long-term maturity continued to hold the bulk at 54.8 percent. The remainder was shared by loans with short- and medium-term maturities at 22.2 percent and 22.9 percent, respectively. Meanwhile, net total

[3] Excludes IBL.

FCDU loans[4] of USD21.2 billion (P1,027.6 billion) represented 9.9 percent of the banking system's net loan portfolio of P10,377.9 billion as of end-June 2021.

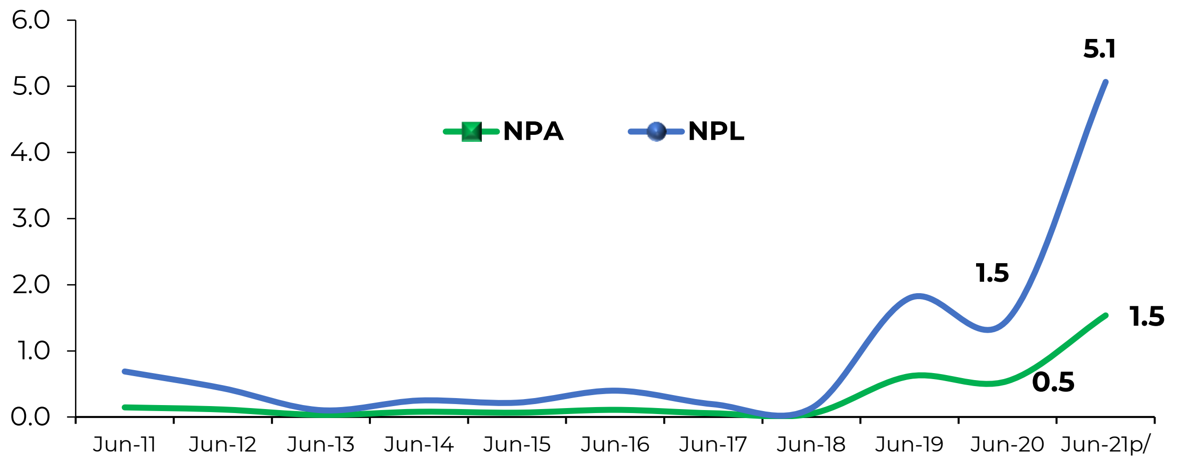
ASSET QUALITY WEAKENED BUT REMAIN MANAGEABLE

The industry's non-performing loan (NPL) ratio stood at 5.1 percent, 3.6 percentage points higher from last year's 1.5 percent (Figure 5). The higher NPL ratio was driven by the increase in NPLs amid drop in total loan portfolio (TLP). In particular, the surge in NPLs amounting to USD0.5 billion (P26.2 billion) was recorded in loans to non-residents (P13.8 billion) and the transportation and storage sector (P12.4 billion) which largely contributed to the increase in NPLs during the period.

Meanwhile, the NPL coverage ratio narrowed to 68.6 percent from last year's 119.0 percent as the rate of increase of NPLs exceeded the growth in allowance for probable losses.

Similar trend was seen in non-performing assets (NPA) as NPA ratio rose to 1.5 percent for the first half of 2021. While NPA coverage ratio slid to 65.4 percent, lower than the 107.8 percent a year ago.

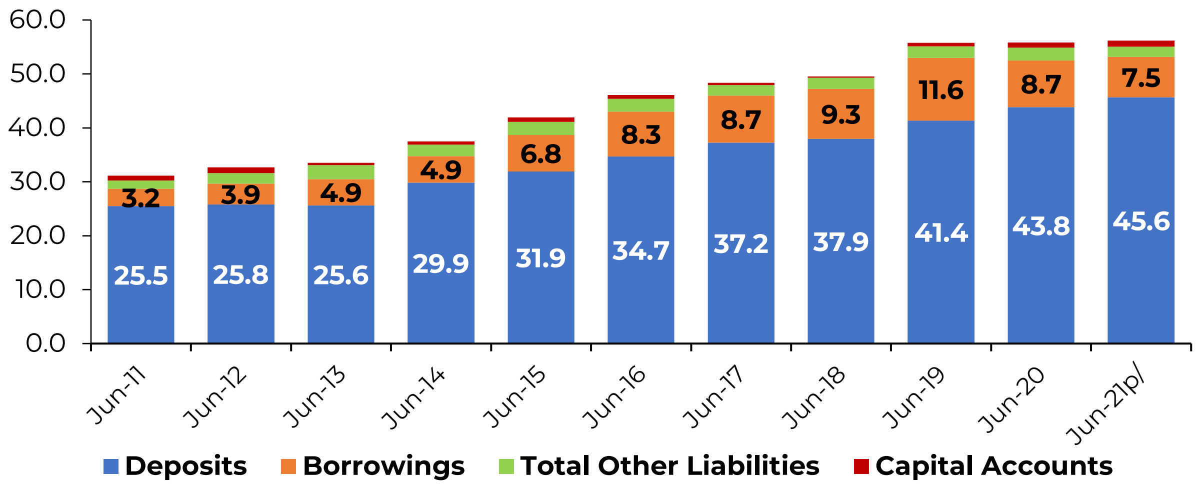
Figure 5. FCDU Asset Quality Ratios
As of end-Period Indicated, In Percent (%)



Source: DSA *p/ preliminary*

[4] Includes IBL.

Figure 6. FCDU Funding Sources
As of end-Periods Indicated, In Billion USD



Source: DSA *p/ preliminary*

DEPOSITS CONTINUED AS MAIN SOURCE OF FCDU FUNDING

Steady inflows of overseas Filipinos' remittances for the first half of 2021 as well as improvement in the net inflows of direct investment[5] supported the growth of FCDU deposits. Total deposits which comprised 81.2 percent continued to be the main funding source of FCDU (Figure 6). As of end-June 2021, it increased by 4.1 percent YoY to USD45.6 billion (P2,215.8 billion). Since 97.2 percent of FCDU deposit liabilities were owned by residents, the industry is cushioned from a possible significant withdrawal of funding by common lenders in the global financial markets.

Bank borrowings with 13.3 percent share to FCDUs' total funding source decreased by USD1.2 billion (P57.5 billion) as bills payable declined by 39.8 percent YoY. Meanwhile, total other liabilities[6] which comprised 3.4 percent of FCDUs' funding source decreased by 19.7 percent following the USD0.5 billion (P24.5 billion) YoY decline in Net Due to HO/Br./Agencies & Net Due to FCDU/RBU.

[5] The direct investment registered a 91.4 percent increase in net inflows in the first three months of 2021 to reach USD1.7 billion. This resulted from the marked increase in foreign direct investments (FDI) along with the decline in residents' net investments in foreign financial assets. (Source: BSP Report on Economic and Financial Development, First Quarter 2021).

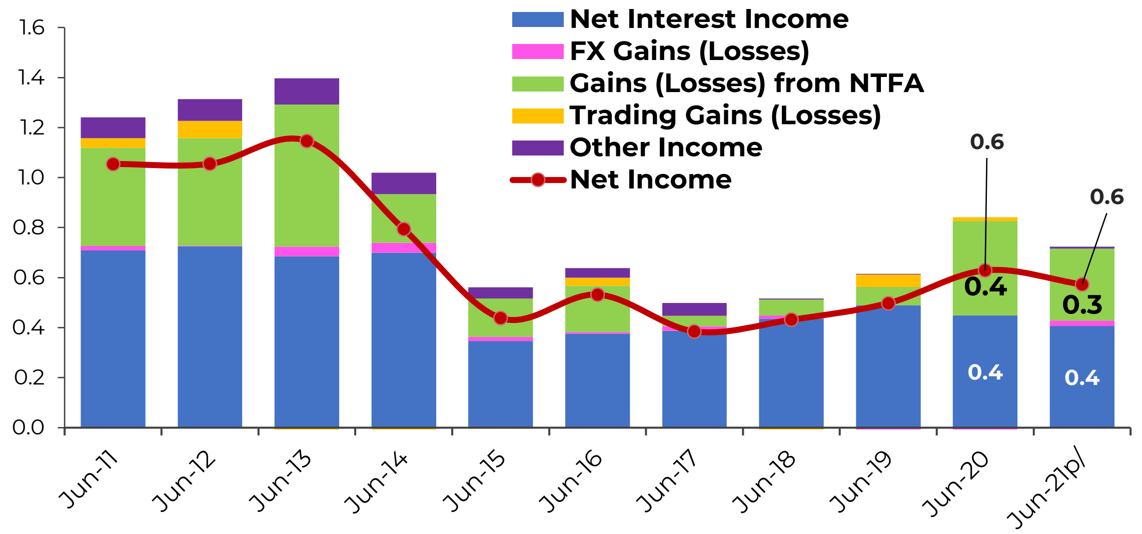
[6] The total other liabilities refer to the sum of other liabilities, net due to HO/Br./Agencies & net due to FCDU/RBU, due to other banks, and Financial Liabilities HFT & Financial Liabilities DFVPL.

FCDUs SUSTAINED PROFITABLE OPERATIONS

Despite global economic growth slowdown and the resurgence of COVID-19 cases, as well as the reimposition of targeted lockdown measures in the country, the overall FCDU operations recorded a positive bottom line with an annualized net profit of USD0.6 billion (P27.8 billion) for the period ending June 2021 (Figure 7).

The FCDU's profit was mainly driven by the 3.5 percent marginal

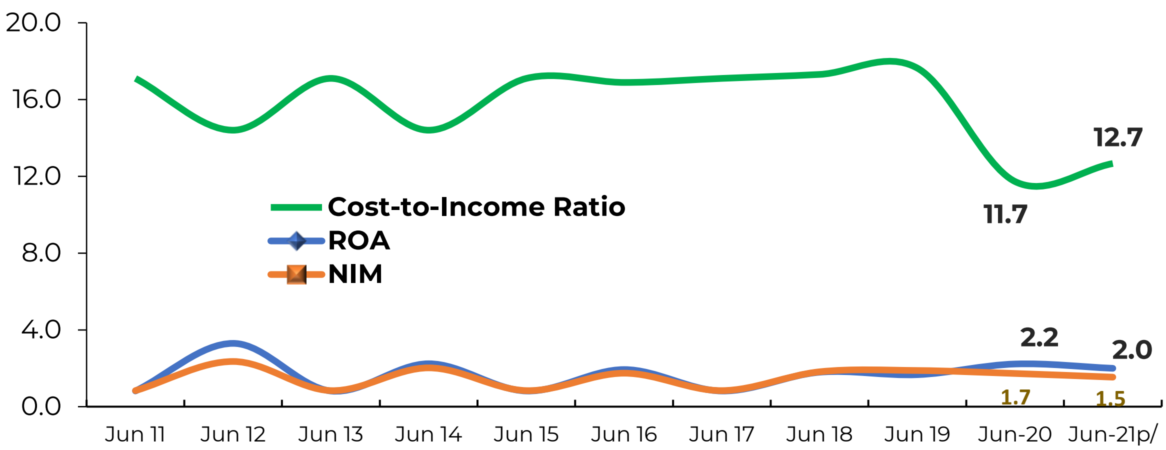
Figure 7. FCDU Income Accounts
As of end-Periods Indicated, In Billion USD



Source: DSA

p/ preliminary

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



Source: DSA

p/ preliminary

increase in non-interest income. In particular, FCDU recorded USD22.8 million in foreign exchange profits from a loss of USD31.1 million a year ago. Likewise, income from fees and commissions increased by USD5.1 million while other income grew by USD3.9 million.

Cost-to-income (CTI) ratio stood at 12.7 percent, slightly higher than the previous year's 11.7 percent. Nonetheless, FCDU operation is more efficient as CTI for this period is better than the 17.6 percent recorded in June 2019. Meanwhile, FCDUs' annualized return on assets (RoA) was recorded at 2.0 percent as of end-June 2021, from 2.2 percent in the previous year. This broadly indicates that FCDU banks preferred higher liquidity over profitability. The relatively low global interest environment squeezed the FCDUs' net interest margin (NIM) at 1.5 percent (Figure 8).

POLICY DIRECTION

The BSP approved the implementation of the first phase of reforms to the Foreign Currency Deposit System in 2020.[7] The issuance aims to ease the asset cover requirement of banks with expanded/FCDUs (E/FCDUs) to provide the covered institutions with greater flexibility to manage their foreign currency deposit exposures. Phase 1 of the amendments also align the licensing process for applications for E/FCDU authority with the risk-based licensing framework adopted in 2019.[8] Banks which wish to engage in E/FCDU activity are required to secure a Type A license[9] from the BSP.

Moving forward, the BSP will further streamline the FCDU regulations considering the evolving banking regulations and the country's FCDU landscape. The proposed amendments to the regulations on foreign currency deposit system phase 2 include among others: (i) expanding the coverage of entities which are allowed to engage in FCDU to include Islamic banks and digital banks; and (ii) relaxing and further streamlining the rules on FCDU licensing requirements. The proposed enhancements will also reinforce effective risk management in banks. It

[7] Circular No. 1086 dated 6 May 2020.
[8] Circular 1031 dated 7 February 2019.
[9] A type A license requires compliance with the defined prudential requirements/criteria on licensing under Section 111 of the Manual of Regulations for Banks (MORB) as a precondition for applicants to be considered eligible by the BSP. It also requires submission by a bank of an application and the processing of the same by the BSP.

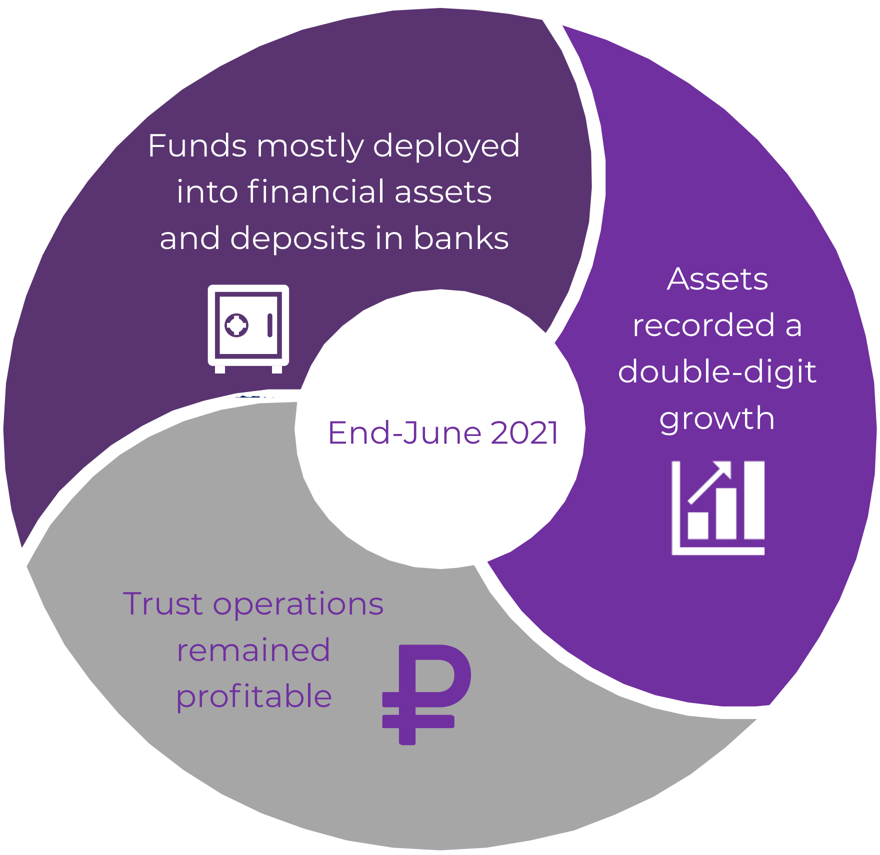
emphasizes that a bank should have a risk management framework commensurate with the size, nature, complexity, and risk profile of its FCDU activities. A bank should have strong governance arrangements to ensure that material FCDU risks, including market risk, liquidity risk, credit risk, and operational risk, among others, are properly identified, measured, monitored, and controlled and are integrated in the bank's over-all risk management process.

The reforms form part of the BSP's strong commitment to strengthen the bank's risk management practices amid the ongoing foreign exchange liberalization.

TRUST OPERATIONS

Overview

Total assets of the trust industry grew by 18.4 percent year-on-year (YoY), following the expansion in financial assets and deposits in banks of the universal and commercial banks' (U/KBs) trust department and non-bank financial institutions with trust operations. Likewise, investment in debt and equity securities remained upbeat, indicating a balancing act between safe-haven investments and higher-yielding instruments among trust entities. The trust industry reported YoY growth in unit investment trust funds, because of the increased visibility, promotion, and accessibility of the product to consumers. Moreover, a substantial YoY increase in Personal Equity and Retirement Account (PERA) in terms of number of contributors and amount of contribution was recorded following the digitalization of PERA, massive information campaign, and constant engagement with various industry associations and financial institutions to encourage market players to join the PERA ecosystem. The profitable operation of trust industry was sustained due to the increase in fees and commissions.



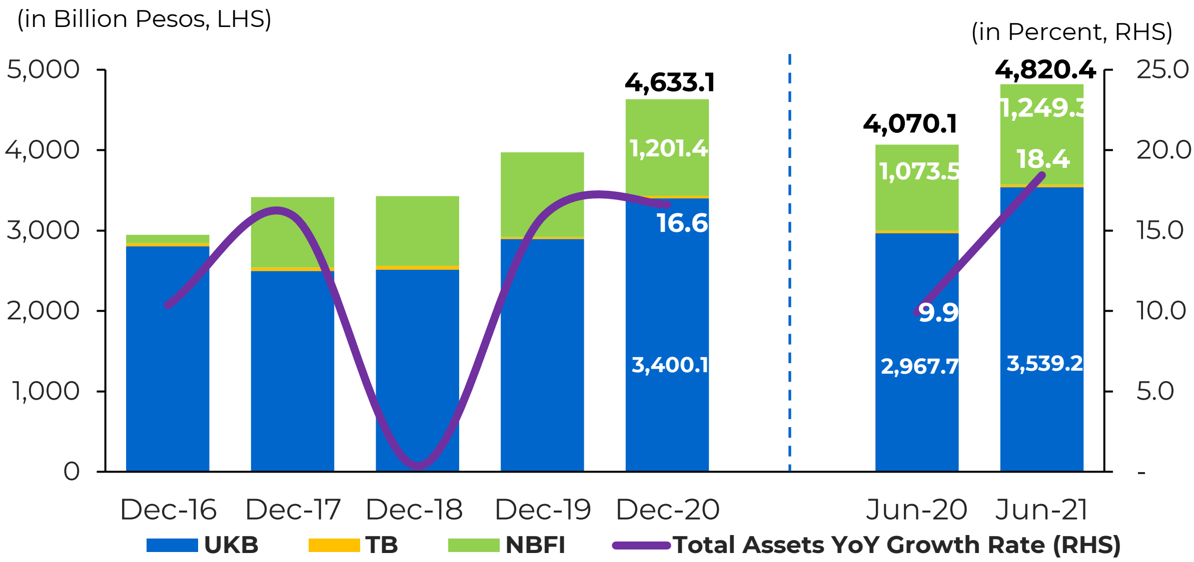
TOTAL ASSETS OF TRUST INDUSTRY RECORDED DOUBLE-DIGIT GROWTH AMID THE PANDEMIC

A total of 37 financial institutions (FIs) have trust licenses. Out of these 37 FIs, active players consist of 24 trust departments (TDs) of banks (i.e., 20 U/KBs and 4 TBs), and seven non-bank FIs (NBFIs) (i.e., five trust corporations and two investment houses). The TDs of 14 universal banks (UBs) accounted for 60.3 percent of the total trust assets followed by trust corporations with 24.6 percent share.

Total assets of the trust industry rose by 18.4 percent to P4,820.4 billion (Figure 1). The industry's asset was equivalent to 24.3 percent of the Philippine banking system's total assets as of end-June 2021.

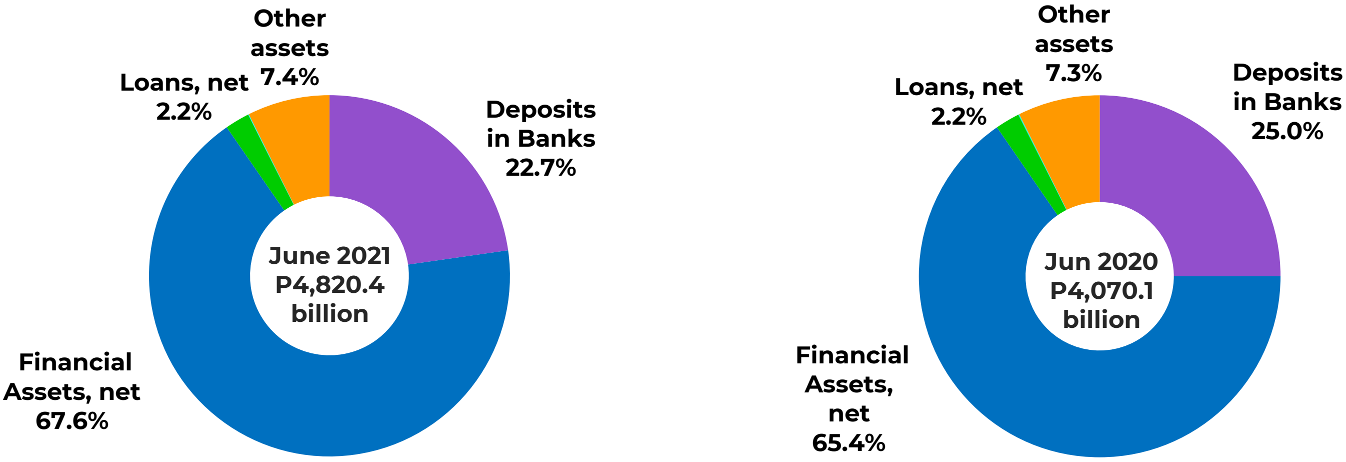
Trust entities placed accumulated funds mostly into liquid instruments such as financial assets (other than loans) and bank deposits (Figure 2). Financial assets (other than loans) and deposits in banks accounted for 67.6 percent and 22.7 percent of the total assets of the industry, respectively. Financial assets (other than loans) grew robustly by 22.4 percent (P596.0 billion) YoY to P3,257.6 billion in end-June 2021 from P2,661.6 billion a year ago as trust departments of U/KBs and NBFIs expanded their portfolio investments to maximize returns.

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



Source: DSA

Figure 2. Composition of Trust Assets
As of end-Periods Indicated



Notes:
1. Cash and Due from BSP accounted for less than 0.05 percent of the industry's assets as of end-June 2021 and end-June 2020.
2. Equity investments,net accounted for 0.1 percent of the industry's assets as of end-June 2021 and end-June 2020.

Source: DSA

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 (other than loans) and deposits in banks has been relatively consistent (Figure 3). The YoY increase in portfolio investments of the industry was driven by growth of U/KBs' and NBFIs' portfolio investments by 23.9 percent (P431.7 billion) and 19.2 percent (P162.2 billion), respectively.

Meanwhile, deposits in banks by the trust entities went up by 7.7 percent, buoyed by the 9.3 percent increase in deposits from trust units of U/KBs, which grew by P76.9 billion.

THE INDUSTRY'S ASSET QUALITY AND LIQUIDITY POSITION REMAIN SOUND

The industry's asset quality remained satisfactory, with the non-performing loan (NPL) and non-performing asset (NPA) ratios at below 1.0 percent. Moreover, the industry's NPL and NPA coverage ratios remained above 100 percent to adequately provide against potential losses as of end-June 2021.

The trust industry remained liquid as 90.3 percent of assets were in highly marketable securities and deposits in bank. Likewise, the ratio of liquid assets-to-total accountabilities posted at 66.8

percent, indicating ability to service fund withdrawals.

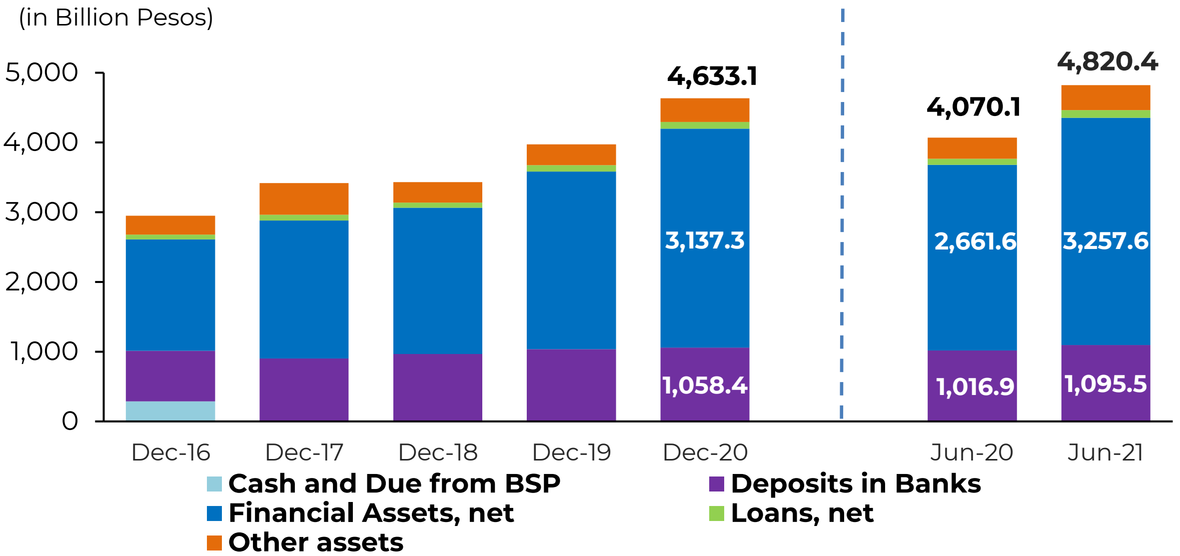
INVESTMENTS IN DEBT AND EQUITY SECURITIES REMAINED UPBEAT

A large portion of trust assets, amounting to P3,260.2 billion, was invested in debt and equity securities, (Figure 4), mostly in corporate and debt securities (73 percent of total investments in debt and equity securities). Investments in corporate debt and equity securities increased YoY by 18.8 percent (P189.2 billion) and 39.0 percent (P331.7 billion), respectively. This indicates that trust entities are in search for higher-yielding securities given the low interest rate environment.

TRUST ACCOUNTABILITIES INCREASE DRIVEN BY TRUST AND AGENCY ACCOUNTS

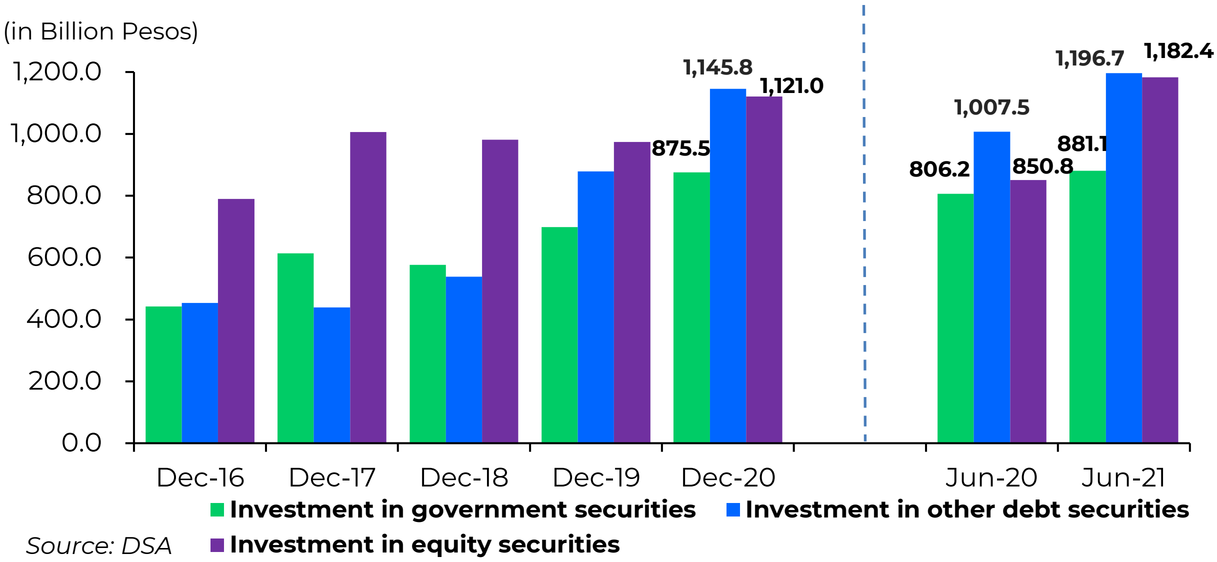
The 18.4 percent growth of trust accountabilities was mainly driven by the YoY increase in trust and agency accounts, which grew by 31.1 percent and 11.8 percent (Figure 5), respectively. These accounts held 90.6 percent of the total trust accountabilities. The increase in personal trust and unit investment trust funds (UITFs) by 76.5 percent and 34.8 percent, respectively, largely contributed to the expansion in trust accounts. In particular, there was a substantial increase by 101.1 percent (P182.2 billion) in UKBs' management of personal trust accounts while trust

Figure 3. Trend of Trust Assets Composition
As of end-Periods Indicated



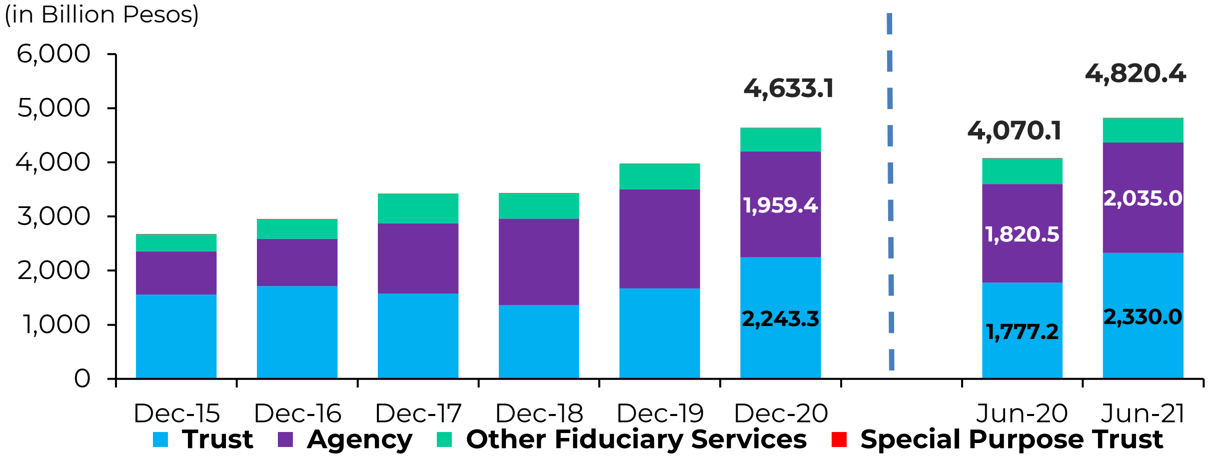
Source: DSA

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



Source: DSA

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



Sourc: DSA

corporations' (TCs') administration of this type of account grew by 6.7 percent (P4.2 billion). Similarly, U/KB's and TCs recorded a 34.7 percent (P228.6 billion) and 35.1 percent (P95.4 billion) YoY growth in UITFs, respectively.

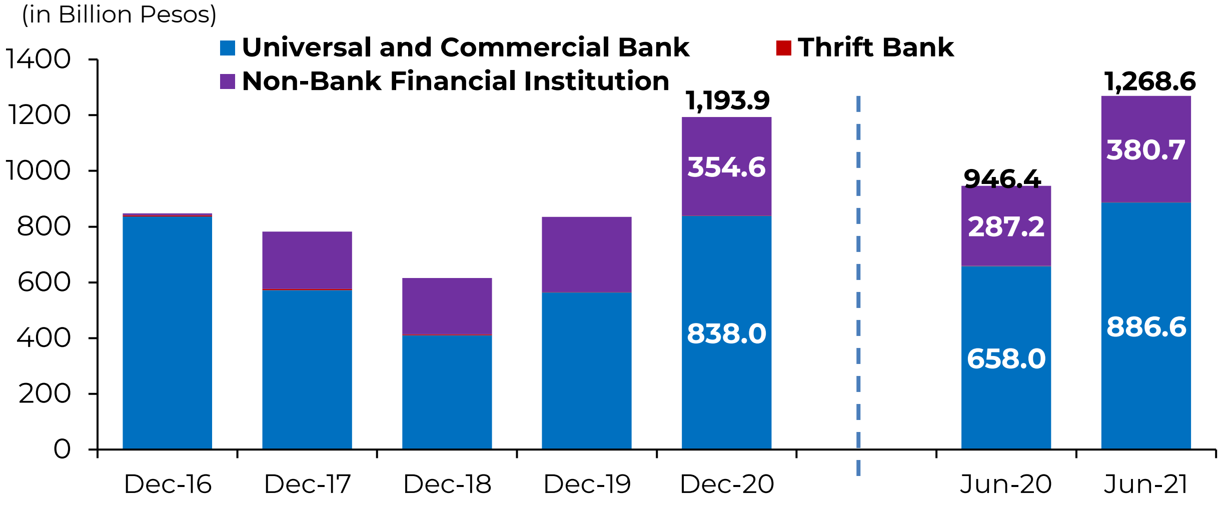
Meanwhile, the 11.8 percent increase in agency accounts of P214.5 billion was driven by the 14.2 percent uptick in institutional agency accounts. Individual agency accounts reported 9.8 percent growth partly due to the liberalization in the prescribed minimum investment amount in each IMA.

UITFs EXHIBITED A PROMISING TREND

Overall, UITFs[1] rose by 34.1 percent mainly driven by the increase in U/KBs' UITFs by 34.7 percent or P228.6 billion (Figure 6). Similarly, NBFI's UITF increased by 32.6 percent or P93.6 billion. The growth in UITFs could be attributed to the increased visibility and promotion of the product to consumers (compared to the other products of the FIs), change in the preference of clients for products that are more liquid and familiar with, and the online accessibility of this product. Hence, these resulted in the influx of retail investors.

Meanwhile, the BSP is leveraging on digital technology to bring trust products and services closer to Filipino people. Relative to this, the BSP, together with other regulatory agencies and market participants, launched the digital PERA, or Personal Equity and Retirement Account in September 2020.[2] As of end-June 2021, 3,637 Filipinos have invested in PERA, with total contributions of P224.2 million (Table 1). The YoY increase by 133.4 percent and 66.7 percent in terms of number of contributors and amount of contribution was due to the following: (i) digitalization of PERA; (ii) massive information drive and public campaign; and (iii) constant engagement by BSP PERA Technical Working Group (TWG)

Figure 6. Level of UITF*, by Financial Institution
As of end-Periods Indicated



**Includes Other Fiduciary Services-UITF*
Source: DSA

[1] Include Other Fiduciary Services – UITF.
[2] PERA was established under Republic Act No. 9505, otherwise known as the "Personal Equity and Retirement Account (PERA) Act of 2008".

Table 1. Number of Filipinos Invested in PERA and Total Contributions			
Particulars	**End-Dec 2020**	**End-Jun 2020**	**End-Jun 2021**
Number of Filipinos invested in PERA	2,671	1,558	3,637
Total Contributions *(in million P)*	P166.9	P134.5	P224.2

Source: BSP PERA TWG

with various industry associations and financial institutions to encourage market players to join the PERA ecosystem.

The end-to-end digitalization of the PERA ecosystem will pave the way for a convenient and affordable way to invest in PERA, 24/7, anywhere in the world. The BSP PERA TWG also partnered with Economic Financial Learning Office of the BSP and the industry in conducting webinars to internal and external stakeholders of the BSP. Meanwhile, from September 2020 to June 2021, there were four (4) PERA UITFs launched which added to the existing seven (7) PERA UITFs.

PROFIT OF TRUST ENTITIES WENT UP

The net income of trust institutions went up by 33.5 percent (P1.0 billion) YoY to P3.9 billion for the period ending June 2021 mainly due to the profitable operations of U/KBs' trust units and TCs. Specifically, fees and commissions of trust entities grew by 22.4 percent (P1.2 billion) YoY to P6.5 billion. Meanwhile, trust expenses went up by 7.3 percent (P0.2 billion) YoY to P2.8 billion following the increase in expenses for compensation/fringe benefits, as well as taxes and licenses.

POLICY DIRECTION

The main policy reforms for the trust industry form part of the BSP's Trust Business Model Initiative. The initiative aims to rationalize the operations of trust entities, anchoring supervisory expectations on the nature of the relationships. The revisions to the regulatory framework will provide an environment more conducive for the growth of the trust industry, while underscoring the importance of good governance, effective risk management, and strong consumer protection.

The first phase of the Trust Business Model Initiative was rolled out in early 2021, with the amendments to investment management account (IMA) regulations.[3] The regulation reduces the minimum amount for opening an IMA from P1 million to any lower amount, subject to a floor of P100,000. The lower minimum requirement will allow trust entities to tap retail clients seeking returns higher than those of traditional deposit products.

Moreover, the required investment of each IMA in a commingled fund[4] is reduced to P100,000. This is expected to increase the participation of retail investors in the securities markets through IMAs. Corporate accounts are now also permitted to participate in commingled funds.

The second phase of the Trust Business Model Initiative includes policy issuances involving UITFs, issuance of comprehensive investment guidelines and amendments to the regulations on the following: (i) periodic review of accounts; (ii) onboarding and client suitability assessment (CSA) process; and (iii) personal management trust (PMT).

The amendments to the regulations on UITF licensing framework aims to make the processes of establishing UITFs and amending their features more risk-based. Streamlining the approval process for UITFs shall expedite the availability of new UITFs in the market, thereby spurring growth. The proposed issuance regarding the expectations on the performance measurement of UITFs will provide guidelines on the selection of benchmarks for UITFs based on the principles of fair representation and full disclosure. Moreover, the proposal to align the regulations on UITFs with International Organization of Securities Commissions (IOSCO) Principles aims to align the management of UITFs with international standards and will also cover expectations on liquidity risk management, management of conflict of interest, and reporting, among others.

The proposed issuance on comprehensive investment guidelines will serve as a guidebook on the investment processes for segregated trust accounts, other fiduciary accounts, and investment

[3] Circular No. 1109 dated 4 February 2021 (Amendments to the Regulations on Investment Management Activities).

[4] Commingling is defined as the act of combining funds from multiple IMAs for the sole purpose of investing in qualified assets.

management accounts. It will lay out supervisory expectations on corporate governance, investment principles, investments with related parties, and best practices in asset management activities.

The proposed amendments on the periodic review of accounts aims to provide definitive guidelines on the accounts review process. These capitalize on the role of accounts review as a self-assessment tool for trust entities to help ensure that clients' accounts are properly managed.

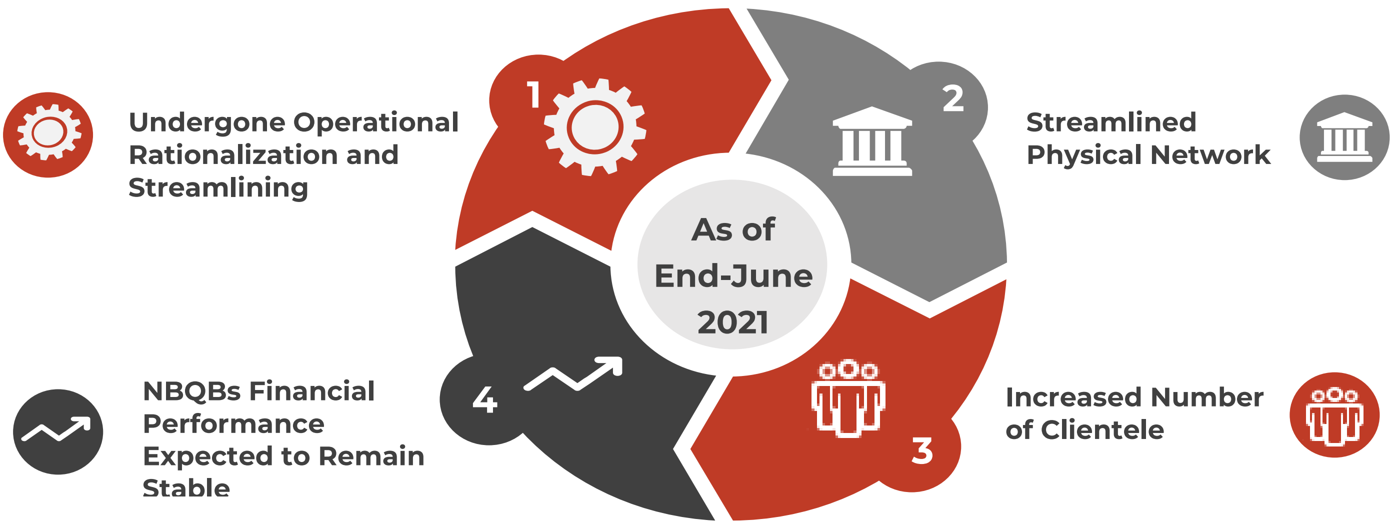
The proposed amendments on onboarding and the CSA process will help ensure that onboarding procedures are tailored to clients' risk profiles regardless of investment mandate. The CSA process will also be expanded to capture the client's risk tolerance and financial sophistication.

Lastly, the proposed issuance on PMT will define the supervisory expectations on the process by which trust entities engage with their PMT clients to establish the trust purpose and dispositive provisions.

NON-BANK FINANCIAL INSTITUTIONS WITH QUASI-BANKING FUNCTIONS

Overview

The non-bank financial institutions with quasi-banking functions (NBQBs) industry underwent streamlining and rationalization to improve their financial standing and operational performance. This move is reflected in the industry's key indicators - assets, liabilities, net profit, and loan and asset qualities. 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 to more stable and resilient universal and commercial banks. The BSP, however, remains watchful of the industry's increasing non-performing loan ratio.



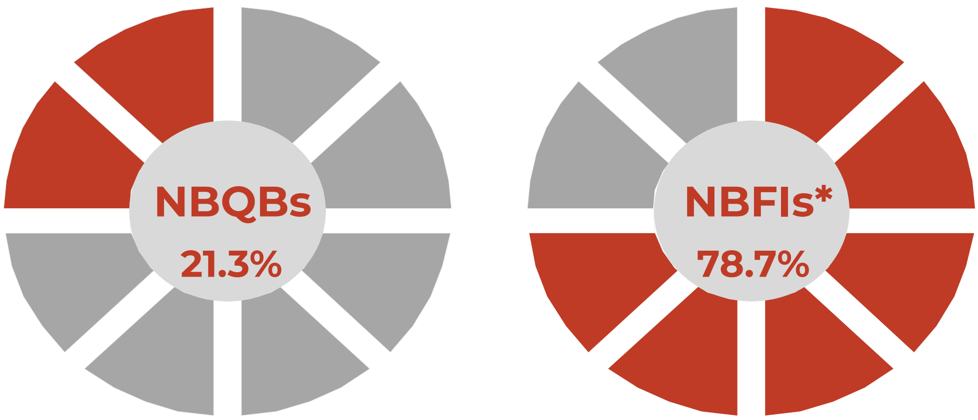
NBQB'S ASSET HELD ALMOST A QUARTER IN THE NBFIS' TOTAL ASSETS

For the first half of 2021, the NBQBs total assets reached P170.6 billion or lower by 7.1 percent year-on-year (YoY). This represents 21.3 percent of the non-bank financial institutions (NBFIs) total gross assets (Figure 1). The industry's assets were mainly deployed to loans (net, 79.0 percent share), cash and due from banks (12.0 percent share), and investments (net, 5.4 percent share).

Financing companies (FCs) continued to hold majority of NBQBs' total resources at 97.8 percent share as of end-June 2021. Likewise, total resources of FCs grew by 8.8 percent YoY while total assets of IHs dropped by 87.5 percent.

The decrease in the total assets of the NBQB industry can be attributed to surrender of QB license by one (1) entity.

Figure 1. Percentage Share to Total Assets
As of end-June 2021



* *This refers to NBFIs without quasi-banking (QB) function such as Financing Companies (FCs) without QB Functions, Investment Houses (IHs) without QB Functions, NSSLAs, Pawnshops, Investment Companies (IC), Government NBFIs (GNBFIs), Lending Investors (LI), Securities Dealers Brokers (SDB), Credit Card Companies (CCC).*

Source: DSA

ASSET QUALITY WEAKENED BUT REMAINED MANAGEABLE

During the period, the NBQBs' TLP rose by 5.0 percent to P140.0 billion from P133.4 billion. The industry's NPL grew by 87.7 percent to P14.6 billion from P7.8 billion. This was primarily due to upsurge in the industry's past due loans by 102.8 percent and items in litigation by 78.1 percent in a span of one year, reflecting the impact of the ongoing crisis on individual borrowers and institutions' ability to repay their debt.

The increase in the industry NPLs pushed the NPL ratio to 10.4 percent, nearly double from last year's 5.8 percent. The NPL coverage ratio stood at 36.0 percent, slightly higher than the previous year's 35.6 percent.

The NBQBs' non-performing assets (NPA) went up by 81.9 percent to P16.1 billion from last year's P8.8 billion and accordingly drove the NPA Ratio to 9.1 percent. Likewise, the NPA coverage ratio registered at 33.8 percent, albeit a bit higher than the 33.1 percent from a year ago.

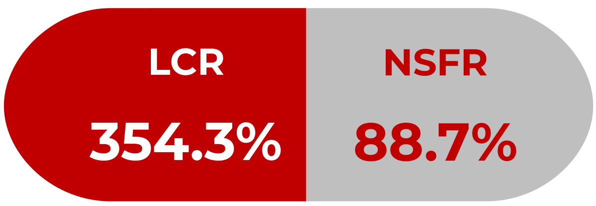
Real and Other Properties Acquired (ROPA) of NBQBs registered at P1.5 billion, a 39.4 percent increase from last year's P1.0 billion. This increment is mainly attributed to the increase in the acquisition of land, building, and other properties due to industry's clients' inability to fulfill repayment obligations. Distressed assets grew YoY by 90.3 percent to P16.9 billion. The distressed assets ratio was 12.0 percent, higher than the 6.6 percent recorded a year ago.

Figure 2. Source of Funds
As of end-June 2021

Source: DSA

ABOVE-THRESHOLD LIQUIDITY REQUIREMENTS

Liquidity buffers of subsidiary NBQBs remained ample as Liquidity Coverage Ratio (LCR), and Net Stable Funding Ratio (NSFR) were above thresholds in the near first half of 2021. Data as of end-June 2021 showed that the subsidiary NBQBs continued to hold liquidity positions way above the minimum 100 percent threshold. In particular, LCR stood at 354.3 percent. Meanwhile, as of end-May 2021, NSFR registered at 88.7 percent.



BILLS PAYABLE REMAINED THE MAIN SOURCE OF FUNDS

At 64.2 percent of the total source of funds, bills payable comprised the bulk of the NBQBs[1] source of funds, of which 81.0 percent is deposit substitutes (Figure 2). The industry's total liabilities slightly dropped by 0.1 percent to P144.3 billion on account of 2.9 percent YoY decrease in bills payable or down by P3.3 billion.

The decline in the industry's bills payable is expected as the industry managed their liquidity position by settling their obligations.

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

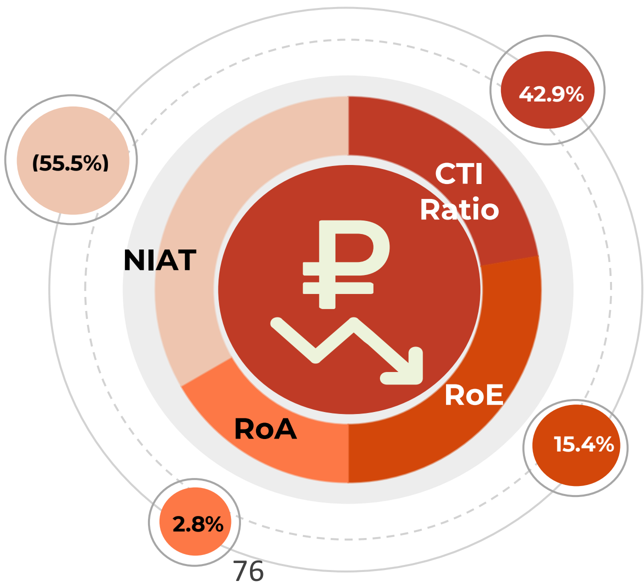
PROFIT DECLINED AMID HIGH PROVISIONS FOR PROBABLE LOSSES

The NBQBs industry posted a total operating income of P4.0 billion for the covered period, which accounted for 7.7 percent of the NBFIs' total operating income. This is 3.9 percent higher than the P3.9 billion recorded a year ago. The increase is mainly driven by the improvement in non-interest income particularly, fee-based income. As of end-June 2021, share of non-interest income to total operating income grew YoY to 22.1 percent, an improvement from the 11.6 percent recorded a year ago. Meanwhile net income after tax (NIAT) dropped by 55.5 percent YoY to P0.3 billion. The decline was largely due to higher provisions for probable losses which rose by 177.7 percent YoY to P1.3 billion.

The annualized cost-to-income (CTI) ratio slightly improved to 42.9 percent from 43.8 percent in view of lower operating expenses particularly, overhead costs. Meanwhile, return on assets (RoA) and return on equity (RoE) stood at 2.8 percent and 15.4 percent, respectively. Although these ratios were higher than the previous year's performance, the improvement is mainly driven by the YoY decline in total assets and total capital.

Reduced net earnings caused the decline in the industry's total capital. As of end-June 2021, total capital dropped YoY by 33.1 percent to P26.3 billion.

Figure 3. Overview of Operation Results
As of End-June 2021



Source: DSA

Figure 4. Overview of Physical Network Performance
As of end-June 2021

Source: DSA

PHYSICAL NETWORK DECLINED

The total number of NBQB contracted to 132 from 134 a year ago, due to surrender of QB license of one (1) entity[2]. The industry's physical network is composed of 130 FCs, one (1) IH, and one (1) other NBQB, with 6 head offices and 126 other offices. In terms of total network, NBQBs represents 0.8 percent of the total 15,699 NBFIs in the country (Figure 4).

POLICIES ISSUED

The shift in customer preference towards digital platforms and new economic arrangements under a post-COVID 19 environment makes it imperative for NBQBs to re-assess their strategic direction and business models. The BSP issued guidance aimed at further strengthening risk governance frameworks to ensure that changes in corporate strategies are supported by adequate risk management systems. In particular, supervisory expectations were issued in the areas of reputational risk

[2] Circular Letter No. 2021-027 dated 5 April 2021. First Metro Investment Corporation – Voluntary Surrender of Quasi-Banking License.

management and operational risk management.

Lastly, to demonstrate the continuing commitment of the BSP to support the development and growth of the Philippine financial markets, The BSP streamlined the requirements on the offering of securities custodianship operations to expand both the client base and the number of financial institutions offering said services, including NBQBs.

The BSP also amended regulations to further expand the menu of financial derivative instruments available to NBQBs, and their clients for risk management and diversification of exposures, and at the same time ensuring the prudent use of the same.

POLICY DIRECTION

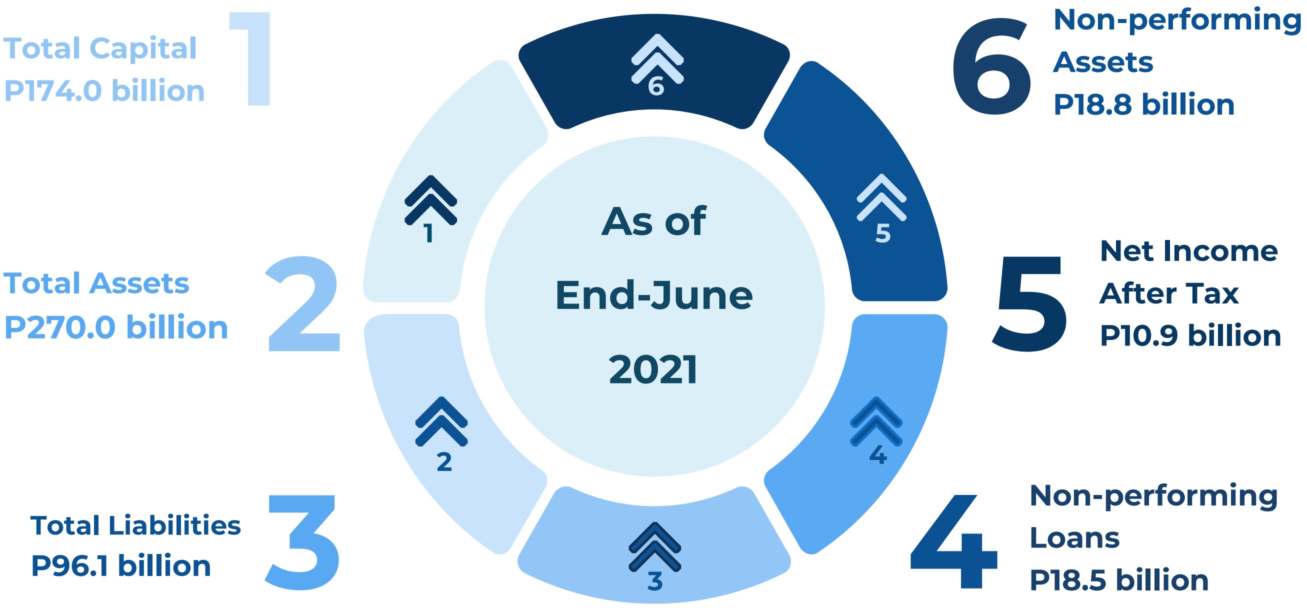
In view of the increasing number of non-bank players offering financial services in the Philippine market, the BSP is currently formulating a Holistic Regulatory Framework for BSP-supervised non-bank financial institutions (NBFIs) and to rationalize and streamline all existing BSP regulations applicable to NBFIs in a single, unified framework. Such framework shall foster effective supervision that enables responsible innovation, promotes good corporate governance and effective risk management system, advances consumer protection, and at the same time, ensures a safe and sound financial system that is beneficial to the general public.

The review and inventory of existing rules and regulations applicable to NBFIs aims to identify gaps and inconsistencies resulting in regulatory arbitrage, and to align the regulatory framework with relevant laws and global standards and best practices. Part of this policy initiative is the crafting of minimum regulatory standards that NBFIs are required to meet in order to participate and offer digital payment services in support of the BSP's Digital Payments Transformation Roadmap. This is to facilitate digital payments transformation for a more inclusive financial system.

NON-STOCK SAVINGS AND LOAN ASSOCIATIONS

Overview

The overall condition and performance of the non-stock savings and loan association (NSSLA) industry remained satisfactory amid the ongoing health crisis. The NSSLAs' total resources continued to expand, although at a much slower rate, and these were deployed towards lending activities and investments in financial assets. Loan quality has remained manageable in spite of uptick in non-performing loans. The increase in bad loans was matched with high loan-loss provisions. The liquidity position was robust with stable funding from members' capital contribution and deposits. The profitable operation of NSSLAs was sustained for the period ending June 2021 due to steady growth of loans to members.

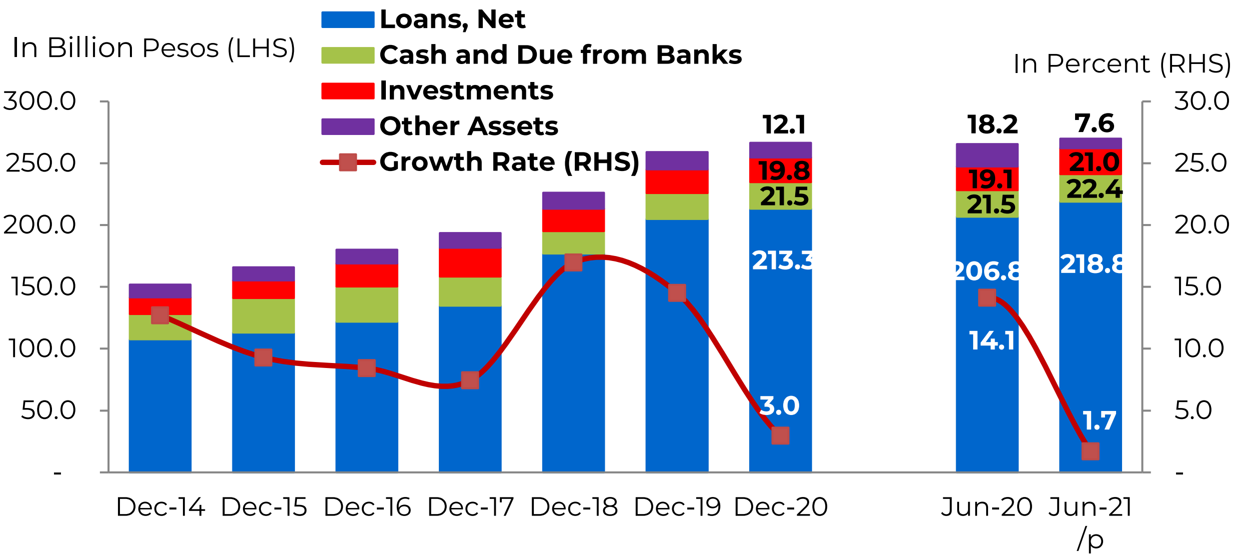


ASSET EXPANSION REMAINED POSITIVE

NSSLA assets grew at a slower rate of 1.7 percent in June 2021 compared to 14.1 percent in the same period a year ago. The NSSLAs total assets grew to P270.0 billion as of end-June 2021 primarily due to expansion of funds channeled to lending and investment activities and sourced from members' capital and deposits. Total loan portfolio (TLP), net of allowance for credit losses, comprised the largest share of the industry's total assets at 81.0 percent (P218.8 billion) followed by cash and due from banks and investment in financial assets other than loans with 8.3 percent share (P22.4 billion) and 7.8 percent share (P21.0 billion), respectively (Figure 1). The current asset mix of NSSLAs broadly indicates the industry's traditional business model.

Overall, the industry's funding sources remain relatively firm and sufficient to serve its members' needs. In particular, the NSSLAs' debt-to-equity ratio stood at 55.2 percent as of end-June 2021, slightly lower than the 55.3 percent from a year ago. 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 high at 314.2 percent as of end-June 2021, but lower compared to the 346.3 percent as of end-June 2020.

Figure 1. Asset Mix
As of end-Period Indicated



Source: DSA

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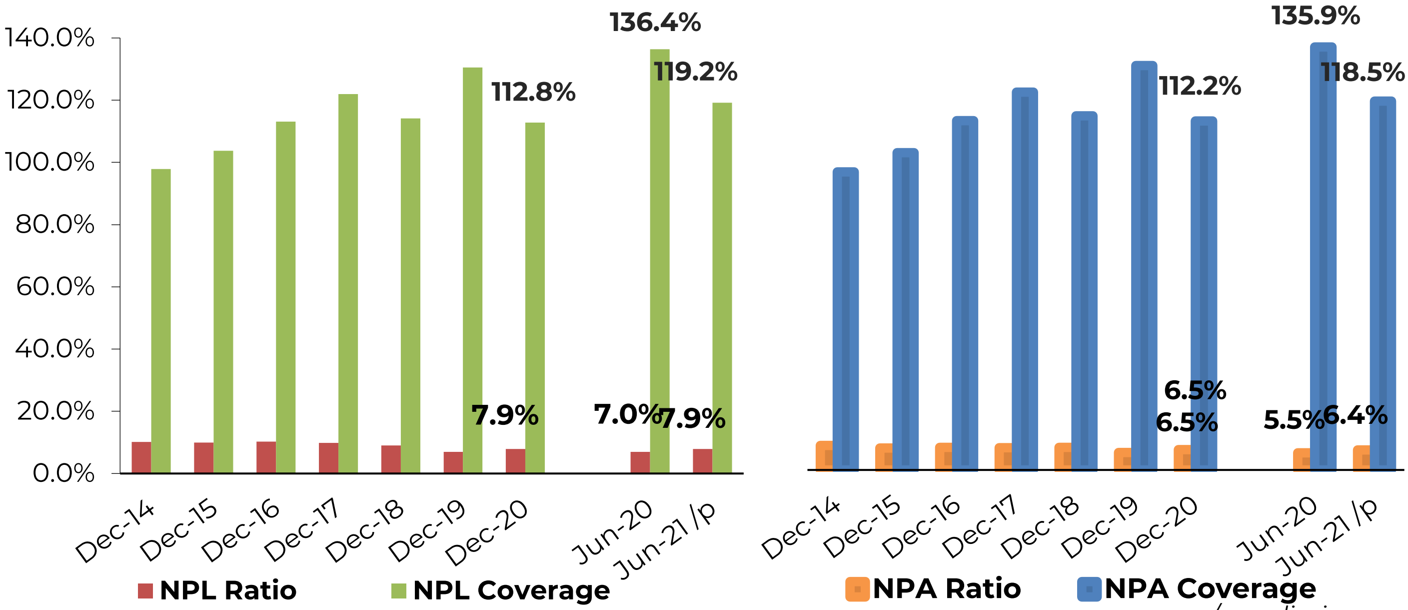
Figure 2. Asset Quality Ratios
As of end-Period Indicated



Source: DSA

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HIGH COVERAGE RATIOS MAINTAINED AMID LOAN EXPANSION

Asset quality of NSSLA has remained manageable. As of end-June 2021, both gross non-performing loan (NPL) and non-performing asset (NPA) ratios rose to 7.7 percent and 6.4 percent, respectively. This uptick, however, was accompanied by high coverage ratios at more than 100 percent (Figure 2). In particular, NPL and NPA coverage ratios as of the same period stood at 119.2 percent and 118.5 percent, respectively. The high coverage ratios were achieved and supportive of the expansion of the loan portfolio from the continuous grant of new loans by NSSLAs. This is expected to be maintained with further strengthening of the industry's credit risk management system[1] and corporate governance[2].

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

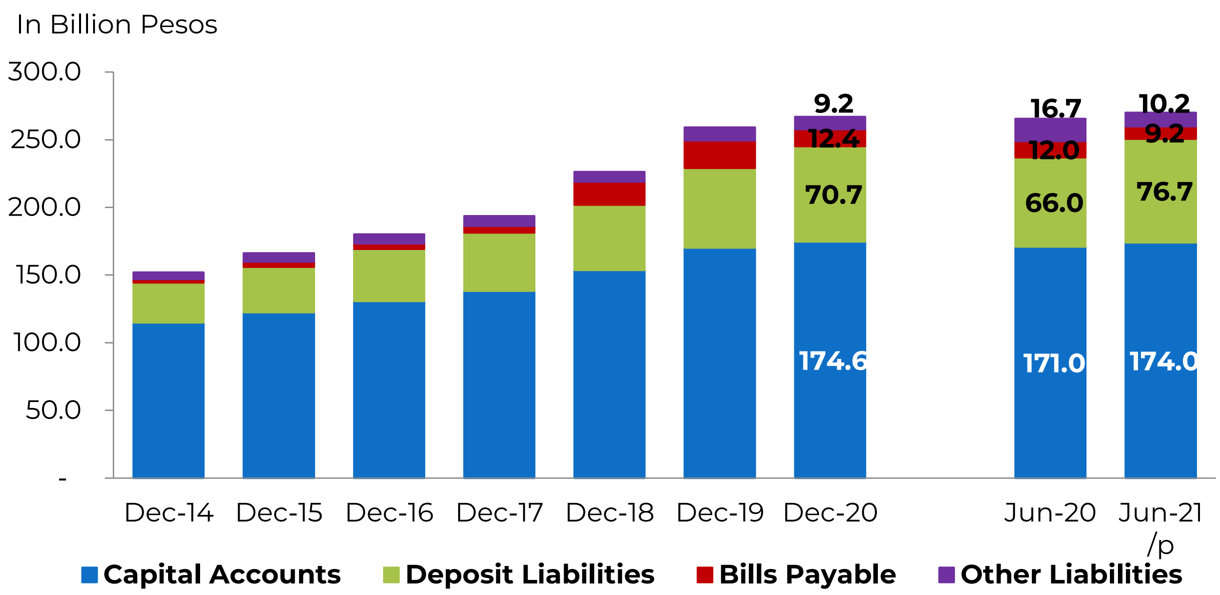
[2] BSP Circular No.1115 date 23 April 2021 or Amendments to the Manual of Regulations for Non-Bank Financial Institutions on the Enhancement of Corporate Governance Guidelines for Non-Stock Savings and Loan Associations (NSSLAs)

MEMBERS' CAPITAL CONTRIBUTIONS CONTINUED AS MAIN SOURCE OF NSSLA'S FUNDING

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 which stood at P174.0 billion. Deposit liabilities which accounted for 28.4 percent of the industry's funding source grew by 16.3 percent year-on-year to P76.7 billion from P66.0 billion. Other liabilities with 3.8 percent share of the total funding source went down by 39.0 percent to P10.2 billion (Figure 3).

Meanwhile, as a share of total deposits, liquid assets (i.e., cash and due from banks and net investments), which accounts for 56.5 percent of the industry's total deposits remain sufficient and broadly indicative of the industry's capability to service unexpected deposit withdrawals and loan requirement.

Figure 3. Funding Mix
As of end-Period Indicated



Source: DSA

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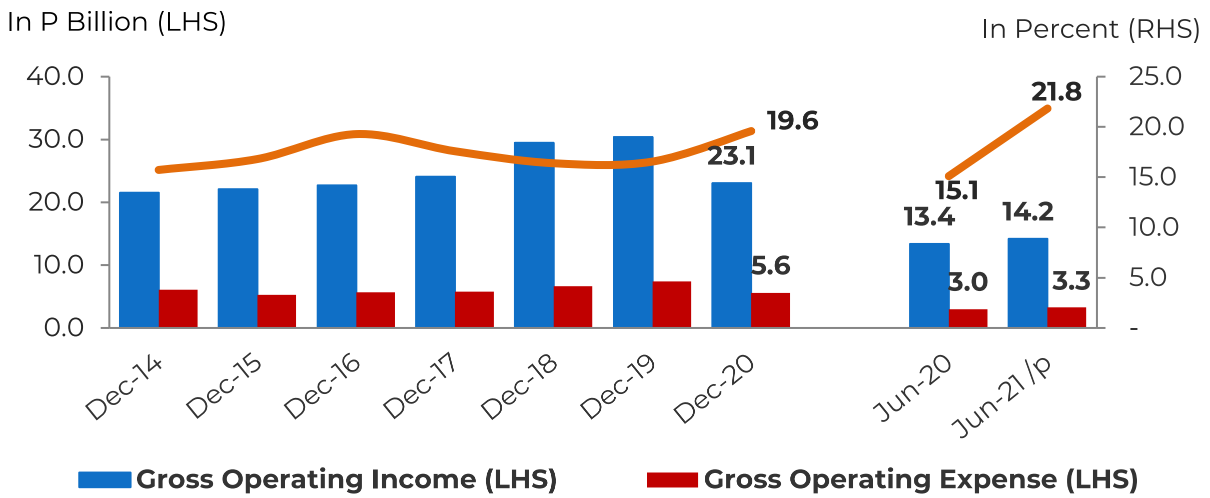
Figure 4. Cost-to-Income Ratio
As of end-Periods Indicated



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

Source: DSA

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NET PROFIT FUELED MAINLY BY INTEREST INCOME

The industry posted a total operating income of P14.2 billion for the covered period, this is 5.8 percent higher than last year's level of P13.4 billion. The increase in the loan portfolio of the NSSLAs largely contributed to the industry's improved operating income. The bulk of the industry's revenues came from net interest income at 95.8 percent share while non-interest income only accounted for 4.2 percent at end-June 2021. In particular, NSSLA's core earnings were primarily sourced from interest from lending activities at P15.4 billion, up by 6.4 percent from P14.5 billion a year ago.

Operating expenses grew by 9.4 percent to P3.3 billion as of end-June 2021. Meanwhile, the industry's cost-to-income ratio was 21.8 percent as of end-June 2021 albeit higher by 6.7 percentage points from 15.1 percent in 2020 as NSSLAs adopted control measures and operational enhancements to ensure continued delivery of financial services while ensuring the safety of their customers and employees (Figure 4).

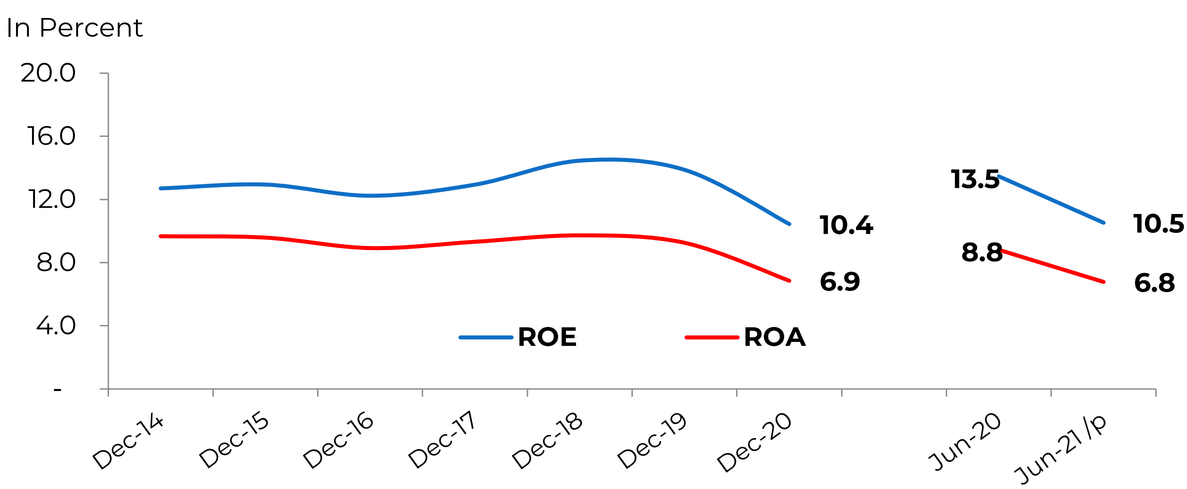
NSSLAs' return on assets (RoA) and return on equity (RoE) fell to 6.8 percent and 10.5 percent as of end-June 2021, from the previous year's 8.8 percent and 13.5 percent, respectively, as equity and asset growth outpaced earnings growth (Figure 5).

POLICIES ISSUED

Amidst the continuing challenges of the COVID-19 pandemic throughout the first semester of 2021, NSSLAs overcame operational limitations and pursued their objective of serving their Association members and contributing to the growth of the Philippine economy. The BSP, recognizing the role of the NSSLA Industry as partner in its inclusive growth endeavor for Filipinos, continued to support it and proceeded in granting qualified NSSLAs with requests for additional regulatory relief during the pandemic. Relative to this, the BSP[3] allowed eligible NSSLAs to recognize as income the accrued interest earned during the mandatory grace period under the Bayanihan to Heal as One Act and the Bayanihan to Recover as One Act.

Good corporate governance is more crucial than ever due to the tight availability of sources of income coupled with growing risks. In this regard, to foster the soundness and stability of the NSSLA industry, the BSP issued the Enhanced Corporate

Figure 5. Profitability Trend
As of end-Periods Indicated



Source: DSA

/p preliminary

[3] Memorandum No. M-2020-075 dated 27 September 2020 and Memorandum No. M-2020-088 dated 9 December 2020.

Governance Framework for NSSLAs, which is anchored on the principles of fairness, accountability and transparency. The BSP also engaged the NSSLA industry as part of its initiatives to promote good governance and strong oversight on internal control function and risk management system.

To further support the NSSLA industry, the BSP also issued amendments to regulations on the engagement of agents or sales representatives, pursuant to Republic Act No. 8367 (Revised NSSLA Act of 1997). Under the said regulations, NSSLAs that adhere to prudential conditions and parameters will be allowed to engage individual agents or sales representatives for purposes of promoting the products and services of the association to potential members. This will facilitate easy access of NSSLA members to products and services offered by said Associations and the efficient delivery thereof.

Further, the BSP will continue working on other policy enhancements involving NSSLAs, including those related to well defined group and compensation regulations.

PAWNSHOPS AND MONEY SERVICE BUSINESSES

Overview

The Pawnshops and Money Service Businesses (MSBs) remained essential and go-to financial institutions during the height of the COVID-19 pandemic. During the first semester of 2021, the industries continued to expand their footprint, even surpassing the total physical network of banks nationwide. Majority of the industries' branches were heavily concentrated in urban zones, particularly in Luzon, as most of their clients and consumers are residing in this area.

With their extensive reach, the National Government utilized the industries in the distribution of financial assistance to the affected families and individuals during the implementation of the enhanced community quarantine in the country.

By the Numbers

- **15,228** BSP-registered pawnshop head offices (HOs) and branches
- **7,570** BSP-registered MSB HOs and branches
- **4,574** Pawnshops and MSBs Offices in NCR
- **210** Pawnshops and MSBs Offices in ARMM

PAWNSHOP AND MONEY SERVICE BUSINESS REMAINED MAJOR FINANCIAL SERVICE ACCESS POINTS

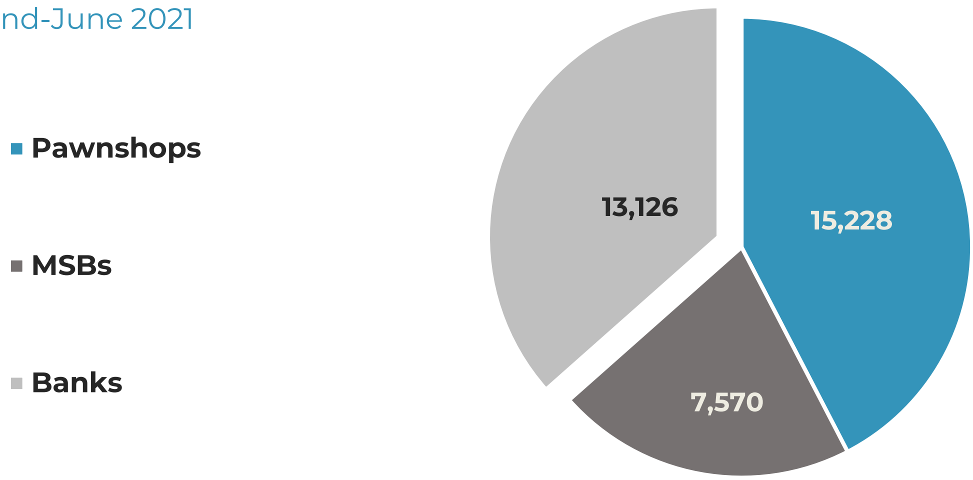
During the first half of 2021, the Pawnshop and Money Service Business (MSB) industries continued to expand reaching 15,228 and 7,570 offices, respectively. The industries' offices and branches surpassed the combined 13,126 physical network of universal, commercial, thrift, rural and cooperative banks or by more than 50.0 percent, showcasing the industries' extensive reach to underserved and unserved areas of the country during this extraordinary time. The top three (3) large players of the Pawnshop and MSBs comprised more than half of their respective industries.

Pawnshops remained the most reliable go-to institutions as they provide immediate liquidity to borrowers who have personal assets that can serve as collateral, even to those individuals with no credit history. They provided funding for cash-strapped Filipinos especially during this pandemic period.

Moreover, the 2019 financial inclusion survey report showed that Filipino consumers perceive pawnshops as the most accessible form of financial center, along with automated teller machines (ATMs) and bayad (payment) centers.

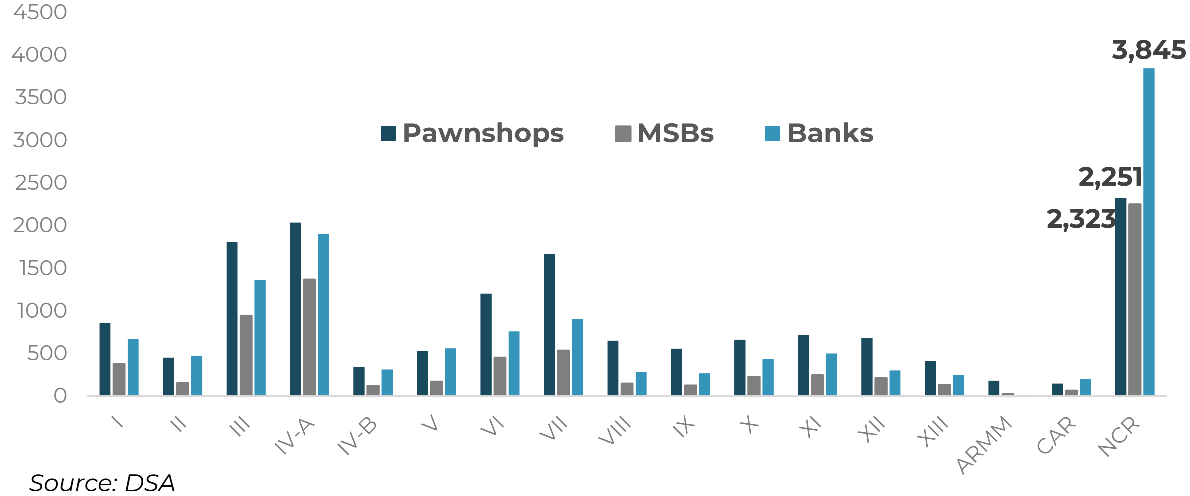
The industries' operations evolved over time to keep up with the fast-paced and ever-changing financial needs of its consumers

Figure 1. Major Financial Access Points
As of end-June 2021



Source: DSA

Figure 2. Regional Distribution of Major Financial Access Points
As of end-June 2021



Source: DSA

and clients. As of end-June 2021, of the total 15,228 pawnshop offices, 82.1 percent or 12,503 pawnshops have corollary businesses while 17.9 percent or 2,725 were stand-alone pawnshops. Pawnshops are also continuously being tapped by banks and e-money issuers (EMIs) to act as their cash-in or cash-out agents. With this, pawnshops also played a key role in distributing the government's financial assistance during the height of COVID-19 pandemic.

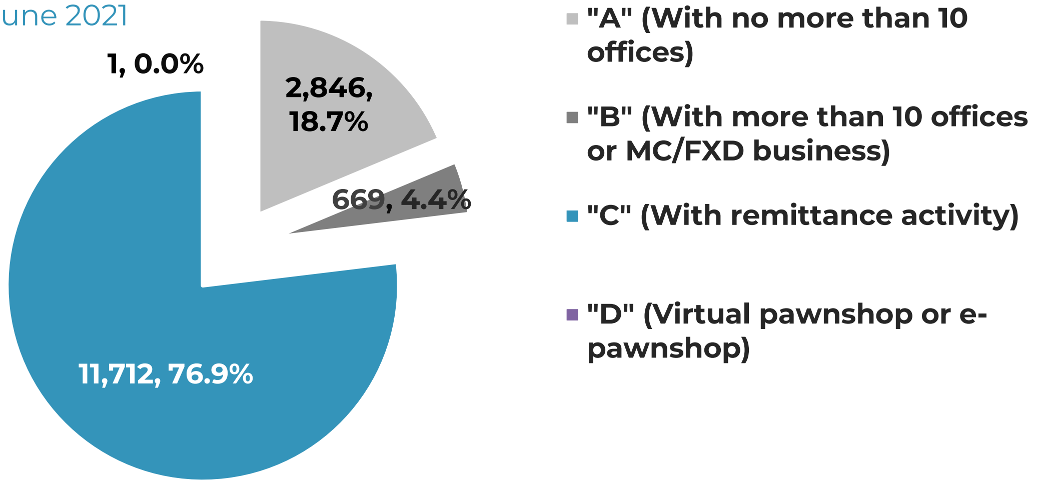
Meanwhile, MSB entities mainly engaged in remittance, money changing and/or foreign exchange dealings. This includes remittance and sub-agent, remittance platform provider, EMI and money changer/foreign exchange dealer (MC/FXD). Majority of the MSBs, or 48.3 percent, is engaged exclusively in remittance and transfer business. While 38.2 percent of the entities in the MSB industry offer other corollary business such as remittance, money changing, or foreign exchange dealings. The rest operate auxiliary businesses, such as money changing and foreign exchange dealings only.

Nationwide footprint of the pawnshop and MSBs industries remained heavily situated in Luzon island with 55.8 percent and 72.1 percent share of the total network, respectively. The top 3 regions with highest number of registered entities in Luzon were National Capital Region, CALABARZON and Central Luzon.

MOST PAWNSHOPS OFFERED COROLLARY REMITTANCE WHILE MOST MSBS ARE LARGE-SCALE OPERATORS

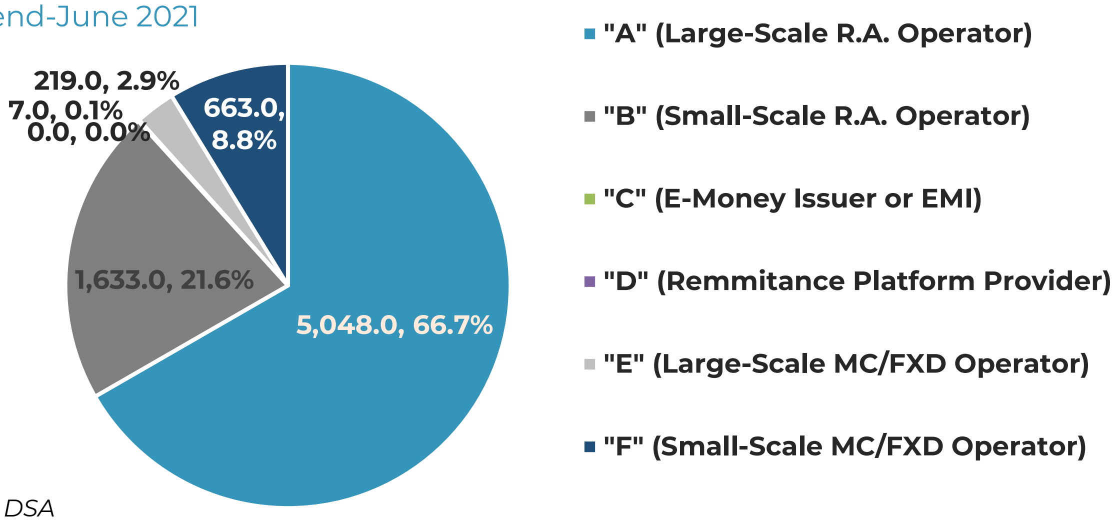
Pawnshops and MSBs are required to register with the BSP before officially commencing their operations. As of end-June 2021, 76.9 percent of the combined number of pawnshop head offices and branches were under the type "C" license or with remittance operations. Likewise, there were 29 head offices and 640 branches under type "B" license with money changing/foreign exchange dealing activities. There was one (1) head office registered under type "D" license which is a virtual pawnshop operator that engages in pawnshop business through electronic pawning (e-pawning).

Figure 3. Type of Pawnshop Licenses
Head Offices and Branches
As of end-June 2021



Source: DSA

Figure 4. Type of MSB Licenses
Head Offices and Branches
As of end-June 2021



Source: DSA

Meanwhile, MSB industry was mainly dominated by types "A" and "B" operators with a combined number of head offices and branches of 5,048 and 1,633, respectively[1]. Most of the MC/FXD MSBs operate on a small-scale basis (663 head offices or 75.2 percent of MC/FXD MSBs) under a Type F[2] license. Only seven (7) MSB head offices providing remittance platform were under type "D" license during the same period.

POLICIES ISSUED

The Pawnshop and MSB industries have been instrumental in bridging the gap between the Government and cash aid recipients during the lockdown period across the country. Recognizing their key role in the financial industry as major financial service access points, thus helping to achieve the financial inclusion objectives of the BSP, the BSP continuously issued responsive policies to support the pawnshops and MSBs.

In particular, as a form of regulatory relief, the BSP approved the extension of the deadline within which to pay the 2021 annual supervision/service fee from 31 March 2021 to 31 December 2021. The regulatory relief is expected to assist pawnshops and MSBs as they continue to deliver financial services during this extraordinary situation.[3]

To intensify consumer protection, the BSP likewise reiterated the expectations for the remittance and transfer companies (RTC) to implement measures to ensure that customers are adequately informed and protected when transacting with their accredited remittance sub-agents (RSAs), including mechanisms to verify accredited RSAs and to lodge complaints for RSA-related transactions.[4]

Further, the BSP enhanced the reporting framework for the report on crime and losses (RCL) to achieve a more responsive, proactive and effective supervision. Likewise, the shift

[1] On one hand, type "A" are the large-scale remittance operators with average monthly network volume of transactions of at least P75.0 million. On the other hand, type "B" are the small-scale remittance operators with average network volume of transactions of less than P75.0 million.

[2] Small scale MC/FXD operator with average monthly network volume of transactions of less than P50.0 million

[3] Memorandum No. 2021-07 dated 28 June 2021 to ALL Pawnshops and Money Service Business.

[4] Memorandum No. 2021-032 dated 28 May 2021 to ALL Remittance and Transfer Companies (RTC).

from manual to electronic submission of RCL capitalizes on the existing information technology and aims to streamline the process to ensure timely submission of RCL.[5]

ONGOING POLICY IN THE MSB SECTOR

Recognizing the crucial role played by MSBs in serving as financial access points especially for the unserved and underserved populace and given the vulnerability of MSBs to be used as conduits for the proceeds of unlawful activities, terrorist financing and proliferation financing, the BSP is currently enhancing the existing regulatory framework for MSBs. The enhancement takes into consideration general principles for international remittance services as well as industry trends and international practices. It is aimed at promoting an effective supervision over MSBs that enables responsible innovation, stronger corporate governance and effective risk management system, advancement of consumer protection, and at the same time, preservation of the integrity of the financial system against money laundering, terrorism financing, proliferation financing risks.

Apart from the ongoing enhancement of the regulatory framework, financial surveillance over MSBs is also being strengthened thru partnerships with both internal and external stakeholders. In this regard, the BSP will continue to collaborate and engage with the Department of the Interior and Local Government (DILG) and Local Government Units to sustain the initiatives under the 2009 BSP-DILG Memoranda of Agreement which was re-affirmed in the 2019 BSP-DILG Joint Memorandum Circular.

[5] Memorandum No. 2021-008 – Guidelines on Electronic Submission of Report on Crimes and Losses (RCL).

CONCLUSION AND POLICY DIRECTION

Conclusion

Overall, the Philippine financial system manifested sustained resilience amid prolonged and evolving path of the COVID-19 crisis. Banks remained a strong economic pillar as they continued to provide domestic liquidity and credit access to businesses and households even during the crisis.

The long history of corporate governance and risk management reforms in the financial sector complemented by the prompt implementation of relief measures enabled banks and the financial system to endure heightened risks arising from muted credit activities, weak borrowers' cash flow and disruption in operations, among others. Nonetheless, this crisis has presented unique opportunities for financial institutions to leverage on digital transformation which has benefited households and businesses in terms of convenience and availability of cashless transactions particularly in the payments space.

The promotion of cashless transactions and contactless payments is an integral part of the BSP's financial inclusion agenda. It is also an imperative under the New Economy since it allows consumers and enterprises to undertake safer banking and financial transactions amid the health crisis.

For its part, the BSP ensures that the domestic banking system continues to operate in a safe and sound manner through the adoption of an enabling regulatory and supervisory environment. These are achieved through the pursuit of structural policy reforms, continued surveillance and improvements in supervisory approaches, techniques and analytics to strengthen the BSP's ability to perform its mandate of maintaining financial system stability.

The BSP will continue to support a whole-of-government approach and coordinated efforts among government agencies and the private sector in pursuing initiatives that will bolster growth of the economy.

Non-bank financial institutions will continue to play an important role in supporting the economy through their extensive network that serves as financial access points for low-income individuals, small businesses, including beneficiaries of the government's social amelioration, wage subsidy and other financial assistance programs.

Banks and non-bank financial institutions recognize the need to revisit their business models, leverage on technology and integrate sustainability principles in their core agenda to take advantage of opportunities available under a new economy.

POLICY DIRECTION

Moving forward, the BSP remains committed to building its existing regulatory and supervisory frameworks to ensure that the banking system, as the core of the financial system, continues to operate in a safe and sound manner while at the same time responsive to the demands of the new economy. Key policy reforms include strengthening of corporate governance and risk management standards, as well as implementation of initiatives aimed at promoting the domestic capital market, digital transformation, sustainable finance, and enactment of key legislative reforms.

As supervisor, the BSP recognizes the importance of public trust in the promotion of financial stability and integrity of financial supervision. To further embed sound corporate governance and risk management standards in supervised entities, the BSP is set to issue the following guidelines:

1. *Transfer of significant ownership.* Prudential requirements on the transfer of significant ownership in banks and non-bank financial institutions with quasi-banking license (QBs) will be issued to align regulations with the provisions of Section 25-A of the New Central Bank Act, as amended. The underlying principle of the policy reform is to ensure that persons capable of exerting significant influence or control over the bank's/QB's affairs shall possess integrity, financial capacity, and sufficient knowledge of the business environment, operating model and attendant risks that may affect the entity.

2. *Climate change, environmental and social risks.* The BSP will finalize Phase 2 of the regulations on sustainable finance framework. This will provide detailed guidance with respect to the integration of climate change and other environmental and social risk in the enterprise-wide risk management of banks/NBQBs, particularly in the areas of credit and operational risk.

3. *Digital banking operations*. To support the designation of a "digital bank" as a new banking classification, the BSP is finalizing guidance which will clarify applicability of BSP regulations on capital, liquidity, corporate governance, and risk management to digital banks.

4. Open finance framework. The recent issuance of the Open Finance Framework (Box Article 1), which is part of the BSP's Digital Payments Transformation Roadmap, is seen to make financial services more accessible to every Filipino. To implement the Framework, the BSP is working with key stakeholders on the creation of an Open Finance Oversight Committee (OFOC) that will be tasked to adopt, update and enforce the rules of conduct of an open finance system.

5. *Fraud management*. In view of the increasing number and evolving forms of cyberthreat attacks, supervised financial institutions are expected to adopt more robust systems to protect their data and systems and ensure delivery of uninterrupted services. The BSP is working on an issuance which will explicitly set out expectations on the fraud management systems of supervised financial institutions. The issuance will further strengthen industry partnerships and collaboration in managing cyberthreats.

6. *Customer due diligence*. With the acceptance of e-signatures and the PhilSys ID as sufficient proof of identity, the BSP is amending rules on deposits to provide guidance on the handling of joint deposit accounts, as well as acceptability of e-signatures and the national ID. In view of this development, the rules on electronic know-your-customer (e-KYC) procedures will be updated to enable supervised institutions use different methods to conduct customer identification and verification including e-KYC through a digital ID system.

As a supplement to the BSP's credit-related relief measures, the BSP will also issue guidance that will clarify the prudential treatment of restructured loans as well as provide covered banks/NBQBs with regulatory relief on the capital treatment of provisioning requirements under Philippine Financial Reporting Standards. The relief measure will allow covered banks/NBQBs to add-back increase in their Stage 1 and Stage 2 provisioning to Common Equity Tier 1 (CET1) capital over a period of not more than two (2) years. The amount that is added back to CET1 is subject to an add-back factor which declines over time. These complementary policy issuances are seen to further encourage covered banks/NBQBs grant new loans or restructure loan accounts of their borrowers.

The BSP's COVID-19 regulatory relief package remains in place. The unwinding of the temporary relief measures shall be done gradually, prudently and in an informed manner. The pace and timing of the unwinding of the temporary relief measures under the package will be based on a holistic analysis of the impact of the COVID-19 not only on the financial system but also on other critical sectors of the economy. In line with this, the BSP continues to improve surveillance mechanisms to ensure that these capture scenarios that are reflective of latest developments. Information from this monitoring exercise feeds into the BSP's supervisory process and in the calibration of policies or deployment of supervisory actions moving forward.

Lastly, the BSP strongly supports the passage of key legislation which will be vital in ensuring a safe, inclusive, and sustainable financial system. One of which is the ***Bank Deposit Secrecy Bill***, which is expected to assist the country's initiatives to combat domestic and global problems on tax evasion, money laundering and other financial crimes. The passage of this bill will also help the Philippines address the recommendations of the Financial Action Task Force (FATF), and thus, exit the FATF's Grey List (Box Article 2). Meanwhile, as online transactions and consumer preference for e-payments have substantially increased and are expected to continue their rising trend, internet connectivity and a cybercrime-proof environment will be critical towards an inclusive and safe financial ecosystem. Bills that are seen to accelerate financial innovation and ongoing digital transformation in the country include ***liberalization of access to satellite systems***, ***financial consumer protection***, *and* ***establishment of an anti-cybercrime law***. These bills will enhance the country's legal framework on financial consumer protection as well as promote better and wider access points to serve more Filipinos in the countryside.

On the whole, these policy and legislative reforms are critical in fostering an enabling regulatory and supervisory environment for stable, sustainable, and inclusive growth.

BOX ARTICLE 1: OPEN FINANCE FRAMEWORK

To address the digital connectivity gaps in the country, the BSP issued Circular No. 1122 dated 17 June 2021 on Open Finance Framework which is seen as a key enabler for digital transformation and financial inclusion. The Open Finance Framework promotes consent-driven data portability and interoperability thru the use of open Application Programming Interfaces (APIs), as well as collaborative partnerships among entities which adhere to the same standards of data security and privacy. Consumers will have the power to grant access to their financial data that will shape a customer-centric product development objective. As compared with Open Banking, Open Finance covers a wider range of financial institutions and a broader array of financial products such as, but not limited to, banking products and services, investments, pensions, and insurance.

Under the Open Finance Circular, sound governance shall be performed by the Open Finance Oversight Committee (OFOC), an industry-led self-governing body that is duly recognized and overseen by the BSP. There shall be appointed representative/s from the banks from each classification, non-bank financial institutions, third-party providers, electronic money issuers, operators of payment systems, and other relevant sectors as determined by the BSP. The OFOC shall promulgate its own membership and participation rules and formulate its own standards and procedures. It shall promote non-discriminatory membership by ensuring that key areas of interest of the financial industry are adequately represented and that all members and applicants for membership are treated fairly and consistently. The OFOC and its members are expected to be involved in the development of rules affecting their industry.

Meanwhile, the BSP foresees a tiered implementation by data sensitivity, data type, and data holder type. The tiers are not necessarily sequential, and multiple implementations may occur simultaneously. Among the use cases include account opening which aims to help BSFIs acquire new customer accounts through 3rd party channels with low cost and minimum integration inquired. Other use cases include statement sharing or account aggregation and direct debit payments or fund transfers.

BOX ARTICLE 2:

INCLUSION OF THE PHILIPPINES IN THE LIST OF JURISDICTIONS UNDER INCREASED MONITORING

Inclusion in the Grey List. On 25 June 2021, the Financial Action Task Force (FATF) included the Philippines in the list of jurisdictions under increased monitoring, also referred as "grey list"[1]. Countries in the grey list are identified to be actively working with the FATF and have committed to resolve within agreed timeframes the identified strategic deficiencies in their regimes to counter money laundering (ML), terrorist financing (TF), and proliferation financing (PF).

In the case of the Philippines, it needs to work on the implementation of action plans on: (1) demonstrating that effective risk-based supervision of designated non-financial businesses and professions is occurring; (2) demonstrating that supervisors are using anti-money laundering and countering the financing of terrorism (AML/CFT) controls to mitigate risks associated with casino junkets; (3) implementing the new registration requirements for money or value transfer services and applying sanctions to unregistered and illegal remittance operators; (4) enhancing and streamlining law enforcement agencies' access to beneficial owner (BO) information and taking steps to ensure that BO information is accurate and up-to-date; (5) demonstrating an increase in the use of financial intelligence and an increase in ML investigations and prosecutions in line with risk; (6) demonstrating an increase in the identification, investigation and prosecution of TF cases; (7) demonstrating that appropriate measures are taken with respect to the non-profit organization (NPO) sector (including unregistered NPOs) without disrupting legitimate NPO activity; and (8) enhancing the effectiveness of the targeted financial sanctions framework for both TF and PF.

The FATF does not call for the application of enhanced due diligence measures to be applied to jurisdictions under increased monitoring but encourages its members and all jurisdictions to take into account the information presented in their risk analysis.

Possible Consequences of Grey-listing. The global financial community considers the FATF announcement, among others, as a signal to trigger review of relationships with their counterparties in the identified jurisdictions. The International Monetary Fund (IMF) Working Paper on the Impact of Gray-Listing on Capital Flows cited, among others, that empirical results suggest that capital inflows decline on average by 7.6 percent of the Gross Domestic Product when the country is gray-listed[2].

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1 https://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/increased-monitoring-june-2021.html

2 IMF Working Paper, The Impact of Gray-Listing on Capital Flows: An Analysis Using Machine Learning, Mizuho Kida and Simon Paetzold, May 2021, page 5

Cognizant of these possible effects of grey-listing, the BSP remains steadfast and committed to pursue initiatives to strengthen the banking system's framework and defenses against ML/TF/PF risks. Through the years, the BSP has embarked on strategic initiatives that advance the knowledge and capabilities of our supervised financial institutions against these risks. The BSP is working closely with the Anti-Money Laundering Council, other supervisors and relevant government agencies to implement strategies to manage the potential consequences of grey-listing.

Exit Strategy. The Philippines is required to provide progress reports to the Asia Pacific Joint Group three times a year. To achieve the goal of exiting from the grey list the soonest possible time, it is imperative that a "whole-of-country approach" is taken to oversee and ensure the adequacy and timely execution of strategies and initiatives to address all of the Philippines' Action Plan within the defined timelines. All these strategies are coordinated and overseen by the National AML/CFT Coordinating Committee and its five Sub-Committees[3].

[3] Namely: (1) Financial Intelligence, Law Enforcement and Prosecution Sub-Committee, (2) Supervision of Financial Institutions Sub-Committee, (3) Supervision of Designated Non-Financial Businesses and Professions Sub-Committee, (4) Terrorism Financing and Proliferation Financing Sub-Committee, and (5) AML/CFT Awareness Sub-Committee

List of Appendices

Appendix 1. Philippine Banking System: Financial Highlights

Levels (P Billion)	End-December 2018	2019	2020	End-June 2020	2021 p/
Income Statement					
Total Operating Income	668.1	796.3	893.3	457.1	451.7
Net Interest Income	515.6	605.2	674.2	337.2	325.6
Non-interest Income	152.5	191.1	219.1	119.9	126.2
Non-Interest Expenses	432.3	483.2	491.5	246.0	253.8
Losses/Recoveries on Financial Assets	(31.9)	(51.2)	(214.2)	(105.9)	(57.1)
Provision for Credit Losses on Loans & Other Fin'l Assets	(35.5)	(52.9)	(211.6)	(106.3)	(62.3)
Bad Debts Written Off	(3.4)	(3.9)	(6.4)	(1.4)	(4.9)
Recovery on Charged-Off Assets	6.9	5.6	3.8	1.8	10.2
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Associates and Joint Ventures	203.9	261.9	187.6	105.1	140.9
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, and Joint Ventures	22.5	25.4	11.9	4.9	10.1
Total Profit/Loss Before Tax and Before Minority Interest	226.4	287.2	199.5	110.1	151.0
Income Tax Expense	46.7	56.6	44.3	24.2	28.3
Total Profit/Loss After Tax and Before Minority Interest	179.7	230.7	155.2	85.8	122.7
Minority Interest in Profit/(Loss) of Subsidiaries	-	-	-	-	-
Net Profit/(Loss)	179.7	230.7	155.2	85.8	122.7
Balance Sheet					
Total Assets 1/	16,916.1	18,338.2	19,457.1	18,627.2	19,811.2
Cash and Due from Banks	2,605.1	2,804.1	3,584.1	3,351.2	3,518.4
Financial Assets, gross (Other than Loans)	3,464.2	3,734.2	4,307.8	3,704.7	4,913.3
Financial Assets Held for Trading (HFT)	211.4	198.8	325.0	295.4	376.0
Financial Assets Designated at Fair Value through Profit or	22.4	2.2	3.8	3.5	4.8
Available-for-Sale (AFS) Financial Assets	816.0	1,125.6	2,061.7	1,573.5	2,386.0
Held-to-Maturity (HTM) Financial Assets	2,414.3	2,407.5	1,917.2	1,832.2	2,146.5
Unquoted Debt Securities Classified as Loans (UDSCL)	0.1	-	-	-	-
Investments in Non-Marketable Equity Securities (INMES)	. . .	. . .	. . .	-	-
Accumulated Market Gains/(Losses)	(12.3)	22.7	40.4	45.1	21.3
Allowance for Credit Losses	17.6	18.0	19.5	19.3	20.4
Financial Assets, net (Other than Loans)	3,434.3	3,738.9	4,328.7	3,730.5	4,914.2
Loans, gross (inclusive of IBL)	10,077.9	10,966.1	10,872.6	10,818.8	10,775.7
Interbank Loans Receivable (IBL)	256.2	226.7	296.2	295.5	317.1
Loans, gross (exclusive of IBL)	9,821.7	10,739.4	10,576.4	10,523.4	10,458.6
Reverse Repurchase (RRP) with BSP and Other Banks	377.6	420.2	367.9	226.1	356.3
Loans, gross (exclusive of IBL and RRP with BSP and Other	9,444.1	10,319.2	10,208.5	10,297.3	10,102.2
Allowance for Probable Losses	187.1	207.5	367.2	302.9	397.8
Loans, net (exclusive of IBL and RRP with BSP and Other Banks)	9,256.9	10,111.7	9,841.3	9,994.4	9,704.4
Equity Investment in Subsidiaries, Associates and Joint	297.4	301.5	261.7	259.4	271.7
ROPA, net	96.8	96.9	92.7	93.2	93.1
Other Assets, net	591.7	638.2	684.4	677.0	635.9
Total Liabilities	14,848.0	16,019.6	17,025.9	16,256.8	17,301.2
Financial Liabilities Held for Trading	40.0	35.0	47.3	47.1	42.0
Financial Liabilities DFVPL	-	-	-	-	-
Deposits	12,764.1	13,669.5	14,895.0	14,262.7	15,346.1
Peso Liabilities	10,646.9	11,562.9	12,702.2	12,053.1	13,087.0
Foreign Currency	2,117.2	2,106.6	2,192.8	2,209.5	2,259.1
Bills Payable	936.1	867.3	558.2	523.1	429.0
Unsecured Subordinated Debt	86.9	48.0	27.5	33.7	22.5
Redeemable Preferred Shares	0.9	0.3	0.3	0.3	0.3
Other Liabilities	1,020.1	1,399.5	1,497.7	1,389.9	1,461.3
Total Capital Accounts 2/	2,068.1	2,318.6	2,431.1	2,370.4	2,510.0

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

p/ Preliminary
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 2018	End-December 2019	End-December 2020	End-June 2020	End-June 2021 p/
Income Statement					
Total Operating Income	13.1%	19.2%	12.2%	21.2 %	(1.2%)
Net Interest Income	15.2%	17.4%	11.4%	17.4 %	(3.4%)
Non-interest Income	6.4%	25.3%	14.7%	33.2 %	5.2 %
Non-Interest Expenses	14.3%	11.8%	1.7%	5.9 %	3.2 %
Losses/Recoveries on Financial Assets	(5.4%)	60.3%	318.5%	480.5 %	(46.1%)
Provision for Credit Losses on Loans & Other Fin'l Assets	1.4%	49.1%	300.1%	438.2 %	(41.4%)
Bad Debts Written Off	3.2%	14.9%	63.5%	(24.0%)	244.2 %
Recovery on Charged-Off Assets	53.2%	(18.8%)	(32.1%)	(46.8%)	462.2 %
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Associates and Joint Ventures	14.0%	28.4%	(28.4%)	(17.0%)	34.0 %
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, and Joint Ventures	(19.3%)	12.6%	(53.0%)	(60.1%)	105.8 %
Total Profit/Loss Before Tax and Before Minority Interest	9.5%	26.9%	(30.5%)	(20.9%)	37.2 %
Income Tax Expense	20.6%	21.2%	(21.7%)	(13.9%)	17.0 %
Total Profit/Loss After Tax and Before Minority Interest	6.9%	28.4%	(32.7%)	(22.6%)	42.9 %
Minority Interest in Profit/(Loss) of Subsidiaries					
Net Profit/(Loss)	6.9%	28.4%	(32.7%)	(22.6%)	42.9 %
Balance Sheet					
Total Assets 1/	11.5%	8.4%	6.1%	8.0 %	6.4 %
Cash and Due from Banks	(4.0%)	7.6%	27.8%	42.1 %	5.0 %
Financial Assets, gross (Other than Loans)	18.9%	7.8%	15.4%	(1.6%)	32.6 %
Financial Assets Held for Trading (HFT)	19.1%	(5.9%)	63.5%	15.5 %	27.3 %
Financial Assets Designated at Fair Value through Profit or	31.8%	(90.1%)	71.7%	22.9 %	36.1 %
Available-for-Sale (AFS) Financial Assets	(23.7%)	37.9%	83.2%	51.0 %	51.6 %
Held-to-Maturity (HTM) Financial Assets	56.5%	(0.3%)	(20.4%)	(25.6%)	17.2 %
Unquoted Debt Securities Classified as Loans (UDSCL)	(99.9%)	(100.0%)			
Investments in Non-Marketable Equity Securities (INMES)	(99.8%)	3.0%			
Accumulated Market Gains/(Losses)	24.8%	(284.7%)	78.4%	122.6 %	(52.9%)
Allowance for Credit Losses	(25.0%)	1.8%	8.6%	8.1 %	5.8 %
Financial Assets, net (Other than Loans)	19.2%	8.9%	15.8%	(0.9%)	31.7 %
Loans, gross (inclusive of IBL)	13.7%	8.8%	(0.9%)	5.2 %	(0.4%)
Interbank Loans Receivable (IBL)	1.7%	(11.5%)	30.6%	4.3 %	7.3 %
Loans, gross (exclusive of IBL)	14.0%	9.3%	(1.5%)	5.2 %	(0.6%)
Reverse Repurchase (RRP) with BSP and Other Banks	3.2%	11.3%	(12.4%)	(39.2%)	57.6 %
Loans, gross (exclusive of IBL and RRP with BSP and Other	14.5%	9.3%	(1.1%)	6.9 %	(1.9%)
Allowance for Probable Losses	1.6%	10.9%	76.9%	50.4 %	31.3 %
Loans, net (exclusive of IBL and RRP with BSP and Other	14.8%	9.2%	(2.7%)	6.0 %	(2.9%)
Equity Investment in Subsidiaries, Associates and Joint	17.1%	1.4%	(13.2%)	(17.4%)	4.7 %
ROPA, net	4.8%	0.1%	(4.3%)	2.4 %	(0.2%)
Other Assets, net	8.8%	7.8%	7.2%	7.0 %	(6.1%)
Total Liabilities	10.7%	7.9%	6.3%	8.0 %	6.4 %
Financial Liabilities Held for Trading	22.8%	(12.4%)	35.0%	11.1 %	(10.8%)
Financial Liabilities DFVPL					
Deposits	8.8%	7.1%	9.0%	10.9 %	7.6 %
Peso Liabilities	9.2%	8.6%	9.9%	12.4 %	8.6 %
Foreign Currency	7.3%	(0.5%)	4.1%	3.3 %	2.2 %
Bills Payable	18.9%	(7.3%)	(35.6%)	(42.2%)	(18.0%)
Unsecured Subordinated Debt	(0.1%)	(44.8%)	(42.7%)	(52.4%)	(33.2%)
Redeemable Preferred Shares	(0.9%)	(66.7%)	(14.9%)	(14.2%)	(1.9%)
Other Liabilities	31.7%	37.2%	7.0%	18.7 %	5.1 %
Total Capital Accounts 2/	17.7%	12.1%	4.9%	7.7 %	5.9 %

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

Appendix 3. Philippine Banking System: Selected Performance Indicators

Selected Ratios	End-December 2018	End-December 2019	End-December 2020	End-June 2020	End-June 2021 p/
Profitability					
Earning Asset Yield 1/	4.7 %	5.4 %	4.8 %	5.3 %	4.4 %
Funding Cost 2/	1.4 %	1.9 %	1.1 %	1.6 %	0.8 %
Interest Spread 3/	3.3 %	3.5 %	3.7 %	3.7 %	3.6 %
Net Interest Margin 4/	3.4 %	3.7 %	3.8 %	3.9 %	3.6 %
Non-Interest Income to Total Operating Income 5/	22.8 %	24.0 %	24.5 %	25.2 %	25.4 %
Cost-to-Income 6/	64.4 %	60.3 %	54.9 %	56.5 %	56.0 %
Return on Assets (ROA) 7/	1.1 %	1.3 %	0.8 %	1.1 %	1.0 %
Return on Equity (ROE) 7/	9.4 %	10.5 %	6.5 %	9.0 %	7.9 %
Liquidity					
Cash and Due from Banks to Deposits	20.4 %	20.5 %	24.1 %	23.5 %	22.9 %
Liquid Assets to Deposits 8/	47.3 %	47.9 %	53.1 %	49.7 %	54.9 %
Loans, gross to Deposits	79.0 %	80.2 %	73.0 %	75.9 %	70.2 %
Asset Quality					
Restructured Loans to Total Loan Portfolio (TLP)	0.4 %	0.4 %	1.9 %	0.4 %	3.0 %
Allowance for Credit Losses (ACL) to TLP	1.9 %	1.9 %	3.4 %	2.8 %	3.7 %
Gross Non-Performing Loans (NPL) to TLP [NPL Ratio]	1.8 %	2.0 %	3.6 %	2.6 %	4.5 %
Net NPL to TLP	0.9 %	1.1 %	2.0 %	1.3 %	2.5 %
NPL Ratio net of IBL	1.8 %	2.1 %	3.7 %	2.6 %	4.6 %
NPL Coverage Ratio (ACL to Gross NPL)	105.2 %	92.6 %	93.0 %	109.0 %	82.4 %
Non-Performing Assets (NPA) to Gross Assets [NPA Ratio]	1.7 %	1.8 %	2.6 %	2.1 %	3.0 %
NPA Coverage Ratio (Allowance on NPA to NPA)	75.7 %	70.3 %	78.5 %	85.5 %	72.1 %
ROPA to Gross Assets Ratio	0.6 %	0.6 %	0.6 %	0.6 %	0.6 %
ROPA Coverage Ratio	27.0 %	26.7 %	29.0 %	28.0 %	29.8 %
Distressed Assets Ratio	3.0 %	3.2 %	6.2 %	3.8 %	7.7 %
Capital Adequacy					
Total Capital Accounts to Total Assets 9/	12.2 %	12.6 %	12.5 %	12.7 %	12.7 %
Capital Adequacy Ratio (Solo) 10/ 11/	14.8 %	15.4 %	16.6 %	16.3 %	17.0 %
Common Equity Tier 1 (CET1) Ratio	13.2 %	14.1 %	15.4 %	15.1 %	15.9 %
Capital Conservation Buffer	7.2 %	8.1 %	9.4 %	9.1 %	9.9 %
Tier 1 Ratio	13.2 %	14.1 %	15.6 %	15.2 %	16.0 %
Capital Adequacy Ratio (Consolidated) 10/ 11/	15.4 %	16.0 %	17.1 %	16.7 %	17.6 %
Common Equity Tier 1 (CET1) Ratio	13.8 %	14.8 %	15.9 %	15.5 %	16.4 %
Capital Conservation Buffer	7.8 %	8.8 %	9.9 %	9.5 %	10.4 %
Tier 1 Ratio	13.9 %	14.8 %	16.0 %	15.6 %	16.6 %

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

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

End-June 2021 p/	Total	UNIVERSAL BANKS	COMMERCIAL BANKS	THRIFT BANKS	RURAL BANKS	COOPERATIVE BANKS
TOTAL	**13,126**	**6,463**	**578**	**2,770**	**3,148**	**167**
Head Offices	**523**	**21**	**25**	**48**	**405**	**24**
Branches/Other Offices	**12,603**	**6,442**	**553**	**2,722**	**2,743**	**143**
Regular Branch	9,976	6,212	534	1,809	1,306	115
Branch-Lite Unit	2,427	193	19	898	1,289	28
Microfinance-Oriented Branch	163			15	148	
Representative Office	19	19				
Remittance Desk Office	14	14				
Marketing Office	2	2				
Limited Purpose Branch	1	1				
Sub-Branch	1	1				

		End-June 2020	End-June 2021 p/		
		Total	Total	Head Offices	Branches/ Other
TOTAL		**12,912**	**13,126**	**523**	**12,603**
Nationwide		**12,862**	**13,073**	**523**	**12,550**
National Capital Region (NCR)		**3,834**	**3,845**	**78**	**3,767**
Luzon		**5,386**	**5,485**	**283**	**5,202**
Region I	- Ilocos	656	670	35	635
Region II	- Cagayan Valley	464	474	28	446
Region III	- Central Luzon	1,344	1,361	74	1,287
Region IV-A	- CALABARZON	1,878	1,906	90	1,816
Region IV-B	- MIMAROPA	306	314	21	293
Region V	- Bicol	540	560	20	540
Cordillera Administrative Region		198	200	15	185
Visayas		**1,922**	**1,961**	**95**	**1,866**
Region VI	- Western Visayas	742	761	43	718
Region VII	- Central Visayas	892	908	37	871
Region VIII	- Eastern Visayas	288	292	15	277
Mindanao		**1,720**	**1,782**	**67**	**1,715**
Region IX	- Zamboanga Peninsula	262	270	13	257
Region X	- Northern	429	437	24	413
Region XI	- Davao Region	491	503	13	490
Region XII	- SOCCSKSARGEN 1/	296	307	10	297
ARMM		18	19	1	18
CARAGA		224	246	6	240
Overseas		**50**	**53**		**53**
Asia-Pacific		20	21		21
Europe		3	5		5
North America		5	5		5
Middle East		22	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 2020		End-December 2020		End-June 2021 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	Banking Offices per City/ Municipality	No. of persons served by each Banking Office 1/
Nationwide	**8**	**8,183**	**8**	**8,161**	**8**	**8,477**
National Capital Region (NCR)	**237**	**3,287**	**238**	**3,287**	**226**	**3,467**
Luzon	**7**	**8,686**	**7**	**8,664**	**7**	**8,919**
Region I - Ilocos	5	7,986	5	7,927	5	8,180
Region II - Cagayan	5	7,770	5	7,707	5	7,964
Region III - Central Luzon	11	8,505	11	8,489	10	8,805
Region IV-A - CALABARZON	14	7,987	14	7,993	13	8,170
Region IV-B - MIMAROPA	4	10,656	4	10,656	4	10,961
Region V - Bicol	5	11,893	5	11,810	5	11,968
Cordillera Administrative Region	3	9,186	3	9,176	3	9,806
Visayas	**5**	**10,660**	**5**	**10,632**	**5**	**10,935**
Region VI - Western Visayas	6	10,783	6	10,700	6	10,911
Region VII - Central Visayas	7	8,699	7	8,690	7	8,946
Region VIII - Eastern Visayas	2	16,315	2	16,404	2	17,179
Mindanao	**4**	**14,885**	**4**	**14,668**	**4**	**15,232**
Region IX - Zamboanga Peninsula	4	14,728	4	14,637	4	15,304
Region X - Northern Mindanao	5	11,235	5	11,194	5	11,711
Region XI - Davao Region	10	10,631	11	10,538	10	10,901
Region XII - SOCCSKSARGEN 2/	6	16,261	6	15,993	6	16,715
ARMM	0	230,414	0	220,863	0	223,614
CARAGA	3	12,876	3	12,157	3	12,328

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 '20	Dec '20	Jun '21 p/	Jun '20	Dec '20	Jun '21 p/	Jun '20	Dec '20	Jun '21 p/
TOTAL	12,163	12,345	12,314	10,363	10,436	10,470	22,526	22,781	22,784
UNIVERSAL BANKS	9,701	9,788	9,763	9,286	9,317	9,357	18,987	19,105	19,120
COMMERCIAL BANKS	580	574	585	481	507	536	1,061	1,081	1,121
THRIFT BANKS	1,333	1,350	1,336	520	522	486	1,853	1,872	1,822
RURAL BANKS	523	600	600	76	90	91	599	690	691
COOPERATIVE BANKS	26	33	30			0	26	33	30

p/ Preliminary

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

As of end-June 2021 p/

	No. of BSFIs with Authority to Provide Electronic Payment and Financial	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	26	16	18	4	5	26	37
Thrift Banks	30	28	1	7	-	-	16	8
Rural and Cooperative Banks	43	26	-	4	1	-	6	1
Banks	115	80	17	29	5	5	48	46
EMIs	32	-	-	32	25	-	2	1
Others	9	-	1	-	-	-	7	-
TOTAL	156	80	18	61	30	5	57	47

	Mobile Banking	Telephone banking	ATM Facility	Cash Accept Machine	Point of Sale facility	Payment Portal	Others
Universal and Commercial Banks	27	10	27	10	17	9	8
Thrift Banks	15	4	28	3	7	-	-
Rural and Cooperative Banks	11	-	28	-	5	-	2
Banks	53	14	83	13	29	9	10
EMIs	25	-	-	1	2	1	-
Others	8	-	-	-	-	-	1
TOTAL	86	14	83	14	31	10	11

p/ Preliminary

Appendix 8. Philippine Banking System: Profitability Indicators

	End-December			End-June	
Levels (P Billion)	**2018**	**2019**	**2020**	**2020**	**2021 p/**
Total Operating Income	668.1	796.3	893.3	457.1	451.7
Net Interest Income	515.6	605.2	674.2	337.2	325.6
Interest Income	708.0	886.0	851.2	444.1	384.9
Provision for Lossses on Accrued Interest Income from Financial Assets	1.3	0.3	0.9	1.2	0.3
Interest Expenses	191.1	280.5	176.1	105.7	59.1
Non-interest Income	152.5	191.1	219.1	119.9	126.2
Dividend Income	3.4	3.4	3.2	1.7	1.3
Fee-based Income	91.8	100.9	89.5	42.2	51.0
Trading Income	10.4	24.8	20.2	12.2	2.6
FX Profit/(Loss)	9.1	8.5	6.6	1.9	3.4
Profit/(Loss) from Sale/Redemption/Derecognition of Non-Trading Financial Assets and Liabilities	4.0	30.2	83.4	57.0	23.2
Profit/(Loss) from Sale/Derecognition of Non-Financial					
Profit/(Loss) on Financial Assets and Liabilities	18.5	9.5	5.5	2.1	37.1
Designated at Fair Value through Profit or Loss	0.1	(0.0)	0.5	0.2	0.1
Profit/(Loss) on Fair Value Adjustment in Hedge	0.1	. . .	(2.8)	(2.9)	(0.0)
Other Income	15.2	13.8	13.1	5.5	7.5
Non-Interest Expenses	432.3	483.2	491.5	246.0	253.8
Losses/Recoveries on Financial Assets	(31.9)	(51.2)	(214.2)	(105.9)	(57.1)
Provision for Credit Losses on Loans & Other Fin'l Assets	(35.5)	(52.9)	(211.6)	(106.3)	(62.3)
Bad Debts Written Off	(3.4)	(3.9)	(6.4)	(1.4)	(4.9)
Recovery on Charged-Off Assets	6.9	5.6	3.8	1.8	10.2
Net Profit Before Share in the Profit/(Loss) of Subsidiaries, Associates and Joint Ventures	203.9	261.9	187.6	105.1	140.9
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	22.5	25.4	11.9	4.9	10.1
Total Profit/Loss Before Tax and Before Minority Interest	226.4	287.2	199.5	110.1	151.0
Income Tax Expense	46.7	56.6	44.3	24.2	28.3
Total Profit/Loss After Tax and Before Minority Interest	179.7	230.7	155.2	85.8	122.7
Minority Interest in Profit/(Loss) of Subsidiaries					-
Net Profit/(Loss)	179.7	230.7	155.2	85.8	122.7
Growth Rates					
Total Operating Income	13.1%	19.2%	12.2%	21.2%	(1.2%)
Net Interest Income	15.2%	17.4%	11.4%	17.4%	(3.4%)
Interest Income	23.2%	25.1%	(3.9%)	1.7%	(13.3%)
Provision for Lossses on Accrued Interest Income from Financial Assets	255.0%	(78.4%)	198.8%	536.6%	(77.3%)
Interest Expenses	50.6%	46.8%	(37.2%)	(29.2%)	(44.1%)
Non-interest Income	6.4%	25.3%	14.7%	33.2%	5.2%
Dividend Income	1.4%	(0.2%)	(3.7%)	(11.9%)	(21.4%)
Fee-based Income	8.3%	9.9%	(11.3%)	(14.0%)	20.8%
Trading Income	(6.0%)	138.7%	(18.8%)	(30.9%)	(78.9%)
FX Profit/(Loss)	27.0%	(6.5%)	(22.6%)	(11.7%)	81.0%
Profit/(Loss) from Sale/Redemption/Derecognition of Non-Trading Financial Assets and Liabilities	(51.1%)	661.2%	176.3%	623.8%	(59.3%)
Profit/(Loss) from Sale/Derecognition of Non-Financial					
Profit/(Loss) on Financial Assets and Liabilities	33.1%	(48.8%)	(42.3%)	(51.4%)	1645.9%
Designated at Fair Value through Profit or Loss	(74.5%)	(159.2%)	(1,323.7%)	(2,572.4%)	(69.7%)
Profit/(Loss) on Fair Value Adjustment in Hedge	(3,967.0%)	(96.8%)	(102,923.0%)	92549.6%	(99.3%)
Other Income	2.9%	(8.9%)	(5.5%)	(22.6%)	37.3%
Non-Interest Expenses	14.3%	11.8%	1.7%	5.9%	3.2%
Losses/Recoveries on Financial Assets	(5.4%)	60.3%	318.5%	480.5%	(46.1%)
Provision for Credit Losses on Loans & Other Fin'l Assets	1.4%	49.1%	300.1%	438.2%	(41.4%)
Bad Debts Written Off	3.2%	14.9%	63.5%	(24.0%)	244.2%
Recovery on Charged-Off Assets	53.2%	(18.8%)	(32.1%)	(46.8%)	462.2%
Net Profit Before Share in the Profit/(Loss) of Subsidiaries, Associates and Joint Ventures	14.0%	28.4%	(28.4%)	(17.0%)	34.0%
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	(19.3%)	12.6%	(53.0%)	(60.1%)	105.8%
Total Profit/Loss Before Tax and Before Minority Interest	9.5%	26.9%	(30.5%)	(20.9%)	37.2%
Income Tax Expense	20.6%	21.2%	(21.7%)	(13.9%)	17.0%
Total Profit/Loss After Tax and Before Minority Interest	6.9%	28.4%	(32.7%)	(22.6%)	42.9%
Minority Interest in Profit/(Loss) of Subsidiaries					
Net Profit/(Loss)	6.9%	28.4%	(32.7%)	(22.6%)	42.9%

p/ Preliminary

. . . 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)	**2018**	**2019**	**2020**	**2020**	**2021 p/**
Total Assets	16,916.1	18,338.2	19,457.1	18,627.2	19,811.2
Gross Assets 1/	17,132.4	18,576.4	19,857.8	18,962.0	20,244.1
Total Loan Portfolio (TLP) 2/	10,077.9	10,966.1	10,872.6	10,818.8	10,775.7
Interbank Loans Receivable (IBL)	256.2	226.7	296.2	295.5	317.1
TLP 2/, net of Interbank Loans (IBL)	9,821.7	10,739.4	10,576.4	10,523.4	10,458.6
TLP, net of ACL	9,890.8	10,758.6	10,505.4	10,515.9	10,377.9
Gross Non-Performing Loans (NPL)	177.8	224.1	394.9	277.8	483.0
Net NPL 3/	87.9	115.8	217.9	143.0	270.5
Allowance for Credit Losses (ACL)	187.1	207.5	367.2	302.9	397.8
ROPA 2/ 4/	107.9	114.7	115.8	113.9	117.8
ROPA (inclusive of performing SCR)	126.2	128.0	126.8	125.6	128.7
Provisions for ROPA 5/	29.1	30.7	33.6	31.9	35.1
Restructured Loans (RL) 2/	39.7	43.2	208.9	48.7	328.6
RL, Performing	19.0	19.6	174.0	21.5	235.5
Distressed Assets 6/	304.7	358.4	684.7	413.2	836.3
Non-Performing Assets (NPAs) 7/	285.8	338.8	510.7	391.7	600.8
Allowance on NPA 8/	216.2	238.2	400.8	334.8	432.9
Performing Sales Contract Receivables	18.3	13.3	10.9	11.7	10.9
Growth Rates					
Total Assets	11.5 %	8.4 %	6.1 %	8.0 %	6.4 %
Gross Assets 1/	11.4 %	8.4 %	6.9 %	8.5 %	6.8 %
Total Loan Portfolio (TLP) 2/	13.7 %	8.8 %	(0.9%)	5.2 %	(0.4%)
Interbank Loans Receivable (IBL)	1.7 %	(11.5%)	30.6 %	4.3 %	7.3 %
TLP 2/, net of Interbank Loans (IBL)	14.0 %	9.3 %	(1.5%)	5.2 %	(0.6%)
TLP, net of ACL	13.9 %	8.8 %	(2.4%)	4.3 %	(1.3%)
Gross Non-Performing Loans (NPL)	16.2 %	26.0 %	76.2 %	28.7 %	73.9 %
Net NPL 3/	29.3 %	31.9 %	88.1 %	22.8 %	89.2 %
Allowance for Credit Losses (ACL)	1.6 %	10.9 %	76.9 %	50.4 %	31.3 %
ROPA 2/ 4/	(0.8%)	6.3 %	1.0 %	5.5 %	3.4 %
ROPA (inclusive of performing SCR)	3.5 %	1.4 %	(1.0%)	3.9 %	2.5 %
Provisions for ROPA 5/	(0.7%)	5.3 %	9.6 %	8.6 %	10.2 %
Restructured Loans (RL) 2/	(14.9%)	8.7 %	384.0 %	26.2 %	575.3 %
RL, Performing	(33.1%)	3.1 %	789.4 %	23.4 %	997.7 %
Distressed Assets 6/	5.0 %	17.6 %	91.0 %	21.1 %	102.4 %
Non-Performing Assets (NPAs) 7/	9.2 %	18.6 %	50.7 %	21.0 %	53.4 %
Allowance on NPA 8/	1.2 %	10.1 %	68.3 %	45.1 %	29.3 %
Performing Sales Contract Receivables	39.2 %	(27.5%)	(17.8%)	(9.4%)	(6.9%)

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

Appendix 10. Foreign Currency Deposit Unit: Financial Highlights

	End-December			End-June	
	2018	2019	2020	2020	2021 p/
In US$ Million					
Income Statement					
Total Operating Income	1,097.2	1,443.0	1,530.3	792.9	761.6
Net Interest Income [1]	913.3	979.8	890.8	449.2	406.0
Non-interest Income	183.9	463.1	639.5	343.7	355.6
Non-Interest Expenses	202.0	202.5	188.8	86.1	87.1
Losses/Recoveries on Financial Assets	(48.2)	(86.3)	(122.9)	(55.9)	(80.5)
Bad Debts/Provision for Credit Losses	(51.9)	(98.1)	(125.3)	(58.7)	(81.8)
Recovery on Charged-Off Assets	3.7	11.9	2.4	2.8	1.3
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subs., Associates & Joint Ventures	847.0	1,154.1	1,218.6	650.9	594.0
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates & Joint Ventures					
Total Profit/Loss Before Tax & Before Minority Interest	847.0	1,154.1	1,218.6	650.9	594.0
Income Tax Expense	34.8	42.3	41.0	22.0	21.2
Total Profit/Loss After Tax & Before Minority Interest	812.2	1,111.9	1,177.6	628.9	572.8
Minority Interest in Profit/(Loss) of Subsidiaries					
Net Profit or Loss	812.2	1,111.9	1,177.6	628.9	572.8
Balance Sheet					
Total Assets [2]	52,954.1	56,889.8	58,515.1	55,820.2	56,198.5
Cash and Due from Banks	4,314.8	5,344.2	6,860.8	6,043.8	5,866.7
Financial Assets, gross	27,242.0	28,155.9	28,616.9	25,527.0	28,257.7
Allowance for Credit Losses	28.9	32.5	44.1	33.6	47.7
Accumulated Market Gains/Losses	(159.5)	165.3	294.2	236.3	169.5
Financial Assets, net	27,053.6	28,288.7	28,867.0	25,729.8	28,379.5
Interbank Loans Receivable (IBL), net	3,343.2	3,129.2	4,989.1	4,679.1	5,300.1
Loans, gross (exclusive of IBL)	17,325.0	19,262.2	17,638.6	18,858.3	16,440.6
Allowance for Probable Losses [3]	174.6	250.6	449.4	329.7	571.5
Loans, net (exclusive of IBL)	17,150.4	19,011.6	17,189.2	18,528.6	15,869.1
Equity investments, net					
ROPA, net	2.8	29.2	31.5	28.7	30.3
Other Assets, net	1,089.3	1,086.8	577.5	810.2	752.8
Total Liabilities	52,385.1	55,760.8	56,862.9	54,897.5	55,058.1
Financial Liabilities Held for Trading	116.4	84.4	144.2	185.1	103.8
Financial Liabilities DFVPL	-	0.0	-	-	-
Deposit Liabilities	39,894.3	41,090.1	45,061.6	43,827.4	45,644.9
Due to Other Banks	467.7	322.5	713.4	836.7	837.2
Bills Payable	6,324.9	7,090.2	4,001.8	3,697.7	2,226.8
Bonds Payable, net	3,925.5	5,522.1	5,592.7	4,984.4	5,269.8
Unsecured Subordinated Debt, net	-	0.0	-	-	-
Other Liabilities	463.0	645.2	377.0	337.6	452.5
Due to HO/Br./Agencies/FCDU/RBU, net [4]	1,193.2	1,006.3	972.2	1,028.7	523.1
Total Capital Accounts [5]	569.0	1,129.0	1,652.2	922.7	1,140.4

1 Net of interest expenses and provision for losses on accrued interest income from financial assets

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

3 Inclusive of General Loan Loss Provision

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

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

p/ preliminary

Appendix 11. Foreign Currency Deposit Unit: Growth Rates

	End-December			End-June	
	2018	2019	2020	2020	2021 p/
Growth Rates					
Income Statement					
Total Operating Income	3.1 %	31.5%	6.1%	23.1 %	(3.9 %)
Net Interest Income	12.6 %	7.3%	(9.1 %)	(8.2 %)	(9.6 %)
Non-interest Income	(27.3 %)	151.8%	38.1%	122.2 %	3.5%
Non-Interest Expenses	9.9 %	0.2%	(6.8 %)	(14.8 %)	1.1%
Losses/Recoveries on Financial Assets	56.9 %	79.1%	42.4%	98.8 %	44.1%
Bad Debts/Provision for Credit Losses	64.2 %	89.2%	27.7%	57.1 %	39.3%
Recovery on Charged-Off Assets	307.7 %	220.6%	(79.8 %)	(69.6 %)	(54.8 %)
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subs., Associates & Joint Ventures	(0.2 %)	36.3%	5.6%	26.4 %	(8.7 %)
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates & Joint Ventures					
Total Profit/Loss Before Tax & Before Minority Interest	(0.2 %)	36.3%	5.6%	26.4 %	(8.7 %)
Income Tax Expense	36.2 %	21.4%	(3.0 %)	30.6 %	(3.4 %)
Total Profit/Loss After Tax & Before Minority Interest	(1.3 %)	36.9%	5.9%	26.3 %	(8.9 %)
Minority Interest in Profit/(Loss) of Subsidiaries					
Net Profit or Loss	(1.3 %)	36.9%	5.9%	26.3 %	(8.9 %)
Balance Sheet					
Total Assets [1]	5.2 %	7.4%	2.9%	0.1 %	0.7%
Cash and Due from Banks	(37.9 %)	23.9%	28.4%	24.0 %	(2.9 %)
Financial Assets, gross	21.2 %	3.4%	1.6%	(5.2 %)	10.7%
Allowance for Credit Losses	22.2 %	12.4%	35.9%	5.6 %	42.3%
Accumulated Market Gains/Losses	(391.2 %)	(203.6 %)	78.0%	74.1 %	(28.3 %)
Financial Assets, net	20.2 %	4.6%	2.0%	(4.8 %)	10.3%
Interbank Loans Receivable (IBL), net	(10.5 %)	(6.4 %)	59.4%	23.9 %	13.3%
Loans, gross (exclusive of IBL)	5.9 %	11.2%	(8.4 %)	(1.0 %)	(12.8 %)
Allowance for Probable Losses [2]	20.8 %	43.5%	79.3%	49.9 %	73.3%
Loans, net (exclusive of IBL)	5.8 %	10.9%	(9.6 %)	(1.6 %)	(14.4 %)
Equity investments, net					
ROPA, net	0.2 %	926.7%	7.7%	908.7 %	5.5%
Other Assets, net	19.6 %	(0.2 %)	(46.9 %)	(35.4 %)	(7.1 %)
Total Liabilities	5.6 %	6.4%	2.0%	(0.3 %)	0.3%
Financial Liabilities Held for Trading	(3.5 %)	(27.5 %)	70.8%	77.1 %	(43.9 %)
Financial Liabilities DFVPL					
Deposit Liabilities	1.8 %	3.0 %	9.7%	6.0 %	4.1%
Due to Other Banks	(11.6 %)	(31.0 %)	121.2%	138.3 %	0.1%
Bills Payable	(0.8 %)	12.1%	(43.6 %)	(45.5 %)	(39.8 %)
Bonds Payable, net	81.7 %	40.7%	1.3%	3.4 %	5.7%
Unsecured Subordinated Debt, net					
Other Liabilities	28.4 %	39.3%	(41.6 %)	(38.4 %)	34.0%
Due to HO/Br./Agencies/FCDU/RBU, net [3]	37.2 %	(15.7 %)	(3.4 %)	(7.7 %)	(49.2 %)
Total Capital Accounts [4]	(18.1 %)	98.4%	46.3%	33.5 %	23.6%

1 Adjusted to net off the account "Due from Head Office" with "Due to Head Office" of branches of foreign banks
2 Inclusive of 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	
	2018	2019	2020	2020	2021 p/
Selected Ratios					
Liquidity					
Liquid Assets to Deposits [1] (excl. of ROPs)	50.4	55.5	60.1	48.0	56.8
Liquid Assets to Deposits [1] (incl. of ROPs)	78.6	81.9	79.3	72.5	75.0
Loans, gross to Deposits	51.8	54.5	50.2	53.7	47.6
Asset Quality					
Non-Performing Loans (NPL) Ratio [2]	0.1	0.1	2.2	1.5	5.1
NPL Coverage Ratio [2]	846.2	94.2	116.6	119.0	68.6
Non-Performing Assets (NPA) to Gross Assets [2]	0.0	0.5	0.7	0.5	1.5
NPA Coverage Ratio [2]	742.8	82.0	105.2	107.8	65.4
Profitability					
Cost to Income Ratio	17.4	14.0	12.3	11.7	12.7
Return on Assets (RoA)	1.6	2.0	2	2.2	2.0
Net Interest Margin	1.6	1.8	1.6	1.7	1.5

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 and NBFIs): Financial Highlights

Levels (P Billion)	End-December 2018	End-December 2019	End-December 2020	End-June 2020	End-June 2021
TOTAL ASSETS	**3,429.3**	**3,973.1**	**4,633.1**	**4,070.1**	**4,820.4**
Cash and Due from banks	1.3	0.4	0.3	0.3	0.3
Cash on Hand, Checks and Other Cash Items	0.0	0.0	0.0	0.0	0.0
Reserve Deposit Accounts	0.0	0.0	-	-	-
Special Deposit Accounts	0.0	0.0	-	-	-
Demand Deposit Account	1.3	0.4	0.3	0.3	0.3
Overnight Deposit Account	0.0	0.0	-	-	-
Term Deposit Account	0.0	0.0	-	-	-
Deposits in Banks	965.0	1,036.8	1,058.4	1,016.9	1,095.5
Financial Assets, gross (net of amortization)	2,135.5	2,526.1	3,091.7	2,624.8	3,220.6
Accumulated Market Gains/Losses	(37.8)	22.5	46.6	37.3	37.2
Allowance for Credit Losses	1.8	0.7	0.9	0.5	0.2
Financial Assets, net	2,095.9	2,547.9	3,137.3	2,661.6	3,257.6
Loans, (gross)	75.3	91.0	100.0	92.5	112.6
Allowance for probable losses	1.8	2.3	3.1	3.2	3.9
Loans, net	73.4	88.6	96.9	89.3	108.6
Equity Investments (gross)	3.2	5.7	8.1	5.7	5.6
Allowance for probable losses	2.5	2.5	2.5	2.5	2.5
Accumulated Market Gain/(Loss)	0.0	0.0	-	-	-
Equity Investments (net)	0.7	3.2	5.5	3.1	3.0
ROPA (net)	0.1	0.1	0.1	0.1	0.1
Sales Contract Receivables (Non-Performing)	0.0	0.0	-	-	-
Other assets	292.9	296.1	334.5	298.8	355.2
TOTAL ACCOUNTABILITIES	**3,429.3**	**3,973.1**	**4,633.1**	**4,070.1**	**4,820.4**
Wealth/Asset/Fund Management Accounts (Tr	1,366.2	1,670.0	2,243.3	1,777.2	2,330.0
UITF	604.2	820.8	1,180.2	931.3	1,255.4
Employee Benefit	363.3	407.0	440.5	416.4	443.7
Pre-Need	115.5	121.2	125.0	122.3	126.4
Other Institutional Trust Accounts	32.3	38.6	39.6	39.6	39.2
Personal Trust	230.1	258.1	432.5	243.9	430.5
Personal Pension Fund	-	-	0.0	-	-
Personal Retirement Fund	0.1	0.1	0.1	0.1	0.1
Other IndividualTrust Accounts	20.7	24.1	25.4	23.6	34.8
Wealth/Asset/Fund Management Accounts (Ag	1,596.9	1,828.0	1,959.4	1,820.5	2,035.0
Employee Benefit	50.6	56.6	57.9	54.5	56.1
Pre-Need	0.8	0.8	0.8	1.2	0.8
Other Institutional Agency Accounts	825.6	951.7	1,013.3	919.6	1,050.0
Personal Pension Fund	-	-	-	-	-
Personal Retirement Fund	0.0	0.0	0.0	0.0	0.0
Other Individual Agency Accounts	719.9	818.9	887.4	845.2	928.1
Other Fiduciary Services	465.8	474.3	429.4	471.7	454.5
UITF	11.6	14.0	13.7	15.1	13.2
Court Trusts	65.5	65.2	2.4	65.2	2.4
Corporate Fiduciary Trust	65.1	58.4	51.3	54.7	48.9
Escrow	40.9	45.8	45.1	48.9	55.6
Custodianship	246.5	244.4	280.3	247.0	300.4
Safekeeping	0.0	0.0	0.0	0.0	0.0
Others	36.2	46.5	36.6	40.8	33.9
Advisory/Consultancy	0.0	0.0	0.0	0.0	0.0
Special Purpose Trust	0.5	0.7	1.0	0.8	0.9

Figures may not add up due to rounding-off

0.0 Less than P0.05 billion

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

	End-December			End-June	
	2018	2019	2020	2020	2021
TOTAL ASSETS	0.3 %	15.9 %	16.6 %	9.9 %	18.4 %
Cash and Due from banks	(36.3%)	(70.2%)	(9.4%)	(51.2 %)	1.9 %
Cash on Hand, Checks and Other Cash Items	756.4 %	277.7 %	(83.0%)	448.7 %	230.0 %
Reserve Deposit Accounts					
Special Deposit Accounts					
Demand Deposit Account	(36.4%)	(70.9%)	(7.4%)	(51.3 %)	1.5 %
Overnight Deposit Account					
Term Deposit Account					
Deposits in Banks	7.1 %	7.4 %	2.1 %	5.7 %	7.7 %
Financial Assets, gross (net of amortization)	12.3 %	18.3 %	22.4 %	11.6 %	22.7 %
Accumulated Market Gains/Losses	(147.3%)	(159.5%)	107.4 %	126.1 %	(0.2 %)
Allowance for Credit Losses	77.5 %	(63.5%)	37.7 %	11.5 %	(62.8 %)
Financial Assets, net	5.9 %	21.6 %	23.1 %	12.4 %	22.4 %
Loans, (gross)	(12.1%)	20.9 %	9.9 %	21.4 %	21.7 %
Allowance for probable losses	(37.3%)	26.9 %	31.8 %	40.6 %	21.1 %
Loans, net	(11.2%)	20.8 %	9.4 %	20.8 %	21.7 %
Equity Investments (gross)	(96.1%)	79.2 %	40.1 %	80.1 %	(1.7 %)
Allowance for probable losses	(6.0%)	2.6 %		2.7 %	0.0 %
Accumulated Market Gain/(Loss)					
Equity Investments (net)	(99.1%)	333.4 %	71.5 %	359.8 %	(3.0 %)
ROPA (net)	17.4 %	(7.4%)	(0.7%)	(5.8 %)	(16.0 %)
Sales Contract Receivables (Non-Performing)					
Other assets	(21.6%)	1.1%	13.0 %	0.3 %	18.9 %
TOTAL ACCOUNTABILITIES	0.3 %	15.9 %	16.6 %	9.9 %	18.4 %
Wealth/Asset/Fund Management Accounts (Trust)	(13.2%)	22.2 %	34.3 %	24.4 %	31.1 %
UITF	(21.3%)	35.9 %	43.8 %	51.3 %	34.8 %
Employee Benefit	3.2 %	12.0 %	8.2 %	6.7 %	6.6 %
Pre-Need	(1.5%)	4.9 %	3.1 %	5.1 %	3.3 %
Other Institutional Trust Accounts	(9.8%)	19.4 %	2.6 %	2.1 %	(1.0 %)
Personal Trust	(19.6%)	12.2 %	67.5 %	0.2 %	76.5 %
Personal Pension Fund					
Personal Retirement Fund	(3.5%)	2.7 %	0.3 %	2.8 %	(1.6 %)
Other IndividualTrust Accounts	39.4 %	16.5 %	5.4 %	(2.7 %)	47.4 %
Wealth/Asset/Fund Management Accounts (Agenc	23.1 %	14.5 %	7.2 %	0.8 %	11.8 %
Employee Benefit	(5.1%)	12.0 %	2.4 %	(0.7 %)	3.0 %
Pre-Need	(2.3%)	6.1 %	(6.4%)	30.9 %	(33.3 %)
Other Institutional Agency Accounts	4.1 %	15.3 %	6.5 %	0.5 %	14.2 %
Personal Pension Fund					
Personal Retirement Fund	(33.7%)	(4.5%)	(1.6%)	0.8 %	(2.1 %)
Other Individual Agency Accounts	59.8 %	13.8 %	8.4 %	1.2 %	9.8 %
Other Fiduciary Services	(14.7%)	1.8 %	(9.5%)	0.9 %	(3.6 %)
UITF	(17.5%)	20.9 %	(1.9%)	12.2 %	(12.3 %)
Court Trusts	(0.4%)	(0.5%)	(96.3%)	(0.2 %)	(96.3 %)
Corporate Fiduciary Trust	32.7 %	(10.4%)	(12.1%)	(14.3 %)	(10.5 %)
Escrow	(1.8%)	12.1 %	(1.6%)	14.8 %	13.8 %
Custodianship	(25.8%)	(0.9%)	14.7 %	1.8 %	21.6 %
Safekeeping	3.0 %	(13.8%)	1.1 %	5.3 %	(2.6 %)
Others	(15.6%)	28.7%	(21.3%)	3.1 %	(17.0 %)
Advisory/Consultancy	2.8 %	2.7 %	0.0 %	0.0 %	0.0 %
Special Purpose Trust	(3.5%)	52.9 %	42.2 %	61.7 %	20.6 %

0.0% *Less than 0.05%*

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

Selected Ratios	End-December 2018	End-December 2019	End-December 2020	End-June 2020	End-June 2021
Liquidity					
Cash and Due from Banks to Total Accountabilities	0.0%	0.0%	0.0%	0.0%	0.0%
Liquid Assets to Total Accountabilities	62.3%	63.6%	66.7%	64.5%	66.8%
Loans (gross) to Total Accountabilities	2.2%	2.3%	2.2%	2.3%	2.3%
Asset Quality					
Non-Performing Loans (NPL) Ratio	0.9%	1.1%	1.0%	1.1%	0.8%
NPL Coverage Ratio	268.6%	244.7%	320.2%	330.9%	424.9%
Non-Performing Assets (NPA) to Gross Assets	0.0%	0.0%	0.0%	0.0%	0.0%
NPA Coverage Ratio	225.0%	217.8%	283.9%	293.7%	385.2%

0.0% *Less than 0.05%*

Appendix 16. Total Trust Operations (Philippine Banks and NBFIs): Balance Sheet Structure, Percent Share

	End-December			End-June	
	2018	2019	2020	2020	2021
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	28.1 %	26.1 %	22.8 %	25.0 %	22.7 %
Financial Assets, gross (net of amortization)	62.3 %	63.6 %	66.7 %	64.5 %	66.8 %
Accumulated Market Gains/Losses	(1.1 %)	0.6 %	1.0 %	0.9 %	0.8 %
Allowance for Credit Losses	0.1 %	...	...	...	...
Financial Assets, net	61.1 %	64.1 %	67.7 %	65.4 %	67.6 %
Loans, (gross)	2.2 %	2.3 %	2.2 %	2.3 %	2.3 %
Allowance for probable losses	0.1 %	0.1 %	0.1 %	0.1 %	0.1 %
Loans, net	2.1 %	2.2 %	2.1 %	2.2 %	2.3 %
Equity Investments (gross)	0.1 %	0.1 %	0.2 %	0.1 %	0.1 %
Allowance for probable losses	0.1 %	0.1 %	0.1 %	0.1 %	0.1 %
Accumulated Market Gain/(Loss)	...	...	...	...	...
Equity Investments (net)	...	0.1 %	0.1 %	0.1 %	0.1 %
ROPA (net)	...	...	...	...	...
Sales Contract Receivables (Non-Performing)	...	...	...	...	...
Other assets	8.6 %	7.5 %	7.2 %	7.3 %	7.4 %
TOTAL ACCOUNTABILITIES	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Wealth/Asset/Fund Management Accounts (Trust)	39.8 %	42.0 %	48.4 %	43.7 %	48.3 %
UITF	17.6 %	20.7 %	25.5 %	22.9 %	26.0 %
Employee Benefit	10.6 %	10.2 %	9.5 %	10.2 %	9.2 %
Pre-Need	3.4 %	3.1 %	2.7 %	3.0 %	2.6 %
Other Institutional Trust Accounts	0.9 %	1.0 %	0.9 %	1.0 %	0.8 %
Personal Trust	6.7 %	6.5 %	9.3 %	6.0 %	8.9 %
Personal Pension Fund	...	...	...	...	...
Personal Retirement Fund	...	...	...	...	...
Other Individual Trust Accounts	0.6 %	0.6 %	0.5 %	0.6 %	0.7 %
Wealth/Asset/Fund Management Accounts (Agency)	46.6 %	46.0 %	42.3 %	44.7 %	42.2 %
Employee Benefit	1.5 %	1.4 %	1.3 %	1.3 %	1.2 %
Pre-Need	...	...	...	...	...
Other Institutional Agency Accounts	24.1 %	24.0 %	21.9 %	22.6 %	21.8 %
Personal Pension Fund	...	...	...	...	...
Personal Retirement Fund	...	...	...	...	...
Other Individual Agency Accounts	21.0 %	20.6 %	19.2 %	20.8 %	19.3 %
Other Fiduciary Services	13.6 %	11.9 %	9.3 %	11.6 %	9.4 %
UITF	0.3 %	0.4 %	0.3 %	0.4 %	0.3 %
Court Trusts	1.9 %	1.6 %	0.1 %	1.6 %	...
Corporate Fiduciary Trust	1.9 %	1.5 %	1.1 %	1.3 %	1.0 %
Escrow	1.2 %	1.2 %	1.0 %	1.2 %	1.2 %
Custodianship	7.2 %	6.2 %	6.0 %	6.1 %	6.2 %
Safekeeping	...	...	...	...	...
Others	1.1 %	1.2 %	0.8 %	1.0 %	0.7 %
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 2018	End-December 2019	End-December 2020	End-June 2020	End-June 2021
Income Statement					
Total Operating Income	26.0	27.2	8.4	**3.9**	**4.0**
Net Interest Income	20.7	21.3	6.6	**3.4**	**3.1**
Non-interest Income	5.3	5.9	1.8	**0.4**	**0.9**
Operating Expenses	15.9	17.4	7.8	**3.0**	**3.7**
Bad Debts/Provisions for Probable Losses	5.7	6.5	3.1	**0.7**	**1.5**
Other Operating Expenses	10.2	10.9	4.7	**2.3**	**2.1**
Net Operating Income	10.2	9.8	0.6	0.9	0.3
Extraordinary Credits/(Charges)	1.2	0.1	(0.01)	**0.0**	**0.0**
Net Income Before Tax	11.4	10.7	0.6	**0.9**	**0.4**
Provisions for Income Tax	3.3	2.9	(0.1)	**0.3**	**0.1**
Net Income After Tax (NIAT)	8.1	7.8	0.7	**0.6**	**0.3**
Balance Sheet					
Total Assets	282.2	279.4	193.0	**183.8**	**170.6**
Cash and Due from Banks	40.2	28.4	27.1	**22.7**	**20.4**
Interbank Loans Receivable (IBL)	0.0	1.2	0.0	**0.0**	**0.0**
Loans, gross (inclusive of IBL)	196.7	221.5	140.9	**133.4**	**140.0**
Allowance for Probable Losses	6.8	7.4	0.4	**2.8**	**5.3**
Loans, net (inclusive of IBL)	189.9	214.1	136.5	**130.6**	**134.7**
Investments, net	40.2	25.4	20.8	**22.0**	**9.2**
ROPA, net	0.7	0.9	1.3	**0.9**	**1.3**
Other Assets	11.9	11.5	8.6	**8.4**	**6.3**
Total Liabilities	227.4	220.2	152.1	**144.4**	**144.3**
Bills Payable	191.0	178.2	112.4	**112.8**	**109.5**
Other Liabilities	36.3	42.0	39.7	**31.6**	**34.8**
Total Capital Accounts	54.8	59.2	40.9	**39.3**	**26.3**

Figures may not add up due to rounding-off

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

Selected Performance Indicators

	End-December			End-June
Growth Rates	**2018**	**2019**	**2020**	**2021**
Income Statement				
Total Operating Income	0.5%	4.6%	(69.2 %)	3.9 %
Net Interest Income	10.0%	2.9%	(69.0 %)	(8.5 %)
Operating Expenses	13.3%	9.4%	(55.4 %)	23.4 %
Bad Debts/Provisions for Probable Losses	18.4%	14.6%	(52.9 %)	121.7 %
Other Operating Expenses	10.6%	6.9%	(56.9 %)	(6.4 %)
Net Operating Income	(13.8%)	-3.9%	(93.9 %)	(60.9 %)
Extraordinary Credits/(Charges)	4.7%	-91.7%	(110.0 %)	66.7 %
Net Income Before Tax	(12.2%)	-6.1%	(94.4 %)	(57.0 %)
Provisions for Income Tax	(7.2%)	-12.1%	(103.4 %)	(60.0 %)
Net Income After Tax (NIAT)	(14.0%)	-3.7%	(91.0 %)	(55.5 %)
Balance Sheet				
Total Assets	8.2 %	(1.0 %)	(30.9 %)	(7.1 %)
Cash and due from Banks	(4.3 %)	(29.4 %)	(4.6 %)	(10.1 %)
Interbank Loans Receivable (IBL)	(100.0 %)	100.0 %	(100.0 %)	-
Loans, gross (inclusive of IBL)	17.6 %	12.6 %	(36.4 %)	5.0 %
Allowance for Probable Losses	70.1 %	8.8 %	(94.6 %)	90.0 %
Loans, net (exclusive of IBL)	16.3 %	12.7 %	(36.2 %)	3.2 %
Investments, net	(9.3 %)	(36.9 %)	(18.0 %)	(58.2 %)
ROPA, net	7.9 %	32.2 %	40.5 %	44.0 %
Other Assets	21.2 %	(3.2 %)	(25.4 %)	(25.7 %)
Total Liabilities	8.3 %	(3.2 %)	(30.9 %)	(0.1 %)
Bills Payable	7.6 %	(6.7 %)	(36.9 %)	(2.9 %)
Other Liabilities	12.0 %	15.7 %	(5.5 %)	10.0 %
Total Capital Accounts	7.5 %	8.1 %	(31.0 %)	(33.1 %)
Selected Ratios				
Profitability				
Cost-to-Income 1/	39.0 %	40.1 %	55.9 %	42.9 %
Return on Assets (ROA)	3.0 %	2.8 %	0.3 %	2.8 %
Return on Equity (ROE)	15.3 %	13.7 %	1.3 %	15.4 %
Asset Quality				
Non-performing Loans (NPL)	3.8 %	4.7 %	9.6 %	10.4 %
NPL Coverage	91.0 %	70.8 %	32.8 %	36.0 %
Non-Performing Assets (NPA) to Gross Assets	3.7 %	4.0 %	7.6 %	9.1 %
NPA Coverage	125.9 %	65.5 %	30.9 %	33.8 %

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

	End-December			End-June
Levels (P Billion)	**2018**	**2019**	**2020**	**2021**
Total Operating Income	26.0	27.2	8.4	4.0
Net Interest Income	20.7	21.3	6.6	3.1
Interest Income	1.4	1.3	0.8	0.2
Interest Expenses	8.0	10.9	6.5	3.2
Non-interest Income	5.3	5.9	1.8	0.9
Fee-based Income	4.5	4.0	1.1	0.7
Trading Income	(0.3)	0.6	0.2	0.0
Other Income	1.1	1.3	0.6	0.1
Operating Expenses	15.9	17.4	7.8	3.7
Bad Debts/Provisions for Probable Losses	5.7	6.5	3.1	1.5
Other Operating Expenses	10.2	10.9	4.7	2.1
Net Operating Income	10.2	9.8	0.6	0.3
Extraordinary Credits/(Charges)	1.2	0.1	(0.0)	0.0
Net Income Before Tax	11.4	10.7		0.4
Provisions for Income Tax	3.3	2.9	(0.1)	0.1
Net Income After Tax (NIAT)	8.1	7.8	0.7	0.3
Growth Rates				
Total Operating Income	0.5 %	4.6 %	(69.2 %)	3.9 %
Net Interest Income	10.0 %	2.9 %	(69.0 %)	(8.5 %)
Interest Income	(94.3 %)	(7.1 %)	(37.8 %)	(51.9 %)
Interest Expenses	41.0 %	36.3 %	(40.7 %)	(3.9 %)
Non-interest Income	(24.8 %)	11.3 %	(69.7 %)	98.8 %
Fee-based Income	(10.1 %)	(11.1 %)	(73.5 %)	126.4 %
Trading Income	(138.3 %)	(300.0 %)	(71.6 %)	(212.2 %)
Other Income	(12.9 %)	18.2 %	(57.4 %)	15.8 %
Operating Expenses	13.3 %	9.4 %	(55.4 %)	23.4 %
Bad Debts/Provisions for Probable Losses	18.4 %	14.6 %	(3.1 %)	121.7 %
Other Operating Expenses	10.6 %	6.9 %	(57.0 %)	(6.4 %)
Net Operating Income	(13.8 %)	(3.9 %)	(93.7 %)	(60.9 %)
Extraordinary Credits/(Charges)	4.7 %	(91.7 %)	(109.1 %)	66.7 %
Net Income Before Tax	(12.2 %)	(6.1 %)	(94.3 %)	(57.0 %)
Provisions for Income Tax	(7.2 %)	(12.1 %)	(101.8 %)	(60.0 %)
Net Income After Tax (NIAT)	(14.0 %)	(3.7 %)	(91.5 %)	(55.5 %)
Selected Ratios				
Earning Asset Yield 1/	0.7 %	0.6 %	0.4 %	0.6 %
Funding Cost 2/	4.4 %	5.9 %	4.5 %	9.2 %
Interest Spread 3/	9.6 %	(5.4 %)	(4.0 %)	(8.5 %)
Net Interest Margin 4/	(3.7 %)	9.3 %	3.4 %	10.8 %
Non-interest Income to Total Operating	20.5 %	21.6 %	78.7 %	21.5 %
Cost-to-Income 5/	39.0 %	40.1 %	55.9 %	42.9 %
Return on Assets (ROA) 6/	3.0 %	2.8 %	0.3 %	2.8 %
Return on Equity (ROE) 6/	15.3 %	13.7 %	1.3 %	15.4 %

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-June
Levels (P Billion)	**2017**	**2018**	**2019**	**2020**	**2021**
Total Assets	260.9	282.2	279.4	193.0	170.6
Gross Assets [1/]	265.1	289.2	287.0	197.7	176.1
Total Loan Portfolio (TLP)	168.1	196.7	221.5	140.9	140.0
Interbank Loans Receivable (IBL)	0.8	-	1.2	0.0	0.0
TLP, net (inclusive of IBL)	163.3	189.9	214.1	136.5	134.7
Non-Performing Loans (NPL)	6.1	7.4	10.4	13.5	14.6
Loan Loss Reserves (LLR)	4.0	6.8	7.3	4.4	5.3
ROPA, gross	0.8	0.7	1.1	1.5	1.5
Allowance for ROPA	0.2	0.1	0.1	0.2	0.2
Restructured Loans (RL), gross	0.3	0.3	0.6	1.3	2.1
RL, current	0.0	0.0	0.0	0.5	0.8
Non-performing Assets (NPAs) [2/]	6.9	8.2	11.5	15.0	16.1
Allowance for Probable Losses on NPAs	4.2	6.9	7.5	4.6	5.4
Growth Rates					
Total Assets	18.0 %	8.2 %	(1.0 %)	(30.9 %)	(7.1 %)
Gross Assets [1/]	17.9 %	9.1 %	(0.8 %)	(100.0 %)	(5.7 %)
TLP	25.7 %	17.0 %	12.6 %	(36.4 %)	5.0 %
IBL	300.0 %	(100.0 %)	-	(100.0 %)	-
TLP, net (inclusive of IBL)	25.5 %	16.3 %	12.7 %	(36.2 %)	3.2 %
NPL	16.8 %	21.4 %	40.5 %	30.0 %	87.7 %
LLR	10.3 %	70.1 %	7.4 %	(39.3 %)	90.0 %
ROPA, gross	16.4 %	(13.8 %)	57.1 %	34.7 %	39.4 %
Allowance for ROPA	31.5 %	(38.7 %)	0.0 %	107.5 %	12.4 %
RL, gross	47.5 %	(10.2 %)	100.0 %	108.8 %	360.1 %
RL, current	(21.4 %)	(76.2 %)	207.3 %	1,381.3 %	5,030.2 %
NPAs [2/]	16.8 %	18.7 %	40.2 %	30.5 %	81.9 %
Allowance for Probable Losses on NPAs	11.0 %	65.9 %	8.7 %	(38.2 %)	85.9 %
Selected Ratios					
RL to TLP	0.2 %	0.2 %	0.3 %	0.3 %	1.5%
LLR to TLP	2.4 %	10.3 %	3.3 %	3.1 %	3.8%
NPL Ratio (inclusive of IBL)	3.6 %	3.8 %	4.7 %	9.6 %	10.4%
NPL Ratio (exclusive of IBL)	3.6 %	3.8 %	4.7 %	9.6 %	10.4%
NPL Coverage [3/]	65.5 %	91.0 %	70.8 %	32.8 %	36.0%
NPA to Gross Assets	2.6 %	3.7 %	4.0 %	7.6 %	9.1%
NPA Coverage [4/]	60.2 %	125.9 %	65.5 %	30.9 %	33.8%

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*

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 2018	2019	2020	End-June 2020	2021
Income Statement					
Total Operating Income	29.5	30.4	23.1	13.4	14.2
Net Interest Income	26.5	27.5	22.1	12.7	13.6
Non-interest Income	3.0	2.9	0.9	0.7	0.6
Operating Expenses	6.6	7.4	5.6	3.0	3.3
Bad Debts/Provisions for Probable	1.8	2.4	1.1	1.0	0.6
Other Operating Expenses	4.8	5.0	4.5	2.0	2.6
Net Operating Income	22.9	23.0	17.5	10.4	10.9
Extraordinary Credits/(Charges)	(1.6)	(0.5)	0.1	(0.1)	0.0
Net Income Before Tax	21.3	22.5	17.5	10.3	10.9
Provisions for Income Tax	0.0	0.0	0.0	0.0	0.0
Net Income After Tax (NIAT)	21.2	22.5	17.5	10.3	10.9
Balance Sheet					
Total Assets	226.4	260.1	266.9	265.5	270.0
Cash and Due from Banks	18.0	21.2	21.5	21.5	22.4
Loans, gross	197.5	226.1	234.2	228.4	241.0
Allowance for Probable Losses	20.4	20.6	20.9	21.7	22.1
Loans, net (inclusive of IBL)	177.1	205.5	213.3	206.8	218.8
Investments, net	18.3	19.2	19.8	19.1	21.0
Other Assets	13.0	14.1	12.3	18.2	7.8
Total Liabilities	72.8	89.1	92.3	94.6	96.1
Deposit Liabilities	48.3	59.0	70.7	66.0	76.7
Bills Payable	17.0	20.4	12.4	12.0	9.2
Other Liabilities	7.4	9.8	9.2	16.7	10.2
Total Capital Accounts	153.6	171.0	174.6	171.0	174.0

0.0 Less than P50 million

Figures may not add up due to rounding-off

/p preliminary

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

Selected Performance Indicators

	End-December			End-June	
	2018	2019	2020	2020	2021
Growth Rates					
Income Statement					
Total Operating Income	22.6 %	3.1 %	**(24.2 %)**	(6.9 %)	5.8 %
Net Interest Income	24.2 %	3.9 %	**(19.5 %)**	(1.5 %)	7.2 %
Non-interest Income	10.1 %	(3.4 %)	**(68.2 %)**	(52.8 %)	(18.0 %)
Operating Expenses	14.2 %	11.5 %	**(24.5 %)**	(27.9 %)	9.4 %
Bad Debts/Provisions for Probable	14.1 %	32.7 %	**(55.2 %)**	(47.9 %)	(39.5 %)
Other Operating Expenses	14.3 %	3.6 %	**(9.8 %)**	(9.7 %)	35.2 %
Net Operating Income	25.3 %	0.7 %	**(24.1 %)**	1.6 %	4.8 %
Extraordinary Credits/(Charges)	95.6 %	(67.2 %)	**(113.5 %)**	(69.2 %)	(127.2 %)
Net Income Before Tax	22.0 %	5.7 %	**(22.0 %)**	3.9 %	6.1 %
Provisions for Income Tax	23.8 %	3.8 %	**(73.9 %)**	370.5 %	64.8 %
Net Income After Tax (NIAT)	22.0 %	5.7 %	**(21.9 %)**	3.8 %	6.0 %
Balance Sheet					
Total Assets	17.0 %	14.9 %	**2.6 %**	14.1 %	1.7 %
Cash and Due from Banks	(23.6 %)	18.2 %	**1.1 %**	43.3 %	4.3 %
Loans, gross	28.9 %	14.5 %	**3.6 %**	7.4 %	5.5 %
Allowance for Probable Losses	11.6 %	0.8 %	**1.5 %**	2.1 %	1.9 %
Loans, net	31.3 %	16.1 %	**3.8 %**	8.0 %	5.8 %
Investments, net	(21.7 %)	4.9 %	**3.3 %**	0.9 %	10.0 %
Other Assets	10.9 %	8.6 %	**(13.1 %)**	148.7 %	(57.0 %)
Total Liabilities	32.0 %	22.5 %	**3.5 %**	21.8 %	1.6 %
Deposit Liabilities	12.4 %	22.0 %	**19.8 %**	21.8 %	16.3 %
Bills Payable	243.0 %	19.5 %	**(38.9 %)**	(31.3 %)	(23.0 %)
Other Liabilities	3.4 %	32.6 %	**(6.5 %)**	175.0 %	(39.0 %)
Total Capital Accounts	11.0 %	11.3 %	**2.1 %**	10.3 %	1.8 %
Selected Ratios					
Profitability					
Cost-to-Income 1/	16.4 %	16.6 %	**19.6 %**	15.1 %	21.8 %
Return on Assets (ROA)	9.7 %	9.3 %	**6.9 %**	8.8 %	6.8 %
Return on Equity (ROE)	14.5%	13.9%	**10.4%**	13.5%	10.5%
Liquidity					
Cash and Due from Banks to Deposits	37.2 %	36.0 %	**30.4 %**	32.6 %	29.2 %
Liquid Assets to Deposits 2/	75.0 %	68.6 %	**58.4 %**	61.5 %	56.5 %
Loans, gross to Deposits	408.6 %	383.4 %	**331.5 %**	346.3 %	314.2 %
Asset Quality					
Non-performing Loans (NPL) Ratio	9.1 %	7.0 %	**7.9 %**	7.0 %	7.7 %
NPL Coverage	114.2 %	130.4 %	**112.8 %**	136.4 %	119.2 %
Non-performing Assets (NPA) to Gross	7.3 %	5.6 %	**6.5 %**	5.5 %	6.4 %
NPA Coverage	113.8 %	130.0 %	**112.2 %**	135.9 %	118.5 %
Capital Adequacy					
Total Capital Accounts to Total Assets	62.2 %	60.9 %	**65.4 %**	64.4 %	64.4 %
Paid-in Capital to Total Capital Accounts	77.4 %	76.6 %	**74.9 %**	78.5 %	77.1 %
Business Mix					
Total Investments (gross) to Total Assets	7.4 %	6.8 %	**7.4 %**	7.2 %	7.8 %
Total Loans (gross) to Total Assets	80.0 %	80.6 %	**87.8 %**	86.0 %	89.2 %

1/ Cost-to-Income Ratio refers to operating expenses, exclusive of bad debts and provisions to total operating income
2/ Liquid Assets refers to Cash and Due from Banks plus Investments,net (less equity investments,net)
Figures may not add up due to rounding-off
/p preliminary

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

Profitability Indicators

	2018	2019	2020	End-June 2020	End-June 2021 /p
Income Statement					
Total Operating Income	29.5	30.4	23.1	13.4	14.2
Net Interest Income	26.5	27.5	22.1	12.7	13.6
Interest Income	29.1	31.1	25.4	14.5	15.4
Interest Expenses	2.7	3.6	3.3	1.8	1.8
Non-interest Income	3.0	2.9	0.9	0.7	0.6
Fee-based Income	2.1	2.1	0.7	0.4	0.4
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	0.8	0.3	0.3	0.2
Operating Expenses	6.6	7.4	5.6	3.0	3.3
Bad Debts/Provisions for Probable	1.8	2.4	1.1	1.0	0.6
Other Operating Expenses	4.8	5.0	4.5	2.0	2.6
Net Operating Income	22.9	23.0	17.5	10.4	10.9
Extraordinary Credits/(Charges)	(1.6)	(0.5)	0.1	(0.1)	0.0
Net Income Before Tax	21.3	22.5	17.5	10.3	10.9
Provisions for Income Tax	0.0	0.0	0.0	0.0	0.0
Net Income After Tax (NIAT)	21.2	22.5	17.5	10.3	10.9
Growth Rates					
Total Operating Income	22.6 %	3.1 %	(24.2 %)	(6.9 %)	5.8 %
Net Interest Income	24.2 %	3.9 %	(19.5 %)	(1.5 %)	7.2 %
Interest Income	25.8 %	6.7 %	(18.2 %)	(0.5 %)	6.4 %
Interest Expenses	44.1 %	35.1 %	(8.1 %)	7.3 %	0.7 %
Non-interest Income	10.1 %	(3.4 %)	(68.2 %)	(52.8 %)	(18.0 %)
Fee-based Income	14.8 %	(1.7 %)	(68.6 %)	(63.4 %)	1.7 %
Trading Income	-	-	-	-	-
Trust department income	-	-	-	-	-
Other Income	0.2 %	(7.6 %)	(67.6 %)	(24.6 %)	(46.3 %)
Operating Expenses	14.2 %	11.5 %	(24.5 %)	(27.9 %)	9.4 %
Bad Debts/Provisions for Probable	14.1 %	32.7 %	(55.2 %)	(47.9 %)	(39.5 %)
Other Operating Expenses	14.3 %	3.6 %	(9.8 %)	(9.7 %)	35.2 %
Net Operating Income	25.3 %	0.7 %	(24.1 %)	1.6 %	4.8 %
Extraordinary Credits/(Charges)	95.6 %	(67.2 %)	(113.5 %)	(69.2 %)	(127.2 %)
Net Income Before Tax	22.0 %	5.7 %	(22.0 %)	3.9 %	6.1 %
Provisions for Income Tax	23.8%	3.8 %	(73.9 %)	370.5 %	64.8 %
Net Income After Tax (NIAT)	22.0 %	5.7 %	(21.9 %)	3.8 %	6.0 %
Selected Ratios					
Cost-to-Income 1/	16.4 %	16.6 %	19.6 %	15.1 %	**21.8 %**
Return on Assets (ROA) 2/	9.7 %	9.3 %	6.9 %	8.8 %	**6.8 %**
Return on Equity (ROE) 2/	14.5%	13.9%	10.4%	13.5%	**10.5 %**

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
/p preliminary

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

Asset Quality Indicators

				End-June	
Levels (P Billion)	**2018**	**2019**	**2020**	**2020**	**2021 /p**
Total Assets	226.4	260.1	266.9	265.5	270.0
Gross Assets [1/]	246.8	280.7	287.8	287.2	292.1
Total Loan Portfolio (TLP)	197.5	226.1	234.2	228.4	241.0
TLP, exclusive of IBL	177.1	205.0	213.3	206.8	218.8
TLP, net (exclusive of IBL)	177.1	205.5	213.3	206.8	218.8
Non-performing Loans (NPL)	17.9	15.7	18.5	15.9	18.5
Loan Loss Reserves (LLR)	20.4	20.5	20.9	21.7	22.1
ROPA, gross	0.1	0.1	0.2	0.1	0.2
Non-Performing Assets (NPAs) [2/]	17.9	15.8	18.8	15.9	18.8
Allowance for Probable Losses on NPAs	20.4	20.5	21.1	21.7	22.2
Growth Rates					
Total Assets	17.0 %	14.9 %	2.6 %	14.1 %	1.7 %
Gross Assets [1/]	16.5 %	13.7 %	2.5 %	13.1 %	1.7 %
TLP	28.9 %	14.5 %	3.6 %	7.4 %	5.5 %
TLP (exclusive of IBL)	31.3 %	15.8 %	4.0 %	8.0 %	5.8 %
TLP, net (exclusive of IBL)	31.3 %	16.1 %	3.8 %	8.0 %	5.8 %
NPL	19.3 %	(12.1 %)	17.9 %	(14.5 %)	16.6 %
LLR	11.6 %	0.4 %	1.9 %	2.1 %	1.9 %
ROPA, gross	(9.7 %)	(3.0 %)	319.0 %	17.8 %	313.6 %
NPAs [2/]	19.1 %	(12.1 %)	19.0 %	(14.4 %)	17.7 %
Allowance for Probable Losses on NPAs	11.6 %	0.4 %	2.6 %	2.1 %	2.6 %
Selected Ratios					
LLR to TLP	10.3 %	9.1 %	8.9 %	9.5 %	9.2 %
NPL Ratio (inclusive of IBL)	9.1 %	7.0 %	7.9 %	7.0 %	7.7 %
NPL Coverage [3/]	114.2 %	130.5 %	112.8 %	136.4 %	119.2 %
NPA to Gross Assets	99.8 %	74.2 %	87.4 %	74.2 %	83.7 %
NPA Coverage [4/]	113.8 %	130.0 %	112.2 %	135.9 %	118.5 %

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

2/ *NPA refers to NPLs plus ROPA, gross*

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

4/ *NPA Coverage refers to the ratio of Allowance for Probable Losses on NPAs to NPAs*

... *less than P 50 million*

/p *preliminary*

Appendix 25

PHYSICAL COMPOSITION

Financial Institutions Under BSP Supervision/Regulation

As of Semesters-Ended Indicated

TYPE OF FINANCIAL INSTITUTION (FI)	JUNE 2020			DECEMBER 2020			JUNE 2021 p/		
	TOTAL	HEAD OFFICES	OTHER OFFICES	TOTAL	HEAD OFFICES	OTHER OFFICES	TOTAL	HEAD OFFICES	OTHER OFFICES
BSP SUPERVISED/REGULATED FIs 1/	**34,742**	**2,579**	**32,163**	**35,365**	**2,544**	**32,821**	**36,396**	**2,577**	**33,819**
I. BANKS 2/	**12,912**	**541**	**12,371**	**13,044**	**535**	**12,509**	**13,126**	**523**	**12,603**
A. Universal and Commercial Banks	**6,993**	**46**	**6,947**	**7,029**	**46**	**6,983**	**7,041**	**46**	**6,995**
Universal Banks	**6,420**	**21**	**6,399**	**6,454**	**21**	**6,433**	**6,463**	**21**	**6,442**
Private Domestic Banks	5,791	12	5,779	5,815	12	5,803	5,825	12	5,813
Government Banks	617	3	614	627	3	624	628	3	625
Foreign Bank Branches	12	6	6	12	6	6	10	6	4
Commercial Banks	**573**	**25**	**548**	**575**	**25**	**550**	**578**	**25**	**553**
Private Domestic Banks	452	5	447	454	5	449	458	5	453
Foreign Bank Subsidiaries	99	2	97	99	2	97	98	2	96
Foreign Bank Branches	22	18	4	22	18	4	22	18	4
B. Thrift Banks	**2,654**	**48**	**2,606**	**2,685**	**48**	**2,637**	**2,770**	**48**	**2,722**
Financial Institution-Linked Banks	**1,267**	**12**	**1,255**	**1,273**	**12**	**1,261**	**1,308**	**13**	**1,295**
Domestic Bank-Controlled	1,229	9	1,220	1,235	9	1,226	1,270	10	1,260
Foreign Bank-Controlled	38	3	35	38	3	35	38	3	35
Domestic NBFI-Controlled									
Foreign NBFI-Controlled									
Non-Linked	**1,387**	**36**	**1,351**	**1,412**	**36**	**1,376**	**1,462**	**35**	**1,427**
C. Rural and Cooperative Banks	**3,265**	**447**	**2,818**	**3,330**	**441**	**2,889**	**3,315**	**429**	**2,886**
Rural Banks	2,232	415	1,817	2,254	410	1,844	2,213	398	1,815
Microfinance-oriented Rural Banks	870	7	863	909	7	902	935	7	928
Cooperative Banks	163	25	138	167	24	143	167	24	143
II. NON-BANK FINANCIAL INSTITUTIONS (NBFIs)	**21,829**	**2,037**	**19,792**	**22,320**	**2,008**	**20,312**	**23,269**	**2,053**	**21,216**
A. With Quasi-Banking Function	**134**	**7**	**127**	**134**	**7**	**127**	**132**	**6**	**126**
Investment Houses	3	2	1	3	2	1	1	1	
Financing Companies	130	4	126	130	4	126	130	4	126
Other Non-Bank with QBF Function	1	1		1	1		1	1	
B. Without Quasi-Banking Function	**21,695**	**2,030**	**19,665**	**22,186**	**2,001**	**20,185**	**23,137**	**2,047**	**21,090**
AAB - Forex Corporation	2	2		2	2		2	2	
Credit Card Companies	5	5		4	4		4	4	
Credit Granting Entities	9	9		9	9		9	9	
Electronic Money Issuer - Others	27	21	6	34	27	7	38	31	7
Financing Companies	49	19	30	50	20	30	51	21	30
Government Non-Bank Financial Institutions	2	2		2	2		2	2	
Investment Companies	1	1		1	1		1	1	
Investment Houses	11	11		11	11		13	12	1
Lending Investors	1	1		1	1		1	1	
Non-Stock Savings and Loan Associations	200	63	137	200	63	137	200	62	138
Pawnshops	14,381	1,092	13,289	14,641	1,090	13,551	15,228	1,131	14,097
Money Service Businesses 3/	6,990	787	6,203	7,214	754	6,460	7,570	753	6,817
Remittance Agent (Subsidiary of a Bank)									
Securities Dealers/Brokers	13	13		13	13		13	13	
Trust Corporation	4	4		4	4		5	5	
III. OFFSHORE BANKING UNITS (OBUs)	**1**	**1**		**1**	**1**		**1**	**1**	

1/ *Excludes Foreign Banks' Representative Offices (ROs) in the Philippines; Includes Money Service Businesses (MSBs)*

2/ *Includes ROs abroad of domestic banks*

3/ *Excludes Pawnshops multi-functioning as MSBs*

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 '20	End-Dec '20	End-Jun '21 p/	End-Jun '20	End-Dec '20	End-Jun '21 p/	End-Jun '20	End-Dec '20	End-Jun '21 p/	End-Jun '20	End-Dec '20	End-Jun '21 p/
ASSETS	**18,627.173**	**19,457.054**	**19,811.166**	**17,236.136**	**18,045.538**	**18,328.263**	**1,119.136**	**1,129.317**	**1,186.443**	**271.901**	**282.199**	**296.460**
Cash and Due from Banks	3,351.187	3,584.127	3,518.423	3,112.851	3,339.240	3,213.130	174.992	181.655	237.311	63.345	63.232	67.982
Loan Portfolio (net) 3/	10,515.907	10,505.399	10,377.922	9,622.247	9,596.766	9,495.633	758.496	763.741	735.590	135.165	144.893	146.699
Financial Assets (net)	3,730.453	4,328.713	4,914.152	3,581.497	4,183.005	4,725.337	103.857	100.363	135.717	45.099	45.345	53.098
Equity Investments (net)	259.376	261.695	271.659	254.569	256.805	268.811	4.310	4.374	2.337	0.497	0.516	0.510
ROPA (net)	93.240	92.746	93.088	66.922	66.280	66.807	17.568	17.643	17.479	8.751	8.823	8.803
Other Assets	677.009	684.374	635.921	598.051	603.443	558.545	59.913	61.541	58.009	19.044	19.390	19.367
LIABILITIES AND CAPITAL	**18,627.173**	**19,457.054**	**19,811.166**	**17,236.136**	**18,045.538**	**18,328.263**	**1,119.136**	**1,129.317**	**1,186.443**	**271.901**	**282.199**	**296.460**
Liabilities	**16,256.773**	**17,025.938**	**17,301.214**	**15,077.322**	**15,830.078**	**16,039.611**	**960.214**	**967.741**	**1,021.208**	**219.237**	**228.118**	**240.394**
Financial Liabilities Held for Tradin	47.120	47.272	42.049	47.120	47.272	42.044	0.000	0.000	0.005	-	-	-
Financial Liabilities DFVPL	-	-	-	-	-	-	-	-	-	-	-	-
Deposit Liabilities	14,262.654	14,895.016	15,346.100	13,198.101	13,818.681	14,198.974	867.433	870.648	926.425	197.121	205.687	220.701
Residents	14,153.516	14,768.794	15,197.697	13,092.476	13,696.163	14,054.370	863.921	866.950	922.631	197.120	205.681	220.696
Peso Liabilities	11,990.288	12,637.104	13,008.844	10,978.161	11,613.141	11,914.019	815.150	818.438	874.301	196.978	205.525	220.524
Demand and NOW	3,662.978	3,999.082	4,326.420	3,570.975	3,900.780	4,217.094	86.770	92.907	103.895	5.233	5.395	5.430
Savings	5,447.598	5,992.091	6,201.266	5,027.117	5,538.546	5,720.750	263.580	292.248	312.622	156.901	161.297	167.894
Time	2,661.802	2,440.412	2,281.595	2,170.644	1,976.828	1,785.136	456.340	424.823	449.324	34.817	38.761	47.136
LTNCD	217.911	205.518	199.563	209.425	196.987	191.040	8.460	8.460	8.460	0.027	0.072	0.064
Foreign Currency	2,163.228	2,131.691	2,188.854	2,114.315	2,083.022	2,140.351	48.771	48.513	48.330	0.142	0.157	0.172
Demand and NOW	62.694	60.572	69.375	62.659	60.531	69.329	0.035	0.040	0.047	-	-	-
Savings	1,117.109	1,139.614	1,230.799	1,090.795	1,111.796	1,202.136	26.193	27.683	28.518	0.120	0.135	0.144
Time	983.425	931.505	888.679	960.861	910.694	868.887	22.543	20.789	19.765	0.022	0.022	0.028
LTNCD	-	-	-	-	-	-	-	-	-	-	-	-
Non-Residents	109.138	126.222	148.403	105.625	122.519	144.604	3.512	3.698	3.795	0.001	0.006	0.004
Peso Liabilities	62.853	65.105	78.178	60.649	62.682	75.723	2.204	2.418	2.451	0.001	0.006	0.004
Demand and NOW	25.405	24.197	39.575	25.131	23.822	39.188	0.274	0.374	0.387	-	0.000	0.000
Savings	30.699	34.589	32.907	28.964	32.707	31.011	1.734	1.878	1.892	0.001	0.004	0.003
Time	6.750	6.319	5.697	6.554	6.152	5.524	0.196	0.166	0.172	0.000	0.001	0.001
LTNCD	-	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency	46.284	61.117	70.224	44.976	59.837	68.881	1.308	1.280	1.344	-	-	-
Demand and NOW	3.370	2.634	4.045	3.365	2.630	4.041	0.005	0.004	0.004	-	-	-
Savings	30.071	32.798	40.574	28.777	31.532	39.243	1.293	1.265	1.332	-	-	-
Time	12.843	25.685	25.605	12.834	25.675	25.597	0.010	0.010	0.008	-	-	-
LTNCD	-	-	-	-	-	-	-	-	-	-	-	-
Bills Payable	523.125	558.163	429.016	480.873	514.154	388.627	30.957	33.228	33.209	11.294	10.781	7.181
BSP	16.703	5.778	0.030	16.277	5.772	0.025	0.423	-	-	0.003	0.006	0.004
Interbank Loans Payable	200.903	197.634	135.878	175.809	164.132	107.222	20.156	29.065	25.543	4.938	4.437	3.113
Other Deposits Substitutes	196.923	256.149	197.809	195.198	254.805	197.594	1.725	1.344	0.215	-	-	-
Others	108.596	98.602	95.300	93.589	89.445	83.785	8.654	2.819	7.451	6.353	6.338	4.064
Unsecured Subordinated Debt	33.749	27.520	22.540	31.434	24.938	19.960	1.000	1.300	1.300	1.315	1.282	1.280
Redeemable Preferred Shares	0.256	0.250	0.251	0.000	0.000	0.000	0.087	0.082	0.083	0.168	0.167	0.168
Other Liabilities	1,389.869	1,497.717	1,461.258	1,319.794	1,425.033	1,390.007	60.737	62.482	60.186	9.338	10.202	11.065
Capital Accounts	**2,370.400**	**2,431.116**	**2,509.952**	**2,158.814**	**2,215.460**	**2,288.651**	**158.921**	**161.576**	**165.235**	**52.664**	**54.080**	**56.066**
Capital Stock	991.625	1,007.588	1,051.288	888.270	901.780	942.278	70.527	71.508	73.821	32.828	34.300	35.190
Assigned Capital	144.437	144.654	145.430	144.437	144.654	145.430	-	-	-	-	-	-
Net Due to HO, Br & Ags / Accum E	56.907	56.250	57.108	56.907	56.250	57.108	-	-	-	-	-	-
Other Equity Instruments 4/	15.370	17.745	17.555	12.000	14.604	14.604	2.789	2.659	1.893	0.581	0.482	1.059
Retained Earnings & Undivided Prc	1,162.062	1,204.879	1,238.570	1,057.200	1,098.172	1,129.232	85.606	87.410	89.521	19.256	19.298	19.817

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
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 '20	Jan-Dec '20	Jan-Jun '21 p/	Jan-Jun '20	Jan-Dec '20	Jan-Jun '21 p/	Jan-Jun '20	Jan-Dec '20	Jan-Jun '21 p/	Jan-Jun '20	Jan-Dec '20	Jan-Jun '21 p/
Operating Income	**457.085**	**893.296**	**451.747**	**406.651**	**788.187**	**395.813**	**36.987**	**76.868**	**39.346**	**13.448**	**28.241**	**16.588**
Net Interest Income	**337.177**	**674.204**	**325.583**	**294.582**	**587.040**	**278.447**	**31.713**	**64.925**	**34.110**	**10.881**	**22.239**	**13.026**
Interest Income	444.124	851.202	384.918	388.050	740.250	329.147	43.090	84.684	40.950	12.984	26.268	14.821
Provision for Losses on Accrued Interest	1.206	0.861	0.274	0.763	0.240	0.188	0.439	0.614	0.083	0.003	0.007	0.003
Less: Interest Expenses	105.742	176.136	59.061	92.704	152.969	50.512	10.938	19.146	6.757	2.100	4.021	1.792
Non-interest Income	**119.909**	**219.092**	**126.164**	**112.068**	**201.146**	**117.365**	**5.273**	**11.944**	**5.236**	**2.567**	**6.002**	**3.562**
Dividend Income	1.666	3.238	1.310	1.656	3.205	1.298	0.010	0.032	0.012	0.000	0.001	0.000
Fee-based Income	42.226	89.519	50.996	38.104	80.390	45.592	2.474	5.375	3.269	1.648	3.754	2.136
Trading Income/(Loss)	12.202	20.171	2.579	11.301	19.530	2.690	0.901	0.636	(0.112)		0.005	-
Foreign Exchange Income/(Loss)	1.866	6.588	3.377	1.822	6.524	3.327	0.043	0.064	0.046	0.001	(0.001)	0.004
Other Income/(Loss)	61.949	99.575	67.903	59.185	91.496	64.458	1.845	5.837	2.021	0.918	2.242	1.423
Non-Interest Expenses	**246.035**	**491.535**	**253.818**	**211.636**	**420.422**	**216.096**	**23.461**	**48.226**	**25.128**	**10.937**	**22.887**	**12.593**
Losses/Recoveries on Financial Assets	**(105.916)**	**(214.170)**	**(57.065)**	**(99.080)**	**(195.895)**	**(51.432)**	**(6.364)**	**(17.059)**	**(5.016)**	**(0.471)**	**(1.216)**	**(0.616)**
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures Accounted for Using the Equity Method	**105.134**	**187.591**	**140.865**	**95.934**	**171.869**	**128.284**	**7.161**	**11.583**	**9.201**	**2.039**	**4.139**	**3.379**
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures Accounted for Using the Equity Method	**4.929**	**11.934**	**10.145**	**4.782**	**11.757**	**10.105**	**0.118**	**0.178**	**0.020**	**0.029**	**(0.001)**	**0.020**
Total Profit/Loss Before Tax and Before Minority Interest	**110.063**	**199.525**	**151.009**	**100.716**	**183.626**	**138.389**	**7.279**	**11.761**	**9.222**	**2.068**	**4.138**	**3.399**
Income Tax Expense	24.214	44.307	28.338	22.046	41.061	24.896	1.518	1.910	2.579	0.650	1.335	0.863
Total Profit/Loss After Tax and Before Minority Interest	**85.849**	**155.218**	**122.671**	**78.670**	**142.564**	**113.493**	**5.761**	**9.851**	**6.643**	**1.418**	**2.803**	**2.535**
Minority Interest in Profit/(Loss) of Subsidiaries			-			-			-			-
NET PROFIT/(LOSS)	**85.849**	**155.218**	**122.671**	**78.670**	**142.564**	**113.493**	**5.761**	**9.851**	**6.643**	**1.418**	**2.803**	**2.535**
Profitability												
Return on Assets (%)	**1.1**	**0.8**	**1.0**	**1.1**	**0.8**	**1.0**	**1.1**	**0.9**	**0.9**	**1.3**	**1.0**	**1.4**
Return on Equity (%)	**9.0**	**6.5**	**7.9**	**9.2**	**6.6**	**8.0**	**7.5**	**6.0**	**6.6**	**6.4**	**5.3**	**7.2**

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

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 '20	End-Dec '20	End-Jun '21 p/	End-Jun '20	End-Dec '20	End-Jun '21 p/	End-Jun '20	End-Dec '20	End-Jun '21 p/	End-Jun '20	End-Dec '20	End-Jun '21 p/
Profitability												
Earning Asset Yield 1/	5.3%	4.8%	4.4%	5.0%	4.5%	4.1%	7.7%	7.9%	7.5%	11.5%	10.4%	10.7%
Funding Cost 2/	1.6%	1.1%	0.8%	1.5%	1.0%	0.7%	2.3%	2.0%	1.6%	2.1%	1.9%	1.7%
Interest Spread 3/	3.7%	3.7%	3.6%	3.5%	3.5%	3.3%	5.4%	5.8%	6.0%	9.3%	8.5%	9.0%
Net Interest Margin 4/	3.9%	3.8%	3.6%	3.7%	3.6%	3.4%	5.6%	6.0%	6.2%	9.7%	8.8%	9.3%
Non-Interest Income to Total Operating Income 5/	25.2%	24.5%	25.4%	26.3%	25.5%	26.6%	16.2%	15.5%	15.0%	20.5%	21.3%	22.3%
Cost-to-Income 6/	56.5%	54.9%	56.0%	54.8%	53.2%	54.5%	64.7%	62.0%	61.9%	79.0%	81.0%	78.1%
Return on Assets (ROA) 7/	1.1%	0.8%	1.0%	1.1%	0.8%	1.0%	1.1%	0.9%	0.9%	1.3%	1.0%	1.4%
Return on Equity (ROE) 7/	9.0%	6.5%	7.9%	9.2%	6.6%	8.0%	7.5%	6.0%	6.6%	6.4%	5.3%	7.2%
Liquidity												
Cash and Due from Banks to Deposits	23.5%	24.1%	22.9%	23.6%	24.2%	22.6%	20.2%	20.9%	25.6%	32.1%	30.7%	30.8%
Liquid Assets to Deposits 8/	49.7%	53.1%	54.9%	50.7%	54.4%	55.9%	32.1%	32.4%	40.3%	55.0%	52.8%	54.9%
Loans, gross to Deposits	75.9%	73.0%	70.2%	74.9%	71.8%	69.3%	90.7%	91.4%	83.3%	75.0%	76.7%	72.6%
Asset Quality												
Restructured Loans to Total Loan Portfolio (TLP)	0.4%	1.9%	3.0%	0.4%	1.9%	3.1%	0.6%	1.5%	1.9%	1.7%	2.6%	2.8%
Allowance for Credit Losses (ACL) to TLP	2.8%	3.4%	3.7%	2.6%	3.3%	3.5%	3.6%	4.0%	4.7%	8.6%	8.1%	8.4%
Gross Non-Performing Loans (NPL) to TLP	2.6%	3.6%	4.5%	2.1%	3.1%	4.0%	5.8%	7.9%	8.2%	13.5%	14.7%	14.1%
Net NPL to TLP	1.3%	2.0%	2.5%	1.1%	1.6%	2.2%	3.5%	5.7%	5.3%	7.1%	8.5%	7.7%
NPL Ratio net of IBL	2.6%	3.7%	4.6%	2.2%	3.2%	4.2%	5.8%	7.9%	8.2%	13.5%	14.7%	14.1%
NPL Coverage (ACL to Gross NPL)	109.0%	93.0%	82.4%	123.3%	104.5%	87.6%	62.5%	50.3%	57.4%	64.1%	55.5%	59.4%
Non-Performing Assets (NPA) to Gross Assets	2.1%	2.6%	3.0%	1.7%	2.1%	2.6%	5.8%	7.2%	6.9%	10.0%	10.7%	10.0%
NPA Coverage (Allowance on NPA to NPA)	85.5%	78.5%	72.1%	96.9%	88.6%	77.6%	50.0%	43.5%	49.3%	49.2%	44.5%	47.3%
ROPA to Gross Assets Ratio	0.6%	0.6%	0.6%	0.5%	0.5%	0.5%	1.8%	1.8%	1.7%	3.0%	2.9%	2.7%
ROPA Coverage Ratio	28.0%	29.0%	29.8%	30.7%	31.9%	32.5%	22.6%	23.1%	24.8%	14.5%	14.7%	14.6%
Distressed Assets	3.8%	6.2%	7.7%	3.2%	5.6%	7.1%	8.5%	11.2%	11.8%	18.8%	20.3%	19.5%
Capital Adequacy												
Total Capital Accounts to Total Assets 9/	12.7%	12.5%	12.7%	12.5%	12.3%	12.5%	14.2%	14.3%	13.9%	19.4%	19.2%	19.0%
Capital Adequacy Ratio (Solo) 10/ 11/	16.4%	16.7%	17.2%	16.3%	16.6%	17.0%	17.2%	17.7%	18.8%	19.2%	19.0%	19.1%

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

Appendix 29. Philippine Banking System: Financial Soundness Indicators

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

	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13
Capital adequacy																
Regulatory capital to risk-weighted assets																
Regulatory CET 1 capital to risk-weighted assets																
Nonperforming loans net of provision to capital[1]															3.5	3.3
Capital to assets	11.4	11.1	11.3	11.6	12.4	11.7	12.0	12.0	12.3	12.6	13.1	12.8	13.5	13.1	14.4	13.0
Asset quality																
Nonperforming loans to total gross loans	4.0	3.6	3.9	3.9	3.9	3.6	3.6	3.1	3.1	2.8	3.0	2.6	2.7	2.5	3.4	3.3
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	1.1	1.2	1.2	1.3	1.4	1.4	1.5	1.5	1.5	1.5	1.6	1.6	1.6	1.6	2.0	2.0
Return on equity	9.4	10.8	11.2	11.2	11.9	12.4	12.5	13.0	12.2	12.1	13.0	12.7	12.2	12.4	14.3	15.4
Interest margin to gross income[2]	67.9	66.4	65.5	65.5	62.9	62.8	63.3	62.3	64.5	64.2	62.0	62.7	62.0	61.7	56.8	56.2
Noninterest expenses to gross income[3]	66.8	65.8	64.8	64.2	63.8	63.5	63.4	63.2	64.1	65.0	64.0	64.6	64.8	63.5	59.4	58.7
Liquidity																
Liquid assets to total assets (liquid asset ratio)	39.7	38.9	41.8	40.6	41.6	43.3	43.4	41.1	41.6	40.6	39.8	38.8	39.9	40.3	40.5	41.8
Liquid assets to short-term liabilities[4]	54.3	52.7	57.3	55.0	57.2	59.7	60.2	57.0	58.8	56.5	56.4	54.7	57.4	57.5	58.8	58.0
Deposits to total (noninterbank) loans	170.4	166.5	174.8	170.7	168.3	168.1	165.3	155.9	153.2	150.6	146.1	143.5	141.8	142.8	141.0	150.6
Sensitivity to market risk																
Net open position in foreign exchange to capital[5]							-1.0	1.1	0.0	-0.4	-0.8	0.5	0.6	0.3	-1.3	-0.4

	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	####	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
Capital adequacy																
Regulatory capital to risk-weighted assets			16.5	16.8	17.1	16.4	16.3	16.6	16.5	15.9	15.9	16.3	16.3	15.3	16.0	16.0
Regulatory CET 1 capital to risk-weighted assets			14.5	14.6	14.7	13.8	13.8	14.1	14.1	13.5	14.0	14.4	14.4	13.5	14.2	14.2
Nonperforming loans net of provision to capital[1]	3.5	2.6	2.7	2.9	2.9	2.8	3.0	2.7	2.8	3.0	3.6	3.6	3.4	2.9	3.2	3.4
Capital to assets	12.4	11.3	11.6	11.7	11.9	12.2	12.4	12.8	12.8	11.6	11.9	12.2	12.1	11.4	11.9	11.9
Asset quality																
Nonperforming loans to total gross loans	3.2	2.8	2.8	2.7	2.6	2.3	2.5	2.4	2.3	2.1	2.2	2.2	2.1	1.9	2.0	1.9
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	97.1	97.1	95.8	96.0
Banks			3.6	3.9	3.5	4.4	3.2	2.9	2.9	3.8	3.3	3.4	3.4	4.5	3.0	3.4
BSP			5.9	5.7	5.5	5.2	5.3	5.2	5.4	4.8	4.7	4.4	4.3	4.0	3.2	3.8
Government			4.4	4.3	4.1	3.9	4.0	4.1	4.0	3.7	3.8	3.8	3.6	3.3	3.2	3.3
Other financial corporation			6.4	6.5	6.7	6.6	6.8	6.6	7.0	6.6	6.6	6.7	6.5	6.6	6.5	6.1
Nonfinancial corporation			44.0	44.2	44.8	45.0	44.8	44.8	45.0	46.0	46.0	46.4	46.6	46.7	47.5	47.3
Agri-agra			6.7	6.5	6.4	6.3	6.4	6.5	6.1	6.0	6.0	5.7	5.5	5.7	5.8	6.0
MSMEs			7.5	7.3	7.1	7.3	7.2	7.1	7.1	7.1	7.0	6.7	6.7	6.5	6.4	6.1
Households			18.6	18.7	18.5	18.3	19.2	19.6	19.7	19.4	19.9	20.0	20.4	19.8	20.1	20.0
Nonresidents			2.9	3.0	3.4	3.0	3.1	3.2	3.0	2.8	2.8	2.8	2.9	2.9	4.2	4.0
Earnings and profitability																
Return on assets	1.9	1.6	1.2	1.2	1.2	1.3	1.3	1.3	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Return on equity	14.7	13.3	9.7	9.5	9.7	10.9	11.1	10.7	10.1	9.8	9.7	9.8	10.0	10.5	10.0	9.8
Interest margin to gross income[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	72.7	72.1	73.2	74.5
Noninterest expenses to gross income[3]	58.7	60.3	64.7	65.0	64.6	62.4	62.1	62.3	63.1	64.5	64.7	64.6	64.3	63.6	64.2	64.2
Liquidity																
Liquid assets to total assets (liquid asset ratio)	43.3	44.5	44.0	43.0	41.9	41.8	41.8	41.6	41.7	40.3	40.9	40.2	39.6	38.6	39.0	38.4
Liquid assets to short-term liabilities[4]	58.8	59.5	58.6	57.1	55.5	55.7	55.3	55.0	55.7	53.6	53.9	53.0	52.4	50.7	51.3	50.4
Deposits to total (noninterbank) loans	157.0	161.5	159.9	157.6	153.3	152.6	152.8	150.6	149.6	146.2	149.0	146.4	144.4	143.0	142.3	141.4
Sensitivity to market risk																
Net open position in foreign exchange to capital[5]	0.0	0.1	0.6	1.0	0.8	0.6	-0.1	1.1	0.3	0.3	-0.1	0.2	0.2	0.2	0.5	0.6

	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	####	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	**Jun-21**
Capital adequacy																
Regulatory capital to risk-weighted assets	15.8	15.1	15.2	15.9	15.9	15.6	15.9	16.1	16.1	16.0	16.7	16.8	17.2	17.1	17.4	**17.6**
Regulatory CET 1 capital to risk-weighted assets	14.1	13.4	13.5	14.2	14.2	13.9	14.3	14.6	14.8	14.8	15.5	15.6	16.0	15.9	16.2	**16.4**
Nonperforming loans net of provision to capital[1]	4.5	4.1	4.6	4.6	4.6	4.6	5.4	5.6	5.5	5.3	6.0	6.3	9.6	9.2	10.7	**11.1**
Capital to assets	11.9	11.6	11.7	12.4	12.5	12.2	12.6	12.8	12.8	12.6	12.5	12.7	12.9	12.5	12.6	**12.7**
Asset quality																
Nonperforming loans to total gross loans	1.9	1.7	1.8	1.9	1.8	1.8	2.1	2.1	2.2	2.1	2.2	2.6	3.5	3.6	4.2	**4.5**
Sectoral distribution of loans to total loans																
Residents	96.2	96.5	95.9	96.4	96.0	96.3	96.2	95.8	95.9	96.1	96.2	96.0	96.3	96.6	96.7	**96.7**
Banks	3.6	3.5	3.1	3.8	3.6	3.4	3.4	3.4	3.7	3.2	3.3	3.0	3.3	3.4	3.4	**3.4**
BSP	3.5	3.4	3.4	2.9	3.1	2.9	2.5	2.9	2.8	2.7	2.7	1.8	2.8	2.7	2.8	**2.8**
Government	3.0	2.8	2.5	2.3	2.2	2.2	2.2	2.4	2.3	2.5	2.4	2.4	2.4	2.7	2.6	**2.7**
Other financial corporation	6.5	6.6	6.3	6.8	7.3	7.6	7.8	7.6	7.9	8.1	7.9	8.1	7.9	8.0	7.9	**8.2**
Nonfinancial corporation	47.9	48.6	48.7	48.7	48.6	48.7	48.2	47.5	47.3	47.7	48.1	48.9	48.4	48.2	48.1	**48.1**
Agri-agra	5.7	5.7	5.9	6.0	5.9	6.3	6.4	6.3	6.1	6.1	5.8	5.9	5.8	5.9	6.5	**6.6**
MSMEs	6.1	6.0	6.0	6.0	5.8	5.7	5.5	5.4	5.2	5.4	4.7	4.6	4.4	4.5	4.3	**4.3**
Households	19.8	19.8	20.1	19.8	19.6	19.6	20.2	20.2	20.5	20.5	21.1	21.3	21.3	21.1	21.1	**20.7**
Nonresidents	3.8	3.5	4.1	3.6	4.0	3.7	3.8	4.2	4.1	3.9	3.8	4.0	3.7	3.4	3.3	**3.3**
Earnings and profitability																
Return on assets	1.2	1.2	1.2	1.2	1.2	1.1	1.2	1.2	1.3	1.3	1.3	1.1	1.0	0.8	0.8	**1.0**
Return on equity	9.8	10.2	10.1	9.5	9.5	9.4	9.6	9.8	10.3	10.5	10.4	9.0	7.9	6.5	6.4	**7.9**
Interest margin to gross income[2]	75.4	75.7	75.3	75.3	76.2	77.2	77.6	77.5	76.1	76.0	76.2	74.8	75.1	75.5	75.3	**74.6**
Noninterest expenses to gross income[3]	64.0	63.8	63.6	63.9	63.9	64.5	63.9	62.9	61.6	60.3	59.1	56.4	55.2	54.9	55.4	**56.0**
Liquidity																
Liquid assets to total assets (liquid asset ratio)	37.4	36.4	38.6	37.5	36.9	37.7	36.5	35.5	35.8	35.7	35.4	38.0	39.4	40.7	41.9	**42.6**
Liquid assets to short-term liabilities[4]	49.0	47.7	46.9	46.2	45.7	47.3	49.0	47.6	48.3	47.9	46.8	49.7	51.3	53.1	54.2	**54.9**
Deposits to total (noninterbank) loans	139.2	136.1	136.5	133.9	131.7	130.0	130.5	128.5	128.2	127.3	129.0	135.5	138.9	140.8	145.0	**146.7**
Sensitivity to market risk																
Net open position in foreign exchange to capital[5]	0.2	0.4	1.1	0.8	0.5	0.0	0.5	0.2	0.4	0.3	0.8	0.2	0.6	-0.2	0.1	**0.2**

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 '20	End-Dec '20	End-Jun '21	End-Jun '20	End-Dec '20	End-Jun '21	End-Jun '20	End-Dec '20	End-Jun '21
TRADE-RELATED ACCOUNTS	**167.428**	**193.245**	**209.391**	**165.351**	**191.189**	**207.592**	**2.077**	**2.056**	**1.799**
Domestic Commercial Letters of Credit Outsta	8.791	8.269	9.063	8.729	8.105	9.036	0.062	0.164	0.027
Foreign Commercial Letters of Credit Outstan	85.063	111.271	125.420	84.028	110.081	124.102	1.035	1.191	1.318
LCs - Confirmed	30.536	27.052	26.887	30.536	27.052	26.887	-	-	-
Shipside Bonds/Airway Bills	43.038	46.653	48.020	42.058	45.951	47.566	0.979	0.702	0.454
BANK GUARANTEES	**334.100**	**359.004**	**401.357**	**333.733**	**358.636**	**400.926**	**0.366**	**0.353**	**0.417**
Stand-by Letters of Credit	275.512	278.011	303.520	275.151	277.674	303.118	0.361	0.337	0.401
Outstanding Guarantees Issued	58.588	80.993	97.838	58.582	80.962	97.807	0.005	0.016	0.015
COMMITMENTS	**1,817.606**	**1,749.461**	**1,737.847**	**1,815.052**	**1,747.066**	**1,735.248**	**2.480**	**2.329**	**2.514**
Underwritten Accounts Unsold				-	-	-	-	-	-
Committed Credit Lines for CPs Issued	0.052	0.340	0.404	-	0.288	0.352	0.052	0.052	0.052
Credit Card Lines	1,311.553	1,245.690	1,199.228	1,309.597	1,243.791	1,197.251	1.956	1.899	1.977
Others	506.001	503.431	538.215	505.455	502.987	537.645	0.472	0.378	0.486
DERIVATIVES INSTRUMENTS *	**3,139.314**	**2,906.414**	**3,792.277**	**3,139.214**	**2,904.354**	**3,791.814**	**0.101**	**0.072**	**0.464**
Interest Rate Contracts	845.505	753.934	801.046	845.505	753.934	801.046	-	-	-
Foreign Exchange Contracts	2,288.497	2,150.271	2,990.275	2,288.397	2,150.199	2,989.811	0.101	0.072	0.464
Equity Contracts	-	-	-	-	-	-	-	-	-
Credit Derivatives	5.312	2.209	0.956	5.312	0.221	0.956	-	-	-
TRUST DEPARTMENT ACCOUNTS	**2,996.231**	**3,431.761**	**3,571.149**	**2,967.738**	**3,400.130**	**3,539.234**	**28.494**	**31.631**	**31.915**

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

Figures may not add up due to rounding-off

Appendix 31

Trust and Fund Management Operations - Assets and Accountabilities

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

Selected Accounts	ALL BANKS/NBFIs			UNIVERSAL AND COMMERCIAL BANKS			THRIFT BANKS			NBFIs		
	End-Jun'20	End-Dec'20	End-Jun '21	End-Jun'20	End-Dec'20	End-Jun '21	End-Jun'20	End-Dec'20	End-Jun '21	End-Jun'20	End-Dec'20	End-Jun '21
TOTAL ASSETS	**4,070.1**	**4,633.1**	**4,820.4**	**2,967.7**	**3,400.1**	**3,539.2**	**28.9**	**31.6**	**31.9**	**1,073.5**	**1,201.4**	**1,249.3**
Peso / Regular Assets	**3,392.4**	**3,865.6**	**3,956.8**	**2,389.3**	**2,747.4**	**2,814.9**	**27.3**	**30.1**	**30.3**	**975.8**	**1,088.2**	**1,111.5**
Cash and Due from banks	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Deposits in Banks	881.6	919.6	947.0	724.2	770.9	790.3	8.1	8.3	8.4	149.3	140.4	148.3
Financial Assets, net	2,355.8	2,768.6	2,820.9	1,567.8	1,863.0	1,904.5	11.0	13.0	13.3	777.0	892.6	903.0
Loans, net	89.3	96.9	108.5	51.3	52.0	61.6	5.1	5.7	5.5	32.8	39.3	41.3
Equity Investments (net)	3.1	5.5	3.0	0.6	3.0	3.0	2.6	2.6	0.1	0.0	0.0	0.0
ROPA (net)	0.1	0.1	0.1	0.1	0.1	0.1	-	-	-	0.0	0.0	0.0
Other assets	62.1	74.5	77.0	45.0	58.1	55.2	0.5	0.6	3.0	16.6	15.8	18.8
FCDU/EFCDU Assets	**677.7**	**767.6**	**863.7**	**578.4**	**652.8**	**724.3**	**1.6**	**1.6**	**1.6**	**97.7**	**113.3**	**137.8**
Cash and Due from banks	-	-	-	-	-	-	-	-	-	-	-	-
Deposits in Banks	135.3	138.8	148.5	105.1	105.6	116.0	0.6	0.6	0.6	29.5	32.6	31.9
Financial Assets, net	305.7	368.7	436.7	237.2	288.1	332.2	0.9	0.9	0.8	67.6	79.7	103.7
Loans, net	-	-	0.2	-	-	-	-	-	0.2	-	-	-
Equity Investments (net)	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-	-
ROPA (net)	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	236.7	260.0	278.2	236.0	259.1	276.1	0.0	0.0	0.0	0.6	0.9	2.1
TOTAL ACCOUNTABILITIES	**4,070.1**	**4,633.1**	**4,820.4**	**2,967.7**	**3,400.1**	**3,539.2**	**28.9**	**31.6**	**31.9**	**1,073.5**	**1,201.4**	**1,249.3**
Peso / Regular Accountabilities	**3,392.4**	**3,865.6**	**3,956.8**	**2,389.3**	**2,747.4**	**2,814.9**	**27.3**	**30.1**	**30.3**	**975.8**	**1,088.2**	**1,111.5**
Wealth/Asset/Fund Management Accounts	3,169.2	3,705.3	3,797.0	2,192.6	2,613.4	2,678.9	22.8	25.0	25.2	953.8	1,066.8	1,092.9
UITF	799.5	1,016.9	1,070.3	581.3	744.9	788.4	1.2	1.3	1.2	217.0	270.7	280.7
Employee Benefit	460.5	487.8	488.3	319.5	338.7	335.8	3.9	3.9	4.0	137.1	145.1	148.5
Pre-Need	122.9	125.4	126.8	78.9	83.1	83.5	0.8	0.9	0.6	43.1	41.4	42.7
Others-Institutional Accounts	892.7	976.6	1,003.1	494.1	539.4	556.8	6.3	7.1	8.2	392.4	430.1	438.1
Personal Trust	201.0	386.4	378.1	144.7	319.4	317.6	0.2	0.2	0.2	56.1	66.8	60.4
Personal Pension Fund	-	0.0	-	-	0.0	-	-	-	-	-	-	-
Personal Retirement Fund	0.1	0.1	0.1	0.1	0.1	0.1	-	-	-	-	-	-
Others-Individual Accounts	692.4	712.1	730.2	574.0	587.7	596.7	10.4	11.7	11.0	108.1	112.7	122.4
Other Fiduciary Services*	222.4	159.3	158.9	195.9	132.9	135.1	4.5	5.0	5.1	22.0	21.3	18.6
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	1.0	0.9	0.8	1.0	0.9	-	-	-	-	-	-
FCDU/EFCDU Accountabilities	**677.7**	**767.6**	**863.7**	**578.4**	**652.8**	**724.3**	**1.6**	**1.6**	**1.6**	**97.7**	**113.3**	**137.8**
Wealth/Asset/Fund Management Accounts	428.4	497.4	568.1	332.4	384.3	435.3	1.1	1.1	1.1	95.0	112.1	131.7
UITF	131.7	163.3	185.1	76.7	93.1	98.3	-	-	-	55.1	70.2	86.8
Employee Benefit	10.4	10.7	11.5	10.2	10.3	11.0	0.0	0.0	0.0	0.2	0.4	0.4
Pre-Need	0.5	0.4	0.4	0.5	0.4	0.4	-	-	-	0.0	0.0	-
Others-Institutional Accounts	66.5	76.3	86.2	39.8	47.4	54.4	0.2	0.2	0.3	26.5	28.8	31.5
Personal Trust	42.8	46.0	52.3	35.5	38.9	44.9	0.4	0.4	0.4	7.0	6.7	7.1
Personal Pension Fund	-	-	-	-	-	-	-	-	-	-	-	-
Personal Retirement Fund	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-	-
Others-Individual Accounts	176.4	200.7	232.7	169.6	194.2	226.4	0.5	0.5	0.4	6.3	5.9	5.9
Other Fiduciary Services*	249.2	270.1	295.6	246.0	268.5	289.0	0.5	0.5	0.5	2.7	1.2	6.1
Advisory/Consultancy	-	-	-	-	-	-	-	-	-	-	-	-
Special Purpose Trust	-	-	-	-	-	-	-	-	-	-	-	-

Note: "0.000" denotes a value below 0.0005
**Other fiduciary services include other fiduciary services UITF*
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 Semesters-Ended Indicated

(Amounts in Billion Pesos)

Selected Accounts	TOTAL TRUST			TRUST			AGENCY		
	End-Jun'20	End-Dec'20	End-Jun '21	End-Jun'20	End-Dec'20	End-Jun '21	End-Jun'20	End-Dec'20	End-Jun '21
TOTAL ASSETS	**4,070.1**	**4,633.1**	**4,820.4**	**1,777.2**	**2,243.3**	**2,330.0**	**1,820.5**	**1,959.4**	**2,035.0**
Peso / Regular Assets	**3,392.4**	**3,865.6**	**3,956.8**	**1,552.3**	**1,982.6**	**2,031.6**	**1,616.9**	**1,722.6**	**1,765.3**
Cash and Due from banks	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.0	0.0
Deposits in Banks	881.6	919.6	947.0	518.6	610.8	603.8	269.8	224.4	251.5
Financial Assets, net	2,355.8	2,768.6	2,820.9	986.2	1,322.4	1,378.2	1,258.1	1,400.8	1,402.7
Loans, net	89.3	96.9	108.5	11.4	10.9	10.0	77.4	85.5	98.5
Equity Investments (net)	3.1	5.5	3.0	0.1	1.7	1.7	2.6	3.4	1.0
ROPA (net)	0.1	0.1	0.1	0.0	0.0	0.0	-	-	-
Other assets	62.1	74.5	77.0	35.6	36.4	37.6	9.0	8.6	11.7
FCDU/EFCDU Assets	**677.7**	**767.6**	**863.7**	**224.9**	**260.7**	**298.4**	**203.6**	**236.8**	**269.7**
Cash and Due from banks	-	-	-	-	-	-	-	-	-
Deposits in Banks	135.3	138.8	148.5	107.4	115.6	120.5	14.8	11.0	11.8
Financial Assets, net	305.7	368.7	436.7	116.0	143.2	174.9	186.2	223.0	254.8
Loans, net	-	-	0.2	-	-	-	-	-	0.2
Equity Investments (net)	0.0	0.0	0.0	-	-	-	0.0	0.0	0.0
ROPA (net)	-	-	-	-	-	-	-	-	-
Other assets	236.7	260.0	278.2	1.5	1.9	2.9	2.6	2.8	2.9
TOTAL ACCOUNTABILITIES	**4,070.1**	**4,633.1**	**4,820.4**	**1,777.2**	**2,243.3**	**2,330.0**	**1,820.5**	**1,959.4**	**2,035.0**
Peso / Regular Accountabilities	**3,392.4**	**3,865.6**	**3,956.8**	**1,552.3**	**1,982.6**	**2,031.6**	**1,616.9**	**1,722.6**	**1,765.3**
Wealth/Asset/Fund Management Accounts	3,169.2	3,705.3	3,797.0	1,552.3	1,982.6	2,031.6	1,616.9	1,722.6	**1,765.3**
UITF	799.5	1,016.9	1,070.3	799.5	1,016.9	1,070.3			
Employee Benefit	460.5	487.8	488.3	406.4	430.5	433.0	54.1	57.3	**55.4**
Pre-Need	122.9	125.4	126.8	121.8	124.6	126.0	1.2	0.8	**0.8**
Others-Institutional Accounts	892.7	976.6	1,003.1	23.0	23.7	23.7	869.7	953.0	**979.4**
Personal Trust	201.0	386.4	378.1	201.0	386.4	378.1			
Personal Pension Fund	-	0.0	-	-	0.0	-			
Personal Retirement Fund	0.1	0.1	0.1	0.1	0.1	0.1			
Others-Individual Accounts	692.4	712.1	730.2	0.4	0.4	0.4	692.0	711.7	**729.8**
Other Fiduciary Services*	222.4	159.3	158.9	-	-	-			
Advisory/Consultancy	-	-	-	-	-	-			
Special Purpose Trust	0.8	1.0	0.9	-	-	-			
FCDU/EFCDU Accountabilities	**677.7**	**767.6**	**863.7**	**224.9**	**260.7**	**298.4**	**203.6**	**236.8**	**269.7**
Wealth/Asset/Fund Management Accounts	428.4	497.4	568.1	224.9	260.7	298.4	203.6	236.8	269.7
UITF	131.7	163.3	185.1	131.7	163.3	185.1			
Employee Benefit	10.4	10.7	11.5	10.0	10.0	10.7	0.4	0.7	0.8
Pre-Need	0.5	0.4	0.4	0.5	0.4	0.4	-	-	-
Others-Institutional Accounts	66.5	76.3	86.2	16.6	15.9	15.6	49.9	60.4	70.6
Personal Trust	42.8	46.0	52.3	42.8	46.0	52.3			
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	176.4	200.7	232.7	23.2	25.0	34.4	153.2	175.7	198.3
Other Fiduciary Services*	249.2	270.1	295.6	-	-	-			
Advisory/Consultancy	-	-	-	-	-	-			
Special Purpose Trust	-	-	-	-	-	-			

Selected Accounts	OTHER FIDUCIARY			ADVISORY AND CONSULTANCY			SPECIAL PURPOSE		
	End-Jun'20	End-Dec'20	End-Jun '21	End-Jun'20	End-Dec'20	End-Jun '21	End-Jun'20	End-Dec'20	End-Jun '21
TOTAL ASSETS	**471.7**	**429.4**	**454.5**	-	-	-	**0.8**	**1.0**	**0.9**
Peso / Regular Assets	**222.4**	**159.3**	**158.9**				**0.8**	**1.0**	**0.9**
Cash and Due from banks	0.0	0.0	0.0				-	-	-
Deposits in Banks	93.2	84.4	91.7				0.0	0.0	0.0
Financial Assets, net	111.2	44.8	39.3				0.3	0.6	0.6
Loans, net	0.1	0.1	-				0.4	0.4	-
Equity Investments (net)	0.4	0.4	0.4				-	-	-
ROPA (net)	0.1	0.1	0.1				-	-	-
Other assets	17.5	29.5	27.4				0.0	0.0	0.3
FCDU/EFCDU Assets	**249.2**	**270.1**	**295.6**				-	-	-
Cash and Due from banks	-	-	-				-	-	-
Deposits in Banks	13.2	12.3	16.2				-	-	-
Financial Assets, net	3.5	2.5	7.0				-	-	-
Loans, net	-	-	-				-	-	-
Equity Investments (net)	-	-	-				-	-	-
ROPA (net)	-	-	-				-	-	-
Other assets	232.5	255.3	272.4				-	-	-
TOTAL ACCOUNTABILITIES	**471.7**	**429.4**	**454.5**	-	-	-	**0.8**	**1.0**	**0.9**
Peso / Regular Accountabilities	**222.4**	**159.3**	**158.9**				**0.8**	**1.0**	**0.9**
Wealth/Asset/Fund Management Accounts									
UITF									
Employee Benefit									
Pre-Need									
Others-Institutional Accounts									
Personal Trust									
Personal Pension Fund									
Personal Retirement Fund									
Others-Individual Accounts									
Other Fiduciary Services*	222.4	159.3	158.9						
Advisory/Consultancy									
Special Purpose Trust							0.8	1.0	0.9
FCDU/EFCDU Accountabilities	**249.2**	**270.1**	**295.6**						-
Wealth/Asset/Fund Management Accounts	-	-	-						-
UITF									-
Employee Benefit	-	-	-						-
Pre-Need	-	-	-						-
Others-Institutional Accounts	-	-	-						-
Personal Trust									-
Personal Pension Fund	-	-	-						-
Personal Retirement Fund	-	-	-						-
Others-Individual Accounts	-	-	-						-
Other Fiduciary Services*	249.2	270.1	295.6					-	-
Advisory/Consultancy								-	-
Special Purpose Trust								-	-

Note: "0.000" denotes a value below 0.0005

**Other fiduciary services include other fiduciary services UITF*

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-Jun'20	End-Dec'20	End-Jun '21	End-Jun'20	End-Dec'20	End-Jun '21	End-Jun'20	End-Dec'20	End-Jun '21	End-Jun'20	End-Dec'20	End-Jun '21
TRUST INCOME	**5.5**	**11.9**	**6.7**	**3.9**	**8.2**	**4.6**	**0.0**	**0.1**	**0.1**	**1.6**	**3.6**	**2.1**
Fees and Commissions	5.3	11.5	6.5	3.8	8.0	4.5	0.0	0.1	0.1	1.5	3.4	2.0
Other Income	0.2	0.5	0.2	0.1	0.2	0.1			-	0.1	0.2	0.1
TRUST EXPENSES	**2.6**	**5.6**	**2.8**	**1.4**	**2.9**	**1.4**	**0.0**	**0.1**	**0.0**	**1.2**	**2.7**	**1.3**
Compensation/Fringe Benefits	1.1	2.2	1.1	0.7	1.5	0.7	0.0	0.0	0.0	0.4	0.7	0.4
Taxes and Licenses	0.5	1.1	0.6	0.2	0.5	0.3	0.0	0.0	0.0	0.2	0.6	0.3
Other Administrative Expenses	0.4	0.9	0.4	0.2	0.5	0.2	0.0	0.0	0.0	0.2	0.3	0.2
Depreciation/Amortization	0.2	0.5	0.2	0.1	0.1	0.1	0.0	0.0	0.0	0.2	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	0.4	0.9	0.4	0.1	0.2	0.1	0.0	0.0	0.0	0.3	0.7	0.3
OPERATING INCOME / (LOSS)	**3.0**	**6.3**	**3.9**	**2.5**	**5.4**	**3.2**	**0.0**	**0.0**	**0.0**	**0.4**	**0.9**	**0.8**

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-Jun '20	End-Dec '20 p/	End-Jun '21 p/	End-Jun '20	End-Dec '20	End-Jun '21 p/	End-Jun '20	End-Dec '20 p/	End-Jun '21 p/	End-Jun '20	End-Dec '20 p/	End-Jun '21 p/
ASSETS	**730.4**	**742.0**	**799.5**	**183.8**	**193.0**	**170.6**	**265.5**	**266.9**	**270.0**	**281.1**	**282.1**	**358.9**
Cash and Due from Banks	93.9	106.9	103.2	22.7	27.1	20.4	21.5	21.5	22.4	49.6	58.3	60.4
Loan Portfolio (net, inclusive of IBL)	475.5	468.2	477.9	130.6	136.5	134.7	206.8	213.3	218.8	138.1	118.4	124.4
Investments (net)	70.8	69.0	74.1	22.0	20.8	9.2	19.1	19.8	21.0	29.7	28.3	43.9
Other Assets (inclusive of ROPOA, net)	90.2	97.9	144.3	8.4	8.6	6.3	18.2	12.3	7.8	63.6	77.0	130.2
LIABILITIES AND CAPITAL	**730.4**	**742.0**	**799.5**	**183.8**	**193.0**	**170.6**	**265.5**	**266.9**	**270.0**	**281.1**	**282.1**	**358.9**
Liabilities	414.5	404.8	408.3	144.4	152.1	144.3	94.6	92.3	96.1	175.5	160.4	167.9
Deposit Liabilities	66.0	70.7	76.7	-	-	-	66.0	70.7	**76.7**	-	-	-
Peso Liabilities	66.0	70.7	76.7	-	-	-	66.0	70.7	76.7	-	-	-
Demand and NOW	-	-	-	-	-	-	-	-		-	-	-
Savings	56.5	57.1	60.8	-	-	-	56.5	57.1	60.8	-	-	-
Time	9.5	13.5	15.9	-	-	-	9.5	13.5	15.9	-	-	-
Foreign Currency	-	-	-	-	-	-	-	-	-	-	-	-
Bills Payable	189.0	182.8	174.9	112.8	112.4	109.5	12.0	12.4	9.2	64.3	57.9	56.1
Deposit Substitutes	84.4	89.0	88.7	84.4	88.9	88.7	-	-		0.0	0.0	0.0
Others	104.6	93.8	86.1	28.4	23.5	20.8	12.0	12.4	9.2	64.3	57.9	56.1
Special Financing	-	-	-	-	-	-	-	-	-	-	-	-
Time Certificates of Deposits - SF	-	-	-	-	-	-	-	-	-	-	-	-
Special Time Deposits	-	-	-	-	-	-	-	-	-	-	-	-
Unsecured Subordinated Debt	-	-	-	-	-	-	-	-	-	-	-	-
Other Liabilities	159.5	151.3	156.7	31.6	39.7	34.8	16.7	9.2	10.2	111.2	102.5	111.7
Capital Accounts	**315.8**	**337.2**	**391.3**	**39.3**	**40.9**	**26.3**	**171.0**	**174.6**	**174.0**	**105.5**	**121.7**	**191.0**
Capital Stock	225.8	240.6	295.2	19.4	21.4	18.0	134.2	130.8	134.2	72.2	88.4	142.9
Assigned Capital	-	-	-	-	-	-	-	-		-	-	-
Net Due to H.O.	-	-	-	-	-	-	-	-		-	-	-
Surplus, Surplus Reserves & Undivided P	90.0	96.6	96.1	19.9	19.5	8.2	36.7	43.9	39.8	33.4	33.2	48.1

1/ Includes only the reporting entities
p/ Preliminary
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-Jun '20	End-Dec '20 p/	End-Jun '21 p/	End-Jun '20	End-Dec '20	End-Jun '21 p/	End-Jun '20	End-Dec '20 p/	End-Jun '21 p/	End-Jun '20	End-Dec '20 p/	End-Jun '21 p/
OPERATING INCOME	**53.1**	**85.1**	**58.7**	**3.9**	**8.4**	**4.0**	**13.4**	**23.1**	**14.2**	**35.9**	**53.6**	**40.5**
Net Interest Income	**35.8**	**57.3**	**35.9**	**3.4**	**6.6**	**3.1**	**12.7**	**22.1**	**13.6**	**19.7**	**28.6**	**19.2**
Interest Income	28.2	43.7	31.6	0.5	0.8	0.2	14.5	25.4	15.4	13.3	17.5	16.0
Leasing Income	15.9	29.5	12.6	6.3	12.3	6.1			-	9.7	17.2	6.5
Less: Interest Expenses	8.4	15.9	8.3	3.3	6.5	3.2	1.8	3.3	1.8	3.3	6.1	3.4
Non-interest Income	**17.3**	**27.8**	**22.8**	**0.4**	**1.8**	**0.9**	**0.7**	**0.9**	**0.6**	**16.2**	**25.0**	**21.3**
Fee-based Income	4.1	11.2	8.3	0.3	1.1	0.7	0.4	0.7	0.4	3.4	9.5	7.1
Trading Income/(Loss)		0.0	0.2		0.2	0.0		0.0	0.0			0.2
Income from Corollary Busine	8.6	7.6	7.7			-			-	8.6	7.6	7.7
Other Income/(Loss)	4.7	9.0	6.6	0.1	0.6	0.1	0.3	0.3	0.2	4.3	8.1	6.3
OPERATING EXPENSES	**34.2**	**57.7**	**37.0**	**3.0**	**7.8**	**3.7**	**3.0**	**5.6**	**3.3**	**28.2**	**44.4**	**30.1**
Bad Debts Written Off	**2.7**	**5.6**	**4.6**	**0.2**	**0.4**	**0.2**			**(0.0)**	**2.5**	**5.2**	**4.5**
Provision for Probable Losses	**2.7**	**9.5**	**2.1**	**0.5**	**2.7**	**1.3**	**1.0**		**(0.6)**	**1.2**	**7.9**	**1.3**
Other Operating Expenses	**28.8**	**42.6**	**29.1**	**2.3**	**4.7**	**2.1**	**2.0**	**4.5**	**2.6**	**24.5**	**33.4**	**24.3**
Overhead Costs	18.6	28.1	22.1	1.9	3.8	1.7	1.2	2.8	1.6	15.5	21.5	18.7
Other Expenses	10.2	14.5	7.0	0.4	0.9	0.4	0.8	1.7	1.0	9.0	11.9	5.6
NET OPERATING INCOME (LOSS)	**18.9**	**27.4**	**21.6**	**0.9**	**0.6**	**0.3**	**10.4**	**17.5**	**10.9**	**7.6**	**9.3**	**10.4**
Extraordinary Credits/(Charges)			**0.2**	**0.0**		**0.0**		**0.1**	**0.0**			**0.2**
NET INCOME/(LOSS) BEFORE TAX	**18.8**	**26.8**	**21.9**	**0.9**	**0.6**	**0.4**	**10.3**	**17.5**	**10.9**	**7.6**	**8.7**	**10.6**
Provision for income tax	**2.2**	**1.8**	**2.4**	**0.3**		**0.1**	**0.0**	**0.0**	**0.0**	**1.9**	**1.8**	**2.2**
NET INCOME/(LOSS) AFTER TAX	**16.6**	**25.0**	**19.5**	**0.6**	**0.7**	**0.3**	**10.3**	**17.5**	**10.9**	**5.7**	**6.8**	**8.3**
Profitability												
Return on Assets (%)	**5.3**	**3.2**	**6.1**	**1.9**	**0.3**	**2.8**	**8.8**	**6.9**	**6.8**	**5.0**	**2.4**	**7.4**
Return on Equity (%)	**12.8**	**7.4**	**13.2**	**9.0**	**1.3**	**15.4**	**13.5**	**10.4**	**10.5**	**13.6**	**5.8**	**15.8**

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

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