Report on the Philippine Financial System

2nd Semester 2021

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

The report is available at http://www.bsp.gov.ph.

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A. FINANCIAL TERMS

1. **Agency account** – 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. In providing wealth, asset or fund management services to the client, the trust institution exercises either discretionary or non-discretionary investment authority under an agency contract.

2. **Basic deposit account (BDA)** – a bank product that may or may not earn interest designed to promote financial inclusion. Banks that offer BDA must adopt the following minimum key features: simplified know-your-customer (KYC) procedures; opening amount of not more than ₱100; maximum balance of not more than ₱50,000; no minimum maintaining balance; no dormancy charges; and zero reserve requirement.

3. **Bonds payable** – the amortized cost of obligations arising from the issuance of bonds.

4. **Branch-lite unit (BLU)** – any permanent office or place of business of a bank, other than its head office or a branch. A BLU performs activities and provides any of the products and services that a branch may perform or provide except those suited only for sophisticated clients with aggressive risk tolerance.

5. **Capital** – the total of the unimpaired paid-in capital, surplus and undivided profits, subject to adjustments. The term is synonymous with unimpaired capital and surplus, combined capital accounts and net worth.

6. **Capital conservation buffer (CCB)** – a portion of bank capital equivalent to 2.5 percent of common equity Tier 1 capital required of universal banks and commercial banks (U/KBs) and their subsidiary banks or quasi-banks (QBs). The buffer is meant to promote the conservation of capital and build-up of adequate cushion that can be drawn down by banks to absorb losses during periods of financial and economic stress.

7. **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.

8. **Credit risk** – 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.

9. **Dation in payment (*Dacion en pago*)** – a mode of discharging a debt or claim whereby the debtor gives the creditor, with the latter's consent, something in full satisfaction of the obligation but of a character different from that originally called for by the obligation.

10. **Demand deposit** – deposits subject to withdrawal by check through available bank channels or through automated teller machines (ATMs). Also known as current or checking accounts, these deposits may or may not earn interest.

11. **Deposit substitute** – 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 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, "enders" 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 (RA) No. 11211, provided, however, that deposit substitutes of commercial, industrial, and other nonfinancial companies for the limited

purpose of financing their own needs or the needs of their agents or dealers shall not be covered by the provisions of Section 94 of RA No, 11211.

12. **Derivative** – 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 that, in the case of a non-financial variable, 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 what is 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.

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

14. **Distressed assets** – the sum of non-performing loans and real and other properties acquired (ROPA), gross non-current assets held for sale (NCAHS) and performing restructured loans replacing the current restructured loans.

15. **Dividend income** – cash dividends earned 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).

16. **E-money** – 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.

17. **Earning assets** – the sum of (1) due from BSP; (2) due from other banks; (3) financial assets – debt instruments measured at FVTPL at FVOCI and at amortized cost; (4) financial assets –derivatives with positive fair value held for trading (stand-alone and embedded); and (5) total loan portfolio inclusive of interbank loans (IBL) and loans and receivables arising from repurchase agreements, certificates of assignment or participation with recourse and securities lending and borrowing transactions (RRPs), net of allowance.

18. **Equity investments** – investments in the equities or shares of stocks of subsidiaries, associates, and joint ventures.

19. **Fee-based income** – the sum of income from payment services, intermediation services, custodianship, underwriting and securities dealership, securitization activities, fiduciary activities, and other fee-based revenues.

20. **Financial assets (other than loans and receivables)** – 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: (1) debt instruments measured at FVTPL; (2) debt instruments at FVOCI; (3) debt instruments at amortized cost; (4) and equity instruments at FVTPL, including those held-for-trading (HFT), and at FVOCI.

21. **Financial liabilities designated at fair value through profit or loss (DFVPL)** – financial liabilities that, upon initial recognition, are designated by the bank at fair value through profit or loss.

22. **Financial liabilities held-for-trading (HFT)** – the sum of derivatives with negative fair value HFT and liability for short position.

23. **Financial reporting package (FRP)** – 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 the BSP's statistical requirements.

24. **Financial soundness indicators (FSIs)** – a set of key data on the current financial health and soundness of a country's financial institutions as well as its corporate and household sectors. They include both aggregate 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. The indicators are calculated and disseminated to support macroprudential analysis.

25. **Foreign currency deposit unit (FCDU) and Expanded foreign currency deposit unit (EFCDU)** – 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 RA No. 6426 (Foreign Currency Deposit Act of the Philippines), as amended.

26. **Gains/(losses) on financial assets and liabilities HFT or Trading income (loss)** – 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.

27. **Gross assets** – 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).

28. **Gross domestic product (GDP)** – is the sum of the 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**, in turn, refers to the goods and services produced by an establishment. It is equal to the value of sales adjusted 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.

29. **High-quality liquid assets (HQLA)** – 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.

30. **Income tax expense** – the periodic provision for income tax.

31. **Interest-bearing liabilities** – 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.

32. **Islamic banking** – financial activities that adhere to Shari'ah (Islamic law). Two fundamental principles of Islamic banking are the sharing of profit and loss, and the prohibition of the collection and payment of interest by lenders and investors.

33. **Liquid assets** – the sum of cash and due from banks as well as net financial assets, exclusive of equity investments.

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

35. **Long-term negotiable certificates of deposit (LTNCD)** – interest bearing negotiable certificates of deposit with a minimum maturity of five years.

36. **Market risk** – 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.

37. **Money changer (MC) or Foreign exchange dealer (FXD)** – any entity that engages in money changing or foreign exchange dealing business. This includes authorized agent banks' subsidiaries and affiliate forex corporations (AAB-forex corps), among others.

38. **Money laundering offense** – a crime whereby the proceeds of an unlawful activity are transacted, thereby making them appear to have originated from legitimate sources.

39. **Money service business (MSB)** – any entity that engages in remittance, money changing or foreign exchange dealings. This includes remittance agents and subagents, remittance platform providers, e-money issuers and MCs or FXDs.

40. **Negotiable order of withdrawal (NOW) accounts** – are interest-bearing deposit accounts that combine the payable on demand feature of checks and investment feature of savings accounts.

41. **Net cash outflows (NCO)** – 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.

42. **Net interest income** – the difference between interest income~~,~~ and the sum of provision for losses on accrued interest income from financial assets and interest expense.

43. **Net open position in foreign exchange** – 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 or loss in foreign currencies of the foreign currency positions set out in a single unit of account.

44. **Net profit or loss** – 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.

45. **Non-interest expenses** – the sum of compensation and fringe benefits, taxes and licenses, fees and commissions, other administrative expenses, depreciation and amortization, and impairment losses and provisions.

46. **Non-interest income** – 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/derecognition of non-trading financial assets and liabilities, profits from sale/derecognition of non-financial assets, profits on financial assets and liabilities DFVPL, profits on fair value adjustment in hedge accounting and other non-interest income.

47. **Non-performing assets (NPAs)** – 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).

48. **Non-performing loans (NPLs)** – loans, investments, receivables, or any financial asset that are considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, or with signs 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.

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

50. **Personal equity and retirement account (PERA)** – a voluntary retirement saving program that supplements the existing retirement benefits from the Social Security System, Government Service Insurance System and employers. A Filipino citizen with the capacity to contract and obtain a Tax Identification Number (TIN) can be a PERA contributor.

51. **Proliferation financing (PF)** – an action or circumstance when a person makes available an asset, provides a financial service or conducts a financial transaction intended, in whole or in part, to facilitate the proliferation of weapons of mass destruction. To be considered as engaging in PF, the person must be aware that, or is reckless as to whether or not, the asset, financial service or financial transaction is aimed toward such a goal.

52. **Provision for losses on accrued interest income from financial assets** – the impairment loss on accrued interest income from loans and other financial assets, net of equity securities, charged against current operations.

53. **Quasi-banks (QBs)** – 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 RA 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. 20 or more lenders at any one time, whereby 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 relending or purchasing receivables and other obligations.

54. **Real and other properties acquired (ROPA)** – 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 dation in payment (*dacion en pago*) or for other reasons, whose carrying amount will be recovered principally through a sale transaction.

55. **Real estate exposures (REEs)** – assets held by financial institutions made up of:
    a. real estate loans (RELs), which, in turn, consist of:
        - residential RELs to individual households for occupancy; and
        - commercial RELs, which refer to loans granted for purposes of financing real estate activities, to the following:
            i. individuals (including sole proprietorships), other than residential real estate loans granted to individual households for occupancy;
            ii. land developers and construction companies; and
            iii. other corporate borrowers, such as real estate brokers, real estate lessors, property management companies, holding companies, and others;
    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.

56. **Recoveries on charged-off financial assets** – the collection of accounts or recovery from impairment of charged-off financial assets and financial assets provided with allowance for credit losses.

57. **Redeemable preferred shares** – preferred shares issued that provide for redemption on a specific date.

58. **Relief measures** – 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 help them endure the adverse effects of the COVID-19 pandemic crisis. These regulatory and operational relief measures were meant to encourage BSFIs to extend financial relief to their borrowers, incentivize bank lending, promote continued access to credit and 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.

59. **Remittance and transfer company (RTC)** – any entity that provides money or value transfer service (MVTS) that involve the acceptance of cash, checks, 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 providers and e–money issuers (EMI).

60. **Residential real estate price index (RREPI)** – 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 house price inflation.

61. **Sales contract receivable (SCR)** – the amortized cost of assets acquired in settlement of loans through foreclosure or dation in payment (*dacion en pago*) 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.

62. **Savings deposit** – interest- or non-interest-bearing deposits that are withdrawable upon demand through available bank channels.

63. **Securities** – a fungible, negotiable financial instrument that holds some type of monetary value. It is generally categorized into two: a) equity securities, or securities that represent ownership interest held by shareholders in an entity, realized in the form of shares of capital stock, and; b) debt securities, or securities that represent borrowed money that must be repaid, with terms that stipulate the size of the loan, interest rate, and maturity or renewal date.

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

65. **Sustainable finance** – any form of financial product or service that integrates environmental, social and governance criteria into business decisions that support 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 environmentally-friendly economic activities as well as climate change mitigation and adaptation projects.

66. **Tier 1 capital** – also known as going-concern capital and is composed of CET1 and additional Tier 1 capital.

67. **Time certificates of deposit** – interest-bearing deposits with specific maturity dates and evidenced by certificates issued by the bank.

68. **Total assets** – the sum of all net assets, adjusted to net of due from head office, branches or agencies and due to head office, branches or agencies of foreign bank branches.

69. **Total operating income** - the sum of net interest income and non–interest income.

70. **Trust** – 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 or property of the trust or for the benefit of a beneficiary.

71. **Trust account** – the account wherein legal title to funds 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 consist of wealth, asset or fund management services to the client where the trust institution exercises either discretionary or non-discretionary investment authority.

72. **Trust business** – 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.

73. **Unimpaired capital (regulatory net worth)** – 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.

74. **Unit investment trust fund (UITF)** – an open-ended, pooled trust fund denominated in pesos or any acceptable currency that 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 rules.

75. **Virtual currency (VC)** – 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)** – the percentage 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)** – the percentage of total qualifying capital to risk-weighted assets computed in accordance with the risk-based capital adequacy framework. The current capital framework incorporates credit risk (Circular No. 280 dated 29 March 2001), 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** – the percentage of regulatory CET1 capital to risk-weighted assets.

4. **Cost-to-income ratio** – the percentage of non-interest expenses, net of impairment losses, to total operating income.

5. **Deposits to net loans ratio** – the percentage of total deposits to total loan portfolio, exclusive of interbank loans.

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

7. **Earning asset yield** – the percentage of interest income to average earning assets.

8. **Funding cost** – the percentage of interest expenses to average interest-bearing liabilities.

9. **Interest spread** – the difference between earning asset yield and funding cost.

10. **Liquid asset ratio** – the percentage of liquid assets to total assets.

11. **Liquid asset-to-deposit Ratio** – the percentage of liquid assets to total deposits.

12. **Liquidity coverage ratio (LCR)** – the percentage of high-quality liquid assets to total net cash outflows.

13. **Loan concentration by counterparty** – the percentage of lending to major counterparties to total loan portfolio.

14. **Loan concentration by economic activity** – the percentage of lending to major economic activities to total loan portfolio.

15. **Minimum liquidity ratio (MLR)** – the percentage of a bank's or QB's eligible stock of liquid assets to its total qualifying liabilities. This is applicable to standalone TBs, RCBs, and QBs.

16. **Net foreign exchange position-to-unimpaired capital ratio** – the percentage of net open position in foreign exchange to unimpaired capital.

17. **Net interest income-to-total operating income ratio** – the proportion of net interest income to total operating income.

18. **Net interest margin** – the percentage of net interest income to average earning assets.

19. **Net stable funding ratio (NSFR)** – the percentage of a covered bank's or QB's available stable funding (ASF) to its required stable funding (RSF).

20. **NPA coverage ratio** – the percentage of allowance on NPAs to total NPAs.

21. **NPA ratio** – the percentage of NPAs to total assets, gross of allowance for credit losses.

22. **NPL coverage ratio** – the percentage of allowance for credit losses on loans to total NPLs.

23. **NPL ratio** – the percentage of NPLs to total loans (gross of allowance for credit losses), inclusive of interbank loans.

24. **Return on assets (RoA)** – the percentage of net profit or loss to average assets.

25. **Return on equity (RoE)** – the percentage 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 (RA) No. 7653 or The New Central Bank Act, as amended by RA No. 11211, and other pertinent laws.

RA No. 11211 expanded the BSP's supervisory powers over money service businesses, credit granting businesses and payment system operators. Meanwhile, RA No. 11127 (The National Payment Systems Act) mandated the BSP to oversee the payment systems in the country. Moreover, RA 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.

The report analyzes the insights from various periodic reports submitted by BSP-supervised and regulated financial institutions to the Department of Supervisory Analytics, FSS. As of end-December 2021, these consisted of 506 banks with 12,648 branches and other offices, 1,324 non-bank financial institutions with 14,543 branches, and one offshore banking unit.

Effective 3 July 1998, the BSP's powers of supervision and regulation 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 RA 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 RA No. 8791 (The General Banking Law of 2000).

Highlights of the Report

OVERVIEW

The Philippine financial system remained sound and stable. It also continued to support the financing requirements of the domestic economy, which exhibited signs of recovery[1] in the second half of 2021.

The Philippine banking system, as the core[1] of the financial system, sustained its solid footing as shown by continued growth in assets, loans and deposits, coupled with adequate buffers on capital, liquidity and loan loss reserves. Funded mainly by deposit generation, the sustained expansion of assets enabled the banking system to continue supporting the country's financing needs and delivering financial products and services even during crisis. The banking system also posted a net profit during the review period.

Total resources of the banking system reached ₱20.8 trillion as of end-December 2021, recording year-on-year (YoY) growth rate of 7.0 percent, which is faster than the 6.1 percent growth rate posted in December 2020. Across banking groups, universal and commercial banks (U/KBs) held the largest share of the banking system's total assets at ₱19.3 trillion (92.4 percent) while total assets of thrift banks (TBs) and rural and cooperative banks (RCBs) stood at ₱1.3 trillion (6.1 percent) and ₱312.0 billion (1.5 percent), respectively.

Domestic credit picked up in the second half of 2021 as the banking system's gross total loan portfolio (TLP) went up YoY by 4.8 percent to ₱11.4 trillion as of end-December 2021. This was a turnaround from the 0.9 percent contraction recorded a year before. The ratio of gross TLP to nominal gross domestic product (GDP) stood at 58.8 percent as of end-December 2021. This broadly indicated that the banking system remained supportive of the financing requirements of the domestic economy.

Amid the improvement in credit activity, the quality of the banking system's loan portfolio remained within BSP expectations. The banks' gross non-performing loan (NPL) ratio stood at 4.0 percent as of end-2021, higher than the 3.6 percent ratio posted last year. This was accompanied by NPL coverage ratio of 87.7 percent as of end-December 2021.

While NPLs have been managed at the individual bank level due to the adoption of sound credit risk management long before the crisis, the enactment of the Financial Institutions Strategic Transfer or FIST Act has further reinforced confidence of the public on the stability of the financial system. Box Article 1 presents how the FIST Act will help increase the financial system's risk-bearing capacity and ability to expand their investment and lending activities.

The banking system's deposits grew by 9.0 percent YoY to ₱16.2 trillion in end-2021. About 92.5 percent of deposit liabilities of the banking system were generated by U/KBs.

The banking system posted a stronger capital position amid the uncertainties caused by the COVID-19 pandemic. As of end-December 2021, banks' total capital grew by 5.9 percent from the year before to ₱2.6 trillion, higher than the 4.9 percent growth rate recorded in the previous year. On risk-based capital, the capital adequacy ratios (CARs) of the U/KB industry on solo and consolidated bases continued to be well-above the minimum thresholds set by the BSP at 10 percent and by the Bank for International Settlements (BIS) at 8 percent. As of end-September 2021, the respective CARs of the U/KB industry improved to 16.9 percent and 17.4 percent on solo and consolidated bases from the previous year's 16.3 percent and 17.2 percent. This means that the banks' risk-taking activities are supported by adequate capital which is mainly composed of common equity and retained earnings.

[1] The annual growth in the country's gross domestic product (GDP), in real terms, recovered to 5.6 percent in 2021 from a decline of 9.6 percent in 2020.
Source: BSP website https://www.bsp.gov.ph/Statistics/Real%20Sector%20Accounts/tab31_gio.aspx

[2] As of end-December 2021, the total assets of the banking system represented 82.6 percent of the total resources of the Philippine financial system. Total resources of the financial system exclude the assets of the BSP but include the assets of investment houses, finance companies, investment companies, securities dealers and brokers, pawnshops, lending investors, non-stock savings and loans associations, and credit card companies under the effective supervision of the BSP, as well as the assets of Government Service Insurance System (GSIS) and the Social Security System (SSS).
Source: BSP website https://www.bsp.gov.ph/SitePages/Statistics/Financial%20System%20Accounts.aspx

Net profit in 2021 went up by 44.8 percent YoY to ₱224.8 billion, reversing the 32.7 percent drop the previous year.

The analysis of the financial soundness indicators (FSIs) suggest that the Philippine banking system remains stable and resilient despite global uncertainties related to the COVID-19 pandemic and the risk of new variants such as Omicron. Nonetheless, the BSP continues to monitor risks from credit exposures, including emerging risks from demand side and supply side factors, which may amplify the impact of the health crisis on the economy.

Most of the BSP's relief measures remain in place to ensure continuous support to banking operations and key economic sectors including micro, small and medium enterprises (MSMEs). In line with this, the BSP continues to allow banks to use peso-denominated loans to MSMEs and large enterprises (LEs) that are not affiliated with conglomerates as alternative compliance with the reserve requirements. For the reserve week ending 30 December 2021, the banking system allocated an average of ₱219.7 billion loans to MSMEs as alternative compliance with the reserve requirements. This represents 14.5 percent of total required reserves.

The BSP also continues to monitor the credit allocation of banks to the MSME sector even if the mandatory credit allocation for MSMEs, as set forth in Republic Act (RA) No. 6977, as amended by RA Nos. 8289 and 9501, ended last 16 June 2018. As of end-December 2021, the banking system provided a total of ₱463.1 billion credit to MSMEs, which was 5.4 percent of TLP net of exclusions. In particular, the banking system's total credit allocation to medium enterprises summed up to ₱285.0 billion as of end-December 2021 while funds allocated to micro and small enterprises stood at ₱178.1 billion.

In line with RA No. 9178, otherwise known as the Barangay Micro Business Enterprises (BMBEs) Act of 2002, the Philippine banking system, together with concerned government financial institutions (GFIs), continued to serve the financing needs of BMBEs in 2021 amid the COVID-19 pandemic. This is complemented by the enabling regulatory environment promoted by the BSP to allow improved credit delivery to BMBEs and other micro enterprises.

Based on bank-submitted MSME reports, a total of 21 banks granted retail loans to BMBEs amounting to ₱67.2 million as of end-December 2021. This represents a 9.7-percent YoY growth from the ₱61.3 million as of end-December 2020, a turnaround from the 18.2 percent contraction in end-December 2020. These retail loans were directly granted to 3,510 BMBE borrowers.

Annex 1 of the report discusses the role of banks in serving the financing needs of BMBEs while Box Article 2 summarizes how the BSP fosters a regulatory environment conducive to deepening access of MSMEs to financing.

Amid the challenging business environment due to the pandemic, foreign bank branches (FBBs) and subsidiaries remain committed in their efforts to support the growth and recovery of the Philippine economy as they continue to facilitate trade and financial transactions between the Philippines and other countries.

The FBBs and subsidiaries continued to capitalize on their digital capabilities as they implemented several financial technology (fintech) tools to better serve clients as well as to improve their operational efficiency. These FBBs and subsidiaries adopted innovations and modified their procedures to continue serving customers despite limited movement during quarantine periods. Moreover, FBBs and subsidiaries continued to invest substantially in human capital by providing employment opportunities; developing competent professionals through webinars, online fora, and virtual trainings; and providing safety measures and assistance to employees to mitigate the impact of the crisis. Results of the survey that covered 26 respondent FBBs and subsidiaries are summarized in Annex 2 of the report.

Meanwhile, the total foreign currency deposit units' (FCDU) resources, which represented about 14.1 percent of the Philippine banking system's total assets as of end-December 2021, narrowed following the decline in capital. By composition, majority of FCDU assets consisted of investments in debt securities and loans. Accounting for

49.0 percent (US$28.3 billion) of total FCDU assets, investments in debt securities[3] decreased by 1.9 percent YoY. Loans[4], which made up 38.0 percent (US$21.9 billion), fell by 1.1 percent.

Asset quality weakened but remained manageable as the NPL ratio of FCDUs rose by 1.4 percentage points to 3.6 percent. The higher NPL ratio was driven by the increase in the level of NPLs amid the drop in TLP.

Despite the slowdown in global economic growth, overall FCDU operations recorded a net profit, albeit lower compared with the previous year. The FCDUs' aggregate profit fell as net interest income and non-interest income dropped by 7.3 percent and 29.3 percent, respectively.

On the banking system's trust operations, total trust assets, which remained mainly in the form of investment in securities and deposits in banks, expanded by 9.2 percent YoY to ₱5.1 trillion as of end-December 2021. Such growth was slower than the double-digit increases of 16.6 percent in 2020 and 15.9 percent in 2019.

The trust industry remained liquid as majority of assets were in highly marketable securities and deposits in banks. Likewise, Personal Equity and Retirement Accounts (PERA) increased YoY in terms of number of contributors and amount of contribution due to the digitalization of the program, a massive information campaign, and constant engagement with various industry associations and financial institutions.

The industry sustained its profitability as fees and commissions of trust entities grew YoY in line with the increase in trust assets.

Similar to the positive performance of the banking sector, the non-bank sector reported improved operating results and a positive bottom line following streamlining within the industry.

The assets of non-banks with quasi-banking function (NBQBs) accounted for about 20.6 percent of the total assets of non-bank financial institutions. Bulk of resources of the NBQBs were channeled into loans. By subgroup, majority of the industry's resources came from financing companies. More than three-fourths of financing companies' resources were in the form of loans.

Loan and asset quality of the industry weakened in 2021 but remained manageable. Amid meager loan expansion in 2021, NPL and non-performing assets (NPAs) grew at a faster pace of 4.1 percent and 2.9 percent from the year before, respectively. As of the same period, NPL and NPA ratios stood at 9.9 percent and 8.9 percent, respectively, higher than the 9.6 percent and 7.6 percent recorded previous year. The increase in NPL and NPA ratios was matched by an improvement in coverage ratios.

Bills payable continued to constitute the bulk of NBQBs' source of funds. Total capital declined primarily due to the drop in surplus, surplus reserves and undivided profits. Ample funding and capital supported the industry's activities. Meanwhile, the NBQB industry remained profitable with cost-efficient operations.

Nevertheless, the NBQBs were expected to remain stable as most of the financing companies and investment houses with QB license were part of the U/KB banking group. Likewise, the BSP will remain watchful of the industry's performance amid the current crisis.

Amid the COVID-19 pandemic, the non-stock savings, and loan associations (NSSLAs) sustained stability and continued to provide financial services to its members. The industry's balance sheet remained strong, with most of its key accounts posting continued growth and performance ratios showing positive developments. This growth momentum was complemented by manageable loan and asset quality while maintaining adequate liquidity. Operations likewise remained profitable, enabling the industry to build up retained earnings.

[3] Net of allowance for credit losses
[4] Net of allowance for credit losses. Includes Interbank Loans Receivable (IBL)

During the review period, capital and deposits from its members remained the main source of funding of the industry. Likewise, interest income was the key driver in the NSSLAs' revenue growth.

Pawnshops and Money Service Businesses (PMSBs) remained key financial access points for the financially unserved and underserved segments of the populace during the pandemic. The extensive network of the two industries helped in achieving the financial inclusion objectives of the BSP, especially in less-urbanized regions.

Through the years, PMSBs have expanded their service offerings to cater to the different financial needs of their clients. During the pandemic, they were tapped as channels for the distribution of the social amelioration program of the national government. In view of their vital role, the BSP has issued several policies to maximize the potential of the twin industries' vast network to further promote financial inclusion while ensuring the institutions' safety and soundness.

As of end-December 2021, the number of pawnshops and MSBs stood at 15,388 and 7,449 offices, respectively. The combined network of the two industries grew by 4.5 percent YoY, complementing the physical network of the entire banking system, made up of 13,154 offices, in the delivery of financial services.

Moving forward, the strength and positive outlook on the banking system was complemented by the prudential and strategic reforms undertaken by the BSP over the years, as well as its swift, time-bound and targeted relief measures, most of which remain in place. Recognizing the need to sustain credit growth in the country, the BSP has extended the effectivity of some of the prudential and operational relief measures until the end of 2022. This initiative likewise aimed to ensure continued access to financial products and services by businesses and households, including vulnerable sectors of the economy.

The outlook on the banking system remains relatively stable with prospects of double-digit growth in assets, loans, investments and deposits in the next two years[5]. Amid weakening of loan quality due to a more subdued economy, respondent banks continue to expect their NPLs to remain within manageable levels even as they prepare to boost provisions. Banks also intend to maintain their capital, leverage and liquidity ratios at levels higher than the BSP and international standards.

The BSP will continue to monitor risks and vulnerabilities that may amplify the impact of the lingering health crisis on the economy and put undue pressure on the performance of the financial system. The BSP will also adopt prudential standards that will strengthen corporate and risk governance, promote responsible innovation and sustainable finance, and uphold financial integrity and operational resilience in its supervised financial institutions. All these are intended to foster a resilient, dynamic and inclusive financial system that is supportive of sustainable economic growth.

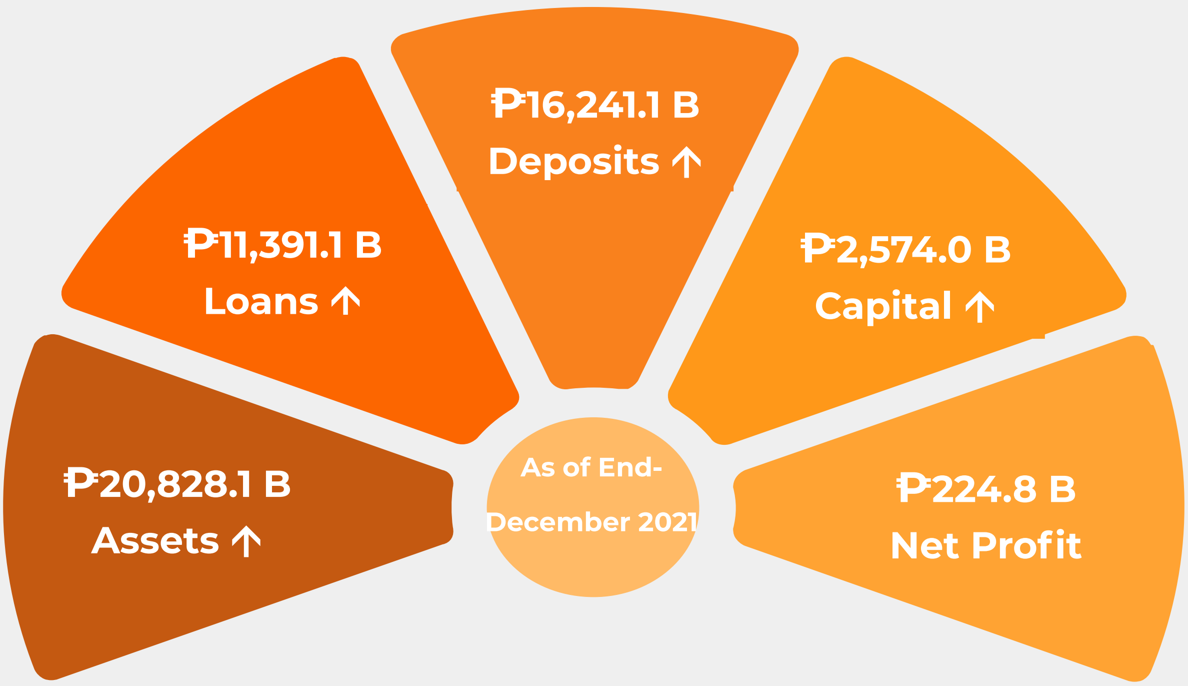
[5] Based on the preliminary results of the Banking System Outlook Survey (BSOS) for the second semester of 2021.

Philippine Banking System

OVERVIEW

The Philippine banking system (PBS) sustained its resilient performance in 2021 amid the challenging environment. Growth in assets, loans, deposits and net profit continued, helping keep adequate buffers on capital, liquidity and loan loss reserves. Funded by deposit generation, the expansion in resources enabled the banking system to continue supporting the country's funding needs and delivering financial products and services even during the crisis.

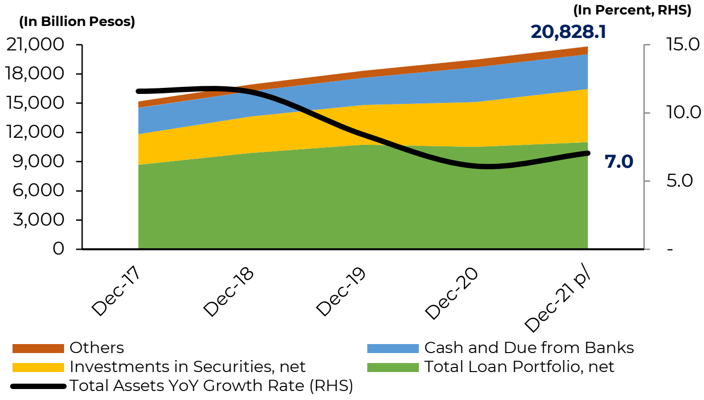
The strength of and positive outlook on the PBS was complemented by the prudential and strategic reforms undertaken by the BSP over the years, as well as its swift, time-bound and targeted relief measures, most of which remain in place. Recognizing the need to sustain credit growth in the country, the BSP extended the effectivity of some of the prudential and operational relief measures until end-December 2022. This aims to ensure continued provision of credit and access to financial products and services by households and businesses, including vulnerable sectors of the economy.



ASSETS GREW AT A FASTER PACE

Total resources of the PBS rose to ₱20,828.1 billion as of end-December 2021. The expansion was largely funded by deposits and, in turn, channeled to lending and investment activities of banks. The total assets' year-on-year (YoY) growth rate of 7.0 percent was faster than the 6.1 percent growth rate in December 2020 (Figure 1). Meanwhile, the growth rate of total assets in 2020 and 2021, when the pandemic was raging, averaged 6.6 percent, lower than the average of 11.0 percent from 2016 to 2019, before the pandemic.

Figure 1
PBS
Total Assets
As of End-Period Indicated



Source: Department of Supervisory Analytics
p/ preliminary data

Universal and commercial banks (U/KBs) made up the bulk of the banking system's total assets at ₱19,250.7 billion (or 92.4 percent of the total) while the total assets of thrift banks (TBs) and rural and cooperative banks (RCBs) stood at ₱1,265.4 billion (6.1 percent) and ₱312.0 billion (1.5 percent), respectively.

The U/KBs' total assets increased YoY by 6.7 percent, relatively the same growth rate in December 2020. Meanwhile, TBs' total assets grew by 12.0 percent, compared with the 2.0 percent decline the year before. RCBs' total assets went up by 10.6 percent, higher than the 5.8 percent growth rate the previous year.

Total loan portfolio (TLP), net of allowance for credit losses, held the largest share of the banking system's total assets at 52.8 percent (₱10,994.3 billion) followed by investments in securities[1] and cash and due from banks with 26.3 percent share (₱5,472.8 billion) and 17.1 percent share (₱3,571.5 billion), respectively. Meanwhile, other assets[2] had 3.8 percent share (₱789.5 billion). This asset mix had generally been maintained in the past six years.

LOAN PORTFOLIO RECOVERED

Lending activity showed signs of recovery as the banking system's gross TLP went up YoY by 4.8 percent to ₱11,391.1 billion as of end-December 2021. This rate was a turnaround from the 0.9 percent contraction in December 2020 amid the pandemic (Figure 2). However, the average growth rate of gross TLP during the COVID-19 pandemic of 2.0 percent was lower than the average of 13.9 percent from 2016 to 2019. The ratio of gross TLP to nominal gross domestic product (GDP) stood at 58.8 percent as of end-December 2021. This hovered between 56 percent to 60.0 percent in the past three years, indicating that bank credit supported economic growth.

Figure 2
PBS
Gross Total Loan Portfolio (TLP)
As of End-Period Indicated

Source: Department of Supervisory Analytics
p/ preliminary data

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

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

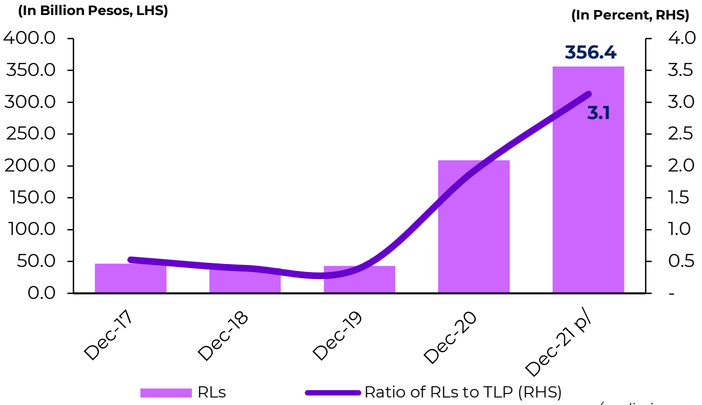
Consumer and business confidence surveys[3] point to a more optimistic outlook in the succeeding quarters. The favorable market outlook and rising vaccination coverage in the country are seen to contribute to improvements in business operating conditions and spur more credit activity in the country.

Banks also continued to extend financial relief to their borrowers through mutually-agreed modifications in their loan payment terms. As of end-December 2021, the level of restructured loans (RLs) of the PBS inched up by 70.6 percent YoY to ₱356.4 billion. This was equivalent to 3.1 percent of the PBS' loan portfolio, up from 1.9 percent recorded the previous year (Figure 3). The surge in the RLs during the pandemic from 2020 to 2021 was expected in view of subdued economic activities and affected income streams of households and businesses. As of end-December 2020, RLs climbed by almost four times the level registered the prior year. The growth rate of RLs from 2020 to 2021 averaged 227.3 percent, substantially higher than the 6.8 percent mean annual growth recorded from 2016 to 2019.

Loans remained broad-based across various industries and types of borrower. As to economic activity, the real estate sector had the largest share of TLP at 19.4 percent (Figure 4), posting a YoY growth rate of 8.3 percent as of end-December 2021. This was followed by wholesale and retail trade; manufacturing; and electricity, gas, steam, and air-conditioning supply with TLP shares of 10.9 percent, 9.8 percent, and 9.3 percent, respectively. Loans to manufacturing; wholesale and retail trade; and electricity, gas, steam, and air-conditioning supply sectors registered annual growth rates of 9.5 percent, 1.3 percent, and 0.2 percent, respectively. Meanwhile, loans for household consumption which had a TLP share of 10.0 percent, declined by 5.9 percent YoY.

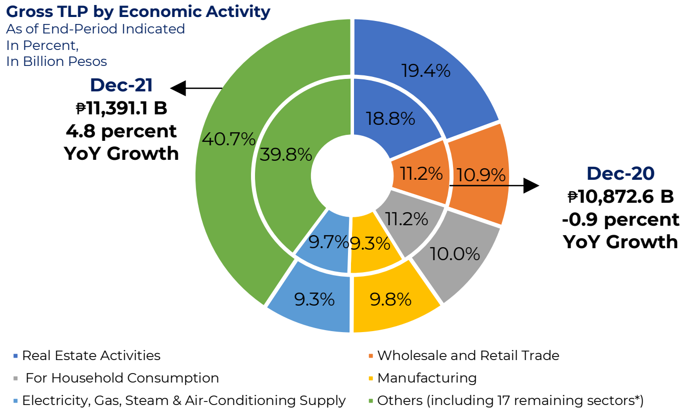
By banking group, loans of the U/KB industry to the real estate, wholesale and retail trade, manufacturing, and electricity, gas, steam, and air-conditioning supply sectors continued to make up the largest segment of its portfolio. For the TB industry, loans for household consumption and the real estate industry held the biggest share. In the case of RCBs, the largest slice of their loans funded household consumption, followed by wholesale and retail trade, and agriculture, forestry, and fishing.

Figure 3
PBS
Gross Restructured Loans (RLs)
As of End-Period Indicated



Source: Department of Supervisory Analytics *p/ preliminary*

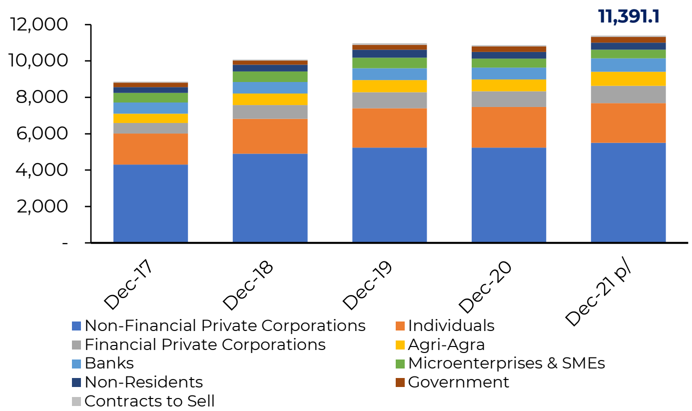
Figure 4
PBS
Gross TLP by Economic Activity
As of End-Period Indicated
In Percent,
In Billion Pesos



** These refer to economic sectors under the 2009*

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

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



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

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[3] Based on Q4 2021 Business Expectations Survey (BES), Q4 2021 Consumer Expectations Survey (CES), and Q3 2021 Senior Bank Loan Officers' Survey (SLOS).

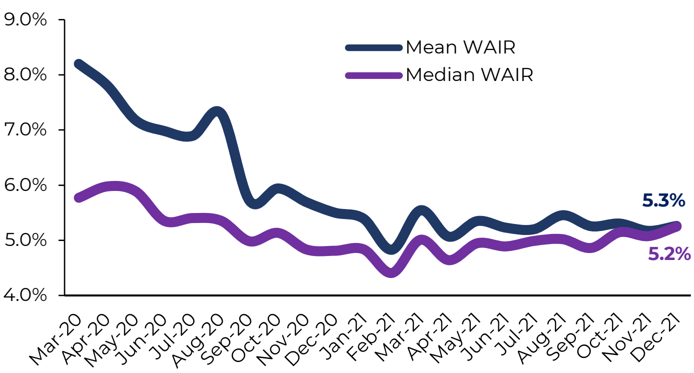
As to counterparty, almost half of the banking system's loan portfolio went to resident non-financial private corporations, amounting to ₱5,498.6 billion (or 48.3 percent of TLP) followed by resident individuals, amounting to ₱2,180.3 billion (19.1 percent) (Figure 5). While loans to resident non-financial private corporations inched up by 4.8 percent YoY, loans to resident individuals contracted by 1.7 percent over the same period.

In sharp contrast, bulk of the loans of TBs and RCBs were granted to individuals who accounted for 67.2 percent and 48.4 percent, respectively, of the two banking sectors' loans. Meanwhile, microenterprises and small and medium enterprises (SMEs) also captured a substantial share of 34.1 percent of the RCBs total loans.

INTEREST RATES ON LOANS GENERALLY DECLINED

Amid the low policy rate environment and accommodative stance of the BSP, banks were able to pass on lower interest rates to their borrowers. The overall interest rates on loans by U/KBs showed a general downtrend from end-March 2020, when community quarantines were first imposed, to end-December 2021.

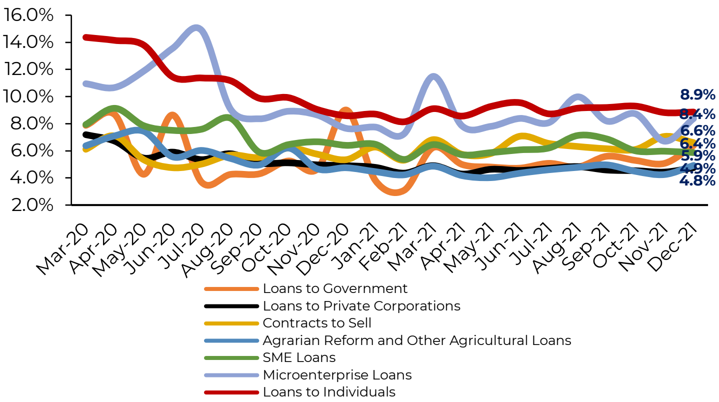
Figure 6
U/KBs
Weighted Average Interest Rates (WAIR) on Loans
For End-Period Indicated, In Percent



Source: Department of Supervisory Analytics

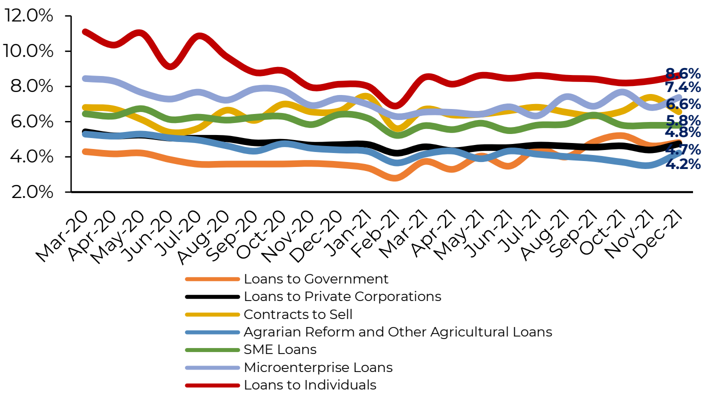
As of end-December 2021, the overall mean weighted average interest rates (WAIR) on loans of U/KBs went down to 5.3 percent from 8.2 percent as of end-March 2020 and 5.5 percent as of end-December 2020. Meanwhile, the overall median WAIR registered at 5.2 percent as of end-December 2021, lower than the 5.8 percent as of end-March 2020 but higher than the 4.8 percent as of end-December 2020. Toward the end of 2021, there was notable convergence between the average and median WAIR of banks (Figure 6).

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



Source: Department of Supervisory Analytics

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



Source: Department of Supervisory Analytics

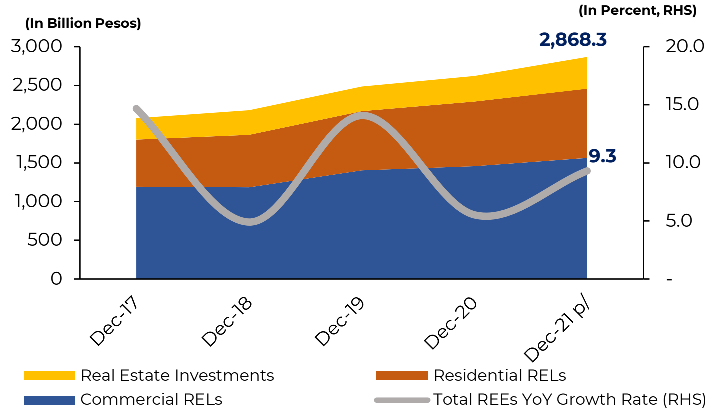
Across loan types, a general declining trend was observed in both mean and median WAIR of loans to private corporations as well as SME loans (Figures 7 and 8).

REAL ESTATE EXPOSURES EXPANDED…

The real estate exposures (REEs) of U/KBs and TBs, on consolidated basis, expanded by 9.3 percent YoY to ₱2,868.3 billion as of end-December 2021 (Figure 9). This growth rate was higher than the end-December 2020 growth rate of 5.5 percent.

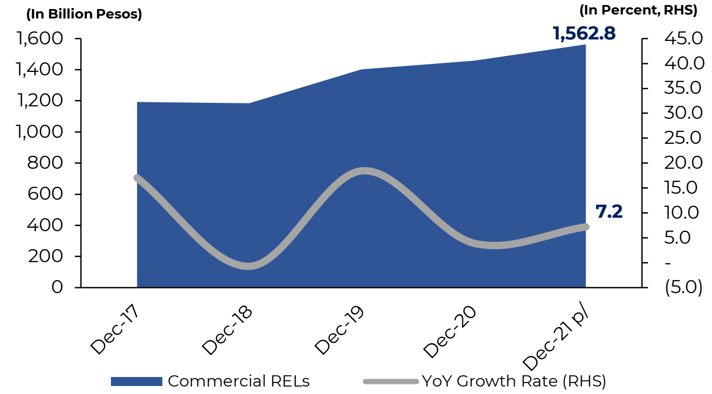
These REEs were mainly real estate loans (RELs), with a share of 85.7 percent, while the rest were real estate investments, which accounted for 14.3 percent of the total. Total RELs expanded at a faster pace of 7.3 percent YoY to ₱2,458.9 billion as of end-December 2021, higher than the 5.8 percent growth rate in December 2020.

Figure 9
U/KBs and TBs (Consolidated)
Real Estate Exposure (REE)
As of End-Period Indicated



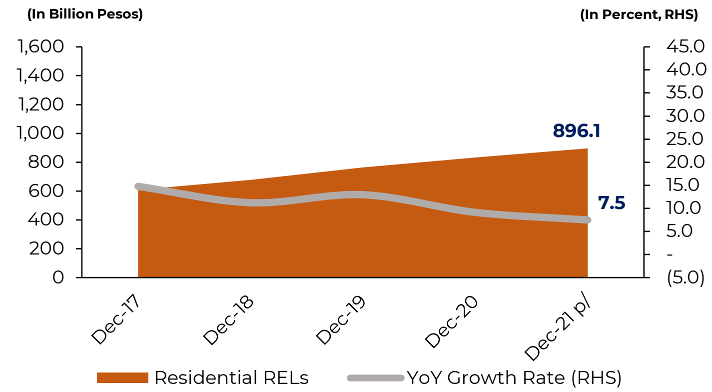
Source: Department of Supervisory Analytics *p/ preliminary data*

Figure 10
U/KBs and TBs (Consolidated)
Commercial RELs
As of End-Period Indicated



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

Figure 11
U/KBs and TBs (Consolidated)
Residential RELs
As of End-Period Indicated



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

Commercial RELs, which accounted for almost two-thirds of total RELs and the main driver of growth in REEs, increased to ₱1,562.8 billion or by 7.2 percent YoY as of end-December 2021, higher than the 3.9 percent growth rate in December 2020 (Figure 10). Commercial RELs were mostly in the form of loans for land development and acquisition, construction and improvement of commercial real estate units.

Residential RELs went up by 7.5 percent YoY to ₱896.1 billion as of end-December 2021, slower than the 9.1 percent growth rate posted in December 2020 (Figure 11). By category, low-cost and medium-cost housing made up the largest shares of residential RELs at 44.1 percent and 41.9 percent, respectively. High-end housing comprised 13.5 percent of residential RELs while socialized housing accounted for a meager share of 0.5 percent.

Residential real estate prices of various types of new housing units in the Philippines continued to rise in Q4 2021 due to the sustained demand for residential property. The Residential Real Estate Price Index (RREPI) grew by 4.9 percent in Q4 2021 from the year before. By area, residential property prices in the National Capital Region (NCR) increased by 5.0 percent YoY. Similarly, property prices in Areas Outside NCR (AONCR) went up by 5.1 percent over the same period. By type of housing units, the upturn in the nationwide RREPI was primarily driven by the rise in prices of townhouses and condominium units, increasing by 22.6 percent and 10.4 percent, respectively.

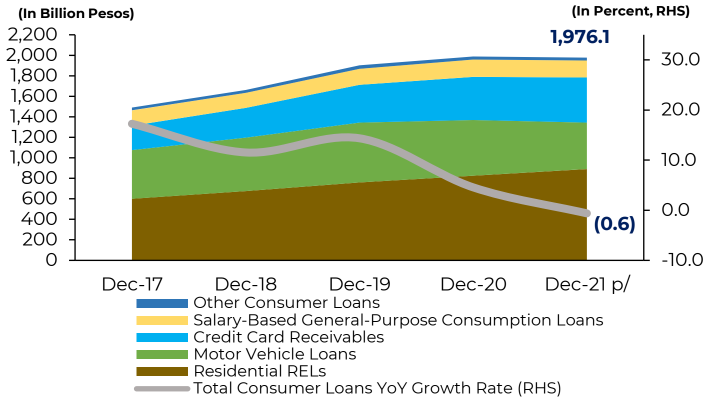
The results of the real estate stress test (REST)[4] as of end-September 2021 indicated that the capital adequacy ratio (CAR) and common equity tier 1 (CET1) ratio of the U/KB industry, as well as subsidiary and stand-alone TBs, under the stressed scenario registered above the 10 percent and six percent minimum thresholds, respectively, both on solo and consolidated bases.

[4] 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/KB's 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)."

… BUT CONSUMER LOANS SLIGHTLY CONTRACTED

On consumer finance, the level of consumer loans (CLs) of U/KBs and TBs, on a solo basis, slightly went down by 0.6 percent to ₱1,976.1 billion as of end-December 2021 (Figure 12). The average 2.0-percent growth rate of CLs during the pandemic, i.e., in 2020 to 2021, was lower than that the average 15.7 percent from 2016 to 2019. Based on the BSP's consumer expectations survey[5], consumer sentiment was more pessimistic in the fourth quarter of 2021 due to expectations of higher unemployment rate, low income, rising COVID-19 cases, faster increase in the prices of goods and lesser number of working family members.

Figure 12
U/KBs and TBs (Solo)
Consumer Loans
As of End-Period Indicated



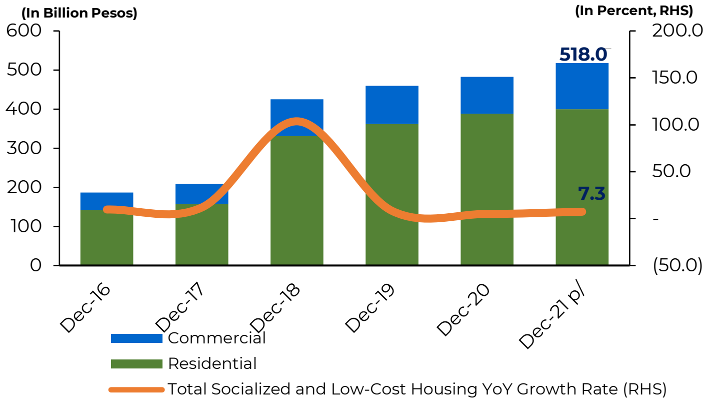
Source: Department of Supervisory Analytics *p/ preliminary data*

By composition, residential RELs made up the largest share of total CLs at 45.1 percent (₱890.5 billion), followed by motor vehicle loans (MVLs)[6] at 23.0 percent (₱454.2 billion), credit card receivables (CCRs) at 22.3 percent (₱440.7 billion), salary-based general-purpose consumption loans (SBGPCLs) at 8.3 percent (₱163.6 billion) and other consumer loans at 1.4 percent (₱27.2 billion).

Performance varied across the different consumer finance segments. While MVLs fell by 16.5 percent YoY, CCRs inched up by 4.9 percent. The CCR growth may be attributed to recovery in business activity, easing of lockdown restrictions and improved consumer spending compared with the previous year. Credit card consumers continue to enjoy access to affordable credit card pricing on account of the ceilings on credit card transactions which took effect in November 2020. These ceilings are subject to review every six months[7] pursuant to the provisions of BSP Circular No. 1098 dated 24 September 2020.

In accordance with statutory credit policies, the BSP monitors banks' exposure to socialized and low-cost housing based on the existing BSP data on RELs in line with the provisions of RA No. 7835 (the Comprehensive and Integrated Shelter Financing Act of 1994). The exposure to socialized and low-cost housing of U/KBs and TBs, on consolidated basis, amounted to ₱518.0 billion as of end-December 2021, higher than the ₱482.6 billion level as of end-December 2020 (Figure 13). Most of the banks' exposures were utilized for purposes of financing residential housing units to be occupied by borrowers themselves.

Figure 13
U/KBs and TBs (Consolidated)
Exposure to Socialized and Low-Cost Housing
As of End-Period Indicated



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

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5 Q4 2021 CES.

6 These MVLs were mainly auto loans which stood at ₱421.1 billion (92.7 percent of MVLs) while the rest were motorcycle loans at ₱33.0 billion (7.3 percent share).

7 BSP Circular No. 1098 imposed ceilings on interest or finance charges (1) up to a maximum of 24 percent per annum or a monthly interest rate of up to two percent on all credit card transactions; (2) the monthly add-on rate that is used to derive interest on credit and installment loans should not exceed one percent per month; and (3) the upfront processing fees upon availment of credit card cash advance is subject to a cap of ₱200 per transaction.

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

While the mandatory credit allocation for MSMEs as set forth in RA No. 6977, as amended by RA Nos. 8289 and 9501, ended last 16 June 2018, the BSP continues to monitor the credit allocation of banks to the MSME sector. Based on bank-submitted MSME reports, the banking system provided a total of ₱463.1 billion credit to MSMEs, which was 5.4 percent of TLP, net of exclusions, as of end-December 2021 (Table 1). This level was 3.6 percent lower than the ₱480.5 billion credit as of end-December 2020. In particular, the banking system's total credit allocation to micro and small enterprises as well as medium enterprises reached ₱178.1 billion and ₱285.0 billion, respectively, as of end-December 2021.

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

	All Banks	U/KBs	TBs	RCBs
Credit Allocation to Micro and Small Enterprises (MSEs)	**178.1**	114.5	33.1	30.6
Credit Allocation to Medium Enterprises (MEs)	**285.0**	234.4	34.9	15.7
Total Credit Allocation to MSMEs	**463.1**	348.8	68.0	46.3

p/ preliminary data
Source: Department of Supervisory Analytics

The loans to MSMEs during the pandemic, i.e., in 2020 to 2021, contracted by an average of 10.3 percent, compared to an average of 4.0 percent growth rate from 2016 to 2019.

In view of these developments, the BSP continues to foster a regulatory environment conducive to the sustained development and growth of MSMEs. Temporary prudential relief measures are still in effect to free up capital and to enable banks to channel funding and extend more credit to MSMEs. These measures include the reduction in credit risk weights of loans granted to MSMEs[8], assignment of zero-percent risk weight for loans guaranteed by the ACPC and AGFP[9], and deferred adoption of the revised risk-based capital adequacy framework for thrift, rural and cooperative banks that are not subsidiaries of universal and commercial banks.

LOANS TO MSME AS ALTERNATIVE COMPLIANCE WITH THE RESERVE REQUIREMENTS GREW SUBSTANTIALLY

The BSP allowed banks to use peso-denominated loans to MSMEs and large enterprises (LEs) that are not affiliated with conglomerates as alternative compliance with the reserve requirements against deposit liabilities and deposit substitutes, subject to certain conditions[10]. This was part of the BSP's prudential and operational relief measures implemented during the COVID-19 pandemic.

For the reserve week ending 30 December 2021, the banking system utilized ₱219.7 billion loans to MSMEs as alternative compliance with the reserve requirements (Figure 14). This means that banks continued to grant new MSME loans or restructure loans of their MSME borrowers during the pandemic since these are the loans that are eligible as alternative compliance to reserve requirements. The amount was a substantial increase from the ₱8.7 billion MSME loans reported for the week ending 30 April 2020. This also comprised 14.5 percent of total required reserves of banks.

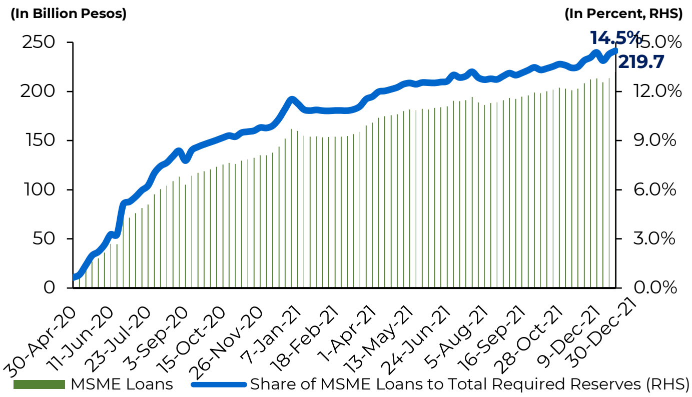
8 The BSP reduced the credit risk weights of loans granted to MSMEs that are current in status to 50 percent from 75 percent for qualified MSME portfolio (i.e., diversified with at least 500 borrowers over a number of industries), and from 100 percent for non-qualified MSME portfolio.

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 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 ₱300 billion and ₱425 billion for MSME loans and loans to LEs, respectively, are met prior to said date.

Meanwhile, loans of banks to eligible LEs used as alternative compliance with the reserve requirements amounted to ₱69.8 billion or 4.6 percent of total required reserves during the same reserve week.

Figure 14
PBS
MSME Loans Used as Alternative Compliance with RR
For End-Week Indicated



Source: Department of Supervisory Analytics

On the credit allocation required under RA No. 10000 (the Agri-Agra Reform Credit Act of 2009), banks have set aside a total of ₱851.8 billion of loanable funds for agriculture and agrarian reform credit as of end-December 2021, 19.4 percent higher than the ₱713.6 billion allocation as of end-December 2020. However, the banking system's 9.7 percent compliance ratio for other agricultural credit as of end-December 2021 was below the required 15.0 percent. Moreover, its compliance ratio for agrarian reform credit was 0.9 percent which was below the required 10.0 percent (Table 2).

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

	All Banks	U/KBs	TBs	RCBs
Total Loanable Funds Generated	**7,992.5**	7,533.3	331.8	127.3
Minimum Amount Required to be Allocated for:				
Agrarian Reform Credit (AGRA, 10%)	**799.2**	753.3	33.2	12.7
Other Agricultural Credit (AGRI, 15%)	**1,198.9**	1,130.0	49.8	19.1
Total	**1,998.1**	1,883.3	83.0	31.8
Compliance with AGRA				
Total compliance with AGRA	**75.3**	61.6	3.2	10.5
Percentage of Compliance with AGRA	**0.9%**	0.8%	1.0%	8.3%
Compliance with AGRI				
Total compliance with AGRI	**776.4**	740.3	18.1	18.0
Percentage of Compliance with AGRI	**9.7%**	9.8%	5.5%	14.1%
Total				
Total compliance for AGRI-AGRA	**851.8**	801.9	21.3	28.6
Percentage of Compliance for AGRI-AGRA	**10.7%**	10.6%	6.4%	22.4%

1/ Required under RA No. 10000 (the Agri-Agra Reform Credit Act of 2009)
p/ preliminary data
Source: Department of Supervisory Analytics

The 8.3-percent average growth rate of agri-agra credit during the pandemic in 2020 to 2021 was lower than the figure from 2016 to 2019 of 14.3 percent.

Penalties have been collected from banks that failed to fully comply with the mandatory agri-agra credit allocation, and remitted to the Agricultural Guarantee Fund Pool (AGFP) and Philippine Crop Insurance Corporation (PCIC).

The BSP together with the Department of Agriculture (DA) and the Department of Agrarian Reform (DAR), approved the amendments to the Implementing Rules and Regulations (IRR) of RA No. 10000. The amendments intend 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 RA No. 10000.

In a complementary move, legislators are reviewing comprehensive amendments to RA No. 10000, guided by a financing approach that considers the requirements of the broader agricultural ecosystem. The proposed amendments aim to strengthen rural development and improve the well-being of agricultural and rural community beneficiaries.

One of the proposed amendments seeks to enhance access by rural communities to private sector financing by broadening the scope of rural financing beneficiaries to include agricultural, fisheries, and agrarian reform beneficiary households, and their MSMEs in rural communities. The proposals also aim to expand the activities that may be financed through bank loans, investments or grants to include other economic initiatives that improve agricultural productivity as well as the welfare and well-being of agricultural households in rural communities.

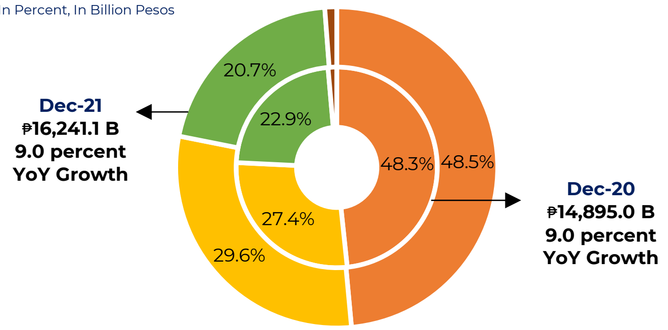
INVESTMENT PORTFOLIO EXPANDED

Gross financial assets[11], excluding loan accounts (i.e., investments in securities), increased by 21.2 percent YoY to ₱5,221.0 billion as of end-December 2021. These assets mostly consisted of debt securities measured at amortized cost[12] amounting to ₱2,628.2 billion (50.3 percent of total gross financial assets) and financial assets measured at fair value through other comprehensive income (FVOCI),[13] which stood at ₱2,337.5 billion (44.8 percent). Financial assets measured at fair value through profit or loss (FVTPL)[14] amounted to only ₱255.3 billion (4.9 percent). This investment portfolio mix has generally remained the same for the past six years.

In terms of counterparty, majority of U/KBs and TBs' investment portfolio at ₱3,688.4 billion (71.4 percent) consisted of securities issued by the National Government.

DEPOSITS CONTINUED TO FUND LENDING AND INVESTMENT ACTIVITIES

Figure 15
PBS
Total Deposits (by Type)
As of End-Period Indicated
In Percent, In Billion Pesos



▪ Savings Deposits ▪ Demand and NOW ▪ Time Certificates of Deposit ▪ LTNCDs

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

Amid the pandemic, the banking system continued to enjoy the confidence of depositors who placed even more funds with the banks. The lending and investment activities of the PBS were largely funded by deposits which grew by 9.0 percent YoY to ₱16,241.1 billion as of end-December 2021 (Figure 15). However, the 9.0-percent average growth rate of total deposits during the pandemic in 2020 to 2021 was slightly lower than the average growth rate of 10.3 percent from 2016 to 2019.

Savings deposits made up the biggest share of total deposits at 48.5 percent, followed by demand deposits and Negotiable Order of Withdrawal (NOW) accounts at 29.6 percent and time certificates of deposit with 20.7 percent. Long-term negotiable certificates of deposit (LTNCDs) accounted for a minimal 1.2 percent of the total. Savings deposits have consistently accounted for half of total deposits in the past six years. The share of demand deposits and NOW accounts to total deposits, however, has been increasing the past three years.

As to counterparty, deposits generated mostly came from resident individuals and private corporations who accounted for 45.5 percent and 35.6 percent of total deposits, respectively (Figure 16). Deposits from resident private corporations expanded by 16.9 percent YoY while those from individuals posted a lower annual growth rate of 5.8 percent. Meanwhile, individuals contributed 64.4 percent of deposits with TBs and 85.6 percent with RCBs. These show that savings deposits from consumers and households were the major source of funds for the operations of the TB and RCB industries.

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[11] Other than loans and equity investments in subsidiaries, associates, and joint ventures.
[12] Debt securities measured at amortized cost are classified as held-to-maturity (HTM) financial assets in the existing Financial Reporting Package (FRP) submitted by banks to the BSP.
[13] Financial assets measured at FVOCI are classified as available-for-sale (AFS) financial assets in the FRP.
[14] 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.

Other sources of funding, although relatively small compared with the banking system's total assets, were bonds payable (₱613.8 billion) and bills payable (₱496.9 billion).

ADEQUATE CAPITALIZATION MAINTAINED

The banking system posted stronger capital position amid the uncertainties caused by the COVID-19 pandemic. As of end-December 2021, the banking system's capital accounts grew by 5.9 percent YoY to ₱2,574.0 billion, higher than the 4.9 percent growth rate in the previous year (Figure 17). The increase in capital in 2021 was mainly fueled by the 10.8 percent or ₱130.4 billion increase YoY in retained earnings and undivided profits, which held a combined share of 52.1 percent of the total capital accounts of the banking system. Fresh capital infusion of ₱59.5 billion, which raised the capital stock to ₱1,066.0 billion, also contributed to the growth of the capital base.

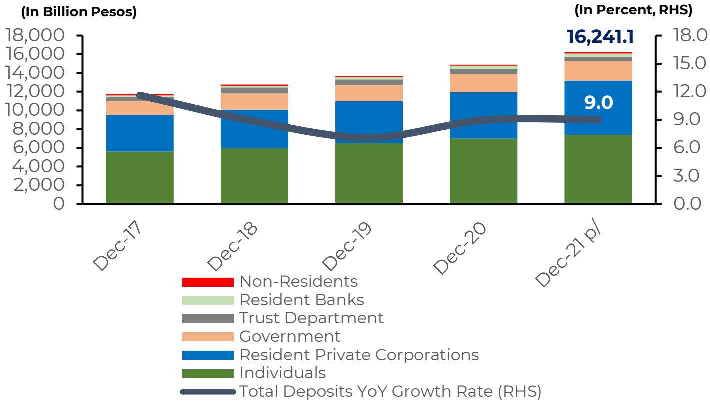
Banks have raised capital buffers prior to the pandemic. From 2016 to 2019, the banking system's capital grew by 13.4 percent on average. Capital was further beefed up during the pandemic, registering an average YoY growth rate of 5.4 percent in 2020 and 2021.

Of the various banking groups, U/KBs continued to hold the largest share of the banking system's capital accounts at 91.4 percent, posting a 6.2 percent increase during the year. The RCBs, having the smallest share of 2.2 percent, also grew by 5.5 percent. The remaining 6.4 percent was held by the TBs with a capital increase of 2.1 percent as of end-December 2021 (Figure 18).

NET PROFIT REBOUNDED

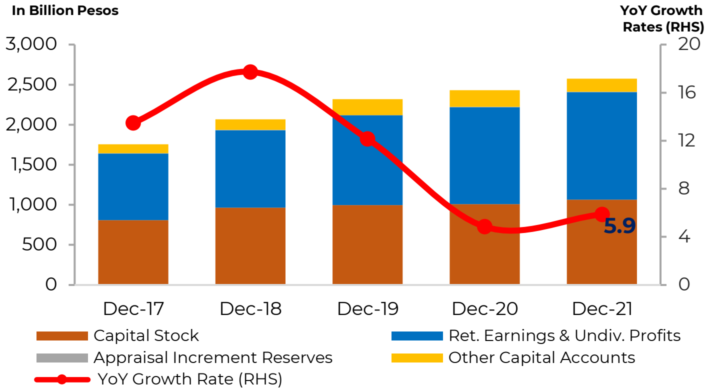
The net profit of the banking system significantly increased by 44.8 percent YoY to ₱224.8 billion in 2021, a sharp turnaround from the 32.7 percent drop in 2020 (Figure 19).

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



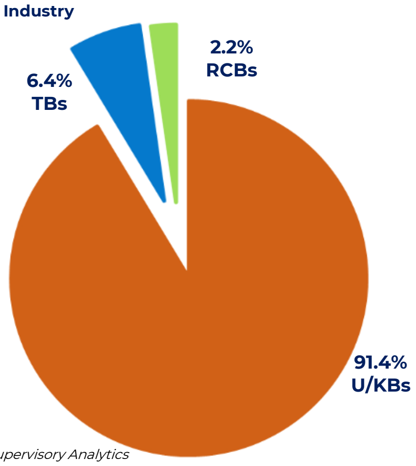
Source: Department of Supervisory Analytics *p/ preliminary data*

Figure 17
PBS
Components of Capital and Growth Rates
As of End-Periods Indicated



Source: Department of Supervisory Analytics

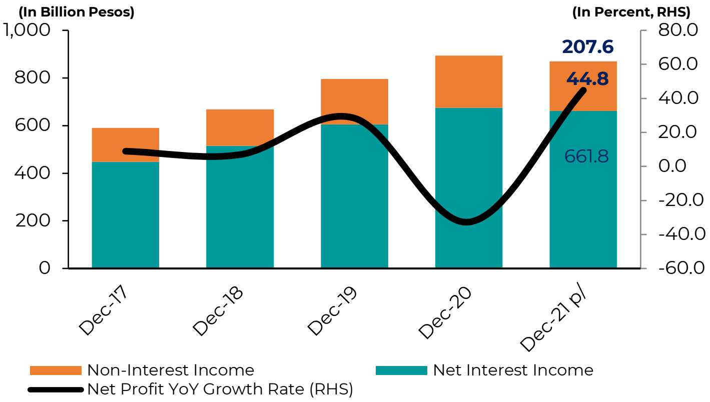
Figure 18
Share to PBS
Total Capital by Bank Industry
As of End-December 2021



Source: Department of Supervisory Analytics

Banks began recognizing loan loss provisions since early 2020 to provide a cushion in anticipation of the adverse impact of the pandemic on their loan portfolio. In turn, the sizable provision for credit losses on loans and other financial assets resulted in the lower net profit in 2020.

Figure 19
PBS
Sources of Revenue
As of End-Period Indicated



Source: Department of Supervisory Analytics

p/ preliminary data

Since bulk of the provisioning was done at the height of the crisis in 2020, additional provisions were modest during the year 2021. Thus, the provision for credit losses on loans and other financial assets was lower in 2021, resulting in the higher net profit of the banking system.

CONTINGENT ASSETS REMAINED MODEST

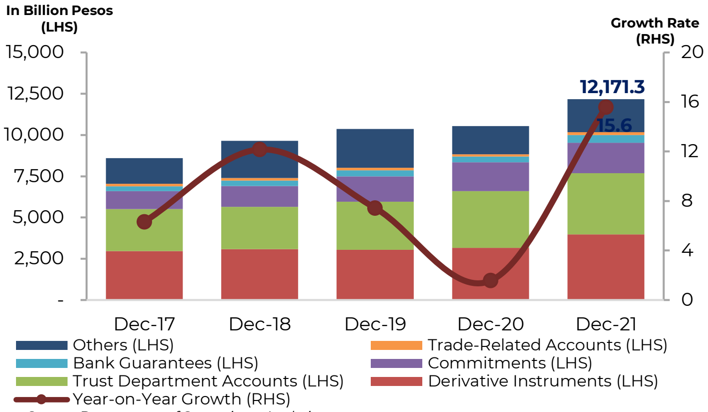
The banking system's off-balance sheet assets rose by 15.6 percent from the year before to ₱12,171.3 billion as of end-December 2021, higher than the growth of 1.6 percent in 2020 and 7.4 percent in 2019. (Table 3). Relaxation of mobility restrictions and gradual resumption of commercial activity in 2021 fueled the YoY increases in derivatives instruments (25.8 percent or ₱816.5 billion), trust department assets (8.2 percent or ₱280.3 billion), and bank guarantees (29.5 percent or ₱106.0 billion). These accounts comprised 67.0 percent of the total contingent assets of banks (Figure 20).

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

	December 2019	December 2020	December 2021	YoY Change (%)
On-Balance Sheet	18,331.7	19,457.1	20,828.1	7.0
Off-Balance Sheet*	10,368.5	10,530.7	12,171.3	15.6

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

Figure 20
PBS
Composition of Contingent Accounts
As of End-Periods Indicated



Source: Department of Supervisory Analytics

Data from the United Nations Conference on Trade and Development (UNCTAD) showed that the value of global trade in 2021 rose about 25 percent from 2020 and about 13 percent from the pre-pandemic level in 2019. Preliminary data from the Philippine Statistics Authority (PSA) showed a similar growth in the country's global trade. In particular, exports rose by 14.5 percent in 2021, while imports climbed by 31.1 percent. The increase in global trade also contributed to the double-digit growth in trade-related guarantees of 39.5 percent (₱48.8 billion).

Banks' total commitments[15], which held 15.1 percent of the total contingent accounts, went up by 5.2 percent. This growth was attributed to the upsurge in committed credit lines for commercial papers issued (97.6 percent or ₱332.2 million) and other commitments (22.4 percent or ₱113.0 billion), which, in aggregate, represented 33.5 percent of the bank's total commitments. Meanwhile, credit card lines[16], which held the lion's share of 66.5 percent, dropped by 1.7 percent YoY. The decline in credit card lines could be attributed to change in spending habits of cardholders.

[15] This normally refers to banks' underwritten accounts sold, committed credit lines for commercial papers issued, credit card lines and other types of off-balance sheet commitments.
[16] Credit card lines are unused portions of commitments to extend credit through credit cards.

Securities held under custodianship by bank proper grew by 18.2 percent, representing 14.2 percent of all contingent accounts. Banks' trust department accounts also expanded by 8.2 percent accounting for 30.5 percent of the total off-balance sheet assets. Recent trends in the trust industry are discussed in a separate section of the report.

BANKING LANDSCAPE BECAME MORE STREAMLINED

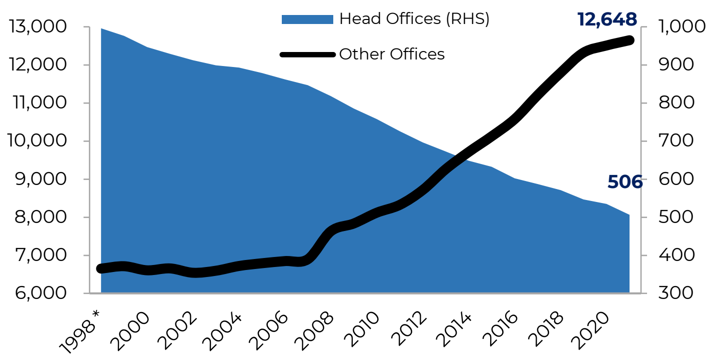
The total number of banks declined YoY by 5.4 percent to 506 head offices as of end-December 2021 from 535 head offices the year before on account of bank mergers and consolidations as well as closures. Banks merged and underwent consolidation to promote resilient institutions, consistent with the BSP's thrust of industry consolidation.

The increase in bank assets was also accompanied by an expansion in the banks' physical network, in line with the industry's commitment to the BSP's financial inclusion agenda. As of end-December 2021, the total number of branches, branch-lite units, representative offices, remittance desk offices, marketing offices and subbranches (collectively referred to as other offices) rose YoY by 1.1 percent to 12,648 from 12,509 in end-December 2020 (Figure 21).

In terms of banking subgroups, the banking system's network consisted of the following: 46 U/KBs with 6,992 other offices, 47 TBs with 2,691 other offices and 413 RCBs with 2,965 other offices. The U/KBs made up the smallest proportion in terms of head office count at 9.1 percent yet held the bulk or 92.4 percent of the system's total assets Meanwhile, RCBs consistently constituted majority of operating banks, making up 81.6 percent of the offices, albeit many of which were stand-alone units (Figure 22). One TB converted into an RB[17], hence the decrease in the number of TB head offices. Meanwhile, RCB head offices decreased from the previous year as the industry boosts its resilience and competitiveness through mergers and consolidation, or closure of some banks.

In terms of geographical distribution, the bank offices were heavily concentrated in Luzon, with the National Capital Region (NCR), CALABARZON and Central Luzon capturing the largest share of the physical network. Meanwhile, the Autonomous Region in Muslim Mindanao (ARMM) had the smallest network with 18 bank offices (Figure 23).

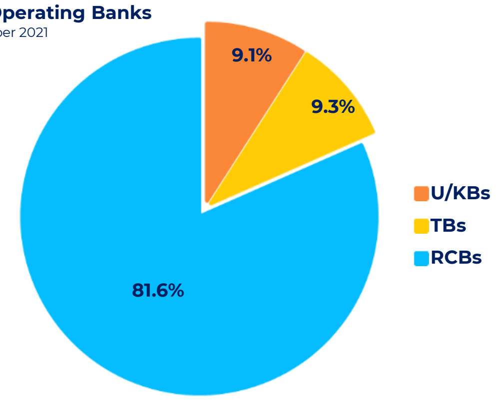
Figure 21
PBS
Total Banking Units
As of end-Periods indicated



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

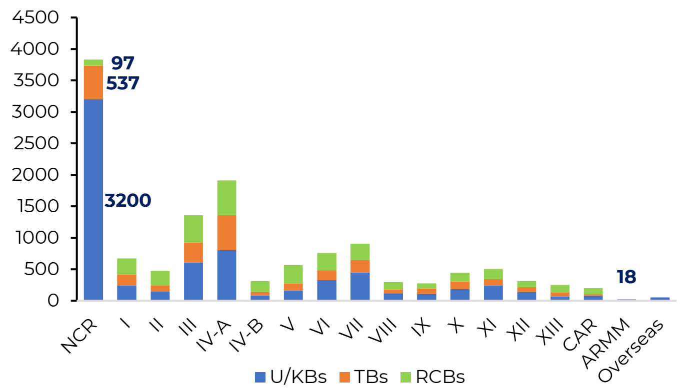
Source: Department of Supervisory Analytics *p/ preliminary data*

Figure 22
PBS
Number of Operating Banks
As of End-December 2021



Source: Department of Supervisory Analytics

Figure 23
PBS
Regional Distribution of Banks
As of End-December 2021



Source: Department of Supervisory Analytics

[17] Circular Letter No. CL-2021-057 dated on 15 July 2021.

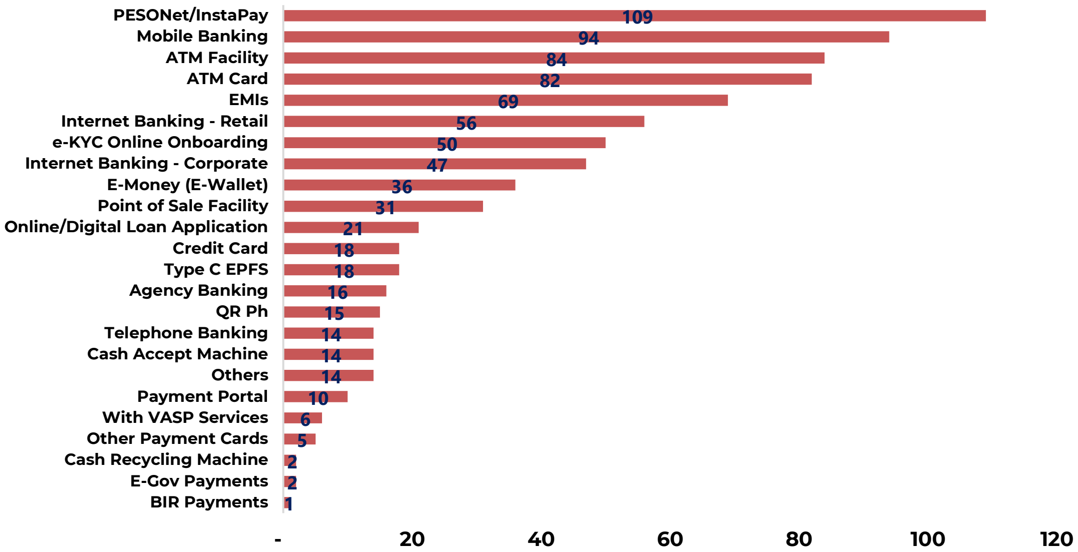
While the BSP promotes the streamlining and consolidation of the banking industry, banks are also encouraged to widen their presence and expand their market reach through digital access points to bring more innovative and efficient financial services to the countryside, particularly the hard-to-reach financially unserved and underserved areas.

To hasten financial inclusion, the BSP introduced digital banks as a distinct bank classification pursuant to Circular No. 1105 dated 2 December 2020.[18] As of end-December 2021, there were six digital banks that were approved by the MB.[19] These banks must complete the preoperating requirements before the Certificate of Authority to Operate can be issued by the BSP.

Moreover, Islamic banking is also seen to further promote the BSP's financial inclusion agenda, providing an alternative to other sources of funding. The enactment of RA No. 11439 or the Islamic Banking Act is seen to widen the opportunities of Islamic Filipinos in accessing financial products and services and pave way for the increased financial access points in ARMM. Currently, there is only one authorized bank that provides Islamic banking services in the country. The framework for the establishment of Islamic banks and Islamic banking units was already in place since 2019.

Cognizant of the impact of the current crisis on people's daily activities, banks further strengthened their financial intermediary roles, leaning towards fintech and other technological innovations. BSFIs largely depended on the use of their authority to provide electronic payment and financial services (EPFS). As of end-December 2021, the use of automated teller machines or ATMs (ATM card and facility) remained the leading electronic facility used by majority of BSFIs (166). ATMs were followed in terms of prevalence by PESONet and InstaPay (with 109 BSFI users), mobile banking services (94), electronic money issuers (EMIs, 69), as well as those that offer retail internet banking (56) and e-KYC onboarding and account opening services (50) (Figure 24).

Figure 24
PBS
Electronic Payment and and Financial Services (EPFS)
As of End-December 2021



Source: Department of Supervisory Analytics

POLICY DIRECTION

The BSP acknowledges that the regulatory reforms over the past 20 years have made the Philippine banking system resilient to shocks brought about by the COVID-19 pandemic.

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[18] Circular No. 1105 dated on 2 December 2020.

[19] The BSP closed the window for establishment of digital banks starting 31 August 2021 per Memorandum No. 2021-046 dated 19 August 2021. The number has been kept at six digital banks in the meantime to allow regulators to closely monitor developments and ensure healthy competition among digital banks and traditional lenders.

These reforms were complemented by operational and prudential relief measures implemented by the BSP during the pandemic to assist BSFIs to extend the same relief to their borrowers and other clients.

The BSP continues to implement its mandate by pursuing proactive strategic policy objectives aimed at: (1) strengthening corporate and risk governance; (2) leveraging technology in finance; (3) achieving greater and broader access to financial services; (4) accelerating capital markets reforms, including foreign exchange initiatives; and (5) promoting the sustainability agenda.

In 2021, a number of regulations were issued in line with such strategic objectives, as follows:

Strengthening corporate and risk governance

The corporate governance standards, particularly regulations governing interlocking positions of directors and officers, were enhanced to ensure that the individuals concerned effectively carry out their responsibilities in the BSFI and are not in conflicting positions. The existing guidelines on operational risk management and internal control measures were further enhanced to strengthen "Know-Your-Employee" (KYE) policies and practices such as the continuing assessment of employees' fitness and propriety to perform the responsibilities required of their positions, as part of the overall operational risk management system of BSFIs. The BSP has also released the Guidelines on Reputational Risk Management. This policy underscores the holistic approach that should be taken in managing reputation risk in relation to other risk areas. The sources of potential threats that could damage banks' reputation should be properly identified and assessed.

Leveraging technology in finance

The Open Finance Framework recognizes that advances in technology will facilitate the development of bespoke products and services for Filipino customers using their own consumer data. The framework promotes consent-driven data portability, interoperability and collaborative partnerships between financial institutions and fintech players.

Achieving greater and broader access to financial services

The Guidelines for Virtual Asset Service Providers (VASPs) amended the regulations on virtual currency exchanges (VCE) that were issued in 2017. The revised framework effectively categorizes existing VCEs as VASPs and expanded their activities subject to the licensing regime of the Bangko Sentral from initially covering those involved in facilitating the exchange of fiat and virtual assets (VAs). The expanded activities include the following: (1) exchange between one or more forms of VAs; (2) transfer of VAs; and (3) safekeeping or administration of VAs as well as instruments enabling control over VAs.

Accelerating capital markets reforms

The amended regulations on securities custodianship and securities registry operations simplified the licensing process and expanded the client base and the number of financial institutions offering said services. The regulations on foreign currency deposit units (FCDU) were revised to broaden the coverage of entities allowed to have an FCDU, streamlined the related licensing requirements, and streamlined the conditions for lending by the FCDU to the regular banking unit to enable banks to perform efficient and flexible foreign exchange liquidity and cash management.

Promoting the sustainability agenda

Following the release of the Sustainable Finance Framework in April 2020, the BSP issued the Environmental and Social Risk Management (ESRM) Framework, which provides granular expectations on the management of environmental and social (E&S) risks in relation to credit and operational risk management frameworks of banks. The framework expects the board of directors, among others, to set strategic environmental and social objectives which may include progressively increasing targets on the proportion of the loan portfolio allocated for green or sustainable projects or assets. Banks are likewise expected to conduct vulnerability assessment, the results of which should feed into the potential enhancement of business continuity plans of banks.

Moving forward

The BSP will continue to pursue regulatory and legislative reforms aimed at promoting the safety, soundness and resiliency of the financial system with special focus on: (1) advancing the digital transformation of the financial system; (2) mainstreaming sustainable finance; and (3) strengthening operational resilience of supervised financial institutions. The BSP will continue to promote the deepening of the domestic capital market and develop the Islamic banking market.

On digitalization, the BSP has identified priority policy initiatives under the Digital Payments Transformation Roadmap such as digital banking and open finance frameworks. The BSP is set to release the next phase of regulations to clarify the supervisory expectations on digital banks relative to capital and liquidity, corporate and risk governance. The BSP will continue to pursue initiatives that are consistent with the emergence of new business models and arrangements that will further drive innovation and bring more value to the financial ecosystem. In line with this, the BSP intends to issue guidelines on the adoption of a marketplace model for U/KBs, digital banks and EMIs to support the offering of new financial services through shared digital platforms as well as promote the emergence of new business models and commercial arrangements, which will further drive innovation and bring more value to customers.

Amid the evolving role of cybersecurity threats in fostering digital innovation, the BSP has been steadfastly working to institutionalize and strengthen cyber-resilience practices in the financial services industry. The BSP will therefore issue guidelines on a cybersecurity maturity model framework that aims to provide guidance for BSFIs to chart their cybersecurity roadmaps and targets. Moreover, the BSP will enhance its E-Money regulations and fraud risk management guidelines to ensure that adequate controls are in place to safeguard funds and mitigate the impact of evolving threats. Learning sessions to increase cybercrime awareness and digital financial literacy will be carried out in coordination with industry players.

The BSP's digitalization initiatives play a complementary role in the advancement of the sustainability agenda.

Consistent with its role as an enabler under the Sustainable Central Banking Program, the BSP intends to provide a conducive policy environment that supports the mainstreaming of sustainable finance while equipping banks with the means to manage attendant risks. In introducing sustainability or Environmental, Social and Governance (ESG) regulations, the BSP adopted a phased approach given the multidimensional and evolving nature of sustainability principles and practices. The BSP issuances are guided by the overarching principle of proportionality, considering the size, risk profile and complexity of operations of banks. The BSP has already released the first and second phases of regulations under the Sustainable Finance Framework and the ESRM Framework, respectively.

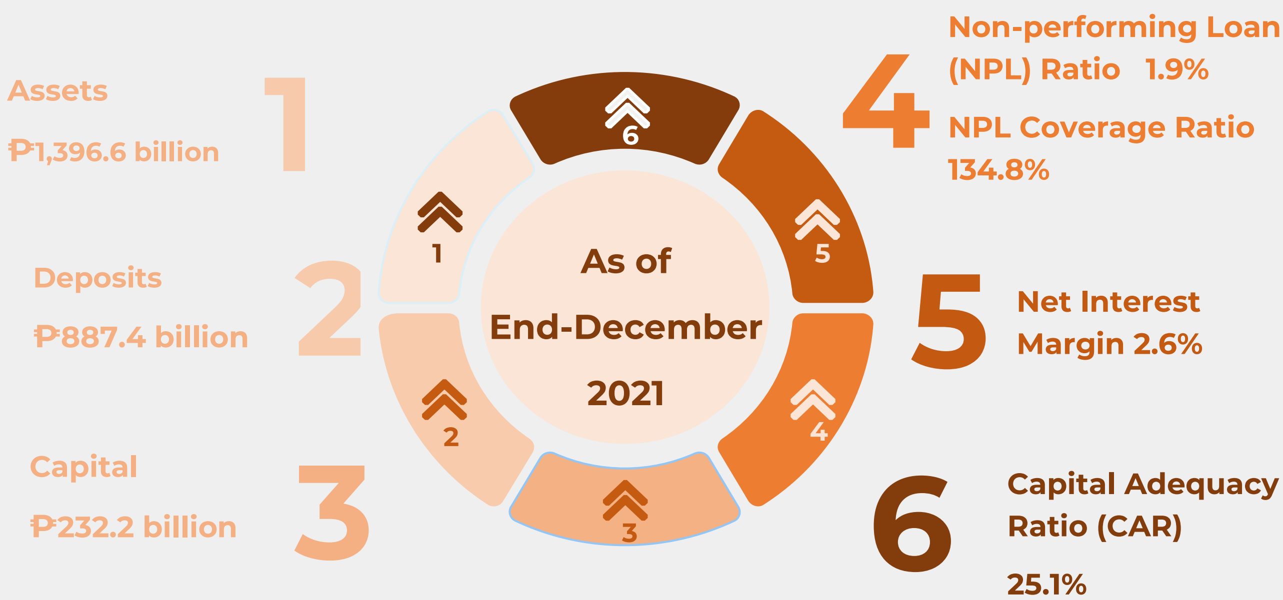
The third phase of regulations will cover the management of E&S risks in relation to the investment activities of banks, conduct of climate stress testing, and enhancements on the prudential reports of banks and disclosure requirements under Circular No. 1085. The third phase will also cover the potential regulatory incentives that may be granted to banks that adhere to sustainability principles. In coordination with other financial sector regulators, the BSP will develop the taxonomy to operationalize the Sustainable Finance Guiding Principles, which were launched by the Inter-agency Technical Working Group on Sustainable Finance or the Green Force in October 2021.

The health crisis highlighted the importance of operational resilience. While supervisory expectations on operational resilience are already embedded in the BSP's regulations on corporate and risk governance, including key risk management systems, this area will be strengthened to capture the lessons learned from the COVID-19 pandemic, effects of extreme weather events, and cybersecurity related concerns to enable BSFIs to continue providing financial services to the public amid any type of business disruption.

Foreign Bank Branches (FBBs) and Subsidiaries

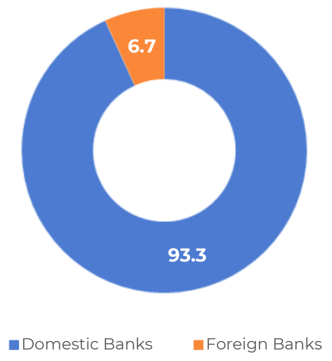
Overview

The foreign bank industry sustained its strong financial performance as shown by the continued growth in assets, deposits and net income. The sector's aggregate capital also remained adequate and its loan loss reserves ample to withstand shocks. Total assets, which were funded mainly by deposits and capital, were channeled largely to loans and investments. Asset quality remained manageable, accompanied by high loan loss provisions. Even with the ongoing crisis, foreign banks continued to be profitable.



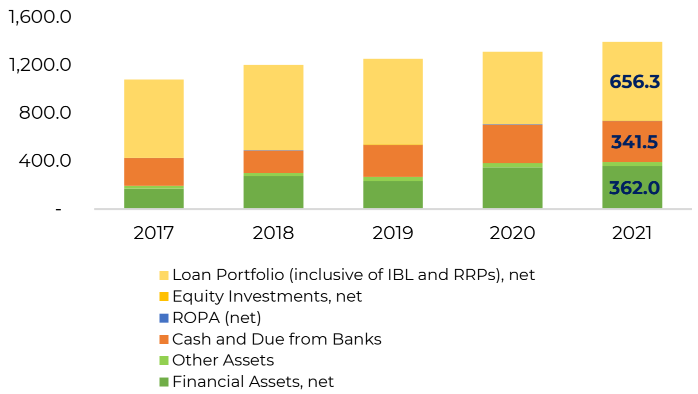
ASSET EXPANSION CONTINUED

Figure 1
FBBs and Subsidiaries
Share in the Total Assets of PBS in Percent
As of End-December 2021



Source: Department of Supervisory Analytics

Figure 2
FBB and Subsidiaries
Composition of Assets
As of Year-Ended Indicated, Amount in Billion Pesos



Source: Department of Supervisory Analytics

The foreign bank branches (FBBs) and foreign bank subsidiaries' total assets expanded YoY by 6.2 percent to ₱1,396.6 billion at the end of 2021, faster than the annual growth of 4.8 percent by end-2020 and 4.1 percent at the close of 2019, before the pandemic. This represents 6.7 percent of the Philippine banking system's total assets as of end-2021, slightly lower than the 6.8 percent recorded the year before (Figure 1).

The growth in the total assets was driven mainly by the expansion in deposits, which rose by 6.6 percent from the previous year. As shown in Figure 2, loans[1] accounted for 47.0 percent of the industry's total assets, followed by financial assets other than loans[2] (25.9 percent) and cash and due from banks (24.4 percent). These accounts registered YoY growth of 8.5 percent, 4.0 percent, and 6.2 percent, respectively, by end-2021.

Loans[1] inched up to ₱656.3 billion in end 2021, turning around from the 15.4 percent contraction in 2020. Amid growing loans, the non-performing loan (NPL) ratio improved to 1.9 percent as of end-December 2021, relatively better than 2.7 percent a year before but still higher than the pre-pandemic record of 1.2 percent in 2019. The uptick in NPL, however, was accompanied by a high level of provisions. As of end-December 2021, NPL coverage ratio stood at 134.8 percent, albeit lower than the 150.9 percent a year prior and the 157.7 percent in 2019.

Meanwhile, gross financial assets, excluding loans, reached ₱362.5 billion. These consisted mostly of financial assets measured at fair value through other comprehensive income[3] (FVOCI) of ₱201.7 billion (55.7 percent of total FBB assets), financial assets measured at fair value through profit or loss[4] (FVTPL) of ₱101.0 billion (27.9 percent) and debt securities measured at amortized cost[5] (16.5 percent). The composition of the industry's financial assets, excluding loans, reflects the focus of foreign bank activities on investment and trading.

DEPOSITS REMAINED THE PRINCIPAL FUNDING SOURCE

Deposit liabilities, which accounted for 76.2 percent of the industry's funding source, grew by 6.6 percent YoY to ₱887.4 billion as of end-December 2021. This was slower than the 12.8 percent in end-December 2020 but faster than the 3.9 percent in end-December 2019. Deposits were mostly peso-denominated and sourced from resident individuals and private corporations. With this deposit structure, FBBs are relatively insulated from changes in global

1 Net of allowance for credit losses. Include interbank loans receivable (IBL) and reverse repurchase (RRP) agreements.
2 Net of allowance for credit losses.
3 Financial assets measured at FVOCI are classified as available-for-sale (AFS) financial assets in the Financial Reporting Package (FRP).
4 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.
5 Debt securities measured at amortized cost are classified as held-to-maturity (HTM) financial assets in the FRP.

market sentiment and less vulnerable to capital flight. It also indicates the ability of foreign banks to cater to requirements of the domestic market through the offering of suitable deposit products and services. Other sources of funding such as bills payable remained minimal at 2.7 percent with YoY increase of 92.5 percent.

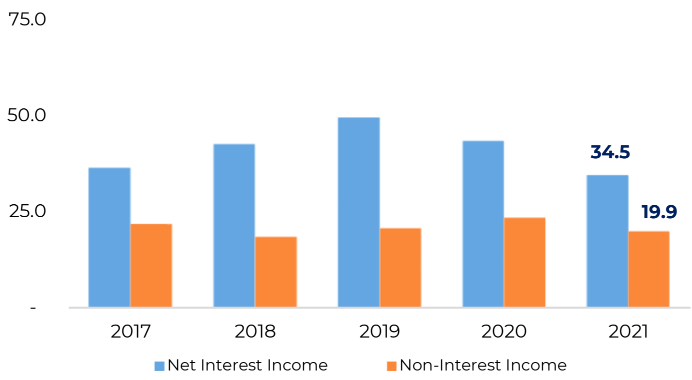
Foreign banks continued to leverage technology to improve their business and expand their market reach. With this development and with resumption of business activity, the funding sources of foreign banks are expected to sustain the sector's growth momentum.

NET PROFIT GREW

Net profit of foreign banks improved to ₱6.8 billion in 2021, reversing the previous year's net loss of ₱1.0 billion. This, however, remained lower than the ₱18.6 billion recorded in 2019. The return to profitability was due to collection and recovery from impairment of financial assets previously provided with allowance for credit losses, which account for 10.8 percent of the net income.

Total operating income in 2021 declined by 13.9 percent from the year before to ₱54.4 billion, continuing the 13.1-percent drop recorded in 2020. In 2019, before the onset of the health crisis, total operating income hit ₱72.7 billion, representing around 15.0 percent YoY growth. The decline in operating income is expected amid the low interest rate environment and tepid loan demand.

Figure 3
FBB and Subsidiaries
Total Operating Income
As of Year-Ended Indicated,Amount in Billion Pesos



Source: Department of Supervisory Analytics

Meanwhile, the sector's net interest margin (NIM) went down to 2.6 percent from 3.5 percent and 4.2 percent, respectively in 2020 and 2019. The decline in NIM was attributed to the reduction in net interest income. The cost-to-income ratio stood at 79.1 percent, higher than the 67.8 percent as of end-2020 and 60.0 percent at the close of 2019. This can be attributed to continuing investments of foreign banks in banking infrastructure, enhancements to risk management systems as well as programs to develop human capital.

Moreover, the return on assets (RoA) for the same reference period stood at 0.5 percent, a reversal of the minus 0.1 percent ratio posted the previous year but lower than the 1.5 percent recorded in 2019. Return on equity (RoE) also inched up to 2.9 percent from the previous year's minus 0.4 percent but remained lower than the 8.9 percent recorded in 2019.

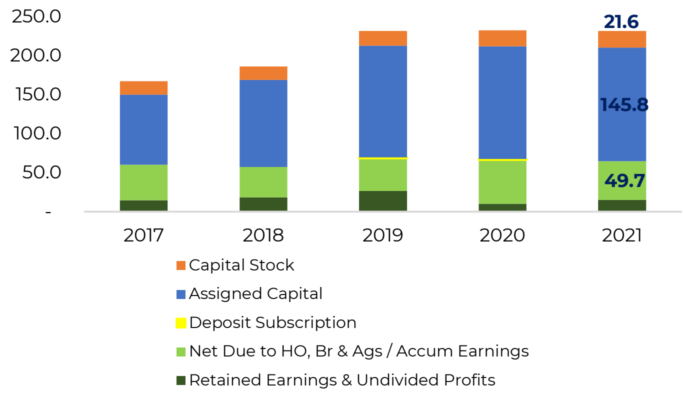
The results of the 2021 Survey on the Effects of Foreign Bank Entry into the Philippine Banking System showed that foreign banks remained beneficial to the Philippine economy by, among others, facilitating the entry of foreign investments in the country. While navigating through the challenges posed by the ongoing crisis, foreign banks continued to exert efforts to ensure the welfare and safety of its employees and clients (Annex 2).

CAPITALIZATION REMAINED ADEQUATE

As of end-December 2021, the total capital of foreign banks dropped YoY by 0.3 percent to ₱232.2 billion from ₱232.9 billion at the end of 2020. This was relatively unchanged when compared with the pre-pandemic level of ₱232.1 billion in 2019. The decline in capital was mainly due to the decrease in accumulated net earnings.

Total assigned capital remained relatively stable even during the crisis, accounting for 62.8 percent of the total capital in 2021. This was slightly higher than the 62.1 percent recorded in 2020 and the 61.8 percent in the year prior (Figure 4).

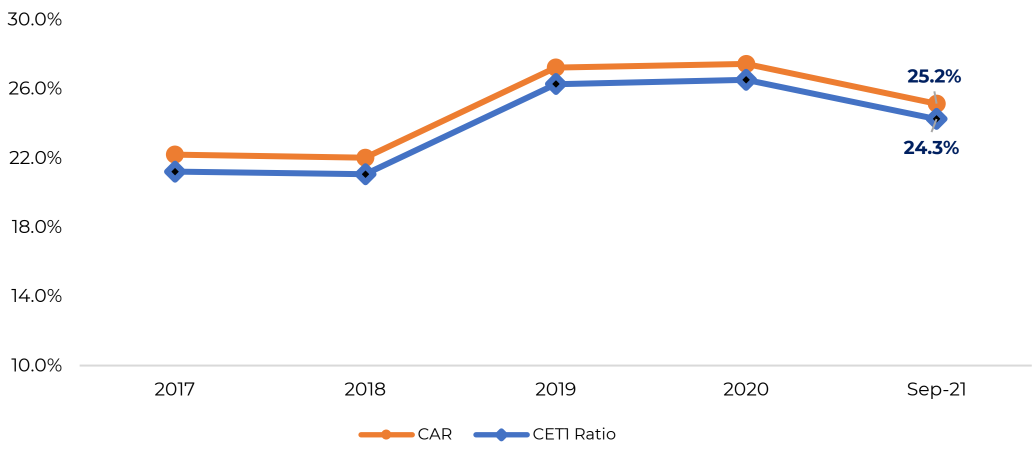
Figure 4
FBBs and Subsidiaries
Composition of Capital
As of Year-Ended Indicated, Amount in Billion Pesos



Source: Department of Supervisory Analytics

Similarly, FBBs maintained high capital buffers as the capital adequacy ratio (CAR) on a solo basis stood at 25.2 percent as of end-September 2021 (Figure 5). This was well above the minimum thresholds set by the BSP at 10 percent and by the Bank for International Settlements (BIS) at 8 percent. This high level was observed in periods prior to and during the COVID-19 crisis.

Figure 5
FBBs and Subsidiaries
CET 1 Ratio and CAR (Solo)
As of Year-Ended Indicated, Amount in Billion Pesos



Source: Department of Supervisory Analytics

FOREIGN BANKS PRESENCE REMAINED STABLE

The presence of foreign banks in the country remained strong and stable, supportive of a dynamic financial system that drives economic growth. As of end-2021, there were 29 foreign banks operating in the Philippines, 24 of which were foreign bank branches and five were foreign bank subsidiaries (Table 1).

Table 1
FBBs and Subsidiaries
Network
As of End-December 2021

	Branch	Subsidiary	Total
By Bank Category			
UBs	6	2	8
KBs	18	3	21
Total	**24**	**5**	**29**
By Mode of Entry			
RA No. 337	4	0	4
RA No. 7721	10	3	13
RA No. 10641	10	2	12
Total	**24**	**5**	**29**

Source: Department of Supervisory Analytics

In November 2014, the BSP issued the implementing guidelines of RA No. 10641, which eased regulations and allowed the further entry of foreign banks in the country. It contributed to the development of new technologies and efficiency as well as the enhancement of human capital skills, and to the reduction of the costs of operations. Since its implementation, 12 foreign bank applications have been approved by the Monetary Board (Table 2).

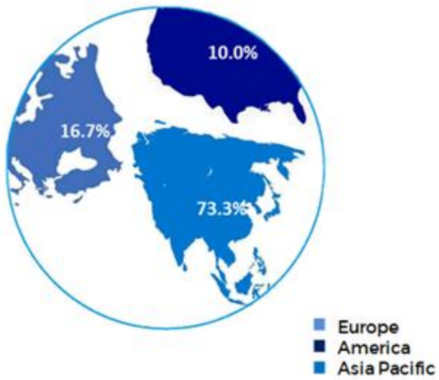
Table 2
FBBs and Subsidiaries
Authorized Foreign Banks Under RA 10641
As of End-December 2021

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

Source: Department of Supervisory Analytics

By origin, most of the FBBs and subsidiaries came from the Asia-Pacific region, comprising 73.3 percent of the total number of foreign banks in the country (Figure 6). Most of them are from Taiwan and South Korea. The entry of a dozen foreign banks could be attributed to the country's sound macroeconomic fundamentals, stable growth prospects and untapped business opportunities available in the market.

Figure 6
FBBs and Subsidiaries
By Origin
As of End-December 2021



Source: Department of Supervisory Analytics

POLICY DIRECTION

The BSP recognizes the importance of foreign banks in the Philippines, not only in providing new bank services and stimulating competition and efficiency, but also in contributing to banking sector stability and economic growth. Thus, the BSP continues to deploy and pursue regulatory and operational reforms for foreign banks to facilitate uninterrupted flow of financial services in the country especially amid challenges arising from the COVID-19 crisis.

Among the wide array of measures available for foreign banks include the extension of the temporary increase in the Single Borrowers Limit (SBL) to 30 percent from 25 percent until 31 December 2022. The relaxation of the limit also covers the increase in the 25 percent SBL for project finance loans of initiatives that are in line with the priority programs of the Government. This regulatory relief implemented by the BSP is expected to help boost lending in support of businesses and sectors as well as pump prime the country's economic growth during the post-pandemic recovery. In addition, the BSP also extended the grant of regulatory relief to branches of foreign banks that were established in the Philippines prior to the effectivity of RA No. 10641 in the form of non-imposition of sanctions prescribed under existing regulations for breach in the SBL until end 2022.[6,7] This will allow foreign bank branches existing prior to RA No. 10641 to continue supporting the public sector's initiatives under the Build, Build, Build Program.

Moreover, the BSP issued the amendments to regulations on the open foreign exchange position of banks that increase the net open position limit for banks. This ensures that banks

[6] Memorandum No. M-2021-002 dated 4 January 2021, as amended by Memorandum No. M-2022-004 dated 17 January 2022.

[7] The amount of the new loan, credit accommodation, or guarantee extended as well as the restructured, renewed, and refinanced existing credit exposures, beginning 01 January 2021 until 31 December 2022, shall not exceed the prescribed percentage limit using as reference point twice the level of capital as defined under Section 103 of the MORB.

can continually provide ample liquidity in the market and service client demand for foreign exchange.[8]

The pandemic has brought enormous challenges to the Philippine economy. The BSP acknowledged the potentials of financial technology to help achieve full recovery and realize a stronger post-COVID-19 Philippine economy. The BSP also acknowledged the role of foreign banks in promoting the use of digital technology given their access to considerable resources.

The BSP envisions foreign banks to be one of its partners in promoting investments in infrastructure and sustainable finance. With their global resources and expertise, foreign banks possess the ability to pool investor funds to finance green or sustainable infrastructure projects in key sectors such as renewable energy, low carbon transport, sustainable water management and sustainable waste management.

[8] BSP Circular no. 1120 dated 07 June 2021. Amendments to Regulations on the Open Foreign Exchange Position of Banks.

Financial Soundness of the Philippine Banking System

OVERVIEW

The financial soundness indicators (FSIs) suggest that the Philippine banking system remains stable and resilient despite global uncertainties arising from the COVID-19 crisis, including the risk of new variants. Nonetheless, the BSP continues to monitor risks from banking system exposures, including emerging risks from the demand- and supply-side factors, which may amplify the impact of the health crisis on the economy. Meanwhile, the balance of risk to bank earnings remains tilted to the upside. The downward pressure of repricing on asset yields is expected to be outweighed by faster loan growth as the economy accelerates. On the whole, supervisory engagement with banks will continue to supplement the surveillance activities currently being undertaken by the BSP. It will also pursue policy initiatives that will strengthen risk governance and ensure continued resilience and soundness of the financial system.

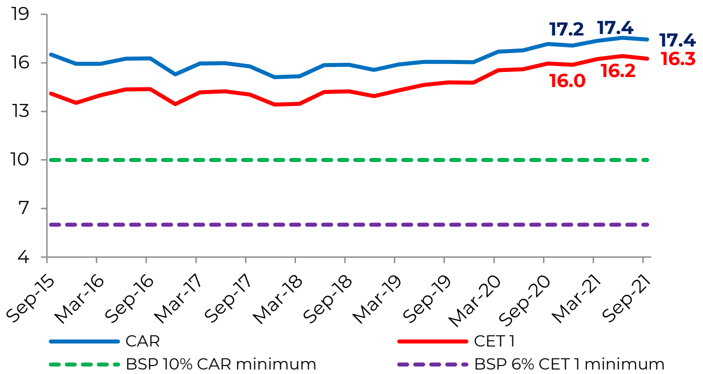
THE BSP FSIs

A well-functioning financial system can act as an engine of growth through the provision of efficient maturity and liquidity transformation, credit origination and other services. However, financial intermediation is also vulnerable to liquidity risk arising from the use of short-term liabilities to fund longer-term assets, and potentially inadequate buffers to absorb unexpected losses. If unchecked, these vulnerabilities can affect the stability of financial institutions.

Vulnerabilities at the entity level have long been recognized, resulting in the adoption of prudential standards and supervisory oversight aimed at ensuring the safety and soundness of individual financial institutions. However, one of the lessons learned from the 2008 Global Financial Crisis was the need to put in place macroprudential frameworks that aim to mitigate risks from a system-wide perspective. Thus, the BSP has subscribed to the use of FSI data to monitor the soundness of the Philippine banking system (PBS) from a macroprudential vantage point. A core set of FSIs covering BSP-supervised financial institutions (BSFIs) were identified under the headings of capital adequacy, asset quality, earnings and profitability, liquidity, and sensitivity to market risk.[1]

CAPITAL ADEQUACY

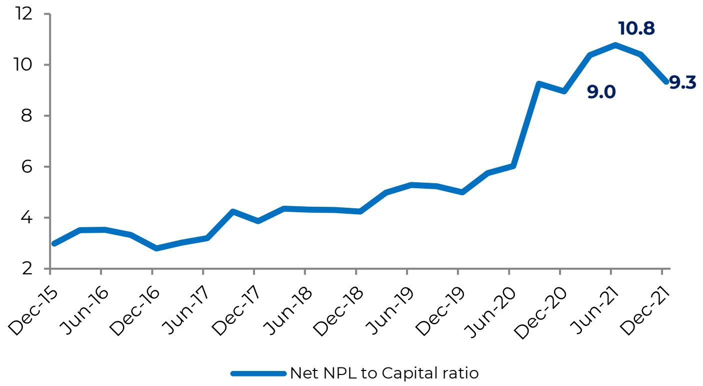
Figure 1
U/KBs (Consolidated)
CAR and CET 1 Ratio
As of End-Periods Indicated, In Percent (%)



Source: Department of Supervisory Analytics

Capital adequacy indicates the resilience of financial institutions to withstand shocks to their balance sheets and provides a snapshot of the stability of the financial system. Figure 1 shows that both the capital adequacy ratio[2] (CAR) and common equity Tier 1 (CET1)[3] 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. As of end-September 2021, the CARs of U/KBs stood at 16.9 percent on a solo basis and 17.4 percent on a consolidated basis while the CET1 ratios recorded at 15.7 percent on a solo basis and 16.3 percent on a consolidated basis.

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



Source: Department of Supervisory Analytics

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

Figure 2 shows that, after peaking at 10.8 percent in end-June 2021, the Philippine banks' net NPL to capital ratio exhibited a downtrend to 9.3 percent at the end of 2021, although still higher from the previous year's 9.0 percent. From 2017 to 2019, before the pandemic, the ratio of net NPL to capital averaged 4.4 percent.

[1] Based on the data collection method developed by the International Monetary Fund (IMF), 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 (Source: Financial Soundness Indicators Compilation Guide, c2006, 2019).

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

[3] 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.

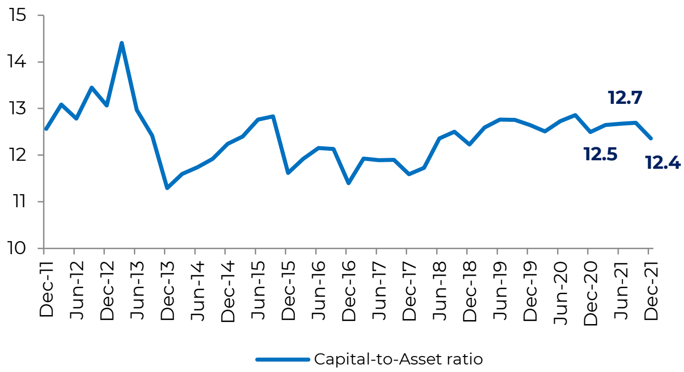
This is expected due to the impact of the COVID-19 pandemic on the paying capacity of borrowers. Nonetheless, capital buffers of the banking system remained adequate to absorb potential losses even during a crisis.

LEVERAGE

The leverage ratio[4] shows the financial position of the bank in terms of its debt, capital and assets which include on- and off-balance sheet exposures, as applicable. The two leverage ratios that measure the financial health of the banks are capital-to-asset ratio and Basel III leverage ratio (BLR).

The capital-to-asset ratio[5] determines 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 and this has been relatively steady over time.

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



Source: Department of Supervisory Analytics

Supplementing the risk-based capital requirements, the BSP adopted the BLR[6]. As of end-September 2021, the U/KB industry's BLR stood at 9.7 percent on a solo basis and 10.0 percent on a consolidated basis, well above the BSP and international thresholds of 5.0 percent and 3.0 percent, respectively.

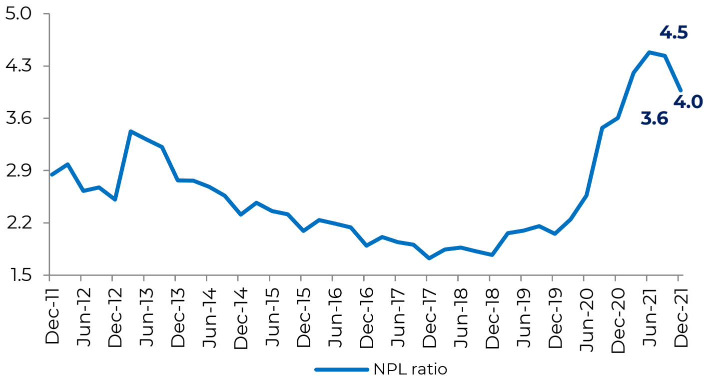
The uptrend in BLR is driven by the faster increase in the capital measure components, outpacing the rise in the total on- and off-book exposures of the bank.

ASSET QUALITY

The main business of Philippine banks largely revolved around deposit-taking and lending. Deposits remained the primary source of bank funds. At the same time, gross total loans comprised 54.7 percent of the banking system's total assets as of end-December 2021. Hence, the most important indicator to measure asset quality is the ratio of NPLs to total gross loans.

Philippine banks' NPL ratio stood at 4.0 percent as of end-December 2021, lower than 4.5 percent in the previous semester but higher than 3.6 percent the year before (Figure 4).

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



Source: Department of Supervisory Analytics

As of end-December 2021, non-performing loan exposures to real estate, construction, transportation and storage, and wholesale and retail trade industries rose YoY by 20.1 percent, 50.3 percent, 53.5 percent and 16.2 percent, respectively. Collectively, non-performing loan

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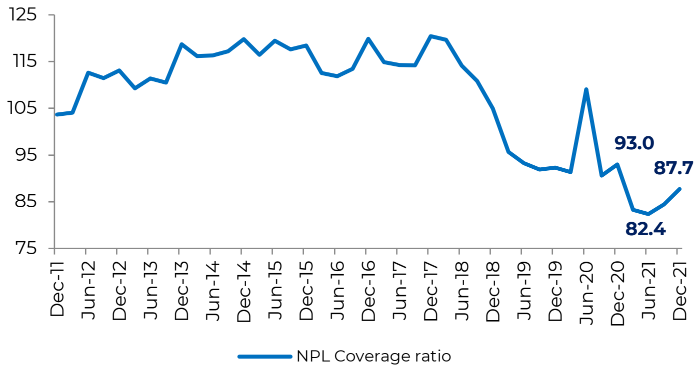
[4] It is used to ensure the capital adequacy of banks and to place constraints on the extent to which bank assets are funded by the banks' own capital.

[5] Pertains to the ratio of total capital accounts to total assets.

[6] The Basel III Leverage Ratio is expressed as a percentage of: Capital Measure (Tier 1 Capital) / Exposure Measure. The BLR is a simple, transparent, and non-risk based "backstop" measure, which aims to "restrict the buildup of excessive leverage in the banking sector to avoid destabilizing deleveraging processes that can damage the broader financial system and the economy. (Source: BCBS press release on Basel III Leverage Ratio Framework and Disclosure Requirements, 12 January 2014)

Figure 5
PBS
NPL Coverage Ratio
As of End-Periods Indicated, In Percent (%)



Source: Department of Supervisory Analytics

exposures to these sectors accounted for around 47.9 percent of total NPLs of the banking system in the same period.[7]

The uptick in NPLs was matched by the banks' adequate loss reserves as NPL coverage ratio of the banking system stood at 87.7 percent in end 2021, albeit lower than the 93.0 percent posted a year before (Figure 5).

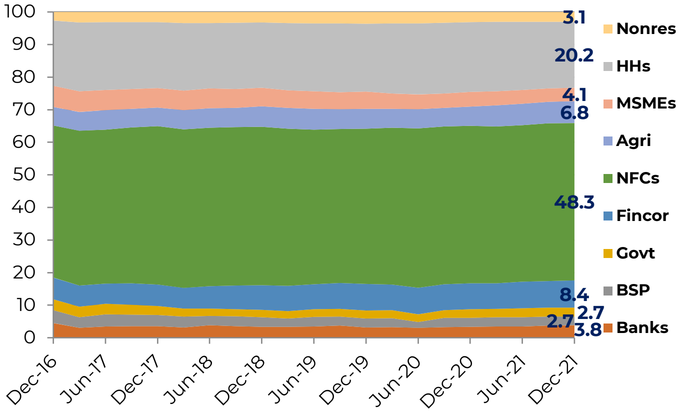
Before the pandemic, NPL and NPL coverage ratios of the banking system averaged 1.9 percent and 106.1 percent, respectively from 2017 to 2019.

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, particularly the subsequent release of its implementing rules and regulations (IRR), provides banks with the means to dispose their non-performing assets (NPAs). In turn, this increases the system's risk-bearing capacity and ability to expand investment as well as lending activities by freeing up capital.[8] Moreover, the banks' NPLs is seen to remain at a manageable level and would not reach the double-digit ratios registered during the Asian Financial Crisis.

Prior to the global health crisis, the issuance of guidelines on risk management system[9] fundamentally strengthened the credit risk management of the BSFIs. This resulted in a steady improvement in the quality of the banks' loans.

Figure 6
PBS
Loans by Economic Sector
As of End-Periods Indicated, In Percent (%)



Source: Department of Supervisory Analytics

Meanwhile, the 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) renders banks vulnerable to adverse development in that industry. Hence, sectors of the economy where bank credit tends to concentrate are closely monitored for macroprudential purposes.

As shown in Figure 6, 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 before and during the pandemic.

As of end-December 2021, non-financial corporations (NFCs) continued to account for the biggest share of bank loans at around 48.3 percent (high loan concentration), followed by households[10] (HHs) at around 20.2 percent (relative loan concentration). Loans to banks, other

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7 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 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 NPL classifications, the banking industry statistics published on the BSP website reflect the actual level of soured loans and do not consider said relief measures.

8 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 the primary implementing agency of the FIST Act.

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

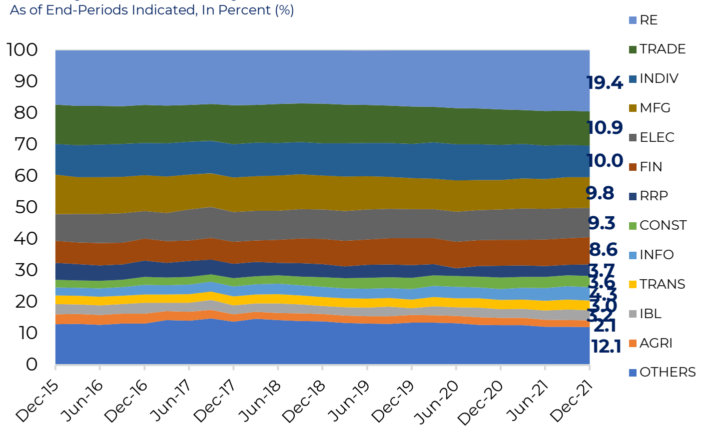
10 Includes loans to individuals for consumption and residential housing purposes.

financial corporations (Fincor), and NFCs are aggregated under private corporations, and together with the household sector, these types of credit (with a combined share of 80.7 percent) are closely monitored for any signs of poor performance or overheating leading to loan quality deterioration.

Moreover, loans of Philippine banks are considered well-diversified in terms of economic activity funded (Figure 7). While credit granted to the real estate (RE) sector stood at 19.4 percent of the total, U/KBs have kept their real estate loans favorably below the amended regulatory cap of 25 percent.[11]

Aside from the exposure to the real estate sector, almost half of the banking system's loan portfolio was allocated to the following activities: wholesale and retail trade (10.9 percent), loans to individuals for consumption purposes (10.0 percent), manufacturing (9.8 percent), electricity, gas, steam and aircon supply (9.3 percent), and financial and insurance activities (8.6 percent).

Figure 7
PBS
Loans by Economic Activity
As of End-Periods Indicated, In Percent (%)

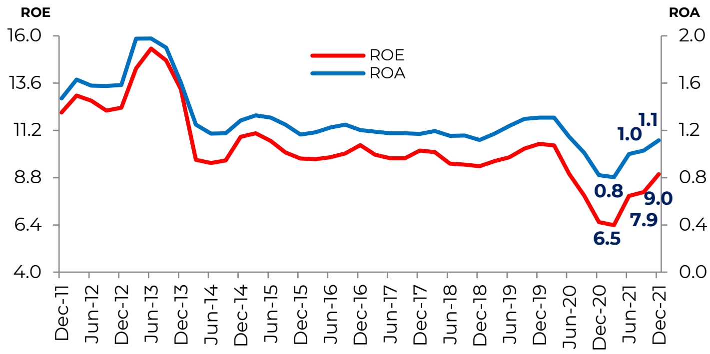


Source: Department of Supervisory Analytics

EARNINGS AND PROFITABILITY

Common earnings ratios used to assess bank profitability are return on assets (RoA) and return on equity (RoE).[12] Figure 8 shows that the RoE of the banking system improved to 9.0 percent in December 2021 from the previous year's 6.5 percent. This is mainly attributed to the 44.8 percent YoY increase in net profit, particularly from reduced loan loss provisions in 2021 due to the early recognition of the same in 2020, and from increased cost efficiency. Likewise, the RoA for end-December 2021 inched up to 1.1 percent from 0.8 percent a year prior. Nonetheless, banks' adequate capital and liquidity buffers indicate ample room for banks to increase risk exposures and improve profitability going forward.

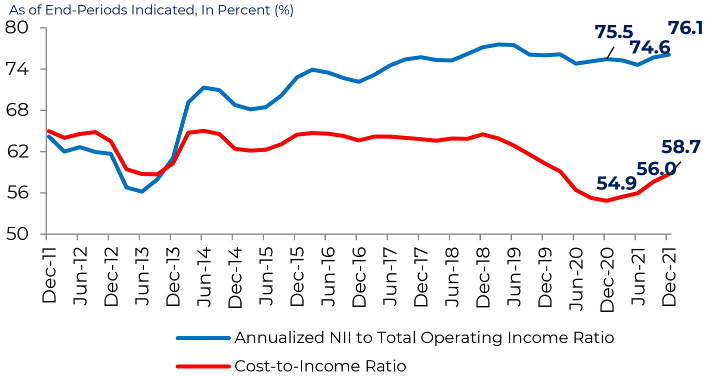
Figure 8
PBS
RoA and RoE
As of End-Period Indicated, In Percent (%)



Source: Department ofSupervisory Analytics

Majority of banks' income still came from lending activities, a core business, as the ratio of annualized net interest income to total operating income hovered around 76.1 percent (Figure 9). Meanwhile, the cost-to-income ratio, an indicator of operational efficiency, improved YoY to 58.7 percent at the end of 2021 due to the adoption of business process improvements which reduced costs, and the shift to digital channels in delivering products and services.

Figure 9
PBS
Net Interest Income (NII) to Total Operating Income Ratio and Cost-to-Income Ratio
As of End-Periods Indicated, In Percent (%)



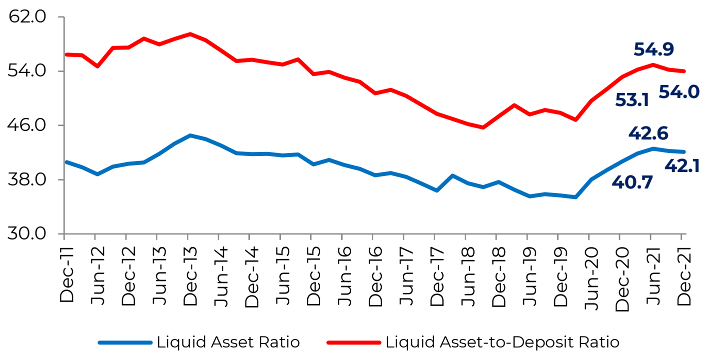
Source: Department of Supervisory Analytics

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

[12] The RoA provides information on the BSFIs' profitability relative to total assets and can be an indicator of how efficiently the BSFIs manage their assets to generate earnings. On the other hand, the RoE is intended to measure BSFIs' efficiency in using capital. It also offers information on the ability of BSFIs to internally generate capital through retained earnings, and the attractiveness of the sector to new equity investment.

LIQUIDITY

Figure 10
PBS
Liquid Asset Ratio and Liquid Asset-to-Deposit Ratio
As of End-Periods Indicated, In Percent (%)



Source: Department of Supervisory Analytics

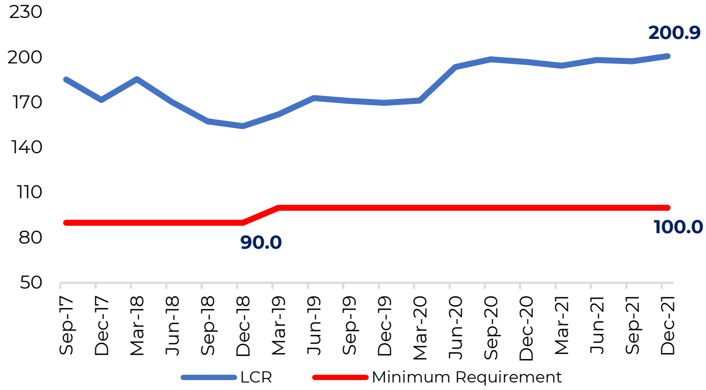
A common measure of liquidity is the proportion of liquid assets to total assets (liquid asset ratio), which indicates the extent of the banks' liquidity buffer. Liquidity serves as a cushion for unexpected cash flow requirements.

The banking system maintained a high liquid asset ratio of 42.1 percent at the end of 2021[13] (Figure 10). This suggests the presence of ample liquidity in the system. Financial assets, net of allowance for credit losses (exclusive of equity investments), for instance, grew YoY by 20.0 percent as banks rebalanced their portfolios and managed risks more efficiently during the pandemic.

Another measure of liquidity is the ratio of liquid assets to deposits (a proxy for short-term liabilities), which indicates the proportion of deposits that would have to be covered by asset sales if access to funding is lost. The liquid asset-to-deposit ratio stood at 54.0 percent as of end-2021. Banks continue to hold liquidity buffers to serve client demands 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 and 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 the report on intraday liquidity[15] for U/KBs and their subsidiary TBs/QBs in January 2022.[16]

Figure 11
U/KBs (Solo)
LCR
As of End-Periods Indicated, In Percent (%)



Source: Department of Supervisory Analytics

As of end-December 2021, the LCR of the U/KBs stood at 200.9 percent on a solo basis, and 200.6 percent on a consolidated basis. These were well above the regulatory threshold of 100 percent[17] (Figure 11). Since the implementation of the LCR, covered banks posted ratios that consistently surpassed the regulatory minimum, indicating healthy levels of high-quality liquid assets (HQLA). This indicates resilience of the banking system to potential short-term liquidity disruptions even during this crisis.

Meanwhile, the NFSR of the U/KB industry as of end-December 2021 hit 142.7 percent and 145.1 percent on 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 (Figure 12). The ratios are higher than the NFSR reported at the close of 2020 at 141.2 percent on solo basis and 143.1 percent consolidated.

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13 Compared with ASEAN counterparts: Indonesia (20.0 percent), Malaysia (21.7 percent), Thailand (22.1 percent), and Vietnam (10.6 percent) (Source: IMF FSIs – Data and Metadata Tables).
14 Circular No. 1034 dated 15 March 2019, and Circular No. 1035 dated 15 March 2019.
15 The report aims to 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.
16 Circular No. 1064 dated 3 December 2019.
17 Under existing BSP rules and regulations, the minimum LCR requirement for U/KBs is 90 percent beginning 1 January 2018 and 100 percent from 1 January 2019.

The banks' NSFR profile shows that 79.5 percent of assets requiring stable funding are performing loans and non-HQLA securities. Meanwhile, 76.9 percent of the banks' available stable funding (ASF) came from retail deposits and wholesale deposits with tenor of more than one year.

For stand-alone TBs, RBs and CBs, the liquidity measure is called the minimum liquidity ratio (MLR). Guided by the principle of proportionality[18], the objective of the MLR is for covered banks and QBs to set aside a liquidity buffer made up of eligible liquid assets that will enable them to withstand liquidity stress events. Covered banks and QBs are required to maintain an MLR of 20 percent.[19]

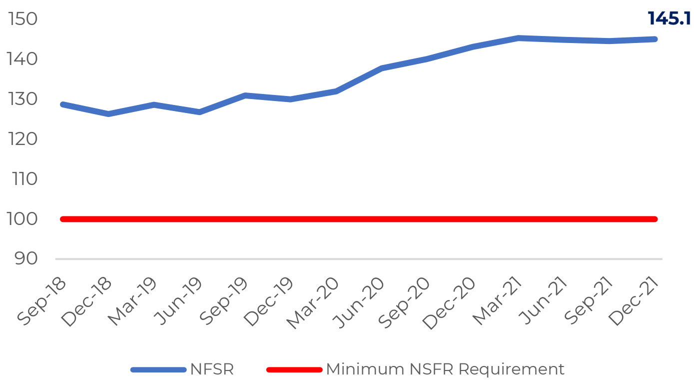
As of end-December 2021, the MLR of stand-alone TBs, RBs and CBs were favorably high, surpassing the 20 percent minimum requirement (Figure 13).

Banks' relative ease of compliance with the liquidity requirements can likewise be attributed to the BSP's accommodative monetary policy actions. These include keeping key policy rates on hold,[20] 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[21] is also used to detect liquidity problems. A low ratio may indicate potential liquidity stresses in the banking system as well as waning sentiments of depositors and investors on the long-term viability of the sector. Figure 14 shows the ratio remains well above the 100 percent mark in the past decade, which shows more than 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).

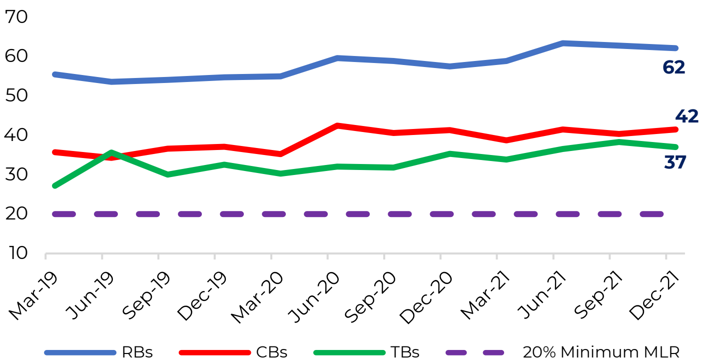
The funding cost[22] of Philippine banks stood at 0.7 percent at the close of 2021, lower than 0.8 percent by end-June 2021 and 1.1 percent as of end-December 2020. The latest figures confirm that low-cost deposits have remained not only a stable but also the biggest source of funds for banks' operations.

Figure 12
U/KBs (Consolidated)
NFSR
As of End-Periods Indicated, In Percent (%)



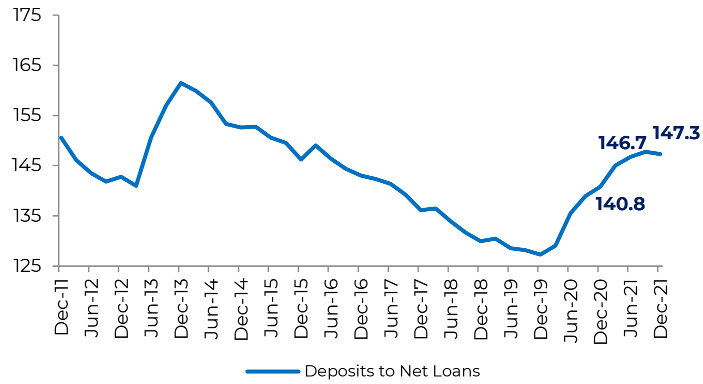
Source: Department of Supervisory Analytics

Figure 13
Stand-Alone TBs, RBs and CBs
MLR
As of End-Periods Indicated, In Percent (%)



Source: Department of Supervisory Analytics

Figure 14
PBS
Deposits to Net Loans
As of End-Periods Indicated, In Percent (%)



Source: Department of Supervisory Analytics

[18] 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.

[19] This is 16 percent based on regulatory relief granted until end-December 2022, per Memorandum No. M-2020-020 dated 7 April 2020, as amended by Memorandum Nos. M-2020-085 dated 1 December 2020 and M-2022-004 dated 17 January 2022.

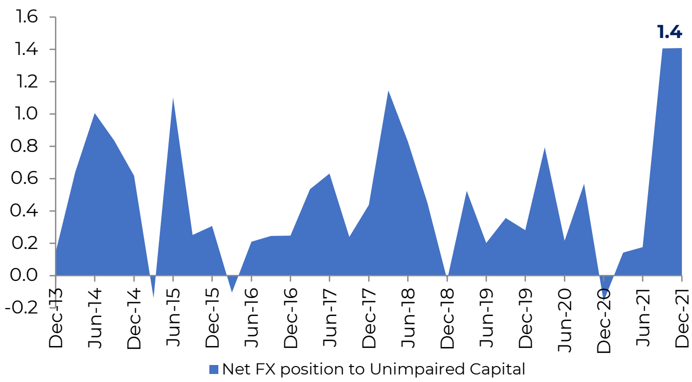
[20] For all seven consecutive policy meetings in 2021, the BSP Monetary Board has decided to maintain the interest rate on the BSP's overnight reverse repurchase facility (RRP) at 2.0 percent, as well as the interest rates on the overnight deposit and lending facilities at 1.5 percent and 2.5 percent, respectively.

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

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

SENSITIVITY TO MARKET RISK

Figure 15
U/KBs
Net FX Position to Unimpared Capital
As of End-Periods Indicated, In Percent (%)



Source: Department of Supervisory Analytics

A common indicator of foreign exchange (FX) exposure is the ratio of net FX position[23] to unimpaired capital as shown in Figure 15. The ratio measures the capacity of banks' capital to withstand FX losses.

From the second semester of 2013 to the second semester of 2021, the net FX position to unimpaired capital of U/KBs averaged 0.5 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 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 the lingering health crisis and global uncertainties.

Still, the BSP continues to monitor risks from banking system exposures, including emerging risks emanating from the demand- and supply-side factors, which may amplify the impact of the health crisis on the economy. Meanwhile, the balance of risk to bank earnings remains tilted to the upside. The downward pressure of repricing on asset yields is expected to be outweighed by faster loan growth as the economy accelerates.

All in all, the supervisory engagement with banks will continue to supplement the surveillance activities currently being undertaken by the BSP. However, the degree of supervisory engagement will vary depending on the systemic importance and impact of the BSFI to the financial system. The BSP will also pursue policy initiatives that will strengthen risk governance and ensure continued resilience and soundness of the financial system.

The BSP continued to pursue policy measures aimed at strengthening financial institutions' ability to manage risks.

Good reputation plays a crucial role in maintaining the safety and soundness of the banking business. In view of this, the BSP released guidelines that spell out the supervisory expectations and prudential requirements in managing reputational risk of BSFIs.[24]

The BSP likewise enhanced the operational risk management and internal control measures.[25] The said amendments recognize "people risk" as an inherent source of operational risk of banks. As such, BSFIs are enjoined to put in place adequate policies and risk management and control measures in particular areas of human resource management, including recruitment and selection, and performance management.

The BSP also issued the second package of its regulations on environmental, social and governance (ESG) matters, providing granular expectations on the management of environmental and social (E&S) risks in relation to credit and operational risk exposures of banks.[26]

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[23] Beginning August 2021, the Net Open FX Position was computed in accordance with the provisions of Circular No. 1120 dated 7 June 2021. For FSI purposes, the new quarterly series (September 2021 onwards) will be appended to the old quarterly series (March 2011 to June 2021). The DSA will no longer revise back data (old series).

[24] Circular No. 1114 dated 16 April 2021

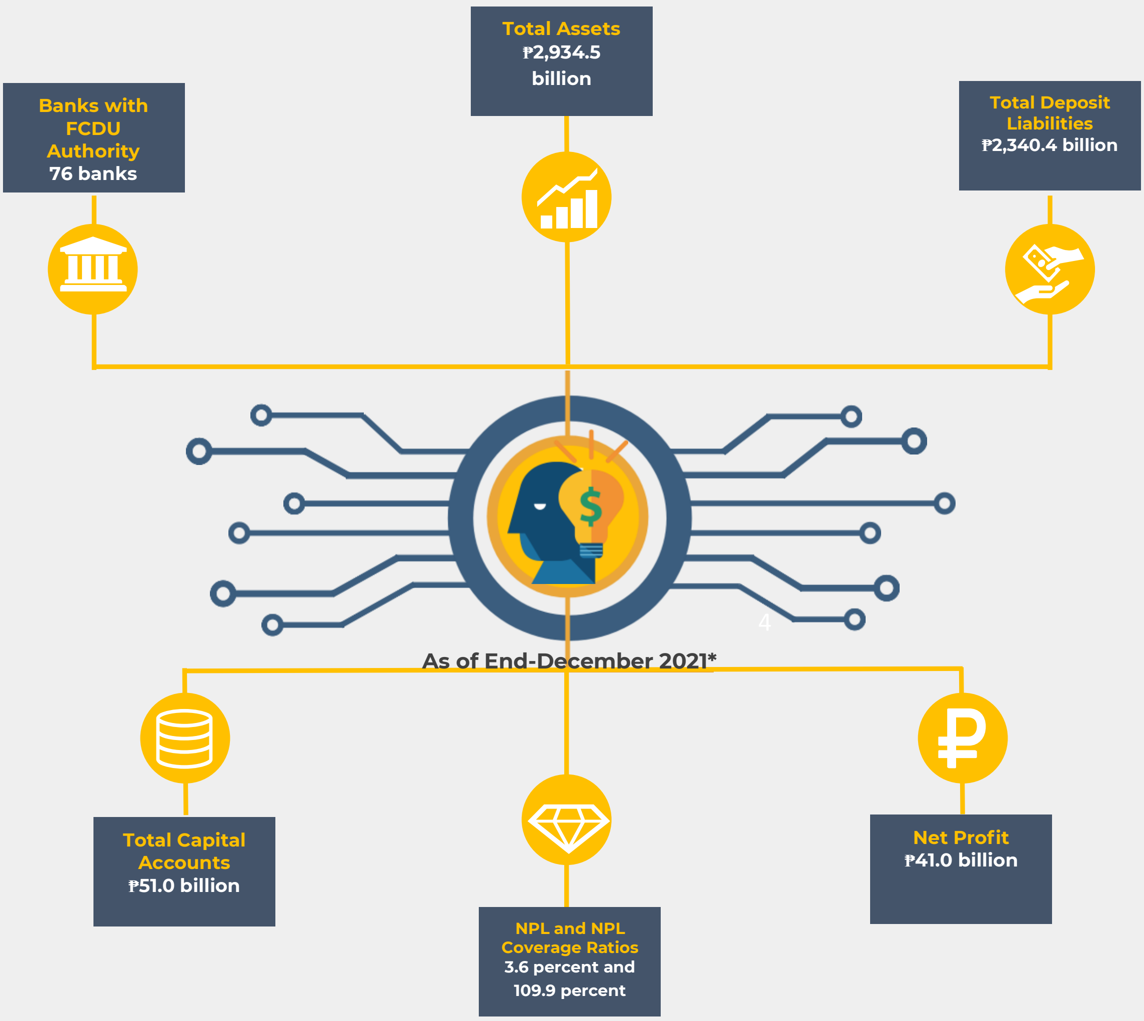
[25] Circular No. 1112 dated 8 April 2021

[26] Circular No. 1128 dated 26 October 2021; The first package being Circular No. 1085 dated 29 April 2020 (Sustainable Finance Framework).

Foreign Currency Deposit Unit (FCDU)

OVERVIEW

Total assets of the foreign currency deposit unit (FCDU) sector narrowed following a decline in capital. Liquidity position remained robust with stable funding mainly from deposits. Asset quality weakened but continued to be matched by adequate loan-loss buffers. Amid the slowdown in the economy, banks' FCDUs continued to post profits, albeit more modestly than before the pandemic.



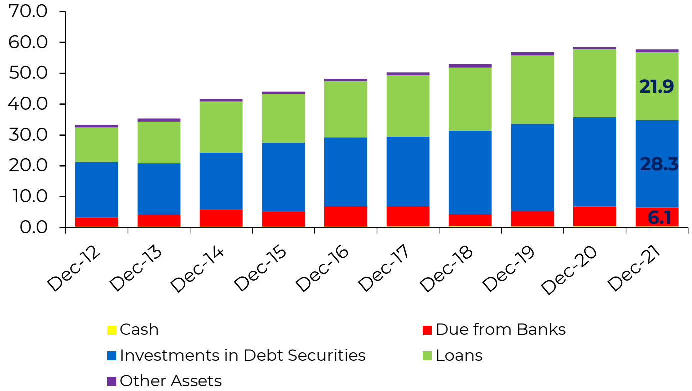
*Based on closing rate of ₱50.774 as of 31 December 2021

FCDU NETWORK REMAINED EXTENSIVE

A total of 76 financial institutions (FIs) have been granted authority to engage in FCDU or expanded FCDU (EFCDU) operations. These consisted of 46 universal and commercial banks (U/KBs), of which 26 are foreign banks, while 21 are thrift banks (TBs), and nine are rural and cooperative banks (RCBs) as of end-December 2021. Of the 76 FIs, 32 banks maintained FCDU licenses (three U/KBs, 20 TBs and 9 RCBs) while the remaining 44 banks (43 U/KBs and one TB) have EFCDU authority.

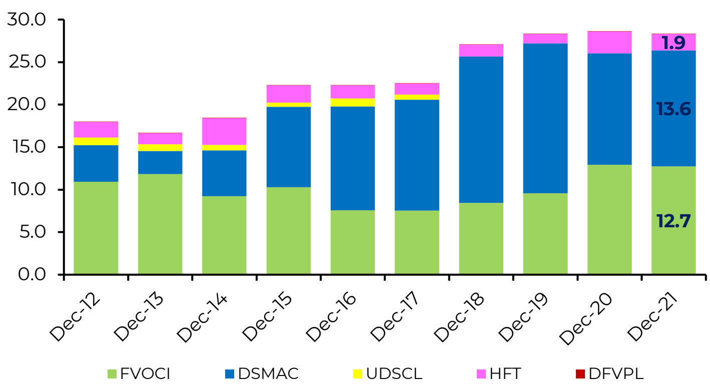
FCDU ASSETS SLIGHTLY CONTRACTED

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



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

Figure 2
FCDU
Composition of Financial Assets
As of End-Periods Indicated; In Billion US$



Source: Department of Supervisory Analytics

Total FCDU assets[1] declined by 1.2 percent year-on-year (YoY) to US$57.8 billion (₱2,934.5 billion) from US$58.5 billion reported the previous year. These accounted for about 14.1 percent of the Philippine banking system's (PBS) total assets at the end of 2021. Meanwhile, at 52.5 percent, the share of the top five banks of total FCDU assets remained relatively stable. Their comparable stake two years before the pandemic, in 2018 and 2019, averaged 52.6 percent. As of end-December 2021, the combined FCDU assets of the top five banks stood at US$30.3 billion (₱1,540.6 billion) and accounted for about 7.4 percent of the banking system's total assets.

By composition, majority of FCDU assets consisted of investments in debt securities[2] and loans (Figure 1). Accounting for 49.0 percent of the total, investments in debt securities, net of allowance for credit losses, decreased by 1.9 percent YoY. Similarly, loans, net of allowance for credit losses,[3] which made up 38.0 percent of total FCDU assets, fell 1.1 percent. These mainly contributed to the decline in the total FCDU assets.

The decline in FCDU loans may be attributed to the tightening of banks' credit standards as well as availability of other funding sources. Meanwhile, assets classified as due from BSP and other banks, which accounted for 10.6 percent of total FCDU resources, declined by 3.8 percent (US$0.2 billion).

The FCDU investment portfolio consisted mainly of financial assets measured at fair value through other comprehensive income (FVOCI) and debt securities measured at amortized cost (DSMAC) under the Philippine Financial Reporting Standards (PFRS) 9.[4]

DSMAC and FVOCI accounted for 48.2 percent and 45.0 percent, respectively, of the FCDU investment portfolio as of end-December 2021 (Figure 2). The former increased by

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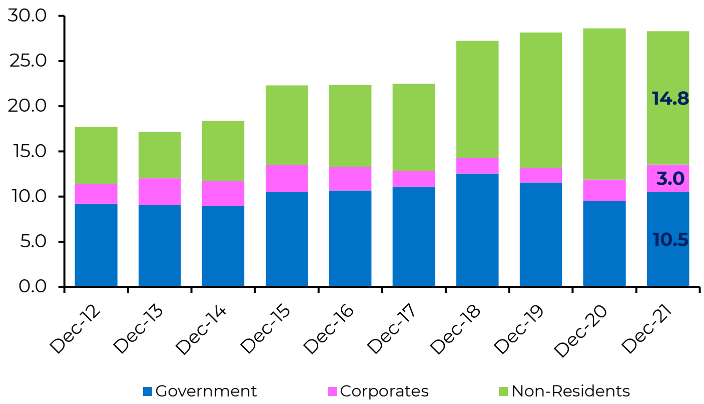
[1] Net of due from head office/branches/agencies and due from FCDU/regular banking unit (RBU)
[2] Financial assets other than loans
[3] Includes interbank loans receivable (IBL)
[4] These accounts are lodged as "available-for-sale (AFS) financial assets" and "held-to-maturity (HTM) financial assets" prior to the adoption of PFRS 9. Meanwhile, the asset designation "unquoted debt securities classified as loans (UDSCL)" is no longer used following the adoption of PFRS 9.

3.9 percent YoY to US$13.6 billion while the latter declined by 1.5 percent to US$12.7 billion. Meanwhile, held for trading (HFT) securities, which made up only 6.8 percent of the total, went down to US$1.9 billion. The anticipation of policy normalization amid improving economic condition may have contributed to the increase of FCDU holdings of DSMAC. This is seen to mitigate the potential impact of mark-to-market (MTM) losses arising from volatility in global interest rates.

By type of issuer, a sizable portion of total FCDU investments, at around 52.2 percent or US$14.8 billion (₱749.4 billion), were placed in securities issued by non-residents. This was followed by investments in issuances of the National Government (NG), consisting of the BSP, the Bureau of Treasury (BTr) and other government corporations, which stood at around 37.2 percent or US$10.5 billion; and issuances by private corporations, which amounted to 10.7 percent or US$3.0 billion (Figure 3). The investments in NG-issued securities rose by 10.5 percent YoY or by US$1.0 billion. This expansion was largely attributed to the 9.5 percent increase in banks' holdings in US dollar-denominated bonds issued by the Republic of the Philippines (ROPs). Similarly, investments in debt securities issued by private corporations increased by around 28.5 percent YoY or US$0.7 billion. However, FCDU investments in securities issued by non-residents fell by US$2.0 billion or 11.8 percent over the same period.

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



Source: Department of Supervisory Analytics

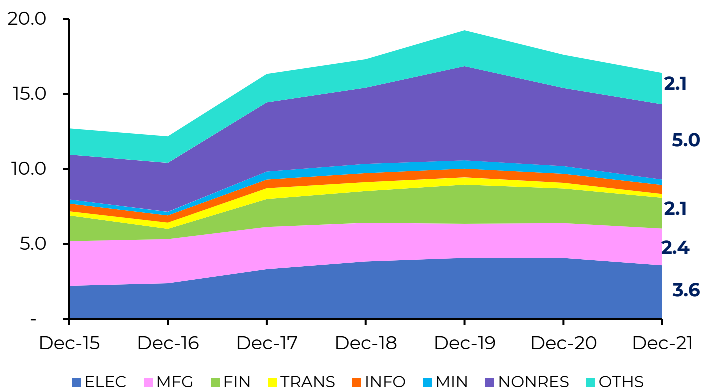
ELECTRICITY, MANUFACTURING, AND FINANCIAL AND INSURANCE ACTIVITIES REMAINED AS PRIMARY RECIPIENTS OF FCDU LOANS

As of end-December 2021, total FCDU loans, net of allowance for credit losses,[5] stood at US$21.9 billion (₱1,113.6 billion), relatively unchanged from a year ago. This represented around 10.1 percent of the Philippine banking system's total loans.

By economic activity, FCDU loans[6] were channeled primarily to the electricity, gas, steam and air-conditioning supply sector, which accounted for a share of 21.7 percent, as well as manufacturing (14.9 percent) and financial and insurance activities (12.5 percent) as of end-December 2021. These sectors collectively held around 49.2 percent (US$8.1 billion) of the total FCDU loans. Exposures to the three sectors remained relatively stable even during crisis when compared with their respective pre-pandemic shares, which averaged 21.6 percent, 13.3 percent and 12.9 percent from 2018 to 2019.

Loans to non-residents remained a significant portion of the total FCDU loans with a share of 30.7 percent as of end-December 2021 (Figure 4). However, such loans have been declining from US$6.3 billion in 2019 to US$5.0 billion in 2021. The drop may be due to banks' tightening of credit standards amid the ongoing crisis as well as availability of other funding sources on the part of non-resident borrowers.

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



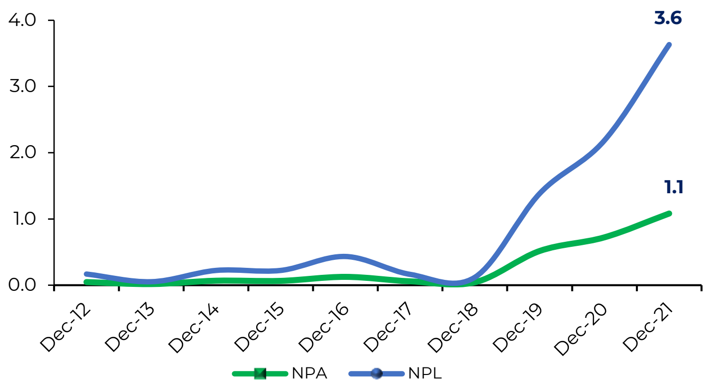
Source: Department of Supervisory Analytics

[5] Includes IBL
[6] Excludes IBL

By maturity, FCDU loans were mostly long-term, with a share of 48.6 percent as of end-December 2021, lower than 53.2 percent a year before. Short- and medium-term loans accounted for respective shares of 28.5 percent and 22.8 percent in the same period.

ASSET QUALITY WEAKENED BUT REMAINED MANAGEABLE, ACCOMPANIED BY HIGH LOAN-LOSS RESERVES

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



Source: Department of Supervisory Analytics

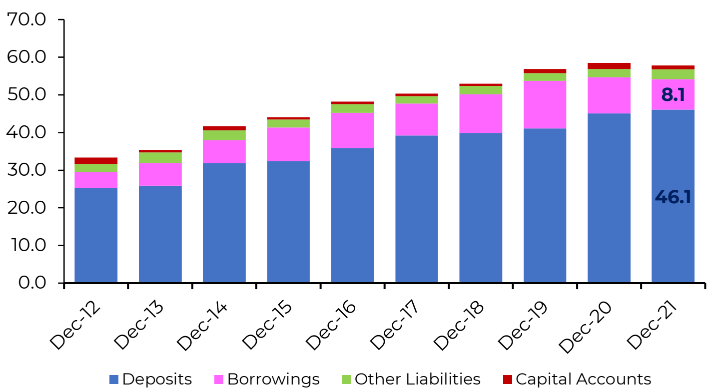
Amid the ongoing crisis, the non-performing loan (NPL) ratio rose by 1.4 percentage points to 3.6 percent in December 2021, higher than the previous year's 2.2 percent (Figure 5). The surge in NPLs by 55.1 percent YoY to US$0.6 billion was driven mainly by increase in non-performing loans to non-residents and to the transportation and storage sector. Nonetheless, the higher NPL ratio was matched by high NPL coverage ratio of 109.9 percent, well above the pre-pandemic level of 94.0 percent in 2019.

The ratio of non-performing assets (NPAs) likewise inched up to 1.1 percent from 0.7 percent the previous year. However, these were adequately covered as NPA coverage ratio stood high at 103.7 percent as of end-December 2021, higher than the pre-pandemic level of 81.9 percent in 2019.

Amid increase in NPL and NPA ratios during the health crisis, there were enough buffers for loan losses. This reflects the gains from the BSP's long history of credit reforms as well as the banks' early recognition of allowance for losses at the onset of the pandemic in 2020.

DEPOSITS CONTINUED AS MAIN FUNDING SOURCE

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



Source: Department of Supervisory Analytics

Steady inflows of overseas Filipinos' (OFs) remittances[7] as well as rising foreign direct investment (FDI) net inflows[8] in 2021 contributed to the growth in FCDU deposits. As of end-December 2021, total deposits reached US$46.1 billion (₱2,340.4 billion), which is about 2.3 percent more than the previous year. That marked a slowdown from the 9.7 percent growth recorded in 2020. Deposits accounted for around 79.8 percent of total FCDU assets (Figure 6).

The increase in deposits may also be attributed to a shift in FCDU funding strategy away from other types of borrowings. Bills payable and bonds payable, which collectively made up 14.0 percent of total funding sources, dropped by 19.8 percent and 12.6 percent, respectively, by end-2021 from the previous year.

[7] Personal remittances of OFs grew by 5.1 percent YoY to US$34.9 billion, which may be attributed to the increase in OF deployment and the continued shift to digital support that facilitated inward transfer of remittances (Source: BSP Press Release dated 15 February 2022).

[8] FDI net inflows recorded a 54.2 percent YoY growth to US$10.5 billion in 2021 following the positive foreign investor sentiment on the country and declining COVID-19 reported cases (Source: BSP Press Release dated 10 March 2022).

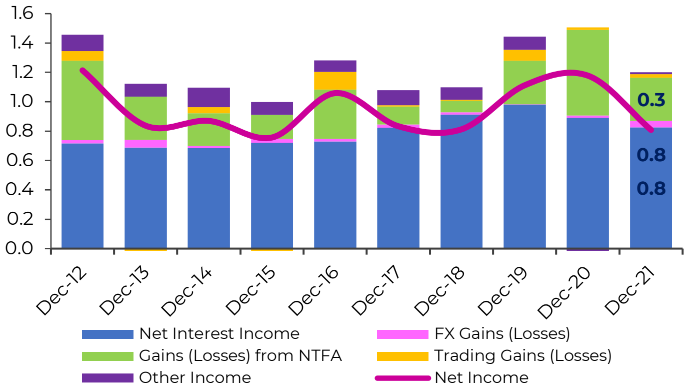
Meanwhile, other liabilities[9] went up by 17.8 percent (US$0.4 billion) following the YoY increase in assets classified as net due to HO/branches/agencies and net due to FCDU/RBU by US$0.3 billion and US$0.1 billion, respectively.

Since a large portion of deposits were held by residents, accounting for a share of 97.0 percent, the industry is cushioned from a potential withdrawal of funding by common lenders in the global financial markets.

FCDU SUSTAINED PROFITABLE OPERATIONS

Despite the slowdown in global economic growth, overall FCDU operations recorded a net profit of US$0.8 billion (₱41.0 billion) in 2021 (Figure 7). This was lower by 31.4 percent from the previous year's net income of US$1.2 billion following subdued lending activities.

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

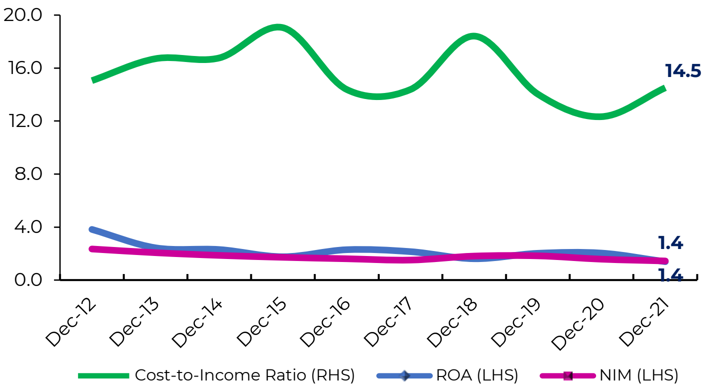


Source: Department of Supervisory Analytics

The FCDU sector recorded lower profits as net interest income and non-interest income dropped by 7.3 percent and 29.3 percent, respectively. In particular, interest income from held-to-maturity financial assets and loan portfolio declined by US$0.2 billion.

Meanwhile, the reduction in non-interest income was mainly due to lower gains on sale, redemption or derecognition of non-trading financial assets and liabilities to US$0.3 billion from US$0.6 billion the previous year.

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



Source: Department of Supervisory Analytics

The cost-to-income ratio stood at 14.5 percent in 2021, higher than the previous year's 12.3 percent but significantly better than the pre-pandemic average of 15.6 percent from 2017 to 2019. Meanwhile, the FCDU sector's return on assets (RoA) fell to 1.4 percent from 2.0 percent in 2020 and the pre-pandemic average of 1.9 percent from 2017 to 2019. Net interest margin (NIM) went down to 1.4 percent, lower than 1.6 percent in 2020 and the pre-pandemic average of 1.7 percent from 2017 to 2019 (Figure 8). Notably, FCDU maintained a higher level of liquidity during COVID-19 crisis as assets classified as cash and due from banks made up 11.3 percent of total assets compared with the pre-pandemic average of 10.5 percent from 2017 to 2019. Apart from low credit demand, the low interest rate environment may have also contributed to the narrowing of FCDU earnings indicators.

POLICY DIRECTION

At the height of the COVID-19 pandemic, the BSP approved the implementation of the first phase of reforms in the regulation of the foreign currency deposit system in 2020.[10] The issuance eased the asset cover requirement of banks with expanded FCDUs (EFCDUs) to provide the covered institutions with greater flexibility to manage their foreign currency deposit exposures.

[9] The total other liabilities refer to the sum of other liabilities, net due to HO/branches/agencies and net due to FCDU/RBU, due to other banks, and financial liabilities HFT and financial liabilities DFVPL.
[10] Circular No. 1086 dated 6 May 2020.

The second phase of amendments of regulations governing the foreign currency deposit system, adopted in December 2021, streamlined the requirements of foreign currency denominated transactions.[11] The amendments likewise include: (1) expanding the coverage of entities that are allowed to engage in FCDU operations to include Islamic banks and digital banks; (2) streamlining of the rules on EFCDU licensing requirements; and (3) enhancing the EFCDU lending requirements to regular banking unit (RBU).

Moreover, the Phase 2 amendments underscore that a bank should have a risk management framework commensurate with the size, nature, complexity, and risk profile of its FCDU activities. The framework should cover all material risks from foreign currency denominated transactions, including market risk, liquidity risk, credit risk, and operational risk, among others.

To further ensure that banks can continuously provide ample liquidity in the market and service client demand for foreign exchange (FX) support, the BSP amended the Regulations on the Open Foreign Exchange Position of Banks in the first half of 2021. The amendments are expected to make the calculation and measurement of a bank's net open FX position more risk-based.[12]

These continuous reforms contribute to the broader thrust of the BSP to promote a policy environment that is market-oriented and supportive of the sustained expansion of the Philippine economy and FCDU operations. Importantly, these supplement the various liberalization measures undertaken by the BSP to ease FX rules as well as facilitate the FX transactions by banks, public and private corporates and entities, small and medium enterprises, overseas Filipinos, and the public in general.

[11] Circular No. 1134 dated 28 December 2021.
[12] Circular No. 1120 dated 7 June 2021.

Trust Operations

Overview

Philippine trust institutions continued to grow as the industry's total assets expanded amid market volatilities. Personal Equity and Retirement Accounts (PERA) likewise increased due to more sign-ups amid a massive information campaign, easier access through digitalization, and close engagement with various industry associations and financial institutions. Amid the ongoing crisis, the industry sustained its profitability.

Operations remained profitable

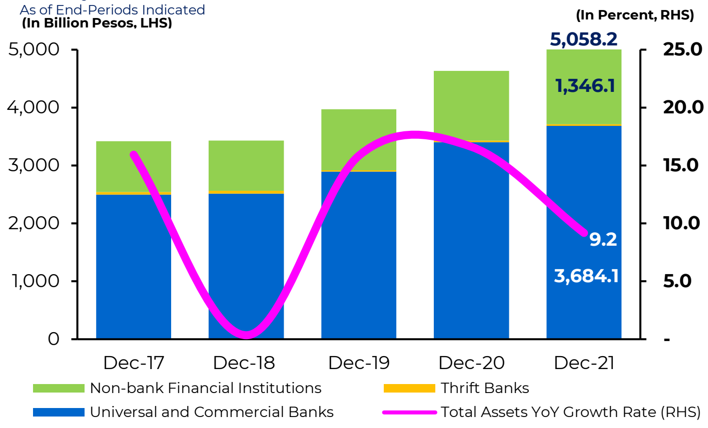
Funds mostly deployed to investment in securities* and deposits in banks

Asset growth continued

Financial assets other than loans. These were investments in debt and equity securities.

ASSET GROWTH CONTINUED BUT DECELERATED

Figure 1
Trust
Asset by Financial Institution
As of End-Periods Indicated

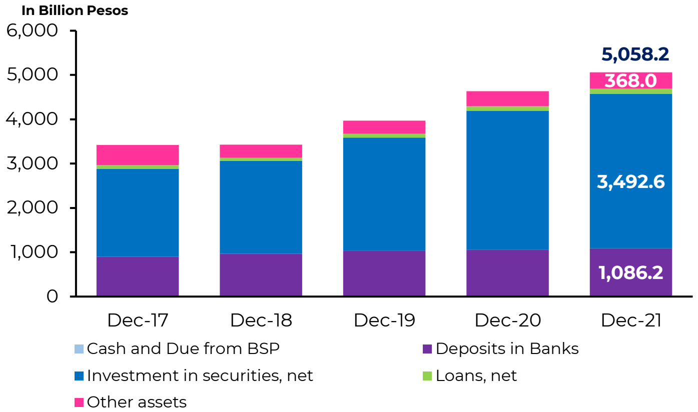


Source: Department of Supervisory Analytics

A total of 37 financial institutions (FIs) were granted trust licenses. Of these, active players consist of 24 trust departments (TDs) of bank[1] and seven non-bank FIs[2] (NBFIs). The TDs of banks accounted for 73.4 percent of the total trust assets, followed by trust corporations (TCs), with a share of 25.4 percent, and investment houses (IHs), 1.2 percent.

Total trust assets, which remained mainly in the form of investments in securities[3] and deposits in banks, grew by 9.2 percent year-on-year (YoY) to ₱5,058.2 billion as of end-December 2021. However, this was slower than the previous growth rate of 16.6 percent in 2020 and 15.9 percent in 2019, before the pandemic. The industry's assets represented 24.3 percent of the Philippine banking system's total assets, higher than the 23.8 percent a year prior.

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

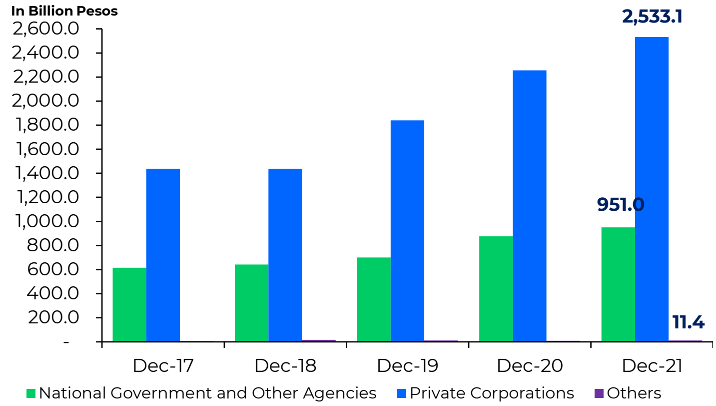


Source: Department of Supervisory Analytics

Investments in debt and equity securities, which accounted for about 69.0 percent of the industry's total assets, rose by 11.3 percent YoY to ₱3,492.6 billion at the end of 2021, relatively slower than the 23.1 percent growth rate the year before and 21.6 percent in 2019. Meanwhile, deposits in banks, which made up 21.5 percent of the total assets, went up by 2.6 percent from the previous year, higher than the 2.1 percent registered in 2020 but lower than the 7.4 percent in 2019 (Figure 2).

INVESTMENTS IN CORPORATE SECURITIES EXPANDED

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



Source: Department of Supervisory Analytics

As of end-2021, the trust entities' total investments in corporate securities, which accounted for the largest share of about 72.5 percent of the total placements in securities, further grew by 12.3 percent to ₱2,533.1 billion. This was slower than the 22.6 percent YoY growth recorded in 2020 and 27.9 percent in 2019. The continued expansion in investments in corporate securities was part of the efforts of trust entities to obtain higher yields amid a low interest rate environment.

Meanwhile, investments in government securities[4] represented around 27.2 percent of placements in securities in the same period. It rose by 8.5 percent from the previous year, albeit slower than the prior growth rate of 25.2 percent in 2020 and 8.9 percent in 2019 (Figure 3).

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[1] Consisted of 20 universal and commercial banks (U/KBs) as well as four thrift banks (TBs)
[2] Consisted of five trust corporations (TCs) and two investment houses (IHs)
[3] Financial assets other than loans. Composed of investments in debt and equity securities
[4] Consisted of the National Government and other agencies, including BSP

By type, debt securities represented majority of the industry's investments at around 63.1 percent (₱2,207.1 billion) while the remaining 36.9 percent (₱1,288.4 billion) consisted of equity securities. Similarly, a large chunk of the total investments was booked as financial assets at fair value through profit or loss (with a share of 76.0 percent), followed by available for sale financial assets (20.5 percent). This portfolio mix is susceptible to fluctuations in market prices, especially with the anticipated hike in interest rates amid policy normalization.

INVESTMENTS REMAINED HIGHLY LIQUID

The trust industry remained liquid as 90.5 percent of assets were in highly marketable securities and deposits in banks. Likewise, the ratio of liquid assets to total accountabilities stood at 68.4 percent as of end-December 2021, higher than 66.7 percent the year before and 63.6 percent in 2019. This underscores the trust entities' ability to service fund withdrawals even during the crisis.

ASSET QUALITY REMAINED SATISFACTORY WITH AMPLE LOAN-LOSS PROVISIONING

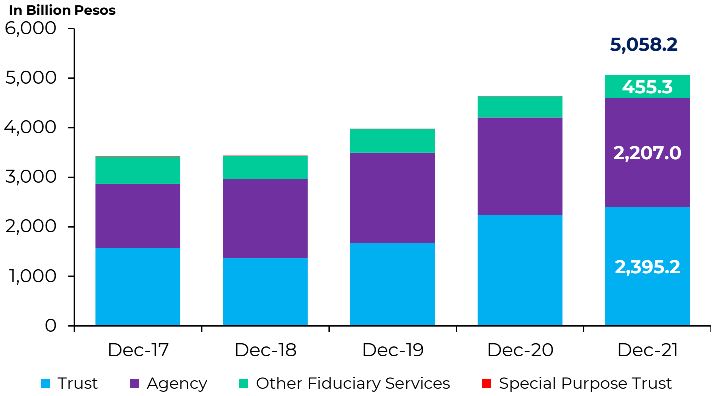
The industry's asset quality remained satisfactory, with both the non-performing loan (NPL) and non-performing asset (NPA) ratios staying below 1.0 percent as of end 2021. Even during crisis, the industry maintained adequate reserves for potential losses as NPL and NPA coverage ratios stood well above 100 percent in the same period. The high coverage ratios were driven by the 143.6 percent YoY increase in allowances on loans.

As of end-December 2021, total loans, net of allowance for probable losses of ₱111.1 billion, continued to be stable, accounting for only 2.2 percent of the industry's total assets. The ratio is almost unchanged from 2.1 percent in 2020 and 2.2 percent in 2019.

TRUST ACCOUNTABILITIES INCREASE, DRIVEN BY TRUST AND AGENCY ACCOUNTS

Trust accountabilities climbed at a slower pace of 9.2 percent YoY to ₱5,058.2 billion in 2021, lower than the previous growth rate 16.6 percent in 2020 but faster than the 5.9-percent rise in 2019. The expansion was mainly driven by the increase in trust and agency accounts, which grew by 6.8 percent and 12.6 percent, respectively (Figure 4). Collectively, trust and agency accounts held 91.0 percent of the total trust accountabilities.

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



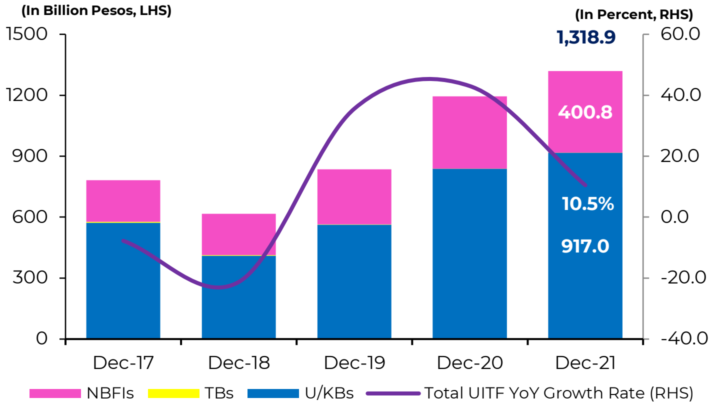
Source: Department of Supervisory Analytics

The YoY growth in trust accounts (up by ₱151.9 billion) was largely driven by the 10.6-percent rise (₱125.1 billion) in unit investment trust funds (UITFs). Meanwhile, agency accounts rose by 12.6 percent (₱247.6 billion) following the 17.4 percent increase (₱176.2 billion) in institutional agency accounts. Similarly, individual agency accounts reported an 8.2-percent growth (₱73.1 billion) partly due to the liberalization in the prescribed minimum investment amount in each investment management account (IMA).

UITF GREW AT A SLOWER PACE

Despite the prevalent risk-off sentiment brought about by the pandemic, UITFs posted a double-digit growth rate as trust clients gravitated towards safe assets. As of end-December 2021, total UITFs, which included other fiduciary services, expanded by 10.5 percent YoY to ₱1,318.9 billion, albeit slower than the previous pace of expansion of 43.0 percent in 2020 and 35.6 percent in 2019 (Figure 5). Still, greater online accessibility

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



Source: Department of Supervisory Analytics

of UITFs through various platforms as well as improving economic conditions and upcoming regulatory reforms are expected to contribute to the further growth of the trust product in the coming months.

The trust departments of universal and commercial banks (U/KB) accounted for the largest share of UITFs at 69.5 percent or around ₱917.0 billion. Another 30.4 percent was held by non-bank financial institutions (NBFIs). Both industries grew at a slower pace in 2021 compared with the previous two years. In particular, UITFs of U/KBs and NBFIs grew YoY by 9.4 percent and 13.0 percent, respectively in 2021. Those were considerably lower than the U/KBs' previous growth rates of 48.7 percent in 2020 and 37.6 percent in 2019 as well as the NBFIs' past growth rates of 31.4 percent and 33.4 percent, respectively, in the same years. In contrast, UITFs of thrift banks contracted YoY by 14.8 percent in 2021, a reversal of the 2.9 percent growth in 2020 but relatively much better than the 66.2-percent slump in 2019.

INCLINATION TOWARD PERA INVESTMENT IMPROVED

The BSP is leveraging digital technology to bring trust products and services closer to Filipino people. As of end-December 2021, 4,382 Filipinos have invested in PERA or Personal Equity and Retirement Account[5], with total contributions of ₱253.3 million (Table 1). Employees made up 70.5 percent of total PERA contributors in 2021, followed by self-employed individuals and Overseas Filipino Workers (OFW), who accounted for the remaining 15.1 percent and 14.3 percent, respectively.

Compared with the previous year, the number of PERA contributors increased by 64.1 percent while the value of contributions rose 45.0 percent in 2021. The better performance is due to the following factors: (1) digitalization of PERA[6]; (2) aggressive information dissemination efforts even in the middle of the pandemic, which resulted in the increasing awareness of Filipinos on the benefits of opening a PERA account;[7] (3) issuance of electronic Tax Credit Certificates (eTCCs); and (4) constant engagement by the BSP's PERA Technical Working Group (TWG) with various industry players to expand market offerings.

Table 1
Trust
Number of Filipinos Invested in PERA and Total Contributions

Particulars	End-Dec 2020	End-Dec 2021
Number of Filipinos invested in PERA	2,671	4,382
Total Contributions (in ₱ million)	174.7*	253.3

*Revised
Source: BSP PERA TWG

The Bureau of Internal Revenue (BIR) issued more than 1,600 eTCCs to qualified PERA contributions as of end-December 2021. This allows contributors to enjoy the five-percent tax credit on PERA contributions.

In 2021, the PERA UITFs of two product providers were made available to qualified members of the investing public through a digital platform[8] dedicated to the investment product. At present, there are eight PERA UITF products available through the dedicated

[5] PERA was established under Republic Act No. 9505, otherwise known as the Personal Equity and Retirement Account (PERA) Act of 2008.
[6] The digital transformation of the PERA infrastructure continues to provide Filipinos with a more convenient and affordable way of investing in PERA, i.e., in terms of greater accessibility, streamlined processes in account opening and placement of contributions, and lowered transaction cost.
[7] In 2021, the BSP PERA TWG conducted 13 PERA webinars in partnership with the Economic and Financial Learning Office (EFLO) and various industry players and stakeholders.
[8] https://pera.seedbox.ph

digital platform, which is administered by ATRAM Trust Corporation. This is in addition to the PERA UITFs currently offered by the other PERA administrators, i.e., BDO Unibank, Inc. and BPI Asset Management and Trust Corporation through their own respective platforms.

To sustain the positive growth momentum of investments in PERA , the BSP PERA TWG plans to further expand the PERA ecosystem by: (1) intensifying social media campaigns and conduct of roadshows and other financial education activities in coordination with the Economic and Financial Learning Office (EFLO) or through partnerships with advocacy groups; (2) engaging market participants and partner government agencies to expand PERA product offerings and enhance digital PERA features; and (3) enhancing existing policies to incentivize market players to participate in the PERA ecosystem and encourage more Filipinos to prepare for their retirement.

PROFIT OF TRUST ENTITIES WENT UP

The net income of trust institutions went up by 17.3 percent YoY (or ₱1.1 billion) to ₱7.4 billion in 2021, relatively better than the growth rates of 9.6 percent in 2020 and the 12.7 percent in 2019. This was achieved on the back of double-digit growth in trust fees and commissions, which climbed 15.6 percent (or ₱1.8 billion) even amid the pandemic in 2021, higher than the 10.0 percent in 2020 and the 7.2 percent in 2019. The rise in trust fees and commissions helped the industry offset the 12.3-percent hike (or by ₱0.7 billion) in trust expenses following an increase in compensation and fringe benefits, as well as other administrative expenses and other expenses.

POLICY DIRECTION

The main policy reforms for the trust industry form part of the BSP's Trust Business Model Initiative, which intends to rationalize the operations of trust entities by anchoring supervisory expectations on the nature of the relationships. The revisions in the regulatory framework will provide an environment more conducive to 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 initiative was rolled out in early 2021, with the amendments to investment management account (IMA) regulations.[9]

The second phase of the program includes policy issuances involving UITFs, drafting comprehensive investment guidelines, and preparation of amendments to the regulations on the following: (1) periodic review of accounts; (2) onboarding and client suitability assessment (CSA) process; and (3) personal management trust (PMT).

The amendments to the regulations on the UITF licensing framework aim to make the processes of establishing UITFs and amending their features more risk-based. Streamlining the approval process for UITFs will expedite the availability of new UITFs in the market, thereby spurring growth. Meanwhile, 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 management accounts. It will lay out supervisory expectations on corporate governance, investment principles, investments with related parties, and best practices in asset management activities.

Meanwhile, the proposed amendments on the periodic review of accounts 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.

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

Non-Bank Financial Institutions with Quasi-Banking Functions (NBQBs)

OVERVIEW

The industry continued to streamline and rationalize operations. Moving forward, loan quality is expected to improve as the economy recovers and as relief measures and tax incentives under the Financial Institutions Strategic Transfer or FIST Act become available. The uptick in problem assets was accompanied by an improvement in loss-reserves. Still, the industry sustained a positive bottom line in spite of contraction in key balance sheet accounts.

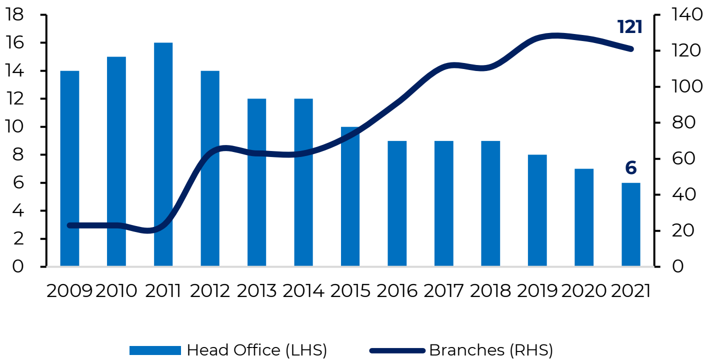
The industry is expected to remain stable as most of the financing companies and investment houses with quasi-banking (QB) license are part of universal and commercial banking groups (U/KBs). Nonetheless, the BSP will continue to monitor the industry's performance amid the ongoing crisis and weakened but manageable loan quality indicators.

STREAMLINED PHYSICAL NETWORK

As of end-December 2021, there were six non-bank financial institutions with quasi-banking functions or NBQBs, composed of one investment house (IH), four financing companies (FCs), and one other NBQB. The number of NBQBs declined from the previous year due to the surrender of the quasi-bank (QB) license of one entity.

In terms of network, the branches of the four FCs declined from 126 offices the previous year to 121 offices by end-December 2021. As a result of streamlining within the industry, assets, liabilities and capital of NBQBs fell in 2021.

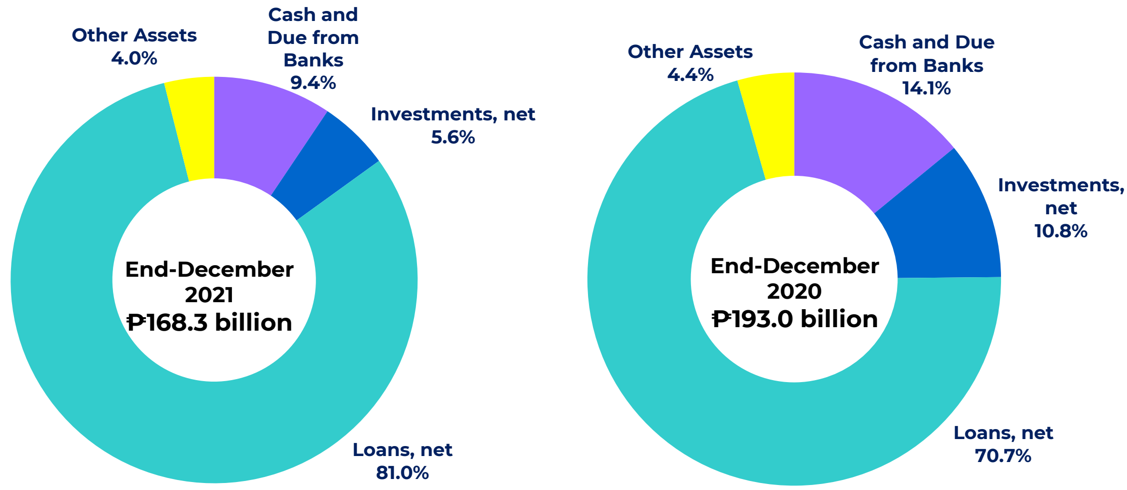
Figure 1
NBQBs
Physical Network Growth
As of end-Period Indicated



Source: Department of Supervisory Analytics

BULK OF ASSETS WAS CHANNELED TO LENDING ACTIVITIES

Figure 2
NBQBs
Asset Mix
As of end-Period Indicated



Source: Department of Supervisory Analytics

Total assets of NBQBs declined year-on-year (YoY) by 12.8 percent to ₱168.3 billion at the close of 2021. Investments as well as cash and due from banks dropped by 54.5 percent and 41.7 percent, respectively. The year's decline marked an improvement from the previous year's contraction of 30.9 percent but remained far below the pre-pandemic average growth of 8.4 percent from 2017 to 2019. The industry's total assets accounted for 20.6 percent of the non-bank financial institutions' (NBFIs)[1] total resources and 0.6 percent of the Philippine financial system's[2] total assets.

By subgroup, a vast majority of the industry's assets were held by FCs, which accounted for 97.8 percent (₱164.6 billion) of the total while IHs controlled the remaining 2.2 percent (₱3.7 billion). In line with their business model, about 82.8 percent of FCs' assets consisted of loans while 91.9 percent of the IH's assets were investments in securities.

By composition, the NBQBs' assets remained in the form of loans, which accounted for 81.0 percent of the total; cash and due from banks, 9.4 percent; and investments,

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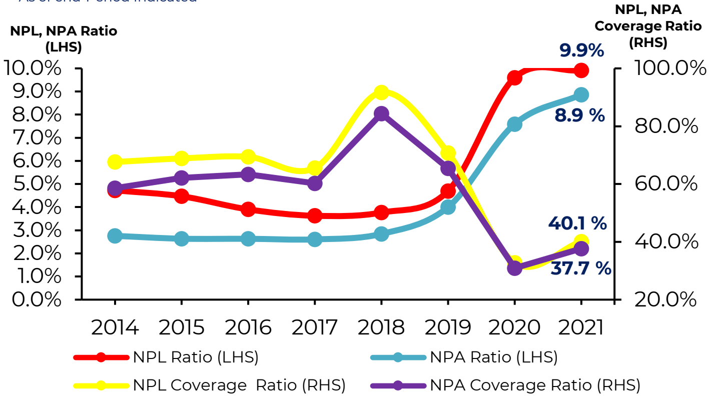
1 Supervised by the BSP
2 Preliminary data as of end-December 2021, total assets of the Philippine Financial System reached ₱25,936.8 billion.

5.6 percent (Figure 2). As of end-2021, total gross loans[3] expanded by 0.7 percent YoY to ₱142.0 billion, a significant improvement from the previous year's contraction of 36.4 percent but far from the pre-pandemic average growth of 18.4 percent from 2017 to 2019.

ASSET QUALITY FURTHER WEAKENED BUT REMAINED MANAGEABLE

Figure 3
NBQBs
Key Asset Indicators
As of end-Period Indicated



Source: Department of Supervisory Analytics

Amid the meager loan expansion in 2021, non-performing loans (NPL) and non-performing assets (NPAs) grew at a relatively faster pace of 4.1 percent and 2.9 percent, respectively. At the end of the year, NPL and NPA ratios stood at 9.9 percent and 8.9 percent, respectively, higher than the 9.6 percent and 7.6 percent recorded the previous year. In the three-year period before the pandemic, from 2017 to 2019, NPL and NPA ratios averaged 4.0 percent and 3.4 percent, respectively. Nonetheless, loss reserves improved at the end of 2021 compared with the year before as the NPL ratio went up to 40.1 percent from 32.8 percent while the NPA coverage ratio climbed to 37.7 percent from 30.9 percent. These ratios, however, were just about half the pre-pandemic average of 75.8 percent and 83.9 percent from 2017 to 2019 (Figure 3).

The implementation of the Financial Institutions Strategic Transfer or FIST Act serves as a standby resolution mechanism for the industry to manage their NPAs. The industry is among the financial institutions that can avail of the tax incentives and fee privileges on the sale and transfer of NPAs under the FIST Act until 18 February 2023.

SHORT-TERM LIQUIDITY REMAINED ADEQUATE

NBQBs are highly liquid and capable of servicing the financing requirements of their clients and meeting their operational needs. As of end-December 2021, the liquidity coverage ratio (LCR) of NBQBs that are subsidiaries of U/KBs stood at 300.4 percent on a solo basis, well above the 100 percent regulatory threshold but lower than the 661.7 percent the previous year. This may be attributed to the decline in high-quality liquid assets such as cash and due from banks, which contracted by 41.7 percent by end-2021. Meanwhile, the industry's net stable funding ratio (NSFR) stood at 88.7 percent on solo basis at the close of 2021, relatively unchanged from the previous year.

BILLS PAYABLE REMAINED THE MAIN SOURCE OF FUNDS

Bills payable continued to be the largest source of funds, accounting for 77.3 percent. In turn, deposit substitutes, made up bulk, or 89.0 percent, of the industry's bills payables (Figure 4). The industry's total liabilities dropped by 8.7 percent to ₱138.9 billion, consisting of bills payable and other liabilities, both of which went down by 4.5 percent and 20.6 percent, respectively.

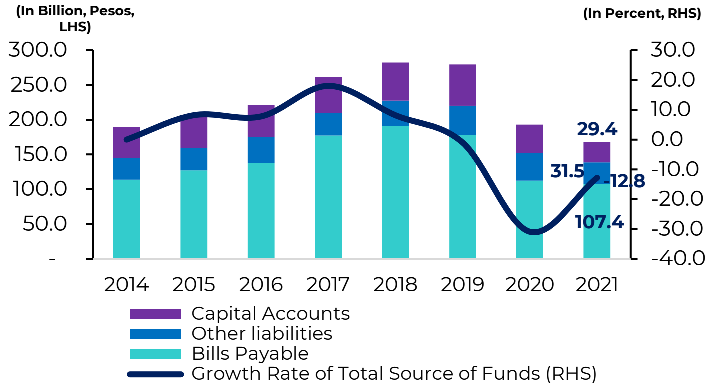
Meanwhile, the industry's total capital declined by 28.1 percent to ₱29.4 billion primarily due to the 51.8-percent drop in surplus, surplus reserve and undivided profits by end-2021, sustaining a decline of 49.6 percent the previous year. In contrast, the same items

[3] Includes interbank receivable loan (IBL)

grew by an average of 6.7 percent in the three years before the pandemic from 2017 to 2019.

Nonetheless, NBQBs that are subsidiaries of U/KBs reported risk-based capital ratios that are higher than the BSP minimum requirements. As of end-September 2021, the capital adequacy ratio and common equity tier 1 ratio of these NBQBs stood at 16.5 percent and 16.2 percent, respectively, on a solo basis, lower than the 17.3 percent and 16.9 percent recorded the previous year. The decline in the industry's capital ratios may be due to the surrender of a QB license by a financial institution sometime in 2021.

Figure 4
NBQBs
Source of Funds
As of end-Period Indicated



Source: Department of Supervisory Analytics

PROFIT INCREASED AS A RESULT OF OPTIMIZED OPERATING EXPENSES

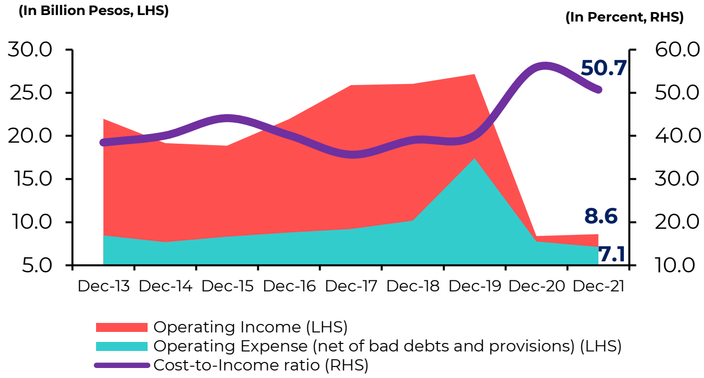
Total operating income reached ₱8.6 billion posting a 2.7-percent YoY growth in 2021, which was a turnaround from the 69.2-percent decline recorded in 2020. From 2017 to 2019, the average growth of total operating income was 7.7 percent. Leasing income continued to be the core driver of total operating income with 4.7-percent YoY growth in 2021, a reversal of the 60.4-percent drop recorded in 2020 but significantly far from the pre-pandemic average growth of 19.5 percent. Meanwhile, the share of non-interest income to total operating income declined to 18.8 percent in 2021 from the previous year's 21.3 percent.

As of end-December 2021, net income after tax (NIAT) rose by 96.6 percent to ₱1.3 billion, better than ₱0.7 billion the year before, but far below the pre-pandemic average of ₱8.4 billion. The surge in NIAT in 2021 was attributable to the combined effects of higher total operating income and extraordinary credits, and lower overall operating expenses compared with the previous year.

The cost-to-income ratio improved from 55.9 percent to 50.7 percent on account of the 8.1 percent decline in operating expenses such as provisions on probable losses and overhead costs (Figure 5).

The decrease in operating expenses was caused by several factors. Entities managed their expenses through reassessment of business processes and rationalization, which resulted in operations reengineering and mergers. Further, the mobility restrictions implemented due to the COVID-19 pandemic also contributed to the decline in operating expenses. As NBQBs turned to work from home or hybrid arrangements, expenses related to rent, utilities and travel declined. Provisions for probable losses also declined which may be attributed to the decelerated YoY growth of non-performing loans (NPLs) of 4.1 percent as of end 2021, better than the 30.0 percent posted in 2020.

Figure 5
NBQBs
Key Performance Indicators
As of end-Period Indicated



Source: Department of Supervisory Analytics

Meanwhile, the industry's return on assets (RoA) and return on equity (RoE) ratios went up to 0.7 percent and 3.8 percent, respectively, by end-2021 from the 0.3 percent and 1.3 percent recorded the previous year. The improvements in returns were driven by the growth of NIAT as well as the declines in average assets and capital, which fell

25.5 percent and 31.4 percent, respectively, due to industry streamlining. Before the pandemic, however, the industry's RoA and RoE averaged 3.2 percent and 16.2 percent, respectively.

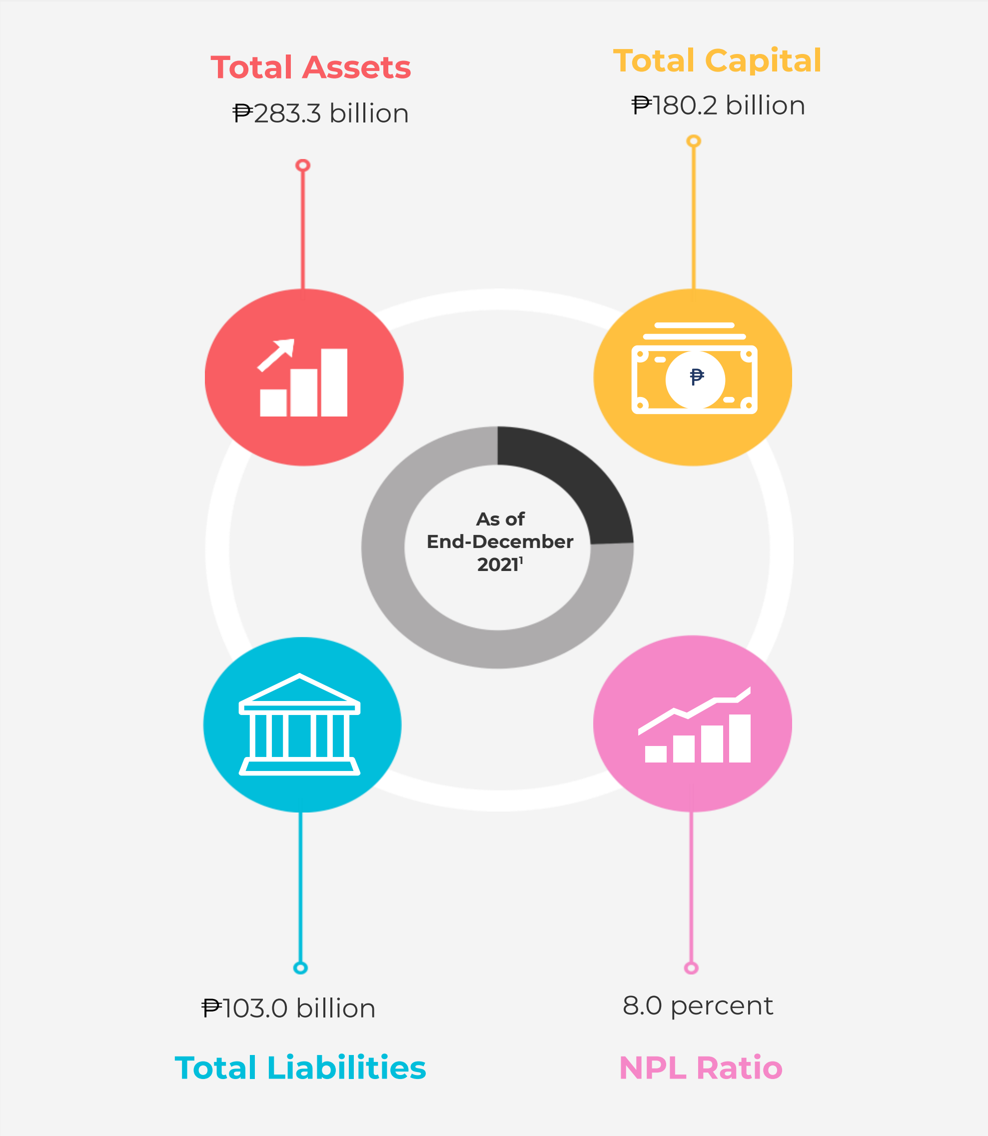
POLICY DIRECTION

In view of the growing importance and role of non-banks in providing financial services, the BSP focuses on the formulation of the holistic regulatory framework for BSP-supervised NBFIs, which include the NBQBs. This initiative seeks to streamline and unify all existing BSP regulations applicable to NBFIs into a single framework. In turn, the framework aims to promote effective supervision over the sector that enables a strong corporate governance and effective risk management, and advances consumer protection.

Non-Stock Savings and Loan Associations (NSSLAs)

Overview

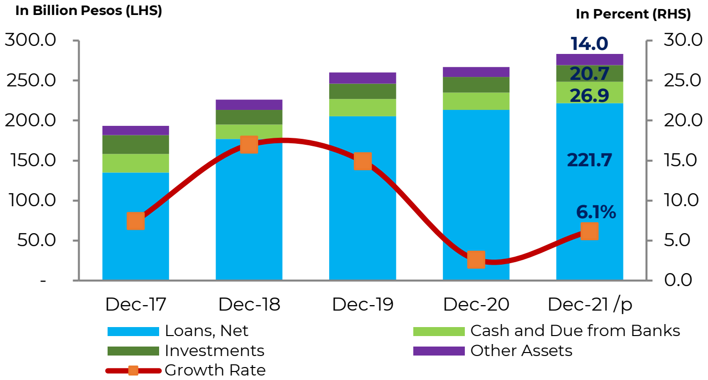
Amid the COVID-19 pandemic, the NSSLAs continued to provide financial services to its members while remaining stable. The industry's balance sheet stayed strong, with most of the key accounts posting sustained gains. The growth momentum was complemented by manageable asset quality with ample reserves for potential losses. Operations likewise remained profitable, which enabled the industry to build up its retained earnings even during the crisis.



[1] Data are preliminary as of end-December 2021

ASSET EXPANSION CONTINUED

Figure 1
NSSLAs
Asset Mix
As of end-Period Indicated



Source: Department of Supervisory Analytics

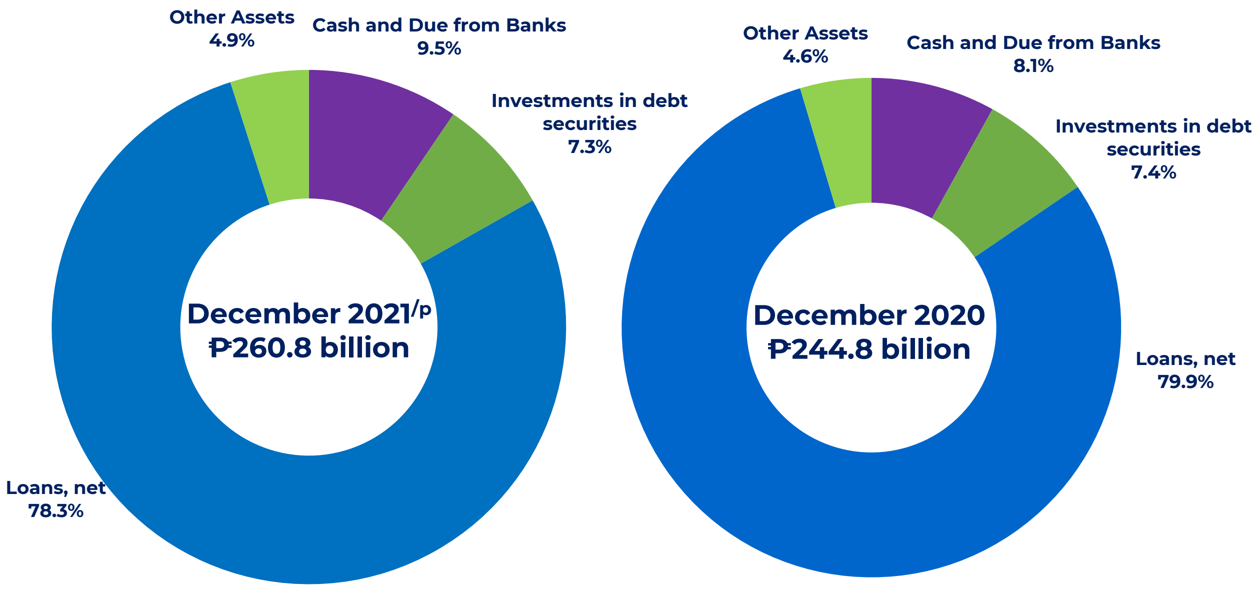
/p preliminary data

As of end-December 2021, total assets grew by 6.1 percent to ₱283.3 billion, higher than the 2.6-percent increase in 2020 but relatively lower than the pre-pandemic average growth of 13.1 percent from 2017 to 2019 (Figure 1). The total resources of NSSLAs accounted for about 34.6 percent of the total assets of non-bank financial institutions[2] (NBFIs) and 1.1 percent that of Philippine Financial System.[3]

The expansion in total assets was supported by rising deposits, other liabilities and capital, which rose by 14.0 percent (or ₱9.9 billion), 86.7 percent (₱7.9 billion) and 3.2 percent (₱5.6 billion), respectively, as of end-2021. In terms of their respective shares of total industry assets, the members' capital and deposits accounted for 63.6 percent and 28.4 percent in the same period. This reflects the reliance of the NSSLA business on capital as its main funding source.

Asset mix remained relatively stable even during crisis as loans, net of allowance for probable losses, continued to occupy the largest chunk at 78.3 percent or about ₱221.7 billion, followed by cash and due from banks (9.5 percent share or ₱26.9 billion) and investments in debt securities (7.3 percent share or ₱20.7 billion) (Figure 2). Pre-pandemic, the share of these accounts averaged 75.6 percent, 9.4 percent and 9.2 percent, respectively, from 2017 to 2019.

Figure 2
NSSLAs
Asset Mix
Percent Share, As of end-Period Indicated



Source: Department of Supervisory Analytics

/p preliminary data

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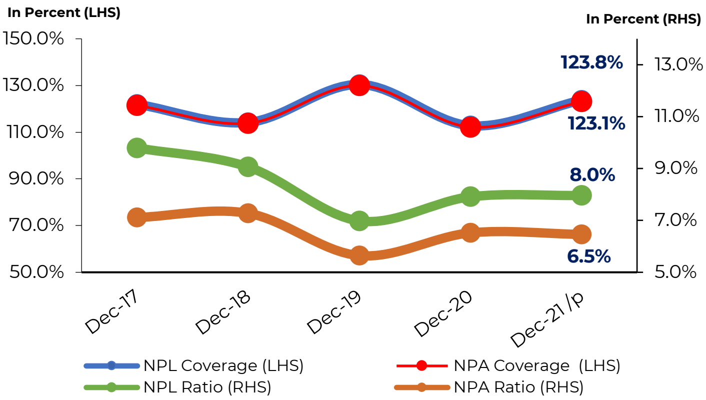
[2] Supervised by the BSP.
[3] As of end-December 2021, total assets of the Philippine Financial System reached ₱25.9 trillion.

MANAGEABLE ASSET QUALITY AMID LOAN EXPANSION

Figure 3
NSSLAs
Asset Quality Ratios
As of end-Period Indicated

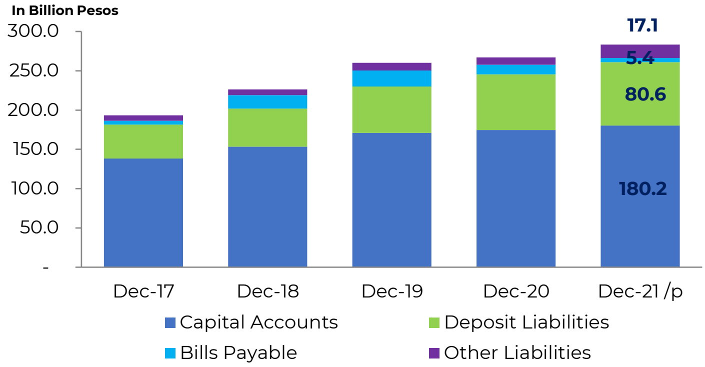


Source: Department of Supervisory Analytics /p preliminary data

Even during the crisis, the industry continued to extend credit to its members as total loans[4] expanded by 5.1 percent to ₱246.1 billion as of end-December 2021. The industry also demonstrated prudence in managing risks arising from its members' credit granting activities. While the non-performing loans (NPLs) ratio inched up to 8.0 percent compared with 7.9 percent recorded the previous year, it remained lower than the pre-pandemic average of 8.6 percent from 2017 to 2019. Amid the increase in the NPL ratio, the NPL coverage ratio went up to 123.8 percent during same period, better than 112.8 percent in 2020 and the 122.2-percent average from 2017 to 2019. Meanwhile, the non-performing assets (NPAs) ratio stood at 6.5 percent, relatively unchanged from a year before but better than the 6.7-percent average prior to the pandemic. Similarly, the NPA coverage ratio stood at 123.1 percent in the same period, higher than 112.2 percent in 2020 and the 121.7-percent average from 2017 to 2019. Loss buffers stayed above 100.0 percent since 2015 (Figure 3).

AMPLE CAPITAL CONTINUED TO SUPPORT MEMBERS' REQUIREMENTS

Figure 4
NSSLAs
Funding Mix
As of end-Period Indicated



Source: Department of Supervisory Analytics /p preliminary data

Total capital, which continued to account for majority of the sector's total funding at 63.6 percent, expanded by 3.2 percent to ₱180.2 billion in end-2021. The expansion was due to the YoY growth in capital stock (up by 2.8 percent) and surplus, surplus reserves and undivided profits (up by 4.5 percent). Deposits of members made up around 28.4 percent of total funding and grew by 14.0 percent from the year before to ₱80.6 billion (Figure 4). From 2017 to 2019, the annual growth in capital and deposits averaged 9.4 percent and 15.4 percent, respectively. Overall, funding sources remained relatively firm and sufficient to serve member's needs.

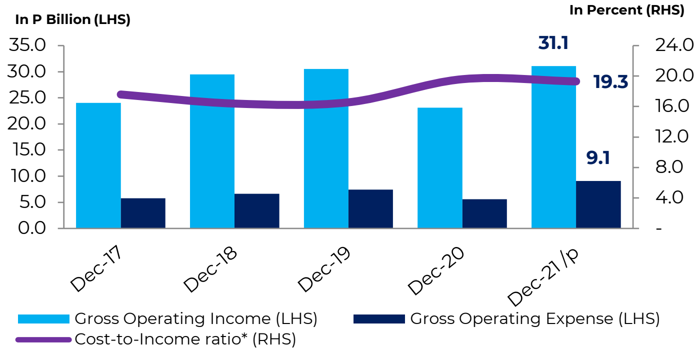
NSSLAs' high loan-to-deposit ratio of 305.4 percent in 2021, albeit lower than the 331.5 percent recorded in 2020 and the 382.8 percent average from 2017 to 2019, is reflective of the industry's reliance on capital contributions as a source of funding. Meanwhile, the liquidity of the industry improved as the ratio of cash and due from banks to deposit liabilities increased to 33.4 percent as of end-December 2021 from the 30.4 percent in 2020. This was, however, still far from the pre-pandemic average of 42.5 percent.

DOUBLE-DIGIT NET PROFIT DRIVEN BY INTEREST INCOME

The industry sustained profitable operations as net income after tax (NIAT) reached ₱22.1 billion. This marked a 25.8-percent YoY growth in 2021, a reversal of the 21.9-percent decline in 2020 and better than the 13.2-percent average growth from 2017 to 2019. The total operating income further improved by 35.0 percent from the previous year to ₱31.1 billion in 2021. This represented a turnaround from the

[4] Includes interbank loan receivable (IBL)

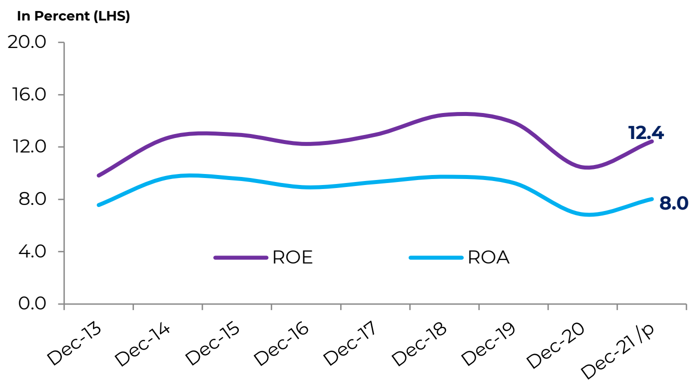
Figure 5
NSSLAs
Cost-to-Income Ratio
As of end-Periods Indicated



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

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

Figure 6
NSSLAs
Profitability Trend
As of end-Periods Indicated



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

24.2-percent drop in 2020 and the 10.6 percent average YoY growth from 2017 to 2019. Operating expenses also increased by 63.2 percent to ₱9.1 billion in 2021, due to the 33.0-percent growth of other operating expenses such as overhead costs and other expenses, both of which increased by 24.1 percent and 47.7 percent, respectively. This was expected as industry players incurred pandemic-related costs such as higher cleaning and sanitation expenses as well as the purchase of personal protective gear and health and safety equipment. Despite the surge in expenses, the cost-to-income ratio slightly declined to 19.3 percent from 19.6 percent the year before but remained above the pre-pandemic average of 16.8 percent from 2017 to 2019 (Figure 5).

Meanwhile, the industry's return on asset (RoA) and return on equity (RoE) improved to 8.0 percent and 12.4 percent, respectively, in 2021, well above the 6.9 percent and 10.4 percent in 2020. From 2017 to 2019, these ratios averaged 9.4 percent and 13.7 percent, respectively (Figure 6).

POLICY DIRECTION

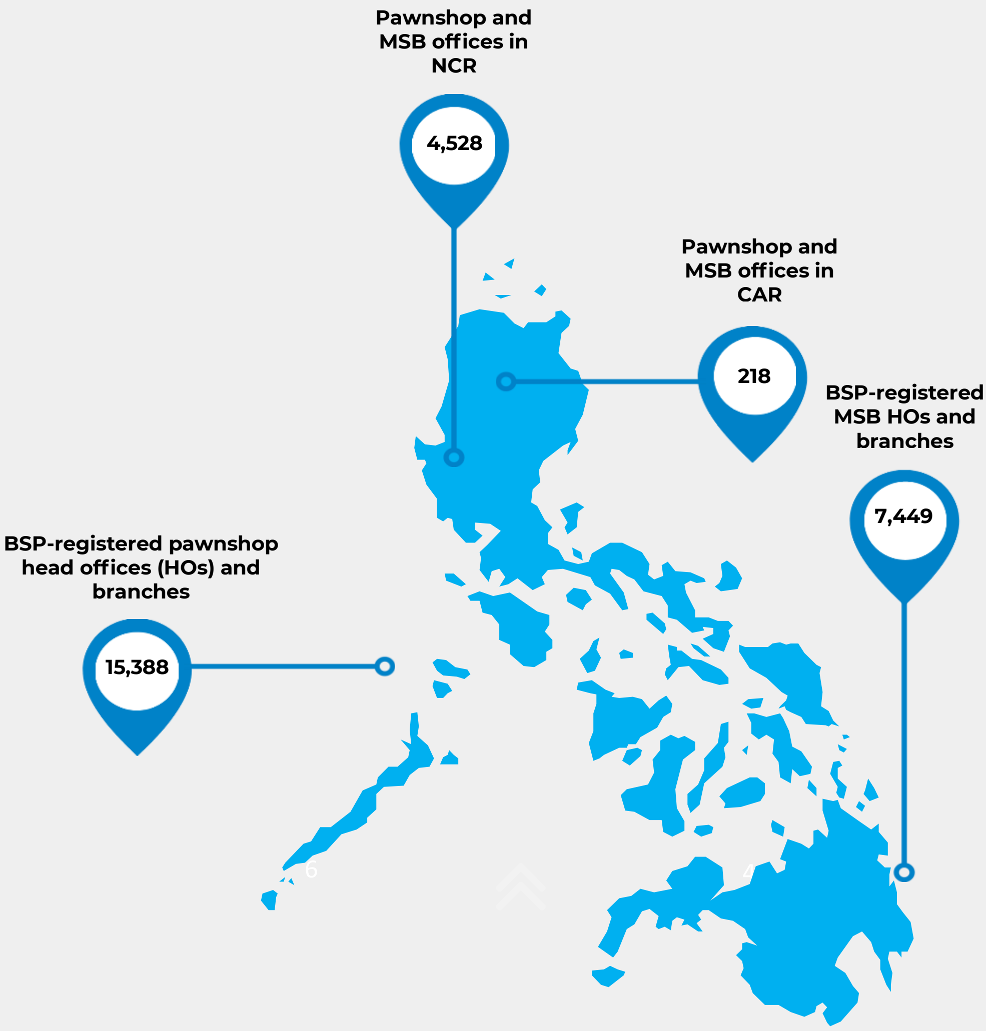
As NSSLAs remain an integral player in promoting inclusive growth in the country, the BSP continues to collaborate with the industry through the Alliance of Non-Stock Savings and Loan Institutions, Inc. (ANSLI). The Bangko Sentral also seeks to adopt enhancements in existing NSSLA corporate governance standards. These include guidelines on the compensation of trustees and trustee-officers, principles and parameters on well-defined group, requirements for full-time managers of NSSLAs, distribution of net income to members, and voluntary surrender or revocation of license, among others.

Pawnshops and Money Service Businesses (PMSBs)

OVERVIEW

Pawnshops and money service businesses (MSBs) remained key financial access points for the financially unserved and underserved populace during the COVID-19 pandemic. The extensive network of the twin industries helped in achieving the financial inclusion objectives of the BSP, especially in less-urbanized regions.

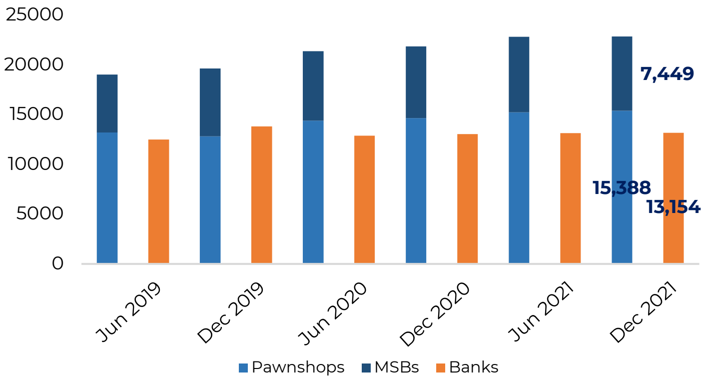
Through the years, these industries have expanded their service offerings to cater to the different financial needs of their customers. Thus, pawnshops and MSBs were tapped as channels for the distribution of the social amelioration program of the national government. In view of their vital role, the BSP issued several policies to maximize the potential of the industries' vast network to further promote financial inclusion while ensuring the institutions' safety and soundness.



PAWNSHOP AND MONEY SERVICE BUSINESSES CONTINUED TO PROVIDE FINANCIAL SERVICE ACCESS POINTS

During the COVID-19 crisis, pawnshops and MSBs served as vital financial service access points for individuals, small businesses and social amelioration beneficiaries, especially in regions with scant banking presence.

Figure 1
PMSB
Major Financial Access Points
As of end-Periods Indicated



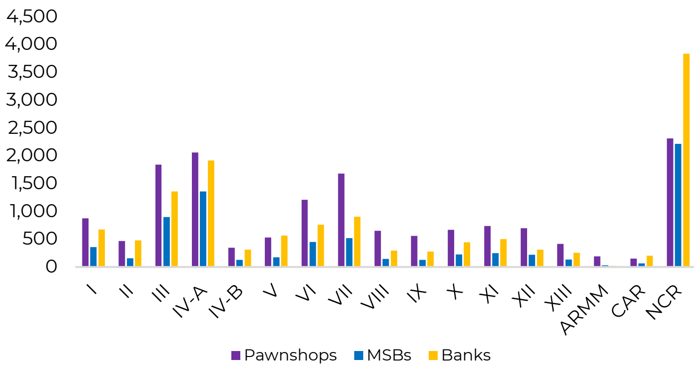
Source: Financial Supervision Department IX

As of end-December 2021, the number of pawnshops and MSBs increased to 15,388 and 7,449 offices, respectively, from 14,641 and 7,214 offices the previous year. The combined network of pawnshops and MSBs grew by 4.5 percent YoY. These BSFIs provided complementary and additional touchpoints to the banking system's overall network of 13,154 offices (Figure 1), helping deliver continued financial services to the public during the health crisis. This extensive reach underscored the contributing role of both industries in achieving the financial inclusion objective of the BSP.

The top five pawnshop and MSB players accounted for 39.5 percent and 58.5 percent of their respective industries.

In terms of geographical distribution, pawnshops and MSBs were heavily concentrated in Luzon, which is considered a highly-urbanized and economically-progressive region. The top three regions with the highest number of registered entities were the National Capital Region (NCR), CALABARZON and Central Luzon. Unlike in past years, Cordillera Administrative Region (CAR) now has the lowest number of registered entities.[1] It was surpassed by the Autonomous Region in Muslim Mindanao (ARMM) where the physical network of pawnshops and MSBs rose by 16.4 percent and 40.0 percent, respectively. In all regions, the combined network of pawnshops and MSBs provided complementary and additional touchpoints for the continued financial services delivery to all Filipinos as exhibited in Figure 2.

Figure 2
PMSB
Regional Distribution of Major Financial Access Points
As of end-December 2021



Source: Financial Supervision Department IX

Pawnshops remained a reliable financial institution, particularly for segments of the population that are unserved and underserved by banks. They provide easy financial access with their broad network and ability to provide immediate liquidity to borrowers who have personal assets that can serve as collateral.

In the past, pawnshops primarily engaged in the business of lending money in exchange for personal property as security for loans. But with the ever-changing landscape of the financial sector, the pawnshop industry had evolved, offering diverse financial services catering to the different financial needs of its clients. As of end-December 2021, 76.8 percent or 11,815 out of 15,388 pawnshop offices offered corollary services such as remittance and money changing or foreign exchange dealings. In addition, banks and e-money issuers (EMIs) have engaged with pawnshops to act as cash-in or cash-out agents in areas that are not reached by their networks.

[1] ARMM had the lowest number of registered pawnshop and MSB entities since 2019.

Meanwhile, MSB entities were mainly engaged in remittance, money changing or foreign exchange dealing as a remittance agent and subagent, remittance platform provider, EMI or money changer or foreign exchange dealer. Majority of the MSB entities, or 49.0 percent, were engaged solely in the remittance transfer business, while 37.8 percent of the entities operated auxiliary businesses such as money changing or foreign exchange dealing along with remittance transfer business. The remaining 13.2 percent exclusively engaged in money changing or foreign exchange dealing.

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

Based on existing regulations, pawnshops and MSBs are required to register with the BSP before officially commencing their operations. As of end-December 2021, bulk of the pawnshops were registered under type "C" license category, or those offering corollary remittance activity, accounting for 76.8 percent of the total (Table 1).

Table 1
Type of Pawnshop Licenses
Head Offices and Branches
As of end-December 2021

Pawnshop Type	No. of Offices	%
"A" (with no more than 10 offices)	2,885	18.7%
"B" (with more than 10 offices or MC/FXD business)	687	4.5%
"C" (with remittance activity)	11,815	76.8%
"D" (virtual pawnshop or e-pawnshop)	1	0.0%
Total	**15,388**	**100.0%**

Source: Financial Supervision Department IX

The prevalence of pawnshops under this category is a sign that the industry has adopted a strategy of offering speedy processing of personal loans with the ability to remit the loan proceeds to distant recipients or convert other currencies into pesos.

Pawnshops with less than 10 offices, classified under type "A" license, constituted 18.7 percent of the industry. Meanwhile, those with more than 10 offices, or those with money changing and foreign exchange dealing activities were classified under type "B" license, and accounted for 4.5 percent. Only one head office was registered under type "D" license which is a virtual pawnshop operator that conducts pawnshop business through electronic pawning (e-pawning).

Table 2
Type of MSB Licenses
Head Offices and Branches
As of end-December 2021

MSB Type	No. of Offices	%
"A" (Large-Scale RA Operator)	5,078	68.2%
"B" (Small-Scale RA Operator)	1,507	20.2%
"C" (E-money Issuer or EMI)	0	0.0%
"D" (Remittance Platform Provider)	8	0.1%
"E" (Large-Scale MC/FXD Operator)	218	2.9%
"F" (Small-Scale MC/FXD Operator)	638	8.6%
Total	**7,449**	**100.0%**

Source: Financial Supervision Department IX

Meanwhile, the MSB industry was dominated by type "A" large-scale remittance operators, accounting for 68.2 percent or a total of 5,078 head offices and branches. This was followed by type "B" small-scale remittance operators at 20.2 percent.[2] Those MSBs offering money changing or foreign exchange dealing services mostly operated on a small-scale basis under a type "F" license.[3] Only eight MSB head offices providing remittance platforms were registered under type "D" license (Table 2).

[2] Type "A" MSBs are large-scale remittance operators with average monthly network volume of transactions of at least ₱75 million. In contrast, type "B" MSBs are small-scale remittance operators with average monthly network volume of transactions of less than ₱75 million.

[3] Type "F" MSBs are small-scale money changing or forex exchange dealing operators with average monthly network volume of transactions of less than ₱50 million, whereas type "E" MSBs are large-scale operators with average monthly network volume of transactions of at least ₱50 million.

POLICY DIRECTION

Considering the vast network of pawnshops and MSBs across the country and their key role in the financial industry as access points, the BSP continuously issued responsive policies to support the pawnshop and MSB sectors.

As part of regulatory relief, the BSP approved the extension of the deadline within which they will pay the 2021 annual supervision or service fee from 31 March 2021 to 31 December 2021. The issuance of this relief measure aimed to assist pawnshops and MSBs as they continue to deliver financial services during the extraordinary situation.

However, the industries' expansion and increasing service sophistication also posed risks to the integrity and stability of the financial system. In particular, the cash-intensive nature of operations and the ease of conducting transactions increased the vulnerability of MSBs as conduits for the proceeds of unlawful activities, terrorist financing and proliferation financing. Likewise, MSBs were widely used as alternative means to move funds in the financial system. Even if they are relatively small in terms of size, the volume and amount of transactions, number of their customers and extent of their networks created risks to the financial system.

Hence, with the expanded regulatory and examination powers of the BSP over MSBs provided under Republic Act (RA) No. 11211, which amended RA No. 7653 (The New Central Bank Act), the BSP is currently enhancing the existing regulatory framework for MSBs. This enhancement takes into consideration the 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 preservation of the integrity of the financial system against money laundering, terrorist financing and proliferation financing risks.

The passage of RA No, 11211 also strengthened the enforcement powers of the BSP, specifically the imposition of administrative sanctions under Section 37of RA No. 7653, as amended. It expanded the coverage of administrative sanctions for banks, quasi-banks and their directors and officers to all BSP-supervised financial institutions (BSFIs), including pawnshops and MSBs, and their directors or trustees, officers and employees. This clearly defined the enforcement powers of the BSP over pawnshops and MSBs, supplementing the enforcement provisions provided in other laws governing them. In particular, the issuance of Circular No. 1125 dated 20 August 2021 covering all BSFIs enhanced the BSP's monetary penalty framework and bolstered its enforcement tools against erring pawnshops and MSBs as well as their directors, officers, trustees and employees.

Moreover, the BSP's financial surveillance over MSBs is also being reinforced through collaboration with various government institutions such as the Department of Trade and Industry (DTI), Securities and Exchange Commission (SEC), Anti-Money Laundering Council (AMLC) and local government units for the collection of supervisory information related to MSB operations.

The ongoing policy initiative on reporting governance framework for pawnshops was also intended to improve the quality of prudential information obtained from pawnshops as well as strengthen the BSP's enforcement stance on their reporting violations.

Conclusion and Policy Direction

CONCLUSION

Overall, the Philippine financial system sustained its soundness and stability amid the lingering effects of the COVID-19 crisis, ongoing geopolitical tensions and the divergent global economic recovery. Banks, as the core of the Philippine financial system, continued to be the primary source of credit and provider of domestic liquidity to businesses and households during the review period.

Parallel to this, non-bank financial institutions ended 2021 on a positive note and continued to play an important role in supporting the economy through their extensive branch network that serves as additional financial access points for small businesses and low-income individuals, including beneficiaries of the government's social amelioration, wage subsidy and other financial assistance programs.

The prudential and strategic reforms undertaken by the BSP over the years, together with swift, time-bound and targeted relief measures, allowed the financial system to weather the crisis from a position of strength. Recognizing the need to sustain lending activity in the country, the BSP has extended the effectivity of some of the prudential and operational relief measures until the end of 2022. This step likewise aims to ensure continued access to financial products and services by businesses and households, including vulnerable sectors of the economy such as the micro, small and medium enterprises (MSME). Complementary to the BSP's regulatory relief measures, government financial institutions (GFIs) also continued to offer special credit windows to Barangay Micro Business Enterprises (BMBEs).

Moving forward, the BSP will ensure that the Philippine financial system remains inclusive, resilient and stable through the promotion of an enabling regulatory and supervisory environment. The BSP will also continue to foster a policy environment that supports innovation and digitalization in line with its financial inclusion agenda and the Digital Payments Transformation Roadmap.

Toward this end, the BSP will stay mindful of advancements in technological innovations, increasing global attention toward the attainment of climate and sustainability goals, and developments in the evolving financial ecosystem. The BSP will also pursue critical policy reforms and improvements in supervisory approaches, techniques and analytics to strengthen the organization's ability to perform its mandate of maintaining financial system stability to ensure balanced, equitable and sustainable economic growth.

POLICY DIRECTION

The BSP remains committed to pursuing policy and legislative reforms that are consistent with international standards and best practices while remaining responsive to the demands of the new economy, the increasing sophistication of the banking system, and evolving needs of financial consumers and other stakeholders.

Building on existing regulatory and supervisory frameworks aimed at ensuring the safety, soundness and resilience of the banking system, as the core of the financial system, the BSP will set its sights on the following strategic areas from 2022 to 2024, namely: (1) advancing the digital transformation of the financial system and leveraging technologies to enhance surveillance and supervisory processes;(2) deepening the domestic capital market and developing the country's Islamic banking market; (3) mainstreaming sustainable finance; and (4) strengthening operational resilience of supervised financial institutions. Alongside all these, the BSP also seeks to enhance surveillance tools and supervisory processes while upskilling and reskilling its supervision personnel's competencies in line with the BSP's goals and objectives and the evolving landscape of the operating environment.

On the legislative front, the BSP will remain proactive and work closely with both the House of Representatives and the Senate as well with government agencies and relevant stakeholders to push for key legislative reforms that will support economic recovery and growth, and improve the financial system's competitive and responsive position.

Financial Institutions Strategic Transfer (FIST) Act:

A Mechanism to Promote Financial System Stability and Support Economic Recovery

Box Article No. 1

Learning from the country's experience during the 1997 Asian Financial Crisis, Philippine authorities were more proactive in adopting measures to mitigate the impact of the COVID-19 pandemic on the financial system and the general public. Less than a year after the outbreak of the pandemic in the Philippines, important pieces of legislation were swiftly enacted, through the cooperative efforts of Congress, public sector agencies and branches of government. The Financial Institutions Strategic Transfer Act (FIST) Act was among the laws that were passed amid the crisis. The FIST Act serves as a standby mechanism for financial institutions (FIs) to dispose their non-performing assets, thereby raising their risk-bearing capability. More than two years into the COVID-19 pandemic, the Philippines is now safely reopening more industry sectors as part of the country's overall plan to jump-start business and economic activity.

THE FIST ACT

Republic Act (RA) No. 11523 or the FIST Act was signed into law on 16 February 2021 and took effect on 18 February 2021. Its implementing rules and regulations were promulgated on 26 March 2021 (effective 29 March 2021) by the Securities and Exchange Commission (SEC), the Bangko Sentral ng Pilipinas (BSP), the Department of Finance, the Bureau of Internal Revenue and the Land Registration Authority (LRA). Subsequently, the BSP issued its implementing guidelines for supervised FIs through BSP Circular No. 1117 on 27 May 2021 and BSP Memorandum Circular No. M-2021-034 dated 4 June 2021.

The primary objective of the FIST Act is to strengthen the risk-bearing capacity of the financial sector by encouraging FIs to dispose and transfer their non-performing assets (NPAs) to eligible individual buyers and FIST Corporations (FISTCs)[1] through fiscal incentives. FIs that take advantage of this mechanism will be able to increase their liquidity since resources will no longer be tied up in NPAs. Such liquidity can then be used to support the financing requirements of households and productive sectors of the economy. The FIST Act also encourages the private sector to incorporate and invest in FISTCs, which would help in the efficient disposal of NPAs.

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[1] A FISTC is a stock corporation organized in accordance with RA No. 11232 or the Revised Corporation Code of the Philippines. It is authorized, among others, to invest in, or acquire FIs' NPAs.

FIST ACT VERSUS SPV ACT

The FIST Act uses the Special Purpose Vehicle (SPV) Act of 2002 as a model framework but introduces several innovations in view of changes in financial market dynamics. These innovations include but are not limited to the following:

- ***Expanded coverage of eligible FIs***. The list of FIs that are eligible to avail of the incentives under the FIST Act was expanded to include other credit-granting entities such as lending companies, non-stock savings and loan associations, pawnshops and non-bank credit card issuers as well as insurance companies.

- ***Shorter processing time for the issuance of the Certificate of Eligibility.*** Under the FIST Act, regulatory authorities are required to issue a Certificate of Eligibility (COE) of non-performing assets as proof that these are entitled to the tax benefits and fee privileges under the said law. The law mandates regulatory authorities to issue the COE within 20 working days from receipt of application with complete requirements. This is shorter than the 45-day period provided under the SPV Law.

KEY PROVISIONS OF THE BSP GUIDELINES ON THE FIST ACT

Some of the key provisions of the BSP guidelines that implement the FIST Act are as follows:

- ***Eligible NPAs.*** The NPAs that are eligible for sale and transfer under the FIST Act are the non-performing loans[2] (NPLs) and foreclosed assets[3] of a BSP-supervised financial institution (BSFI) that meet the definition of an NPA under the FIST Act and are classified as such on or before 31 December 2022.

- ***Prior Notification Requirement.*** Even before a loan account is sold or transferred, prior notice is required to be given by a BSFI to borrowers of the NPLs and all concerned persons known to the BSFI. A borrower is given at most 30 calendar days upon receipt of notice to restructure or renegotiate the loan. Failure by the borrower to respond within the 30-day period shall be construed as a waiver of his or her right to restructure or renegotiate the loan.

- ***Post Notification Requirement.*** A BSFI should notify concerned borrowers in writing about the sale or transfer of the NPLs within 15 working days after the execution of the NPL's sale or transfer documents.

- ***Conditions for Availment of the Tax Incentives and Fee Privileges on the Sale or Transfer of NPAs.*** A BSFI may avail of the tax incentives and fee privileges under the FIT Act if it meets the following conditions:

    - the eligible NPA has been issued a COE by the BSP;

    - the transfer must be in the nature of a true sale pursuant to the FIST Act. The true sale requirements relate to conditions that are imposed on: (a) the sale or transfer arrangement, (b) relationship between the selling FI and the transferee FISTC, and (c) exercise of control over the NPAs;[4] and

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[2] Non-performing loans (NPLs) refer to secured or unsecured loans and other receivables, including restructured loans and sales contracts receivables, whose principal or interest have remained unpaid for at least 90 days after they have become past due or any of the events of default under the loan agreement, restructuring agreement, or sales contract, as applicable, has occurred. NPLs shall also include loans that are classified as items in litigation on or before 3l December 2022.

[3] Real and other properties acquired (ROPAs) refer to real and other properties acquired by a BSP-supervised FI (BSFI) in settlement of loans and receivables, including real properties, shares of stocks, and personal properties which have been acquired by way of dation in payment (*dacion en pago*) or judicial or extra-judicial foreclosure or execution of judgment or enforcement of security interest

[4] True sale refers to a sale wherein the selling BSFI transfers or sells its NPAs to an individual or FISTC, without recourse for cash or property in exchange for the transfer or sale, and without prejudice to the BSFI and the FISTC agreeing on sharing of profits and subject to the following results:
(1) The transferor transfers full legal and beneficial title to, and relinquishes effective control over, the transferred NPAs; and
(2) The transferred NPAs are legally isolated and put beyond the reach of the transferor and its creditors; Provided, that the transferring BSFI shall not have direct or indirect control, of the transferee FISTC; Provided, further, that the selling BSFI does not have legal or beneficial ownership of more than 10 percent of the (a) total number of outstanding shares of stock entitled to vote in the election of

- The sale and transfer of NPAs must have occurred within a period of not more than two years from 18 February 2021, the date of effectivity of the FIST Act.

Transfers of NPAs from an FI to a FISTC or dation in payment (*dacion en pago*) by the borrower or by a third party in favor of an FI that meet the requirements prescribed under the law are entitled to the following fiscal incentives:

- exemption from documentary stamp tax, capital gains tax, creditable withholding tax and value-added tax or gross receipts tax, whichever is applicable; and
- 50-percent reduction in the registration and transfer fees imposed by the LRA and filing fees for any foreclosure initiated by the FISTC in relation to any NPA acquired from an FI.

The tax exemptions provided under the FIST Law aim to lower transaction costs on the sale and transfer of NPAs to promote the off-loading of NPAs from FIs' balance sheets.

Figure 1 shows a stylized presentation of a sale and transfer transaction of NPAs under the FIST Act by a BSFI.

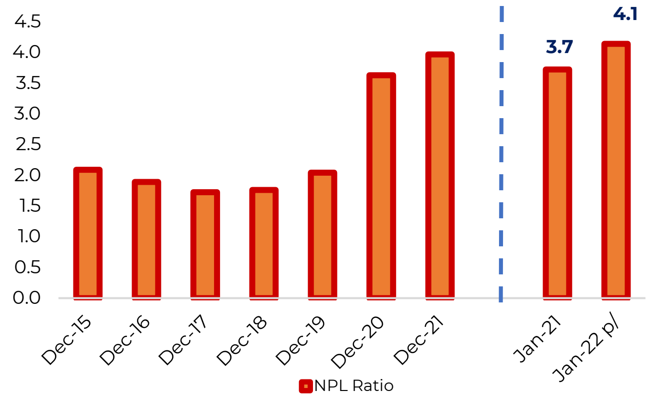
Figure 1
Sale/Transfer Transaction of NPAs under the FIST Act

directors; and (b) the total number of outstanding shares of stock, whether or not entitled to vote, of the transferee FISTC.

IMPACT OF THE IMPLEMENTATION OF THE FIST ACT

Figure 2
BSFI Credit Risk Management Framework

Figure 3
PBS
NPL Ratio
As of End-Period Indicated, In Percent



Source: Department of Supervisory Analytics

p/ preliminary data

Non-performing loans (NPLs) have generally been managed at the individual bank level owing to the prudent risk-taking behavior of banks, which was reinforced by the risk governance standards that have been put in place by the BSP over the years.

By the time the COVID-19 crisis unfolded, banks had already integrated sound credit risk management systems (CRMS) (Figure 2) in their operations, especially in the areas of credit underwriting, loan loss provisioning, and problem account management. This prudent risk-taking behavior is evident in the single-digit NPL ratio of banks, which stood at 4.0 percent, coupled with a high NPL coverage ratio of 87.4 percent as of end-December 2021 (Figure 3).

The FIST Act has strengthened confidence of the public in the financial system by serving as a ready facility for banks to dispose of their NPAs, in case these sharply increase.

UPDATES ON THE IMPLEMENTATION OF THE FIST ACT

Under BSP Memorandum No. M-2021-034, a validated master list of eligible NPAs is needed prior to the filing of an application for a COE. In relation to this, the BSP has received a number of applications for validation of master lists from banks, but none have filed for an application for the issuance of COE. Nevertheless, the submission of master list applications by these banks signifies their intention to include the sale or transfer mechanism under the FIST Act in their NPA resolution toolkit.

As of 24 March 2022, the SEC has approved the establishment of six FISTCs. These include Philippine Equitable Recovery I FIST-Asset Management Corp. (AMC), Philippine Recovery Company I FISTC-AMC Inc., Resurgent Capital (FISTC-AMC) Inc., Collectius FISTC-AMC (PH) Private Ltd. Corp., Argo Global Servicing Philippines (FIST-AMC) Inc. and PI One FISTC-AMC Corp.[5]

[5] SEC website. www.sec.gov.ph

Micro, Small, and Medium Enterprise (MSME) Financing

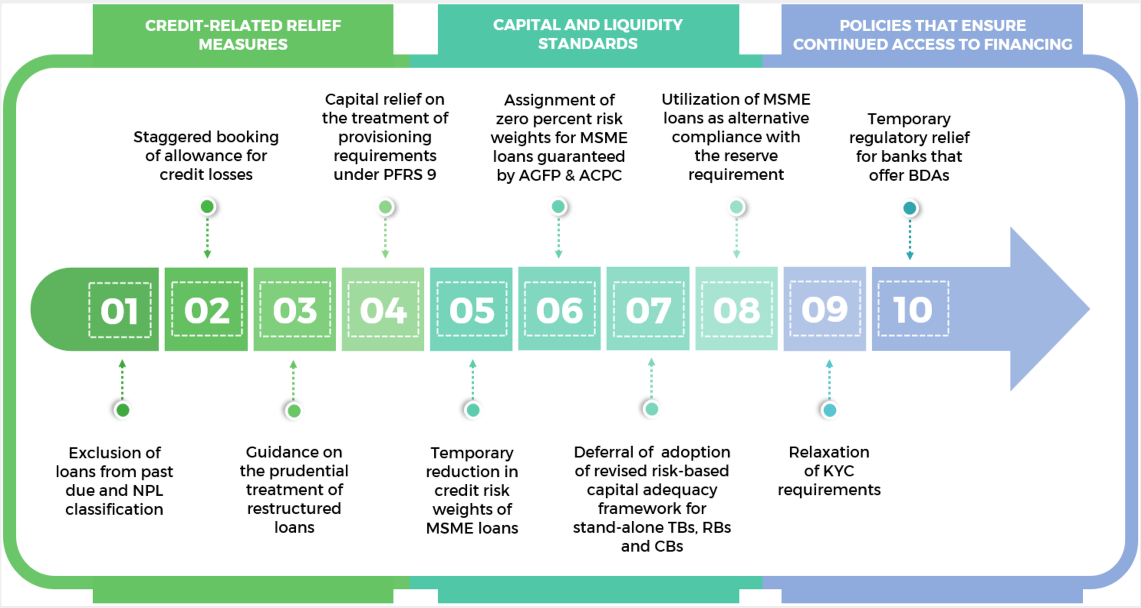
Box Article No. 2

The COVID-19 pandemic has affected economies and financial systems across the world. Central banks and regulatory authorities have each taken necessary measures to cushion the impact of the pandemic on economic activity and stabilize financial systems amid the global health crisis. For its part, the BSP has acted swiftly and decisively to mitigate the economic and financial fallout from the pandemic through the implementation of monetary policy actions, liquidity-easing measures, and direct assistance to the National Government as well as adoption of prudential relief measures

BSP'S COVID-19 RELIEF MEASURES

At the onset of the pandemic, the BSP promptly issued time-bound and targeted regulatory and operational relief measures to assist BSP-supervised financial institutions (BSFIs) weather the economic crisis and to support households and businesses adversely affected by the pandemic. One specific measure implemented by the BSP is to incentivize bank lending to micro, small and medium enterprises (MSMEs) to help them carry on with their businesses throughout the health crisis as well as to hasten recovery and sustainability of their operations afterward (Figure 1).

Figure 1
BSP's COVID-19 Relief Measures



First, the BSP adopted credit-related relief measures to encourage BSFIs to grant equivalent financial relief to their borrowers, including MSMEs, in the form of more flexible and favorable lending terms or restructuring loan agreements. Loans of affected borrowers that were granted a temporary grace period or were restructured by the BSFI were allowed to be excluded from the past-due and non-performing loan classification from 8 March 2020 until 31 December 2021, subject to reporting to the BSP. Banks were also allowed to stagger booking of allowance for credit losses for all types of credits extended to individuals and businesses directly affected by COVID-19 as of 8 March 2020, for a maximum period of five years, subject to BSP approval. The availment period for this relief measure lapsed on 31 March 2021.

In a related move, the BSP issued twin relief measures in 2021 to further encourage BSFIs to grant loans to creditworthy borrowers as well as to tailor loan terms to their clients' requirements and projected cashflows. The first relief is the issuance of guidance on the prudential treatment of restructured loans for purposes of measuring expected credit losses. This measure promotes a more flexible and systematic approach in modifying terms and conditions of loan agreements of borrowers who are badly hit by the COVID-19 pandemic. BSFIs are expected to establish prudent criteria in assessing the borrower's repayment capacity, and institute appropriate controls to ensure that the assessment is consistently applied across all borrowers. This regulatory relief measure is expected to result in increased probability of collection and the loan being classified as "performing." However, the more favorable loan classification is subject to the proviso that, prior to any modification, the borrower has continuously paid the account on schedule and exhibits the capacity to pay the loan under the modified terms. This measure is in effect until end-December 2022 subject to reporting requirements.

The second relief measure is the capital relief on the treatment of provisioning requirements under the Philippine Financing Reporting Standard (PFRS) 9. This measure aims to lessen the impact of provisioning requirements for loans classified under Stage 1 or tagged as "performing" and Stage 2 or "under-performing" on banks' capital. It allows BSFIs to add back increases in Stage 1 and Stage 2 provisioning requirements booked under allowance for credit losses from end-December 2019 to common equity Tier 1 capital over a period of two years starting 1 January 2022, subject to a declining add-back factor of 100 percent in 2022 and 50 percent in 2023. Banks that will avail themselves of the capital relief measure shall comply with reporting and disclosure requirements.

Second, the BSP relaxed and introduced flexibility in capital and liquidity standards to provide banks with the ability to better serve the requirements of their clients who are also micro, small and medium enterprises[1] (MSME), and based in rural communities. The capital-related measures include the temporary reduction in the credit-risk weights of loans granted to MSMEs that are current in status until end-December 2022, assignment of a zero-percent-risk weight for MSME loans guaranteed by the Agricultural Guarantee Fund Pool[2] (AGFP) and the Agricultural Credit Policy Council[3] (ACPC), and the deferral in the adoption of the revised risk-based capital adequacy framework for stand-alone thrift banks (TBs), rural banks (RBs) and cooperative banks (CBs) until 1 January 2023.

On the other hand, the liquidity-related measures include the utilization of peso-denominated loans to MSMEs as alternative compliance with the reserve requirement until end-December 2022 or if the ₱300 billion ceiling is met prior to the said date, and the reduction in the minimum liquidity ratio of stand-alone TBs, RBs and CBs from 20 percent to 16 percent until end-December 2022, unless otherwise revoked by the BSP.

Third, the BSP also adopted policies to ensure access of deeply affected retail and MSME clients to formal financing channels amid the pandemic. In particular, the BSP relaxed the Know-Your-Customer requirements, particularly the presentation of valid IDs by retail clients, including micro-business owners, to facilitate their access to formal financing channels until end-December 2022.

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[1] An MSME in the Philippines, is defined as any business activity or enterprise engaged in industry, agribusiness or services with value of total assets, exclusive of the land on which the business entity's office, plant and equipment are situated, of up to ₱100 million. By employment, SMEs are also defined as establishment with less than 200 employees. These are based on the definition under Republic Act (RA) No. 9501 (Magna Carta for MSMEs), which amended RA No. 8289, RA No, 6977 (Magna Carta for Small Enterprises), and on the establishment category used by the National Statistics Office (now known as the Philippine Statistics Authority)..

[2] AGFP is a fund established by the Philippine Government which is intended to mitigate the risks involved in agricultural lending through the provision of guarantee, thereby facilitating the provision of credit in the agriculture sector. The AGFP shall be used to encourage partner lending institutions to lend to small farmers and fishers or their organizations by providing guarantee coverage of their unsecured loans thereby mitigating the risks involved in lending to agri-agra sector.

[3] ACPC is an attached agency of the Department of Agriculture (DA) tasked to oversee the implementation of the Agro-Industrial Modernization Credit and Financing Program and to assist in synchronizing and ensuring the economic soundness of all agricultural credit policies and programs in support of the DA's priority programs, among others. With its ongoing involvement in policy or action research and institution-building, ACPC continues to help the government develop and implement strategies and policies that increase and sustain the flow of credit to the agriculture and fisheries sector, improve the viability of farmers and fisherfolk, and support agriculture modernization, food security and poverty alleviation.

In addition, the BSP approved the adoption of temporary regulatory relief for banks that offer basic deposit accounts (BDAs) to retail clients, including microenterprise owners. This includes non-presentation of IDs for BDA for the year 2022, subject to certain conditions; waiver of BSP fees related to the application of Advanced Electronic Payments and Financial Services for the year 2022 for banks that intend to use the said service to support the offering of BDA; and reduction in the annual supervisory fees of banks for the years 2022 and 2023 by reducing the bank's average assessable assets by the average amount of BDA maintained by the bank in the preceding year.

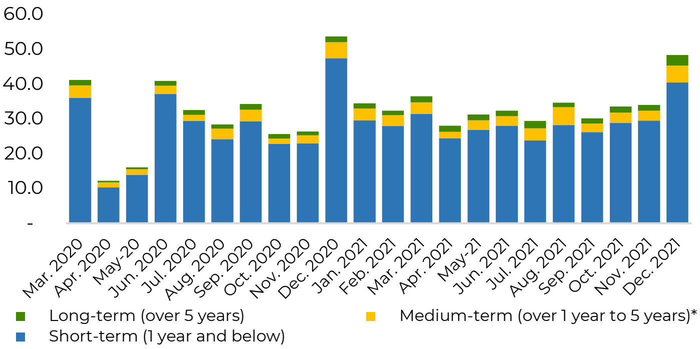
EFFECTIVENESS OF THE RELIEF MEASURES

The BSP's prudential relief measures to ease the impact of the COVID-19 pandemic on the MSME sector have generally been effective. The banking system responded positively, as can be observed from the banks' lending behavior and activities toward the sector. Banks reported outstanding loans to MSMEs of ₱470.1 billion as of end-December 2021. This was complemented by efforts to generate new lending or enter into restructuring arrangements.

Outstanding MSME loans as of end-February 2022 amounted to ₱451.4 billion.

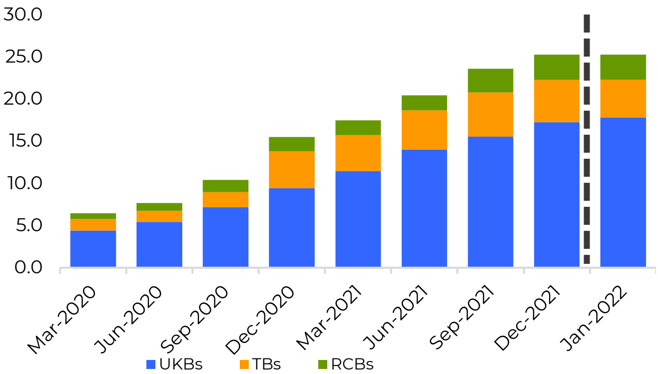
- ***Banks continued to grant new MSME loans as well as refinance existing MSME loans.*** Universal and commercial banks (U/KBs) extended new MSME loans totaling ₱311.4 billion from March to December 2020 and ₱405.1 billion from January to December 2021 (Figure 2).

Figure 2
Universal and Commercial Banking Industry
New MSME Loans Granted
For the Periods Indicated, Amounts in Billions, ₱



* Microenterprise loans with time bucket of "over 1 year" slotted in the medium-term loan bucket for the aggregate MSME loans.
Source: Department of Supervisory Analytics

Figure 3
By Banking Industry
Restructured MSME Loans
As of End-Periods Indicated, Amounts in Billion, ₱



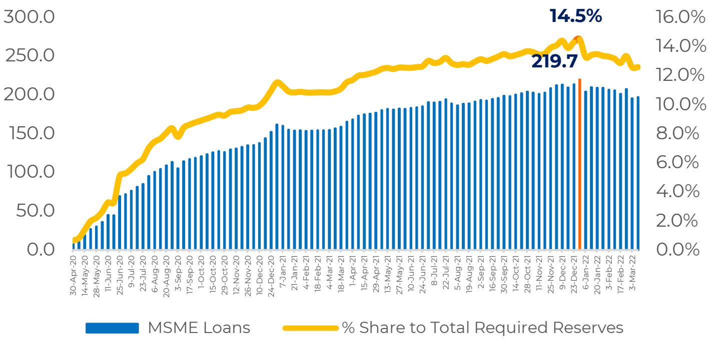
Source: Department of Supervisory Analytics

In addition to providing new credit, banks have also been active in restructuring the loans of their MSME borrowers. As of end-December 2021, restructured loans amounted to ₱25.3 billion, which is equivalent to 5.4 percent of the total MSME loans of ₱470.1 billion. This represents a 291.1 percent growth in restructured MSME loans from ₱6.5 billion as of end-March 2020.

Restructured MSME loans as of end-February 2022 reached ₱24.8 billion, or equivalent to 5.5 percent of the total MSME loans (Figure 3).

- ***Bank loans to MSMEs used as compliance with the reserve requirements have likewise increased.*** Based on data as of 30 December 2021, the amount of MSME loans utilized by banks as compliance with the reserve requirements was ₱219.7 billion, equivalent to 14.5 percent of the total required reserves. This marked a substantial increase from ₱8.7 billion reported as of 30 April 2020.

Figure 4
PBS
MSME Loans Used as Alternative Compliance with the Reserve Requirement
For the Periods Indicated, Amounts in Billions, ₱



Source: Department of Supervisory Analytics

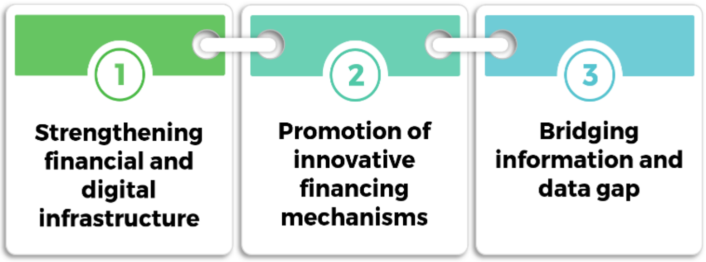
The amount of MSME loans utilized by banks as compliance with the reserve requirements as of 24 March 2022 reached ₱200.9 billion, which was equivalent to 13.0 percent of the total required reserves (Figure 4).

• ***Bank lending rates for MSMEs have generally declined.*** The BSP's accommodative policy stance has helped keep market interest rates low. It was observed that the policy rate cuts that the BSP has implemented have been passed on by banks to consumers through lower and declining loan rates across all loan product categories.

The BSP continues to monitor the impact of the relief measures on the banking system as well as remain vigilant to evolving market conditions for any emerging risks from the still on-going health crisis. The BSP also stands ready to deploy policy measures and responses, as deemed necessary.

BSP'S THREE-PRONGED APPROACH TO MSME FINANCING

Figure 5
Three-Pronged Approach to MSME Financing



Even before the pandemic, the BSP has actively pursued a three-pronged approach to improve MSME access to bank financing by strengthening the financial and digital infrastructure, supporting innovation, and bridging the information and data gap (Figure 5).

The first part of the approach is the establishment and improvement of important financial and digital infrastructure to mitigate the risk and lower the cost of MSME financing. Such infrastructure includes a safe and efficient payments and settlements system, robust credit infrastructure such as movable collateral registry, a warehouse receipt system, an effective credit guarantee system and a credit surety fund.

The BSP has also advocated for the passage of critical legislation on market enabling infrastructure such as Republic Act No. 11055 or the Philippine Identification Systems (PhilSys) Act and Republic Act No. 11057 or the Personal Property Security Act (PPSA). The PhilSys law establishes the country's national digital ID platform that will facilitate client onboarding and digital finance innovations while the PPSA promotes the use of inventories, crops and other real property assets of MSMEs as acceptable collateral to secure a loan.

The BSP is also working with Japan International Cooperation Agency on the development of a credit risk database, which is a comprehensive MSME statistical reference tool to facilitate risk-based, collateral-free and lower-cost credit for well-managed enterprises.

The second part is the promotion of innovative financing mechanisms to address the commonly cited barriers to MSMEs' participation in the formal financial system. The BSP has put in place enabling regulations for banks and other lenders to strategically use cutting-edge technologies and roll out innovative solutions to better serve the MSME market. Among the innovative financing approaches being promoted by the BSP is the agricultural value chain financing[4] (AVCF). This is an approach that uses the strength of

[4] AVCF refers to the financial products and services made available to an agricultural value chain (AVC) following the appropriate evaluation of the AVC's composition, goal, size and capacity. An AVC refers to a set of actors or players, such as farmers, fisherfolk, traders, suppliers, processors and aggregators, who make up the linked

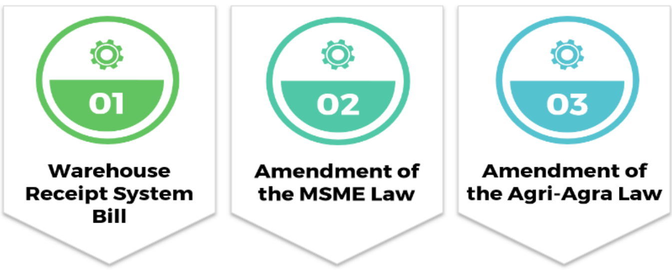
the entire value chain in determining the creditworthiness of the agricultural entrepreneurs who otherwise would not be able to access credit if banks only relied on their individual credit profiles. Participation in strong value chains allows farmers and agri-based microentrepreneurs to leverage better technologies and sustainable high value markets, which can increase their productivity and income potential, thereby improving their risk profiles from the perspective of banks.

In line with this, the BSP partnered with the Asian Development Bank on a pilot AVCF project with the goal of building the interest and capacity of banks to undertake the AVCF approach in their credit evaluation process for agriculture-related lending activities.[5]

The third and last part is bridging the information and data gaps for more evidence-based policymaking and addressing information asymmetry in the market. An example of an initiative under this approach is the strategic partnerships facilitated by the BSP with various industry stakeholders. For instance, the Negosyo Center of the Department of Trade and Industry partnered with the Microfinance Council of the Philippines, Inc. and the Alliance of Philippine Partners for Enterprise Development, Inc. to facilitate information sharing. This will enable Negosyo Centers to refer clients to various financing providers and help microfinance institutions design products and services appropriate to MSMEs' needs.

FORTHCOMING LEGISLATIVE MEASURES

Figure 6
Proposed Legislative Measures



Furthermore, there are also forthcoming legislations that relate to MSME financing. These include: (1) the Warehouse Receipt System bill, which will support farmers, agri-entrepreneurs and other MSMEs by providing them with tools to manage commodity price fluctuations and access financing using warehouse receipts as an acceptable and credible collateral; (2) the amendment of the MSME Law, which extends the mandatory allocation of credit resources of 10 percent of lenders' loan portfolio for MSMEs; and (3) the amendment of the Agri-Agra Law, which provides for the establishment of an enhanced financing system that would provide financial services and support to qualified rural community beneficiaries, including their organizations and enterprises (i.e. MSMEs) and members of their households (Figure 6).

sequence of value-adding activities undergone by an agricultural product when converted from raw material to the final form it is presented to the consumers.

[5] The AVCF project will serve as a learning platform not only for the pilot banks but also for the BSP and other government agencies supporting the adoption of AVCF as an innovative financing approach. It is also expected to yield valuable inputs for the development of an AVCF toolkit and training program for the banking industry to further expand the knowledge base and capacity for AVCF.

Annex 1.
Implementation of the Barangay Micro Business Enterprises (BMBEs) Act

Overview

In line with Republic Act (RA) No. 9178, otherwise known as the "Barangay Micro Business Enterprises (BMBEs) Act of 2002", the Philippine banking system, together with some government financial institutions (GFIs), continued to serve the financing needs of BMBEs in 2021 amid the COVID-19 pandemic. This was complemented by enabling regulatory policies and regulations released by the BSP supporting the promotion of improved financial services delivery to BMBEs and other micro enterprises.

CONTINUED CREDIT SUPPORT TO BMBEs EVEN DURING CRISIS

RA No. 9178 encourages the formation and growth of BMBEs through rationalization of bureaucratic restrictions,[1] active government intervention and granting of incentives and benefits. BMBEs serve as seedbeds of Filipino entrepreneurial talent and enable the integration of the informal sector to the mainstream economy. Strengthening BMBEs generates much-needed employment, provides livelihood, and hastens economic development. Supporting the credit needs of BMBEs is thus important, especially during the pandemic that has disproportionately affected micro, small and medium enterprises (MSME).

BMBE

- A business entity engaged in the production, processing or manufacturing of products or commodities including agro-processing, trading and services
- Total assets, including those arising from loans but excluding land, is not more than ₱3 million
- Registered through DTI Negosyo Centers (one-stop shops for MSMEs)

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

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

BSP SUPPORTS CREDIT DELIVERY TO BMBEs THROUGH REGULATIONS

The BSP implemented the provisions of Section 9 and the second paragraph of Section 13 of the BMBEs Act under Section 333 of the Manual of Regulations for Banks (MORB). Under this regulatory framework, the special credit windows to be set up by the LBP, DBP, SBC and PCFC are expected to serve the credit needs of BMBEs either through retail or wholesale lending, or both, as the GFI may deem consistent with their corporate policies and objectives. In addition, GSIS and SSS are mandated to set up special credit windows for their members who wish to establish BMBEs while the SBC provides credit guarantee to BMBEs under its guarantee program.

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

[2] Formerly the Small Business Guarantee and Finance Corporation

To encourage and promote barangay-based micro enterprises' access to financial services, the BSP has the power to impose administrative sanctions and other penalties on concerned GFIs that are non-compliant with the provisions of Sections 9 and the second paragraph of Section 13 of the BMBEs Act. The BSP can also impose administrative sanctions on GFIs for any violation of the said provisions of the BMBEs Act, subject to a fine of not less than ₱0.5 million to be made payable to the BMBE Development Fund. In the case of a bank, penalty imposed will be without prejudice to the administrative sanctions under Section 37 of RA No. 7653 (The New Central Bank Act), as amended.

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

Banks and other FIs were also provided other channels to extend credit to BMBEs. All loans from whatever sources granted to BMBEs under the said law were considered part of the alternative compliance with the mandatory credit allocation for MSMEs prescribed by RA No. 6977, as amended by RA Nos. 8289 and 9501 (Magna Carta for MSMEs)[3]. The mandatory credit allocation for MSMEs set forth in the Magna Carta for MSMEs, however, expired on 16 June 2018. There are pending bills in Congress that seek to amend the law.

Loans to BMBEs may still form part of a bank's compliance with the mandatory credit allocation for agriculture and agrarian reform credit at 100 percent of their outstanding balance provided that these credit allocations meet the qualification requirements for agri-agra compliance as prescribed under Section 331 of the MORB.

RETAIL LOANS TO BMBEs EXPANDED

The BSP monitors credit delivery to BMBEs by banks through the Report on Loans Granted to BMBEs, which forms part of the quarterly MSME Report.[4] This report includes data on outstanding loans to BMBEs, number of borrowers and corresponding loan amounts utilized as alternative compliance with the mandatory credit allocation for MSMEs. Banks were required to submit their MSME reports to the BSP[5] even though the mandatory credit allocation for MSMEs already ended.

Table 1
Philippine Banking System
Banks' Loans to BMBEs
as of 31 December 2021
(Loans in Million Pesos)

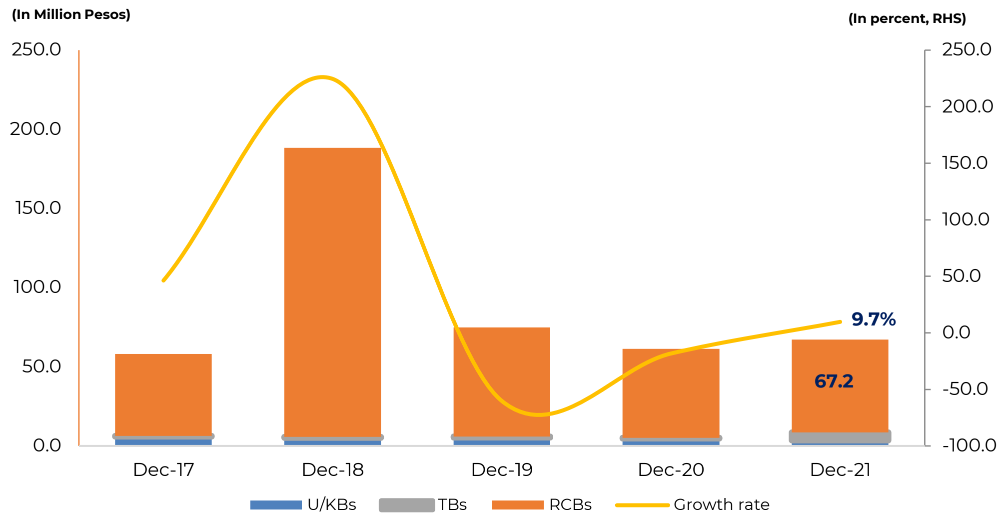
Industry	No. of Banks	Outstanding Loans to BMBEs	No. of Borrowers
Universal and Commercial Bank	1	3.5	3
Thrift Bank	1	5.1	143
Rural Bank	17	40.7	3,211
Cooperative Bank	2	18.0	153
Total	**21**	**67.2**	**3,510**

As of end-December 2021, retail loans to BMBEs grew by 9.7 percent year-on-year to ₱67.2 million, a reversal of the 18.2-percent contraction recorded the year before. Prior to the pandemic, or from 2017 to 2019, the growth rate of retail loans to BMBEs averaged 70.2 percent. As shown in Table 1, retail loans were directly granted to 3,510 BMBE borrowers.

In the banking industry, rural and cooperative banks continued to provide the largest credit to BMBE borrowers, accounting for around 87.3 percent or ₱58.7 million (Figure 1). Meanwhile, there were no wholesale loans granted to BMBEs during the reference period.

[3] The mandatory credit allocation for MSMEs set forth in RA No. 9501 expired on 16 June 2018.
[4] Report on Compliance with Mandatory Credit Allocation Required Under RA No. 6977, as amended
[5] BSP Memorandum No. M-2018-022 dated 10 August 2018

Figure 1
Retail Lendings to BMBEs
As of End-Period Indicated



Source: Department of Supervisory Analytics

GFIs REMAINED GENERALLY COMPLIANT WITH THE MANDATORY CREDITS TO BMBEs

LBP, DBP, SSS, GSIS, PCFC and SBC provided the BSP with copies of their respective annual reports on the status of the implementation of the BMBEs Act submitted to both houses of Congress as mandated by Section 9 of the BMBEs Act. Based on their reports, these GFIs were generally compliant with the requirement of the BMBEs Act on setting up special credit windows and facilities to serve the financing needs of BMBEs.

POLICY DIRECTION

The BSP continues to monitor GFIs' compliance as prescribed under the BMBE Act as well as encourages private banks and other FIs to cater the BMBE borrowers. In line with this, the BSP fosters a conducive regulatory environment for the continued development and growth of MSMEs, including BMBEs.

Regulatory support was provided to BSP-supervised financial institutions in 2021 in the form of relief measures to incentivize them to continue supporting their borrowers, including the MSME sector which was heavily affected by the pandemic. (See Box Article on MSME financing.)

The BSP will work closely with relevant government agencies on the completion of key initiatives under the National Strategy for Financial Inclusion 2022 – 2028, which aim to enhance the MSME financing ecosystem. Overall, the BSP will continue to foster a regulatory environment conducive for the continued development and growth of MSMEs, including BMBES, given their role as drivers of broad-based and inclusive growth.

THE BSP FOSTERS A CONDUCIVE REGULATORY ENVIRONMENT FOR THE CONTINUED DEVELOPMENT AND GROWTH OF MSMES INCLUDING BMBES

Annex 2.
2021 Survey on the Effects of Foreign Bank Entry into the Philippine Banking System

Overview

Amid the challenging business environment due to the pandemic, foreign banks remained committed in their efforts to support the growth and recovery of the Philippine economy as they continued to facilitate trade and financial transactions between the Philippines and other countries. Furthermore, foreign banks supported the COVID-19 vaccination program of the government and helped boost consumer and business confidence to promote economic recovery.

Foreign banks continued to capitalize on their digital capabilities as they tapped financial technology (fintech) to better serve their clients as well as to improve their operational efficiency. Foreign banks adopted innovations and modified their procedures to continue servicing their customers despite limited mobility during quarantine periods. Moreover, foreign banks continued to invest substantially in human capital by providing employment opportunities; developing competent professionals through webinars, online fora, and virtual trainings; and providing safety measures and assistance to employees to mitigate the impact of COVID-19.

OBJECTIVE

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

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

METHODOLOGY

Survey questionnaires were sent out to the 29 foreign bank branches[1] (FBBs) and subsidiaries to draw information on:

1. investment and trade activities undertaken to attract foreign investments in the Philippines;
2. financial products and services provided to local residents or companies based in the Philippines;
3. banking technology introduced for the benefit of local clients and depositors;
4. trainings and seminars conducted or extended to increase awareness and knowledge on various banking practices;
5. number of Filipino officers and employees hired; and
6. impact of COVID-19 on the bank's operations and relief measures implemented to address the adverse consequences.

The survey was conducted from January to March 2022.

KEY FINDINGS

A. INVESTMENTS, TRADE AND BUSINESS OPPORTUNITIES

The results of the survey disclosed that the respondent FBBs and subsidiaries actively engaged in a series of activities to facilitate trade transactions, promote investments, and create business opportunities in the country. These include organizing economic briefings, participating in investment and trade conferences or roadshows, financing infrastructure projects, facilitating issuance of trade and investment instruments, and promoting digital channel platforms for trade and investment-related transactions, among others.

B. PRINTED MATERIALS

The FBBs and subsidiaries were also instrumental in attracting potential investors and promoting the country's digitalization initiatives and sustainability agenda through their news articles and social media postings.

C. NEW TECHNOLOGY

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

[1] 26 out of the 29 FBBs and subsidiaries participated and submitted survey responses.

Fintech Tools	Remarks
Mobile and Online Banking Platforms	A system that allows clients to manage their bank accounts and access other banking products and services via the internet and digital platforms. It offers convenience with 24/7 availability of access to banking and other financial services including credits, even in remote areas, and promotes automated payments and settlement of clients' financial transactions.
3-D Secure Service	A system that allows two-factor authentication via One-Time PIN for secure Card Not Present purchase transactions for credit cards and debit cards.
Digital Signature	A cloud-based digital solution that allows the preparation, signing and sending of documents electronically in a secure manner.
Facial Recognition	An artificial intelligence (AI)-based solution that allows facial recognition for client verification during onboarding.
Dynamic Currency Conversion (DCC)	A system that provides customers with overseas cards the option to immediately convert the cost of a cash withdrawal into the billing currency of their card through a bank Automated Transfer Machine, allowing certainty, transparency, and convenience. This includes the foreign exchange (FX) rate (offer by the bank) and full disclosure of any fees and charges (if any) to give customers immediate clarity.
AI Translation Platform	A cloud-based platform that provides AI translation features to users. It has the capability to translate text from Japanese to English, Japanese to Chinese, English to Japanese, Chinese to Japanese, etc. It can also translate text in different file formats such as PowerPoint, Excel, Word and PDF.
Interest Rate Risk in Banking Book (IRRBB)	A system that captures all material sources of IRRBB and assesses the effect of changes in market risk factors to create an information system that aids in the identification, aggregation, monitoring and reporting of risk exposures specifically the bank's (1) ΔEVE (Economic Value of Equity), (2) ΔNII (Net Interest Income) and (3) average (monthly average for the year) and longest repricing maturity assigned to non-maturity deposits.
Trade/Treasury Operations Matching System	A back-office automated confirmation matching system that aims to improve the efficiency of Treasury Back Operation.
Application Programming Interface (API) Tool	An API solution that allows the integrated and flexible exchange of trade-related information between a bank and its clients, allowing real-time reporting of data when these are available in the bank's system.
FX Platform	A digital platform (via Bloomberg) that provides consumers an alternative way of doing their FX-related transactions other than via telephone.
Anti-Money Laundering (AML) Tool	An AML solution that enhances the capability of bank to comply with covered and suspicious transaction reporting as mandated by the AML Act.
Virtual Communication Platforms	A platform that facilitates ease of coordination and collaboration among the bank's different project teams to enable them to effectively work together on common projects, regardless of their physical location.
Remote Access via Virtual Private Network	A virtual access solution that enables banks' work from home (WFH) setup due to the global pandemic.

D. TRAININGS, SEMINARS AND BRIEFINGS

The FBBs and subsidiaries reported that they conducted or attended various training and seminars covering the following topics:

Know Your Customer	Stress Testing Exercise	Financial Consumer Protection
Business Continuity/ Disaster Preparedness/ Safety/ Occupational Safety & Health	Data Privacy/Security/ Information Technology	Cybersecurity/ Cyber Risk, Fraud/Counterfeit Notes Detection, Cybercrime and Cyber Fraud Detection
Philippine Financial Reporting Standards 3 and 10/Basel III/ IRRBB	Fraud/Know Your Money and Counterfeit Detection/Forgery Detection/Anti-Money Laundering/ Financial Crime Risk Management/Real Estate Money Laundering	Investment, Trade and Treasury Operations/Trade Finance/Trust/ Derivatives/Capital Markets/Foreign Exchange Regulations/Interest Rates
Credit/Credit Risk/Related Party Transactions/Liquidity Risk	Ethics and Etiquette in the Financial Market	Personal Property Security Registry/Condominium Management
Environmental/ Climate Risk Management	Economic Briefings and Forums/Taxation and Accounting/ CREATE Act/FIST Act	Compliance/ Regulatory/ Project Management/ Internal Controls
Microfinance/ Sustainable Finance	Digital Banking/ Digitalization/ Financial Technology/ Virtual Currency	HR/Personnel/ Leadership Skills Development/KYE Program/Stress Management/ Mental Health Awareness/ Mentoring/Negotiation and Conflict Resolution
Financial Management Compliance/ Business Communication/Business Writing	Mandatory Continuing Legal Education/Philippine Immigration Law	Corporate Governance/Operational Risk Management/Change Management/Risk Management/ Problem Management/ Reputational Risk Management

E. IMPACT OF COVID-19 ON THE BANK

The FBBs and subsidiaries shared the impact of the COVID-19 crisis on the condition and performance of their bank operations, including the following:

1. overall decrease in business opportunities and postponement of infrastructure projects;
2. diminished credit and financial needs and volume of business transactions;
3. lower revenues, higher operating expenses, higher loan impairment charges as well as lower margins due to interest rate cuts. Some respondent FBBs and subsidiaries, however, were able to maintain net income by controlling expenditures; and
4. increase in non-performing loans.

To address the impact of the COVID-19 crisis, the FBBs and subsidiaries have implemented the following mitigating measures:

1. the banks enhanced their relationship with their clients by offering continuous financial services and products, conducting client meetings and presentations via

online platforms, and encouraging clients to switch or utilize online and digital platforms for a more convenient way of doing their financial transactions;

2. the banks extended relief measures (i.e., grace period and other reliefs under the Bayanihan Act) or credit facilities to eligible clients that were heavily affected by the crisis;

3. the banks exercised more prudence in their lending and investing activities and performed regular monitoring of their clients' financial condition and repayment capacity;

4. the banks employed stricter credit policy, measures and strategies including closer monitoring to mitigate increased credit risk in their portfolio;

5. the banks maintained their competitiveness by investing in their digital capabilities, maintaining cost-discipline stance, and increasing operational efficiency while ensuring controls remain in place;

6. the banks adopted e-learning and web-based learning to provide their employees the opportunity to learn at their own convenience;

7. the banks ensured safety of their employees through hybrid and flexible working arrangement (e.g., teleworking, flexi-work schedules, split operations using backup sites, staff WFH setup, among others) and additional incentives such as shuttle services, and the provision of meals, care packages and IT and logistics support for WFH setup, among others;

8. the banks continued to cooperate with the Philippine government and its agencies and economic managers to attract more foreign investors; and

9. in partnership with government-accredited health service providers, some banks provided free COVID-19 vaccines and booster shots to all their employees.

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Appendix 1. Philippine Banking System: Financial Highlights

Levels (P Billion)	2017	2018	2019	2020	2021 p/
Income Statement					
Total Operating Income	590.8	668.1	796.3	893.3	869.4
Net Interest Income	447.4	515.6	605.2	674.2	661.8
Non-interest Income	143.4	152.5	191.1	219.1	207.6
Non-Interest Expenses	378.2	432.3	483.2	491.5	512.4
Losses/Recoveries on Financial Assets	(33.7)	(31.9)	(51.2)	(214.2)	(97.7)
Provision for Credit Losses on Loans & Other Fin'l Assets	(35.0)	(35.5)	(52.9)	(211.6)	(106.4)
Bad Debts Written Off	(3.3)	(3.4)	(3.9)	(6.4)	(7.5)
Recovery on Charged-Off Assets	4.5	6.9	5.6	3.8	16.2
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	178.9	203.9	261.9	187.6	259.3
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	27.9	22.5	25.4	11.9	20.7
Total Profit/Loss Before Tax and Before Minority Interest	206.8	226.4	287.2	199.5	280.1
Income Tax Expense	38.7	46.7	56.6	44.3	55.3
Total Profit/Loss After Tax and Before Minority Interest	168.1	179.7	230.7	155.2	224.8
Minority Interest in Profit/(Loss) of Subsidiaries	-	-	-	-	-
Net Profit/(Loss)	168.1	179.7	230.7	155.2	224.8
Balance Sheet					
Total Assets 1/	15,166.2	16,916.1	18,338.2	19,457.1	20,828.1
Cash and Due from Banks	2,713.5	2,605.1	2,804.1	3,584.1	3,571.5
Financial Assets, gross (Other than Loans)	2,914.5	3,464.2	3,734.2	4,307.8	5,221.0
Financial Assets Held for Trading (HFT)	177.5	211.4	198.8	325.0	250.4
Financial Assets Designated at Fair Value through Profit or Loss	17.0	22.4	2.2	3.8	4.8
Available-for-Sale (AFS) Financial Assets	1,070.0	816.0	1,125.6	2,061.7	2,337.5
Held-to-Maturity (HTM) Financial Assets	1,542.4	2,414.3	2,407.5	1,917.2	2,628.2
Unquoted Debt Securities Classified as Loans (UDSCL)	88.3	0.1	-	-	-
Investments in Non-Marketable Equity Securities (INMES)	19.3	. . .	. . .	. . .	. . .
Accumulated Market Gains/(Losses)	(9.8)	(12.3)	22.7	40.4	(4.5)
Allowance for Credit Losses	23.5	17.6	18.0	19.5	20.7
Financial Assets, net (Other than Loans)	2,881.2	3,434.3	3,738.9	4,328.7	5,195.9
Loans, gross (inclusive of IBL)	8,865.6	10,077.9	10,966.1	10,872.6	11,391.1
Interbank Loans Receivable (IBL)	252.0	256.2	226.7	296.2	366.9
Loans, gross (exclusive of IBL)	8,613.6	9,821.7	10,739.4	10,576.4	11,024.2
Reverse Repurchase (RRP) with BSP and Other Banks	365.8	377.6	420.2	367.9	375.9
Loans, gross (exclusive of IBL and RRP with BSP and Other Banks)	8,247.7	9,444.1	10,319.2	10,208.5	10,648.4
Allowance for Probable Losses	184.3	187.1	207.5	367.2	396.8
Loans, net (exclusive of IBL and RRP with BSP and Other Banks)	8,063.5	9,256.9	10,111.7	9,841.3	10,251.5
Equity Investment in Subsidiaries, Associates and Joint Ventures, net	253.9	297.4	301.5	261.7	276.9
ROPA, net	92.3	96.8	96.9	92.7	95.9
Other Assets, net	543.9	591.7	638.2	684.4	693.6
Total Liabilities	13,409.4	14,848.0	16,019.6	17,025.9	18,254.2
Financial Liabilities Held for Trading	32.5	40.0	35.0	47.3	43.7
Financial Liabilities DFVPL	-	-	-	-	-
Deposits	11,727.0	12,764.1	13,669.5	14,895.0	16,241.1
Peso Liabilities	9,753.0	10,646.9	11,562.9	12,702.2	13,857.9
Foreign Currency	1,973.9	2,117.2	2,106.6	2,192.8	2,383.2
Bills Payable	787.2	936.1	867.3	558.2	496.9
Unsecured Subordinated Debt	87.0	86.9	48.0	27.5	22.6
Redeemable Preferred Shares	0.9	0.9	0.3	0.3	0.2
Other Liabilities	774.8	1,020.1	1,399.5	1,497.7	1,449.6
Total Capital Accounts 2/	1,756.8	2,068.1	2,318.6	2,431.1	2,574.0

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	2017	2018	2019	2020	2021 p/
Income Statement					
Total Operating Income	10.4%	13.1%	19.2%	12.2%	(2.7%)
Net Interest Income	15.9%	15.2%	17.4%	11.4%	(1.8%)
Non-interest Income	(3.8%)	6.4%	25.3%	14.7%	(5.3%)
Non-Interest Expenses	10.8%	14.3%	11.8%	1.7%	4.2 %
Losses/Recoveries on Financial Assets	12.3%	(5.4%)	60.3%	318.5%	(54.4%)
Provision for Credit Losses on Loans & Other Fin'l Assets	(1.6%)	1.4%	49.1%	300.1%	(49.7%)
Bad Debts Written Off	(12.1%)	3.2%	14.9%	63.5%	18.0 %
Recovery on Charged-Off Assets	(51.0%)	53.2%	(18.8%)	(32.1%)	323.8 %
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	9.3%	14.0%	28.4%	(28.4%)	38.2 %
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	24.8%	(19.3%)	12.6%	(53.0%)	73.7 %
Total Profit/Loss Before Tax and Before Minority Interest	11.1%	9.5%	26.9%	(30.5%)	40.4 %
Income Tax Expense	21.9%	20.6%	21.2%	(21.7%)	24.8 %
Total Profit/Loss After Tax and Before Minority Interest	8.9%	6.9%	28.4%	(32.7%)	44.8 %
Minority Interest in Profit/(Loss) of Subsidiaries					
Net Profit/(Loss)	8.9%	6.9%	28.4%	(32.7%)	44.8 %
Balance Sheet					
Total Assets 1/	11.6%	11.5%	8.4%	6.1%	7.0 %
Cash and Due from Banks	(1.9%)	(4.0%)	7.6%	27.8%	(0.4%)
Financial Assets, gross (Other than Loans)	12.3%	18.9%	7.8%	15.4%	21.2 %
Financial Assets Held for Trading (HFT)	5.5%	19.1%	(5.9%)	63.5%	(22.9%)
Financial Assets Designated at Fair Value through Profit or Loss	91.1%	31.8%	(90.1%)	71.7%	26.5 %
Available-for-Sale (AFS) Financial Assets	3.1%	(23.7%)	37.9%	83.2%	13.4 %
Held-to-Maturity (HTM) Financial Assets	23.0%	56.5%	(0.3%)	(20.4%)	37.1 %
Unquoted Debt Securities Classified as Loans (UDSCL)	(16.9%)	(99.9%)	(100.0%)		
Investments in Non-Marketable Equity Securities (INMES)	(1.9%)	(99.8%)	3.0%		0.0 %
Accumulated Market Gains/(Losses)	78.6%	24.8%	(284.7%)	78.4%	(111.0%)
Allowance for Credit Losses	(5.4%)	(25.0%)	1.8%	8.6%	5.9 %
Financial Assets, net (Other than Loans)	12.3%	19.2%	8.9%	15.8%	20.0 %
Loans, gross (inclusive of IBL)	16.5%	13.7%	8.8%	(0.9%)	4.8 %
Interbank Loans Receivable (IBL)	(5.4%)	1.7%	(11.5%)	30.6%	23.9 %
Loans, gross (exclusive of IBL)	17.3%	14.0%	9.3%	(1.5%)	4.2 %
Reverse Repurchase (RRP) with BSP and Other Banks	(3.1%)	3.2%	11.3%	(12.4%)	2.2 %
Loans, gross (exclusive of IBL and RRP with BSP and Other Banks)	18.4%	14.5%	9.3%	(1.1%)	4.3 %
Allowance for Probable Losses	6.6%	1.6%	10.9%	76.9%	8.1 %
Loans, net (exclusive of IBL and RRP with BSP and Other Banks)	18.7%	14.8%	9.2%	(2.7%)	4.2 %
Equity Investment in Subsidiaries, Associates and Joint Ventures, net	6.0%	17.1%	1.4%	(13.2%)	5.8 %
ROPA, net	0.9%	4.8%	0.1%	(4.3%)	3.4 %
Other Assets, net	10.9%	8.8%	7.8%	7.2%	1.3 %
Total Liabilities	11.3%	10.7%	7.9%	6.3%	7.2 %
Financial Liabilities Held for Trading	(9.9%)	22.8%	(12.4%)	35.0%	(7.5%)
Financial Liabilities DFVPL					
Deposits	11.6%	8.8%	7.1%	9.0%	9.0 %
Peso Liabilities	12.0%	9.2%	8.6%	9.9%	9.1 %
Foreign Currency	9.8%	7.3%	(0.5%)	4.1%	8.7 %
Bills Payable	11.8%	18.9%	(7.3%)	(35.6%)	(11.0%)
Unsecured Subordinated Debt	(3.0%)	(0.1%)	(44.8%)	(42.7%)	(18.0%)
Redeemable Preferred Shares	2.7%	(0.9%)	(66.7%)	(14.9%)	(0.5%)
Other Liabilities	9.7%	31.7%	37.2%	7.0%	(3.2%)
Total Capital Accounts 2/	13.5%	17.7%	12.1%	4.9%	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	2017	2018	2019	2020	2021 p/
Profitability					
Earning Asset Yield 1/	4.3 %	4.7 %	5.4 %	4.8 %	4.1 %
Funding Cost 2/	1.1 %	1.4 %	1.9 %	1.1 %	0.7 %
Interest Spread 3/	3.2 %	3.3 %	3.5 %	3.7 %	3.4 %
Net Interest Margin 4/	3.3 %	3.4 %	3.7 %	3.8 %	3.5 %
Non-Interest Income to Total Operating Income 5/	24.3 %	22.8 %	24.0 %	24.5 %	23.9 %
Cost-to-Income 6/	63.8 %	64.4 %	60.3 %	54.9 %	58.7 %
Return on Assets (ROA) 7/	1.2 %	1.1 %	1.3 %	0.8 %	1.1 %
Return on Equity (ROE) 7/	10.2 %	9.4 %	10.5 %	6.5 %	9.0 %
Liquidity					
Cash and Due from Banks to Deposits	23.1 %	20.4 %	20.5 %	24.1 %	22.0 %
Liquid Assets to Deposits 8/	47.7 %	47.3 %	47.9 %	53.1 %	54.0 %
Loans, gross to Deposits	75.6 %	79.0 %	80.2 %	73.0 %	70.1 %
Asset Quality					
Restructured Loans to Total Loan Portfolio (TLP)	0.5 %	0.4 %	0.4 %	1.9 %	3.1 %
Allowance for Credit Losses (ACL) to TLP	2.1 %	1.9 %	1.9 %	3.4 %	3.5 %
Gross Non-Performing Loans (NPL) to TLP [NPL Ratio]	1.7 %	1.8 %	2.0 %	3.6 %	4.0 %
Net NPL to TLP	0.8 %	0.9 %	1.1 %	2.0 %	2.1 %
NPL Ratio net of IBL	1.8 %	1.8 %	2.1 %	3.7 %	4.1 %
NPL Coverage Ratio (ACL to Gross NPL)	120.4 %	105.2 %	92.6 %	93.0 %	87.7 %
Non-Performing Assets (NPA) to Gross Assets [NPA Ratio]	1.7 %	1.7 %	1.8 %	2.6 %	2.7 %
NPA Coverage Ratio (Allowance on NPA to NPA)	81.6 %	75.7 %	70.3 %	78.5 %	75.3 %
ROPA to Gross Assets Ratio	0.7 %	0.6 %	0.6 %	0.6 %	0.6 %
ROPA Coverage Ratio	26.9 %	27.0 %	26.7 %	29.0 %	28.5 %
Distressed Assets Ratio	3.2 %	3.0 %	3.2 %	6.2 %	7.2 %
Capital Adequacy					
Total Capital Accounts to Total Assets 9/	11.6 %	12.2 %	12.6 %	12.5 %	12.4 %
Capital Adequacy Ratio (Solo) 10/ 11/	14.4 %	14.8 %	15.4 %	16.6 %	16.9 % a/
Common Equity Tier 1 (CET1) Ratio	12.6 %	13.2 %	14.1 %	15.4 %	15.7 %
Capital Conservation Buffer	6.6 %	7.2 %	8.1 %	9.4 %	9.7 %
Tier 1 Ratio	12.7 %	13.2 %	14.1 %	15.6 %	15.9 %
Capital Adequacy Ratio (Consolidated) 10/ 11/	15.0 %	15.4 %	16.0 %	17.1 %	17.4 % a/
Common Equity Tier 1 (CET1) Ratio	13.3 %	13.8 %	14.8 %	15.9 %	16.3 %
Capital Conservation Buffer	7.3 %	7.8 %	8.8 %	9.9 %	10.3 %
Tier 1 Ratio	13.3 %	13.9 %	14.8 %	16.0 %	16.5 %

1/ Earning Asset Yield refers to the ratio of interest income to average earning assets.
2/ Funding Cost refers to the ratio of interest expenses to average interest-bearing liabilities.
3/ Interest Spread refers to the difference between earning asset yield and funding cost.
4/ Net Interest Margin refers to the ratio of net interest income to average earning assets.
5/ 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

a/ CAR data for U/KBs as of end-September 2021

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

End-December 2021 p/	Total	UNIVERSAL BANKS	COMMERCIAL BANKS	THRIFT BANKS	RURAL BANKS	COOPERATIVE BANKS
TOTAL	**13,154**	**6,456**	**582**	**2,738**	**3,207**	**171**
Head Offices	**506**	**21**	**25**	**47**	**389**	**24**
Branches/Other Offices	**12,648**	**6,435**	**557**	**2,691**	**2,818**	**147**
Regular Branch	9,951	6,196	538	1,761	1,339	117
Branch-Lite Unit	2,506	201	19	915	1,341	30
Microfinance-Oriented Branch	153			15	138	
Representative Office	20	20				
Remittance Desk Office	14	14				
Marketing Office	2	2				
Limited Purpose Branch	1	1				
Sub-Branch	1	1				

		End-December 2020	End-December 2021 p/		
		Total	Total	Head Offices	Branches/ Other Offices
TOTAL		**13,044**	**13,154**	**506**	**12,648**
Nationwide		**12,994**	**13,100**	**506**	**12,594**
National Capital Region (NCR)		**3,846**	**3,834**	**79**	**3,755**
Luzon		**5,443**	**5,497**	**275**	**5,222**
Region I	- Ilocos	665	674	34	640
Region II	- Cagayan Valley	471	476	28	448
Region III	- Central Luzon	1,356	1,359	72	1,287
Region IV-A	- CALABARZON	1,893	1,912	86	1,826
Region IV-B	- MIMAROPA	309	310	20	290
Region V	- Bicol	549	564	20	544
Cordillera Administrative Region (CAR)		200	202	15	187
Visayas		**1,942**	**1,962**	**88**	**1,874**
Region VI	- Western Visayas	753	761	41	720
Region VII	- Central Visayas	900	906	32	874
Region VIII	- Eastern Visayas	289	295	15	280
Mindanao		**1,763**	**1,807**	**64**	**1,743**
Region IX	- Zamboanga Peninsula	266	276	13	263
Region X	- Northern Mindanao	434	443	23	420
Region XI	- Davao Region	500	504	12	492
Region XII	- SOCCSKSARGEN 1/	304	314	10	304
ARMM		19	18		18
CARAGA		240	252	6	246
Overseas		**50**	**54**		**54**
Asia-Pacific		20	21		21
Europe		3	5		5
North America		5	5		5
Middle East		22	23		23

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-December 2020		End-June 2021		End-December 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 1/	Banking Offices per City/ Municipality	No. of persons served by each Banking Office 1/
Nationwide	**8**	**8,461**	**8**	**8,477**	**8**	**8,515**
National Capital Region (NCR)	**226**	**3,453**	**226**	**3,467**	**226**	**3,489**
Luzon	**7**	**8,914**	**7**	**8,919**	**7**	**8,956**
Region I - Ilocos	5	8,189	5	8,180	5	8,158
Region II - Cagayan	5	7,936	5	7,964	5	7,941
Region III - Central Luzon	10	8,777	10	8,805	10	8,864
Region IV-A - CALABARZON	13	8,158	13	8,170	13	8,204
Region IV-B - MIMAROPA	4	11,036	4	10,961	4	11,205
Region V - Bicol	5	12,089	5	11,968	5	11,999
Cordillera Administrative Region (CAR)	3	9,727	3	9,806	3	9,787
Visayas	**5**	**10,955**	**5**	**10,935**	**5**	**11,005**
Region VI - Western Visayas	6	10,955	6	10,911	6	10,981
Region VII - Central Visayas	7	8,951	7	8,946	7	9,020
Region VIII - Eastern Visayas	2	17,199	2	17,179	2	17,160
Mindanao	**4**	**15,242**	**4**	**15,232**	**4**	**15,137**
Region IX - Zamboanga Peninsula	4	15,408	4	15,304	4	15,094
Region X - Northern Mindanao	5	11,710	5	11,711	5	11,632
Region XI - Davao Region	10	10,875	10	10,901	10	10,969
Region XII - SOCCSKSARGEN 2/	6	16,624	6	16,715	6	16,377
ARMM	0	220,863	0	223,614	0	238,940
CARAGA	3	12,512	3	12,328	3	12,153

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		
	Dec '20	Jun '21	Dec '21 p/	Dec '20	Jun '21	Dec '21 p/	Dec '20	Jun '21	Dec '21 p/
TOTAL	12,345	12,314	12,387	10,436	10,470	10,548	22,781	22,784	22,935
UNIVERSAL BANKS	9,788	9,763	9,800	9,317	9,357	9,438	19,105	19,120	19,238
COMMERCIAL BANKS	574	585	593	507	536	541	1,081	1,121	1,134
THRIFT BANKS	1,350	1,336	1,342	522	486	477	1,872	1,822	1,819
RURAL BANKS	600	600	622	90	91	92	690	691	714
COOPERATIVE BANKS	33	30	30			0	33	30	30

p/ Preliminary

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

As of end-December 2021 p/

	No. of BSFIs with Authority to Provide Electronic Payment and Financial Services (EPFS)	ATM Card	Credit Card	Electronic Money Issuers (Prepaid Card/Cash Card/ Remittance Card)	E-Money (E-Wallet)	Other Payment Cards	Internet Banking - Retail	Internet Banking - Corporate	Mobile Banking
Universal and Commercial Banks	43	27	16	18	4	5	26	37	27
Thrift Banks	31	29	1	7	-	-	16	8	16
Rural and Cooperative Banks	51	26	-	5	2	-	6	1	12
Banks	125	82	17	30	6	5	48	46	55
EMIs	38	-	-	38	30	-	2	1	30
Others	9	-	1	1	-	-	6	-	9
TOTAL	172	82	18	69	36	5	56	47	94

	Telephone banking	ATM Facility	Cash Accept Machine	Cash Recycling Machine	Point of Sale facility	Payment Portal	with VASP Services	Pesonet/ Instapay
Universal and Commercial Banks	10	27	10	1	17	9	-	42
Thrift Banks	4	29	3	1	7	-	-	21
Rural and Cooperative Banks	-	28	-	-	5	-	-	34
Banks	14	84	13	2	29	9	-	97
EMIs	-	-	1	-	2	1	6	12
Others	-	-	-	-	-	-	-	-
TOTAL	14	84	14	2	31	10	6	109

	QR Ph	Agency Banking	eKYC-Online Onboarding	E-Gov Payments	BIR ePayments	Type C EPFS	Online/ Digital Loan Application	Others
Universal and Commercial Banks	8	6	15	2	1	-	11	10
Thrift Banks	3	4	5	-	-	4	1	-
Rural and Cooperative Banks	1	6	3	-	-	14	8	2
Banks	12	16	23	2	1	18	20	12
EMIs	3	-	25	-	-	-	-	1
Others	-	-	1	-	-	-	1	1
TOTAL	15	16	50	2	1	18	21	14

p/ Preliminary

Appendix 8. Philippine Banking System: Profitability Indicators

Levels (P Billion)	2017	2018	2019	2020	2021 p/
Total Operating Income	590.8	668.1	796.3	893.3	869.4
Net Interest Income	447.4	515.6	605.2	674.2	661.8
Interest Income	574.7	708.0	886.0	851.2	777.2
Provision for Lossses on Accrued Interest Income from Financial Assets	0.4	1.3	0.3	0.9	0.3
Interest Expenses	126.9	191.1	280.5	176.1	115.1
Non-interest Income	143.4	152.5	191.1	219.1	207.6
Dividend Income	3.3	3.4	3.4	3.2	2.0
Fee-based Income	84.8	91.8	100.9	89.5	107.3
Trading Income	11.1	10.4	24.8	20.2	9.7
FX Profit/(Loss)	7.2	9.1	8.5	6.6	5.3
Profit/(Loss) from Sale/Redemption/Derecognition of Non-Trading Financial Assets and Liabilities	8.1	4.0	30.2	83.4	25.8
Profit/(Loss) from Sale/Derecognition of Non-Financial Assets					
Profit/(Loss) on Financial Assets and Liabilities	13.9	18.5	9.5	5.5	41.2
Designated at Fair Value through Profit or Loss	0.3	0.1	(0.0)	0.5	0.3
Profit/(Loss) on Fair Value Adjustment in Hedge Accounting	(0.0)	0.1	. . .	(2.8)	(0.0)
Other Income	14.7	15.2	13.8	13.1	16.1
Non-Interest Expenses	378.2	432.3	483.2	491.5	512.4
Losses/Recoveries on Financial Assets	(33.7)	(31.9)	(51.2)	(214.2)	(97.7)
Provision for Credit Losses on Loans & Other Fin'l Assets	(35.0)	(35.5)	(52.9)	(211.6)	(106.4)
Bad Debts Written Off	(3.3)	(3.4)	(3.9)	(6.4)	(7.5)
Recovery on Charged-Off Assets	4.5	6.9	5.6	3.8	16.2
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	178.9	203.9	261.9	187.6	259.3
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	27.9	22.5	25.4	11.9	20.7
Total Profit/Loss Before Tax and Before Minority Interest	206.8	226.4	287.2	199.5	280.1
Income Tax Expense	38.7	46.7	56.6	44.3	55.3
Total Profit/Loss After Tax and Before Minority Interest	168.1	179.7	230.7	155.2	224.8
Minority Interest in Profit/(Loss) of Subsidiaries					-
Net Profit/(Loss)	168.1	179.7	230.7	155.2	224.8
Growth Rates					
Total Operating Income	10.4%	13.1%	19.2%	12.2%	(2.7%)
Net Interest Income	15.9%	15.2%	17.4%	11.4%	(1.8%)
Interest Income	15.4%	23.2%	25.1%	(3.9%)	(8.7%)
Provision for Lossses on Accrued Interest Income from Financial Assets	47.1%	255.0%	(78.4%)	198.8%	(62.2%)
Interest Expenses	13.4%	50.6%	46.8%	(37.2%)	(34.7%)
Non-interest Income	(3.8%)	6.4%	25.3%	14.7%	(5.3%)
Dividend Income	(19.2%)	1.4%	(0.2%)	(3.7%)	(39.2%)
Fee-based Income	11.6%	8.3%	9.9%	(11.3%)	19.8%
Trading Income	(7.5%)	(6.0%)	138.7%	(18.8%)	(52.1%)
FX Profit/(Loss)	4.0%	27.0%	(6.5%)	(22.6%)	(19.1%)
Profit/(Loss) from Sale/Redemption/Derecognition of Non-Trading Financial Assets and Liabilities	(67.9%)	(51.1%)	661.2%	176.3%	(69.0%)
Profit/(Loss) from Sale/Derecognition of Non-Financial Assets					
Profit/(Loss) on Financial Assets and Liabilities	44.4%	33.1%	(48.8%)	(42.3%)	652.9%
Designated at Fair Value through Profit or Loss	(7.2%)	(74.5%)	(159.2%)	(1,323.7%)	(47.4%)
Profit/(Loss) on Fair Value Adjustment in Hedge Accounting	(126.0%)	(3,967.0%)	(96.8%)	(102,923.0%)	(99.5%)
Other Income	(1.8%)	2.9%	(8.9%)	(5.5%)	23.1%
Non-Interest Expenses	10.8%	14.3%	11.8%	1.7%	4.2%
Losses/Recoveries on Financial Assets	12.3%	(5.4%)	60.3%	318.5%	(54.4%)
Provision for Credit Losses on Loans & Other Fin'l Assets	(1.6%)	1.4%	49.1%	300.1%	(49.7%)
Bad Debts Written Off	(12.1%)	3.2%	14.9%	63.5%	18.0%
Recovery on Charged-Off Assets	(51.0%)	53.2%	(18.8%)	(32.1%)	323.8%
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	9.3%	14.0%	28.4%	(28.4%)	38.2%
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	24.8%	(19.3%)	12.6%	(53.0%)	73.7%
Total Profit/Loss Before Tax and Before Minority Interest	11.1%	9.5%	26.9%	(30.5%)	40.4%
Income Tax Expense	21.9%	20.6%	21.2%	(21.7%)	24.8%
Total Profit/Loss After Tax and Before Minority Interest	8.9%	6.9%	28.4%	(32.7%)	44.8%
Minority Interest in Profit/(Loss) of Subsidiaries					
Net Profit/(Loss)	8.9%	6.9%	28.4%	(32.7%)	44.8%

p/ Preliminary

. . . Less than P0.05 billion

(0.0) Less than negative P0.05 billion

Appendix 9. Philippine Banking System: Asset Quality Indicators

Levels (P Billion)	2017	2018	2019	2020	2021 p/
Total Assets	15,166.2	16,916.1	18,338.2	19,457.1	20,828.1
Gross Assets 1/	15,379.7	17,132.4	18,576.4	19,857.8	21,258.9
Total Loan Portfolio (TLP) 2/	8,865.6	10,077.9	10,966.1	10,872.6	11,391.1
Interbank Loans Receivable (IBL)	252.0	256.2	226.7	296.2	366.9
TLP 2/, net of Interbank Loans (IBL)	8,613.6	9,821.7	10,739.4	10,576.4	11,024.2
TLP, net of ACL	8,681.3	9,890.8	10,758.6	10,505.4	10,994.3
Gross Non-Performing Loans (NPL)	153.0	177.8	224.1	394.9	452.5
Net NPL 3/	67.9	87.9	115.8	217.9	240.3
Allowance for Credit Losses (ACL)	184.3	187.1	207.5	367.2	396.8
ROPA 2/ 4/	108.8	107.9	114.7	115.8	119.3
ROPA (inclusive of performing SCR)	122.0	126.2	128.0	126.8	130.4
Provisions for ROPA 5/	29.3	29.1	30.7	33.6	34.0
Restructured Loans (RL) 2/	46.7	39.7	43.2	208.9	356.7
RL, Performing	28.4	19.0	19.6	174.0	255.2
Distressed Assets 6/	290.2	304.7	358.4	684.7	827.0
Non-Performing Assets (NPAs) 7/	261.8	285.8	338.8	510.7	571.8
Allowance on NPA 8/	213.6	216.2	238.2	400.8	430.8
Performing Sales Contract Receivables	13.2	18.3	13.3	10.9	11.0
Growth Rates					
Total Assets	11.6 %	11.5 %	8.4 %	6.1 %	7.0 %
Gross Assets 1/	11.5 %	11.4 %	8.4 %	6.9 %	7.1 %
Total Loan Portfolio (TLP) 2/	16.5 %	13.7 %	8.8 %	(0.9%)	4.8 %
Interbank Loans Receivable (IBL)	(5.4%)	1.7 %	(11.5%)	30.6 %	23.9 %
TLP 2/, net of Interbank Loans (IBL)	17.3 %	14.0 %	9.3 %	(1.5%)	4.2 %
TLP, net of ACL	16.7 %	13.9 %	8.8 %	(2.4%)	4.7 %
Gross Non-Performing Loans (NPL)	6.1 %	16.2 %	26.0 %	76.2 %	14.6 %
Net NPL 3/	56.9 %	29.3 %	31.9 %	88.1 %	10.3 %
Allowance for Credit Losses (ACL)	6.6 %	1.6 %	10.9 %	76.9 %	8.1 %
ROPA 2/ 4/	(1.7%)	(0.8%)	6.3 %	1.0 %	3.0 %
ROPA (inclusive of performing SCR)	(1.7%)	3.5 %	1.4 %	(1.0%)	2.8 %
Provisions for ROPA 5/	(9.0%)	(0.7%)	5.3 %	9.6 %	1.2 %
Restructured Loans (RL) 2/	24.0 %	(14.9%)	8.7 %	384.0 %	70.8 %
RL, Performing	47.7 %	(33.1%)	3.1 %	789.4 %	46.7 %
Distressed Assets 6/	5.9 %	5.0 %	17.6 %	91.0 %	20.8 %
Non-Performing Assets (NPAs) 7/	2.7 %	9.2 %	18.6 %	50.7 %	12.0 %
Allowance on NPA 8/	4.2 %	1.2 %	10.1 %	68.3 %	7.5 %
Performing Sales Contract Receivables	(1.7%)	39.2 %	(27.5%)	(17.8%)	1.0 %

1/ Gross Assets refer to Total Assets plus Allowance on NPA.
2/ Gross of Provisions
3/ Net NPLs refer to gross NPLs less specific allowance for credit losses on NPLs.
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				
	2017	2018	2019	2020	2021
In US$ Million					
Income Statement					
Total Operating Income	1,064.2	1,097.2	1,443.0	1,530.3	1,277.4
Net Interest Income [1]	811.4	913.3	979.8	890.8	825.5
Non-interest Income	252.9	183.9	463.1	639.5	451.9
Non-Interest Expenses	183.8	202.0	202.5	188.8	185.4
Losses/Recoveries on Financial Assets	(30.7)	(48.2)	(86.3)	(122.9)	(240.2)
Bad Debts/Provision for Credit Losses	(31.6)	(51.9)	(98.1)	(125.3)	(245.0)
Recovery on Charged-Off Assets	0.9	3.7	11.9	2.4	4.9
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subs., Associates & Joint Ventures	849.7	847.0	1,154.1	1,218.6	851.8
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates & Joint Ventures					
Total Profit/Loss Before Tax & Before Minority Interest	848.8	847.0	1,154.1	1,218.6	851.8
Income Tax Expense	25.6	34.8	42.3	41.0	43.9
Total Profit/Loss After Tax & Before Minority Interest	823.2	812.2	1,111.9	1,177.6	807.9
Minority Interest in Profit/(Loss) of Subsidiaries					
Net Profit or Loss	823.2	812.2	1,111.9	1,177.6	807.9
Balance Sheet					
Total Assets [2]	50,313.9	52,954.1	56,889.8	58,515.1	57,796.1
Cash and Due from Banks	6,952.4	4,314.8	5,344.2	6,860.8	6,547.2
Financial Assets, gross	22,471.5	27,242.0	28,155.9	28,616.9	28,302.2
Allowance for Credit Losses	23.6	28.9	32.5	44.1	43.7
Accumulated Market Gains/Losses	54.8	(159.5)	165.3	294.2	62.7
Financial Assets, net	22,502.6	27,053.6	28,288.7	28,867.0	28,321.2
Interbank Loans Receivable (IBL), net	3,734.6	3,343.2	3,129.2	4,989.1	6,132.3
Loans, gross (exclusive of IBL)	16,355.5	17,325.0	19,262.2	17,638.6	16,456.5
Allowance for Probable Losses [3]	144.6	174.6	250.6	449.4	657.3
Loans, net (exclusive of IBL)	16,211.0	17,150.4	19,011.6	17,189.2	15,799.2
Equity investments, net					
ROPA, net	2.8	2.8	29.2	31.5	26.2
Other Assets, net	910.4	1,089.3	1,086.8	577.5	970.0
Total Liabilities	49,618.9	52,385.1	55,760.8	56,862.9	56,792.4
Financial Liabilities Held for Trading	120.7	116.4	84.4	144.2	87.9
Financial Liabilities DFVPL	-	-	0.0	-	-
Deposit Liabilities	39,204.5	39,894.3	41,090.1	45,061.6	46,093.8
Due to Other Banks	528.8	467.7	322.5	713.4	698.9
Bills Payable	6,374.3	6,324.9	7,090.2	4,001.8	3,210.8
Bonds Payable, net	2,160.1	3,925.5	5,522.1	5,592.7	4,888.5
Unsecured Subordinated Debt, net	-	-	0.0	-	-
Other Liabilities	360.7	463.0	645.2	377.0	517.1
Due to HO/Br./Agencies/FCDU/RBU, net [4]	869.8	1,193.2	1,006.3	972.2	1,295.4
Total Capital Accounts [5]	695.0	569.0	1,129.0	1,652.2	1,003.7

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

Appendix 11. Foreign Currency Deposit Unit: Growth Rates

	End-December				
	2017	2018	2019	2020	2021
Growth Rates					
Income Statement					
Total Operating Income	(17.0 %)	3.1 %	31.5%	6.1%	(16.5 %)
Net Interest Income	11.3 %	12.6 %	7.3%	(9.1 %)	(7.3 %)
Non-interest Income	(54.3 %)	(27.3 %)	151.8%	38.1%	(29.3 %)
Non-Interest Expenses	(0.3 %)	9.9 %	0.2%	(6.8 %)	(1.8 %)
Losses/Recoveries on Financial Assets	128.8 %	56.9 %	79.1%	42.5 %	95.4 %
Bad Debts/Provision for Credit Losses	134.3 %	64.2 %	89.2%	27.6%	95.6 %
Recovery on Charged-Off Assets	(62.2 %)	307.7 %	220.6%	(80.0 %)	106.5 %
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subs., Associates & Joint Ventures	(21.6 %)	(0.2 %)	36.3%	5.6%	(30.1 %)
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates & Joint Ventures					
Total Profit/Loss Before Tax & Before Minority Interest	(21.7 %)	(0.2 %)	36.3%	5.6%	(30.1 %)
Income Tax Expense	0.4 %	36.2 %	21.4%	(2.9 %)	7.0 %
Total Profit/Loss After Tax & Before Minority Interest	(22.2 %)	(1.3 %)	36.9%	5.9%	(31.4 %)
Minority Interest in Profit/(Loss) of Subsidiaries					
Net Profit or Loss	(22.2 %)	(1.3 %)	36.9%	5.9%	(31.4 %)
Balance Sheet					
Total Assets [1]	4.4 %	5.2 %	7.4%	2.9%	(1.2 %)
Cash and Due from Banks	0.3 %	(37.9 %)	23.9%	28.4%	(4.6 %)
Financial Assets, gross	0.6 %	21.2 %	3.4%	1.6%	(1.1 %)
Allowance for Credit Losses	(0.2 %)	22.2 %	12.4%	36.0%	(1.0 %)
Accumulated Market Gains/Losses	338.2 %	(391.2 %)	(203.6 %)	78.0%	(78.7 %)
Financial Assets, net	1.0 %	20.2 %	4.6%	2.0%	(1.9 %)
Interbank Loans Receivable (IBL), net	(16.5 %)	(10.5 %)	(6.4 %)	59.4%	22.9 %
Loans, gross (exclusive of IBL)	16.9 %	5.9 %	11.2%	(8.4 %)	(6.7 %)
Allowance for Probable Losses [2]	(2.0 %)	20.8 %	43.5%	79.3%	46.3 %
Loans, net (exclusive of IBL)	17.1 %	5.8 %	10.9%	(9.6 %)	(8.1 %)
Equity investments, net					
ROPA, net	1,323.3 %	0.2 %	926.7%	7.6%	(16.7 %)
Other Assets, net	35.6 %	19.6 %	(0.2 %)	(46.9 %)	68.0 %
Total Liabilities	4.4 %	5.6 %	6.4%	2.0%	(0.1 %)
Financial Liabilities Held for Trading	(8.4 %)	(3.5 %)	(27.5 %)	70.8%	(39.0 %)
Financial Liabilities DFVPL					
Deposit Liabilities	9.3 %	1.8 %	3.0 %	9.7%	2.3 %
Due to Other Banks	(23.1 %)	(11.6 %)	(31.0 %)	121.2%	(2.0 %)
Bills Payable	(13.6 %)	(0.8 %)	12.1%	(43.6 %)	(19.8 %)
Bonds Payable, net	6.2 %	81.7 %	40.7%	1.3%	(12.6 %)
Unsecured Subordinated Debt, net					
Other Liabilities	6.1 %	28.4 %	39.3%	(41.6 %)	37.2 %
Due to HO/Br./Agencies/FCDU/RBU, net [3]	(19.7 %)	37.2 %	(15.7 %)	(3.4 %)	33.2 %
Total Capital Accounts [4]	2.8 %	(18.1 %)	98.4%	46.3%	(39.3 %)

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

2 Inclusive of General Loan Loss Provision

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

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

Appendix 12. Foreign Currency Deposit Unit: Selected Performance Indicators

	End-December				
	2017	2018	2019	2020	2021
Selected Ratios					
Liquidity					
Liquid Assets to Deposits [1] (excl. of ROPs)	49.7	50.4	55.5	60.1	55.2
Liquid Assets to Deposits [1] (incl. of ROPs)	75.1	78.6	81.9	79.3	75.6
Loans, gross to Deposits	51.2	51.8	54.5	50.2	49.0
Asset Quality					
Non-Performing Loans (NPL) Ratio [2]	0.2	0.1	1.4	2.2	3.6
NPL Coverage Ratio [2]	542.1	846.2	94.0	116.6	109.9
Non-Performing Assets (NPA) to Gross Assets [2]	0.1	0.0	0.5	0.7	1.1
NPA Coverage Ratio [2]	489.3	742.8	81.9	105.2	103.7
Profitability					
Cost to Income Ratio	14.4	18.4	14.0	12.3	14.5
Return on Assets (RoA)	2.1	1.6	2.0	2	1.4
Net Interest Margin	1.5	1.8	1.8	1.6	1.4

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

2 Exclusive of IBL

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

Levels (P Billion)	2017	2018	2019	2020	2021
	End-December				
TOTAL ASSETS	**3,417.9**	**3,429.3**	**3,973.1**	**4,633.1**	**5,058.2**
Cash and Due from banks	2.0	1.3	0.4	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	2.0	1.3	0.4	0.3	0.3
Overnight Deposit Account	-	0.0	0.0	-	-
Term Deposit Account	-	0.0	0.0	-	-
Deposits in Banks	900.9	965.0	1,036.8	1,058.4	1,086.2
Financial Assets, gross (net of amortization)	1,900.9	2,135.5	2,526.1	3,091.7	3,461.2
Accumulated Market Gains/Losses	79.8	(37.8)	22.5	46.6	31.7
Allowance for Credit Losses	1.0	1.8	0.7	0.9	0.2
Financial Assets, net	1,979.7	2,095.9	2,547.9	3,137.3	3,492.6
Loans, (gross)	85.6	75.3	91.0	100.0	118.6
Allowance for probable losses	2.9	1.8	2.3	3.1	7.5
Loans, net	82.6	73.4	88.6	96.9	111.1
Equity Investments (gross)	81.5	3.2	5.7	8.1	5.5
Allowance for probable losses	2.6	2.5	2.5	2.5	2.5
Accumulated Market Gain/(Loss)	0.0	0.0	0.0	-	-
Equity Investments (net)	78.9	0.7	3.2	5.5	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	373.7	292.9	296.1	334.5	365.0
TOTAL ACCOUNTABILITIES	**3,417.9**	**3,429.3**	**3,973.1**	**4,633.1**	**5,058.2**
Wealth/Asset/Fund Management Accounts (Trust)	1,574.2	1,366.2	1,670.0	2,243.3	2,395.2
UITF	768.0	604.2	820.8	1,180.2	1,305.3
Employee Benefit	352.0	363.3	407.0	440.5	460.1
Pre-Need	117.3	115.5	121.2	125.0	127.9
Other Institutional Trust Accounts	35.8	32.3	38.6	39.6	45.1
Personal Trust	286.1	230.1	258.1	432.5	420.7
Personal Pension Fund	-	-	-	0.0	-
Personal Retirement Fund	0.1	0.1	0.1	0.1	0.1
Other Individual Trust Accounts	14.8	20.7	24.1	25.4	36.0
Wealth/Asset/Fund Management Accounts (Agency)	1,297.4	1,596.9	1,828.0	1,959.4	2,207.0
Employee Benefit	53.3	50.6	56.6	57.9	56.3
Pre-Need	0.8	0.8	0.8	0.8	0.7
Other Institutional Agency Accounts	792.9	825.6	951.7	1,013.3	1,189.5
Personal Pension Fund	-	-	-	-	-
Personal Retirement Fund	0.0	0.0	0.0	0.0	0.0
Other Individual Agency Accounts	450.4	719.9	818.9	887.4	960.5
Other Fiduciary Services	545.8	465.8	474.3	429.4	455.3
UITF	14.0	11.6	14.0	13.7	13.6
Court Trusts	65.8	65.5	65.2	2.4	2.4
Corporate Fiduciary Trust	49.1	65.1	58.4	51.3	47.7
Escrow	41.6	40.9	45.8	45.1	47.8
Custodianship	332.3	246.5	244.4	280.3	303.0
Safekeeping	0.0	0.0	0.0	0.0	0.0
Others	42.9	36.2	46.5	36.6	40.8
Advisory/Consultancy	0.00	0.0	0.0	0.0	0.0
Special Purpose Trust	0.5	0.5	0.7	1.0	0.6

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				
	2017	2018	2019	2020	2021
TOTAL ASSETS	15.9 %	0.3 %	15.9 %	16.6 %	9.2 %
Cash and Due from banks	(99.3%)	(36.3%)	(70.2%)	(9.4%)	(2.9%)
Cash on Hand, Checks and Other Cash Items	(42.0%)	756.4 %	277.7 %	(83.0%)	(99.0%)
Reserve Deposit Accounts					
Special Deposit Accounts					
Demand Deposit Account	3.4 %	(36.4%)	(70.9%)	(7.4%)	(2.4%)
Overnight Deposit Account	(100.0%)				
Term Deposit Account	(100.0%)				
Deposits in Banks	23.8 %	7.1 %	7.4 %	2.1 %	2.6 %
Financial Assets, gross (net of amortization)	23.0 %	12.3 %	18.3 %	22.4 %	12.0 %
Accumulated Market Gains/Losses	53.3 %	(147.3%)	(159.5%)	107.4 %	(32.0%)
Allowance for Credit Losses	56.2 %	77.5 %	(63.5%)	37.7 %	(72.9%)
Financial Assets, net	24.0 %	5.9 %	21.6 %	23.1 %	11.3 %
Loans, (gross)	23.2 %	(12.1%)	20.9 %	9.9 %	18.6 %
Allowance for probable losses	55.4 %	(37.3%)	26.9 %	31.8 %	143.6 %
Loans, net	22.3 %	(11.2%)	20.8 %	9.4 %	14.6 %
Equity Investments (gross)	(0.0%)	(96.1%)	79.2 %	40.1 %	(31.8%)
Allowance for probable losses	(4.9%)	(6.0%)	2.6 %	0.0 %	0.0 %
Accumulated Market Gain/(Loss)					
Equity Investments (net)	0.2 %	(99.1%)	333.4 %	71.5 %	(46.3%)
ROPA (net)	(16.0%)	17.4 %	(7.4%)	(0.7%)	(17.0%)
Sales Contract Receivables (Non-Performing)					
Other assets	96.0 %	(21.6%)	1.1 %	13.0 %	9.1 %
TOTAL ACCOUNTABILITIES	15.9 %	0.3 %	15.9 %	16.6 %	9.2 %
Wealth/Asset/Fund Management Accounts (Trust)	(8.1%)	(13.2%)	22.2 %	34.3 %	6.8 %
UITF	(7.6%)	(21.3%)	35.9 %	43.8 %	10.6 %
Employee Benefit	11.2 %	3.2 %	12.0 %	8.2 %	4.4 %
Pre-Need	2.0 %	(1.5%)	4.9 %	3.1 %	2.4 %
Other Institutional Trust Accounts	(1.9%)	(9.8%)	19.4 %	2.6 %	13.8 %
Personal Trust	(27.3%)	(19.6%)	12.2 %	67.5 %	(2.7%)
Personal Pension Fund					
Personal Retirement Fund	(0.3%)	(3.5%)	2.7 %	0.3 %	0.1 %
Other IndividualTrust Accounts	(26.3%)	39.4 %	16.5 %	5.4 %	41.8 %
Wealth/Asset/Fund Management Accounts (Agency)	48.7 %	23.1 %	14.5 %	7.2 %	12.6 %
Employee Benefit	(0.4%)	(5.1%)	12.0 %	2.4 %	(2.9%)
Pre-Need	(2.7%)	(2.3%)	6.1 %	(6.4%)	(2.1%)
Other Institutional Agency Accounts	42.8 %	4.1 %	15.3 %	6.5 %	17.4 %
Personal Pension Fund					
Personal Retirement Fund	1.1 %	(33.7%)	(4.5%)	(1.6%)	(0.1%)
Other Individual Agency Accounts	71.3 %	59.8 %	13.8 %	8.4 %	8.2 %
Other Fiduciary Services	51.1 %	(14.7%)	1.8 %	(9.5%)	6.0 %
UITF	(12.5%)	(17.5%)	20.9 %	(1.9%)	(0.7%)
Court Trusts	(0.2%)	(0.4%)	(0.5%)	(96.3%)	(0.4%)
Corporate Fiduciary Trust	21.2 %	32.7 %	(10.4%)	(12.1%)	(7.0%)
Escrow	11.8 %	(1.8%)	12.1 %	(1.6%)	6.1 %
Custodianship	109.7 %	(25.8%)	(0.9%)	14.7 %	8.1 %
Safekeeping	(29.4%)	3.0 %	(13.8%)	1.1 %	2.8 %
Others	(0.4%)	(15.6%)	28.7%	(21.3%)	11.4 %
Advisory/Consultancy		2.8 %	2.7 %	0.0 %	2.6 %
Special Purpose Trust	(64.5%)	(3.5%)	52.9 %	42.2 %	(38.5%)

0.0% Less than 0.05%

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

Selected Ratios	End-December 2017	2018	2019	2020	2021
Liquidity					
Cash and Due from Banks to Total Accountabilities	0.1%	0.0%	0.0%	0.0%	0.0%
Liquid Assets to Total Accountabilities	55.7%	62.3%	63.6%	66.7%	68.4%
Loans (gross) to Total Accountabilities	2.5%	2.2%	2.3%	2.2%	2.3%
Asset Quality					
Non-Performing Loans (NPL) Ratio	1.5%	0.9%	1.1%	1.0%	0.5%
NPL Coverage Ratio	226.6%	268.6%	244.7%	320.2%	1244.2%
Non-Performing Assets (NPA) to Gross Assets	0.0%	0.0%	0.0%	0.0%	0.0%
NPA Coverage Ratio	208.3%	225.0%	217.8%	283.9%	1068.5%

0.0% Less than 0.05%

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

	End-December				
	2017	2018	2019	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	26.4%	28.1%	26.1%	22.8%	21.5%
Financial Assets, gross (net of amortization)	55.6%	62.3%	63.6%	66.7%	68.4%
Accumulated Market Gains/Losses	2.3%	(1.1%)	0.6%	1.0%	0.6%
Allowance for Credit Losses	...	0.1%	...	...	...
Financial Assets, net	57.9%	61.1%	64.1%	67.7%	69.0%
Loans, (gross)	2.5%	2.2%	2.3%	2.2%	2.3%
Allowance for probable losses	...	0.1%	0.1%	0.1%	0.1%
Loans, net	2.4%	2.1%	2.2%	2.1%	2.2%
Equity Investments (gross)	2.4%	0.1%	0.1%	0.2%	0.1%
Allowance for probable losses	...	0.1%	0.1%	0.1%	...
Accumulated Market Gain/(Loss)	...	...	...	...	...
Equity Investments (net)	2.3%	...	0.1%	0.1%	0.1%
ROPA (net)	...	...	...	...	...
Sales Contract Receivables (Non-Performing)	...	...	...	...	...
Other assets	10.9%	8.6%	7.5%	7.2%	7.2%
TOTAL ACCOUNTABILITIES	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Wealth/Asset/Fund Management Accounts (Trust)	46.1%	39.8%	42.0%	48.4%	47.4%
UITF	22.5%	17.6%	20.7%	25.5%	25.8%
Employee Benefit	10.3%	10.6%	10.2%	9.5%	9.1%
Pre-Need	3.4%	3.4%	3.1%	2.7%	2.5%
Other Institutional Trust Accounts	1.0%	0.9%	1.0%	0.9%	0.9%
Personal Trust	8.4%	6.7%	6.5%	9.3%	8.3%
Personal Pension Fund	...	...	...	...	...
Personal Retirement Fund	...	...	...	...	...
Other Individual Trust Accounts	0.4%	0.6%	0.6%	0.5%	0.7%
Wealth/Asset/Fund Management Accounts (Agency)	38.0%	46.6%	46.0%	42.3%	43.6%
Employee Benefit	1.6%	1.5%	1.4%	1.3%	1.1%
Pre-Need	...	...	...	...	...
Other Institutional Agency Accounts	23.2%	24.1%	24.0%	21.9%	23.5%
Personal Pension Fund	...	...	...	...	...
Personal Retirement Fund	...	...	...	...	...
Other Individual Agency Accounts	13.2%	21.0%	20.6%	19.2%	19.0%
Other Fiduciary Services	16.0%	13.6%	11.9%	9.3%	9.0%
UITF	0.4%	0.3%	0.4%	0.3%	0.3%
Court Trusts	1.9%	1.9%	1.6%	0.1%	...
Corporate Fiduciary Trust	1.4%	1.9%	1.5%	1.1%	0.9%
Escrow	1.2%	1.2%	1.2%	1.0%	0.9%
Custodianship	9.7%	7.2%	6.2%	6.0%	6.0%
Safekeeping	...	...	...	...	...
Others	1.3%	1.1%	1.2%	0.8%	0.8%
Advisory/Consultancy	...	...	...	...	...
Special Purpose Trust	...	...	...	...	...

Figures may not add up due to rounding-off.

... Less than 0.05 percent

Appendix 17. Foreign Bank Branches and Subsidiaries: Financial Highlights

Levels (P Billion)	2015	2016	2017	2018	2019	2020	2021
Income Statement							
Total Operating Income	51.5	55.8	54.8	63.2	72.7	63.2	54.4
Net Interest Income	32.7	34.1	36.4	42.6	49.5	43.4	34.5
Non-interest Income	18.8	21.7	18.4	20.6	23.2	19.8	19.9
Non-Interest Expenses	36.5	37.4	37.0	40.5	43.7	42.8	43.0
Losses/Recoveries on Financial Assets	(4.5)	(2.1)	(4.3)	(4.5)	(4.1)	(18.9)	0.7
Bad Debts/Provisions for Credit Losses	6.8	8.5	5.8	(6.3)	(6.6)	(20.2)	(10.0)
Recovery on Charged-Off Assets	(2.2)	(6.4)	(1.5)	1.8	2.4	1.4	10.8
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	10.4	16.3	13.6	18.3	24.9	1.5	12.1
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	-	-	0.2	0.2	0.4	(0.0)	(0.0)
Total Profit/Loss Before Tax and Before Minority Interest	10.4	16.3	13.8	18.4	25.3	1.5	12.1
Income Tax Expense	4.5	5.1	4.1	6.1	6.7	2.4	5.3
Total Profit/Loss After Tax and Before Minority Interest	5.9	11.2	9.7	12.3	18.6	(1.0)	6.8
Minority Interest in Profit/(Loss) of Subsidiaries	-	-	-	-	-	-	-
Net Profit or Loss	5.9	11.2	9.7	12.3	18.6	(1.0)	6.8
Balance Sheet							
Total Assets	987.8	1,055.1	1,083.2	1,204.5	1,254.3	1,314.9	1,396.6
Cash and Due from Banks	260.7	290.0	230.5	188.0	262.9	321.6	341.5
Financial Assets, gross (Other than Loans)	210.6	147.9	172.8	281.3	233.4	345.3	362.5
Financial Assets Held for Trading (HFT)	90.1	50.3	62.3	101.8	33.1	112.6	100.9
Financial Assets Designated at Fair Value through Profit and Loss (DFVPL)	0.0	-	-	0.0	0.0	0.0	0.0
Available-for-Sale (AFS) Financial Assets	109.4	90.3	96.9	155.6	172.2	210.4	201.7
Held-to-Maturity (HTM) Financial Assets	9.6	5.0	11.4	23.9	28.1	22.2	59.8
Unquoted Debt Securities Classified as Loans	1.3	2.2	2.0	-	-	-	-
Investments in Non-Marketable Equity Securities (INMES)	0.1	0.1	0.1	-	-	-	-
Allowance for Credit Losses	1.7	1.4	1.5	0.0	0.0	0.0	0.1
Accumulated Market Gains/Losses	0.5	0.5	0.3	(3.2)	1.2	2.7	(0.5)
Financial Assets, net (Other than Loans)	209.3	147.0	171.6	278.2	234.6	348.0	362.0
Interbank Loans Receivable (IBL)	48.0	58.2	70.8	58.7	40.2	23.4	22.8
Loans. Gross (inclusive of IBL)	502.9	602.6	664.2	722.3	728.1	629.8	672.6
Loans, gross (exclusive of IBL)	454.9	544.4	593.4	663.6	687.9	606.4	649.8
Reverse Repurchase (RRP) with BSP and Other Banks	109.0	177.9	124.7	132.7	163.4	119.1	141.2
Loans, gross (exclusive of IBL and RRP with BSP and Other Banks)	345.8	366.6	468.8	530.9	524.6	487.3	508.6
Allowance for Probable Losses	12.8	11.5	11.7	12.9	13.3	25.1	16.3
Loans, net (exclusive of IBL and RRP with BSP and Other Banks)	333.1	355.0	457.0	518.0	511.2	462.2	492.3
Equity Investment in Subsidiaries, Associates and Joint Ventures, net	2.2	2.2	2.5	2.4	2.9	2.6	2.4
ROPA, net	1.0	1.2	1.6	1.7	1.9	1.9	1.9
Other Assets, net	24.4	23.6	24.5	24.8	37.2	36.1	32.5
Total Liabilities	846.6	898.3	915.6	1,017.8	1,022.2	1,082.1	1,164.4
Financial Liabilities Held for Trading	15.3	21.6	15.4	21.2	19.5	20.7	21.4
Financial Liabilities DFVPL	-	-	-	-	-	-	-
Deposits	597.1	661.7	682.3	710.5	738.1	832.8	887.4
Peso Liablities	359.8	400.6	415.1	410.7	447.3	532.8	555.7
Foreign Currency	237.3	261.1	267.2	299.8	290.8	300.0	331.6
Due to Other Bank/BSP/PDIC/Head Office/Branch/Agency (Philippines)	170.5	159.2	149.1	192.6	173.1	161.4	170.2
Bills Payable	16.0	9.0	18.3	41.2	19.3	16.4	31.5
Other Liabilities	47.7	46.9	48.5	50.2	70.3	48.8	51.8
Unsecured Subordinated Debt	-	-	2.0	2.0	2.0	2.0	2.0
Redeemable Preferred Shares	-	-	-	-	-	-	-
Total Capital Accounts	141.2	156.8	167.6	186.7	232.1	232.9	232.2

Figures may not add up due to rounding-off

. . . Less than P0.05 billion

Appendix 18. Foreign Bank Branches and Subsidiaries: Growth Rates

Growth Rates	2019	2020	2021
Income Statement			
Total Operating Income	15.0 %	(13.1 %)	(13.9 %)
Net Interest Income	16.1 %	(12.3 %)	(20.5 %)
Non-interest Income	12.7 %	(15.0 %)	0.5%
Non-Interest Expenses	7.9 %	(1.9 %)	0.4%
Losses/Recoveries on Financial Assets	(7.7 %)	355.3 %	(103.9 %)
Bad Debts/Provisions for Credit Losses	3.8 %	208.4 %	(50.5 %)
Recovery on Charged-Off Assets	31.9 %	(43.7 %)	691.3%
Net Profit Before Share in the Profit/(Loss) of Unconsolidated	36.3 %	(94.1 %)	719.2%
Share in the Profit/(Loss) of Unconsolidated Subsidiaries,	129.1 %	(101.4 %)	687.8%
Total Profit/Loss Before Tax and Before Minority Interest	37.1 %	(94.2 %)	719.3%
Income Tax Expense	9.4 %	(63.6 %)	116.3%
Total Profit/Loss After Tax and Before Minority Interest	50.9 %	(105.2 %)	(801.8 %)
Minority Interest in Profit/(Loss) of Subsidiaries			
Net Profit or Loss	50.9 %	(105.2 %)	(801.8 %)
Balance Sheet			
Total Assets	4.1%	4.8%	6.2%
Cash and Due from Banks	39.9%	22.3%	6.2%
Financial Assets, gross (Other than Loans)	(17.0 %)	47.9%	5.0%
Financial Assets Held for Trading (HFT)	(67.5 %)	240.5%	(10.4 %)
Financial Assets Designated at Fair Value through Profit and Loss (DFVPL)	0.0%	0.0%	117.5%
Available-for-Sale (AFS) Financial Assets	10.7%	22.2%	(4.1 %)
Held-to-Maturity (HTM) Financial Assets	17.5%	-21.0%	169.0%
Unquoted Debt Securities Classified as Loans			
Investments in Non-Marketable Equity Securities (INMES)			
Allowance for Credit Losses	(1.0 %)	23.0%	146.0%
Accumulated Market Gains/Losses	(137.6 %)	129.2%	(117.4 %)
Financial Assets, net (Other than Loans)	(15.7 %)	48.3%	4.0%
Interbank Loans Receivable (IBL)	(31.5 %)	(41.7 %)	(2.7 %)
Loans. Gross (inclusive of IBL)	0.8%	(13.5 %)	6.8%
Loans, gross (exclusive of IBL)	3.7%	(11.9 %)	7.2%
Reverse Repurchase (RRP) with BSP and Other Banks	23.1%	(27.1 %)	18.5%
Loans, gross (exclusive of IBL and RRP with BSP and Other	(1.2 %)	(7.1 %)	4.4%
Allowance for Probable Losses	3.5%	88.1%	(35.0 %)
Loans, net (exclusive of IBL and RRP with BSP and Other	(1.3 %)	(9.6 %)	6.5%
Equity Investment in Subsidiaries, Associates and Joint Ventures, net	18.1%	(10.3 %)	(5.6 %)
ROPA, net	14.0%	0.9%	1.1%
Other Assets, net	49.8%	(2.9 %)	(9.9 %)
Total Liabilities	0.4%	5.9%	7.6%
Financial Liabilities Held for Trading	(8.1 %)	6.3%	3.3%
Financial Liabilities DFVPL			
Deposits	3.9%	12.8%	6.6%
Peso Liablities	8.9%	19.1%	4.3%
Foreign Currency	(3.0 %)	3.2%	10.5%
Due to Other Bank/BSP/PDIC/Head Office/Branch/Agency(Phi	(10.1 %)	(6.8 %)	5.5%
Bills Payable	(53.3 %)	(15.0 %)	92.5%
Other Liabilities	40.2%	(30.5 %)	6.0%
Unsecured Subordinated Debt	0.0%	0.0%	0.0%
Redeemable Preferred Shares			
Total Capital Accounts	24.3%	0.3%	(0.3 %)

. . . Less than 0.05 percent

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

Selected Ratios	2019	2020	2021
Profitability			
Non-interest Income to Total Operating Income [1/]	31.9%	31.3%	36.5%
Cost-to-Income [2/]	60.0%	67.8%	79.1%
Return on Assets (ROA) [3/]	1.5%	(0.1 %)	0.5%
Return on Equity (ROE) [3/]	8.9%	(0.4 %)	2.9%
Liquidity			
Cash and Due from Banks to Deposits	35.6%	38.6%	38.5%
Liquid Assets to Deposits [4/]	67.4%	80.4%	79.3%
Loans, gross to Deposits	98.7%	75.6%	75.8%
Asset Quality [5/]			
Allowance for Credit Losses (ACL) to TLP	1.8%	4.0%	2.4%
Gross Non-Performing Loans (NPL) to TLP	1.2%	2.6%	1.8%
NPL Ratio net of IBL	1.2%	2.7%	1.9%
NPL Coverage (ACL to Gross NPL)	157.7%	150.9%	134.8%
Non-Performing Assets (NPA) to Gross Assets	0.8%	1.4%	1.0%
NPA Coverage (Allowance on NPA to NPA)	133.2%	136.8%	118.5%
ROPA to Gross Assets Ratio	0.2%	0.2%	0.1%
ROPA Coverage Ratio	23.8%	25.2%	24.3%
Distressed Assets Ratio	1.7%	3.3%	2.6%
Capital Adequacy			
Total Capital Accounts to Total Assets [6/]	18.5%	17.7%	16.6%
Capital Adequacy Ratio (Solo) [7/]	27.1 %	27.3 %	25.1% [8/]

1/ *Non-interest income now includes dividend income*

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

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

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

5/ *Ratios are computed in accordance with the NPL definition as prescribed under BSP Circular No. 772 dated 16 October 2012 effective 01 January 2013. For comparative purposes, computations for periods prior to January 2013 are aligned with Circular*

6/ *Total capital accounts includes redeemable preferred shares*

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

8/ *Data as of end-September 2021*

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

Levels (P Billion)	2016	2017	2018	2019	2020	2021
Income Statement						
Total Operating Income	21.9	25.9	26.0	27.2	8.4	8.6
Net Interest Income	15.2	18.8	20.7	21.3	6.6	7.0
Non-interest Income	6.8	7.1	5.3	5.9	1.8	1.6
Operating Expenses	13.5	14.0	15.9	17.4	7.8	7.1
Bad Debts/Provisions for Probable Losses	4.7	4.8	0.4	0.4	0.4	0.4
Other Operating Expenses	8.8	9.2	10.2	10.9	4.7	4.4
Net Operating Income	8.4	11.8	10.2	9.8	0.6	1.5
Extraordinary Credits/(Charges)	1.0	1.1	1.2	0.1	(0.0)	0.1
Net Income Before Tax	9.5	13.0	11.4	10.7	0.6	1.6
Provisions for Income Tax	2.8	3.6	3.3	2.9	(0.1)	0.3
Net Income After Tax (NIAT)	6.6	9.4	8.1	7.8	0.7	1.3
Balance Sheet						
Total Assets	221.1	260.9	282.2	279.4	193.0	168.3
Cash and Due from Banks	37.7	42.0	40.2	28.4	27.1	15.8
Interbank Loans Receivable (IBL)	0.0	0.8	0.0	1.2	0.0	0.0
Loans, gross (inclusive of IBL)	133.7	167.3	196.7	221.5	140.9	142.0
Allowance for Probable Losses	3.6	4.0	6.8	7.4	4.4	5.6
Loans, net (inclusive of IBL)	130.1	163.3	189.9	214.1	136.5	136.3
Investments, net	42.8	44.3	40.2	25.4	20.8	9.5
ROPA, net	0.6	0.6	0.7	0.9	1.3	1.2
Other Assets	9.9	9.8	11.9	11.5	8.6	6.7
Total Liabilities	175.2	210.0	227.4	220.2	152.1	138.9
Bills Payable	137.8	177.6	191.0	178.2	112.4	107.4
Other Liabilities	37.4	32.4	36.3	42.0	39.7	31.5
Total Capital Accounts	45.9	51.0	54.8	59.2	40.9	29.4

Figures may not add up due to rounding-off

0.0 Less than P50 million

Appendix 21. Non-Banks with Quasi-Banking Functions (NBQBs)
Selected Performance Indicators

Growth Rates	2016	2017	2018	2019	2020	2021
Income Statement						
Total Operating Income	16.2 %	17.9 %	0.5%	4.6%	(69.2 %)	2.7 %
Net Interest Income	13.3 %	24.0 %	10.0%	2.9%	(69.0 %)	6.0 %
Operating Expenses	7.9 %	4.0 %	13.3%	9.4%	(55.4 %)	(8.1 %)
Bad Debts/Provisions for Probable Losses	12.0 %	2.6 %	(91.7%)	0.0%	(3.1 %)	(5.4 %)
Other Operating Expenses	5.8 %	4.7 %	10.6%	6.9%	(57.0 %)	(6.8 %)
Net Operating Income	32.6 %	40.3 %	(13.8%)	(3.9 %)	(93.7 %)	137.5 %
Extraordinary Credits/(Charges)	(13.4 %)	13.1 %	4.7%	(91.7 %)	(109.1 %)	(1,514.2 %)
Net Income Before Tax	25.5 %	37.4 %	(12.2%)	(6.1 %)	(94.3 %)	162.0 %
Provisions for Income Tax	24.9 %	26.6 %	(7.2%)	(12.1 %)	(101.8 %)	(650.9 %)
Net Income After Tax (NIAT)	25.7 %	41.9 %	(14.0%)	(3.7 %)	(91.5 %)	96.6 %
Balance Sheet						
Total Assets	7.8 %	18.0 %	8.2 %	(1.0 %)	(30.9 %)	(12.8 %)
Cash and due from Banks	13.0 %	11.5 %	(4.3 %)	(29.4 %)	(4.5 %)	(41.7 %)
Interbank Loans Receivable (IBL)	(100.0 %)	300.0 %	(100.0 %)	100.0 %	(99.8 %)	(40.1 %)
Loans, gross (exclusive of IBL)	27.1 %	25.1 %	17.6 %	12.6 %	(36.4 %)	0.7 %
Allowance for Probable Losses	8.5 %	10.3 %	70.1 %	8.8 %	(40.1 %)	27.5 %
Loans, net (exclusive of IBL)	27.7 %	25.5 %	16.3 %	12.7 %	(36.2 %)	(0.1 %)
Investments, net	(22.9 %)	3.6 %	(9.3 %)	(36.9 %)	(17.9 %)	(54.5 %)
ROPA, net	(0.0 %)	13.1 %	7.9 %	32.2 %	37.7 %	(7.2 %)
Other Assets	(6.7 %)	(1.2 %)	21.2 %	(3.2 %)	(25.7 %)	(22.2 %)
Total Liabilities	9.8 %	19.8 %	8.3 %	(3.2 %)	(30.9 %)	(8.7 %)
Bills Payable	8.3 %	28.9 %	7.6 %	(6.7 %)	(36.9 %)	(4.5 %)
Other Liabilities	15.6 %	(13.4 %)	12.0 %	15.7 %	(5.6 %)	(20.6 %)
Total Capital Accounts	0.7 %	11.1 %	7.5 %	8.1 %	(30.9 %)	(28.1 %)
Selected Ratios						
Profitability						
Cost-to-Income [1/]	40.2 %	35.7 %	39.0 %	40.1 %	55.9 %	50.7 %
Return on Assets (ROA)	3.1 %	3.9 %	3.0 %	2.8 %	0.3 %	0.7 %
Return on Equity (ROE)	14.5 %	19.5 %	15.3 %	13.7 %	1.3 %	3.8 %
Asset Quality						
Non-performing Loans (NPL)	3.9 %	3.6 %	3.8 %	4.7 %	9.6 %	9.9 %
NPL Coverage	69.4 %	65.5 %	91.0 %	70.8 %	32.8 %	40.1 %
Non-Performing Assets (NPA) to Gross Assets	2.6 %	2.6 %	3.7 %	4.0 %	7.6 %	8.9 %
NPA Coverage	63.3 %	60.2 %	125.9 %	65.5 %	30.9 %	37.7 %

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

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

Appendix 22. Non-Banks with Quasi-Banking Functions (NBQBs) Profitability Indicators

Levels (P Billion)	2016	2017	2018	2019	2020	2021
Total Operating Income	21.9	25.9	26.0	27.2	8.4	8.6
Net Interest Income	15.2	18.8	20.7	21.3	6.6	7.0
Interest Income	19.9	24.5	1.4	1.3	0.8	0.4
Interest Expenses	4.7	5.7	8.0	10.9	6.5	6.3
Non-interest Income	6.8	7.1	5.3	5.9	1.8	1.6
Fee-based Income	5.3	5.0	4.5	4.0	1.1	1.1
Trading Income	0.2	0.8	(0.3)	0.6	0.2	(0.0)
Other Income	1.3	1.3	1.1	1.3	0.6	0.6
Operating Expenses	13.5	14.0	15.9	17.4	7.8	7.1
Bad Debts/Provisions for Probable Losses	4.7	4.8	0.4	0.4	0.4	0.4
Other Operating Expenses	8.8	9.2	10.2	10.9	4.7	4.4
Net Operating Income	8.4	11.8	10.2	9.8	0.6	1.5
Extraordinary Credits/(Charges)	1.0	1.1	1.2	0.1	(0.0)	0.1
Net Income Before Tax	9.5	13.0	11.4	10.7	0.6	1.6
Provisions for Income Tax	2.8	3.6	3.3	2.9	(0.1)	0.3
Net Income After Tax (NIAT)	6.6	9.4	8.1	7.8	0.7	1.3
Growth Rates						
Total Operating Income	16.2 %	17.9 %	0.5 %	4.6 %	(69.2 %)	2.7 %
Net Interest Income	13.3 %	24.0 %	10.0 %	2.9 %	(69.0 %)	6.0 %
Interest Income	(19.9 %)	(15.1 %)	(94.3 %)	(7.1 %)	(37.8 %)	(49.3 %)
Interest Expenses	5.0 %	19.9 %	41.0 %	36.3 %	(40.7 %)	(3.3 %)
Non-interest Income	23.2 %	4.3 %	(24.8 %)	11.3 %	(69.7 %)	(9.1 %)
Fee-based Income	12.7 %	(5.7 %)	(10.1 %)	(11.1 %)	(73.5 %)	(0.2 %)
Trading Income	(192.7 %)	300.3 %	(138.3 %)	(300.0 %)	(71.6 %)	(100.1 %)
Other Income	27.3 %	0.3 %	(12.9 %)	18.2 %	(57.4 %)	1.8 %
Operating Expenses	7.9 %	4.0 %	13.3 %	9.4 %	(55.4 %)	(8.1 %)
Bad Debts/Provisions for Probable Losses	12.0 %	2.6 %	(91.7 %)	0.0 %	(3.1 %)	(5.4 %)
Other Operating Expenses	5.8 %	4.7 %	10.6 %	6.9 %	(57.0 %)	(6.8 %)
Net Operating Income	32.6 %	40.3 %	(13.8 %)	(3.9 %)	(93.7 %)	137.5 %
Extraordinary Credits/(Charges)	(13.4 %)	13.1 %	4.7 %	(91.7 %)	(109.1 %)	(1,514.2 %)
Net Income Before Tax	25.5 %	37.4 %	(12.2 %)	(6.1 %)	(94.3 %)	162.0 %
Provisions for Income Tax	24.9 %	26.6 %	(7.2 %)	(12.1 %)	(101.8 %)	(650.9 %)
Net Income After Tax (NIAT)	25.7 %	41.9 %	(14.0 %)	(3.7 %)	(91.5 %)	96.6 %
Selected Ratios						
Earning Asset Yield 1/	12.3 %	13.2 %	0.7 %	0.6 %	0.4 %	0.3 %
Funding Cost 2/	3.6 %	3.6 %	4.4 %	5.9 %	4.5 %	5.7 %
Interest Spread 3/	8.7 %	9.6 %	9.6 %	(5.4 %)	(4.0 %)	(5.4 %)
Net Interest Margin 4/	9.4 %	10.1 %	(3.7 %)	9.3 %	3.4 %	4.8 %
Non-interest Income to Total Operating Income	30.8 %	27.3 %	20.5 %	21.6 %	21.3 %	18.8 %
Cost-to-Income 5/	40.2 %	35.7 %	39.0 %	40.1 %	55.9 %	50.7 %
Return on Assets (ROA) 6/	3.1 %	3.9 %	3.0 %	2.8 %	0.3 %	0.7 %
Return on Equity (ROE) 6/	14.5 %	19.5 %	15.3 %	13.7 %	1.3 %	3.8 %

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

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

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

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

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

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

Figures may not add up due to rounding-off

Appendix 23. Non-Banks with Quasi-Banking Functions (NBQBs)
Asset Quality Indicators

Levels (P Billion)	2016	2017	2018	2019	2020	2021
Total Assets	221.1	260.9	282.2	279.4	193.0	168.3
Gross Assets [1/]	224.8	265.1	289.2	287.0	197.7	174.1
Total Loan Portfolio (TLP)	133.7	168.1	196.7	221.5	140.9	142.0
Interbank Loans Receivable (IBL)	0.0	0.8	-	1.2	0.0	0.0
TLP, net (inclusive of IBL)	130.1	163.3	189.9	214.1	136.5	136.3
Non-Performing Loans (NPL)	5.2	6.1	7.4	10.4	13.5	14.1
Loan Loss Reserves (LLR)	3.6	4.0	6.8	7.3	4.4	5.6
ROPA, gross	0.7	0.8	0.7	1.1	1.5	1.4
Allowance for ROPA	0.1	0.2	0.1	0.1	0.2	0.2
Restructured Loans (RL), gross	0.2	0.3	0.3	0.6	1.3	2.1
RL, current	0.1	0.0	0.0	0.0	0.5	1.0
Non-performing Assets (NPAs) [2/]	5.9	6.9	8.2	11.5	15.0	15.4
Allowance for Probable Losses on NPAs	3.7	4.2	6.9	7.5	4.6	5.8
Growth Rates						
Total Assets	7.8 %	18.0 %	8.2 %	(1.0 %)	(30.9 %)	(12.8 %)
Gross Assets [1/]	7.8 %	17.9 %	9.1 %	(0.8 %)	(31.1 %)	(11.9 %)
TLP	23.3 %	25.7 %	17.0 %	12.6 %	(36.4 %)	0.7 %
IBL	(86.5 %)	300.0 %	(100.0 %)	100.0 %	(99.8 %)	(40.1 %)
TLP, net (inclusive of IBL)	27.7 %	25.5 %	16.3 %	12.7 %	(36.2 %)	(0.1 %)
NPL	7.7 %	16.8 %	21.4 %	40.5 %	30.0 %	4.1 %
LLR	8.5 %	10.3 %	70.1 %	7.4 %	(39.3 %)	27.5 %
ROPA, gross	7.8 %	16.4 %	(13.8 %)	57.1 %	34.7 %	(8.8 %)
Allowance for ROPA	69.6 %	31.5 %	(38.7 %)	0.0 %	107.5 %	(18.2 %)
RL, gross	(27.3 %)	47.5 %	(10.2 %)	100.0 %	110.0 %	67.1 %
RL, current	(53.2 %)	(21.4 %)	(76.2 %)	207.3 %	1,381.3 %	118.3 %
NPAs [2/]	7.7 %	16.8 %	18.7 %	40.2 %	30.5 %	2.9 %
Allowance for Probable Losses on NPAs	9.8 %	11.0 %	65.9 %	8.7 %	(38.2 %)	25.4 %
Selected Ratios						
RL to TLP	0.2 %	0.2 %	0.2 %	0.3 %	0.3 %	0.7 %
LLR to TLP	2.7 %	2.4 %	10.3 %	3.3 %	3.1 %	4.0 %
NPL Ratio (inclusive of IBL)	3.9 %	3.6 %	3.8 %	4.7 %	9.6%	9.9%
NPL Ratio (exclusive of IBL)	3.9 %	3.6 %	3.8 %	4.7 %	9.6%	9.9%
NPL Coverage [3/]	69.4 %	65.5 %	91.0 %	70.8 %	32.8 %	40.1 %
NPA to Gross Assets	2.6 %	2.6 %	3.7 %	4.0 %	7.6 %	8.9 %
NPA Coverage [4/]	63.3 %	60.2 %	125.9 %	65.5 %	30.9 %	37.7 %

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

2/ *NPA refers to NPLs plus ROPA, gross excluding performing sales contracts receivable per BSP Circular No. 380 dated 28 March 2003*

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

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

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

Levels (P Billion)	2017	2018	December 2019	2020	2021/p
Income Statement					
Total Operating Income	24.1	29.5	30.4	23.1	31.1
Net Interest Income	21.3	26.5	27.5	22.1	29.9
Non-interest Income	2.8	3.0	2.9	0.9	1.3
Operating Expenses	5.8	6.6	7.4	5.6	9.1
Bad Debts/Provisions for Probable Losses	1.6	1.8	2.4	(1.1)	(3.1)
Other Operating Expenses	4.2	4.8	5.0	4.5	6.0
Net Operating Income	18.3	22.9	23.0	17.5	22.0
Extraordinary Credits/(Charges)	(0.8)	(1.6)	(0.5)	0.1	0.1
Net Income Before Tax	17.4	21.3	22.5	17.5	22.1
Provisions for Income Tax	0.0	0.0	0.0	0.0	0.0
Net Income After Tax (NIAT)	17.4	21.2	22.5	17.5	22.1
Balance Sheet					
Total Assets	193.5	226.4	260.1	266.9	283.3
Cash and Due from Banks	23.5	18.0	21.2	21.5	26.9
Loans, gross	153.2	197.5	226.1	234.2	246.1
Allowance for Probable Losses	18.3	20.4	20.6	20.9	24.2
Loans, net (inclusive of IBL)	134.9	177.1	205.5	213.3	221.7
Investments, net	23.4	18.3	19.2	19.8	20.7
Other Assets	11.8	13.0	14.1	12.3	14.0
Total Liabilities	55.1	72.8	89.1	92.3	103.0
Deposit Liabilities	43.0	48.3	59.0	70.7	80.6
Bills Payable	5.0	17.0	20.4	12.4	5.4
Other Liabilities	7.1	7.4	9.8	9.2	17.1
Total Capital Accounts	138.4	153.6	171.0	174.6	180.2

0.0 Less than P50 million

Figures may not add up due to rounding-off

/p preliminary

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

	December				
	2017	2018	2019	2020	2021/p
Growth Rates					
Income Statement					
Total Operating Income	6.0%	22.6 %	3.1 %	(24.2 %)	35.0 %
Net Interest Income	8.2%	24.2 %	3.9 %	(19.5 %)	35.0 %
Non-interest Income	(8.6 %)	10.1 %	(3.4 %)	(68.2 %)	35.9 %
Operating Expenses	2.1%	14.2 %	11.5 %	(24.5 %)	63.2 %
Bad Debts/Provisions for Probable Losses	20.6%	14.1 %	32.7 %	(144.8 %)	190.3 %
Other Operating Expenses	(3.4 %)	14.3 %	3.6 %	(9.8 %)	33.0 %
Net Operating Income	7.3%	25.3 %	0.7 %	(24.1 %)	26.0 %
Extraordinary Credits/(Charges)	(42.8 %)	95.6 %	(67.2 %)	(113.5 %)	(12.0 %)
Net Income Before Tax	11.8%	22.0 %	5.7 %	(22.0 %)	25.8 %
Provisions for Income Tax		23.8 %	3.8 %	(73.9 %)	133.3 %
Net Income After Tax (NIAT)	11.8%	22.0 %	5.7 %	(21.9 %)	25.8 %
Balance Sheet					
Total Assets	7.4%	17.0 %	14.9 %	2.6 %	6.1 %
Cash and Due from Banks	(16.9 %)	(23.6 %)	18.2 %	1.1 %	25.1 %
Loans, gross	11.1%	28.9 %	14.5 %	3.6 %	5.1 %
Allowance for Probable Losses	14.4%	11.6 %	0.8 %	1.5 %	16.0 %
Loans, net	10.6%	31.3 %	16.1 %	3.8 %	4.0 %
Investments, net	24.0%	(21.7 %)	4.9 %	3.3 %	4.3 %
Other Assets	6.7%	10.9 %	8.6 %	(13.1 %)	13.6 %
Total Liabilities	11.8%	32.0 %	22.5 %	3.5 %	11.7 %
Deposit Liabilities	11.9%	12.4 %	22.0 %	19.8 %	14.0 %
Bills Payable	24.7%	243.0 %	19.5 %	(38.9 %)	(56.8 %)
Other Liabilities	3.3%	3.4 %	32.6 %	(6.5 %)	86.7 %
Total Capital Accounts	5.8%	11.0 %	11.3 %	2.1 %	3.2 %
Selected Ratios					
Profitability					
Cost-to-Income 1/	17.6%	16.4 %	16.6 %	19.6 %	19.3 %
Return on Assets (ROA)	9.3%	9.7 %	9.3 %	6.9 %	8.0 %
Return on Equity (ROE)	12.9%	14.5%	13.9%	10.4%	12.4%
Liquidity					
Cash and Due from Banks to Deposits	54.7%	37.2 %	36.0 %	30.4 %	33.4 %
Liquid Assets to Deposits 2/	109.0%	75.0 %	68.6 %	58.4 %	59.0 %
Loans, gross to Deposits	356.2%	408.6 %	383.4 %	331.5 %	305.4 %
Asset Quality					
Non-performing Loans (NPL) Ratio	9.8%	9.1 %	7.0 %	7.9 %	8.0 %
NPL Coverage	122.0%	114.2 %	130.4 %	112.8 %	123.8 %
Non-performing Assets (NPA) to Gross Assets	7.1%	7.3 %	5.6 %	6.5 %	6.5 %
NPA Coverage	121.4%	113.8 %	130.0 %	112.2 %	123.1 %
Capital Adequacy					
Total Capital Accounts to Total Assets	65.3%	62.2 %	60.9 %	65.4 %	63.6 %
Paid-in Capital to Total Capital Accounts	78.9%	77.4 %	76.6 %	74.9 %	74.6 %
Business Mix					
Total Investments (gross) to Total Assets	11.0%	7.4 %	6.8 %	7.4 %	7.3 %
Total Loans (gross) to Total Assets	72.3%	80.0 %	80.6 %	87.8 %	86.9 %

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

	December				
	2017	2018	2019	2020	2021/p
Income Statement					
Total Operating Income	24.1	29.5	30.4	23.1	31.1
Net Interest Income	21.3	26.5	27.5	22.1	29.9
Interest Income	23.2	29.1	31.1	25.4	33.6
Interest Expenses	1.8	2.7	3.6	3.3	3.7
Non-interest Income	2.8	3.0	2.9	0.9	1.3
Fee-based Income	1.9	2.1	2.1	0.7	0.9
Trading Income	0.0	0.0	0.0	0.0	0.0
Trust department income	0.0	0.0	0.0	0.0	0.0
Other Income	0.9	0.9	0.8	0.3	0.4
Operating Expenses	5.8	6.6	7.4	5.6	9.1
Bad Debts/Provisions for Probable Losses	1.6	1.8	2.4	(1.1)	(3.1)
Other Operating Expenses	4.2	4.8	5.0	4.5	6.0
Net Operating Income	18.3	22.9	23.0	17.5	22.0
Extraordinary Credits/(Charges)	(0.8)	(1.6)	(0.5)	0.1	0.1
Net Income Before Tax	17.4	21.3	22.5	17.5	22.1
Provisions for Income Tax	0.0	0.0	0.0	0.0	0.0
Net Income After Tax (NIAT)	17.4	21.2	22.5	17.5	22.1
Growth Rates					
Total Operating Income	6.0 %	22.6 %	3.1 %	(24.2 %)	35.0 %
Net Interest Income	8.2 %	24.2 %	3.9 %	(19.5 %)	35.0 %
Interest Income	8.4 %	25.8 %	6.7 %	(18.2 %)	32.0 %
Interest Expenses	10.1 %	44.1 %	35.1 %	(8.1 %)	11.8 %
Non-interest Income	(8.6 %)	10.1 %	(3.4 %)	(68.2 %)	35.9 %
Fee-based Income	(16.9 %)	14.8 %	(1.7 %)	(68.6 %)	32.8 %
Trading Income	-	-	-	0.0 %	269.7 %
Trust department income	-	-	-	0.0 %	0.0 %
Other Income	16.2 %	0.2 %	(7.6 %)	(67.6 %)	39.9 %
Operating Expenses	2.1 %	14.2 %	11.5 %	(24.5 %)	63.2 %
Bad Debts/Provisions for Probable Losses	20.6 %	14.1 %	32.7 %	(144.8 %)	190.3 %
Other Operating Expenses	(3.4 %)	14.3 %	3.6 %	(9.8 %)	33.0 %
Net Operating Income	7.3 %	25.3 %	0.7 %	(24.1 %)	26.0 %
Extraordinary Credits/(Charges)	(42.8 %)	95.6 %	(67.2 %)	(113.5 %)	(12.0 %)
Net Income Before Tax	11.8 %	22.0 %	5.7 %	(22.0 %)	25.8 %
Provisions for Income Tax	-	23.8%	3.8 %	(73.9 %)	133.3 %
Net Income After Tax (NIAT)	11.8 %	22.0 %	5.7 %	(21.9 %)	25.8 %
Selected Ratios					
Cost-to-Income 1/	17.6 %	16.4 %	16.6 %	19.6 %	19.3 %
Return on Assets (ROA) 2/	9.3 %	9.7 %	9.3 %	6.9 %	8.0 %
Return on Equity (ROE) 2/	12.9%	14.5%	13.9%	10.4 %	12.4%

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

Asset Quality Indicators

	December				
Levels (P Billion)	**2017**	**2018**	**2019**	**2020**	**2021/p**
Total Assets	193.5	226.4	260.1	266.9	283.3
Gross Assets 1/	211.8	246.8	280.7	287.8	307.5
Total Loan Portfolio (TLP)	153.2	197.5	226.1	234.2	246.1
TLP, exclusive of IBL	153.2	197.5	226.1	234.2	246.1
TLP, net (inclusive of IBL)	134.9	177.1	205.5	213.3	221.7
Non-performing Loans (NPL)	15.0	17.9	15.8	18.5	19.6
Loan Loss Reserves (LLR)	18.3	20.4	20.6	20.9	24.2
ROPA, gross	0.1	0.1	0.1	0.2	0.3
Non-Performing Assets (NPAs) 2/	15.1	17.9	15.8	18.8	19.9
Allowance for Probable Losses on NPAs	18.3	20.4	20.6	21.1	24.5
Growth Rates					
Total Assets	7.4 %	17.0 %	14.9 %	2.6 %	6.1 %
Gross Assets 1/	8.0 %	16.5 %	13.7 %	2.5 %	6.9 %
TLP	11.1 %	28.9 %	14.5 %	3.6 %	5.1 %
TLP (exclusive of IBL)	11.1 %	28.9 %	14.5 %	3.6 %	5.1 %
TLP, net (inclusive of IBL)	10.6 %	31.3 %	16.1 %	3.8 %	4.0 %
NPL	6.1 %	19.3 %	(11.8 %)	17.4 %	5.7 %
LLR	14.4 %	11.6 %	0.8 %	1.5 %	16.0 %
ROPA, gross	(33.8 %)	(9.7 %)	(3.0 %)	319.0 %	19.2 %
NPAs 2/	5.8 %	19.1 %	(11.7 %)	18.5 %	5.9 %
Allowance for Probable Losses on NPAs	14.4 %	11.6 %	0.8 %	2.3 %	16.1 %
Selected Ratios					
LLR to TLP	11.9 %	10.3 %	9.1 %	8.9 %	9.9 %
NPL Ratio (inclusive of IBL)	9.8 %	9.1 %	7.0 %	7.9 %	8.0 %
NPL Coverage 3/	122.0 %	114.2 %	130.5 %	112.8 %	123.8 %
NPA to Gross Assets	7.1 %	99.8 %	74.2 %	6.5 %	6.5 %
NPA Coverage 4/	121.4 %	113.8 %	130.0 %	112.2 %	123.1 %

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 28

PHYSICAL COMPOSITION

Financial Institutions Under BSP Supervision/Regulation

As of Semesters-Ended Indicated

TYPE OF FINANCIAL INSTITUTION (FI)	DECEMBER 2020			JUNE 2021			DECEMBER 2021 p/		
	TOTAL	HEAD OFFICES	OTHER OFFICES	TOTAL	HEAD OFFICES	OTHER OFFICES	TOTAL	HEAD OFFICES	OTHER OFFICES
BSP SUPERVISED/REGULATED FIs 1/	**35,365**	**2,544**	**32,821**	**36,396**	**2,577**	**33,819**	**36,471**	**2,579**	**33,892**
I. BANKS 2/	**13,044**	**535**	**12,509**	**13,126**	**523**	**12,603**	**13,154**	**506**	**12,648**
A. Universal and Commercial Banks	**7,029**	**46**	**6,983**	**7,041**	**46**	**6,995**	**7,038**	**46**	**6,992**
Universal Banks	**6,454**	**21**	**6,433**	**6,463**	**21**	**6,442**	**6,456**	**21**	**6,435**
Private Domestic Banks	5,815	12	5,803	5,825	12	5,813	5,803	12	5,791
Government Banks	627	3	624	628	3	625	643	3	640
Foreign Bank Branches	12	6	6	10	6	4	10	6	4
Commercial Banks	**575**	**25**	**550**	**578**	**25**	**553**	**582**	**25**	**557**
Private Domestic Banks	454	5	449	458	5	453	462	5	457
Foreign Bank Subsidiaries	99	2	97	98	2	96	98	2	96
Foreign Bank Branches	22	18	4	22	18	4	22	18	4
B. Thrift Banks	**2,685**	**48**	**2,637**	**2,770**	**48**	**2,722**	**2,738**	**47**	**2,691**
Financial Institution-Linked Banks	**1,273**	**12**	**1,261**	**1,308**	**13**	**1,295**	**1,301**	**13**	**1,288**
Domestic Bank-Controlled	1,235	9	1,226	1,270	10	1,260	1,263	10	1,253
Foreign Bank-Controlled	38	3	35	38	3	35	38	3	35
Domestic NBFI-Controlled									
Foreign NBFI-Controlled									
Non-Linked	**1,412**	**36**	**1,376**	**1,462**	**35**	**1,427**	**1,437**	**34**	**1,403**
C. Rural and Cooperative Banks	**3,330**	**441**	**2,889**	**3,315**	**429**	**2,886**	**3,378**	**413**	**2,965**
Rural Banks	2,254	410	1,844	2,213	398	1,815	2,290	383	1,907
Microfinance-oriented Rural Banks	909	7	902	935	7	928	917	6	911
Cooperative Banks	167	24	143	167	24	143	171	24	147
II. NON-BANK FINANCIAL INSTITUTIONS (NBFIs)	**22,320**	**2,008**	**20,312**	**23,269**	**2,053**	**21,216**	**23,316**	**2,072**	**21,244**
A. With Quasi-Banking Function	**134**	**7**	**127**	**132**	**6**	**126**	**127**	**6**	**121**
Investment Houses	3	2	1	1	1		1	1	
Financing Companies	130	4	126	130	4	126	125	4	121
Other Non-Bank with QBF Function	1	1		1	1		1	1	
B. Without Quasi-Banking Function	**22,186**	**2,001**	**20,185**	**23,137**	**2,047**	**21,090**	**23,189**	**2,066**	**21,123**
AAB - Forex Corporation	2	2		2	2		2	2	
Credit Card Companies	4	4		4	4		4	4	
Credit Granting Entities	9	9		9	9		9	9	
Electronic Money Issuer - Others	34	27	7	38	31	7	53	36	17
Financing Companies	50	20	30	51	21	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		13	12	1	13	12	1
Lending Investors	1	1		1	1		1	1	
Non-Stock Savings and Loan Associations	200	63	137	200	62	138	198	60	138
Pawnshops	14,641	1,090	13,551	15,228	1,131	14,097	15,388	1,152	14,236
Money Service Businesses 3/	7,214	754	6,460	7,570	753	6,817	7,449	748	6,701
Remittance Agent (Subsidiary of a Bank)									
Securities Dealers/Brokers	13	13		13	13		13	13	
Trust Corporation	4	4		5	5		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 29
COMPARATIVE STATEMENT OF CONDITION
PHILIPPINE BANKING SYSTEM
As of Periods-Ended Indicated
(Amounts in Billion Pesos)

Selected Accounts	ALL BANKS 1/			UNIVERSAL & COMMERCIAL BANKS 1/ 2/			THRIFT BANKS			RURAL AND COOPERATIVE BANKS		
	End-Dec '20	End-Jun '21	End-Dec '21 p/	End-Dec '20	End-Jun '21	End-Dec '21 p/	End-Dec '20	End-Jun '21	End-Dec '21 p/	End-Dec '20	End-Jun '21	End-Dec '21 p/
ASSETS	**19,457.1**	**19,811.2**	**20,828.1**	**18,045.5**	**18,328.3**	**19,250.7**	**1,129.3**	**1,186.4**	**1,265.4**	**282.2**	**296.5**	**312.0**
Cash and Due from Banks	3,584.1	3,518.4	3,571.5	3,339.2	3,213.1	3,213.2	181.7	237.3	286.6	63.2	68.0	71.7
Loan Portfolio (net) 3/	10,505.4	10,377.9	10,994.3	9,596.8	9,495.6	10,112.3	763.7	735.6	729.5	144.9	146.7	152.5
Financial Assets (net)	4,328.7	4,914.2	5,195.9	4,183.0	4,725.3	4,985.7	100.4	135.7	153.1	45.3	53.1	57.1
Equity Investments (net)	261.7	271.7	276.9	256.8	268.8	274.1	4.4	2.3	2.4	0.5	0.5	0.5
ROPA (net)	92.7	93.1	95.9	66.3	66.8	69.5	17.6	17.5	17.1	8.8	8.8	9.3
Other Assets	684.4	635.9	693.6	603.4	558.5	596.0	61.5	58.0	76.7	19.4	19.4	20.9
LIABILITIES AND CAPITAL	**19,457.1**	**19,811.2**	**20,828.1**	**18,045.5**	**18,328.3**	**19,250.7**	**1,129.3**	**1,186.4**	**1,265.4**	**282.2**	**296.5**	**312.0**
Liabilities	**17,025.9**	**17,301.2**	**18,254.2**	**15,830.1**	**16,039.6**	**16,898.7**	**967.7**	**1,021.2**	**1,100.5**	**228.1**	**240.4**	**255.0**
Financial Liabilities Held for Trading	47.3	42.0	43.7	47.3	42.0	43.7	0.0	0.0	0.0	-	-	-
Financial Liabilities DFVPL	-	-	-	-	-	-	-	-	-	-	-	-
Deposit Liabilities	14,895.0	15,346.1	16,241.1	13,818.7	14,199.0	15,018.9	870.6	926.4	989.7	205.7	220.7	232.5
Residents	14,768.8	15,197.7	16,093.7	13,696.2	14,054.4	14,875.9	867.0	922.6	985.4	205.7	220.7	232.5
Peso Liabilities	12,637.1	13,008.8	13,789.0	11,613.1	11,914.0	12,621.0	818.4	874.3	935.8	205.5	220.5	232.3
Demand and NOW	3,999.1	4,326.4	4,706.3	3,900.8	4,217.1	4,544.6	92.9	103.9	155.6	5.4	5.4	6.0
Savings	5,992.1	6,201.3	6,502.0	5,538.5	5,720.7	6,043.2	292.2	312.6	287.2	161.3	167.9	171.6
Time	2,440.4	2,281.6	2,387.5	1,976.8	1,785.1	1,848.3	424.8	449.3	484.5	38.8	47.1	54.7
LTNCD	205.5	199.6	193.3	197.0	191.0	184.8	8.5	8.5	8.5	0.1	0.1	-
Foreign Currency	2,131.7	2,188.9	2,304.7	2,083.0	2,140.4	2,254.9	48.5	48.3	49.6	0.2	0.2	0.2
Demand and NOW	60.6	69.4	73.2	60.5	69.3	73.1	0.0	0.0	0.0	-	-	-
Savings	1,139.6	1,230.8	1,296.5	1,111.8	1,202.1	1,266.9	27.7	28.5	29.4	0.1	0.1	0.2
Time	931.5	888.7	935.0	910.7	868.9	914.9	20.8	19.8	20.1	0.0	0.0	0.0
LTNCD	-	-	-	-	-	-	-	-	-	-	-	-
Non-Residents	126.2	148.4	147.4	122.5	144.6	143.0	3.7	3.8	4.3	0.0	0.0	0.1
Peso Liabilities	65.1	78.2	68.9	62.7	75.7	66.3	2.4	2.5	2.5	0.0	0.0	0.1
Demand and NOW	24.2	39.6	24.1	23.8	39.2	23.6	0.4	0.4	0.4	0.0	0.0	0.0
Savings	34.6	32.9	38.7	32.7	31.0	36.7	1.9	1.9	2.0	0.0	0.0	0.1
Time	6.3	5.7	6.1	6.2	5.5	5.9	0.2	0.2	0.1	0.0	0.0	0.0
LTNCD	-	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency	61.1	70.2	78.5	59.8	68.9	76.7	1.3	1.3	1.8	-	-	-
Demand and NOW	2.6	4.0	2.5	2.6	4.0	2.5	0.0	0.0	0.0	-	-	-
Savings	32.8	40.6	45.4	31.5	39.2	43.7	1.3	1.3	1.8	-	-	-
Time	25.7	25.6	30.6	25.7	25.6	30.6	0.0	0.0	0.0	-	-	-
LTNCD	-	-	-	-	-	-	-	-	-	-	-	-
Bills Payable	558.2	429.0	496.9	514.2	388.6	458.2	33.2	33.2	30.1	10.8	7.2	8.6
BSP	5.8	0.0	0.0	5.8	0.0	0.0	-	-	-	0.0	0.0	0.0
Interbank Loans Payable	197.6	135.9	151.2	164.1	107.2	118.9	29.1	25.5	28.7	4.4	3.1	3.6
Other Deposits Substitutes	256.1	197.8	252.8	254.8	197.6	252.6	1.3	0.2	0.2	-	-	-
Others	98.6	95.3	92.9	89.4	83.8	86.7	2.8	7.5	1.2	6.3	4.1	5.0
Unsecured Subordinated Debt	27.5	22.5	22.6	24.9	20.0	20.0	1.3	1.3	1.3	1.3	1.3	1.3
Redeemable Preferred Shares	0.2	0.3	0.2	0.0	0.0	0.0	0.1	0.1	0.0	0.2	0.2	0.2
Other Liabilities	1,497.7	1,461.3	1,449.6	1,425.0	1,390.0	1,357.9	62.5	60.2	79.3	10.2	11.1	12.3
Capital Accounts	**2,431.1**	**2,510.0**	**2,574.0**	**2,215.5**	**2,288.7**	**2,352.0**	**161.6**	**165.2**	**164.9**	**54.1**	**56.1**	**57.1**
Capital Stock	1,007.6	1,051.3	1,066.0	901.8	942.3	955.6	71.5	73.8	75.4	34.3	35.2	35.1
Assigned Capital	144.7	145.4	145.8	144.7	145.4	145.8	-	-	-	-	-	-
Net Due to HO, Br & Ags / Accum Earnings	56.3	57.1	49.7	56.3	57.1	49.7	-	-	-	-	-	-
Other Equity Instruments 4/	17.7	17.6	16.4	14.6	14.6	14.5	2.7	1.9	0.7	0.5	1.1	1.2
Retained Earnings & Undivided Profits 5/	1,204.9	1,238.6	1,296.1	1,098.2	1,129.2	1,186.5	87.4	89.5	88.9	19.3	19.8	20.8

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 30
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-Dec '20	Jan-Jun '21	Jan-Dec '21 p/	Jan-Dec '20	Jan-Jun '21	Jan-Dec '21 p/	Jan-Dec '20	Jan-Jun '21	Jan-Dec '21 p/	Jan-Dec '20	Jan-Jun '21	Jan-Dec '21 p/
Operating Income	**893.3**	**451.7**	**869.4**	**788.2**	**395.8**	**756.1**	**76.9**	**39.3**	**79.2**	**28.2**	**16.6**	**34.2**
Net Interest Income	**674.2**	**325.6**	**661.8**	**587.0**	**278.4**	**567.1**	**64.9**	**34.1**	**67.8**	**22.2**	**13.0**	**27.0**
Interest Income	851.2	384.9	777.2	740.3	329.1	665.0	84.7	40.9	81.5	26.3	14.8	30.7
Provision for Losses on Accrued Interest	0.9	0.3	0.3	0.2	0.2	0.2	0.6	0.1	0.1	0.0	0.0	0.0
Less: Interest Expenses	176.1	59.1	115.1	153.0	50.5	97.7	19.1	6.8	13.6	4.0	1.8	3.7
Non-interest Income	**219.1**	**126.2**	**207.6**	**201.1**	**117.4**	**189.0**	**11.9**	**5.2**	**11.4**	**6.0**	**3.6**	**7.2**
Dividend Income	3.2	1.3	2.0	3.2	1.3	2.0	0.0	0.0	0.0	0.0	0.0	0.0
Fee-based Income	89.5	51.0	107.3	80.4	45.6	95.2	5.4	3.3	7.5	3.8	2.1	4.5
Trading Income/(Loss)	20.2	2.6	9.7	19.5	2.7	9.9	0.6	(0.1)	(0.2)	0.0		0.0
Foreign Exchange Income/(Loss)	6.6	3.4	5.3	6.5	3.3	5.2	0.1	0.0	0.1	(0.0)	0.0	0.0
Other Income/(Loss)	99.6	67.9	83.4	91.5	64.5	76.7	5.8	2.0	4.0	2.2	1.4	2.7
Non-Interest Expenses	**491.5**	**253.8**	**512.4**	**420.4**	**216.1**	**435.9**	**48.2**	**25.1**	**50.3**	**22.9**	**12.6**	**26.2**
Losses/Recoveries on Financial Assets	**(214.2)**	**(57.1)**	**(97.7)**	**(195.9)**	**(51.4)**	**(85.5)**	**(17.1)**	**(5.0)**	**(10.1)**	**(1.2)**	**(0.6)**	**(2.1)**
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures Accounted for Using the Equity Method	**187.6**	**140.9**	**259.3**	**171.9**	**128.3**	**234.7**	**11.6**	**9.2**	**18.8**	**4.1**	**3.4**	**5.9**
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures Accounted for Using the Equity Method	**11.9**	**10.1**	**20.7**	**11.8**	**10.1**	**20.6**	**0.2**	**0.0**	**0.1**	**(0.0)**	**0.0**	**0.0**
Total Profit/Loss Before Tax and Before Minority Interest	**199.5**	**151.0**	**280.1**	**183.6**	**138.4**	**255.3**	**11.8**	**9.2**	**18.8**	**4.1**	**3.4**	**5.9**
Income Tax Expense	44.3	28.3	55.3	41.1	24.9	47.9	1.9	2.6	6.0	1.3	0.9	1.4
Total Profit/Loss After Tax and Before Minority Interest	**155.2**	**122.7**	**224.8**	**142.6**	**113.5**	**207.4**	**9.9**	**6.6**	**12.8**	**2.8**	**2.5**	**4.5**
Minority Interest in Profit/(Loss) of Subsidiaries			-			-			-			-
NET PROFIT/(LOSS)	**155.2**	**122.7**	**224.8**	**142.6**	**113.5**	**207.4**	**9.9**	**6.6**	**12.8**	**2.8**	**2.5**	**4.5**
Profitability												
Return on Assets (%)	**0.8**	**1.0**	**1.1**	**0.8**	**1.0**	**1.1**	**0.9**	**0.9**	**1.1**	**1.0**	**1.4**	**1.5**
Return on Equity (%)	**6.5**	**7.9**	**9.0**	**6.6**	**8.0**	**9.1**	**6.0**	**6.6**	**7.8**	**5.3**	**7.2**	**8.1**

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 31
Selected Performance Indicators
PHILIPPINE BANKING SYSTEM
As of Periods-Ended Indicated
(Ratios in Percent)

Selected Ratios	ALL BANKS			UNIVERSAL & COMMERCIAL BANKS			THRIFT BANKS			RURAL AND COOPERATIVE BANKS		
	End-Dec '20	End-Jun '21	End-Dec '21 [p/]	End-Dec '20	End-Jun '21	End-Dec '21 [p/]	End-Dec '20	End-Jun '21	End-Dec '21 [p/]	End-Dec '20	End-Jun '21	End-Dec '21 [p/]
Profitability												
Earning Asset Yield [1/]	4.8%	4.4%	4.1%	4.5%	4.1%	3.8%	7.9%	7.5%	7.2%	10.4%	10.7%	11.2%
Funding Cost [2/]	1.1%	0.8%	0.7%	1.0%	0.7%	0.6%	2.0%	1.6%	1.4%	1.9%	1.7%	1.6%
Interest Spread [3/]	3.7%	3.6%	3.4%	3.5%	3.3%	3.1%	5.8%	6.0%	5.8%	8.5%	9.0%	9.6%
Net Interest Margin [4/]	3.8%	3.6%	3.5%	3.6%	3.4%	3.2%	6.0%	6.2%	6.0%	8.8%	9.3%	9.9%
Non-Interest Income to Total Operating Income [5/]	24.5%	25.4%	23.9%	25.5%	26.6%	25.0%	15.5%	15.0%	14.4%	21.3%	22.3%	21.1%
Cost-to-Income [6/]	54.9%	56.0%	58.7%	53.2%	54.5%	57.5%	62.0%	61.9%	62.5%	81.0%	78.1%	76.4%
Return on Assets (ROA) [7/]	0.8%	1.0%	1.1%	0.8%	1.0%	1.1%	0.9%	0.9%	1.1%	1.0%	1.4%	1.5%
Return on Equity (ROE) [7/]	6.5%	7.9%	9.0%	6.6%	8.0%	9.1%	6.0%	6.6%	7.8%	5.3%	7.2%	8.1%
Liquidity												
Cash and Due from Banks to Deposits	24.1%	22.9%	22.0%	24.2%	22.6%	21.4%	20.9%	25.6%	29.0%	30.7%	30.8%	30.8%
Liquid Assets to Deposits [8/]	53.1%	54.9%	54.0%	54.4%	55.9%	54.6%	32.4%	40.3%	44.4%	52.8%	54.9%	55.4%
Loans, gross to Deposits	73.0%	70.2%	70.1%	71.8%	69.3%	69.6%	91.4%	83.3%	77.5%	76.7%	72.6%	71.7%
Asset Quality												
Restructured Loans to Total Loan Portfolio (TLP)	1.9%	3.0%	3.1%	1.9%	3.1%	3.2%	1.5%	1.9%	1.9%	2.6%	2.8%	3.3%
Allowance for Credit Losses (ACL) to TLP	3.4%	3.7%	3.5%	3.3%	3.5%	3.3%	4.0%	4.7%	4.9%	8.1%	8.4%	8.5%
Gross Non-Performing Loans (NPL) to TLP	3.6%	4.5%	4.0%	3.1%	4.0%	3.6%	7.9%	8.2%	7.7%	14.7%	14.1%	12.8%
Net NPL to TLP	2.0%	2.5%	2.1%	1.6%	2.2%	1.8%	5.7%	5.3%	4.7%	8.5%	7.7%	6.3%
NPL Ratio net of IBL	3.7%	4.6%	4.1%	3.2%	4.2%	3.7%	7.9%	8.2%	7.7%	14.7%	14.1%	12.8%
NPL Coverage (ACL to Gross NPL)	93.0%	82.4%	87.7%	104.5%	87.6%	92.8%	50.3%	57.4%	63.6%	55.5%	59.4%	66.3%
Non-Performing Assets (NPA) to Gross Assets	2.6%	3.0%	2.7%	2.1%	2.6%	2.4%	7.2%	6.9%	6.1%	10.7%	10.0%	9.3%
NPA Coverage (Allowance on NPA to NPA)	78.5%	72.1%	75.3%	88.6%	77.6%	80.7%	43.5%	49.3%	53.4%	44.5%	47.3%	51.1%
ROPA to Gross Assets Ratio	0.6%	0.6%	0.6%	0.5%	0.5%	0.5%	1.8%	1.7%	1.6%	2.9%	2.7%	2.7%
ROPA Coverage Ratio	29.0%	29.8%	28.5%	31.9%	32.5%	30.9%	23.1%	24.8%	23.9%	14.7%	14.6%	14.6%
Distressed Assets	6.2%	7.7%	7.2%	5.6%	7.1%	6.7%	11.2%	11.8%	11.3%	20.3%	19.5%	18.8%
Capital Adequacy												
Total Capital Accounts to Total Assets [9/]	12.5%	12.7%	12.4%	12.3%	12.5%	12.2%	14.3%	13.9%	13.0%	19.2%	19.0%	18.4%
Capital Adequacy Ratio (Solo) [10/] [11/]	16.7%	17.2%	17.1% [a/]	16.6%	17.0%	16.9% [a/]	17.7%	18.8%	19.3% [a/]	19.0%	19.1%	19.1% [a/]

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

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

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

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

5/ Non-Interest income includes dividends income.

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

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

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

9/ Total capital accounts includes redeemable preferred shares.

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

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

p/ Preliminary

a/ CAR data as of end-September 2021

Appendix 32. Philippine Banking System: Financial Soundness Indicators
As of End-Periods Indicated, Ratios in Percent (%)

	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	Sep-13	Dec-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]													3.1	3.1	3.3	2.5
Capital to assets	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	12.4	11.3
Asset quality																
Nonperforming loans to total gross loans	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	3.2	2.8
Sectoral distribution of loans to total loans																
Residents																
Banks																
BSP																
Government																
Other financial corporation																
Nonfinancial corporation																
Agri-agra																
MSMEs																
Households																
Nonresidents																
Earnings and profitability																
Return on assets	1.2	1.3	1.4	1.4	1.5	1.5	1.5	1.5	1.6	1.6	1.6	1.6	2.0	2.0	1.9	1.6
Return on equity	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	14.7	13.3
Interest margin to gross income[2]	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	58.0	61.1
Noninterest expenses to gross income[3]	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	58.7	60.3
Liquidity																
Liquid assets to total assets (liquid asset ratio)	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	43.3	44.5
Liquid assets to short-term liabilities[4]	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	58.8	59.5
Deposits to total (noninterbank) loans	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	157.0	161.5
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	0.0	0.1

	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-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	15.8	15.1
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	14.1	13.4
Nonperforming loans net of provision to capital[1]	2.7	2.8	2.7	2.5	2.8	2.5	2.6	3.0	3.5	3.5	3.3	2.8	3.0	3.2	4.2	3.9
Capital to assets	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	11.9	11.6
Asset quality																
Nonperforming loans to total gross loans	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	1.9	1.7
Sectoral distribution of loans to total loans																
Residents	97.4	97.4	97.0	97.4	97.4	97.2	97.2	97.4	97.4	97.4	97.3	97.3	96.8	96.8	96.8	96.9
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	3.6	3.5
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	3.5	3.4
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	3.0	2.8
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	6.5	6.6
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	47.9	48.6
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	5.7	5.7
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	6.1	6.0
Households	18.9	19.1	18.8	18.7	19.6	19.9	19.8	19.6	20.1	20.2	20.6	20.0	21.1	20.8	20.5	20.2
Nonresidents	2.6	2.6	3.0	2.6	2.6	2.8	2.8	2.6	2.6	2.6	2.7	2.7	3.2	3.2	3.2	3.1
Earnings and profitability																
Return on assets	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	1.2	1.2
Return on equity	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	9.8	10.2
Interest margin to gross income[2]	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	75.4	75.7
Noninterest expenses to gross income[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	64.0	63.8
Liquidity																
Liquid assets to total assets (liquid asset ratio)	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	37.4	36.4
Liquid assets to short-term liabilities[4]	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	49.0	47.7
Deposits to total (noninterbank) loans	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	139.2	136.1
Sensitivity to market risk																
Net open position in foreign exchange to capital[5]	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	0.2	0.4

	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21
Capital adequacy																
Regulatory capital to risk-weighted assets	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	17.4	
Regulatory CET 1 capital to risk-weighted assets	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	16.3	
Nonperforming loans net of provision to capital[1]	4.4	4.3	4.3	4.2	5.0	5.3	5.2	5.0	5.7	6.0	9.3	9.0	10.4	10.8	10.4	9.3
Capital to assets	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	12.7	12.4
Asset quality																
Nonperforming loans to total gross loans	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	4.4	4.0
Sectoral distribution of loans to total loans																
Residents	96.5	96.6	96.6	96.8	96.6	96.5	96.5	96.4	96.5	96.5	96.7	96.9	97.0	97.0	97.0	96.9
Banks	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	3.7	3.8
BSP	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	2.8	2.7
Government	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	2.7	2.7
Other financial corporation	6.3	6.8	7.2	7.6	7.8	7.6	7.9	8.1	7.9	8.1	7.9	8.0	7.9	8.2	8.2	8.4
Nonfinancial corporation	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	48.4	48.3
Agri-agra	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	6.6	6.8
MSMEs	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	4.1	4.1
Households	20.7	20.1	20.3	20.0	20.6	20.9	21.1	20.8	21.5	21.8	21.7	21.5	21.4	20.9	20.5	20.2
Nonresidents	3.5	3.4	3.4	3.2	3.4	3.5	3.5	3.6	3.5	3.5	3.3	3.1	3.0	3.0	3.0	3.1
Earnings and profitability																
Return on assets	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	1.0	1.1
Return on equity	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	8.1	9.0
Interest margin to gross income[2]	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	75.7	76.1
Noninterest expenses to gross income[3]	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	57.6	58.7
Liquidity																
Liquid assets to total assets (liquid asset ratio)	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	42.2	42.1
Liquid assets to short-term liabilities[4]	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	54.2	54.0
Deposits to total (noninterbank) loans	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	147.8	147.3
Sensitivity to market risk																
Net open position in foreign exchange to capital[5]	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	1.4	1.4

1 Net NPL to capital ratio
2 Net interest income to total operating income
3 Cost to income ratio
4 Liquid assets to deposits ratio (narrow proxy)
5 Net FX position to unimpaired capital (consolidated)

Appendix 33
CONTINGENT ACCOUNTS
PHILIPPINE BANKING SYSTEM
As of Periods Indicated
(Amounts in Billion Pesos)

Selected Accounts	TOTAL			UNIVERSAL and COMMERCIAL BANKS			THRIFT BANKS		
	End-Dec '20	End-Jun '20	End-Dec '21	End-Dec '20	End-Jun '20	End-Dec '21	End-Dec '20	End-Jun '20	End-Dec '21
TRADE-RELATED ACCOUNTS	**123.6**	**150.7**	**172.3**	**122.6**	**149.8**	**171.6**	**1.0**	**0.9**	**0.7**
Domestic Commercial Letters of Credit Outstanding	4.1	4.5	12.6	4.1	4.5	12.5	0.1	0.0	0.0
Foreign Commercial Letters of Credit Outstanding	82.6	108.7	124.5	82.0	108.0	124.1	0.6	0.7	0.5
LCs - Confirmed	13.5	13.4	12.1	13.5	13.4	12.1	-	-	-
Shipside Bonds/Airway Bills	23.3	24.0	23.1	23.0	23.8	22.9	0.4	0.2	0.2
BANK GUARANTEES	**359.0**	**401.4**	**465.0**	**358.6**	**400.9**	**464.6**	**0.4**	**0.4**	**0.4**
Stand-by Letters of Credit	278.0	303.5	372.6	277.7	303.1	372.2	0.3	0.4	0.4
Outstanding Guarantees Issued	81.0	97.8	92.4	81.0	97.8	92.4	0.0	0.0	0.0
COMMITMENTS	**1,749.5**	**1,737.8**	**1,841.0**	**1,747.1**	**1,735.2**	**1,838.0**	**2.3**	**2.5**	**2.9**
Underwritten Accounts Unsold	-	-	-	-	-	-	-	-	-
Committed Credit Lines for CPs Issued	0.3	0.4	0.7	0.3	0.4	0.6	0.1	0.1	0.1
Credit Card Lines	1,245.7	1,199.2	1,223.9	1,243.8	1,197.3	1,221.8	1.9	2.0	2.1
Others	503.4	538.2	616.4	503.0	537.6	615.5	0.4	0.5	0.8
DERIVATIVES INSTRUMENTS *	**2,904.4**	**3,792.3**	**3,759.4**	**2,904.4**	**3,791.8**	**3,759.3**	**0.1**	**0.5**	**0.2**
Interest Rate Contracts	753.9	801.0	785.6	753.9	801.0	785.6	-	-	-
Foreign Exchange Contracts	2,150.3	2,990.3	2,972.9	2,150.2	2,989.8	2,972.7	0.1	0.5	0.2
Equity Contracts	-	-	-	-	-	-	-	-	-
Credit Derivatives	0.2	1.0	1.0	0.2	1.0	1.0	-	-	-
TRUST DEPARTMENT ACCOUNTS	**3,431.8**	**3,571.1**	**3,712.1**	**3,400.1**	**3,539.2**	**3,684.1**	**31.6**	**31.9**	**28.0**

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

Figures may not add up due to rounding-off

Appendix 34

TRUST AND FUND MANAGEMENT OPERATIONS - ASSETS AND ACCOUNTABILITIES

PHILIPPINE BANKS and NON-BANK FINANCIAL INSTITUTIONS (NBFIs)

As of Semesters-Ended Indicated

(Amounts in Billion Pesos)

Selected Accounts	ALL BANKS/NBFIs			UNIVERSAL AND COMMERCIAL BANKS			THRIFT BANKS			NBFIs		
	End-Dec'20	End-Jun '21	End-Dec'21	End-Dec'20	End-Jun '21	End-Dec'21	End-Dec'20	End-Jun '21	End-Dec'21	End-Dec'20	End-Jun '21	End-Dec'21
TOTAL ASSETS	**4,633.1**	**4,820.4**	**5,058.2**	**3,400.1**	**3,539.2**	**3,684.1**	**31.6**	**31.9**	**28.0**	**1,201.4**	**1,249.3**	**1,346.1**
Peso / Regular Assets	**3,865.6**	**3,956.8**	**4,132.5**	**2,747.4**	**2,814.9**	**2,920.8**	**30.1**	**30.3**	**26.4**	**1,088.2**	**1,111.5**	**1,185.3**
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	919.6	947.0	941.7	770.9	790.3	787.3	8.3	8.4	3.3	140.4	148.3	151.1
Financial Assets, net	2,768.6	2,820.9	2,999.5	1,863.0	1,904.5	2,005.2	13.0	13.3	15.9	892.6	903.0	978.4
Loans, net	96.9	108.5	109.8	52.0	61.6	68.1	5.7	5.5	4.1	39.3	41.3	37.6
Equity Investments (net)	5.5	3.0	3.0	3.0	3.0	3.0	2.6	0.1	0.0	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	74.5	77.0	78.1	58.1	55.2	56.9	0.6	3.0	3.1	15.8	18.8	18.2
FCDU/EFCDU Assets	**767.6**	**863.7**	**925.7**	**652.8**	**724.3**	**763.3**	**1.6**	**1.6**	**1.6**	**113.3**	**137.8**	**160.8**
Cash and Due from banks	-	-	-	-	-	-	-	-	-	-	-	-
Deposits in Banks	138.8	148.5	144.5	105.6	116.0	110.9	0.6	0.6	0.5	32.6	31.9	33.1
Financial Assets, net	368.7	436.7	493.1	288.1	332.2	365.6	0.9	0.8	0.9	79.7	103.7	126.6
Loans, net	-	0.2	1.3	-	-	1.1	-	0.2	0.2	-	-	-
Equity Investments (net)	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-	-
ROPA (net)	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	260.0	278.2	286.9	259.1	276.1	285.7	0.0	0.0	0.0	0.9	2.1	1.1
TOTAL ACCOUNTABILITIES	**4,633.1**	**4,820.4**	**5,058.2**	**3,400.1**	**3,539.2**	**3,684.1**	**31.6**	**31.9**	**28.0**	**1,201.4**	**1,249.3**	**1,346.1**
Peso / Regular Accountabilities	**3,865.6**	**3,956.8**	**4,132.5**	**2,747.4**	**2,814.9**	**2,920.8**	**30.1**	**30.3**	**26.4**	**1,088.2**	**1,111.5**	**1,185.3**
Wealth/Asset/Fund Management Accounts	3,705.3	3,797.0	3,977.5	2,613.4	2,678.9	2,783.8	25.0	25.2	25.9	1,066.8	1,092.9	1,167.7
UITF	1,016.9	1,070.3	1,111.1	744.9	788.4	819.5	1.3	1.2	1.1	270.7	280.7	290.5
Employee Benefit	487.8	488.3	503.2	338.7	335.8	342.3	3.9	4.0	4.2	145.1	148.5	156.7
Pre-Need	125.4	126.8	128.2	83.1	83.5	87.5	0.9	0.6	0.5	41.4	42.7	40.3
Others-Institutional Accounts	976.6	1,003.1	1,126.9	539.4	556.8	614.7	7.1	8.2	9.5	430.1	438.1	502.7
Personal Trust	386.4	378.1	364.6	319.4	317.6	310.7	0.2	0.2	0.2	66.8	60.4	53.7
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	712.1	730.2	743.4	587.7	596.7	609.0	11.7	11.0	10.6	112.7	122.4	123.9
Other Fiduciary Services*	159.3	158.9	154.4	132.9	135.1	136.4	5.0	5.1	0.5	21.3	18.6	17.6
Advisory/Consultancy	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-	0.0	0.0	0.0
Special Purpose Trust	1.0	0.9	0.6	1.0	0.9	0.6	-	-	-	-	-	-
FCDU/EFCDU Accountabilities	**767.6**	**863.7**	**925.7**	**652.8**	**724.3**	**763.3**	**1.6**	**1.6**	**1.6**	**113.3**	**137.8**	**160.8**
Wealth/Asset/Fund Management Accounts	497.4	568.1	624.8	384.3	435.3	464.1	1.1	1.1	1.1	112.1	131.7	159.6
UITF	163.3	185.1	194.2	93.1	98.3	97.5	-	-	-	70.2	86.8	96.7
Employee Benefit	10.7	11.5	13.1	10.3	11.0	12.7	0.0	0.0	0.0	0.4	0.4	0.4
Pre-Need	0.4	0.4	0.5	0.4	0.4	0.5	-	-	-	0.0	-	-
Others-Institutional Accounts	76.3	86.2	107.7	47.4	54.4	59.5	0.2	0.3	0.3	28.8	31.5	47.8
Personal Trust	46.0	52.3	56.1	38.9	44.9	48.2	0.4	0.4	0.4	6.7	7.1	7.5
Personal Pension Fund	-	-	-	-	-	-	-	-	-	-	-	-
Personal Retirement Fund	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-	-
Others-Individual Accounts	200.7	232.7	253.1	194.2	226.4	245.6	0.5	0.4	0.4	5.9	5.9	7.2
Other Fiduciary Services*	270.1	295.6	300.9	268.5	289.0	299.2	0.5	0.5	0.5	1.2	6.1	1.2
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 35

TRUST AND FUND MANAGEMENT OPERATIONS - ASSETS AND ACCOUNTABILITIES

PHILIPPINE BANKS and NON-BANK FINANCIAL INSTITUTIONS (NBFIs)

As of Semesters-Ended Indicated

(Amounts in Billion Pesos)

Selected Accounts	TOTAL TRUST			TRUST			AGENCY		
	End-Dec'20	End-Jun '21	End-Dec'21	End-Dec'20	End-Jun '21	End-Dec'21	End-Dec'20	End-Jun '21	End-Dec'21
TOTAL ASSETS	**4,633.1**	**4,820.4**	**5,058.2**	**2,243.3**	**2,330.0**	**2,395.2**	**1,959.4**	**2,035.0**	**2,207.0**
Peso / Regular Assets	**3,865.6**	**3,956.8**	**4,132.5**	**1,982.6**	**2,031.6**	**2,080.9**	**1,722.6**	**1,765.3**	**1,896.6**
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	919.6	947.0	941.7	610.8	603.8	626.6	224.4	251.5	229.4
Financial Assets, net	2,768.6	2,820.9	2,999.5	1,322.4	1,378.2	1,406.0	1,400.8	1,402.7	1,550.9
Loans, net	96.9	108.5	109.8	10.9	10.0	9.5	85.5	98.5	100.3
Equity Investments (net)	5.5	3.0	3.0	1.7	1.7	1.6	3.4	1.0	1.0
ROPA (net)	0.1	0.1	0.1	0.0	0.0	0.0	-	-	-
Other assets	74.5	77.0	78.1	36.4	37.6	36.9	8.6	11.7	15.0
FCDU/EFCDU Assets	**767.6**	**863.7**	**925.7**	**260.7**	**298.4**	**314.3**	**236.8**	**269.7**	**310.5**
Cash and Due from banks	-	-	-	-	-	-	-	-	-
Deposits in Banks	138.8	148.5	144.5	115.6	120.5	113.5	11.0	11.8	13.7
Financial Assets, net	368.7	436.7	493.1	143.2	174.9	198.5	223.0	254.8	292.8
Loans, net	-	0.2	1.3	-	-	-	-	0.2	1.3
Equity Investments (net)	0.0	0.0	0.0	-	-	-	0.0	0.0	0.0
ROPA (net)	-	-	-	-	-	-	-	-	-
Other assets	260.0	278.2	286.9	1.9	2.9	2.3	2.8	2.9	2.7
TOTAL ACCOUNTABILITIES	**4,633.1**	**4,820.4**	**5,058.2**	**2,243.3**	**2,330.0**	**2,395.2**	**1,959.4**	**2,035.0**	**2,207.0**
Peso / Regular Accountabilities	**3,865.6**	**3,956.8**	**4,132.5**	**1,982.6**	**2,031.6**	**2,080.9**	**1,722.6**	**1,765.3**	**1,896.6**
Wealth/Asset/Fund Management Accounts	3,705.3	3,797.0	3,977.5	1,982.6	2,031.6	2,080.9	1,722.6	1,765.3	1,896.6
UITF	1,016.9	1,070.3	1,111.1	1,016.9	1,070.3	1,111.1			
Employee Benefit	487.8	488.3	503.2	430.5	433.0	447.8	57.3	55.4	55.4
Pre-Need	125.4	126.8	128.2	124.6	126.0	127.4	0.8	0.8	0.7
Others-Institutional Accounts	976.6	1,003.1	1,126.9	23.7	23.7	29.5	953.0	979.4	1,097.4
Personal Trust	386.4	378.1	364.6	386.4	378.1	364.6			
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	712.1	730.2	743.4	0.4	0.4	0.4	711.7	729.8	743.0
Other Fiduciary Services*	159.3	158.9	154.4	-	-	-			
Advisory/Consultancy	-	-	0.0	-	-	-			
Special Purpose Trust	1.0	0.9	0.6	-	-	-			
FCDU/EFCDU Accountabilities	**767.6**	**863.7**	**925.7**	**260.7**	**298.4**	**314.3**	**236.8**	**269.7**	**310.5**
Wealth/Asset/Fund Management Accounts	497.4	568.1	624.8	260.7	298.4	314.3	236.8	269.7	310.5
UITF	163.3	185.1	194.2	163.3	185.1	194.2			
Employee Benefit	10.7	11.5	13.1	10.0	10.7	12.3	0.7	0.8	0.8
Pre-Need	0.4	0.4	0.5	0.4	0.4	0.5	-	-	-
Others-Institutional Accounts	76.3	86.2	107.7	15.9	15.6	15.6	60.4	70.6	92.1
Personal Trust	46.0	52.3	56.1	46.0	52.3	56.1			
Personal Pension Fund	-	-	-	-	-	-	-	-	-
Personal Retirement Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others-Individual Accounts	200.7	232.7	253.1	25.0	34.4	35.6	175.7	198.3	217.5
Other Fiduciary Services*	270.1	295.6	300.9	-	-	-			
Advisory/Consultancy	-	-	-	-	-	-			
Special Purpose Trust	-	-	-	-	-	-			

Selected Accounts	OTHER FIDUCIARY			ADVISORY AND CONSULTANCY			SPECIAL PURPOSE		
	End-Dec'20	End-Jun '21	End-Dec'21	End-Dec'20	End-Jun '21	End-Dec'21	End-Dec'20	End-Jun '21	End-Dec'21
TOTAL ASSETS	**429.4**	**454.5**	**455.3**	-	-		**1.0**	**0.9**	**0.6**
Peso / Regular Assets	**159.3**	**158.9**	**154.4**				**1.0**	**0.9**	**0.6**
Cash and Due from banks	0.0	0.0	0.0				-	-	-
Deposits in Banks	84.4	91.7	85.7				0.0	0.0	0.0
Financial Assets, net	44.8	39.3	42.0				0.6	0.6	0.6
Loans, net	0.1	-	-				0.4	-	-
Equity Investments (net)	0.4	0.4	0.4				-	-	-
ROPA (net)	0.1	0.1	0.1				-	-	-
Other assets	29.5	27.4	26.2				0.0	0.3	0.0
FCDU/EFCDU Assets	**270.1**	**295.6**	**300.9**				-	-	-
Cash and Due from banks	-	-	-				-	-	-
Deposits in Banks	12.3	16.2	17.3				-	-	-
Financial Assets, net	2.5	7.0	1.8				-	-	-
Loans, net	-	-	-				-	-	-
Equity Investments (net)	-	-	-				-	-	-
ROPA (net)	-	-	-				-	-	-
Other assets	255.3	272.4	281.8				-	-	-
TOTAL ACCOUNTABILITIES	**429.4**	**454.5**	**455.3**	-	-		**1.0**	**0.9**	**0.6**
Peso / Regular Accountabilities	**159.3**	**158.9**	**154.4**				**1.0**	**0.9**	**0.6**
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*	159.3	158.9	154.4						-
Advisory/Consultancy									-
Special Purpose Trust							1.0	0.9	0.6
FCDU/EFCDU Accountabilities	**270.1**	**295.6**	**300.9**					-	-
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*	270.1	295.6	300.9				-	-	-
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 36

TRUST AND FUND MANAGEMENT OPERATIONS - INCOME AND EXPENSES

PHILIPPINE BANKS and NON-BANK FINANCIAL INSTITUTIONS (NBFIs)

For the Period-Ended Indicated

(Amounts in Billion Pesos)

Selected Accounts	ALL BANKS/NBFIs			UNIVERSAL AND COMMERCIAL BANKS			THRIFT BANKS			NBFIs		
	End-Dec'20	End-Jun '21	End-Dec'21	End-Dec'20	End-Jun '21	End-Dec'21	End-Dec'20	End-Jun '21	End-Dec'21	End-Dec'20	End-Jun '21	End-Dec'21
TRUST INCOME	**11.9**	**6.7**	**13.7**	**8.2**	**4.6**	**9.4**	**0.1**	**0.1**	**0.1**	**3.6**	**2.1**	**4.2**
Fees and Commissions	11.5	6.5	13.3	8.0	4.5	9.2	0.1	0.1	0.1	3.4	2.0	3.9
Other Income	0.5	0.2	0.5	0.2	0.1	0.2			-	0.2	0.1	0.2
TRUST EXPENSES	**5.6**	**2.8**	**6.3**	**2.9**	**1.4**	**3.1**	**0.1**	**0.0**	**0.1**	**2.7**	**1.3**	**3.1**
Compensation/Fringe Benefits	2.2	1.1	2.6	1.5	0.7	1.6	0.0	0.0	0.0	0.7	0.4	0.9
Taxes and Licenses	1.1	0.6	1.1	0.5	0.3	0.6	0.0	0.0	0.0	0.6	0.3	0.5
Other Administrative Expenses	0.9	0.4	1.1	0.5	0.2	0.5	0.0	0.0	0.0	0.3	0.2	0.5
Depreciation/Amortization	0.5	0.2	0.3	0.1	0.1	0.1	0.0	0.0	0.0	0.3	0.1	0.2
Allocated Indirect Expenses	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Expenses	0.9	0.4	1.3	0.2	0.1	0.3	0.0	0.0	0.0	0.7	0.3	1.0
OPERATING INCOME / (LOSS)	**6.3**	**3.9**	**7.4**	**5.4**	**3.2**	**6.3**	**0.0**	**0.0**	**0.1**	**0.9**	**0.8**	**1.1**

Note: "0.000" denotes a value below 0.0005

Figures may not add up due to rounding-off

Appendix 37
COMPARATIVE STATEMENT OF CONDITION
BRANCHES AND SUBSIDIARIES OF FOREIGN BANKS
AS OF YEARS-ENDED INDICATED

(Amounts in Billion Pesos)

Selected Accounts	TOTAL			Foreign Bank Branches			Subsidiaries of Foreign Banks		
	2019	2020	2021	2019	2020	2021	2019	2020	2021
ASSETS	1,254.3	1,314.9	1,396.6	1,060.3	1,133.0	1,211.2	194.0	181.9	185.4
Cash and Due from Banks	262.9	321.6	341.5	233.8	293.4	305.5	29.2	28.3	36.0
Financial Assets (net)	234.6	348.0	362.0	200.9	305.8	316.6	33.7	42.2	45.3
Loan Portfolio (inclusive of IBL and RRPs), net	714.8	604.7	656.3	595.2	506.3	563.7	119.5	98.4	92.6
Equity Investments (net)	2.9	2.6	2.4	2.9	2.6	2.4			-
ROPA (net)	1.9	1.9	1.9	0.0	0.0	0.0	1.9	1.9	1.9
Other Assets	37.2	36.1	32.5	27.5	24.9	22.9	9.7	11.2	9.6
LIABILITIES AND CAPITAL	1,254.3	1,314.9	1,396.6	1,060.3	1,133.0	1,211.2	194.0	181.9	185.4
Liabilities	1,022.2	1,082.1	1,164.4	856.8	928.6	1,007.3	165.4	153.5	157.1
Financial Liabilities Held for Trading	19.5	20.7	21.4	19.1	20.4	21.1	0.4	0.4	0.3
Financial Liabilities DFVPL			-			-			-
Deposit Liabilities	738.1	832.8	887.4	601.0	696.2	755.1	137.1	136.6	132.3
Peso Liabilities	447.3	532.8	555.7	342.1	425.0	451.7	105.2	107.7	104.1
Demand and NOW	217.8	280.3	316.1	180.1	240.5	271.3	37.7	39.8	44.8
Savings	112.2	168.1	167.2	86.6	139.3	140.2	25.5	28.8	27.0
Time/LTNCD	117.3	84.4	72.4	75.3	45.2	40.1	41.9	39.1	32.2
Foreign Currency	290.8	300.0	331.6	258.9	271.1	303.4	31.9	28.9	28.2
Demand and NOW	52.4	52.9	62.2	52.3	52.9	62.2	0.0	0.0	0.0
Savings	195.2	219.0	245.1	178.6	200.8	226.7	16.6	18.2	18.4
Time/LTNCD	43.2	28.1	24.3	28.0	17.5	14.5	15.3	10.6	9.8
Due to	173.1	161.4	170.2	173.0	161.3	170.1	0.1	0.1	0.1
Due to Other Banks	21.8	36.9	44.8	21.8	36.9	44.8			-
Due to Treasurer of the Philippines	0.3	0.5	0.5	0.3	0.4	0.5	0.0	0.0	0.1
Due to PDIC	0.4	0.4	0.5	0.3	0.4	0.4	0.0	0.0	0.1
Due to BSP	0.0	0.1	0.0	0.0	0.1	0.0			-
Due to Head Office/Branch/Agency (Philippine Branches of Foreign Banks)	150.5	123.5	124.4	150.5	123.5	124.4			-
Bills Payable	19.3	16.4	31.5	3.1	9.2	16.7	16.2	7.2	14.9
Deposit Substitutes			11.1			11.1	-		0.0
Others	19.3	16.4	20.5	3.1	9.2	5.6	16.2	7.2	14.9
Unsecured Subordinated Debt	2.0	2.0	2.0			-	2.0	2.0	2.0
Redeemable Preferred Shares			-			-			-
Other Liabilities	70.3	48.8	51.8	60.7	41.7	44.3	9.7	7.2	7.5
Capital Accounts	232.1	232.9	232.2	203.5	204.4	204.0	28.6	28.5	28.3
Capital Stock	19.0	20.4	21.6			-	19.0	20.4	21.6
Retained Earnings & Undivided Profits	26.7	10.3	15.1	18.3	3.5	8.5	8.5	6.8	6.7
Other Equity Instruments			-			-			-
Deposit Subscription	1.2	1.2	-			-	1.2	1.2	-
Assigned Capital	143.4	144.7	145.8	143.4	144.7	145.8			-
Net Due to HO, Br & Ags / Accum Earnings	41.8	56.3	49.7	41.8	56.3	49.7			-

Appendix 38
COMPARATIVE STATEMENT OF INCOME AND EXPENSES
BRANCHES AND SUBSIDIARIES OF FOREIGN BANKS
For the Years Indicated
(Amounts in Billion Pesos)

Selected Accounts	TOTAL			Foreign Bank Branches			Subsidiaries of Foreign Banks		
	2019	2020	2021	2019	2020	2021	2019	2020	2021
Operating Income	**72.7**	**63.2**	**54.4**	**63.0**	**53.5**	**45.3**	**9.7**	**9.6**	**9.0**
Net Interest Income	**49.5**	**43.4**	**34.5**	**41.5**	**35.2**	**27.1**	**8.0**	**8.2**	**7.4**
Interest Income	64.2	51.4	39.0	52.0	40.6	30.1	12.2	10.8	8.9
Provision for Losses on Accrued Interest	0.0	0.1	4.4	-	0.0	3.0	0.0	0.1	1.3
Less: Interest Expenses	14.7	7.9	0.1	10.5	5.4	0.0	4.1	2.5	0.1
Non-interest Income	**23.2**	**19.8**	**19.9**	**21.6**	**18.3**	**18.2**	**1.6**	**1.4**	**1.6**
Dividend Income	0.2	0.1	0.0	0.2	0.1	0.0	0.0	0.0	0.0
Fee-based Income	11.9	8.3	11.1	11.0	7.8	10.4	0.8	0.6	0.8
Trading Income/(Loss)	9.4	9.8	6.6	9.1	9.2	6.3	0.3	0.6	0.2
Other Income/(Loss)	1.7	1.6	2.1	1.3	1.3	1.5	0.5	0.3	0.6
Non-Interest Expenses	**43.7**	**42.8**	**43.0**	**36.2**	**35.3**	**35.6**	**7.5**	**7.5**	**7.5**
Losses/Recoveries on Financial Assets	**(4.1)**	**(18.9)**	**0.7**	**(3.7)**	**(15.2)**	**1.4**	**(0.5)**	**(3.7)**	**(0.7)**
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures Accounted for Using the Equity Method	**24.9**	**1.5**	**12.1**	**23.2**	**3.0**	**11.2**	**1.7**	**(1.5)**	**0.9**
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures Accounted for Using the Equity Method	**0.4**	**(0.0)**	**(0.0)**	**0.4**	**(0.0)**	**(0.0)**	-	-	-
Total Profit/Loss Before Tax and Before Minority Interest	**25.3**	**1.5**	**12.1**	**23.6**	**3.0**	**11.2**	**1.7**	**(1.5)**	**0.9**
Income Tax Expense	6.7	2.4	5.3	6.4	2.8	4.7	0.3	(0.3)	0.6
Total Profit/Loss After Tax and Before Minority Interest	**18.6**	**(1.0)**	**6.8**	**17.2**	**0.3**	**6.5**	**1.4**	**(1.2)**	**0.3**
Minority Interest in Profit/(Loss) of Subsidiaries	-	-	-	-	-	-	-	-	-
NET PROFIT/(LOSS)	**18.6**	**(1.0)**	**6.8**	**17.2**	**0.3**	**6.5**	**1.4**	**(1.2)**	**0.3**
Profitability									
Return on Assets	**1.5%**	**-0.1%**	**-0.1%**	**1.7%**	**0.0%**	**0.6%**	**0.7%**	**-0.7%**	**0.2%**
Return on Equity	**8.9%**	**-0.4%**	**-0.4%**	**9.4%**	**0.1%**	**3.2%**	**5.2%**	**-4.3%**	**1.1%**

p/ *Preliminary*

Figures may not add up due to rounding-off

Appendix 39

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-Dec '20 p/	End-Jun '21 r/	End-Dec '21 p/	End-Dec '20	End-Jun '21	End-Dec 21	End-Dec '20 p/	End-Jun '21 r/	End-Dec '21 p/	End-Dec '20 p/	End-Jun '21 r/	End-Dec '21 p/
ASSETS	**742.0**	**799.5**	**818.7**	**193.0**	**170.6**	**168.3**	**266.9**	**270.0**	**283.3**	**282.1**	**358.9**	**367.2**
Cash and Due from Banks	106.9	103.2	94.2	27.1	20.4	15.8	21.5	22.4	26.9	58.3	60.4	**51.5**
Loan Portfolio (net, inclusive of IBL)	468.2	477.9	482.6	136.5	134.7	136.3	213.3	218.8	221.7	118.4	124.4	**124.5**
Investments (net)	69.0	74.1	86.2	20.8	9.2	9.5	19.8	21.0	20.7	28.3	43.9	**56.0**
Other Assets (inclusive of ROPOA, net)	97.9	144.3	155.8	8.6	6.3	6.7	12.3	7.8	14.0	77.0	130.2	**135.2**
LIABILITIES AND CAPITAL	**742.0**	**799.5**	**818.7**	**193.0**	**170.6**	**168.3**	**266.9**	**270.0**	**283.3**	**282.1**	**358.9**	**367.2**
Liabilities	404.8	408.3	411.9	152.1	144.3	138.9	92.3	96.1	103.0	160.4	167.9	**170.0**
Deposit Liabilities	70.7	76.7	80.6	-	-	-	70.7	**76.7**	**80.6**	-	-	-
Peso Liabilities	70.7	76.7	80.6	-	-	-	70.7	76.7	80.6	-	-	-
Demand and NOW	-	-	-	-	-	-	-	-		-	-	-
Savings	57.1	60.8	63.2	-	-	-	57.1	60.8	63.2	-	-	-
Time	13.5	15.9	17.4	-	-	-	13.5	15.9	17.4	-	-	-
Foreign Currency	-	-	-	-	-	-	-	-	-	-	-	-
Bills Payable	182.8	174.9	166.2	112.4	109.5	107.4	12.4	9.2	5.4	57.9	56.1	**53.4**
Deposit Substitutes	89.0	88.7	95.5	88.9	88.7	95.5	-	-	-	-	-	0.0
Others	93.8	86.1	70.6	23.5	20.8	11.9	12.4	9.2	5.4	57.9	56.1	**53.4**
Special Financing	-	-	-	-	-	-	-	-	-	-	-	-
Time Certificates of Deposits - SF	-	-	-	-	-	-	-	-	-	-	-	-
Special Time Deposits	-	-	-	-	-	-	-	-	-	-	-	-
Unsecured Subordinated Debt	-	-	-	-	-	-	-	-	-	-	-	-
Other Liabilities	151.3	156.7	165.2	39.7	34.8	31.5	9.2	10.2	17.1	102.5	111.7	**116.6**
Capital Accounts	**337.2**	**391.3**	**406.8**	**40.9**	**26.3**	**29.4**	**174.6**	**174.0**	**180.2**	**121.7**	**191.0**	**197.2**
Capital Stock	240.6	295.2	310.5	21.4	18.0	20.0	130.8	134.2	134.4	88.4	142.9	**156.1**
Assigned Capital	-	-	-	-	-	-	-	-	-	-	-	-
Net Due to H.O.	-	-	-	-	-	-	-	-	-	-	-	-
Surplus, Surplus Reserves & Undivided Profits	96.6	96.1	96.3	19.5	8.2	9.4	43.9	39.8	45.9	33.2	48.1	**41.1**

1/ Includes only the reporting entities
p/ Preliminary
r/ Revised
Figures may not add up due to rounding-off

Appendix 40
COMPARATIVE STATEMENT OF INCOME AND EXPENSES
NON-BANK FINANCIAL INSTITUTIONS (NBFIs)
For the Periods-Ended Indicated
(Amounts in Billion Pesos)

Selected Accounts	ALL NBFIs 1/			NBQBs			NSSLAs			Other NBFIs 1/		
	End-Dec '20 p/	End-Jun '21 r/	End-Dec '21 p/	End-Dec '20	End-Jun '21	End-Dec '21	End-Dec '20 p/	End-Jun '21 r/	End-Dec '21 p/	End-Dec '20 p/	End-Jun '21 r/	End-Dec '21 p/
OPERATING INCOME	**85.1**	**57.7**	**98.6**	**8.4**	**4.0**	**8.6**	**23.1**	**14.3**	**31.1**	**53.6**	**39.4**	**58.9**
Net Interest Income	**57.3**	**36.0**	**63.8**	**6.6**	**3.1**	**7.0**	**22.1**	**13.7**	**29.9**	**28.6**	**19.2**	**27.0**
Interest Income	43.7	31.6	51.7	0.8	0.2	0.4	25.4	15.6	33.6	17.5	15.9	17.7
Leasing Income	29.5	12.6	26.6	12.3	6.1	12.8	-	-	-	17.2	6.5	13.7
Less: Interest Expenses	15.9	8.2	14.4	6.5	3.2	6.3	3.3	1.9	3.7	6.1	3.2	4.5
Non-interest Income	**27.8**	**21.7**	**34.8**	**1.8**	**0.9**	**1.6**	**0.9**	**0.6**	**1.3**	**25.0**	**20.2**	**31.9**
Fee-based Income	11.2	7.2	15.4	1.1	0.7	1.1	0.7	0.4	0.9	9.5	6.1	13.5
Trading Income/(Loss)	0.0	0.2	0.2	0.2	0.0	(0.0)	0.0	0.0	0.0	(0.1)	0.2	0.2
Income from Corollary Businesses 2/	7.6	7.7	7.7	-	-	-	-	-	-	7.6	7.7	7.7
Other Income/(Loss)	9.0	6.5	11.5	0.6	0.1	0.6	0.3	0.2	0.4	8.1	6.2	10.5
OPERATING EXPENSES	**57.7**	**36.3**	**59.8**	**7.8**	**3.7**	**7.1**	**5.6**	**3.3**	**9.1**	**44.4**	**29.3**	**43.5**
Bad Debts Written Off	**5.6**	**4.6**	**6.6**	**0.4**	**0.2**	**0.4**	**(0.0)**	**(0.0)**	**(0.0)**	**5.2**	**4.5**	**6.2**
Provision for Probable Losses	**9.5**	**1.6**	**8.8**	**2.7**	**1.3**	**2.4**	**(1.1)**	**(0.6)**	**(3.1)**	**7.9**	**0.9**	**9.5**
Other Operating Expenses	**42.6**	**28.8**	**44.3**	**4.7**	**2.1**	**4.4**	**4.5**	**2.7**	**6.0**	**33.4**	**24.0**	**34.0**
Overhead Costs	28.1	21.9	32.1	3.8	1.7	3.6	2.8	1.6	3.5	21.5	18.5	25.0
Other Expenses	14.5	6.9	12.3	0.9	0.4	0.8	1.7	1.0	2.5	11.9	5.5	9.0
NET OPERATING INCOME (LOSS)	**27.4**	**21.4**	**38.9**	**0.6**	**0.3**	**1.5**	**17.5**	**11.0**	**22.0**	**9.3**	**10.0**	**15.4**
Extraordinary Credits/(Charges)		**0.3**	**0.7**	**(0.0)**	**0.0**	**0.1**	**0.1**	**0.0**	**0.1**	**(0.6)**	**0.2**	**0.5**
NET INCOME/(LOSS) BEFORE TAX	**26.8**	**21.7**	**39.6**	**0.6**	**0.4**	**1.6**	**17.5**	**11.1**	**22.1**	**8.7**	**10.2**	**15.9**
Provision for income tax	**1.8**	**2.7**	**4.6**	**(0.1)**	**0.1**	**0.3**	**0.0**	**0.0**	**0.0**	**1.8**	**2.6**	**4.3**
NET INCOME/(LOSS) AFTER TAX	**25.0**	**19.0**	**35.0**	**0.7**	**0.3**	**1.3**	**17.5**	**11.0**	**22.1**	**6.8**	**7.7**	**11.6**
Profitability												
Return on Assets (%)	**3.2**	**6.1**	**4.5**	**0.3**	**2.8**	**0.7**	**6.9**	**6.8**	**8.0**	**2.4**	**7.2**	**3.6**
Return on Equity (%)	**7.4**	**13.0**	**9.7**	**1.3**	**15.4**	**3.8**	**10.4**	**10.6**	**12.4**	**5.8**	**15.2**	**7.8**

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

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