BANGKO SENTRAL
NG PILIPINAS

REPORT ON THE PHILIPPINE FINANCIAL SYSTEM

First Semester of 2022

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), R.A. No. 6426 (Foreign Currency Deposit Act of 1972), 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 designed to promote financial inclusion that may or may not earn interest. 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** – risk of default on a debt that may arise from a borrower failing to make required payments such as failure to repay a loan.

9. **Cybersecurity posture** - technologies, processes, and practices designed to protect a BSP supervised financial institution's (BSFI's) information assets and consumers by preventing, detecting, and responding to cyber-attacks.

10. **Demand deposit** – deposits subject to withdrawal by check through available bank channels. 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, "lenders" shall refer to individuals and corporate entities that are not acting as financial intermediaries subject to the safeguards and regulations issued by the Monetary Board. The Monetary Board shall determine what specific instruments shall be considered as deposit substitutes for purposes of Section 94 of Republic Act (R.A.) 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 R.A. 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.

15. **Dividend income** – cash dividends earned or actually collected on equity instruments.

16. **Earning assets** – the sum of (1) due from BSP; (2) due from other banks; (3) financial assets – debt instruments measured at fair value through profit or loss (FVTPL) at fair value through other comprehensive income (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.

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

18. **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.

19. **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) equity instruments at FVTPL, including those held-for-trading (HFT), and at FVOCI; and (5) derivatives at FVTPL.

20. **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.

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

22. **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 and Basel Capital Adequacy Framework. It is also designed to meet the BSP's statistical requirements.

23. **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 data on individual financial institutions 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.

24. **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.

25. **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 as well as realized gains/(losses) from foreign exchange transactions.

26. **Gross assets** – total assets plus allowance on non-performing assets or NPA (allowance for credit losses on loans; allowance for credit losses on sales contract receivable; accumulated depreciation and allowance for losses on real and other properties acquired; and allowance for losses on non-current assets held for sale)..

27. **Gross domestic product (GDP)** – 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.

28. **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.

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

30. **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.

31. **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.

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

33. **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.

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

35. **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.

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

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

38. **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.

39. **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.

40. **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.

41. **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.

42. **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).

43. **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.

44. **Open foreign exchange position** – the extent that banks' foreign exchange assets do not match their foreign exchange liabilities. An open position may either be "positive", "long", or "overbought" (i.e., foreign exchange assets exceed foreign exchange liabilities) or "negative", "short", or "oversold" (i.e., foreign exchange liabilities exceed foreign exchange assets).

45. **Outsourcing** - any contractual arrangement between a bank and a qualified service provider for the latter to perform designated activities on a continuing basis on behalf of the bank.

46. **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 can be a PERA contributor.

47. **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.

48. **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.

49. **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.

50. **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, and holding companies;
    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.

51. **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.

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

53. **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 are 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.

54. **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.

55. **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.

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

57. **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.

58. **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.

59. **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.

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

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

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

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

64. **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.

65. **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.

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

67. **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.

68. **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.

B. FINANCIAL AND OTHER RATIOS

1. **Basel III leverage ratio (BLR)** – the percentage of capital (i.e., Tier 1 capital) to 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. **Efficiency ratio** – the percentage of total expenses to total revenues.

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

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

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

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

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

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

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

16. **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.

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-June 2022, these consisted of 498 banks with 12,692 branches and other offices, 2,071 non-bank financial institutions with 21,153 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

Amid an improving macroeconomic environment at the tail-end of the COVID-19 pandemic, the Philippine financial system sustained its growth trajectory in the first half of 2022. It also continued to support the financing requirements of the domestic economy, which exhibited signs of sustained recovery.[1]

The Philippine banking system (PBS), as the core[2] of the financial system, likewise exhibited positive performance with the continued growth in assets, deposits and profit, as well as stable capital and liquidity buffers and ample loan loss reserves. The banking system's total assets and loans further expanded and remained supportive of the country's financing needs. The banks' asset growth continued to be funded mainly by deposit generation. As the country heads toward economic recovery, further improvement is expected in the banks' operations although key performance indicators generally remain far from the pre-pandemic level and growth momentum. The financial soundness indicators on capital adequacy, asset quality, profitability, liquidity and sensitivity to market risk suggest that the PBS remains stable and resilient despite tighter financial conditions.

Total resources of the banking system reached ₱21.3 trillion as of end-June 2022, recording a year-on-year (y-o-y) growth rate of 7.8 percent. This was faster than the 6.4-percent rise recorded in the same period last year. The expansion came largely from deposits and channeled mostly to lending and investing activities.

Across banking groups, universal and commercial banks (U/KBs) accounted for the largest share of the banking system's resources, reporting aggregate assets of ₱20.1 trillion or 94.0 percent of the total. On the other hand, the assets of thrift banks (TBs) stood at only ₱0.9 trillion or 4.4 percent of the total, while those of rural and cooperative banks (RCBs) amounted to only ₱0.3 trillion or 1.6 percent of the total.

Domestic credit further picked up in the first half of 2022 and is expected to maintain its growth streak with the sustained recovery of the economy. The banking system's gross total loan portfolio (TLP) went up y-o-y by 8.7 percent to ₱11.7 trillion, marking a turnaround from the 0.4 percent contraction recorded in June 2021. This growth was also an improvement from the 2.0 percent average growth during the pandemic but still lower than the double-digit average growth of 13.0 percent before the pandemic.

Loan expansion largely came from the manufacturing, real estate, information and communication, wholesale and retail trade, and construction sectors, which grew y-o-y by 16.5 percent, 8.5 percent, 29.6 percent, 7.3 percent, and 14.9 percent, respectively. Collectively, these sectors accounted for 48.7 percent (₱5.7 trillion) of the banking system's gross total loans. The ratio of gross TLP to annualized nominal gross domestic product (GDP) stood at 56.9 percent as of end-June 2022. This broadly indicates that the banking system remained supportive of the financing requirements of the domestic economy and similar broad-based recovery across sectors.

Amid improvements in credit activity, the quality of the banking system's loan portfolio remained manageable and within BSP expectations. The non-performing loan (NPL) ratio further eased to 3.6 percent as of end-June 2022, better than the 4.5-percent ratio recorded during the same period last year. The improvement in NPLs was accompanied by a high NPL coverage ratio, which stood at 97.1 percent as of the same reference period, higher than the 82.4 percent recorded from a year before. With most of the BSP relief measures remaining in place and in view of the full implementation of the Financial Institutions Strategic Transfer or FIST Act, the NPL ratio is expected to remain low and gradually return to pre-pandemic levels with high loan loss provisions.

Investments in securities further expanded by 23.1 percent to ₱6.0 trillion y-o-y in end-June 2022, lower than the 32.6 percent in June 2021. A vast majority of these investments, estimated at 97.2 percent, consisted of debt securities.

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[1] The country's real GDP grew by 7.4 percent in the second quarter of 2022 from the same period last year. Source:. PSA website https://psa.gov.ph/national-accounts

[2] As of end-June 2022, 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

Bank deposits likewise grew, reflective of the economy's recovery and the depositors' continued confidence in the banking system. As of end-June 2022, total deposits inched up by 7.5 percent y-o-y to ₱16.5 trillion, albeit lower than the 7.6-percent growth recorded the previous year. Bank deposits were also mostly in peso and held by residents, largely indicative of the relative stability of the banking system's funding source

The banking system's capital position grew stronger, providing a solid cushion against unforeseen shocks. As of end-June 2022, banks' total capital climbed by 2.7 percent y-o-y to ₱2.6 trillion, albeit slower than the 5.9 percent growth rate recorded the previous year.

On risk-based capital, the capital adequacy ratios (CARs) of the banking system of 16.2 percent on a solo basis and 16.7 percent on a consolidated basis as of end-June 2022 continued to be well above the minimum thresholds of 10 percent set by the BSP and 8 percent by the Bank for International Settlements. Across banking groups, CARs were also maintained higher than the minimum standards as of the same period. In particular, the U/KB industry registered ratios of 16.0 percent on a solo basis and 16.5 percent on a consolidated basis while subsidiary TBs and RCBs reported 18.2 percent and 13.3 percent, respectively. For stand-alone banks, the TB and RCB subsectors' CARs stood at 19.9 percent and 21.3 percent, respectively. More importantly, the banks' risk-taking activities remained supported by adequate capital composed mainly of common equity and retained earnings.

The improvement in the overall capitalization of banks benefited from the BSP's reform initiatives to further strengthen the minimum capital requirements of the lenders, particularly of rural banks, to fully equip them in meeting the operational demands of digitalization and financial inclusion. Toward this end, the BSP has implemented the Rural Bank Strengthening Program in 2022 (see Box Article No. 1).

Other sources of funding such as bonds payable (₱643.6 billion) and bills payable (₱481.4 billion) remained relatively small compared with the banking system's total assets.

Banks maintained ample liquidity. As of end-June 2022, the U/KBs' liquidity coverage ratio (LCR) stood at 193.9 percent on a solo basis and 192.5 percent on a consolidated basis. Meanwhile, their net stable funding ratio (NSFR) were estimated at 138.8 percent on a solo basis and 139.1 percent on a consolidated basis in the same period. These liquidity ratios were maintained way above the minimum regulatory requirement of 100 percent. Stand-alone TBs and RCBs also did well. Their average minimum liquidity ratios (MLRs) were favorably high, surpassing the 20-percent minimum requirement.

Net profit increased by 16.7 percent y-o-y to ₱143.1 billion as of end-June 2022, significantly decelerating from the 42.9 percent growth in June 2021. Other measures of profitability such as return on assets (RoA) and return on equity (RoE) inched up to 1.2 percent and 9.6 percent, respectively, for the period ending June 2022, higher than the 1.0 percent and the 7.9 percent posted the year before. Net interest margin (NIM) stood at 3.5 percent for the period ending June 2022, albeit slightly lower than last year's 3.6 percent.

Banks operated amid a leaner, stronger, and more inclusive and technology-enabled banking landscape. As of end-June 2022, the total number of head offices declined to 498 from 523 a year before as a result of continuing industry consolidation through mergers, consolidation, acquisitions and some closures of banks. However, this was offset by the continued expansion of the banks' service delivery network as the total number of branches, branch-lite units, representative offices, remittance desk offices, marketing offices and subbranches (collectively referred to as other offices) increased to 12,692 from 12,603 a year ago. In view of the network expansion and the promotion of the Philippine Identification System, the BSP expects an uptick in the pace of onboarding depositors in the banking system (see Box Article No. 2).

Meanwhile, the total assets of foreign currency deposit units (FCDUs) increased by 3.7 percent y-o-y to US$58.3 billion (₱3.2 trillion) as of end-June 2022 from US$56.2 billion reported a year ago. This represented around 15.0 percent of the total assets of the banking system. Majority of FCDU assets consisted of investments and loans, with a 47.1-percent and 34.4-percent share, respectively.

Loan quality improved, with the NPL ratio easing to 0.8 percent from the 5.1 percent recorded in the same period last year. The decline in NPLs was due to enhanced collection efforts, payments, and remedial management of banks. This improvement was accompanied by a high loan-loss provision, as shown by the NPL coverage ratio of 371.9 percent.

Following the easing of COVID-19 restriction measures, banks sustained profitable FCDU operations, with net profits hitting US$0.5 billion (₱27.4 billion) during the six-month period ending June 2022, albeit lower than the US$0.6 billion recorded in the same period last year.

On trust operations, total trust assets grew by 5.7 percent y-o-y to ₱5.1 trillion as of end-June 2022, albeit slower than 18.4-percent rise at the end of June 2021 amid a slowdown in the growth of discretionary funds such as unit investment trust funds (UITFs). Trust assets, which represented around 23.9 percent of the total assets of the banking system, remained highly liquid as majority were in the form of investment in securities (69.4 percent of the total) and deposit in banks (18.8 percent).

Trust accountabilities were made up mostly of ₱2.3 trillion in trust accounts and ₱2.3 trillion in agency accounts, with both taking a combined 89.0 percent share of the total. investments in UITFs. In turn, UITF placements stood at ₱1.2 trillion as of end-June 2022, lower by 3.3 percent from the previous year due to lingering uncertainties in the global funds market. On the other hand, Personal Equity and Retirement Account (PERA) contributions continued to modestly rise as Filipinos learn more about financial security and wellness. The growth in PERA may also be attributed to the continued promotional campaign and digitalization of the financial product. As of end-June 2022, total PERA contributions reached ₱283.2 million, growing by 26.3 percent from the previous year.

The net income of the trust industry declined by 4.2 percent y-o-y to ₱3.8 billion for the period-ended June 2022 due to higher trust expenses. Notwithstanding, the growth in fees and commissions helped the industry improve its earnings amid the increase in trust expenses.

Moving forward, the BSP will continue to pursue initiatives that will strengthen risk governance, promote responsible innovation, and mainstream sustainability in the financial system. These efforts will help foster a resilient, dynamic and inclusive financial system that is supportive of sustainable economic growth.

PHILIPPINE BANKING SYSTEM

OVERVIEW

The performance of the Philippine banking system (PBS) continued to improve in the first half of 2022 amid lingering effects of the COVID-19 crisis and the challenges in the macroeconomic environment. Expansion in assets, loans, deposits and net profit continued, which was reinforced by management efforts to maintain adequate capital and liquidity buffers as well as loan loss reserves. Funded by deposit generation, the growth in resources enabled the banking system to deliver financial products and services that are supportive of the country's requirements. The financial soundness indicators on capital adequacy, asset quality, profitability, liquidity, and sensitivity to market risk suggest that the PBS remains stable and resilient despite tighter financial conditions.

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 and time-bound relief measures. The BSP has commenced the unwinding of monetary policy support measures given the strong recovery momentum in the first half of 2022 on account of increased mobility and expanded vaccination coverage. Nevertheless, targeted prudential relief measures remain in place to further sustain credit growth in the country and provide continued access to financial services to households and vulnerable sectors. Moreover, the BSP is committed to pursuing regulatory and legislative reforms that are consistent with international standards and best practices and responsive to the increasing sophistication of the banking system and demands of the new economy. The BSP will continue to build on existing regulatory and supervisory frameworks and to undertake surveillance activities aimed at promoting the safety, soundness, and resiliency of the banking system and the financial system, as a whole.

Capital
₱2,576.6 billion

CAR and CET1 Ratio
16.5 percent and 15.4 percent
(Consolidated)

Net Income
₱143.1 billion

RoE and RoA
9.6 percent and 1.2 percent
For the period-ended June 2022

LCR and NSFR
192.5 percent and 139.1 percent
(Consolidated)

Net FX to Unimpaired Capital
4.1 percent

Deposits
₱16,492.6 billion

Loans
₱11,715.9 billion

NPL and NPL Coverage Ratios
3.6 percent and 97.1 percent

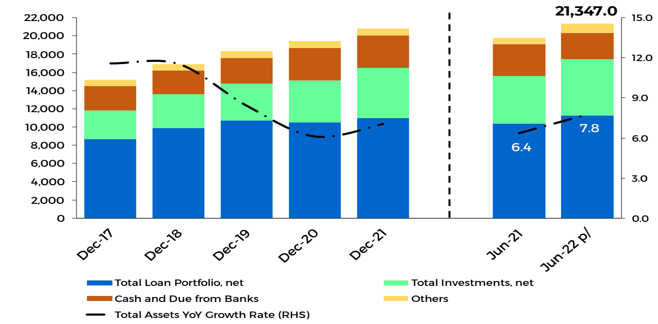
Assets
₱21.347.0 billion

As of End-June 2022

ASSETS GROWTH CONTINUED AT A FASTER PACE

Total resources of the Philippine banking system (PBS) expanded to ₱21,347.0 billion as of end-June 2022. The expansion was largely funded by deposits and, in turn, channeled to lending and investment activities of banks. The total assets' year-on-year (y-o-y) growth rate of 7.8 percent was faster than the 6.4 percent growth rate in June 2021 (Figure 1) and the 6.6 percent average growth rate during the pandemic.[1]

Figure 1.
PBS Total Assets
As of End-Periods Indicated; In Billion ₱ and Growth Rate in Percent (%)



Source: Department of Supervisory Analytics (DSA) *p/ preliminary*

By banking group, universal and commercial banks (U/KBs) had the largest share of the total assets of the PBS at 94.0 percent (₱20,072.4 billion), followed by thrift banks (TBs) at 4.4 percent (₱929.2 billion) and rural and cooperative banks (RCBs) at 1.6 percent (₱345.4 billion).

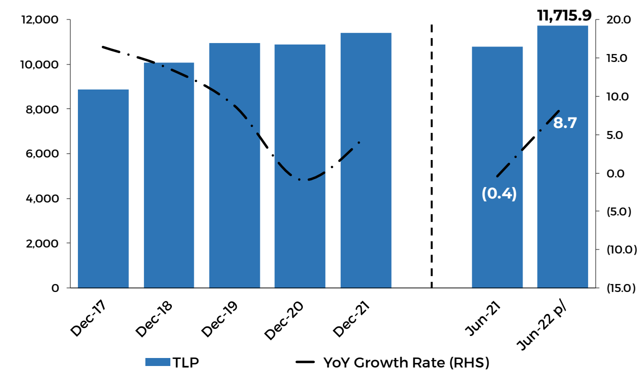
U/KBs' total assets went up y-o-y by 9.5 percent, higher than the 6.3 percent growth rate in June 2021. Meanwhile, TBs' total assets declined by 21.7 percent, compared with the 6.0 percent increase the year before owing to streamlining within the industry.[2] RCBs' total assets rose by 16.5 percent, higher than the 9.0 percent growth rate the previous year.

By asset composition, loans[3] held the majority of the banking system's total assets at 53.0 percent (₱11,306.9 billion). This was followed by investments[4] and cash and due from banks with 28.9 percent share (₱6,171.4 billion) and 13.4 percent share (₱2,852.4 billion), respectively. Meanwhile, other assets[5] had 4.8 percent share (₱1,016.3 billion). This asset mix has generally been maintained for the past six years.

LOAN GROWTH ACCELERATED AND REMAINED BROAD-BASED

Bank lending growth continued to accelerate and is expected to maintain its growth streak with the sustained recovery of the economy. The banking system's gross total loans went up y-o-y by 8.7 percent to ₱11,715.9 billion as of end-June 2022. This rate was a turnaround from the 0.4 percent contraction in June 2021 (Figure 2). This growth was an improvement from the 2.0 percent average growth during the pandemic but still lower than the double-digit average growth of 13.0 percent before the pandemic.

Figure 2.
PBS Gross Total Loan Portfolio (TLP)
As of End-Periods Indicated; In Billion ₱ and Growth Rate in Percent (%)



Source: DSA *p/ preliminary*

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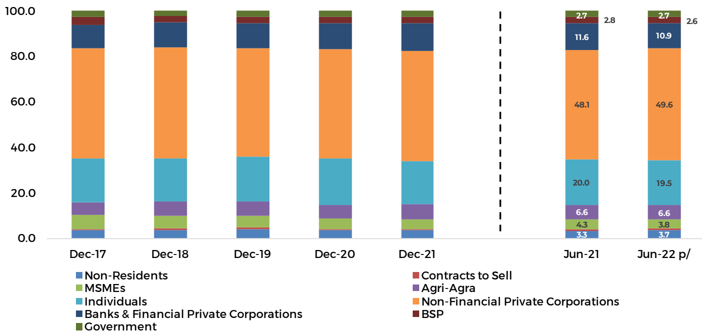
[1] During the pandemic, asset growth averaged at 6.6 percent for years-ended 2020 to 2021. This was still far from the 10.5 percent average growth rate before the pandemic. The pre-pandemic period refers to the period from 2017 to 2019 while the pandemic period means from 2020 to 2021, respectively. Growth rates pertain to y-o-y unless otherwise specified.
[2] Merger of a thrift bank with its parent universal bank.
[3] Includes Interbank Loans Receivable (IBL) and Reverse Repurchase (RRP), net of allowances for credit losses.
[4] Comprised of investments in debt and equity securities, derivatives, as well as equity investments in subsidiaries, associates and joint ventures, net of allowance for credit losses
[5] Includes real and other properties acquired (ROPA), net.

The reported loan expansion largely came from the manufacturing, real estate, information and communication, wholesale and retail trade, and construction sectors which grew y-o-y by 16.5 percent, 8.5 percent, 29.6 percent, 7.3 percent, and 14.9 percent, respectively. Collectively, these sectors accounted for 48.7 percent (₱5,701.3 billion) of the banking system's gross total loans. Such broad-based lending indicates recovery across industry sectors.

Banks remain optimistic on credit growth as the results of the latest industry survey showed that loans are seen to post double-digit growth in the next two years.[6] Meanwhile, the latest consumer and business confidence surveys[7] point to more pessimistic sentiment owing to concerns over higher inflation, rising oil price, continuing threat of the COVID-19 pandemic on the economy, among others.[8] As such, the BSP continues to monitor credit and market developments through its surveillance toolkits and collaborative partnerships with stakeholders.

As of end-June 2022, distribution of bank loans continued to reflect the needs of an emerging economy and remained largely stable (Figure 3).[9] There was no significant shift in sectoral distribution even during the pandemic. Resident non-financial private corporations captured the biggest share at 49.6 percent of gross TLP, amounting to ₱5,806.5 billion, followed by resident individuals at 19.5 percent, amounting to ₱2,281.4 billion. Loans to resident private corporations[10] and resident individuals account for around 80.0 percent aggregate share (₱9,370.4 billion). These are closely monitored for any signs of poor performance or overheating leading to loan quality deterioration.

Figure 3.
PBS Gross TLP by Economic Sector (Counterparty)
As of End-Periods Indicated; Ratios in Percent (%)



Source: DSA

p/ preliminary

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6 S2 2021 Banking Sector Outlook Survey (BSOS).

7 Based on the BSP's Q3 2022 Business Expectations Survey (BES) and Q3 2022 Consumer Expectations Survey (CES).

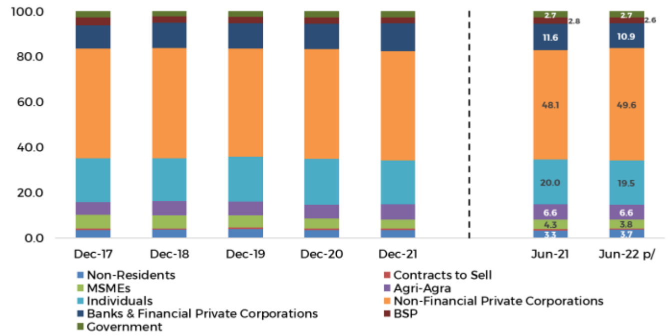
8 The Q3 2022 CES disclosed weaker confidence among consumers due to their concerns over the: (1) faster increase in the prices of goods and higher household expenses, (2) low income, and (3) fewer available jobs and working family members. Whereas the Q3 2022 BES generated a' less optimistic business sentiment on account of: (a) higher inflation (i.e., faster rise in prices of consumer goods, services, raw materials and production costs), (b) rising fuel prices, (c) decline in sales and demand, (d) peso depreciation and (e) the continuing public health threat of COVID-19.

9 Based on the Financial Soundness Indicators (FSIs) developed by the International Monetary Fund (IMF), 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., 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: IMF Financial Soundness Indicators Compilation Guide, c2006, 2019.

10 This refers to loans to resident banks, financial private corporations, and non-financial private corporations.

By production activity, lending remained well-diversified across various industry and borrower types (Figure 4). Bank loans to real estate activities, though leading at 19.2 percent share (₱2,250.0 billion), is comfortably below the amended regulatory cap of 25.0 percent.[11]

Figure 4.
PBS Gross TLP by Economic Sector (Counterparty)
As of End-Periods Indicated; Ratios in Percent (%)

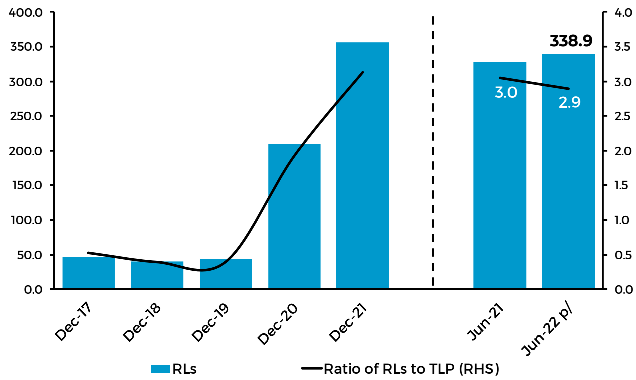


Source: DSA p/ preliminary

Other activities that figured prominently include wholesale and retail trade (10.8 percent share, ₱1,265.1 billion, loans for household consumption (10.5 percent share, ₱1,225.9 billion), manufacturing (10.1 percent share, ₱1,185.3 billion), electricity, gas, steam & air-conditioning supply (9.4 percent share, ₱1,107.1 billion), and financial and insurance activities (8.2 percent share, ₱959.9 billion). As of end-June 2022, loans across all industries expanded with the highest y-o-y growth posted by information and communication sector at 29.6 percent (4.8 percent share, ₱560.1 billion). This was followed by manufacturing, real estate, wholesale and retail trade, household, and financial and insurance sectors which grew by 16.5 percent, 8.5 percent, 7.3 percent, 6.6 percent, and 6.1 percent, respectively.

Banks also continued to provide credit relief to their borrowers through extension and/or modification in loan terms. As of end-June 2022, the level of restructured loans (RLs) of the PBS increased by 3.1 percent y-o-y to ₱338.9 billion (Figure 5). This was equivalent to 2.9 percent of TLP, slightly lower than the 3.0 percent ratio posted in June 2021 but 7.5 times the amount of RLs reported in February 2020 of ₱45.0 billion prior to the pandemic. The growth rate of RLs during the pandemic averaged 227.4 percent, considerably faster than the 5.9 percent pre-pandemic average growth.

Figure 5.
PBS Gross Restructured Loans (RLs)
As of End-Periods Indicated; In Billion ₱ and Growth Rate in Percent (%)



Source: DSA p/ preliminary

INTEREST RATES ON LOANS HAVE STARTED TO INCH UP IN 2022

The BSP kept policy rates low and maintained an accommodative policy stance during the COVID-19 crisis in 2020. As such, banks were able to pass on lower interest rates to their borrowers. However, with the re-opening of the economy and upside risks to inflation, the BSP has started to raise the policy rate[12] in the second quarter of 2022 after a series of policy rate cuts in 2020.

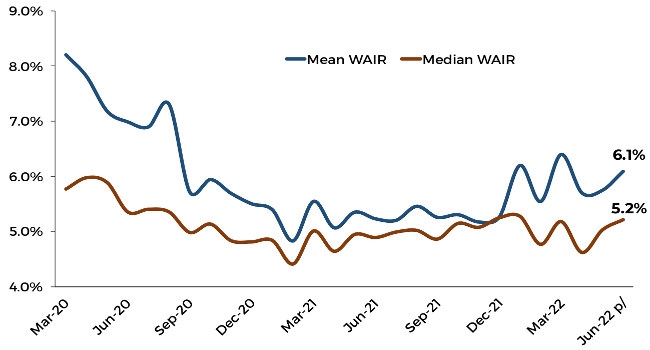
Mean and *median* weighted average interest rates (WAIR) have generally gone down since the start of the pandemic. These rates, however, have started to inch up in the second quarter of 2022 compared to levels reported in 2021. Preliminary data indicate that for the period-ended June 2022, the overall *mean* WAIR on loans of U/KBs stood at 6.1

[11] Circular No. 1093 dated 20 August 2020 (Amendments to the Real Estate Limits of Banks).
[12] Since May 2022, the BSP has increased the policy rate by an aggregate of 225 basis points (bps). BSP raised the policy rate by 25 bps each effective 20 May 2022 and 24 June 2022, 75 bps effective 14 July 2022, and 50 bps each effective 19 August 2022 and 23 September 2022.

percent, lower than the 8.2 percent in March 2020 but higher than the 5.2 percent in June 2021 (Figure 6). Meanwhile, the overall *median* WAIR registered at 5.2 percent for the period-ended June 2022, lower than the 5.8 percent in March 2020 but higher than the 4.9 percent in June 2021.

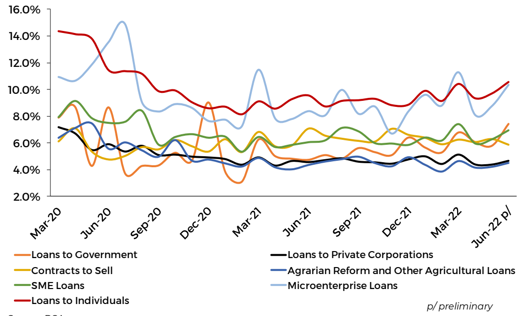
Across loan types, the same trend was generally observed in both mean and median WAIR with rates starting to go up in 2022. (Figures 7 and 8).

Figure 6.
PBS Weighted Average Interest Rates (WAIR) on U/KBs Loans
For End-Periods Indicated



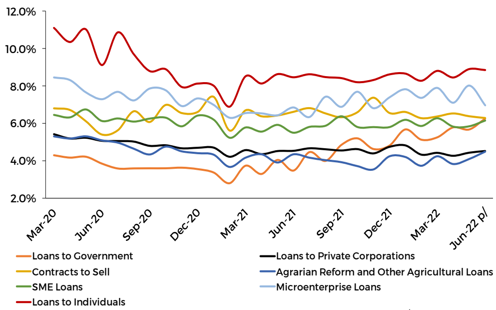
Source: DSA *p/ preliminary*

Figure 7.
PBS *Mean* WAIR on U/KBs Loans (by Loan Type)
For End-Periods Indicated



p/ preliminary
Source: DSA

Figure 8.
PBS *Median* WAIR on U/KBs Loans (by Loan Type)
For End-Periods Indicated

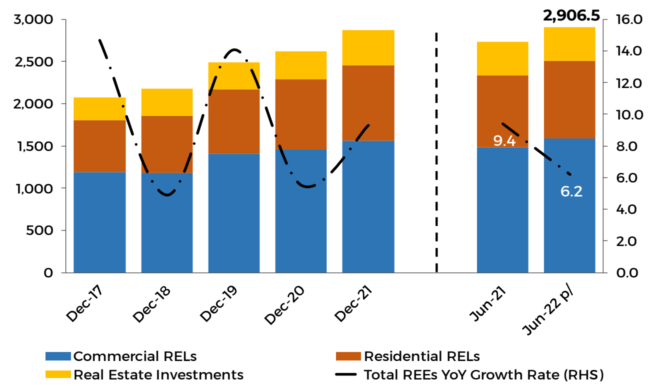


Source: DSA *p/ preliminary*

REAL ESTATE EXPOSURES INCHED UP...

The consolidated real estate exposures (REEs) of U/KBs and TBs increased by 6.2 percent to ₱2,906.5 billion as of end-June 2022 (Figure 9), decelerating from the 9.4 growth in June 2021[13].

Figure 9.
PBS Real Estate Exposure (REE) of U/KBs and TBs (Consolidated)
As of End-Periods Indicated; In Billion ₱ and and Growth Rate in Percent (%)



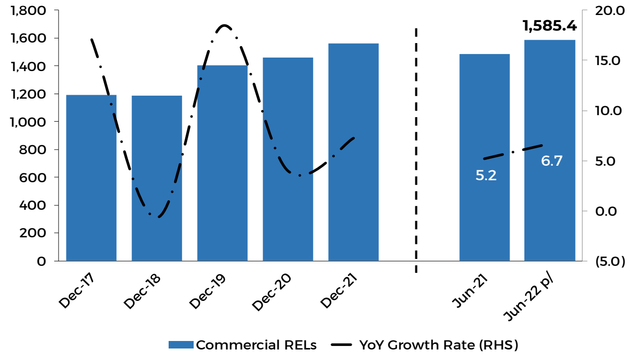
Source: DSA *p/ preliminary*

Real estate loans (RELs) continued to make up the majority of REEs, with a share of 86.2 percent, while real estate investments held the remaining portion of 13.8 percent. The growth of total RELs scaled up by 7.2 percent to ₱2,505.3 billion as of end-June 2022, surpassing the 6.1 percent growth recorded in June 2021. While the growth rate this period was slower than the pre-pandemic average of 12.0 percent, it was slightly faster than the 6.5 percent average growth during the pandemic.

[13] The average growth of REEs before and during the pandemic was 7.4 percent and 11.2 percent, respectively.

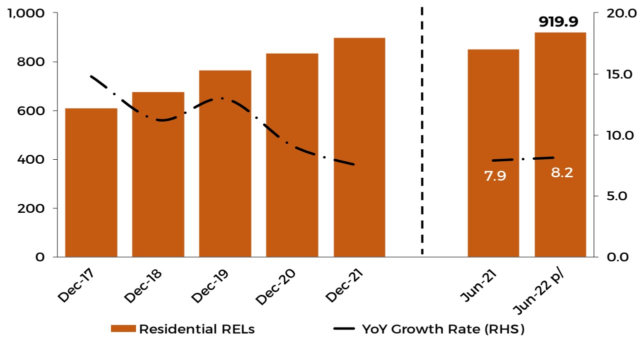
Commercials RELs, which were mostly unsecured[14] and accounted for almost two-thirds of the total RELs, rose by 6.7 percent to ₱1,585.4 billion as of end-June 2022, faster than the 5.2 percent growth rate in June 2021 (Figure 10). Commercial RELs were mostly used to finance land development, acquisition, construction and/or improvement of commercial real estate units, with 79.4 percent share (₱1,258.6 billion) of the total commercial RELs. As to tenor, majority of the loans had a residual maturity of over one year to five years (47.8 percent, ₱757.2 billion).

Figure 10.
PBS Commercial RELs of U/KBs and TBs (Consolidated)
As of End-Periods Indicated; In Billion ₱ and Growth Rate in Percent (%)



Source: DSA
p/ preliminary

Figure 11.
PBS Residential RELs of U/KBs and TBs (Consolidated)
As of End-Periods Indicated; In Billion ₱ and Growth Rate in Percent (%)



Source: DSA
p/ preliminary

Residential RELs expanded by 8.2 percent to ₱919.9 billion as of end-June 2022, relatively faster than the 7.9 percent growth rate from the previous year (Figure 11). Residential RELs were largely comprised of low-cost housing at 43.3 percent share (₱398.0 billion) and mid-end housing loans at 42.5 percent share (₱390.9 billion). As to tenor, bulk of the residential RELs, at 51.1 percent share, had a residual maturity of over ten years, amounting to ₱470.2 billion.

The growth in residential RELs was accompanied by rise in residential real estate prices in the Philippines in Q2 2022. The Residential Real Estate Price Index (RREPI) rose by 2.6 percent driven by increase in prices across housing types. By area, residential property prices in the National Capital Region (NCR) grew by 6.3 percent due mainly to increase in the prices of townhouses and condominium units. For property prices in the Areas Outside the NCR (AONCR), the increase was 2.2 percent as all types of housing units, except for townhouses, registered an upward trend. By type of housing unit, the annual growth in the nationwide RREPI was mainly driven by the rise in the prices of duplex housing units, condominium units, townhouses and single-detached/attached houses which went up by 11.3 percent, 8.6 percent, 4.1 percent and 0.8 percent, respectively. Housing prices are expected to grow by 3.2 percent by the end of 2022 as the economy recovers and residential vacancy recedes due to employees returning to onsite work set-up. [15]

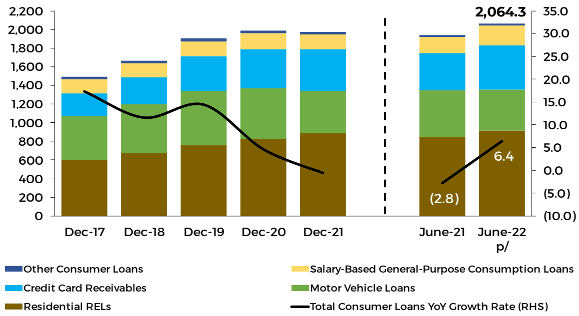
The banking system remained well capitalized in case of potential downturn in the real estate market based on the results of the real estate stress test (REST)[16] as of end-June 2022. The capital adequacy ratio (CAR) and common equity tier 1 (CET1) ratio of the U/KB industry as well as subsidiary and stand-alone TBs, under the stressed scenario, stood above the 10 percent and the 6 percent minimum thresholds, respectively, both on solo and consolidated bases.

[14] Unsecured commercial RELs accounted for around 75.4 percent (₱1,159.2 billion) of the total commercial RELs.
[15] Based on Q2 2022 RREPI.
[16] 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)."

...AS CONSUMER LOANS RECOVERED

The level of consumer loans (CLs) of U/KBs and TBs, on a solo basis, increased by 6.4 percent to ₱2,064.3 billion as of end-June 2022 (Figure 12), reversing the 2.8 percent contraction in June 2021, but still slower compared to the 14.4 percent pre-pandemic average growth rate.

Figure 12.
PBS Consumer Loans of U/KBs and TBs (Solo)
As of End-Periods Indicated; In Billion ₱ and Growth Rate in Percent (%)



Source: DSA *p/ preliminary*

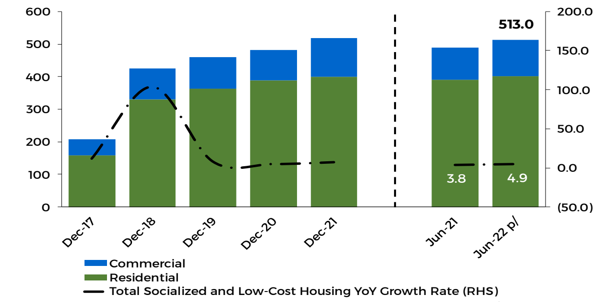
By composition, residential RELs made up the largest portion of total CLs at 44.3 percent (₱914.7 billion[17]), followed by credit card receivables (CCRs) at 23.2 percent (₱478.4 billion), motor vehicle loans (MVLs) at 21.3 percent (₱439.2 billion), salary-based general-purpose consumption loans (SBGPCLs) at 10.1 percent (₱207.8 billion) and other consumer loans at 1.2 percent (₱24.2 billion).

Components of the consumer finance segment behaved in varying ways for this period. The decline in MVLs and OCLs by 12.3 percent and 5.6 percent, respectively, was outpaced by the positive performance of SBGPCLs, CCRs and RRELs, which grew by 25.3 percent, 18.9 percent, and 8.1 percent, respectively. With the resumption of business activities and easing of mobility restrictions, the growth of CCRs continued to rise as consumers were able to avail of affordable credit card pricing given the retention of credit card transactions ceilings[18].

Although there was a notable growth in CLs as of end-June 2022, recent surveys registered a more pessimistic outlook from consumers due mainly to faster increase in the prices of goods and higher household expenses, tied up with low income and fewer available jobs and working family members. Consumers have less buying intention for consumer durables and motor vehicles but consider purchasing real estate properties within the next twelve months. Furthermore, consumers indicated that loans used to purchase real estate and basic goods account for a large portion of their total outstanding loans.[19]

Meanwhile, the exposure to socialized and low-cost housing of U/KBs and TBs[20], on consolidated basis, amounted to ₱513.0 billion as of end-June 2022, higher than the ₱488.9 billion level in June 2021. (Figure 13). A big portion of these exposures were loans to individual households to finance residential housing units for their occupancy. While the pandemic caused a slowdown in the residential market due to higher prices of construction materials and shifting priorities of the public, the gradual economic recovery opened new opportunities to ramp up investments in socialized and low-cost housing[21].

Figure 13.
PBS U/KBs and TBs' Exposure to Socialized and LowCost Housing (Consolidated)
As of End-Periods Indicated; In Billion ₱ and Growth Rate in Percent (%)



Source: DSA *p/ preliminary*

[17] RRELs of U/KBs and TBs on solo basis
[18] BSP Circular No. 1098 dated 24 September 2020 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. The ceilings on credit card transactions remain in effect subject to review by the BSP every six months.
[19] Based on the BSP's Consumer Expectations Survey for Q3 2022
[20] The BSP monitors the exposure of banks to socialized and low-cost housing based on existing BSP data on real estate loans, in accordance with the provisions of RA No. 7835, knows as the Comprehensive and Integrated Shelter Financing Act of 1994.
[21] Jenina P. Ibañez, "Pandemic drives up costs of PHL socialized housing projects," Business World, 1 March 2022, https://www.bworldonline.com/property/2022/03/01/432848/pandemic-drives-up-costs-of-phl-socialized-housing-projects/ (accessed 22 September 2022).

BANK CREDIT TO MSMES AND AGRI-AGRA SECTORS SLOWED

While the mandatory credit allocation for micro, small and medium enterprises (MSMEs) set forth in Republic Act (R.A.) No. 6977, as amended by R.A. Nos. 8289 and 9501, ended last 16 June 2018, the BSP continues to monitor the credit allocation of banks to the MSME sector. Based on bank-submitted MSME reports, the banking system provided a total of ₱447.7 billion credit to MSMEs (Table 1), which was 5.1 percent of TLP, net of exclusions, as of end-June 2022.

Table 1.
Credit Allocation to MSMEs
As of End-June 2022 p/; In Billion ₱

	All Banks	U/KBs	TBs	RCBs
Credit Allocation to Micro and Small Enterprises (MSEs)	**174.4**	119.7	21.7	32.9
Credit Allocation to Medium Enterprises (MEs)	**273.3**	228.5	27.9	17.0
Total Credit Allocation to MSMEs	**447.7**	348.2	49.6	49.9

Source: DSA *p/ preliminary data*

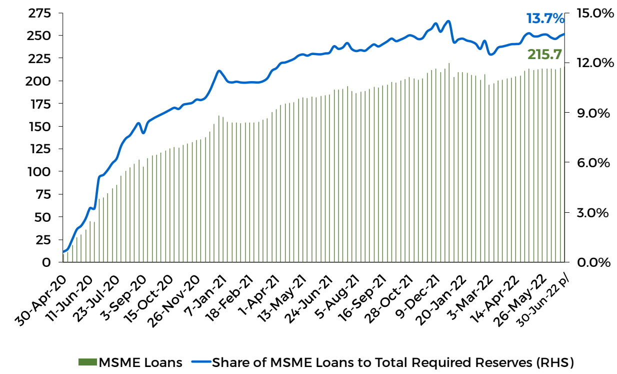
As shown in Table 1, the banking system's total credit allocation to micro and small enterprises and medium enterprises reached ₱174.4 billion and ₱273.3 billion, respectively. The total MSME credit allocated as of end-June 2022 of ₱447.7 billion declined by 1.6 percent when compared with the ₱454.8 billion credit in June 2021. During the pandemic, the average growth of credit allocated to MSMEs dropped by 10.3 percent, a turnaround from the 4.7 percent average growth rate before the pandemic.

In view of these developments, the BSP continues to foster a regulatory environment conducive to the sustained development and growth of MSMEs. In particular, the BSP retained the effectivity of the prudential measures that aim to channel funding and extend more credit to MSMEs until end of 2022. These measures include the 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[22] and the reduction in the Minimum Liquidity Ratio (MLR) of stand-alone banks to 16 percent from 20 percent. As a permanent measure, the BSP issued regulations which assign a zero-percent risk weight for loans guaranteed by the Philippine Guarantee Corporation.

The BSP also extended the relief measure which assigns a lower credit risk weight for MSME loans[23] and which allows banks to utilize peso-denominated loans to MSMEs and large enterprises (LEs) as alternative compliance with the reserve requirements against deposit liabilities and deposit substitutes until end-June 2023. Banks' availment of the latter measure continues to be strong indicating that banks continued to grant new loans to or refinance loans of MSME clients during the pandemic.

For the reserve week ending 30 June 2022, the banking system allocated an average of ₱215.7 billion of loans to MSMEs as alternative compliance with the reserve requirements (Figure 14). This was a substantial increase from the ₱8.7 billion in MSME loans reported for the week ending 30 April 2020. This also comprised around 13.7 percent of total required reserves for the said reserve week.

Figure 14.
PBS MSME Loans Used as Alternative Compliance with RR
For End-Weeks Indicated; In Billion ₱ and Share in Percent (%)



Source: DSA *p/ preliminary*

[22] For covered banks, the revised capital adequacy framework will take effect on 1 January 2023 instead of 1 January 2022

[23] 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..

Meanwhile, loans of banks to eligible LEs used as alternative compliance with the reserve requirements amounted to ₱64.4 billion or 4.1 percent of total required reserves for the same reserve week.

On the credit allocation required under R.A. No. 10000 (The Agri-Agra Reform Credit Act of 2009), banks have set aside a total of ₱848.0 billion of loanable funds for agriculture and agrarian reform credit as of end-June 2022 (Table 2). However, the banking system's 9.5 percent compliance ratio for other agricultural credit as of end-June 2022 was below the required 15 percent. Moreover, its compliance ratio for agrarian reform credit of 0.8 percent was below the required 10 percent.

Table 2.
Compliance with Mandatory Allocation for Agra-Agri Credit [1/]
As of End-June 2022 [p/]; In Billion ₱ and Ratios in Percent (%)

	All Banks	U/KBs	TBs	RCBs
Total Loanable Funds Generated	**8,223.5**	7,730.6	337.6	155.3
Minimum Amount Required to be Allocated for:				
Agrarian Reform Credit (AGRA, 10%)	**822.3**	773.1	33.8	15.5
Other Agricultural Credit (AGRI, 15%)	**1,233.5**	1,159.6	50.6	23.3
Total	**2,055.9**	1,932.7	84.4	38.8
Compliance with AGRA				
Total compliance with AGRA	**64.2**	50.2	3.1	10.9
Percentage of Compliance with AGRA	**0.8%**	0.6%	0.9%	7.0%
Compliance with AGRI				
Total compliance with AGRI	**783.8**	746.4	19.6	17.7
Percentage of Compliance with AGRI	**9.5%**	9.7%	5.8%	11.4%
Total				
Total compliance for AGRI-AGRA	**848.0**	796.6	22.7	28.6
Percentage of Compliance for AGRI-AGRA	**10.3%**	10.3%	6.7%	18.4%

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

Source: DSA

This agri-agra credit allocation as of end-June 2022 expanded by 7.4 percent from the ₱789.7 billion credit in June 2021. This growth rate, however, remained lower when compared with the average growth rate posted before and during the pandemic at 14.9 percent and 8.3 percent, respectively.

The BSP welcomes the passage of R.A. No. 11901 or "The Agriculture, Fisheries, and Rural Development Financing Enhancement Act of 2022" that provides a comprehensive financing framework for the development of the agriculture and fisheries sector and rural communities. The new law broadens activities for agricultural credit and rural development financing to include agri-tourism, digitalization of agricultural activities and processes, public rural infrastructure, programs that promote health and wellness of rural communities, and activities that improve livelihood skills.

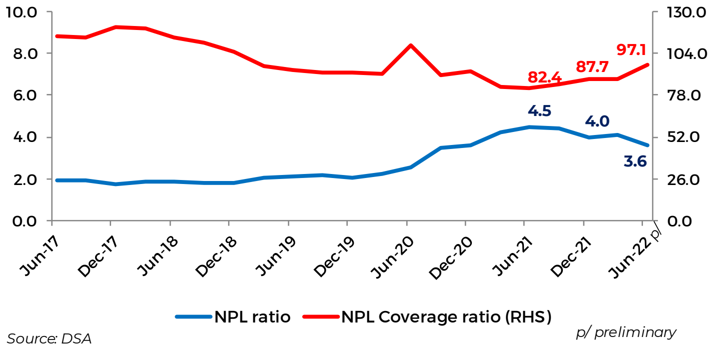
Under the new law, banks will no longer be required to set aside 10 percent and 15 percent of their loanable funds for agrarian reform credit and other agricultural credit, respectively. Instead, banks may allocate the combined 25 percent mandatory credit quota to a range of borrowers for projects or activities that will benefit the agriculture, fisheries, and agrarian reform sectors in rural communities. Moreover, banks that are unable to directly lend to rural community beneficiaries may contribute through other means, such as investing in debt and equity securities, undertaking agricultural value chain financing, and granting agri-business loans to fund agricultural and rural community-enhancing activities.

In consultation with relevant agencies and stakeholders, the BSP is finalizing the circular on the Implementing Rules and Regulations (IRR) of the R.A. No. 11901.

LOAN QUALITY REMAINED MANAGEABLE AND WITHIN BSP EXPECTATIONS

The main business of Philippine banks largely revolved around deposit-taking and lending. Deposits remained the primary source of bank funds while loans accounted for the majority of bank assets. Hence, an important financial soundness indicator to measure asset quality is the ratio of non-performing loans (NPLs) to total gross loans.

Figure 15.
PBS NPL Ratio and NPL Coverage Ratio
As of End-Periods Indicated; Ratio in Percent (%)



Source: DSA

p/ preliminary

Philippine banks' NPL ratio eased anew to 3.6 percent as of end-June 2022, better than the 4.5 percent from the same period last year (Figure 15). Even though the pandemic still lingers, the declining COVID-19 mortality risk has so far permitted more flexible containment measures, which has supported economic activity and allowed domestic demand to strengthen. As a result, the quality of banks' credit exposure to vulnerable sectors have improved, scoring double-digit declines in NPLs as of end-June 2022. NPLs of loans for individual consumption have gone down by 20.1 percent (₱23.3 billion) on the back of NPL improvements in MVLs and CCRs by 24.9 percent (₱15.5 billion) and 19.3 percent (₱6.6 billion), respectively. By economic activity, the decline in non-performing loans to transportation and storage, manufacturing, and others/loans to non-residents by 22.9 percent (₱7.5 billion), 10.1 percent (₱4.8 billion), and 93.8 percent (₱28.1 billion), respectively, contributed to the overall improvement of the banking system's NPLs.

Banks' remedial management of NPLs was matched with ample NPL coverage ratio[24] of 97.1 percent as of end-June 2022, higher than the 82.4 percent from a year ago (Figure 15). Banks' NPL coverage ratio was buoyed by domestic private UBs, and foreign banks with NPL coverage ratios of 112.4 percent and 129.8 percent, respectively, as of end-June 2022. On the other hand, government banks (76.8 percent), domestic private KBs (77.6 percent), domestic private TBs (64.7 percent), and domestic private RCBs (72.2 percent) recorded NPL coverage ratios which were lower than the PBS average in the first half of 2022.

For the full-year 2022, the BSP is confident that the NPL ratio will remain in single digit and will start to return to pre-pandemic levels. Importantly, the full implementation of the Financial Institutions Strategic Transfer or FIST Act[25] will reinforce bank's NPL management. The results of the latest industry survey also show that majority of respondent banks believe that the NPL ratio will remain relatively low, and this will be accompanied by high loan-loss provisions.[26]

INVESTMENT PORTFOLIO FURTHER EXPANDED WITH NOTED SHIFT TO SECURITIES MEASURED AT AMORTIZED COST

Investments in securities[27] rose by 23.1 percent to ₱6,047.8 billion as of end-June 2022. This growth rate was lower than the 32.6 percent growth rate in June 2021 but an

[24] Ratio of allowance for credit losses - TLP to gross NPLs.
[25] The number of received Master List (ML) applications by the BSP for verification of non-performing assets (NPAs) under the FIST Act (Stage 1 of the Certificate of Eligibility (COE) issuance) increased to 15 banks as of 6 September 2022. Of these 15 banks, (a) seven (7) banks (4 UBs, 1 TB, 1 TB – Subsidiary of UBs and 1 RB) were issued Final ML, and (b) processing of MLs of seven (7) banks (6 RBs and 1 TB) were completed/returned to the applicants for correction. In addition, four (4) COEs were issued to two (2) UBs and one (1) TB.
Meanwhile, the Securities and Exchange Commission (SEC) has approved the establishment of six (6) FIST Corporations as of 24 March 2022. These include three (3) Philippine companies and three (3) foreign-owned companies.
[26] Based on S1 2021 BSOS.
[27] Gross of allowance for credit losses; excludes equity investments in subsidiaries/associates/joint ventures.

improvement from the average rate of 18.3 percent and 13.0 percent, respectively, during and before the pandemic.

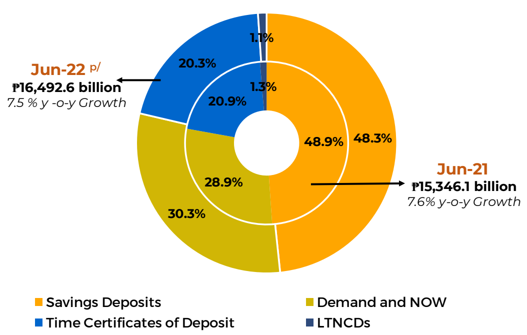
Banks' investment portfolio mostly consisted of investments in securities measured at amortized cost[28] at ₱3,373.6 billion (55.8 percent share) and investments in securities measured at fair value through other comprehensive income[29] (FVOCI) at ₱2,330.1 billion (38.5 percent share). Meanwhile, investments in securities measured at fair value through profit or loss (FVTPL) had a minimal share at ₱344.1 billion (5.7 percent share). In terms of counterparty, majority of banks' investment portfolio consisted of securities issued by the National Government (NG) at ₱4,315.5 billion (71.4 percent share).

A shift in investment portfolio, particularly from investments in securities measured at FVOCI to investments in securities measured at amortized cost, has been noted since June 2021. Specifically, investments in securities measured at FVOCI dropped to 38.5 percent share of the total portfolio investments in June 2022 from the 48.6 percent share in June 2021, or a level contraction of 2.3 percent. Meanwhile, the share of investments in securities measured at amortized cost substantially increased to 55.8 percent in June 2022 from the 43.7 percent share in June 2021. The observed shift is consistent with a rebalancing strategy that reduces mark-to-market (MTM) losses amid an increasing interest rate environment.

DEPOSITS CONTINUED TO GROW, MARKED BY SUSTAINED CONFIDENCE AND INCREASED IMPORTANCE OF SAVINGS

Amid the pandemic, domestic deposits continued to expand, reflective of the economy's gradual recovery and the depositors' increased awareness of the importance of saving in the face of future contingencies. The lending and investment activities of the banking system were largely funded by deposits[30] which grew by 7.5 percent y-o-y to ₱16,492.6 billion as of end-June 2022 (Figure 16). This growth, however remained far from the 9.0 percent and 9.2 percent, respectively, during and prior the pandemic. The expansion in total deposits as of end-June 2022 was driven largely by demand and regular savings account which grew y-o-y by 12.6 percent and 12.2 percent, respectively.

Figure 16.
PBS Total Deposits by Type
As of End-Period Indicated



Source: DSA p/ preliminary

As to deposit mix, savings deposits made up the biggest share of total deposits at 48.3 percent, followed by demand deposits and Negotiable Order of Withdrawal (NOW) accounts at 30.3 percent and time certificates of deposit with 20.3 percent. Long-term negotiable certificates of deposit (LTNCDs) accounted for a minimal 1.1 percent of the total. Savings deposits have consistently accounted for around 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.

[28] By counterparty, debt securities issued by the NG accounted for 77.2 percent (₱2,602.9 billion) of total investments in securities measured at amortized cost. The average growth of investments in securities measured at amortized cost stood at 26.4 percent and 8.4 percent, respectively, before and during the pandemic.

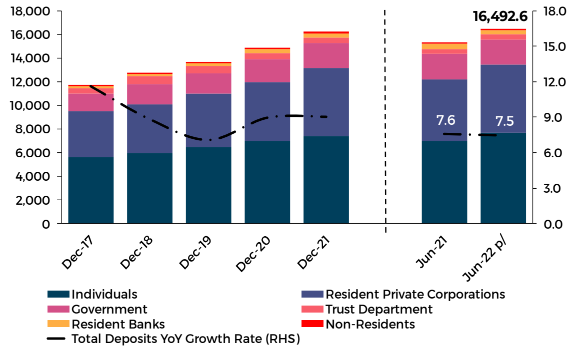
[29] These investments in securities were mostly debt securities (₱2,279.3 billion, 97.8 percent share). By counterparty, debt securities issued by the NG accounted for 68.0 percent (₱1,584.2 billion) of total investments in securities measured at FVOCI. During the pandemic, these securities had double-digit growth and averaged at 48.3 percent, higher than the pre-pandemic average of 5.8 percent.

[30] Deposits grew by 7.5 percent in June 2022, lower than the 7.6 percent and the 10.9 percent posted in June 2021 and June 2020. During the pandemic, deposits grew at an average of 9.0 percent, slower than the pre-pandemic average growth of 9.2 percent.

Savings deposits were comprised of regular savings (80.9 percent share, ₱6,452.2 billion), kiddie and teen savings (0.7 percent share, ₱55.0 billion), other savings[31] accounts (18.3 percent share, ₱1,460.5 billion), and basic deposit accounts (0.1 percent share, ₱5.1 billion). The regular savings, kiddie and teen savings, and basic deposit accounts grew by 12.2 percent, 9.0 percent, and 5.1 percent, respectively, lower than the 12.7 percent, 12.3 percent, and 9.8 percent growth in June 2021, respectively. By contrast, other savings deposits contracted by 14.1 percent, a reversal of the 15.4 percent growth posted a year ago.

By size of account, deposit accounts holding ₱5,000 and below had the highest increase in volume, growing by 11.3 percent y-o-y to 62.9 million accounts reflecting banks' heightened efforts to target small savers. In terms of new accounts, savings deposits held the bulk of newly opened accounts, increasing by 10.0 percent or around 7.7 million new accounts as of the same reference period.

Figure 17.
PBS Total Deposits (by Counterparty)
As of End-Periods Indicated; In Billion ₱ and Growth Rate in Percent (%)



p/ preliminary

Source: DSA

As to counterparty, deposits that were generated mostly came from resident individuals and private corporations, accounting for 46.6 percent and 35.0 percent of total deposits, respectively (Figure 17). Deposits from resident private corporations grew by 10.6 percent, slightly slower than the 11.9 percent growth recorded in the previous year, while those from individuals accelerated to 10.1 percent from the 2.2 percent growth a year ago. Meanwhile, individuals contributed 58.2 percent of deposits with TBs and 83.9 percent with RCBs, indicating that savings deposits from consumers and households were the major source of funds for the operations of the TB and RCB industries. This was followed by deposits of private corporations which comprised 28.9 percent of deposits in TBs and 15.3 percent in RCBs, higher than the 24.0 percent and 13.7 percent in June 2021, respectively.

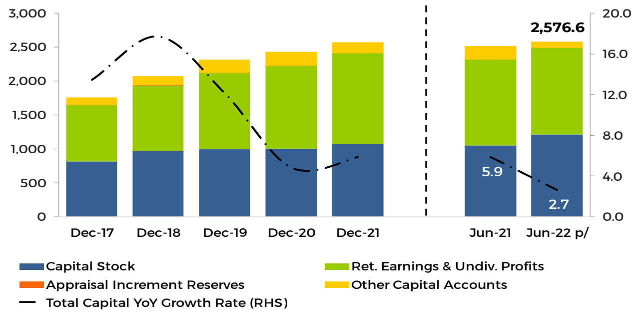
Other sources of funding such as bonds payable (₱643.6 billion) and bills payable (₱481.4 billion) remained relatively small compared with the banking system's total assets.

The BSP continues to support the development and roll-out of the Philippine Identification System (PhilSys) or the National ID to promote financial inclusion and adoption of digital financial services. The National ID is a unique, biometric-based, non-transferrable ID that will help ease Know-Your-Customer (KYC) rules and ensure fool-proof identity in opening a transaction account.[32] The PhilSys is a key inclusion enabler as it addresses the often-cited challenge of proper identification, thereby reducing customer onboarding costs. The progress in nationwide registration for the PhilSys ID has allowed previously unbanked registrants to open transaction accounts. Details of the PhilSys and KYC are discussed in Box Article No. 1.

[31] Other savings account refers to interest-bearing special saving account which offers tiered interest rates depending on the size of the deposit and usually carries higher interest rate compared to the rate for regular savings account.
[32] Republic Act (R.A.) No. 11055 or the Philippine Identification System (PhilSys) Act.

ADEQUATE CAPITAL MAINTAINED…

Figure 18.
PBS Components of Capital and Growth Rates
As of End-Periods Indicated; In Billion₱ and Growth Rate in Percent (%)

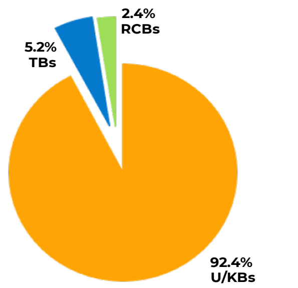


Source: DSA *p/ preliminary*

The banking system posted stronger capital position amid the uncertainties caused by the COVID-19 pandemic. As of end-June 2022, the banking system's capital accounts grew by 2.7 percent y-o-y to ₱2,576.6 billion, lower than the 5.9 percent growth rate in the previous year (Figure 18)[33]. Retained earnings and undivided profits held the largest share of total capital accounts at 49.5 percent and increased by 1.1 percent y-o-y to ₱1,275.6 billion. This was followed by paid-up capital, which accounted for about 47.0 percent share and was the main driver of total capital growth with its 15.2 percent (or ₱160.2 billion) y-o-y expansion to ₱1,211.5 billion as of the same reference period.

Across banking groups, U/KBs continued to hold the largest share of the banking system's capital accounts at 92.4 percent, posting a 4.0 percent increase during the year. The RCBs, having the smallest share of 2.4 percent, also grew by 9.3 percent. The remaining 5.2 percent was held by the TBs with a capital reduction of 18.1 percent as of end-June 2022 (Figure 19).

Figure 19.
PBS Share to Total Capital by Bank Industry
As of End-June 2022p/

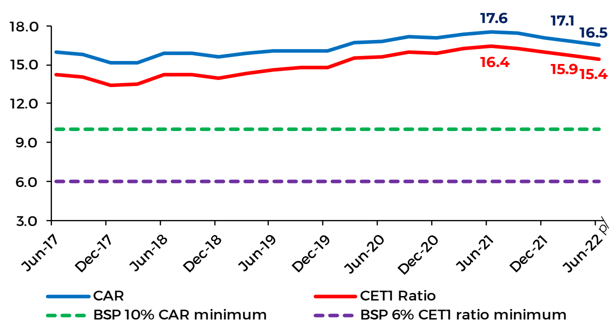


Source: DSA *p/ preliminary*

…AS CAPITAL ADEQUACY RATIOS SURPASSED BSP MINIMA

Figure 20 shows that both the Capital Adequacy Ratio[34] (CAR) and common equity tier 1 (CET1)[35] ratios of U/KBs, on a consolidated basis, were well above the BSP minimum requirements of 10 percent and 6 percent, respectively.[36] 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-June 2022, the CAR of U/KBs stood at 16.0 percent on a solo basis and 16.5 percent on a consolidated basis while the CET1 ratio hit 14.8 percent on a solo basis and 15.4 percent on a consolidated basis.

Figure 20.
CAR and CET 1 Ratio of U/KBs (Consolidated)
As of End-Periods Indicated; In Percent (%)



Source: DSA *p/ preliminary*

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[33] Total capital rose by 2.7 percent in June 2022, lower than the 5.9 percent in June 2021 and the 7.7 percent in June 2020. During the pandemic, bank capital had average growth of 5.4 percent, lower than the pre-pandemic average of 14.4 percent.

[34] Regulatory Capital to Risk-Weighted Assets (RWA). The CAR of the banking system stood at 16.0 and 16.7 percent, respectively, on solo and consolidated bases as of end-June 2022 and continued to be well-above the minimum thresholds. Similarly, smaller banks maintained higher than the minimum standards particularly, stand-alone TBs and RCBs reported their CARs at 19.9 percent and 21.3 percent, respectively. While subsidiary TBs and RCBs posted an 18.2 percent and 13,3 percent, respectively, as of the same reference period.

[35] 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.

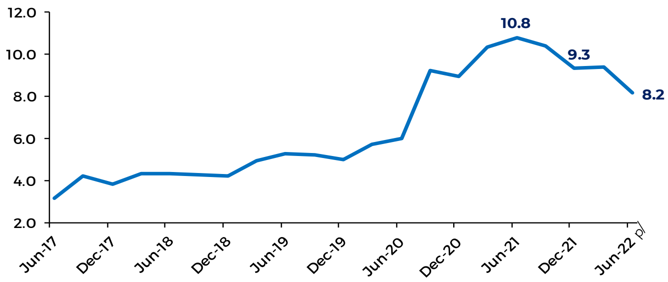
[36] In turn, stricter than the Basel minimum requirements of 8 percent and 4.5 percent, respectively.

Another important capital adequacy indicator is the ratio of NPLs[37] to total capital which aims to identify potential weaknesses in asset quality that can become serious over time.

Reopening has supported expansion of activity in manufacturing and services. Moreover, with increased mobility, consumption and investment have recovered and driven economic growth.[38] This has resulted in decline in non-performing loans of consumption (including MVLs and CCRs), transportation and storage, manufacturing, as well as other loans/loans to non-residents (international business/ trade) and y-o-y containment in the banking system's NPL as of end-June 2022.

Figure 21 shows that the Philippine banks' net NPL to capital ratio at 8.2 percent as of end-June 2022, exhibited a downtrend from 9.3 percent in December 2021 and 10.8 percent in June 2021 (pandemic peak). Banks, however, have yet to return to the pre-pandemic quarterly average of 3.5 percent or a range of between 2.5 percent and 5.3 percent (March 2013-December 2019).

Figure 21.
PBS Net NPL to Capital Ratio
As of End-Periods Indicated; In Percent (%)

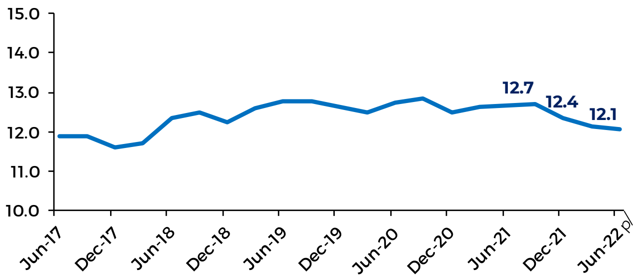


Source: DSA

p/ preliminary

Meanwhile. leverage ratios[39] show the financial position of the bank in terms of its capital, as well as on- and off-balance sheet exposures, as applicable. The two leverage ratios used to measure the financial health of the banks are capital-to-asset ratio and Basel III leverage ratio (BLR).

Figure 22.
PBS Capitalto-Asset Ratio
As of End-Periods Indicated; In Percent (%)



Source: DSA

p/ preliminary

The capital-to-asset ratio[40] determines the extent to which assets are funded by the banks' own funds. Figure 22 shows that a reasonable level of bank assets is backed up by the banks' own funds and this has been relatively steady over time.

Supplementing the risk-based capital requirements, the BSP adopted the BLR[41]. As of end-June 2022, the U/KB industry's BLR stood at 9.2 percent on solo basis and 9.6 percent on consolidated basis, well-above the BSP and international thresholds of 5.0 percent and 3.0 percent, respectively.

The recent downtrend of BLR is on account of expansion in lending activity which were funded by deposits.

[37] Net of provisions.
[38] The country's real gross domestic product (GDP) grew by 7.4 percent in the second quarter of 2022 as reported by the Philippine Statistics Authority.
[39] They are 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.
[40] Pertains to ratio of total capital accounts to total assets.
[41] 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 build-up of excessive leverage in the banking sector to avoid destabilizing deleveraging processes that can damage the broader financial system and the economy." (BCBS press release on Basel III Leverage Ratio Framework and Disclosure Requirements, 12 January 2014)

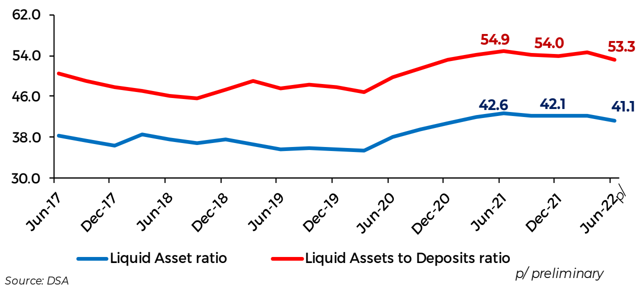
BANKS MAINTAINED SUFFICIENT BUFFERS TO MEET LIQUIDITY AND FUNDING REQUIREMENTS

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.

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

The banking system maintained a high liquid asset ratio of 41.1 percent as of end-June 2022[42] (Figure 23). 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 by 20.7 percent as banks rebalanced their portfolios.

Figure 23.
PBS Liquid Asset Ratio and Liquid Assets to Deposits Ratio
As of End-Periods Indicated; In Percent (%)



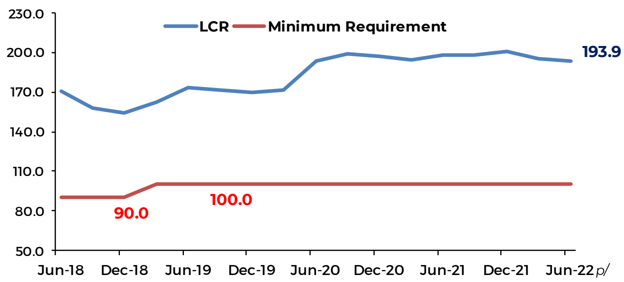
Source: DSA
p/ preliminary

Another measure of liquidity is the ratio of liquid assets to deposits (a proxy for short-term liabilities), which indicates the deposits that would have to be covered by asset sales if access to funding is lost. The liquid assets to deposits ratio stood at 53.3 percent as of end-June 2022. Banks continue to hold liquidity buffer to serve client demand even in times of financial shocks.

The BSP has adopted the Basel III Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) for subsidiary banks/quasi-banks (QBs) of U/KBs, and MLR for stand-alone TBs, RBs, CBs, and QBs.[43] The BSP also rolled out the report on intraday liquidity[44] for U/KBs and their subsidiary TBs/QBs in April 2022, starting with the reporting month January 2022[45].

As of end-June 2022, the LCR of the U/KBs was at 193.9 percent on a solo basis, and 192.5 percent on a consolidated basis. These were well-above the regulatory threshold of 100 percent[46] (Figure 24). Since the implementation of the LCR, covered banks posted ratios that consistently surpassed the regulatory minimum, indicating high levels of high-quality liquid assets (HQLA). This indicates resilience of the banking system to potential short-term liquidity disruptions even during this crisis.

Figure 24.
PBS LCR of U/KBs (Solo)
As of End-Periods Indicated; In Percent (%)



Source: DSA
p/ preliminary

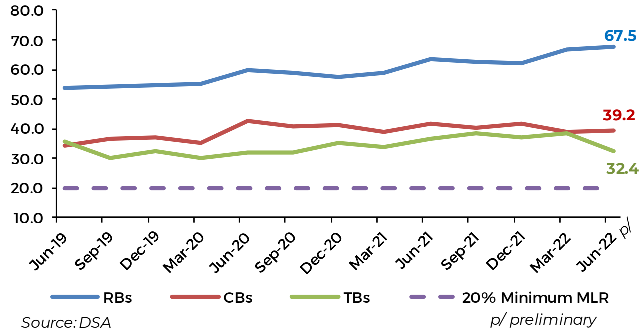
[42] As compared with ASEAN counterparts (latest available data): Indonesia (Q2 2022: 16.5 percent), Malaysia (Q1 2022: 22.8 percent), Thailand (Q1 2022: 23.7 percent), and Vietnam (Q2 2021: 10.6 percent) (Source: IMF FSIs – Data and Metadata Tables).
[43] Circular No. 1034 dated 15 March 2019, and Circular No. 1035 dated 15 March 2019.
[44] The Report aims to appropriately monitor the intraday liquidity position of BSFIs, their sources of intraday liquidity, and their ability to meet payment and settlement obligations on a timely basis under both normal and stressed conditions.
[45] Circular No. 1064 dated 3 December 2019.
[46] Under existing BSP rules and regulations, the minimum LCR requirement for U/KBs is 90 percent beginning 1 January 2018 and 100 percent from 1 January 2019 onwards.

Meanwhile, the NFSR of the U/KBs as of end-June 2022 hit 138.8 percent and 139.1 percent on a solo and consolidated bases, respectively, which were well-above the minimum regulatory requirement of 100 percent, indicating more than sufficient capability to fund requirement for the medium term.

The banks' NSFR profile shows that 76.1 percent of assets requiring stable funding are performing loans and non-HQLA securities. Meanwhile, 76.2 percent of the banks' available stable funding is from retail deposits and wholesale deposits with tenor of more than one year.

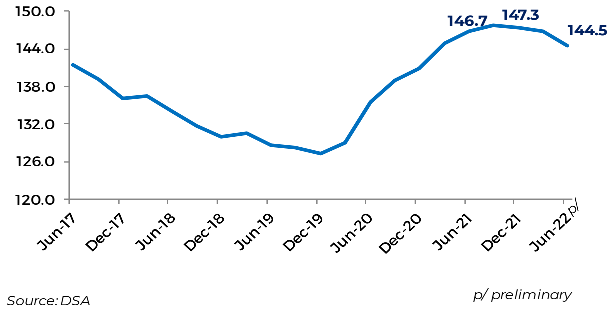
For stand-alone TBs, RBs and CBs, the liquidity measure is MLR. Guided by the principle of proportionality[47], the objective of the MLR is for covered banks and QBs to set aside a liquidity buffer made up of eligible liquid assets that will enable them to withstand liquidity stress events. Covered banks and QBs are required to maintain an MLR of 20 percent.[48] As of end-June 2022, the MLR of stand-alone TBs, RBs, and CBs were favorably high, surpassing the 20 percent minimum requirement (Figure 25).

Figure 25.
PBS MLR of StandAlone TBs, RBs and CBs
As of End-Periods Indicated; In Percent (%)



Meanwhile, the ratio of deposits to net loans[49] is also used to detect liquidity problems. A low ratio may indicate potential liquidity stress in the banking system as well as waning sentiment of depositors and investors on the long-term viability of the sector. Figure 26 shows the ratio remains well-above the 100 percent mark in recent years, 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).

Figure 26.
PBS Deposits to Net Loans
As of End-Periods Indicated; In Percent (%)



The funding cost[50] of Philippine banks stood at 0.6 percent as of end-June 2022, lower than 0.7 percent and 0.8 percent as of end-December 2021 and end-June 2021, respectively. The latest figures confirm that low-cost deposits have remained not only a stable but also the biggest source of funds for banks' operations.

Banks' funding cost averaged at 1.8 percent quarterly from 2008 to 2019. This further improved during the crisis as it posted lower average of 1.0 percent quarterly from 2020 to mid-2022. The continuous improvement was shaped by the decision of the BSP Monetary Board to keep key policy rates on hold for eight consecutive policy meetings[51].

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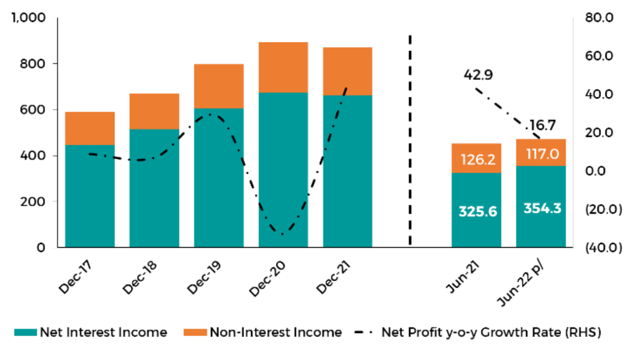
[47] The BSP calibrates its banking regulations in such a way that these remain sensitive to the peculiarities and conditions of different types of financial institutions operating in the country without compromising regulatory objectives.
[48] This is 16 percent based on regulatory relief granted until end-December 2021, per Memorandum No. M-2020-020 dated 7 April 2020 and Memorandum No. M-2020-085 dated 1 December 2020. The relief measure was extended until end-December 2022.
[49] Net loans refer to TLP less IBL. This also represents the core loans of the banking system.
[50] Funding cost is the ratio of annualized interest expense to average interest-bearing liabilities.
[51] 2020 Policy Meeting: 17 December; 2021 Policy Meetings: 11 February, 25 March, 12 May, 24 June, 12 August, 23 September, and 18 November.

NET PROFIT GREW AT A SLOWER PACE

The net profit of the Philippine banking system increased by 16.7 percent y-o-y to ₱143.1 billion for the period-ended June 2022, lower than the 42.9 percent growth in June 2021 (Figure 27).

Figure 27.
PBS Sources of the Revenue
As of End-Periods Indicated; In Billion ₱ and Growth Rate in Percent (%)



Source:DSA *p/ preliminary data*

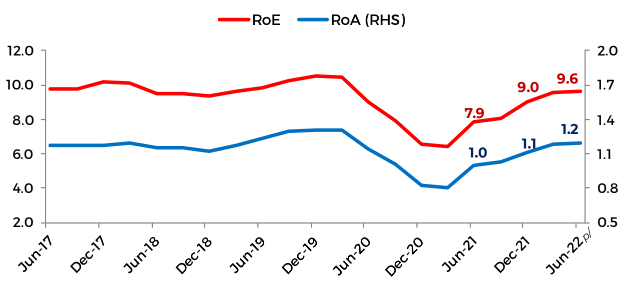
More than half of the total interest income came from lending to private corporations and households[52] and investment in debt securities[53]. For the period ended-June 2022, interest income increased by 6.4 percent y-o-y to ₱409.4 billion, a turnaround from the 13.3 percent contraction for the same period a year ago. Meanwhile, interest expense dropped by 6.9 percent to ₱55.0 billion due mainly to the change in deposit mix wherein lower-cost deposits, particularly demand accounts, grew faster than the savings deposits. This translated to lower interest expense since these accounts normally carry lower interest rates than savings deposits. [54] Net interest margin (NIM) slightly dropped to 3.5 percent for the period ending June 2022 from the previous year's 3.6 percent.[55]

Lower non-core income, mainly from sales of non-trading financial assets and non-financial assets and higher non-interest expenses, contributed to the deceleration of the profit growth rate. For the period-ended June 2022, non-interest income dropped by 7.3 percent y-o-y to ₱117.0 billion due to lower income from sales of other assets[56]. Operating expenses rose 5.2 percent to ₱266.9 billion, higher than the 3.2 percent recorded from the same period a year ago, as banks upgraded technology and developed personnel.

Meanwhile, banks recorded trading income of ₱10.3 billion for the period-ended June 2022, with ₱7.8 billion profits in sales and/or redemption of trading securities and ₱4.6 billion realized gains from foreign exchange (FX) transactions offsetting the ₱2.0 billion unrealized MTM losses incurred on trading portfolio (financial assets/liabilities measured at FVTPL).

Common operating ratios used to assess bank profitability are annualized return on assets (RoA), and annualized return on equity (RoE).[57] Figure 28 shows that the RoE of the PBS improved to 9.6 percent in June 2022 from the previous year's 7.9 percent, mainly due to the 27.7 percent increase in annualized net profit, attributed to improving loan and asset quality, and cost efficiency.

Figure 28.
PBS Annualized RoA and RoE
As of End-Periods Indicated; In Percent (%)



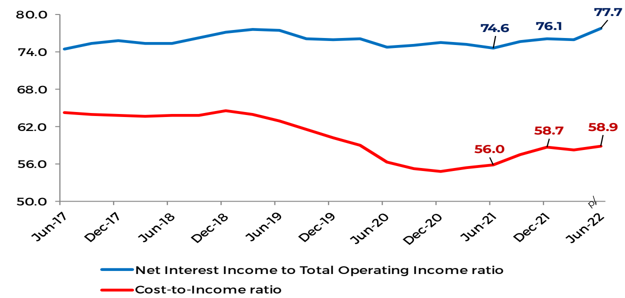
Source: DSA *p/ preliminary*

[52] Bulk of the interest income are from loans to private corporations and individuals for consumption purposes with shares of 37.3 percent and 15.7 percent, respectively.
[53] Interest income from debt securities measured at amortized cost accounted for 13.4 percent of total interest income.
[54] Demand accounts registered a median interest rate of 0.12 percent, slightly lower than the 0.13 percent a year ago. Meanwhile, savings deposits had a median interest rate of 0.20 percent, an increase from 0.17 percent posted a year ago.
[55] Pre-pandemic NIM was at 3.3 percent, 3.4 percent, and 3.7 percent at end-December 2017, end-December 2018, and end-December 2019, respectively. While it was at 3.8 percent and 3.5 percent at end-December 2020 and end-December 2021, respectively.
[56] For the period-ended June 2022, profit from sale of other assets (non-trading financial assets and non-financial assets) stood at ₱20.0 billion, declining by 66.9 percent y-o-y.
[57] 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.

Likewise, the RoA inched up to 1.2 percent from 1.0 percent a year ago. Nonetheless, the Basel III Leverage Ratio indicates ample room for banks to increase risk exposures and improve profitability going forward.

Majority of banks' income were still derived from lending activities, a core business, as the ratio of annualized net interest income to total operating income ratio hovered around 77.7 percent (Figure 29). Meanwhile, the annualized cost-to-income (CTI) ratio, an indicator of operational efficiency, inched up to 58.9 percent for the period-ended June 2022 as annualized non-interest expenses grew by 5.5 percent, faster than the year-to-date June 2022 inflation of 4.4 percent (2018=100) and driven by increases in other administrative expenses (by ₱6.0 billion or 6.2 percent y-o-y), compensation and fringe benefits (by ₱3.3 billion or 3.8 percent y-o-y), taxes and licenses (by ₱2.4 billion or 9.3 percent y-o-y), and fees and commissions (by ₱2.2 billion or 18.6 percent y-o-y).

Figure 29.
PBS Annualized Net Interest Income to Total Operating Income Ratio and Costto-Income Ratio
As of End-Periods Indicated; In Percent (%)

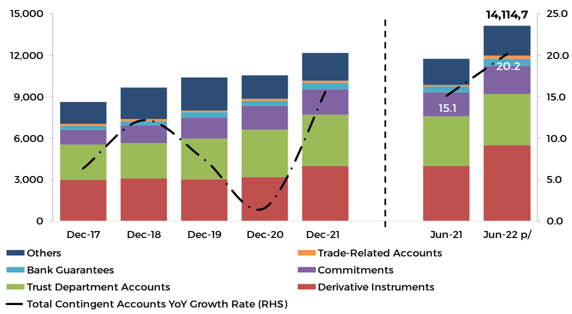


Source: DSA p/ preliminary

CONTINGENT ASSETS EXPANDED ANEW

The banking system's off-balance sheet assets increased by 20.2 percent y-o-y to ₱14,114.7 billion as of end-June 2022, faster than the 15.1 percent in June 2021 (Figure 30 and Table 3) and outperforming the pre-pandemic average growth rate of 8.6 percent. The expansion was driven by increase in derivative instruments, commitments, and trust department accounts, growing by 37.6 percent, 16.4 percent, and 3.6 percent, respectively. Collectively, these accounts made up the majority of contingent assets at around 79.6 percent (₱11,232.6 billion).

Figure 30.
PBS Composition of Contingent Accounts
As of End-Periods Indicated; In Billion ₱ and Growth Rate in Percent (%)



Source: DSA p/ preliminary

Table 3.
Comparative Assets
As of End-Periods Indicated; In Billion ₱

	June 2021	June 2022	y-o-y Change (%)
On-Balance Sheet	19,811.2	21,347.0	7.8
Off-Balance Sheet*	11,747.4	14,114.7	20.2

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

The upturn in trade-related accounts, which amounted to ₱216.5 billion, was consistent with the growth of global trade as of Q1 2022 based on the data from United Nations Conference on Trade and Development (UNCTAD), reporting a US$1 trillion increase in the value of global trade for Q1 2022 relative to Q1 2021. Moreover, the growth in trade-related accounts was also aligned with the trend in the country's global trade, with the year-to-date annual increase (from January to June 2022) in total exports and total imports, which grew by 7.1 percent and 26.7, respectively[58].

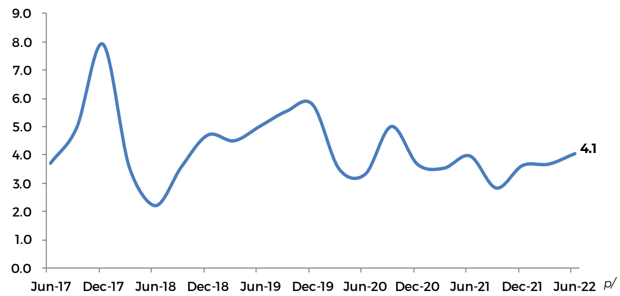
[58] Preliminary data from Philippine Statistics Authority.

Banks' total commitments[59], which accounted for 14.3 percent of the total contingent accounts, increased by 16.4 percent as of end-June 2022, a reversal from the contraction of 4.4 percent a year ago. The substantial growth was attributed to the expansion in committed credit lines for commercial papers issued (increased by 244.6 percent or ₱988.1 million) and other commitments (up by 24.9 percent or ₱133.9 billion), which represented a combined 33.3 percent of the bank's total commitments. Moreover, credit card lines[60], which held the lion's share of total commitments at 66.7 percent, rocketed up by 12.6 percent y-o-y, recovering from the 5.1 percent decline in June 2021. The upsurge in credit card lines may be due to a shift in spending preferences of cardholders, that may also have been influenced by the extension of credit card transaction ceilings.

Securities held under custodianship by bank proper, which represented 12.8 percent of all contingent accounts, increased by 13.5 percent. Trust department accounts of banks also went up by 3.6 percent and covered 26.2 percent of the total off-balance sheet assets. Recent trends in the trust industry are further discussed in a separate section of this report.

Certain banks' off-balance sheet assets such as derivative instruments and trade-related accounts are highly susceptible to abrupt movement in the foreign exchange (FX) markets. Related to this, a common measure of FX exposure is the ratio of net FX position to capital as shown in Figure 31. The ratio indicates the capacity of banks' capital to withstand FX losses.

Figure 31.
PBS Net Open Position in FX to Regulatory Capital of Domestic U/KBs
As of End-Periods Indicated; In Percent (%)



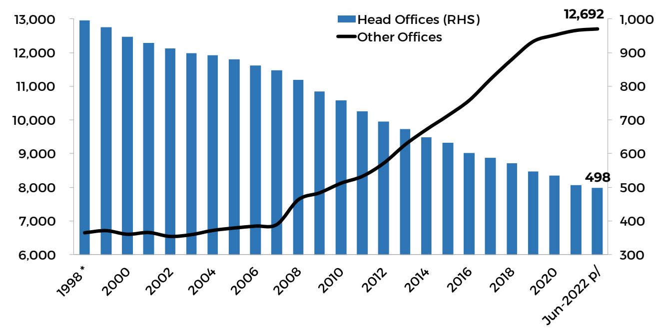
Source: DSA *p/ preliminary*

As of end-June 2022, the net FX position to regulatory capital of domestic U/KBs stood at 4.1 percent (overbought position), indicating that the industry has minimal net open FX exposures relative to 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. The current ratio is slightly above the pandemic average of 3.7 percent, but below the pre-pandemic average of 6.1 percent.

BANKS FURTHER RATIONALIZED OPERATIONS

The banking system's asset expansion was accompanied by a leaner and stronger banking landscape. The total number of bank head offices (HO) declined to 498 HOs[61] in end-June 2022 from 523 HOs a year ago. This is in view of bank mergers and consolidations as well as closures in an effort to promote resilient institutions. Meanwhile, the total number of branches, branch-lite units, representative offices, remittance desk offices, marketing offices and sub-branches (collectively referred to as other offices) increased to 12,692 from 12,603 a year ago (Figure 32). This physical network expansion is in line with the industry's commitment to the BSP's financial inclusion agenda.

Figure 32.
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: DSA *p/ preliminary*

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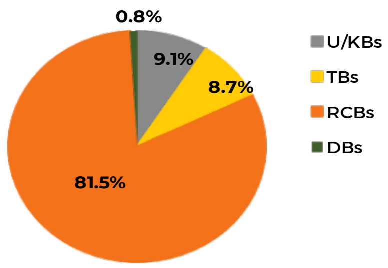
[59] This normally refers to banks' underwritten accounts sold, committed credit lines for commercial papers issued, credit card lines and other types of off-balance sheet commitments.

[60] Credit card lines are unused portions of commitments to extend credit through credit cards.

[61] Includes four (4) digital banks, namely: Maya, Overseas Filipino, (OF) Bank, Tonik and Unobank. The OFBank (TB) and Tonik Bank (RB) are existing banks that converted to digital banks.

Figure 33.
PBS Number of Operating Banks
As of End-June 2022p/

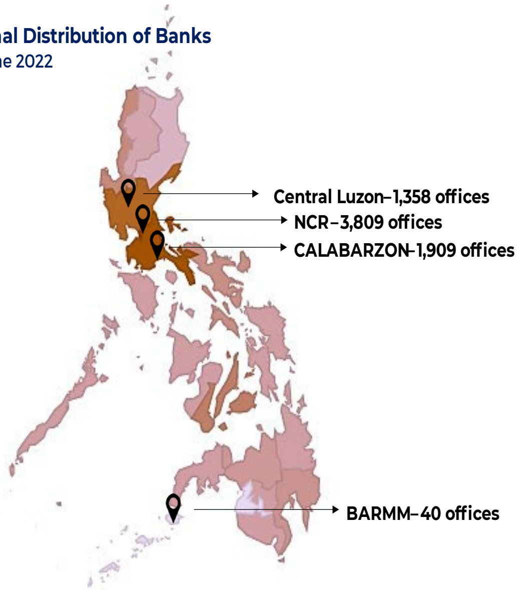


Source: DSA
p/ preliminary

As to banking groups, the banking system's network consisted of the following: 45 U/KBs with 7,136 other offices, 43 TBs with 2,532 other offices, 406 RCBs with 3,024 other offices, and 4 digital banks (DBs). The U/KBs made up a relatively smaller proportion in terms of head office count at 9.0 percent but held the bulk or about 94.0 percent of the system's total assets Meanwhile, RCBs consistently constituted majority of operating banks, making up 81.5 percent of the offices, many of which were stand-alone units (Figure 33).

In terms of geographical distribution, the bank offices were heavily concentrated in Luzon, with the National Capital Region (29.0 percent, 3,809 offices), CALABARZON (14.5 percent, 1,909 offices) and Central Luzon (10.3 percent, 1,358 offices) capturing the largest share of the physical network nationwide[62]. Meanwhile, the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) had the smallest network with 40 bank offices (Figure 34).

Figure 34.
PBS Regional Distribution of Banks
As of End-June 2022



Source: DSA

Notwithstanding BSP's active promotion of the streamlining and consolidation of the banking industry, banks are also encouraged to increase their touchpoints and widen their market reach through digital platforms to bring more innovative and efficient financial services to the countryside, particularly the hard-to-reach financially unserved and underserved areas.

To improve accessibility and hasten financial inclusion, the BSP introduced digital banks as a distinct bank classification pursuant to Circular No. 1105 dated 2 December 2020.[63] As of end-June 2022, there were six digital banks that were approved by the Monetary Board[64] and four of them have already commenced their operations.

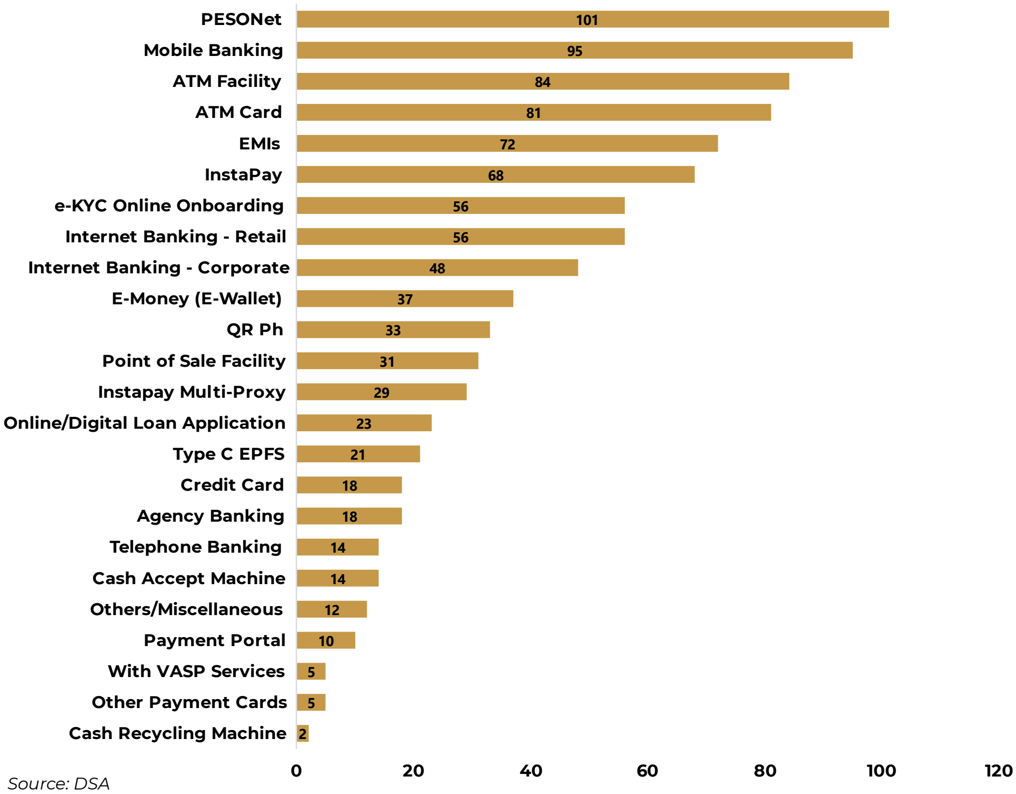
Moreover, Islamic banking is also seen to further promote the BSP's financial inclusion agenda, providing an alternative to other sources of funding. The enactment of RA No. 11439 or the Islamic Banking Act is seen to widen the opportunities of Islamic Filipinos in accessing financial products and services and pave way for the increased financial access points in BARMM. 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.

Recognizing how the COVID-19 pandemic impacted people's daily activities and is continuously reshaping people's lifestyles, banks further invest in fintech and other technological innovations to ensure that they are well-equipped as financial intermediaries to thrive amidst these fast-paced developments. BSFIs focused efforts on enhancing provision of electronic payment and financial services to their clients. As of end-June 2022, the use of automated teller machines or ATMs (ATM card and facility) remained the leading electronic facility used by majority of BSFIs (165). By prevalence,

[62] There were 13,136 bank offices nationwide and 54 bank office overseas as of end-June.
[63] Circular No. 1105 dated on 2 December 2020.
[64] 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 to allow regulators to closely monitor developments and ensure healthy competition among digital banks and traditional lenders.

ATMs were followed by PESONet (with 101 BSFI users), mobile banking services (95), electronic money issuers (EMIs, 72), as well as InstaPay (68) (Figure 35).

Figure35.
PBSElectronic Payment and and Financial Services (EPFS)
As of End-June 2022



Source: DSA

Philippine Identification System (PhilSys) and Electronic Know-Your-Customer (e-KYC)

Box Article No. 1

In line with its Digital Payments Transformation Roadmap 2020-2023, the BSP continuously pursues strategic initiatives and programs toward promoting financial inclusion and innovating digital financial services in the country. This includes supporting the implementation of the Philippine Identification System (PhilSys) or the National ID System. The project aims to establish a single identification system for all citizens and resident aliens to simplify public and private transactions as well as improve efficiency in the delivery of social services, strengthen financial inclusion, and promote ease of doing business. In a press release dated 26 February 2022,[1] the BSP expressed its support for PhilSys, following the issuance of Executive Order (EO) No. 162, s. 2022[2] that institutionalizes the acceptance of the Philippine Identification Card (PhilID) or the PhilSys Number (PSN), or its derivative, as sufficient proof of identity and age in all government and private transactions. The BSP recognizes that the EO will encourage Filipinos, especially the marginalized and those from low-income households with no government-issued IDs, to open bank accounts. This is expected to pave the way for their inclusion into the formal financial system and reduce their vulnerability to onerous lending and other practices.[3]

Expecting the rollout of the PhilSys, BSP regulations embedded provisions that recognize PhilSys as a valid form or acceptable proof of identification for customer onboarding as early as 2018. The official launch of the "PhilSys Check"[4] offline identity authentical tool last 8 April 2022 will facilitate the acceptance and verification, by BSP-supervised financial institutions, of the PhilID through the authentication of the PhilSys Quick Response (QR) Code embedded therein. The biometrics feature of the PhilID, which will help build the digital identity of clients, will further inform the development of products and services on payments, savings, and microcredit services, among others, for the unserved and underserved sector.[5]

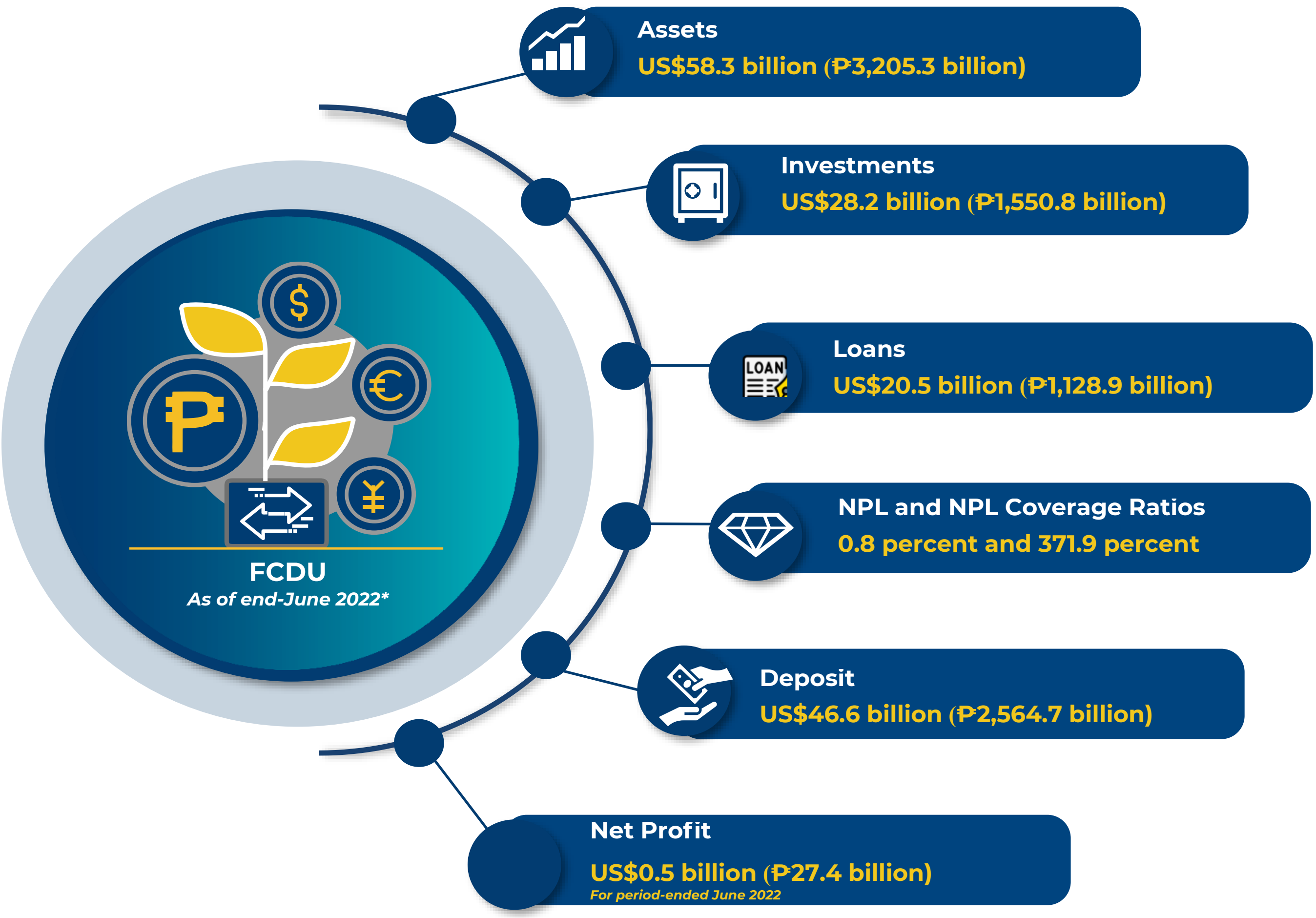
Finally, the BSP has released for comment the draft guidelines on Electronic Know-Your-Customer (e-KYC) to provide the basic principles and minimum requirements for the adoption of electronic customer information identification technology using digital ID systems. The guidelines also recognize the PhilSys-enabled e-KYC as an acceptable system for e-KYC in the Philippines, pursuant to the PhilSys Act and its IRR. The PhilSys-enabled e-KYC process will lower the onboarding and authentication costs of financial products and services, redounding to the benefit of the Filipino people.[6] The BSP will continue to work with the PSA and other concerned stakeholders to further promote the acceptance of the PhilID for a more robust, inclusive, and resilient digital financial ecosystem.

1 https://www.bsp.gov.ph/SitePages/MediaAndResearch/MediaDisp.aspx?ItemId=6175
2 https://www.officialgazette.gov.ph/2022/02/14/executive-order-no-162-s-2022/
3 BSP Press Release dated 26 February 2022: BSP Supports EO on Use of National ID for Public and Private Transactions
4 The PhilSys Check is an "offline authentication" method that uses a public-private key cryptography that allows relying parties (RPs) to verify the authenticity of the PSA-issued Quick Response (QR) Code.
5 BSP Digital Payments Transformation Roadmap 2020-2023, *p. 27* https://www.bsp.gov.ph/Media_And_Research/Primers%20Faqs/Digital%20Payments%20Transformation%20Roadmap%20Report.pdf
6 Ibid.

FOREIGN CURRENCY DEPOSIT UNIT OPERATIONS

OVERVIEW

Total assets of banks' foreign currency deposit units (FCDUs), which accounted for around 15.0 percent of the Philippine banking assets, continued to expand. The growth, which was funded mainly by deposit generation, supported a buildup in investments and loans. Majority of FCDU assets consisted of investments in debt securities and issued by non-residents. Asset quality improved and continued to be accompanied by adequate loan-loss buffers. Alongside the improvement in economic activities, banks' FCDU operations remained profitable.

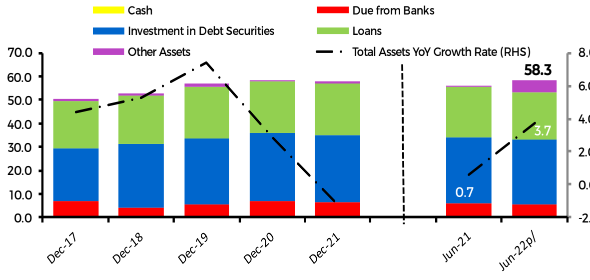


*Based on closing rate of ₱55.021 as of 30 June 2022

FCDU ASSETS EXPANDED

For the first half of 2022, total assets[1], which accounted for around 15.0 percent of the Philippine banking system's total resources, inched up by 3.7 percent year-on-year (y-o-y) to US$58.3 billion (₱3,205.3 billion), higher than the 0.6 percent growth in the same period last year.[2] This expansion was funded mainly by deposit generation and deployed largely to investment and lending activities.

Figure 1.
FCDU Assets Components
As of End-Periods Indicated; In Billion US$ and Growth Rate in Percent (%)



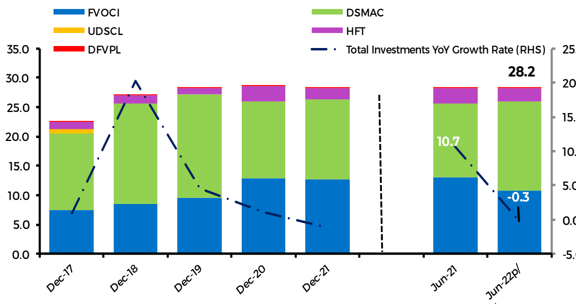
Source: Deparment of Supervisory Analytics (DSA) *p/ preliminary*

In terms of composition, investments in debt securities[3] made up 47.1 percent or US$27.4 billion of the total while loans[4] accounted for 34.4 percent share or US$20.0 billion. The two items made up a majority of FCDU assets. The rest consisted of cash and due from banks[5] which held a share of 9.7 percent share or US$5.7 billion and other assets, which had a share of 8.8 percent or US$5.1 billion (Figure 1).

INVESTMENT PORTFOLIO REMAINED RELATIVELY STABLE AMID RISING INTEREST RATES

The total investment portfolio[6] of FCDUs declined by 0.3 percent y-o-y to US$28.2 billion (₱1,550.8 billion) as of end-June 2022, a reversal from the 10.7 percent growth in June 2021. These consisted mainly of debt securities measured at amortized cost (DSMAC) with a share of 53.9 percent and financial assets measured at fair value through other comprehensive income (FVOCI) with a share of 38.4 percent share) (Figure 2).[7] Financial assets measured at FVOCI fell by 17.5 percent to US$10.8 billion (₱595.6 billion), a reversal from the 22.2-percent growth recorded in June 2021.[8] The drop in securities measured at FVOCI mainly contributed to the y-o-y marginal decline in the FCDU's total investment portfolio. By contrast, DSMAC inched up by 21.0 percent to US$15.2 billion (₱836.0 billion) y-o-y. The observed shift is consistent with a rebalancing strategy that reduces mark-to-market (MTM) losses given an increasing interest rate environment.

Figure 2.
FCDU Composition of Investments
As of End-Periods Indicated; In Billion US$ and Growth Rate in Percent (%)



Source: DSA *p/ preliminary*

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1 Net of due from head office, branches, and agencies as well as due from FCDU and regular banking unit (RBU). The combined FCDU assets of the top five banks accounted for around 55.5 percent share or US$32.3 billion (₱1,778.4 billion) of the total FCDU assets as of end-June 2022.

2 The pre-pandemic asset growth rate averaged at 5.7 percent compared with the 0.8 percent recorded during the pandemic. Growth rates pertain to y-o-y unless otherwise specified. The pre-pandemic period refers to the period from 2017 to 2019 while the pandemic period means from 2020 to 2021, respectively

3 Net of allowance for credit losses and accumulated market gains or losses. Investment in debt securities accounted for the largest share of the total investment portfolio at around 99.5 percent or US$28.0 billion (₱1,543.2 billion), gross of allowance for credit losses.

4 Net of allowance for credit losses. Inclusive of Interbank Loans Receivables (IBL) and loans to the BSP.

5 The average growth of cash and due from banks stood at 11.3 percent and 11.5 percent, respectively, prior and during the pandemic.

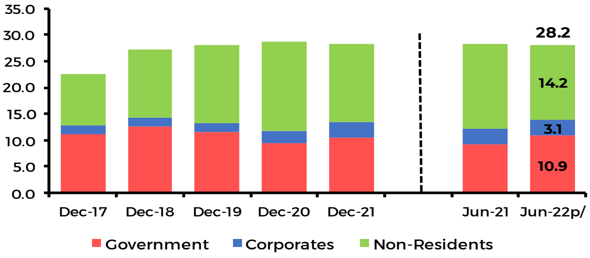
6 The pre-pandemic levels of total investments amounted to US$22.5 billion in 2017, US$27.1 billion in 2018, and US$28.3 billion in 2019. During the pandemic period, these stood at US$28.9 billion in 2020 and US$28.3 billion in 2021. Investment growth averaged 8.6 percent before the onset of the pandemic and 0.1 percent after.

7 Under the Financial Reporting Standards (PFRS) 9. Financial assets measured at FVOCI and DSMAC were previously classified as available-for-sale or AFS and held-to-maturity or HTM securities, respectively. Meanwhile, the asset designation unquoted debt securities classified as loans or UDSCL is no longer used following the adoption of PFRS 9.

8 The investment mix of FCDU as of end-June 2022 has been shifting back to the pre-pandemic mix as DSMAC regained a share of around 53.9 percent in June 2022 compared with 44.4 percent and 48.7 percent in June 2021 and June 2020, respectively. Prior to the health crisis, DSMAC accounted for a 63.1 percent share in June 2019.

By counterparty, a large portion of total investments was placed in securities issued by non-residents[9], accounting for about 50.4 percent (US$14.2 billion, ₱782.2 billion), as well as securities issued by the National Government (NG), which made up around 38.6 percent (US$10.9 billion, ₱598.4 billion).[10] Meanwhile, investment in securities issued by private corporations accounted for 11.0 percent share (US$3.1 billion, ₱170.3 billion) (Figure 3).

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



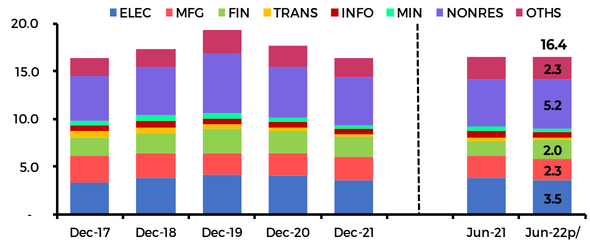
Source: DSA *p/ preliminary*

The investments in NG-issued securities rose by 17.1 percent y-o-y, mainly due to the 18.2 percent (US$1.5 billion) increase in banks' holdings of US dollar-denominated bonds issued by the Republic of the Philippines (ROPs). Likewise, investments in debt securities issued by private corporations went up by 10.2 percent y-o-y or US$0.3 billion following the 18.8 percent rise in banks' issuances and the 7.1 percent increase in issuances of non-banks. By contrast, investments in securities issued by non-residents fell by 12.1 percent y-o-y or US$1.9 billion.

LENDING CHANNELED PRIMARILY TO ELECTRICITY, MANUFACTURING, AND FINANCIAL AND INSURANCE ACTIVITIES

Total gross loans[11] dropped by 5.6 percent y-o-y to US$20.5 billion (₱1,128.9 billion) as of end-June 2022. FCDU loans to residents and non-residents fell by 4.1 percent and 7.2 percent, respectively.[12] The decline may be attributed to the tightening of banks' credit standards[13] as well as the availability of other funding sources.

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



** Excludes IBL and looans to BSP.*
Source: DSA *p/ preliminary*

Lending remains broad-based across various industries (Figure 4). As of end-June 2022, 21.5 percent of loans[14] went to the electricity, gas, steam, and air-conditioning supply subsector, 13.8 percent went to manufacturing, and 12.2 percent went to financial and insurance activities[15]. Collectively, these sectors received around 47.6 percent or US$7.8 billion (₱430.2 billion) of total loans,

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[9] The securities issued by non-residents consisted largely of investments issued by central banks and central governments and corporations with 59.3 percent share (US$8.4 billion) and 25.3 percent share (US$3.6 billion), respectively. By type of investment, securities issued by non-residents were largely either DSMAC, which accounted for 47.7 percent or US$6.8 billion of the total, or FVOCI which made up 39.4 percent share or US$5.6 billion.
[10] The share of investments in securities issued by non-residents before and during the pandemic averaged 47.9 percent and 55.3 percent, respectively. On the other hand, the share of investments in securities issued by the government before and during the pandemic averaged at 45.5 percent and 35.2 percent, respectively.
[11] Includes IBL. As of end-June 2022, total FCDU loans represented around 9.8 percent of the banking system's total loans.
[12] FCDU loans contracted by 7.6 percent y-o-y in June 2021.
[13] Results of the Q2 2022 Senior Bank Loan Officers' Survey (SLOS) showed that lending standards for businesses generally reflected a net tightening mainly due to the deterioration of borrowers' profile and profitability of banks' portfolio, as well as uncertain economic outlook. Likewise, the tepid lending activity may also be attributed to the less optimistic business sentiments in the next 12 months due to the perceived uncertainties surrounding the transition to the new administration; possible spike in COVID-19 cases; elevated inflation (i.e., impact of increase in prices of food and raw materials on production cost); and possible stagflation due to the Ukraine-Russia conflict as indicated in the Q2 2022 Business Expectations Survey (BES).
[14] Excludes IBL and loans to BSP.
[15] Inclusive of loans and receivables arising from repurchase agreement (RA), certificates of assignment/participation with recourse (CA/PR), and securities lending and borrowing (SLB) transactions.

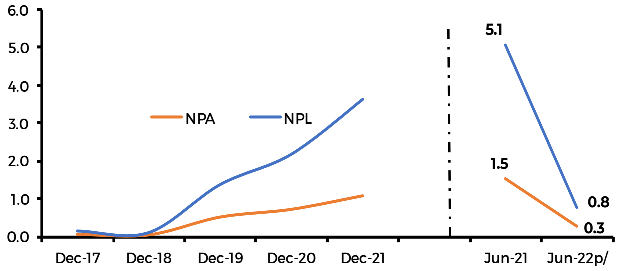
higher by one percentage point from the previous year.[16]
As shown in Figure 4, the share of loans to non-residents[17] relative to total FCDU loans remained significant at 31.8 percent as of end-June 2022, growing by 3.5 percent y-o-y to US$5.2 billion (287.2 billion). This was an improvement from the 18.8 percent contraction in June 2021.[18]

As to tenor, loans with a long-term maturity profile remained the largest chunk of the portfolio at 49.1 percent while short-term loans made up 26.0 percent and medium-term loans accounted for 24.9 percent.

ASSET QUALITY IMPROVED, ACCOMPANIED BY HIGH LOAN-LOSS RESERVES

Alongside the opening of the economy and positive business outlook, the non-performing loan (NPL) ratio[19] eased to 0.8 percent in June 2022, better than the 5.1 percent in the same period the year before (Figure 5). In particular, the NPLs to non-residents, transportation and storage sector, and manufacturing dropped by 96.6 percent, 85.5 percent, and 79.4 percent, respectively, on a y-o-y basis. The improvement in the NPL level of banks was due to enhanced collection efforts and remedial management. As of the same reference period, the NPL coverage ratio remained high at 371.9 percent, higher than 68.6 percent in the preceding year.[20]

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



Source: DSA
p/ preliminary

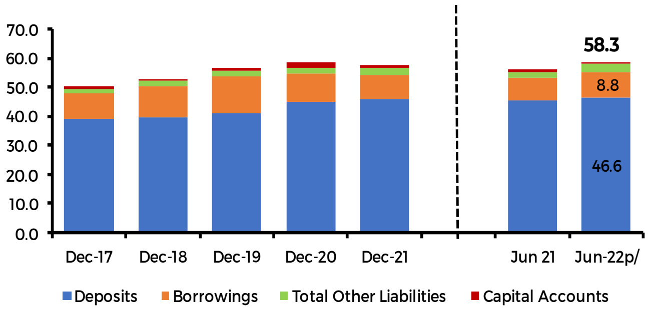
Following the easing of NPLs, the non-performing asset (NPA)[21] ratio likewise went down by 1.3 percentage points to 0.3 percent y-o-y due to the combined effect of a decline in NPAs and growth in gross total assets.[22] NPAs were adequately covered as the NPA coverage ratio stood high at 296.3 percent as of end-June 2022, higher than the 65.4 percent from the year before.[23]

[16] These sectors remained the top recipients of FCDU loans with a pre-pandemic average share of 16.1 percent compared with 16.4 percent during the pandemic.
[17] Non-resident loans to corporations accounted for 99.9 percent (US$5,216.9 million) of total non-resident loans, and the remaining were non-resident loans to individuals at 0.1 percent (US$2.6 million).
[18] Loans to non-residents grew by an average of 25.0 percent before the pandemic but declined by an average of 10.2 percent during the pandemic
[19] The NPL ratios pre-pandemic stood only at 0.2 percent, 0.1 percent, and 1.4 percent at end-December 2017, end-December 2018, and end-December 2019, respectively. During the pandemic, the ratios rose slightly to 2.2 percent and 3.6 percent as of end-December 2020 and end-December 2021, respectively.
[20] The NPL coverage ratio stood at 542.1 percent at end-December 2017 and 846.2 percent at end-December 2018. It fell to 94.0 percent at end-December 2019, 116.6 percent at end-December 2020 and 109.9 percent at end-December 2021.
[21] The NPA ratio pre-pandemic stood at 0.1 percent, less than 0.1 percent, and 0.5 percent at end-December 2017, end-December 2018, and end-December 2019, respectively. Meanwhile, it went up to 0.7 percent and 1.1 percent at end-December 2020 and end-December 2021, respectively.
[22] The NPAs declined by 81.5 percent while total assets grew by 3.5 percent y-o-y.
[23] The NPA Coverage Ratio stood at 489.3 percent and 742.8 percent as of end-December 2017 and end-December 2018, respectively. This ratio fell to 81.9 percent as of end-December 2019.During the pandemic it stood at 105.2 percent at end-December 2020, and 103.7 percent as of end-December 2021.

DEPOSITS GREW BUT AT A SLOWER PACE

Banks continue to enjoy the confidence of depositors with sustained deposit growth amid the pandemic (Figure 6). As of end-June 2022, deposits grew by 2.1 percent y-o-y to US$46.6 billion (2,564.7) compared with 4.1 percent in June 2021.[24] The growth, nonetheless, continued owing to steady inflows from overseas Filipino remittances[25] and foreign direct investments[26]. Moreover, as the majority of the total deposits (about 96.9 percent) were held by resident counterparties, the industry is cushioned from potentially significant funding withdrawals by common lenders in the global financial markets.

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



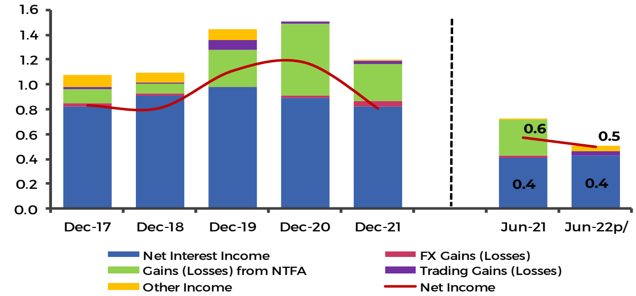
Source: DSA *p/ preliminary*

Other sources of funding such as bonds payable (US$5.0 billion) and bills payable (US$3.8 billion) remained relatively small. Collectively, these other sources of funding made up only around 15.1 percent of total funding sources and grew by 17.1 percent y-o-y as of end-June 2022. Other liabilities[27] went up by 36.8 percent to US$2.6 billion following the y-o-y increase in net due to head offices, branches, and agencies and net due to FCDU and RBU by US$0.1 billion (7.1 billion) and US$0.6 billion (33.5 billion), respectively.

FCDU POSTED LOWER EARNINGS

Amid the improvement in economic activities following the easing of COVID-19 restriction measures, banks sustained profitable FCDU operations with an aggregate net profit of US$0.5 billion (27.4 billion) in the six-month period ending June 2022, albeit lower than the US$0.6 billion generated in the same period last year (Figure 7).[28] The reduced earnings were mainly due to lower non-interest income. In particular, FCDUs posted US$13.6 million losses from foreign exchange trading, fair value changes of financial assets and liabilities DFVPL, and sale, redemption, and

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



Source: DSA *p/ preliminary*

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[24] Pre-pandemic levels of deposit stood at US$39.2 billion, US$39.9 billion, and US$41.1 billion as of end-December 2017, end-December 2018, and end-December 2019, respectively. During the pandemic period, these were reported at US$45.1 billion and US$46.1 billion at the end of December 2020 and, at the end of December 2021, respectively. In comparison, the growth rate prior to the health crisis averaged 4.7 percent, lower than the average growth rate of 6.0 percent during the pandemic.

[25] Personal remittances from Overseas Filipinos (OFs) grew by 4.4 percent y-o-y to reach US$3.1 billion in June 2022 from US$2.9 billion recorded in the same month in 2021. The growth resulted in cumulative personal remittances of 2.8 percent to US$17.1 billion in the first half of 2022 from US$16.6 billion recorded in the comparable period in 2021. Likewise, cash remittances coursed through banks grew by 4.4 percent y-o-y to US$2.8 billion in June 2022. Source: BSP Press Release dated 15 August 2022

[26] FDI net inflows in the first half of the year reached US$4.6 billion, higher by 3.1 percent than the US$4.5 billion net inflows recorded in the comparable period in 2021. Source: BSP Press Release dated 12 September 2022

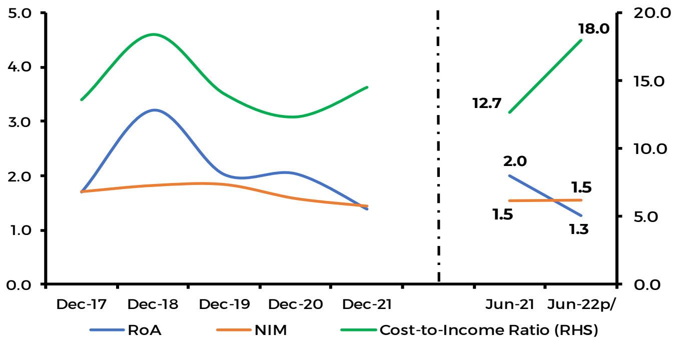
[27] The total other liabilities refer to the sum of other liabilities, net due to head offices, branches, and agencies and net due to FCDU and RBU, due to other banks, and financial liabilities HFT and financial liabilities DFVPL.

[28] Before the pandemic, net profit reached US$823.2 million, US$812.2 million, and US$1,111.9 million 2017, 2018, and 2019, respectively. During the pandemic, net profit amounted to US$1,177.6 million in 2020 and US$807.9 million in 2021. Profits grew by an average of 4.4 percent before the pandemic. During pandemic profits fell by an average of 12.7 percent.

derecognition of non-trading financial assets and liabilities from a gain of US$0.3 billion a year ago.

The cost-to-income ratio (CTI) jumped to 18.0 percent as of end-June 2022, from 12.7 percent a year prior on the back of lower income and higher operating expenses. This was the highest CTI ratio recorded in the past 10 years. Meanwhile, other earnings indicators such as net interest margin (NIM) and return on assets (RoA) stood at 1.5 percent and 1.3 percent, respectively. The former remained unchanged from the year before, while the latter declined from 2.0 percent in 2021 (Figure 8).[29]

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



Source: DSA

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FCDU NETWORK REMAINED EXTENSIVE

As of end-June 2022, the number of financial institutions (FIs) with FCDU authority dropped to 75 on account of a merger.[30] As shown in Table 1, of the 75 FIs, 33 banks maintained FCDU licenses, while the remaining 42 banks have EFCDU licenses.

Table 1
Banks with FCDU/EFCDU License
As of end-June 2022

Type of Bank	FCDU	EFCDU	Total
Universal and commercial banks [31]	3	42	45
Thrift banks	21	-	21
Rural and cooperative banks	9	-	9
Total	**33**	**42**	**75**

Source: DSA

[29] The average RoA, NIM and CTI before the pandemic stood at 2.3 percent, 1.8 percent, and 15.3 percent, respectively. Meanwhile, during the pandemic, these ratios averaged 1.7 percent, 1.5 percent and 13.4, respectively.
[30] As of end-June 2021, there were 76 FIs with FCDU authority.
[31] Of the 45 U/KBs, 26 were foreign.

TRUST OPERATIONS

OVERVIEW

Trust assets continued to grow at a slower pace amid market developments. Trust assets were denominated mainly in peso and in the form of investments in securities. Investments in UITFs slightly declined due to lingering uncertainties in the global funds market while Personal Equity and Retirement Account (PERA) contributions continued to modestly rise as Filipinos learn more about financial security and wellness. By contractual relationship, trust and agency accounts maintained almost an equal share of the industry's accountabilities. Meanwhile, amid the increase in overhead expenses, the trust industry posted softer earnings for the period-ended June 2022.

Assets
₱5,094.6 billion

Investments
₱3,538.5 billion

Trust Accounts
₱2,257.6 billion

Agency Accounts
₱2,164.0 billion

PERA
₱283.2 million
(4,660 contributors)

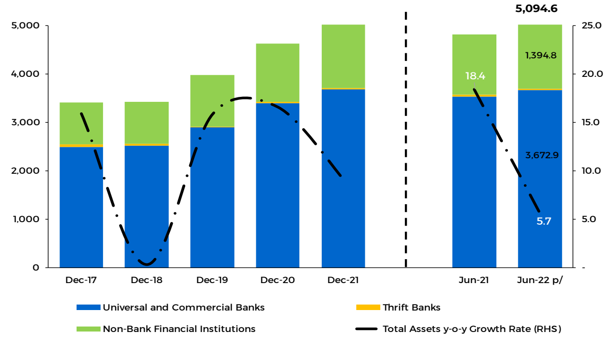
Net Income
₱3.8 billion
For period-ended June 2022

As of End-June 2022

ASSETS[1] GREW AT A MODERATE PACE

Total trust assets modestly increased by 5.7 percent year-on-year (y-o-y) to 5,094.6 billion as of end-June 2022, slowing down from the 18.4 percent growth rate in the same period last year (Figure 1).[2] The decline in UITF accounts contributed to the slowdown in growth. Trust investors shifted their investments away from UITFs to preserve liquidity and prevent potential losses brought about by market developments.[3]

Figure 1.
Trust Asset by Type of Financial Institutions
As of End-Periods Indicated; In Billion P and Growth Rate in Percent (%)



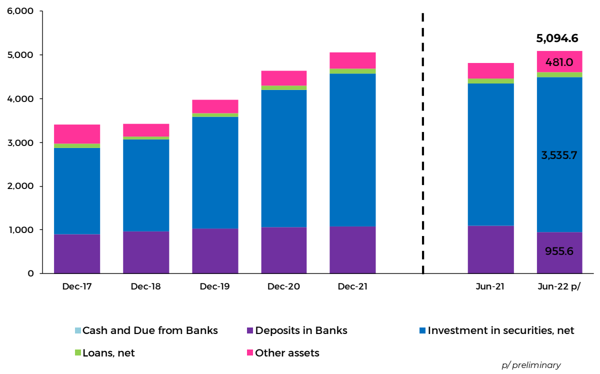
Source: Department of Supervisory Analytics (DSA)

p/ preliminary

The trust industry's assets were mostly denominated in pesos.[4] In terms of financial institution, the trust department of universal and commercial banks (U/KBs) accounted for the largest share of trust assets at 72.1-percent share (3,672.9 billion). Another 27.3 percent (1,394.8 billion) was held by non-bank financial institutions (NBFIs).[5] As of end-June 2022, there were 35 trust entities operating in the Philippines consisting of 26 banks (through their trust departments)[6], six trust corporations[7] (TCs) and three investment houses (IHs) with trust license.

As shown in Figure 2, there was no significant change in the asset mix of the industry with investments in securities holding the majority of the total assets at around 69.4 percent.[8] These assets posted a modest increase of 8.5 percent y-o-y as of end-June 2022, marking a deceleration from the 22.4 percent recorded in the same period last year. Meanwhile, deposits in banks, which accounted for 18.8 percent of the total, contracted by 12.8 percent to 955.6 billion. This reversed the 7.7-percent growth posted in the same period a year before. Loans, on the other hand, continued to be minimal, accounting for only 2.4 percent of the total, growing by 12.3 percent to 122.0 billion as of end-June 2022. This growth was relatively lower than the 21.7 percent recorded in the same period the previous year.[9]

Figure 2.
Trend of Trust Assets Composition
As of End-Periods Indicated; In Billion P



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Source: DSA

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[1] Trust assets of 5.1 trillion were equivalent to 23.9 percent of the Philippine banking system's total assets as of end-June 2022, lower than the 24.3 percent share as of end-June 2021.

[2] The average growth of trust assets recorded prior to and during the pandemic stood at 10.7 percent and 12.9 percent, respectively. Growth figures are y-o-y unless otherwise specified. Meanwhile, the pre-pandemic period refers to the years from 2017 to 2019 while the pandemic period covers the years from 2020 to 2021.

[3] Relevant market developments include the weaker peso, higher inflation and rising oil prices which affected investor confidence. Based on the coordination of the BSP, through the Bank Supervision Policy Committee (BSPC), with the members of the Trust Officers Association of the Philippines (TOAP) and the Fund Managers Association of the Philippines (FMAP).

[4] As of end-June 2022, trust assets were mostly in peso accounts with a share of 79.1 percent (4,029.9 billion), lower than 82.1 percent (3,956.8 billion) in June 2021. The remaining 20.9 percent (1,064.6 billion) were lodged in foreign currency deposit unit (FCDU), higher than last year's 17.9 percent (863.7 billion).

[5] The combined assets of the trust departments of U/KBs accounted for around 72.1 percent of the trust industry's total assets as of end-June 2022. Meanwhile, the combined assets of the TCs and IHs with trust license accounted for about 26.0 percent and 1.3 percent, respectively, of the industry's total assets during the same reference period.

[6] Include 21 U/KBs and five thrift banks (TBs).

[7] Include one (1) subsidiary of a U/KB and five (5) stand-alone TCs.

[8] Investments in securities stood at 2,058.6 billion, 2,096.7 billion, and 2,551.1 billion as of end-December 2017, end-December 2018, and end-December 2019, respectively. During the pandemic, these stood at 3,142.8 billion and 3,495.6 billion at end-December 2020 and end-December 2021, respectively. On average, growth was around 15.2 percent and 17.2 percent before and during the pandemic, respectively.

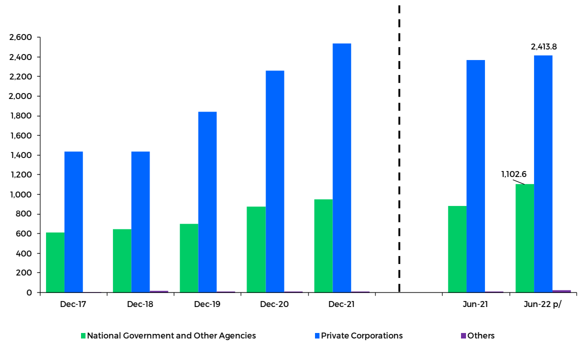
[9] According to TOAP and FMAP, loans are a small component of trust balance sheet given the trust client's need for liquidity and the greater effort required on the part of trustees to establish, service, and secure loans.

Despite the slowdown in asset growth, the trust industry remains optimistic and anticipates faster growth by 2023 with the reopening of the Philippine economy. Further growth is also expected from digitalization and the availability of new instruments and alternative asset classes such as real estate investment trusts (REITs).[10]

INVESTMENTS IN CORPORATE SECURITIES SLOWED DOWN

As of end-June 2022, investments in corporate securities grew by 2.0 percent to ₱2,413.8 billion, lower than the 28.0 percent recorded in the same period last year. Notwithstanding this slowdown, investments in corporate securities continued to hold the largest chunk of the industry's total placements in securities at 68.2 percent. The sizeable share was attributed to higher yields offered by corporate issuers compared with government issuances. Moreover, the rise in overall benchmark yield and the additional credit spreads given by corporate bond issuers encouraged trust clients to invest in corporate bonds. Trust industry practitioners expect that the earnings recovery of local corporates due to the reopening of the Philippine economy will support investor confidence in corporate papers[11] (Figure 3).

Figure 3.
Trust Investments in Securities By Counterparty
As of End-Periods Indicated; In Billion₱



Source: DSA

p/ preliminary

Investments in government securities[12] followed with a share of 31.2 percent (₱1,102.6 billion). These grew by 25.0 percent growth during the same reference period, higher than the 9.3 percent in June 2021. Although corporate securities offer more attractive yields, industry experts shared that inclination to invest in government securities remains due to limited availability of corporate securities in the market.

By type, a large portion of the trust investments consisted of debt securities, accounting for 67.7 percent (₱2,394.0 billion) of the total, while equity securities accounted for the remaining 32.3 percent share (₱1,144.5 billion). By type of financial institution, trust department of U/KBs held the largest portion of investments at 68.0 percent (₱2,404.5 billion), followed by TCs at 30.7 percent (₱1,087.9 billion). The remaining 1.3 percent share went to IHs with trust license at 0.8 percent (₱28.9 billion) as well as trust department of TBs at 0.5 percent (₱17.2 billion).

Likewise, majority of investments in securities were classified as financial assets measured at fair value through profit or loss (FVTPL, 76 percent share), followed by financial assets measured at fair value through other comprehensive income (FVOCI, 20.2 percent share). The FVTPL is predominant given that most trust institutions have UITFs and retirement funds as their main products. Some trust clients also prefer their portfolios to be recorded at fair value for ease of monitoring should they want to sell the securities before maturity.[13]

INVESTMENTS CONTINUED TO BE HIGHLY LIQUID

The industry's assets remained highly liquid, which consisted of highly marketable securities, cash and due from banks. These further expanded by 10.2 percent to ₱3,550.0 billion as of end-June 2022. [14] Risk aversion and liquidity were some of the considerations

[10] Source: TOAP and FMAP.
[11] Ibid.
[12] Consists of placements in government, GOCC and BSP securities, accounting for 94.1 percent, 0.03 percent, and 5.9 percent, respectively, of the total government securities as of end-June 2022.
[13] Source: TOAP and FMAP.
[14] The pre-pandemic levels of the industry's liquid assets amounted to ₱1,902.9 billion in 2017, ₱2,136.8 billion in 2018 and ₱2,526.5 billion in 2019. During the pandemic, these stood at ₱3,092.0 billion in 2020 and ₱3,461.5 billion in

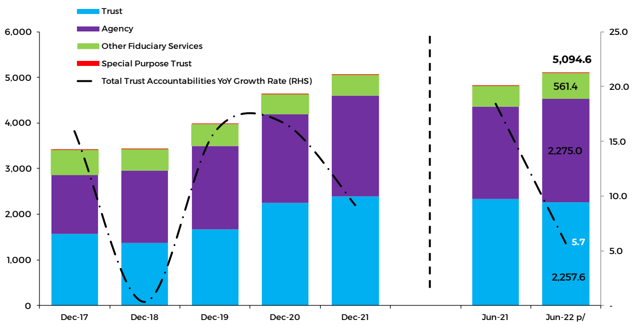
of trust clients in keeping their funds in deposit accounts instead of in money market funds[15]. Similarly, the ratio of liquid assets to total accountabilities stood at 69.2 percent as of end-June 2022, higher than the 66.8 percent recorded in June 2021, an indication of the trust industry's ability to service fund withdrawals even during crisis.

TRUST ACCOUNTABILITIES MOSTLY TRUST AND AGENCY ACCOUNTS

As of end-June 2022, trust and agency accounts remained the major components of the industry's total accountabilities with shares of 44.3 percent and 44.7 percent, respectively, (Figure 4). These accounts collectively made up around 89.0 percent (4,532.6 billion) of total accountabilities (₱5,094.6 billion)[16]. The remainder consisted of other fiduciary services, which includes PERA with a share of 11.0 percent (₱561.4 billion).

Trust accounts contracted by 3.1 percent to 2,257.6 billion driven by the decline in personal trusts and UITFs. These fell by 12.7 percent to 375.8 billion and 3.3 percent to 1,213.9 billion, respectively. Competition from asset management companies offering mutual funds and access to offshore funds contributed to the decline in these trust accounts.[17]

Figure 4.
Trust Accountabilities
As of End-Periods Indicated; In Billion₱ and Growth Rate in Percent (%)



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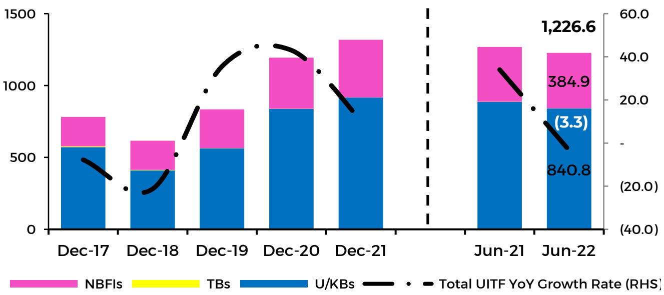
Source: DSA

Meanwhile, agency accounts rose by 11.8 percent to ₱2,275.0 billion, following the 18.9 percent expansion in institutional agency accounts to ₱1,248.3 billion and the 4.5-percent increase in individual agency accounts to ₱969.8 billion. The increase in the market share of agency accounts, which are mostly non-discretionary, stemmed from investors seeking some control over their cash flows, locking in at a specific yield and at the same time staying invested rather than keeping their funds in cash with less earning potential amid higher inflation. Trust professionals also disclosed that their clients prefer investment management accounts (IMAs) since these allow them to invest in higher yielding corporate bonds that they can hold to maturity instead of investing in UITFs which are subject to daily marking-to-market. [18]

UITF INVESTMENTS RECEDED

Figure 5
Trust UITF, by Financial Institution
As of End-Periods Indicated; Amount in Billion and Growth Rate in Percent (%)



Source: DSA

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Total UITFs, which included other fiduciary services, contracted by 3.3 percent y-o-y to 1,226.6 billion as of end-June 2022. This reversed the 34.1-

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2021. The growth in the trust industry's liquid assets averaged 11.5 percent before the onset of the pandemic and 17.2 percent after.

[15] To mitigate against possible mark-to-market losses as disclosed by the members of the TOAP and the FMAP.

[16] The 5.7 percent y-o-y growth in trust accountabilities was largely due to the 11.8 percent and 23.5 percent increase in agency and other fiduciary services accounts, respectively, as of end-June 2022.

[17] Source: TOAP and FMAP.

[18] Ibid.

percent growth recorded last year (Figure 5).[19]

The considerable decline in UITFs was largely due to lower accumulated income which decreased by 46.5 percent (or 33.9 billion), a turnaround from the 60.9 percent increase in June 2021[20]. Accumulated income moderated during the reference period as UITFs were subjected to rising interest rates following the US Federal Reserve rate hikes and tightening in financial markets. Since UITFs are valued based on prevailing market price (i.e., marked-to-market or MTM valuation method[21]), this contributed to a generally lower net asset value per unit (NAVPU) across different types of UITFs as of end-June 2022 compared with previous years.

These observed trends were also reflective of the shift in consumer's preference amid the uncertainties in the global funds market. Market confidence started picking up with the improvement in the COVID-19 situation and recovery of most economies by the end of 2021. However, recent developments such as the geopolitical tension between Russia and Ukraine and higher oil prices and inflation globally have prompted investors to keep their funds liquid or opt for agency accounts, particularly IMA. Compared to UITFs, which are subject to possible MTM losses, IMA enables clients to access higher-yielding interest coupons.

Considering these developments, trust entities are working on increasing the UITF participation rate, especially among retail clients from the middle-income sector and younger age bracket.[22] The BSP and the trust industry have also been working hand in hand to make UITFs more accessible to the public while ensuring that the trustees' fiduciary duty is upheld. The BSP issued guidelines amending UITF regulations to make the processes of establishing and amending UITFs more risk-based. It sought to achieve this by taking into consideration the trust entity's operational readiness, effectiveness of risk management systems, and disclosure policies and practices. The guidelines streamline the approval process for the creation of UITFs and provide trust entities with greater flexibility to create funds that are responsive to the needs of their clients.

The BSP also continuously encourages the industry to accelerate its digital transformation efforts to expand its reach, and advocates for the integration of sustainability principles in its operations. To further promote financial inclusion, some trust entities have lowered the minimum investment amount of select UITFs and launched new UITF offerings particularly environmental, social and governance (ESG)-linked products, which are less volatile and attractive to younger investors.

As shown in Table 1, the number of financial institutions with UITF license dropped to 24 in June 2022 from 25 a year ago. In terms of share in total UITFs, the trust department of U/KBs held the largest at 68.5 percent (₱840.8 billion), followed by NBFIs at 31.4 percent (₱384.9 billion) while trust departments of TBs held a mere 0.1 percent (₱0.9 billion). [23]

[19] Before the pandemic, the industry's UITFs contracted by 7.8 percent in 2017 and 21.3 percent in 2018 and rose by 35.6 percent in 2019. During the pandemic, UITFs grew by 43.0 percent and 10.5 percent, respectively in 2020 and 2021.

[20] Across fund types, accumulated losses of UITF equity funds mainly drove the decline in accumulated income, dipping by 336.9 percent (or ₱28.8 billion) y-o-y. Nevertheless, UITF equity funds saw a 74.6 percent expansion in the number of participants and registered the largest increase in principal, growing by 57.1 percent (or ₱94.5 billion) y-o-y. Meanwhile, money market funds registered a net redemption of 4.2 percent (or ₱37.8 billion) y-o-y, despite posting a 2.2 percent (or ₱0.8 billion) accumulated income growth. In the past two years, investors' preference has shifted toward UITF equity funds from UITF money market funds.

[21] MTM valuation method considers unrealized gains or losses of investments based on the prevailing market prices

[22] Source: TOAP and FMAP.

[23] As of end-June 2022, UITFs of trust department of U/KBs and TBs declined by 5.2 percent and 24.1 percent, respectively, a reversal of the 34.7 percent and the 5.3 percent recorded in June 2021. In contrast, UITFs of NBFIs grew by 1.1 percent, albeit slower than the 32.6 percent growth in June 2021. Prior to the crisis, UITFs of trust department of U/KBs and TBs grew on average by 7.5 percent and 31.4 percent, respectively, while NBFIs by 1,014.4 percent. During the pandemic, growth in UITFs of trust department of U/KBs and NBFIs averaged by 29.0 percent and 22.2 percent, respectively, while trust department of TBs declined by 6.0 percent.

Table 1.
Financial Institutions with UITF License
As of End-Periods Indicated

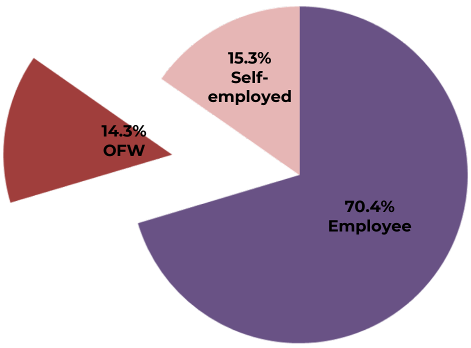
Type of Bank	Jun-21	Jun-22	Change
U/KBs	17	16	-1
TBs	3	3	-
NBFI	5	5	-
Total	**25**	**24**	**-1**

Source: DSA

PERA INVESTMENTS GREW AT SLOWER PACE

Personal Equity and Retirement Account[24] or PERA continued to increase both in terms of number of contributors and value of contributions, albeit at a slower pace. The expansion may be attributed to the increased awareness of Filipinos about the retirement program and the greater convenience it offers as the BSP used digital technology to make trust products more accessible to potential investors.

Figure 6.
PERA Contributors by Type
As of End-June 2022



Source: BSP PERA TWG

As of end-June 2022, 4,660 Filipinos have invested in PERA, with total contributions of ₱283.2 million. By type of contributors, employees made up around 70.4 percent in June 2022, followed by self-employed individuals and Overseas Filipino Workers (OFWs) who accounted for the remaining 15.3 percent and 14.3 percent, respectively (Figure 6).

The number of employee-, OFW- and self-employed contributors all increased by 27.3 percent (703 contributors), 26.1 percent (138 contributors) and 34.2 percent (182 contributors), respectively. Likewise, contributions across all types rose by 24.6 percent (37.7 million), 25.4 percent (10.8 million) and 36.6 percent (10.5 million), respectively, in the same reference period. The number of PERA contributors and the value of their contributions increased by 28.1 percent and 26.3 percent, respectively, in June 2022. However, this was slower than the growth of 133.4 percent and 66.7 percent recorded in the same period last year, respectively, (Table 2).

Table 2.
Accumulated PERA Contributions
As of End-Periods Indicated; In Million ₱ and Ratio in Percent (%)

Type of Contributors	End-June 2021		End-June 2022		y-o-y Growth	
	No. of Contributors	Total Contribution	No. of Contributors	Total Contribution	No. of Contributors	Total Contribution
Employee	2,577	153	3,280	190.7	27.3%	24.6%
OFW	528	42.4	666	53.1	26.1%	25.4%
Self-employed	532	28.8	714	39.3	34.2%	36.6%
Total	**3,637**	**224.2**	**4,660**	**283.2**	**28.1%**	**26.3%**

Source: BSP PERA TWG

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

The slowdown in both the number of contributors and the value of contributions may be due to the pandemic-induced economic and social disruptions that have hit the Filipinos' personal finances resulting in reduced incomes and drop in savings. But on the upside, the pandemic also had a positive impact on Filipinos' perception of financial security. As the benefits of savings and investments are not easily actualized in the immediate term, these tend to have a lower priority in the income allocation of Filipinos. Now, accumulating savings and preparing for retirement form part of the people's perception of financial wellness, particularly against unexpected contingencies.

Considering this improved financial consciousness alongside steady recovery of the economy, the BSP is confident that that the growth momentum of PERA investments will continue given Filipinos' increased awareness of the long-term benefits of retirement savings for themselves and for their families, as well as the incentives[25] from investing in PERA.

To ensure the growth momentum of PERA investments, the BSP PERA Technical Working Group (TWG) has proposed policy enhancements geared toward making the offering of PERA more efficient and convenient for all PERA stakeholders (i.e., PERA market players, contributors. and regulatory agencies). Among these proposals are the: (1) increase in the maximum annual PERA contribution to ₱200,000 for locally employed and self-employed individuals, and ₱400,000 for OFWs from the current limit of ₱100,000 and ₱200,000, respectively; (2) rationalization of the existing basic securities deposit rate for the faithful performance of PERA administrators and PERA UITF product providers to reduce operating cost; and (3) streamlining of accreditation process for PERA UITFs to encourage trust entities to offer a diversified range of PERA UITFs.

PROFIT OF TRUST ENTITIES DECLINED

The net income of trust institutions declined by 4.2 percent to 3.8 billion for the period-ended June 2022 from the 33.5-percent growth recorded last year. The drop was driven by higher expenses which increased by 19.8 percent, outpacing the 5.7-percent rise in the industry's total income. Compensation and fringe benefits as well as other administrative expenses primarily contributed to the faster growth in operating expenses, each rising by 16.9 percent and 49.0 percent, respectively, as trust entities returned to on-site operations with the easing of mobility restrictions. Allocated indirect expenses also expanded by 154.9 percent, a turnaround from a contraction of 9.5 percent a year ago.

Fees and commissions grew in line with movement in the industry's asset base which partly helped the industry improve its earnings amid the double-digit increase in trust expenses.[26]

Overall, the industry's efficiency ratio[27] weakened to 46.7 percent for the period-ended June 2022 from the 41.3 percent recorded in the same period a year ago.[28]

[25] Incentives include exemption from final withholding tax, capital gains tax and regular income tax, as well as the eligibility of PERA investments to a 5 percent tax credit on contributions for the year which may be used to pay or cover part of the contributor's annual income tax.

[26] By composition, fees and commissions from agency accounts primarily drove the increase in total trust income, rising by 12.0 percent for the period-ended June 2022. This was faster than the 8.5 percent growth a year before. Specifically, institutional agency accounts propelled the acceleration as these grew by 13.5 percent. Meanwhile, the growth in fees and commissions from trust accounts significantly slowed down to 2.3 percent from the 32.0 percent in the previous year. UITF fees and commissions, comprising 70.0 percent of the trust fees and commissions, decelerated to 1.9 percent from the previous year's 37.9 percent growth

[27] Efficiency ratio measures the ability of the bank to generate income using its assets. It is measured as total expenses as a percentage of total revenue.

[28] Pre-pandemic, the industry's efficiency ratio stood at 45.4 percent, 49.7 percent, and 47.0 percent for the years-ended 2017, 2018 and 2019, respectively. During the pandemic, this stood at 47.2 percent in 2020 and at 46.1 percent in 2021.

POLICY REFORM AGENDA

OVERVIEW

In line with the increasing sophistication of the financial services industry and the demands of the new economy, the BSP will continue to build on its existing regulatory and supervisory frameworks. This is achieved through the steady pursuit of strategic reforms consistent with international standards and best practices while remaining responsive to domestic conditions.

Overview of BSP's Key Reform Agenda in 2022

As a financial supervisor, the BSP's policy reform agenda focuses on promoting good governance and effective risk management, operational resilience, and sustainable operations in the financial system. Toward this end, the BSP issued various policies aimed at promoting financial soundness and resilience of BSP-supervised financial institutions (BSFIs) enabling them to support sustainable and inclusive economic growth.

With the continued recovery in the economy, the BSP has started to scale back the temporary relief measures implemented during the COVID-19 crisis save for those that incentivize lending to micro, small and medium enterprises (MSMEs). The relief measures that were extended until end-June 2023 include the reduced credit risk weight of loans granted to MSMEs[1] and the utilization of loans to MSMEs as alternative compliance with the reserve requirements[2]. The extension of these relief measures will encourage banks to continue to support financing requirements of creditworthy MSMEs as these enterprises recover from the COVID-19 crisis period and cope with the ongoing policy normalization.

Some prudential relief measures have been scheduled to expire by end-December 2022. These include:

- Reduction of the minimum liquidity ratio (MLR) of standalone thrift banks (TBs) and rural banks (RBs) to 16 percent from 20 percent,
- Increase in the Single Borrower's Limit (SBL) to 30 percent from 25 percent,
- Relaxation of the SBL regulatory relief for branches of foreign banks established prior to the effectivity of Republic Act (R.A.) No. 10641,
- Relaxation of Know-Your-Customer (KYC) requirements, and
- Relaxation of deadline to open approved branches and branch-lite units, among others.

As part of the BSP's efforts to promote rural development financing, the Rural Bank Strengthening Program or RBSP[3] (see Box Article No. 2) was established to reinforce RBs' capability to serve as engines of growth in the countryside. A key component of the RBSP is the setting of higher minimum capital requirements for RBs (Table 1). With higher capital, an RB will be in a better position to provide more responsive financial products and services to underserved and unserved areas, including to MSMEs.

Table 1: Revised Minimum Capital Requirement

No. of Banking Units	Required Minimum Capitalization
Head Office only	₱50 million
Up to 5 branches	₱50 million
6 to 10 branches	₱120 million
More than 10 branches	₱200 million

Source: BSP

The financial system landscape is continuously being shaped by digitalization due to promises of efficiency, greater reach and convenience. These, however, also introduce heightened risks on cybersecurity, anti-money laundering, and consumer protection. The BSP's thrust is to strike a balance between enabling innovation and ensuring that risks are effectively managed.

Towards this aim, the BSP amended key regulations to further develop the enabling environment for digital transformation with the enhanced and risk-based guidelines on

[1] The BSP reduced the credit risk weights of loans granted to MSMEs that are current in status to 50 percent from 75 percent for qualified MSME portfolio (i.e., diversified with at least 500 borrowers over a number of industries), and from 100 percent for non-qualified MSME portfolio. The reduced credit risk weight would be subject to review by end-December 2022.
[2] To qualify: (a) these loans should be granted, renewed, or restructured after 15 March 2020; (b) the loans that were granted on or before 15 March 2020 but have been renewed or restructured after 15 March 2020 may be allowed provided that the bank/QB could demonstrate growth in the loan portfolio during the month preceding the reserve day; and (c) the loans are not encumbered, rediscounted with the BSP, or earmarked for any other purpose.
[3] Memorandum No. M-2022-04 dated 5 May 2022.

outsourcing and information technology and technology risk management[4] (see Box Article No. 3). Beyond regulatory amendments on risk management, the BSP likewise issued guideposts and reminders on the importance of a resilient cybersecurity posture to minimize banking system's losses arising from fraud and cybercriminal related activities. In order to foster further financial innovation, the BSP advanced its "test-and-learn approach" through the adoption of the regulatory sandbox framework and the second set of prudential requirements applicable to digital banks[5].

Alongside this, the BSP is fully supportive of initiatives to exit the Financial Action Task Force's (FATF) grey list. The country has taken steps towards improving its anti-money laundering/countering the financing of terrorism (AML/CFT) regime by implementing registration requirements and applying proportionate and dissuasive sanctions to unregistered and illegal remittance operators and increasing terrorism financing (TF) investigation and prosecution capacity. To achieve the target exit by 2023, the Philippines should address all the strategic deficiencies/action items[6] indicated in the Philippines' Action Plan.

The BSP continues to promote mainstreaming of the sustainability agenda in the financial sector through the phased issuance of enabling regulations on sustainable finance. It reinforced the adoption of the sustainable finance framework issued in 2020 by issuing the guidelines on the integration of sustainability principles in investment activities of banks. This is the third set of regulations following the standards on environmental and social risk management in relation to credit and operational risk. To deepen understanding of sustainable finance concepts and promote adoption of sustainable practices, the BSP, in collaboration with industry associations, development partners, and other interest groups, has been conducting capacity-building activities for banks and other relevant stakeholders.

Under the auspices of the Financial Sector Forum, the BSP, Securities and Exchange Commission and the Insurance Commission, are reviewing the regulations on corporate governance, risk management and disclosure requirements in relation to sustainable finance as well as the development of harmonized environmental, social and governance or ESG/sustainable financial instruments standards across the financial sector.

Lastly, the BSP worked closely with Congress and other stakeholders on the enactment of priority legislation aimed at fostering a resilient, sustainable, and inclusive financial system that is supportive of sustainable economic growth. These include:

1. The Agriculture, Fisheries and Rural Development Financing Enhancement Act of 2022 which provides for a comprehensive financing framework for the development of the agriculture and fisheries sector, and rural communities,
2. Philippine Deposit Insurance Corporation (PDIC) Charter Amendment Law of 2022 which provides the PDIC with sufficient powers and authority to carry out its mandate and functions,
3. Financial Products and Services Consumer Protection Act of 2022 which aim to protect the interest of consumers of financial products and services under the conditions of transparency, fair and sound market conduct, and fair, reasonable, and effective handling of financial consumer disputes, which are aligned with global best practices, and
4. The SIM Card Registration bill which helps curb the proliferation of fraudulent text scams that endanger the public.

[4] Circular No. 1137 dated 18 February 2022 and Circular No. 1140 dated 24 March 2022 (Amendments to Regulations on Outsourcing and IT Risk Management).

[5] Following the release of the digital banking and open finance frameworks, the BSP is developing guidelines on marketplace banking model, and cybersecurity maturity model framework to further drive innovation and bring more value to the financial ecosystem

[6] Including by: (1) demonstrating that effective risk-based supervision of Designated Non-Financial Businesses and Professions is occurring; (2) demonstrating that supervisors are using AML/CFT controls to mitigate risks associated with casino junkets; (3) enhancing and streamlining law enforcement authorities access to beneficial ownership (BO) information and taking steps to ensure that BO information is accurate and up-to-date; (4) demonstrating an increase in the use of financial intelligence and an increase in Money Laundering investigations and prosecutions in line with risk; (5) demonstrating an increase in the identification, investigation and prosecution of TF cases; (6) demonstrating that appropriate measures are taken with respect to the Non-Profit Organization (NPO) sector (including unregistered NPOs) without disrupting legitimate NPO activity; and (7) enhancing the effectiveness of the targeted financial sanctions framework for both TF and Proliferation Financing.

The BSP's Reform Agenda and Policy Direction: 2022 and Beyond

For the years 2022 to 2024, the BSP has set its sights on the following strategic reform areas, namely: (a) strengthening the resilience of BSFIs; (b) advancing the digital transformation of the banking system and BSP's surveillance and supervisory processes; (c) mainstreaming sustainable finance; and (d) developing domestic capital markets to lessen concentration risk in the financial system and dependence on banks for financing.

On the legislative front, the BSP will remain proactive and work closely with both the House of Representatives and the Senate as well as with government agencies and relevant stakeholders to push for key legislation that will support economic recovery and growth as well as sustain the financial system's overall soundness and stability.

These legislative reforms include the Amendment to R.A. Nos. 1405 (Law on Secrecy of Bank Deposits) and 6426 (Foreign Currency Deposit Act). These bills aim to address the call of the global community for a more transparent financial system environment while ensuring ample safeguards to protect the rights of bank depositors from unwarranted intrusion. Moreover, the early passage of the Bank Deposits Secrecy bill will help the Philippines comply with key recommendations of the FATF, particularly the enactment of legislation that allows competent authorities such as the BSP to directly access information held by banks. The bill's approval will hasten the Philippines' exit from the FATF Grey List.

The BSP is also supportive of the passage of the proposed Financial Accounts Regulation Act and Digital Payments bill to deter financial cybercriminals and protect the financial industry and the transacting public.

In summary, the BSP strongly supports enabling reforms that are consistent with international standards and best practices and responsive to the emerging regulatory landscape and shifting preferences of financial consumers towards **a**ffordable, **c**onvenient and **e**fficient or 'ACE' digital financial products and services. The BSP will continue to build on existing regulatory and supervisory frameworks aimed at promoting resilient, sustainable, and inclusive financial system.

The Rural Bank Strengthening Program

Box Article No. 2

Rural banks (RBs) play an important role in developing the countryside and promoting inclusive growth. Established through Republic Act No. 720, or "The Rural Bank Act of 1952", RBs were seen as mechanisms specifically designed to support rural and agricultural development, especially at the time when the Philippines was focused on rebuilding its economy after World War II. The government launched various support strategies, such as the "supply-driven" credit programs, to incentivize RBs to lend to farmers and rural entrepreneurs.

Over time, the banking system experienced several economic and sociopolitical crises, which posed challenges to the operations of RBs. These events also prompted enhancements in banking supervision and the regulatory environment. Government strategy shifted from a "supply-driven" credit philosophy to a market-oriented approach that focused on promoting safe and sound banking operations and the protection of depositors. Regulatory policies also transitioned toward the adoption of higher prudential standards, including effective risk management systems that entailed increased expectations on the governance and operations of banks. Further, the growing digitalization in the financial, economic, and consumer sectors led to increased competition even in the areas traditionally serviced by RBs.

The BSP, together with other key agencies, launched various programs to enhance the operations of RBs. These programs include the Rural Bank Rehabilitation Program in 1987, the Strengthening Program for Rural Banks (SPRB) in 2009, SPRB Plus in 2012, and the Consolidation Program for Rural Banks in 2015. Despite these efforts, RBs continue to face challenges to business operations and regulatory compliance.

In light of these challenges, the BSP launched the Rural Bank Strengthening Program or RBSP under Memorandum No. M-2022-024[1] dated 3 March 2022. **The RBSP is a structured program anchored on the principle that a safe and sound bank is well-capitalized.** Its design draws from the results of various reviews and empirical analyses to develop a program responsive to the challenges faced by RBs. It was developed to enhance the RBs' operations, competitiveness, and compliance with relevant laws and regulations.

[1] https://www.bsp.gov.ph/Regulations/Issuances/2022/M-2022-024.pdf

The Rural Bank Strengthening Program

Box Article No. 2

The RBSP is composed of four key elements:

First, a **strengthened capital base** through the amendment of the minimum capital requirements of RBs. It aims to address the limited capitalization of RBs, which affects their ability to cover operational costs and digitalize as well as limits their opportunities to expand operations and enhance income potential.

Second, a holistic menu of **five time-bound tracks**. These tracks include merger or consolidation under Track 1; acquisition or third-party investment (TPI) under Track 2; voluntary exit and upgrade of license under Track 3; capital build-up program under Track 4; and supervisory intervention under Track 5. The first two tracks are collectively referred to as the "MCA tracks" and shall be covered by the Implementing Guidelines for the Streamlined Procedures on Application for Mergers, Consolidations, and Acquisitions, under Joint Circular No. 1 dated 27 May 2022.

Third, **incentives and capacity-building interventions** to promote successful undertakings on each track. These provide qualified banks, or those that have completed the RBSP track, the opportunity to avail themselves of incentives, such as financial advisory support, digitalization support, prudential relief or support measures, and capacity-building support.

Finally, **review and enhancement of existing regulations** to ensure consistency in the policy approach and direction. These include the recent amendments in the minimum capital requirements for RBs and the streamlining of the guidelines on the voluntary surrender of banking licenses, among others.

The BSP remains closely engaged with RBs to provide the appropriate support for the effective implementation of the program. It is committed to achieving its vision of nurturing stronger and more competitive RBs that can navigate the evolving challenges ahead.

Amendments to Regulations on Outsourcing and IT Risk Management

Box Article No. 3

Innovative and dynamic transformation in technology immensely reshaped business operations in the past years, which inevitably impacted the financial services industry. In response to this, the BSP initiated policy changes driven by the need to promote an enabling regulatory framework amid digitalization initiatives among BSP-supervised financial institutions (BSFIs). This paved the way for the issuance of BSP Circular No. 1137, titled Amendments to Regulations on Outsourcing and IT Risk Management. Taking into consideration industry developments and international practices, the BSP adopted a liberalized supervisory regime on cloud outsourcing anchored on a risk-based supervisory approach. As such, the following key amendments were introduced: (a) reinforcement of risk-based supervisory approach; (b) expansion of scope from cloud service providers (CSPs) to technology service providers (TSPs); and (c) relaxation of relevant regulatory requirements for cloud outsourcing of core systems.

First, the concept of materiality and the BSFIs' Supervisory Assessment Framework (SAFr) play key roles in the supervisory handling of outsourced activities. Outsourcing arrangements assessed as material, the determination of which is guided by the circular, shall be subject to notification or approval procedures, as applicable. The material outsourcing arrangements for a BSFI with a SAFr rating of at least "3" shall only undergo notification procedures, in recognition of the concerned BSFIs' maturity and capability to adequately manage risks. Meanwhile, the material outsourcing activity of a BSFI with a SAFr rating of below "3" shall undergo BSP approval before implementation, given its vulnerability to risks that pose threats to the financial institution's safety and soundness.

Second, considering that cloud services fall within the broader definition of IT or technology services, it is therefore appropriate to recalibrate existing regulatory provisions from CSP-specific to a more general term of TSP.

Lastly, the use of cloud hosting for core operations has been made more apparent in the recent circular, provided that such arrangements undergo the necessary notification or approval process. This is based on the experiences and learnings on cloud outsourcing over the past couple of years on the part of both the BSP and BSFIs.

With these major policy updates, the BSP conveys its recognition and support for critical industry developments beneficial to the financial system. In the coming years, as the banking and financial services industry continues to leverage technology and other innovative solutions, the BSP is confident that it shall remain a key partner, ready to welcome innovation while upholding a sound regulatory stance.

The Importance of Shari'ah Governance in an Islamic Banking Ecosystem

Box Article No. 4

The BSP subscribes to the principle that good corporate governance is the underpinning of a safe and sound financial system. It has issued principles-based guidelines and standards in promoting good corporate governance in the financial industry. In Islamic banking, another layer of control is introduced covering the requirement to comply with Shari'ah principles and specificities. The Shari'ah Supervisory Board (SSB) is primarily responsible for rendering opinions on whether Islamic financing products and services adhere to Shari'ah principles .

The risk exposures of Islamic banks are generally similar to those of conventional banks. However, Islamic banks are exposed to Shari'ah compliance risks, which can be in the form of offering products or services, undertaking transactions, or executing documents that fail to comply with Shari'ah principles. As such, to establish a sustainable and sound Islamic banking system, it is necessary for Islamic banks to adopt an appropriate Shari'ah governance framework (SGF).

The BSP has adopted a decentralized approach to SGF where the responsibility to ensure Shari'ah compliance primarily resides with the Islamic banks or Islamic banking units (IBUs). Under BSP Circular No. 1070, all Islamic banks and IBUs are required to establish their own Shari'ah Advisory Council. To complement this arrangement, the BSP, along with the Department of Finance, the Bangsamoro regional government, and the National Commission on Muslim Filipinos—under a whole-of-government approach—established the SSB in the Bangsamoro Autonomous Region in Muslim Mindanao[1] on 26 April 2022.

The SSB, while regional in scope, can provide opinion on Shari'ah compliance of certain Islamic banking products or services when requested by any stakeholder involved in promoting and developing Islamic banking in the country.

With this milestone, the Philippines is now among a few select jurisdictions[2] that are able to establish a dedicated Shari'ah governance oversight board, reinforcing our message to investors that the country is ready to accept new Islamic banking players and that the Philippines has established a Shari'ah governance framework that is supportive of building a vibrant Islamic finance industry. As former BSP Governor Benjamin E. Diokno has conveyed during the signing ceremony of the MOA establishing the SSB on 4 May 2022, *"For us in the Bangko Sentral ng Pilipinas, our goal is not only to see the Shari'ah Supervisory Board take off, but our vision is to fully establish an Islamic banking and finance ecosystem that can viably operate alongside the conventional system."*

Indeed, the recognition by the Philippine Government and other stakeholders of the crucial role of Shari'ah governance in developing a vibrant Islamic bank ecosystem enhances public confidence and greatly helps in mainstreaming Islamic banking and finance in the Philippines.

[1] https://www.bsp.gov.ph/Regulations/Banking%20Laws/Joint_Circular_on_the_Establishment_of_Shari'ah_Supervisory_Board_in_the_BARMM.pdf
[2] The following countries have established a Shari'ah Supervisory Board: Malaysia, Indonesia, Pakistan, Kuwait, Sudan, and United Arab Emirates.

List of Appendices

Appendix 1. Philippine Banking System: Financial Highlights
As of End-Periods Indicated
(Amount in Billion ₱)

	December			June	
	2019	2020	2021	2021	2022 p/
Income Statement					
Total Operating Income	796.3	893.3	869.4	451.7	471.3
Net Interest Income	605.2	674.2	661.8	325.6	354.3
Non-interest Income	191.1	219.1	207.6	126.2	117.0
Non-Interest Expenses	483.2	491.5	512.4	253.8	266.9
Losses/Recoveries on Financial Assets	(51.2)	(214.2)	(97.7)	(57.1)	(37.6)
Provision for Credit Losses on Loans & Other Fin'l Assets	(52.9)	(211.6)	(106.4)	(62.3)	(45.7)
Bad Debts Written Off	(3.9)	(6.4)	(7.5)	(4.9)	(1.8)
Recovery on Charged-Off Assets	5.6	3.8	16.2	10.2	9.9
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	261.9	187.6	259.3	140.9	166.8
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	25.4	11.9	20.7	10.1	11.3
Total Profit/Loss Before Tax and Before Minority Interest	287.2	199.5	280.1	151.0	178.1
Income Tax Expense	56.6	44.3	55.3	28.3	34.9
Total Profit/Loss After Tax and Before Minority Interest	230.7	155.2	224.8	122.7	143.1
Minority Interest in Profit/(Loss) of Subsidiaries	-	-	-	-	-
Net Profit/(Loss)	230.7	155.2	224.8	122.7	143.1
Balance Sheet					
Total Assets 1/	18,338.2	19,457.1	20,828.1	19,811.2	21,347.0
Cash and Due from Banks	2,804.1	3,584.1	3,571.5	3,518.4	2,852.4
Financial Assets, gross (Other than Loans)	3,734.2	4,307.8	5,221.0	4,913.3	6,047.8
Financial Assets Held for Trading (HFT)	198.8	325.0	250.4	376.0	340.8
Financial Assets Designated at Fair Value through Profit or Loss (DFVPL)	2.2	3.8	4.8	4.8	3.3
Available-for-Sale (AFS) Financial Assets	1,125.6	2,061.7	2,337.5	2,386.0	2,330.1
Held-to-Maturity (HTM) Financial Assets	2,407.5	1,917.2	2,628.2	2,146.5	3,373.6
Unquoted Debt Securities Classified as Loans (UDSCL)	-	-	-	-	-
Investments in Non-Marketable Equity Securities (INMES)	. . .	. . .	. . .	-	-
Accumulated Market Gains/(Losses)	22.7	40.4	(4.5)	21.3	(97.1)
Allowance for Credit Losses	18.0	19.5	20.7	20.4	20.7
Financial Assets, net (Other than Loans)	3,738.9	4,328.7	5,195.9	4,914.2	5,930.0
Loans, gross (inclusive of IBL)	10,966.1	10,872.6	11,391.1	10,775.7	11,715.9
Interbank Loans Receivable (IBL)	226.7	296.2	366.9	317.1	303.5
Loans, gross (exclusive of IBL)	10,739.4	10,576.4	11,024.2	10,458.6	11,412.5
Reverse Repurchase (RRP) with BSP and Other Banks	420.2	367.9	375.9	356.3	346.6
Loans, gross (exclusive of IBL and RRP with BSP and Other Banks)	10,319.2	10,208.5	10,648.4	10,102.2	11,065.9
Allowance for Probable Losses	207.5	367.2	396.8	397.8	409.0
Loans, net (exclusive of IBL and RRP with BSP and Other Banks)	10,111.7	9,841.3	10,251.5	9,704.4	10,656.9
Equity Investment in Subsidiaries, Associates and Joint Ventures, net	301.5	261.7	276.9	271.7	241.4
ROPA, net	96.9	92.7	95.9	93.1	99.7
Other Assets, net	638.2	684.4	693.6	635.9	916.6
Total Liabilities	16,019.6	17,025.9	18,254.2	17,301.2	18,770.4
Financial Liabilities Held for Trading	35.0	47.3	43.7	42.0	97.6
Financial Liabilities DFVPL	-	-	-	-	-
Deposits	13,669.5	14,895.0	16,241.1	15,346.1	16,492.6
Peso Liabilities	11,562.9	12,702.2	13,857.9	13,087.0	13,895.3
Foreign Currency	2,106.6	2,192.8	2,383.2	2,259.1	2,597.3
Bills Payable	867.3	558.2	496.9	429.0	481.4
Unsecured Subordinated Debt	48.0	27.5	22.6	22.5	22.6
Redeemable Preferred Shares	0.3	0.3	0.2	0.3	0.3
Other Liabilities	1,399.5	1,497.7	1,449.6	1,461.3	1,675.9
Total Capital Accounts 2/	2,318.6	2,431.1	2,574.0	2,510.0	2,576.6

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

p/ Preliminary
Figures may not add up due to rounding-off
. . . Less than ₱0.05 billion

Appendix 2. Philippine Banking System: Growth Rates
As of End-Periods Indicated

	December			June	
	2019	2020	2021	2021	2022 p/
Income Statement					
Total Operating Income	19.2%	12.2%	(2.7%)	(1.2%)	4.3 %
Net Interest Income	17.4%	11.4%	(1.8%)	(3.4%)	8.8 %
Non-interest Income	25.3%	14.7%	(5.3%)	5.2 %	(7.3%)
Non-Interest Expenses	11.8%	1.7%	4.2%	3.2 %	5.2 %
Losses/Recoveries on Financial Assets	60.3%	318.5%	(54.4%)	(46.1%)	(34.1%)
Provision for Credit Losses on Loans & Other Fin'l Assets	49.1%	300.1%	(49.7%)	(41.4%)	(26.7%)
Bad Debts Written Off	14.9%	63.5%	18.0%	244.2 %	(63.3%)
Recovery on Charged-Off Assets	(18.8%)	(32.1%)	323.8%	462.2 %	(2.8%)
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	28.4%	(28.4%)	38.2%	34.0 %	18.4 %
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	12.6%	(53.0%)	73.7%	105.8 %	11.2 %
Total Profit/Loss Before Tax and Before Minority Interest	26.9%	(30.5%)	40.4%	37.2 %	17.9 %
Income Tax Expense	21.2%	(21.7%)	24.8%	17.0 %	23.3 %
Total Profit/Loss After Tax and Before Minority Interest	28.4%	(32.7%)	44.8%	42.9 %	16.7 %
Minority Interest in Profit/(Loss) of Subsidiaries					
Net Profit/(Loss)	28.4%	(32.7%)	44.8%	42.9 %	16.7 %
Balance Sheet					
Total Assets 1/	8.4%	6.1%	7.0%	6.4 %	7.8 %
Cash and Due from Banks	7.6%	27.8%	(0.4%)	5.0 %	(18.9%)
Financial Assets, gross (Other than Loans)	7.8%	15.4%	21.2%	32.6 %	23.1 %
Financial Assets Held for Trading (HFT)	(5.9%)	63.5%	(22.9%)	27.3 %	(9.4%)
Financial Assets Designated at Fair Value through Profit or Loss (DFVPL)	(90.1%)	71.7%	26.5%	36.1 %	(31.6%)
Available-for-Sale (AFS) Financial Assets	37.9%	83.2%	13.4%	51.6 %	(2.3%)
Held-to-Maturity (HTM) Financial Assets	(0.3%)	(20.4%)	37.1%	17.2 %	57.2 %
Unquoted Debt Securities Classified as Loans (UDSCL)	(100.0%)				
Investments in Non-Marketable Equity Securities (INMES)	3.0%				
Accumulated Market Gains/(Losses)	(284.7%)	78.4%	(111.0%)	(52.9%)	(556.8%)
Allowance for Credit Losses	1.8%	8.6%	5.9%	5.8 %	1.2 %
Financial Assets, net (Other than Loans)	8.9%	15.8%	20.0%	31.7 %	20.7 %
Loans, gross (inclusive of IBL)	8.8%	(0.9%)	4.8%	(0.4%)	8.7 %
Interbank Loans Receivable (IBL)	(11.5%)	30.6%	23.9%	7.3 %	(4.3%)
Loans, gross (exclusive of IBL)	9.3%	(1.5%)	4.2%	(0.6%)	9.1 %
Reverse Repurchase (RRP) with BSP and Other Banks	11.3%	(12.4%)	2.2%	57.6 %	(2.7%)
Loans, gross (exclusive of IBL and RRP with BSP and Other Banks)	9.3%	(1.1%)	4.3%	(1.9%)	9.5 %
Allowance for Probable Losses	10.9%	76.9%	8.1%	31.3 %	2.8 %
Loans, net (exclusive of IBL and RRP with BSP and Other Banks)	9.2%	(2.7%)	4.2%	(2.9%)	9.8 %
Equity Investment in Subsidiaries, Associates and Joint Ventures, net	1.4%	(13.2%)	5.8%	4.7 %	(11.1%)
ROPA, net	0.1%	(4.3%)	3.4%	(0.2%)	7.1 %
Other Assets, net	7.8%	7.2%	1.3%	(6.1%)	44.1 %
Total Liabilities	7.9%	6.3%	7.2%	6.4 %	8.5 %
Financial Liabilities Held for Trading	(12.4%)	35.0%	(7.5%)	(10.8%)	132.1 %
Financial Liabilities DFVPL					
Deposits	7.1%	9.0%	9.0%	7.6 %	7.5 %
Peso Liabilities	8.6%	9.9%	9.1%	8.6 %	6.2 %
Foreign Currency	(0.5%)	4.1%	8.7%	2.2 %	15.0 %
Bills Payable	(7.3%)	(35.6%)	(11.0%)	(18.0%)	12.2 %
Unsecured Subordinated Debt	(44.8%)	(42.7%)	(18.0%)	(33.2%)	0.1 %
Redeemable Preferred Shares	(66.7%)	(14.9%)	(0.5%)	(1.9%)	24.2 %
Other Liabilities	37.2%	7.0%	(3.2%)	5.1 %	14.7 %
Total Capital Accounts 2/	12.1%	4.9%	5.9%	5.9 %	2.7 %

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

2/ Inclusive of the portion of the "Net Due to Head Office" which qualified as capital

p/ Preliminary

Appendix 3. Philippine Banking System: Selected Performance Indicators
As of End-Periods Indicated

	December 2019	December 2020	December 2021	June 2021	June 2022 p/
Profitability					
Earning Asset Yield 1/	5.4 %	4.8 %	4.1 %	4.4 %	4.1 %
Funding Cost 2/	1.9 %	1.1 %	0.7 %	0.8 %	0.6 %
Interest Spread 3/	3.5 %	3.7 %	3.4 %	3.5 %	3.5 %
Net Interest Margin 4/	3.7 %	3.8 %	3.5 %	3.6 %	3.5 %
Non-Interest Income to Total Operating Income 5/	24.0 %	24.5 %	23.9 %	25.4 %	22.3 %
Cost-to-Income 6/	60.3 %	54.9 %	58.7 %	56.0 %	58.9 %
Return on Assets (RoA) 7/	1.3 %	0.8 %	1.1 %	1.0 %	1.2 %
Return on Equity (RoE) 7/	10.5 %	6.5 %	9.0 %	7.9 %	9.6 %
Liquidity					
Cash and Due from Banks to Deposits	20.5 %	24.1 %	22.0 %	22.9 %	17.3 %
Liquid Assets to Deposits 8/	47.9 %	53.1 %	54.0 %	54.9 %	53.3 %
Loans, gross to Deposits	80.2 %	73.0 %	70.1 %	70.2 %	71.0 %
Asset Quality					
Restructured Loans to Total Loan Portfolio (TLP)	0.4 %	1.9 %	3.1 %	3.0 %	2.9 %
Allowance for Credit Losses (ACL) to TLP	1.9 %	3.4 %	3.5 %	3.7 %	3.5 %
Gross Non-Performing Loans (NPL) to TLP [NPL Ratio]	2.0 %	3.6 %	4.0 %	4.5 %	3.6 %
Net NPL to TLP	1.1 %	2.0 %	2.1 %	2.5 %	1.8 %
NPL Ratio net of IBL	2.1 %	3.7 %	4.1 %	4.6 %	3.7 %
NPL Coverage Ratio (ACL to Gross NPL)	92.6 %	93.0 %	87.7 %	82.4 %	97.1 %
Non-Performing Assets (NPA) to Gross Assets [NPA Ratio]	1.8 %	2.6 %	2.7 %	3.0 %	2.5 %
NPA Coverage Ratio (Allowance on NPA to NPA)	70.3 %	78.5 %	75.3 %	72.1 %	81.6 %
ROPA to Gross Assets Ratio	0.6 %	0.6 %	0.6 %	0.6 %	0.6 %
ROPA Coverage Ratio	26.7 %	29.0 %	28.5 %	29.8 %	28.6 %
Distressed Assets Ratio	3.2 %	6.2 %	7.2 %	7.7 %	6.7 %
Capital Adequacy					
Total Capital Accounts to Total Assets 9/	12.6 %	12.5 %	12.4 %	12.7 %	12.1 %
Capital Adequacy Ratio (Solo) 10/ 11/	15.4 %	16.6 %	16.5 %	17.0 %	16.0 %
Common Equity Tier 1 (CET1) Ratio	14.1 %	15.4 %	15.3 %	15.9 %	14.8 %
Capital Conservation Buffer	8.1 %	9.4 %	9.3 %	9.9 %	8.8 %
Tier 1 Ratio	14.1 %	15.6 %	15.5 %	16.0 %	15.0 %
Capital Adequacy Ratio (Consolidated) 10/ 11/	16.0 %	17.1 %	17.1 %	17.6 %	16.5 %
Common Equity Tier 1 (CET1) Ratio	14.8 %	15.9 %	15.9 %	16.4 %	15.4 %
Capital Conservation Buffer	8.8 %	9.9 %	9.9 %	10.4 %	9.4 %
Tier 1 Ratio	14.8 %	16.0 %	16.1 %	16.6 %	15.6 %

1/ Earning Asset Yield refers to the ratio of interest income to average earning assets.
2/ Funding Cost refers to the ratio of interest expenses to average interest-bearing liabilities.
3/ Interest Spread refers to the difference between earning asset yield and funding cost.
4/ Net Interest Margin refers to the ratio of net interest income to average earning assets.
5/ Non-Interest income includes dividends income.
6/ Cost-to-Income Ratio refers to the ratio of non-interest expenses to total operating income.
7/ RoA and RoE refer to the ratios of net profit to average assets and capital, respectively.
8/ Liquid Assets refer to Cash and Due from Banks plus Financial Assets, net of amortization (net of financial assets in equity securities).
9/ Total capital accounts includes redeemable preferred shares.
10/ Refers to the ratio of qualifying capital to total risk-weighted assets.
11/ CAR data are for Universal and Commercial Banks and subsidiary banks and quasi-banks; excludes Stand-Alone Thrift, Rural and Cooperative Banks
p/ Preliminary

Appendix 4. Philippine Banking Offices: Number of Offices and Regional Profile
As of End-Periods Indicated

End-June 2022 p/	Total	UNIVERSAL BANKS	COMMERCIAL BANKS	THRIFT BANKS	RURAL BANKS	COOPERATIVE BANKS	DIGITAL BANKS
TOTAL	**13,190**	**6,598**	**583**	**2,575**	**3,258**	**172**	**4**
Head Offices	**498**	**20**	**25**	**43**	**382**	**24**	**4**
Branches/Other Offices	**12,692**	**6,578**	**558**	**2,532**	**2,876**	**148**	
Regular Branch	9,920	6,319	539	1,598	1,347	117	
Branch-Lite Unit	2,582	221	19	919	1,392	31	
Microfinance-Oriented Branch	152			15	137		
Representative Office	20	20					
Remittance Desk Office	14	14					
Marketing Office	2	2					
Limited Purpose Branch	1	1					
Sub-Branch	1	1					

	End-June 2021	End-June 2022 p/		
	Total	Total	Head Offices	Branches/ Other Offices
TOTAL	**13,126**	**13,190**	**498**	**12,692**
Nationwide	**13,073**	**13,136**	**498**	**12,638**
National Capital Region (NCR)	**3,845**	**3,809**	**79**	**3,730**
Luzon	**5,485**	**5,521**	**270**	**5,251**
Region I - Ilocos	670	678	32	646
Region II - Cagayan Valley	474	485	28	457
Region III - Central Luzon	1,361	1,358	70	1,288
Region IV-A - CALABARZON	1,906	1,909	85	1,824
Region IV-B - MIMAROPA	314	313	20	293
Region V - Bicol	560	575	20	555
Cordillera Administrative Region (CAR)	200	203	15	188
Visayas	**1,961**	**1,985**	**86**	**1,899**
Region VI - Western Visayas	761	770	41	729
Region VII - Central Visayas	908	916	31	885
Region VIII - Eastern Visayas	292	299	14	285
Mindanao	**1,782**	**1,821**	**63**	**1,758**
Region IX - Zamboanga Peninsula	270	279	13	266
Region X - Northern Mindanao	437	447	22	425
Region XI - Davao Region	503	511	13	498
Region XII - SOCCSKSARGEN 1/	307	294	10	284
ARMM	19	-	-	-
CARAGA	246	250	5	245
BARMM	-	40		40
Overseas	**53**	**54**		**54**
Asia-Pacific	21	21		21
Europe	5	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
As of End-Periods Indicated

		June 2021		December 2021		June 2022 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**	**8,472**	**8**	**8,515**	**8**	**8,556**
National Capital Region (NCR)		**226**	**3,466**	**226**	**3,489**	**224**	**3,524**
Luzon		**7**	**8,911**	**7**	**8,956**	**7**	**8,981**
Region I	- Ilocos	5	8,167	5	8,158	5	8,149
Region II	- Cagayan	5	7,930	5	7,941	5	7,837
Region III	- Central Luzon	10	8,798	10	8,864	10	8,924
Region IV-A	- CALABARZON	13	8,166	13	8,204	13	8,281
Region IV-B	- MIMAROPA	4	10,961	4	11,205	4	11,199
Region V	- Bicol	5	11,968	5	11,999	5	11,883
Cordillera Administrative Region (CAR)		3	9,806	3	9,787	3	9,817
Visayas		**5**	**10,930**	**5**	**11,005**	**5**	**10,957**
Region VI	- Western Visayas	6	10,911	6	10,981	6	10,922
Region VII	- Central Visayas	7	8,936	7	9,020	7	8,986
Region VIII	- Eastern Visayas	2	17,179	2	17,160	2	17,084
Mindanao		**4**	**15,215**	**4**	**15,137**	**4**	**15,187**
Region IX	- Zamboanga Peninsula	4	15,304	4	15,094	4	15,053
Region X	- Northern Mindanao	5	11,711	5	11,632	5	11,608
Region XI	- Davao Region	10	10,901	10	10,969	10	10,908
Region XII	- SOCCSKSARGEN 2/	6	16,606	6	16,377	6	16,515
ARMM	Autonomous Region of Muslim Mindanao	0	223,614	0	238,940		
CARAGA		3	12,328	3	12,153	3	12,369
BARMM	Bangsamoro Autonomous Region of Muslim Mindanao					0	127,048

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)
As of End-Periods Indicated

	On-site			Off-site			Total		
	Jun '21	Dec '21	Jun '22 p/	Jun '21	Dec '21	Jun '22 p/	Jun '21	Dec '21	Jun '22 p/
TOTAL	**12,314**	**12,387**	**12,564**	**10,470**	**10,548**	**10,461**	**22,784**	**22,935**	**23,025**
Universal Banks	9,763	9,800	9,873	9,357	9,438	9,280	19,120	19,238	19,153
Commercial Banks	585	593	598	536	541	582	1,121	1,134	1,180
Thrift Banks	1,336	1,342	1,366	486	477	489	1,822	1,819	1,855
Rural banks	600	622	697	91	92	110	691	714	807
Cooperative Banks	30	30	30			0	30	30	30

p/ Preliminary

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

As of end-June 2022 p/

	No. of BSFIs with Authority to Provide Electronic Payment and Financial Services	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	42	26	16	18	4	5	26	37	27
Thrift Banks	31	29	1	7	-	-	15	8	15
Rural and Cooperative Banks	51	24	-	5	2	-	6	1	11
Digital Banks	4	2	-	-	-		1	1	3
Banks	128	81	17	30	6	5	48	47	56
EMIs	41	-	-	41	31	-	2	1	30
Others	9	-	1	1	-	-	6	-	9
TOTAL	**178**	**81**	**18**	**72**	**37**	**5**	**56**	**48**	**95**

	Telephone Banking	ATM Facility	Cash Accept Machine	Cash Recycling Machine	Point of Sale Facility	Payment Portal	With VASP Services	InstaPay
Universal and Commercial Banks	10	27	10	1	17	9	-	23
Thrift Banks	4	29	2	1	7	-	-	17
Rural and Cooperative Banks	-	26	-	-	5	-	-	13
Digital Banks	-	2	1	-	-	-	-	1
Banks	14	84	13	2	29	9	-	54
EMIs	-	-	1	-	2	1	5	14
Others	-	-	-	-	-	-	-	-
TOTAL	**14**	**84**	**14**	**2**	**31**	**10**	**5**	**68**

	PESONet	QR Ph	Instapay Multi-Proxy Service	Agency Banking	eKYC-Online Onboarding	Type C EPFS	Online/ Digital Loan Application	Others
Universal and Commercial Banks	42	14	13	6	16	-	11	8
Thrift Banks	17	7	1	4	4	4	2	-
Rural and Cooperative Banks	33	4	3	6	4	17	7	2
Digital Banks	2	-	3	2	4		2	1
Banks	94	25	20	18	28	21	22	11
EMIs	7	8	9	-	26	-	-	-
Others	-	-	-	-	2	-	1	1
TOTAL	**101**	**33**	**29**	**18**	**56**	**21**	**23**	**12**

p/ Preliminary

Appendix 8. Philippine Banking System: Profitability Indicators
For the Periods-Ended Indicated
(Amount in Billion ₱)

	December			June	
	2019	2020	2021	2021	2022 p/
Total Operating Income	796.3	893.3	869.4	451.7	471.3
Net Interest Income	605.2	674.2	661.8	325.6	354.3
Interest Income	886.0	851.2	777.2	384.9	409.4
Provision for Lossses on Accrued Interest Income from Financial Assets	0.3	0.9	0.3	0.3	0.1
Interest Expenses	280.5	176.1	115.1	59.1	55.0
Non-interest Income	191.1	219.1	207.6	126.2	117.0
Dividend Income	3.4	3.2	2.0	1.3	1.2
Fee-based Income	100.9	89.5	107.3	51.0	58.6
Trading Income	24.8	20.2	9.7	2.6	10.3
FX Profit/(Loss)	8.5	6.6	5.3	3.4	4.4
Profit/(Loss) from Sale/Redemption/Derecognition of Non-Trading Financial Assets and Liabilities	30.2	83.4	25.8	23.2	0.7
Profit/(Loss) from Sale/Derecognition of Non-Financial Assets	9.5	5.5	41.2	37.1	19.3
Profit/(Loss) on Financial Assets and Liabilities Designated at Fair Value through Profit or Loss	(0.0)	0.5	0.3	0.1	(0.1)
Profit/(Loss) on Fair Value Adjustment in Hedge Accounting	. . .	(2.8)	(0.0)	(0.0)	0.0
Other Income	13.8	13.1	16.1	7.5	22.5
Non-Interest Expenses	483.2	491.5	512.4	253.8	266.9
Losses/Recoveries on Financial Assets	(51.2)	(214.2)	(97.7)	(57.1)	(37.6)
Provision for Credit Losses on Loans & Other Fin'l Assets	(52.9)	(211.6)	(106.4)	(62.3)	(45.7)
Bad Debts Written Off	(3.9)	(6.4)	(7.5)	(4.9)	(1.8)
Recovery on Charged-Off Assets	5.6	3.8	16.2	10.2	9.9
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	261.9	187.6	259.3	140.9	166.8
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	25.4	11.9	20.7	10.1	11.3
Total Profit/Loss Before Tax and Before Minority Interest	287.2	199.5	280.1	151.0	178.1
Income Tax Expense	56.6	44.3	55.3	28.3	34.9
Total Profit/Loss After Tax and Before Minority Interest	230.7	155.2	224.8	122.7	143.1
Minority Interest in Profit/(Loss) of Subsidiaries					-
Net Profit/(Loss)	230.7	155.2	224.8	122.7	143.1
Growth Rates					
Total Operating Income	19.2%	12.2%	(2.7%)	(1.2%)	4.3%
Net Interest Income	17.4%	11.4%	(1.8%)	(3.4%)	8.8%
Interest Income	25.1%	(3.9%)	(8.7%)	(13.3%)	6.4%
Provision for Lossses on Accrued Interest Income from Financial Assets	(78.4%)	198.8%	(62.2%)	(77.3%)	(61.1%)
Interest Expenses	46.8%	(37.2%)	(34.7%)	(44.1%)	(6.9%)
Non-interest Income	25.3%	14.7%	(5.3%)	5.2%	(7.3%)
Dividend Income	(0.2%)	(3.7%)	(39.2%)	(21.4%)	(5.3%)
Fee-based Income	9.9%	(11.3%)	19.8%	20.8%	14.9%
Trading Income	138.7%	(18.8%)	(52.1%)	(78.9%)	301.3%
FX Profit/(Loss)	(6.5%)	(22.6%)	(19.1%)	81.0%	31.6%
Profit/(Loss) from Sale/Redemption/Derecognition of Non-Trading Financial Assets and Liabilities	661.2%	176.3%	(69.0%)	(59.3%)	(97.0%)
Profit/(Loss) from Sale/Derecognition of Non-Financial Assets	(48.8%)	(42.3%)	652.9%	1645.9%	(48.1%)
Profit/(Loss) on Financial Assets and Liabilities Designated at Fair Value through Profit or Loss	(159.2%)	(1,323.7%)	(47.4%)	(69.7%)	(232.1%)
Profit/(Loss) on Fair Value Adjustment in Hedge Accounting	(96.8%)	(102,923.0%)	(99.5%)	(99.3%)	(98.2%)
Other Income	(8.9%)	(5.5%)	23.1%	37.3%	199.8%
Non-Interest Expenses	11.8%	1.7%	4.2%	3.2%	5.2%
Losses/Recoveries on Financial Assets	60.3%	318.5%	(54.4%)	(46.1%)	(34.1%)
Provision for Credit Losses on Loans & Other Fin'l Assets	49.1%	300.1%	(49.7%)	(41.4%)	(26.7%)
Bad Debts Written Off	14.9%	63.5%	18.0%	244.2%	(63.3%)
Recovery on Charged-Off Assets	(18.8%)	(32.1%)	323.8%	462.2%	(2.8%)
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	28.4%	(28.4%)	38.2%	34.0%	18.4%
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	12.6%	(53.0%)	73.7%	105.8%	11.2%
Total Profit/Loss Before Tax and Before Minority Interest	26.9%	(30.5%)	40.4%	37.2%	17.9%
Income Tax Expense	21.2%	(21.7%)	24.8%	17.0%	23.3%
Total Profit/Loss After Tax and Before Minority Interest	28.4%	(32.7%)	44.8%	42.9%	16.7%
Minority Interest in Profit/(Loss) of Subsidiaries					
Net Profit/(Loss)	28.4%	(32.7%)	44.8%	42.9%	16.7%

p/ Preliminary
. . . Less than ₱0.05 billion
(0.0) Less than negative ₱0.05 billion

Appendix 9. Philippine Banking System: Asset Quality Indicators
As of End-Periods Indicated
(Amount in Billion ₱)

	December			June	
Levels	**2019**	**2020**	**2021**	**2021**	**2022 p/**
Total Assets	18,338.2	19,457.1	20,828.1	19,811.2	21,347.0
Gross Assets [1/]	18,576.4	19,857.8	21,258.9	20,244.1	21,791.3
Total Loan Portfolio (TLP) [2/]	10,966.1	10,872.6	11,391.1	10,775.7	11,715.9
Interbank Loans Receivable (IBL)	226.7	296.2	366.9	317.1	303.5
TLP [2/], net of Interbank Loans (IBL)	10,739.4	10,576.4	11,024.2	10,458.6	11,412.5
TLP, net of ACL	10,758.6	10,505.4	10,994.3	10,377.9	11,306.9
Gross Non-Performing Loans (NPL)	224.1	394.9	452.5	483.0	421.3
Net NPL [3/]	115.8	217.9	240.3	270.5	210.2
Allowance for Credit Losses (ACL)	207.5	367.2	396.8	397.8	409.0
ROPA [2/ 4/]	114.7	115.8	119.3	117.8	123.3
ROPA (inclusive of performing SCR)	128.0	126.8	130.4	128.7	135.5
Provisions for ROPA [5/]	30.7	33.6	34.0	35.1	35.3
Restructured Loans (RL) [2/]	43.2	208.9	356.7	328.6	338.9
RL, Performing	19.6	174.0	255.2	235.5	251.2
Distressed Assets [6/]	358.4	684.7	827.0	836.3	795.8
Non-Performing Assets (NPAs) [7/]	338.8	510.7	571.8	600.8	544.6
Allowance on NPA [8/]	238.2	400.8	430.8	432.9	444.3
Performing Sales Contract Receivables	13.3	10.9	11.0	10.9	12.2
Growth Rates					
Total Assets	8.4 %	6.1 %	7.0 %	6.4 %	7.8 %
Gross Assets [1/]	8.4 %	6.9 %	7.1 %	6.8 %	7.6 %
Total Loan Portfolio (TLP) [2/]	8.8 %	(0.9%)	4.8 %	(0.4%)	8.7 %
Interbank Loans Receivable (IBL)	(11.5%)	30.6 %	23.9 %	7.3 %	(4.3%)
TLP [2/], net of Interbank Loans (IBL)	9.3 %	(1.5%)	4.2 %	(0.6%)	9.1 %
TLP, net of ACL	8.8 %	(2.4%)	4.7 %	(1.3%)	9.0 %
Gross Non-Performing Loans (NPL)	26.0 %	76.2 %	14.6 %	73.9 %	(12.8%)
Net NPL [3/]	31.9 %	88.1 %	10.3 %	89.2 %	(22.3%)
Allowance for Credit Losses (ACL)	10.9 %	76.9 %	8.1 %	31.3 %	2.8 %
ROPA [2/ 4/]	6.3 %	1.0 %	3.0 %	3.4 %	4.6 %
ROPA (inclusive of performing SCR)	1.4 %	(1.0%)	2.8 %	2.5 %	5.3 %
Provisions for ROPA [5/]	5.3 %	9.6 %	1.2 %	10.2 %	0.5 %
Restructured Loans (RL) [2/]	8.7 %	384.0 %	70.8 %	575.3 %	3.1 %
RL, Performing	3.1 %	789.4 %	46.7 %	997.7 %	6.7 %
Distressed Assets [6/]	17.6 %	91.0 %	20.8 %	102.4 %	(4.8%)
Non-Performing Assets (NPAs) [7/]	18.6 %	50.7 %	12.0 %	53.4 %	(9.4%)
Allowance on NPA [8/]	10.1 %	68.3 %	7.5 %	29.3 %	2.6 %
Performing Sales Contract Receivables	(27.5%)	(17.8%)	1.0 %	(6.9%)	12.4 %

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 (FCDU): Financial Highlights
For the Periods-Ended Indicated
(Amount in Million US$)

	December			June	
	2019	2020	2021	2021	2022 p/
Income Statement					
Total Operating Income	1,443.0	1,530.3	1,277.4	761.6	542.6
Net Interest Income [1]	979.8	890.8	825.5	406.0	431.6
Non-interest Income	463.1	639.5	451.9	355.6	111.1
Non-Interest Expenses	202.5	188.8	185.4	87.1	91.5
Losses/Recoveries on Financial Assets	(86.3)	(122.9)	(240.2)	(80.5)	65.7
Bad Debts/Provision for Credit Losses	(98.1)	(125.3)	(245.0)	(81.8)	(12.8)
Recovery on Charged-Off Assets	11.9	2.4	4.9	1.3	78.5
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subs., Associates & Joint Ventures	1,154.1	1,218.6	851.8	594.0	516.8
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates & Joint Ventures					
Total Profit/Loss Before Tax & Before Minority Interest	1,154.1	1,218.6	851.8	594.0	516.8
Income Tax Expense	42.3	41.0	43.9	21.2	18.7
Total Profit/Loss After Tax & Before Minority Interest	1,111.9	1,177.6	807.9	572.8	498.1
Minority Interest in Profit/(Loss) of Subsidiaries					
Net Profit or Loss	1,111.9	1,177.6	807.9	572.8	498.1
Balance Sheet					
Total Assets [2]	56,889.8	58,515.1	57,796.1	56,198.5	58,256.0
Cash and Due from Banks	5,344.2	6,860.8	6,547.2	5,866.7	5,650.6
Financial Assets, gross	28,155.9	28,616.9	28,302.2	28,257.7	28,186.3
Allowance for Credit Losses	32.5	44.1	43.7	47.7	38.7
Accumulated Market Gains/Losses	165.3	294.2	62.7	169.5	(710.9)
Financial Assets, net	28,288.7	28,867.0	28,321.2	28,379.5	27,436.7
Interbank Loans Receivable (IBL), net	3,129.2	4,989.1	6,132.3	5,300.1	4,054.8
Loans, gross (exclusive of IBL)	19,262.2	17,638.6	16,456.5	16,440.6	16,463.5
Allowance for Probable Losses [3]	250.6	449.4	657.3	571.5	479.7
Loans, net (exclusive of IBL)	19,011.6	17,189.2	15,799.2	15,869.1	15,983.7
Equity investments, net					
ROPA, net	29.2	31.5	26.2	30.3	24.1
Other Assets, net	1,086.8	577.5	970.0	752.8	5,106.1
Total Liabilities	55,760.8	56,862.9	56,792.4	55,058.1	58,014.9
Financial Liabilities Held for Trading	84.4	144.2	87.9	103.8	85.0
Financial Liabilities DFVPL	-	-	-	-	-
Deposit Liabilities	41,090.1	45,061.6	46,093.8	45,644.9	46,612.8
Due to Other Banks	322.5	713.4	698.9	837.2	831.2
Bills Payable	7,090.2	4,001.8	3,210.8	2,226.8	3,789.7
Bonds Payable, net	5,522.1	5,592.7	4,888.5	5,269.8	4,991.2
Unsecured Subordinated Debt, net	-	-	-	-	-
Other Liabilities	645.2	377.0	517.1	452.5	444.8
Due to HO/Br./Agencies/FCDU/RBU, net [4]	1,006.3	972.2	1,295.4	523.1	1,260.1
Total Capital Accounts [5]	1,129.0	1,652.2	1,003.7	1,140.4	241.1

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

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

3 Inclusive of General Loan Loss Provision

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

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

p/ Preliminary

Appendix 11. Foreign Currency Deposit Unit (FCDU): Growth Rates
As of End-Periods Indicated

	December			June	
	2019	2020	2021	2021	2022 p/
Income Statement					
Total Operating Income	31.5 %	6.1 %	(16.5 %)	(3.9 %)	(28.8 %)
Net Interest Income	7.3 %	(9.1 %)	(7.3 %)	(9.6 %)	6.3 %
Non-interest Income	151.8 %	38.1 %	(29.3 %)	3.5 %	(68.8 %)
Non-Interest Expenses	0.2 %	(6.8 %)	(1.8 %)	1.1 %	5.1 %
Losses/Recoveries on Financial Assets	79.1 %	42.5 %	95.4 %	44.1 %	(181.6 %)
Bad Debts/Provision for Credit Losses	89.2 %	27.6 %	95.6 %	39.3 %	(84.3 %)
Recovery on Charged-Off Assets	220.6 %	(80.0 %)	106.5 %	(54.8 %)	6,056.7 %
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subs., Associates & Joint Ventures	36.3 %	5.6 %	(30.1 %)	(8.7 %)	(13.0 %)
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates & Joint Ventures					
Total Profit/Loss Before Tax & Before Minority Interest	36.3 %	5.6 %	(30.1 %)	(8.7 %)	(13.0 %)
Income Tax Expense	21.4 %	(2.9 %)	7.0 %	(3.4 %)	(11.9 %)
Total Profit/Loss After Tax & Before Minority Interest	36.9 %	5.9 %	(31.4 %)	(8.9 %)	(13.0 %)
Minority Interest in Profit/(Loss) of Subsidiaries					
Net Profit or Loss	36.9 %	5.9 %	(31.4 %)	(8.9 %)	(13.0 %)
Balance Sheet					
Total Assets [1]	7.4 %	2.9 %	(1.2 %)	0.7 %	3.7 %
Cash and Due from Banks	23.9 %	28.4 %	(4.6 %)	(2.9 %)	(3.7 %)
Financial Assets, gross	3.4 %	1.6 %	(1.1 %)	10.7 %	(0.3 %)
Allowance for Credit Losses	12.4 %	36.0 %	(1.0 %)	42.3 %	(18.9 %)
Accumulated Market Gains/Losses	(203.6 %)	78.0 %	(78.7 %)	(28.3 %)	(519.4 %)
Financial Assets, net	4.6 %	2.0 %	(1.9 %)	10.3 %	(3.3 %)
Interbank Loans Receivable (IBL), net	(6.4 %)	59.4 %	22.9 %	13.3 %	(23.5 %)
Loans, gross (exclusive of IBL)	11.2 %	(8.4 %)	(6.7 %)	(12.8 %)	0.1 %
Allowance for Probable Losses [2]	43.5 %	79.3 %	46.3 %	73.3 %	(16.1 %)
Loans, net (exclusive of IBL)	10.9 %	(9.6 %)	(8.1 %)	(14.4 %)	0.7 %
Equity investments, net					
ROPA, net	926.7 %	7.6 %	(16.7 %)	5.5 %	(20.3 %)
Other Assets, net	(0.2 %)	(46.9 %)	68.0 %	(7.1 %)	578.2 %
Total Liabilities	6.4 %	2.0 %	(0.1 %)	0.3 %	5.4 %
Financial Liabilities Held for Trading	(27.5 %)	70.8 %	(39.0 %)	(43.9 %)	(18.1 %)
Financial Liabilities DFVPL					
Deposit Liabilities	3.0 %	9.7 %	2.3 %	4.1 %	2.1 %
Due to Other Banks	(31.0 %)	121.2 %	(2.0 %)	0.1 %	(0.7 %)
Bills Payable	12.1 %	(43.6 %)	(19.8 %)	(39.8 %)	70.2 %
Bonds Payable, net	40.7 %	1.3 %	(12.6 %)	5.7 %	(5.3 %)
Unsecured Subordinated Debt, net					
Other Liabilities	39.3 %	(41.6 %)	37.2 %	34.0 %	(1.7 %)
Due to HO/Br./Agencies/FCDU/RBU, net [3]	(15.7 %)	(3.4 %)	33.2 %	(49.2 %)	140.9 %
Total Capital Accounts [4]	98.4 %	46.3 %	(39.3 %)	23.6 %	(78.9 %)

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

2 Inclusive of General Loan Loss Provision

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

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

p/ Preliminary

Appendix 12. Foreign Currency Deposit Unit (FCDU): Selected Performance Indicators
As of End-Periods Indicated

	December			June	
	2019	2020	2021	2021	2022 p/
Liquidity					
Liquid Assets to Deposits [1] (excl. of ROPs)	55.5%	60.1%	55.2%	56.8%	49.9%
Liquid Assets to Deposits [1] (incl. of ROPs)	81.9%	79.3%	75.6%	75.0%	71.0%
Loans, gross to Deposits	54.5%	50.2%	49.0%	47.6%	44.0%
Asset Quality					
Non-Performing Loans (NPL) Ratio [2]	1.4%	2.2%	3.6%	5.1%	0.8%
NPL Coverage Ratio [2]	94.0%	116.6%	109.9%	68.6%	371.9%
Non-Performing Assets (NPA) to Gross Assets [2]	0.5%	0.7%	1.1%	1.5%	0.3%
NPA Coverage Ratio [2]	81.9%	105.2%	103.7%	65.4%	296.3%
Profitability					
Cost to Income Ratio	14.0%	12.3%	14.5%	12.7%	18.0%
Return on Assets (RoA)	2.0%	2.0%	1.4%	2.0%	1.3%
Net Interest Margin	1.8%	1.6%	1.4%	1.5%	1.5%

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

2 Exclusive of IBL

p/ preliminary

0.0% Less than 0.005%

Appendix 13. Total Trust Operations (Philippine Banks and NBFIs): Financial Highlights
As of End-Periods Indicated
(Amount in Billion ₱)

	December			June	
	2019	2020	2021	2021	2022
TOTAL ASSETS	**3,973.1**	**4,633.1**	**5058.2**	**4,820.4**	**5,094.6**
Cash and Due from banks	0.4	0.3	0.3	0.3	0.3
Cash on Hand, Checks and Other Cash Items	0.0	0.0	0.0	0.0	0.0
Reserve Deposit Accounts	0.0	-	-	-	-
Special Deposit Accounts	0.0	-	-	-	-
Demand Deposit Account	0.4	0.3	0.3	0.3	0.3
Overnight Deposit Account	0.0	-	-	-	-
Term Deposit Account	0.0	-	-	-	-
Deposits in Banks	1,036.8	1,058.4	1,086.2	1,095.5	955.6
Financial Assets, gross (net of amortization)	2,526.1	3,091.7	3,461.2	3,220.6	3,549.7
Accumulated Market Gains/Losses	22.5	46.6	31.7	37.2	(13.9)
Allowance for Credit Losses	0.7	0.9	0.2	0.2	0.1
Financial Assets, net	2,547.9	3,137.3	3,492.6	3,257.6	3,535.7
Loans, (gross)	91.0	100.0	118.6	112.6	125.0
Allowance for probable losses	2.3	3.1	7.5	3.9	3.0
Loans, net	88.6	96.9	111.1	108.6	122.0
Equity Investments (gross)	5.7	8.1	5.5	5.6	5.3
Allowance for probable losses	2.5	2.5	2.5	2.5	2.5
Accumulated Market Gain/(Loss)	0.0	-	-	-	-
Equity Investments (net)	3.2	5.5	3.0	3.0	2.8
ROPA (net)	0.1	0.1	0.1	0.1	0.1
Sales Contract Receivables (Non-Performing)	0.0	-	-	-	-
Other assets	296.1	334.5	365.0	355.2	478.1
TOTAL ACCOUNTABILITIES	**3,973.1**	**4,633.1**	**5,058.2**	**4,820.4**	**5,094.6**
Wealth/Asset/Fund Management Accounts (Trust)	1,670.0	2,243.3	2,395.2	2,330.0	2,257.6
UITF	820.8	1,180.2	1,305.3	1,255.4	1,213.9
Employee Benefit	407.0	440.5	460.1	443.7	448.1
Pre-Need	121.2	125.0	127.9	126.4	122.2
Other Institutional Trust Accounts	38.6	39.6	45.1	39.2	44.0
Personal Trust	258.1	432.5	420.7	430.5	375.8
Personal Pension Fund	-	0.0	-	-	-
Personal Retirement Fund	0.1	0.1	0.1	0.1	0.1
Other Individual Trust Accounts	24.1	25.4	36.0	34.8	53.5
Wealth/Asset/Fund Management Accounts (Agency)	1,828.0	1,959.4	2,207.0	2,035.0	2,275.0
Employee Benefit	56.6	57.9	56.3	56.1	56.3
Pre-Need	0.8	0.8	0.7	0.8	0.6
Other Institutional Agency Accounts	951.7	1,013.3	1,189.5	1,050.0	1,248.3
Personal Pension Fund	-	-	-	-	-
Personal Retirement Fund	0.0	0.0	0.0	0.0	0.0
Other Individual Agency Accounts	818.9	887.4	960.5	928.1	969.8
Other Fiduciary Services	474.3	429.4	455.3	454.5	561.4
UITF	14.0	13.7	13.6	13.2	12.7
Court Trusts	65.2	2.4	2.4	2.4	2.4
Corporate Fiduciary Trust	58.4	51.3	47.7	48.9	42.9
Escrow	45.8	45.1	47.8	55.6	39.5
Custodianship	244.4	280.3	303.0	300.4	423.4
Safekeeping	0.0	0.0	0.0	0.0	0.0
Others	46.5	36.6	40.8	33.9	40.4
Advisory/Consultancy	0.0	0.0	0.0	0.0	0.0
Special Purpose Trust	0.7	1.0	0.6	0.9	0.6

Figures may not add up due to rounding-off

0.0 Less than ₱0.05 billion

Appendix 14. Total Trust Operations (Philippine Banks and NBFIs): Growth Rates
As of End-Periods Indicated

	December			June	
	2019	2020	2021	2021	2022
TOTAL ASSETS	15.9%	16.6%	9.2%	18.4%	5.7%
Cash and Due from banks	(70.2%)	(9.4%)	(2.9%)	1.9%	1.7%
Cash on Hand, Checks and Other Cash Items	277.7%	(83.0%)	(99.0%)	230.0%	(90.0%)
Reserve Deposit Accounts					
Special Deposit Accounts					
Demand Deposit Account	(70.9%)	(7.4%)	(2.4%)	1.5%	2.4%
Overnight Deposit Account					
Term Deposit Account					
Deposits in Banks	7.4%	2.1%	2.6%	7.7%	(12.8%)
Financial Assets, gross (net of amortization)	18.3%	22.4%	12.0%	22.7%	10.2%
Accumulated Market Gains/Losses	(159.5%)	107.4%	(32.0%)	(0.2%)	(137.3%)
Allowance for Credit Losses	(63.5%)	37.7%	(72.9%)	(62.8%)	(22.6%)
Financial Assets, net	21.6%	23.1%	11.3%	22.4%	8.5%
Loans, (gross)	20.9%	9.9%	18.6%	21.7%	11.1%
Allowance for probable losses	26.9%	31.8%	143.6%	21.1%	(22.8%)
Loans, net	20.8%	9.4%	14.6%	21.7%	12.3%
Equity Investments (gross)	79.2%	40.1%	(31.8%)	(1.7%)	(4.9%)
Allowance for probable losses	2.6%		0.5%	0.0%	(3.0%)
Accumulated Market Gain/(Loss)					
Equity Investments (net)	333.4%	71.5%	(46.3%)	(3.0%)	(6.6%)
ROPA (net)	(7.4%)	(0.7%)	(17.0%)	(16.0%)	31.2%
Sales Contract Receivables (Non-Performing)					
Other assets	1.1%	13.0%	9.1%	18.9%	34.6%
TOTAL ACCOUNTABILITIES	15.9%	16.6%	9.2%	18.4%	5.7%
Wealth/Asset/Fund Management Accounts (Trust)	22.2%	34.3%	6.8%	31.1%	(3.1%)
UITF	35.9%	43.8%	10.6%	34.8%	(3.3%)
Employee Benefit	12.0%	8.2%	4.4%	6.6%	1.0%
Pre-Need	4.9%	3.1%	2.4%	3.3%	(3.3%)
Other Institutional Trust Accounts	19.4%	2.6%	13.8%	(1.0%)	12.2%
Personal Trust	12.2%	67.5%	(2.7%)	76.5%	(12.7%)
Personal Pension Fund					
Personal Retirement Fund	2.7%	0.3%	0.1%	(1.6%)	(32.2%)
Other IndividualTrust Accounts	16.5%	5.4%	41.8%	47.4%	53.7%
Wealth/Asset/Fund Management Accounts (Agency)	14.5%	7.2%	12.6%	11.8%	11.8%
Employee Benefit	12.0%	2.4%	(2.9%)	3.0%	0.4%
Pre-Need	6.1%	(6.4%)	(2.1%)	(33.3%)	(16.1%)
Other Institutional Agency Accounts	15.3%	6.5%	17.4%	14.2%	18.9%
Personal Pension Fund					
Personal Retirement Fund	(4.5%)	(1.6%)	(0.1%)	(2.1%)	3.9%
Other Individual Agency Accounts	13.8%	8.4%	8.2%	9.8%	4.5%
Other Fiduciary Services	1.8%	(9.5%)	6.0%	(3.6%)	23.5%
UITF	20.9%	(1.9%)	(0.7%)	(12.3%)	(4.2%)
Court Trusts	(0.5%)	(96.3%)	(0.4%)	(96.3%)	(0.9%)
Corporate Fiduciary Trust	(10.4%)	(12.1%)	(7.0%)	(10.5%)	(12.3%)
Escrow	12.1%	(1.6%)	6.1%	13.8%	(28.9%)
Custodianship	(0.9%)	14.7%	8.1%	21.6%	40.9%
Safekeeping	(13.8%)	1.1%	2.8%	(2.6%)	(12.8%)
Others	28.7%	(21.3%)	11.4%	(17.0%)	19.5%
Advisory/Consultancy	2.7%	0.0%	2.6%	0.0%	2.6%
Special Purpose Trust	52.9%	42.2%	(38.5%)	20.6%	(32.7%)

0.0% Less than 0.05%

Appendix 15. Total Trust Operations (Philippine Banks and NBFIs) : Selected Performance Indicators
As of End-Periods Indicated

	December			June	
Selected Ratios	**2019**	**2020**	**2021**	**2021**	**2022**
Liquidity					
Cash and Due from Banks to Total Accountabilities	0.0%	0.0%	0.0%	0.0%	0.0%
Liquid Assets to Total Accountabilities	63.6%	66.7%	68.4%	66.8%	69.7%
Loans (gross) to Total Accountabilities	2.3%	2.2%	2.3%	2.3%	2.5%
Asset Quality					0.0%
Non-Performing Loans (NPL) Ratio	1.1%	1.0%	0.5%	0.8%	1.0%
NPL Coverage Ratio	244.7%	320.2%	1,244.2%	424.9%	250.7%
Non-Performing Assets (NPA) to Gross Assets	0.0%	0.0%	0.0%	0.0%	0.0%
NPA Coverage Ratio	217.8%	283.9%	1,068.5%	385.2%	229.7%

0.0% *Less than 0.05%*

Appendix 16. Total Trust Operations (Philippine Banks and NBFIs): Balance Sheet Structure, Percent Share As of End-Periods Indicated

	December			June	
	2019	2020	2021	2021	2022
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	26.1%	22.8%	21.5%	22.7%	18.8%
Financial Assets, gross (net of amortization)	63.6%	66.7%	68.4%	66.8%	69.7%
Accumulated Market Gains/Losses	0.6%	1.0%	0.6%	0.8%	(0.3%)
Allowance for Credit Losses	...	...	...	...	...
Financial Assets, net	64.1%	67.7%	69.0%	67.6%	69.4%
Loans, (gross)	2.3%	2.2%	2.3%	2.3%	2.5%
Allowance for probable losses	0.1%	0.1%	0.1%	0.1%	0.1%
Loans, net	2.2%	2.1%	2.2%	2.3%	2.4%
Equity Investments (gross)	0.1%	0.2%	0.1%	0.1%	0.1%
Allowance for probable losses	0.1%	0.1%	0.1%	0.1%	...
Accumulated Market Gain/(Loss)	...	...	...	...	...
Equity Investments (net)	0.1%	0.1%	0.1%	0.1%	0.1%
ROPA (net)	...	...	...	...	...
Sales Contract Receivables (Non-Performing)	...	...	...	...	...
Other assets	7.5%	7.2%	7.2%	7.4%	9.4%
TOTAL ACCOUNTABILITIES	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Wealth/Asset/Fund Management Accounts (Trust)	42.0%	48.4%	47.4%	48.3%	44.3%
UITF	20.7%	25.5%	25.8%	26.0%	23.8%
Employee Benefit	10.2%	9.5%	9.1%	9.2%	8.8%
Pre-Need	3.1%	2.7%	2.5%	2.6%	2.4%
Other Institutional Trust Accounts	1.0%	0.9%	0.9%	0.8%	0.9%
Personal Trust	6.5%	9.3%	8.3%	8.9%	7.4%
Personal Pension Fund	...	...	...	...	...
Personal Retirement Fund	...	...	...	...	...
Other Individual Trust Accounts	0.6%	0.5%	0.7%	0.7%	1.0%
Wealth/Asset/Fund Management Accounts (Agency)	46.0%	42.3%	43.6%	42.2%	44.7%
Employee Benefit	1.4%	1.3%	1.1%	1.2%	1.1%
Pre-Need	...	...	...	...	...
Other Institutional Agency Accounts	24.0%	21.9%	23.5%	21.8%	24.5%
Personal Pension Fund	...	...	...	...	...
Personal Retirement Fund	...	...	...	...	...
Other Individual Agency Accounts	20.6%	19.2%	19.0%	19.3%	19.0%
Other Fiduciary Services	11.9%	9.3%	9.0%	9.4%	11.0%
UITF	0.4%	0.3%	0.3%	0.3%	0.2%
Court Trusts	1.6%	0.1%	...	...	...
Corporate Fiduciary Trust	1.5%	1.1%	0.9%	1.0%	0.8%
Escrow	1.2%	1.0%	0.9%	1.2%	0.8%
Custodianship	6.2%	6.0%	6.0%	6.2%	8.3%
Safekeeping	...	...	...	...	...
Others	1.2%	0.8%	0.8%	0.7%	0.8%
Advisory/Consultancy	...	...	...	...	...
Special Purpose Trust	...	...	...	...	...

Figures may not add up due to rounding-off.

... Less than 0.05%

Appendix 17

Financial Institutions Under BSP Supervision/Regulation: Physical Composition

As of End-Periods Indicated

TYPE OF FINANCIAL INSTITUTION (FI)	June 2021			December 2021			June 2022 p/		
	TOTAL	HEAD OFFICES	OTHER OFFICES	TOTAL	HEAD OFFICES	OTHER OFFICES	TOTAL	HEAD OFFICES	OTHER OFFICES
BSP SUPERVISED/REGULATED FIs 1/	**36,396**	**2,577**	**33,819**	**36,471**	**2,579**	**33,892**	**36,415**	**2,570**	**33,845**
I. BANKS 2/	**13,126**	**523**	**12,603**	**13,154**	**506**	**12,648**	**13,190**	**498**	**12,692**
A. Universal and Commercial Banks	**7,041**	**46**	**6,995**	**7,038**	**46**	**6,992**	**7,181**	**45**	**7,136**
Universal Banks	**6,463**	**21**	**6,442**	**6,456**	**21**	**6,435**	**6,598**	**20**	**6,578**
Private Domestic Banks	5,825	12	5,813	5,803	12	5,791	5,755	11	5,744
Government Banks	628	3	625	643	3	640	833	3	830
Foreign Bank Branches	10	6	4	10	6	4	10	6	4
Commercial Banks	**578**	**25**	**553**	**582**	**25**	**557**	**583**	**25**	**558**
Private Domestic Banks	458	5	453	462	5	457	463	5	458
Foreign Bank Subsidiaries	98	2	96	98	2	96	98	2	96
Foreign Bank Branches	22	18	4	22	18	4	22	18	4
B. Thrift Banks	**2,770**	**48**	**2,722**	**2,738**	**47**	**2,691**	**2,575**	**43**	**2,532**
Financial Institution-Linked Banks	**1,308**	**13**	**1,295**	**1,301**	**13**	**1,288**	**1,138**	**11**	**1,127**
Domestic Bank-Controlled	1,270	10	1,260	1,263	10	1,253	1,100	8	1,092
Foreign Bank-Controlled	38	3	35	38	3	35	38	3	35
Domestic NBFI-Controlled									
Foreign NBFI-Controlled									
Non-Linked	**1,462**	**35**	**1,427**	**1,437**	**34**	**1,403**	**1,437**	**32**	**1,405**
C. Rural and Cooperative Banks	**3,315**	**429**	**2,886**	**3,378**	**413**	**2,965**	**3,430**	**406**	**3,024**
Rural Banks	2,213	398	1,815	2,290	383	1,907	2,347	377	1,970
Microfinance-oriented Rural Banks	935	7	928	917	6	911	911	5	906
Cooperative Banks	167	24	143	171	24	147	172	24	148
D. Digital Banks							**4**	**4**	
II. NON-BANK FINANCIAL INSTITUTIONS (NBFIs)	**23,269**	**2,053**	**21,216**	**23,316**	**2,072**	**21,244**	**23,224**	**2,071**	**21,153**
A. With Quasi-Banking Function	**132**	**6**	**126**	**127**	**6**	**121**	**19**	**5**	**14**
Investment Houses	1	1		1	1		1	1	
Financing Companies	130	4	126	125	4	121	17	3	14
Other Non-Bank with QBF Function	1	1		1	1		1	1	
B. Without Quasi-Banking Function	**23,137**	**2,047**	**21,090**	**23,189**	**2,066**	**21,123**	**23,205**	**2,066**	**21,139**
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	38	31	7	53	36	17	59	42	17
Financing Companies	51	21	30	51	21	30	159	22	137
Government Non-Bank Financial Institutions	2	2		2	2		2	2	
Investment Companies	1	1		1	1		1	1	
Investment Houses	13	12	1	13	12	1	13	12	1
Lending Investors	1	1		1	1		1	1	
Non-Stock Savings and Loan Associations	200	62	138	198	60	138	199	60	139
Pawnshops	15,228	1,131	14,097	15,388	1,152	14,236	15,632	1,162	14,470
Money Service Businesses 3/	7,570	753	6,817	7,449	748	6,701	7,105	730	6,375
Remittance Agent (Subsidiary of a Bank)									
Securities Dealers/Brokers	13	13		13	13		13	13	
Trust Corporation	5	5		5	5		6	6	
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 18

Philippine Banking System: Comparative Statement of Condition
As of End-Periods Indicated
(Amount in Billion ₱)

Selected Accounts	ALL BANKS 1/			UNIVERSAL & COMMERCIAL BANKS 1/ 2/			THRIFT BANKS			RURAL AND COOPERATIVE BANKS		
	June 2021	Dec 2021	June 2022 p/	June 2021	Dec 2021	June 2022 p/	June 2021	Dec 2021	June 2022 p/	June 2021	Dec 2021	June 2022 p/
ASSETS	**19,811.2**	**20,828.1**	**21,347.0**	**18,328.3**	**19,250.7**	**20,072.4**	**1,186.4**	**1,265.4**	**929.2**	**296.5**	**312.0**	**345.4**
Cash and Due from Banks	3,518.4	3,571.5	2,852.4	3,213.1	3,213.2	2,621.1	237.3	286.6	152.0	68.0	71.7	79.4
Loan Portfolio (net) 3/	10,377.9	10,994.3	11,306.9	9,495.6	10,112.3	10,594.3	735.6	729.5	539.5	146.7	152.5	173.2
Financial Assets (net)	4,914.2	5,195.9	5,930.0	4,725.3	4,985.7	5,699.0	135.7	153.1	169.4	53.1	57.1	61.6
Equity Investments (net)	271.7	276.9	241.4	268.8	274.1	238.4	2.3	2.4	2.4	0.5	0.5	0.6
ROPA (net)	93.1	95.9	99.7	66.8	69.5	74.4	17.5	17.1	15.8	8.8	9.3	9.4
Other Assets	635.9	693.6	916.6	558.5	596.0	845.3	58.0	76.7	50.1	19.4	20.9	21.3
LIABILITIES AND CAPITAL	**19,811.2**	**20,828.1**	**21,347.0**	**18,328.3**	**19,250.7**	**20,072.4**	**1,186.4**	**1,265.4**	**929.2**	**296.5**	**312.0**	**345.4**
Liabilities	**17,301.2**	**18,254.2**	**18,770.4**	**16,039.6**	**16,898.7**	**17,692.4**	**1,021.2**	**1,100.5**	**793.9**	**240.4**	**255.0**	**284.1**
Financial Liabilities Held for Trading	42.0	43.7	97.6	42.0	43.7	97.6	0.0	0.0	0.0	-	-	-
Financial Liabilities DFVPL	-	-	-	-	-	-	-	-	-	-	-	-
Deposit Liabilities	15,346.1	16,241.1	16,492.6	14,199.0	15,018.9	15,523.6	926.4	989.7	710.0	220.7	232.5	259.0
Residents	15,197.7	16,093.7	16,335.9	14,054.4	14,875.9	15,371.2	922.6	985.4	705.9	220.7	232.5	258.8
Peso Liabilities	13,008.8	13,789.0	13,826.2	11,914.0	12,621.0	12,897.3	874.3	935.8	670.3	220.5	232.3	258.6
Demand and NOW	4,326.4	4,706.3	4,886.7	4,217.1	4,544.6	4,742.3	103.9	155.6	138.5	5.4	6.0	6.0
Savings	6,201.3	6,502.0	6,462.9	5,720.7	6,043.2	6,093.2	312.6	287.2	184.0	167.9	171.6	185.8
Time	2,281.6	2,387.5	2,301.5	1,785.1	1,848.3	1,891.9	449.3	484.5	342.8	47.1	54.7	66.8
LTNCD	199.6	193.3	175.0	191.0	184.8	169.9	8.5	8.5	5.1	0.1	-	-
Foreign Currency	2,188.9	2,304.7	2,509.7	2,140.4	2,254.9	2,473.9	48.3	49.6	35.6	0.2	0.2	0.2
Demand and NOW	69.4	73.2	86.8	69.3	73.1	86.7	0.0	0.0	0.0	-	-	-
Savings	1,230.8	1,296.5	1,415.1	1,202.1	1,266.9	1,397.4	28.5	29.4	17.5	0.1	0.2	0.2
Time	888.7	935.0	1,007.8	868.9	914.9	989.7	19.8	20.1	18.1	0.0	0.0	0.0
LTNCD	-	-	-	-	-	-	-	-	-	-	-	-
Non-Residents	148.4	147.4	156.7	144.6	143.0	152.5	3.8	4.3	4.1	0.0	0.1	0.2
Peso Liabilities	78.2	68.9	69.2	75.7	66.3	66.4	2.5	2.5	2.6	0.0	0.1	0.2
Demand and NOW	39.6	24.1	23.6	39.2	23.6	23.2	0.4	0.4	0.4	0.0	0.0	0.0
Savings	32.9	38.7	38.6	31.0	36.7	36.6	1.9	2.0	1.9	0.0	0.1	0.1
Time	5.7	6.1	6.9	5.5	5.9	6.6	0.2	0.1	0.2	0.0	0.0	0.1
LTNCD	-	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency	70.2	78.5	87.6	68.9	76.7	86.1	1.3	1.8	1.5	-	-	-
Demand and NOW	4.0	2.5	3.4	4.0	2.5	3.4	0.0	0.0	0.0	-	-	-
Savings	40.6	45.4	56.2	39.2	43.7	54.7	1.3	1.8	1.4	-	-	-
Time	25.6	30.6	28.0	25.6	30.6	28.0	0.0	0.0	0.1	-	-	-
LTNCD	-	-	-	-	-	-	-	-	-	-	-	-
Bills Payable	429.0	496.9	481.4	388.6	458.2	428.4	33.2	30.1	46.0	7.2	8.6	7.0
BSP	0.0	0.0	11.4	0.0	0.0	11.4	-	-	-	0.0	0.0	-
Interbank Loans Payable	135.9	151.2	126.8	107.2	118.9	86.6	25.5	28.7	37.0	3.1	3.6	3.2
Other Deposits Substitutes	197.8	252.8	219.9	197.6	252.6	219.7	0.2	0.2	0.2	-	-	-
Others	95.3	92.9	123.3	83.8	86.7	110.7	7.5	1.2	8.8	4.1	5.0	3.8
Unsecured Subordinated Debt	22.5	22.6	22.6	20.0	20.0	20.0	1.3	1.3	1.3	1.3	1.3	1.3
Redeemable Preferred Shares	0.3	0.2	0.3	0.0	0.0	0.0	0.1	0.0	0.0	0.2	0.2	0.3
Other Liabilities	1,461.3	1,449.6	1,675.9	1,390.0	1,357.9	1,622.8	60.2	79.3	36.6	11.1	12.3	16.5
Capital Accounts	**2,510.0**	**2,574.0**	**2,576.6**	**2,288.7**	**2,352.0**	**2,380.0**	**165.2**	**164.9**	**135.3**	**56.1**	**57.1**	**61.3**
Capital Stock	1,051.3	1,066.0	1,211.5	942.3	955.6	1,095.5	73.8	75.4	75.0	35.2	35.1	41.0
Assigned Capital	145.4	145.8	146.8	145.4	145.8	146.8	-	-	-	-	-	-
Net Due to HO, Br & Ags / Accum Earnings	57.1	49.7	55.7	57.1	49.7	55.7	-	-	-	-	-	-
Other Equity Instruments 4/	17.6	16.4	15.4	14.6	14.5	14.5	1.9	0.7	0.4	1.1	1.2	0.5
Retained Earnings & Undivided Profits 5/	1,238.6	1,296.1	1,147.2	1,129.2	1,186.5	1,067.6	89.5	88.9	59.8	19.8	20.8	19.8

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: "0.0" denotes a value below ₱0.05 billion
Figures may not add up due to rounding-off

Appendix 19
Philippine Banking System: Comparative Statement of Income and Expenses
For the Periods-Ended Indicated
(Amount in Billion ₱)

Selected Accounts	ALL BANKS			UNIVERSAL & COMMERCIAL BANKS [1/]			THRIFT BANKS			RURAL AND COOPERATIVE BANKS		
	Jan-Jun '21	Jan-Dec '21	Jan-Jun '22 [p/]	Jan-Jun '21	Jan-Dec '21	Jan-Jun '22 [p/]	Jan-Jun '21	Jan-Dec '21	Jan-Jun '22 [p/]	Jan-Jun '21	Jan-Dec '21	Jan-Jun '22 [p/]
Operating Income	**451.7**	**869.4**	**471.3**	**395.8**	**756.1**	**416.9**	**39.3**	**79.2**	**34.5**	**16.6**	**34.2**	**19.9**
Net Interest Income	**325.6**	**661.8**	**354.3**	**278.4**	**567.1**	**310.0**	**34.1**	**67.8**	**29.1**	**13.0**	**27.0**	**15.2**
Interest Income	384.9	777.2	409.4	329.1	665.0	358.5	40.9	81.5	33.6	14.8	30.7	17.3
Provision for Losses on Accrued Interest	0.3	0.3	0.1	0.2	0.2	(0.0)	0.1	0.1	0.1	0.0	0.0	0.1
Less: Interest Expenses	59.1	115.1	55.0	50.5	97.7	48.5	6.8	13.6	4.4	1.8	3.7	2.0
Non-interest Income	**126.2**	**207.6**	**117.0**	**117.4**	**189.0**	**106.9**	**5.2**	**11.4**	**5.4**	**3.6**	**7.2**	**4.7**
Dividend Income	1.3	2.0	1.2	1.3	2.0	1.2	0.0	0.0	0.0	0.0	0.0	0.0
Fee-based Income	51.0	107.3	58.6	45.6	95.2	51.9	3.3	7.5	3.1	2.1	4.5	3.6
Trading Income/(Loss)	2.6	9.7	10.3	2.7	9.9	10.5	(0.1)	(0.2)	(0.2)		0.0	0.0
Foreign Exchange Income/(Loss)	3.4	5.3	4.4	3.3	5.2	4.4	0.0	0.1	0.0	0.0	0.0	0.0
Other Income/(Loss)	67.9	83.4	42.4	64.5	76.7	38.9	2.0	4.0	2.4	1.4	2.7	1.1
Non-Interest Expenses	**253.8**	**512.4**	**266.9**	**216.1**	**435.9**	**231.5**	**25.1**	**50.3**	**21.5**	**12.6**	**26.2**	**14.0**
Losses/Recoveries on Financial Assets	**(57.1)**	**(97.7)**	**(37.6)**	**(51.4)**	**(85.5)**	**(33.8)**	**(5.0)**	**(10.1)**	**(2.5)**	**(0.6)**	**(2.1)**	**(1.2)**
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures Accounted for Using the Equity Method	**140.9**	**259.3**	**166.8**	**128.3**	**234.7**	**151.6**	**9.2**	**18.8**	**10.4**	**3.4**	**5.9**	**4.7**
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures Accounted for Using the Equity Method	**10.1**	**20.7**	**11.3**	**10.1**	**20.6**	**11.1**	**0.0**	**0.1**	**0.1**	**0.0**	**0.0**	**0.0**
Total Profit/Loss Before Tax and Before Minority Interest	**151.0**	**280.1**	**178.1**	**138.4**	**255.3**	**162.8**	**9.2**	**18.8**	**10.5**	**3.4**	**5.9**	**4.8**
Income Tax Expense	28.3	55.3	34.9	24.9	47.9	30.9	2.6	6.0	2.8	0.9	1.4	1.2
Total Profit/Loss After Tax and Before Minority Interest	**122.7**	**224.8**	**143.1**	**113.5**	**207.4**	**131.8**	**6.6**	**12.8**	**7.7**	**2.5**	**4.5**	**3.6**
Minority Interest in Profit/(Loss) of Subsidiaries			-			-			-			-
NET PROFIT/(LOSS)	**122.7**	**224.8**	**143.1**	**113.5**	**207.4**	**131.8**	**6.6**	**12.8**	**7.7**	**2.5**	**4.5**	**3.6**
Profitability												
Return on Assets (%)	**1.0**	**1.1**	**1.2**	**1.0**	**1.1**	**1.2**	**0.9**	**1.1**	**1.3**	**1.4**	**1.5**	**1.7**
Return on Equity (%)	**7.9**	**9.0**	**9.6**	**8.0**	**9.1**	**9.7**	**6.6**	**7.8**	**9.2**	**7.2**	**8.1**	**9.4**

[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: "0.0" denotes a value below ₱0.05

Figures may not add up due to rounding-off

Appendix 20

Philippine Banking System: Selected Performance Indicators
As of Periods-Ended Indicated

Selected Ratios	ALL BANKS			UNIVERSAL & COMMERCIAL BANKS			THRIFT BANKS			RURAL AND COOPERATIVE BANKS		
	June 2021	Dec 2021	June 2022 [p/]	June 2021	Dec 2021	June 2022 [p/]	June 2021	Dec 2021	June 2022 [p/]	June 2021	Dec 2021	June 2022 [p/]
Profitability												
Earning Asset Yield [1/]	4.4%	4.1%	4.1%	4.1%	3.8%	3.8%	7.5%	7.2%	7.4%	10.7%	11.2%	11.1%
Funding Cost [2/]	0.8%	0.7%	0.6%	0.7%	0.6%	0.6%	1.6%	1.4%	1.3%	1.7%	1.6%	1.6%
Interest Spread [3/]	3.6%	3.4%	3.5%	3.3%	3.1%	3.2%	6.0%	5.8%	6.1%	9.0%	9.6%	9.5%
Net Interest Margin [4/]	3.6%	3.5%	3.5%	3.4%	3.2%	3.3%	6.2%	6.0%	6.2%	9.3%	9.9%	9.8%
Non-Interest Income to Total Operating Income [5/]	25.4%	23.9%	22.3%	26.6%	25.0%	23.0%	15.0%	14.4%	15.5%	22.3%	21.1%	22.2%
Cost-to-Income [6/]	56.0%	58.7%	58.9%	54.5%	57.5%	58.0%	61.9%	62.5%	61.9%	78.1%	76.4%	73.4%
Return on Assets (RoA) [7/]	1.0%	1.1%	1.2%	1.0%	1.1%	1.2%	0.9%	1.1%	1.3%	1.4%	1.5%	1.7%
Return on Equity (RoE) [7/]	7.9%	9.0%	9.6%	8.0%	9.1%	9.7%	6.6%	7.8%	9.2%	7.2%	8.1%	9.4%
Liquidity												
Cash and Due from Banks to Deposits	22.9%	22.0%	17.3%	22.6%	21.4%	16.9%	25.6%	29.0%	21.4%	30.8%	30.8%	30.6%
Liquid Assets to Deposits [8/]	54.9%	54.0%	53.3%	55.9%	54.6%	53.6%	40.3%	44.4%	45.3%	54.9%	55.4%	54.4%
Loans, gross to Deposits	70.2%	70.1%	71.0%	69.3%	69.6%	70.6%	83.3%	77.5%	79.9%	72.6%	71.7%	72.6%
Asset Quality												
Restructured Loans to Total Loan Portfolio (TLP)	3.0%	3.1%	2.9%	3.1%	3.2%	2.9%	1.9%	1.9%	2.1%	2.8%	3.3%	3.2%
Allowance for Credit Losses (ACL) to TLP	3.7%	3.5%	3.5%	3.5%	3.3%	3.3%	4.7%	4.9%	4.9%	8.4%	8.5%	7.8%
Gross Non-Performing Loans (NPL) to TLP	4.5%	4.0%	3.6%	4.0%	3.6%	3.3%	8.2%	7.7%	7.8%	14.1%	12.8%	10.9%
Net NPL to TLP	2.5%	2.1%	1.8%	2.2%	1.8%	1.6%	5.3%	4.7%	4.3%	7.7%	6.3%	4.8%
NPL Ratio net of IBL	4.6%	4.1%	3.7%	4.2%	3.7%	3.3%	8.2%	7.7%	7.8%	14.1%	12.8%	10.9%
NPL Coverage (ACL to Gross NPL)	82.4%	87.7%	97.1%	87.6%	92.8%	102.7%	57.4%	63.6%	63.2%	59.4%	66.3%	72.2%
Non-Performing Assets (NPA) to Gross Assets	3.0%	2.7%	2.5%	2.6%	2.4%	2.2%	6.9%	6.1%	6.4%	10.0%	9.3%	8.2%
NPA Coverage (Allowance on NPA to NPA)	72.1%	75.3%	81.6%	77.6%	80.7%	87.4%	49.3%	53.4%	51.7%	47.3%	51.1%	54.3%
ROPA to Gross Assets Ratio	0.6%	0.6%	0.6%	0.5%	0.5%	0.5%	1.7%	1.6%	1.8%	2.7%	2.7%	2.6%
ROPA Coverage Ratio	29.8%	28.5%	28.6%	32.5%	30.9%	31.2%	24.8%	23.9%	21.6%	14.6%	14.6%	14.9%
Distressed Assets Ratio	7.7%	7.2%	6.7%	7.1%	6.7%	6.3%	11.8%	11.3%	11.4%	19.5%	18.8%	16.5%
Capital Adequacy												
Total Capital Accounts to Total Assets [9/]	12.7%	12.4%	12.1%	12.5%	12.2%	11.9%	13.9%	13.0%	14.6%	19.0%	18.4%	17.8%
Capital Adequacy Ratio (Solo) [10/] [11/]	17.2%	16.7%	16.2%	17.0%	16.5%	16.0%	18.8%	18.5%	19.0%	19.1%	19.1%	18.8%

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

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

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

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

5/ Non-Interest income includes dividends income.

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

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

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

9/ Total capital accounts includes redeemable preferred shares.

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

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

p/ Preliminary

Appendix 21
Philippine Banking System: Contingent Accounts
As of End-Periods Indicated
(Amount in Billion ₱)

Selected Accounts	TOTAL			UNIVERSAL and COMMERCIAL BANKS			THRIFT BANKS		
	June 2021	Dec 2021	June 2022	June 2021	Dec 2021	June 2022	June 2021	Dec 2021	June 2022
TRADE-RELATED ACCOUNTS	**150.7**	**172.3**	**216.5**	**149.8**	**171.6**	**215.3**	**0.9**	**0.7**	**1.2**
Domestic Commercial Letters of Credit Outstanding	4.5	12.6	8.1	4.5	12.5	8.0	0.0	0.0	0.1
Foreign Commercial Letters of Credit Outstanding	108.7	124.5	169.1	108.0	124.1	168.2	0.7	0.5	0.9
LCs - Confirmed	13.4	12.1	6.6	13.4	12.1	6.6	-	-	-
Shipside Bonds/Airway Bills	24.0	23.1	32.7	23.8	22.9	32.4	0.2	0.2	0.3
BANK GUARANTEES	**401.4**	**465.0**	**507.4**	**400.9**	**464.6**	**506.9**	**0.4**	**0.4**	**0.5**
Stand-by Letters of Credit	303.5	372.6	409.5	303.1	372.2	409.0	0.4	0.4	0.4
Outstanding Guarantees Issued	97.8	92.4	97.9	97.8	92.4	97.9	0.0	0.0	0.0
COMMITMENTS	**1,737.8**	**1,841.0**	**2,023.4**	**1,735.2**	**1,838.0**	**2,021.8**	**2.5**	**2.9**	**1.5**
Underwritten Accounts Unsold	-	-	-	-	-	-	-	-	-
Committed Credit Lines for CPs Issued	0.4	0.7	1.4	0.4	0.6	1.3	0.1	0.1	0.1
Credit Card Lines	1,199.2	1,223.9	1,349.9	1,197.3	1,221.8	1,349.9	2.0	2.1	-
Others	538.2	616.4	672.1	537.6	615.5	670.6	0.5	0.8	1.4
DERIVATIVES INSTRUMENTS *	**3,792.3**	**3,759.4**	**4,971.6**	**3,791.8**	**3,759.3**	**4,971.2**	**0.5**	**0.2**	**0.5**
Interest Rate Contracts	801.0	785.6	819.7	801.0	785.6	819.7	-	-	-
Foreign Exchange Contracts	2,990.3	2,972.9	4,148.5	2,989.8	2,972.7	4,148.1	0.5	0.2	0.5
Equity Contracts	-	-	-	-	-	-	-	-	-
Credit Derivatives	1.0	1.0	3.4	1.0	1.0	3.4	-	-	-
TRUST DEPARTMENT ACCOUNTS	**3,571.1**	**3,712.1**	**3,699.8**	**3,539.2**	**3,684.1**	**3,672.9**	**31.9**	**28.0**	**26.9**

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

Appendix 22
Philippine Banks and Non-bank Financial Institutions (NBFIs): Trust and Fund Management Operations - Assets and Accountabilities
As of End-Periods Indicated

(Amount in Billion ₱)

Selected Accounts	ALL BANKS/NBFIs			UNIVERSAL AND COMMERCIAL BANKS			THRIFT BANKS			NBFIs		
	June 2021	Dec 2021	June 2022	June 2021	Dec 2021	June 2022	June 2021	Dec 2021	June 2022	June 2021	Dec 2021	June 2022
TOTAL ASSETS	**4,820.4**	**5,058.2**	**5,094.6**	**3,539.2**	**3,684.1**	**3,672.9**	**31.9**	**28.0**	**26.9**	**1,249.3**	**1,346.1**	**1,394.8**
Peso / Regular Assets	**3,956.8**	**4,132.5**	**4,029.9**	**2,814.9**	**2,920.8**	**2,770.2**	**30.3**	**26.4**	**25.2**	**1,111.5**	**1,185.3**	**1,234.5**
Cash and Due from banks	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Deposits in Banks	947.0	941.7	804.2	790.3	787.3	629.0	8.4	3.3	2.4	148.3	151.1	172.8
Financial Assets, net	2,820.9	2,999.5	3,031.7	1,904.5	2,005.2	2,017.0	13.3	15.9	16.3	903.0	978.4	998.4
Loans, net	108.5	109.8	120.6	61.6	68.1	71.9	5.5	4.1	3.5	41.3	37.6	45.2
Equity Investments (net)	3.0	3.0	2.8	3.0	3.0	2.8	0.1	0.0	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	77.0	78.1	70.2	55.2	56.9	49.1	3.0	3.1	3.1	18.8	18.2	18.0
FCDU/EFCDU Assets	**863.7**	**925.7**	**1,064.6**	**724.3**	**763.3**	**902.6**	**1.6**	**1.6**	**1.7**	**137.8**	**160.8**	**160.3**
Cash and Due from banks	-	-	-	-	-	-	-	-	-	-	-	-
Deposits in Banks	148.5	144.5	151.5	116.0	110.9	110.7	0.6	0.5	0.6	31.9	33.1	40.2
Financial Assets, net	436.7	493.1	504.0	332.2	365.6	384.7	0.8	0.9	0.9	103.7	126.6	118.4
Loans, net	0.2	1.3	1.4	-	1.1	1.2	0.2	0.2	0.2	-	-	-
Equity Investments (net)	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-	-
ROPA (net)	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	278.2	286.9	407.9	276.1	285.7	406.1	0.0	0.0	0.0	2.1	1.1	1.7
TOTAL ACCOUNTABILITIES	**4,820.4**	**5,058.2**	**5,094.6**	**3,539.2**	**3,684.1**	**3,672.9**	**31.9**	**28.0**	**26.9**	**1,249.3**	**1,346.1**	**1,394.8**
Peso / Regular Accountabilities	**3,956.8**	**4,132.5**	**4,029.9**	**2,814.9**	**2,920.8**	**2,770.2**	**30.3**	**26.4**	**25.2**	**1,111.5**	**1,185.3**	**1,234.5**
Wealth/Asset/Fund Management Accounts	3,797.0	3,977.5	3,888.1	2,678.9	2,783.8	2,644.7	25.2	25.9	25.2	1,092.9	1,167.7	1,218.3
UITF	1,070.3	1,111.1	1,027.1	788.4	819.5	745.2	1.2	1.1	0.9	280.7	290.5	281.0
Employee Benefit	488.3	503.2	488.3	335.8	342.3	329.8	4.0	4.2	4.2	148.5	156.7	154.3
Pre-Need	126.8	128.2	122.1	83.5	87.5	84.5	0.6	0.5	0.5	42.7	40.3	37.2
Others-Institutional Accounts	1,003.1	1,126.9	1,176.6	556.8	614.7	589.4	8.2	9.5	9.3	438.1	502.7	577.9
Personal Trust	378.1	364.6	318.6	317.6	310.7	279.7	0.2	0.2	0.2	60.4	53.7	38.6
Personal Pension Fund	-	-	-	-	-	-	-	-	-	-	-	-
Personal Retirement Fund	0.1	0.1	0.1	0.1	0.1	0.1	-	-	-	-	-	-
Others-Individual Accounts	730.2	743.4	755.3	596.7	609.0	616.1	11.0	10.6	9.9	122.4	123.9	129.2
Other Fiduciary Services*	158.9	154.4	141.2	135.1	136.4	124.9	5.1	0.5	0.1	18.6	17.6	16.2
Advisory/Consultancy	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-	0.0	0.0	0.0
Special Purpose Trust	0.9	0.6	0.6	0.9	0.6	0.6	-	-	-	-	-	-
FCDU/EFCDU Accountabilities	**863.7**	**925.7**	**1,064.6**	**724.3**	**763.3**	**902.6**	**1.6**	**1.6**	**1.7**	**137.8**	**160.8**	**160.3**
Wealth/Asset/Fund Management Accounts	568.1	624.8	644.5	435.3	464.1	487.5	1.1	1.1	1.1	131.7	159.6	155.9
UITF	185.1	194.2	186.8	98.3	97.5	95.6	-	-	-	86.8	96.7	91.2
Employee Benefit	11.5	13.1	16.1	11.0	12.7	15.6	0.0	0.0	0.0	0.4	0.4	0.5
Pre-Need	0.4	0.5	0.7	0.4	0.5	0.7	-	-	-	-	-	-
Others-Institutional Accounts	86.2	107.7	115.7	54.4	59.5	65.9	0.3	0.3	0.4	31.5	47.8	49.4
Personal Trust	52.3	56.1	57.2	44.9	48.2	49.3	0.4	0.4	0.4	7.1	7.5	7.5
Personal Pension Fund	-	-	-	-	-	-	-	-	-	-	-	-
Personal Retirement Fund	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-	-
Others-Individual Accounts	232.7	253.1	268.0	226.4	245.6	260.3	0.4	0.4	0.3	5.9	7.2	7.4
Other Fiduciary Services*	295.6	300.9	420.1	289.0	299.2	415.2	0.5	0.5	0.6	6.1	1.2	4.4
Advisory/Consultancy	-	-	-	-	-	-	-	-	-	-	-	-
Special Purpose Trust	-	-	-	-	-	-	-	-	-	-	-	-

Note: "0.0" denotes a value below ₱0.05 billion

**Other fiduciary services include other fiduciary services UITF*

Figures may not add up due to rounding-off

Appendix 23
Philippine Banks and Non-bank Financial Institutions (NBFIs): Trust and Fund Management Operations - Assets and Accountabilities
As of End-Periods Indicated
(Amount in Billion ₱)

Selected Accounts	TOTAL TRUST			TRUST			AGENCY			OTHER FIDUCIARY			ADVISORY AND CONSULTANCY			SPECIAL PURPOSE		
	June 2021	Dec 2021	June 2022	June 2021	Dec 2021	June 2022	June 2021	Dec 2021	June 2022	June 2021	Dec 2021	June 2022	June 2021	Dec 2021	June 2022	June 2021	Dec 2021	June 2022
TOTAL ASSETS	**4,820.4**	**5,058.2**	**5,094.6**	**2,330.0**	**2,395.2**	**2,257.6**	**2,035.0**	**2,207.0**	**2,275.0**	**454.5**	**455.3**	**561.4**	-	**0.0**	**0.0**	**0.9**	**0.6**	**0.6**
Peso / Regular Assets	**3,956.8**	**4,132.5**	**4,029.9**	**2,031.6**	**2,080.9**	**1,940.0**	**1,765.3**	**1,896.6**	**1,948.1**	**158.9**	**154.4**	**141.2**		**0.0**	**0.0**	**0.9**	**0.6**	**0.6**
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		-	-	-	-	-
Deposits in Banks	947.0	941.7	804.2	603.8	626.6	504.0	251.5	229.4	221.3	91.7	85.7	78.9		-	-	0.0	0.0	0.0
Financial Assets, net	2,820.9	2,999.5	3,031.7	1,378.2	1,406.0	1,388.6	1,402.7	1,550.9	1,603.1	39.3	42.0	39.4		-	-	0.6	0.6	0.6
Loans, net	108.5	109.8	120.6	10.0	9.5	9.7	98.5	100.3	111.0	-	-	-		-	-	-	-	-
Equity Investments (net)	3.0	3.0	2.8	1.7	1.6	1.6	1.0	1.0	1.0	0.4	0.4	0.2		-	-	-	-	-
ROPA (net)	0.1	0.1	0.1	0.0	0.0	0.0	-	-	-	0.1	0.1	0.1		-	-	-	-	-
Other assets	77.0	78.1	70.2	37.6	36.9	35.7	11.7	15.0	11.8	27.4	26.2	22.7		0.0	0.0	0.3	0.0	0.0
FCDU/EFCDU Assets	**863.7**	**925.7**	**1,064.6**	**298.4**	**314.3**	**317.6**	**269.7**	**310.5**	**326.9**	**295.6**	**300.9**	**420.1**		-	-	-	-	-
Cash and Due from banks	-	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-
Deposits in Banks	148.5	144.5	151.5	120.5	113.5	123.9	11.8	13.7	15.5	16.2	17.3	12.0		-	-	-	-	-
Financial Assets, net	436.7	493.1	504.0	174.9	198.5	191.1	254.8	292.8	306.6	7.0	1.8	6.3		-	-	-	-	-
Loans, net	0.2	1.3	1.4	-	-	-	0.2	1.3	1.4	-	-	-		-	-	-	-	-
Equity Investments (net)	0.0	0.0	0.0	-	-	-	0.0	0.0	0.0	-	-	-		-	-	-	-	-
ROPA (net)	-	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-
Other assets	278.2	286.9	407.9	2.9	2.3	2.6	2.9	2.7	3.5	272.4	281.8	401.8		-	-	-	-	-
TOTAL ACCOUNTABILITIES	**4,820.4**	**5,058.2**	**5,094.6**	**2,330.0**	**2,395.2**	**2,257.6**	**2,035.0**	**2,207.0**	**2,275.0**	**454.5**	**455.3**	**561.4**	-	**0.0**	**0.0**	**0.9**	**0.6**	**0.6**
Peso / Regular Accountabilities	**3,956.8**	**4,132.5**	**4,029.9**	**2,031.6**	**2,080.9**	**1,940.0**	**1,765.3**	**1,896.6**	**1,948.1**	**158.9**	**154.4**	**141.2**		**0.0**	**0.0**	**0.9**	**0.6**	**0.6**
Wealth/Asset/Fund Management Accounts	3,797.0	3,977.5	3,888.1	2,031.6	2,080.9	1,940.0	1,765.3	1,896.6	1,948.1					-	-		-	-
UITF	1,070.3	1,111.1	1,027.1	1,070.3	1,111.1	1,027.1								-	-		-	-
Employee Benefit	488.3	503.2	488.3	433.0	447.8	432.8	55.4	55.4	55.6					-	-		-	-
Pre-Need	126.8	128.2	122.1	126.0	127.4	121.5	0.8	0.7	0.6					-	-		-	-
Others-Institutional Accounts	1,003.1	1,126.9	1,176.6	23.7	29.5	27.2	979.4	1,097.4	1,149.5					-	-		-	-
Personal Trust	378.1	364.6	318.6	378.1	364.6	318.6								-	-		-	-
Personal Pension Fund	-	-	-	-	-	-								-	-		-	-
Personal Retirement Fund	0.1	0.1	0.1	0.1	0.1	0.1								-	-		-	-
Others-Individual Accounts	730.2	743.4	755.3	0.4	0.4	12.8	729.8	743.0	742.4					-	-		-	-
Other Fiduciary Services*	158.9	154.4	141.2	-	-	-		-	-	158.9	154.4	141.2		-	-		-	-
Advisory/Consultancy	-	0.0	0.0	-	-	-		-	-		-	-		0.0	0.0		-	-
Special Purpose Trust	0.9	0.6	0.6	-	-	-		-	-		-	-		-	-	0.9	0.6	0.6
FCDU/EFCDU Accountabilities	**863.7**	**925.7**	**1,064.6**	**298.4**	**314.3**	**317.6**	**269.7**	**310.5**	**326.9**	**295.6**	**300.9**	**420.1**			-	-	-	-
Wealth/Asset/Fund Management Accounts	568.1	624.8	644.5	298.4	314.3	317.6	269.7	310.5	326.9	-	-	-		-	-	-	-	-
UITF	185.1	194.2	186.8	185.1	194.2	186.8		-	-		-	-		-	-	-	-	-
Employee Benefit	11.5	13.1	16.1	10.7	12.3	15.3	0.8	0.8	0.8	-	-	-		-	-	-	-	-
Pre-Need	0.4	0.5	0.7	0.4	0.5	0.7	-	-	-	-	-	-		-	-	-	-	-
Others-Institutional Accounts	86.2	107.7	115.7	15.6	15.6	16.9	70.6	92.1	98.8	-	-	-		-	-	-	-	-
Personal Trust	52.3	56.1	57.2	52.3	56.1	57.2		-	-		-	-		-	-	-	-	-
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	232.7	253.1	268.0	34.4	35.6	40.6	198.3	217.5	227.4	-	-	-		-	-	-	-	-
Other Fiduciary Services*	295.6	300.9	420.1	-	-	-		-	-	295.6	300.9	420.1		-	-	-	-	-
Advisory/Consultancy	-	-	-	-	-	-		-	-		-	-		-	-	-	-	-
Special Purpose Trust	-	-	-	-	-	-		-	-		-	-		-	-	-	-	-

Note: "0.0" denotes a value below ₱0.05 billion

**Other fiduciary services include other fiduciary services UITF*

Figures may not add up due to rounding-off

Appendix 24
Philippine Banks and Non-bank Financial Institutions (NBFIs): Trust and Fund Management Operations - Income and Expenses
For the Periods-Ended Indicated
(Amount in Billion ₱)

Selected Accounts	ALL BANKS/NBFIs			UNIVERSAL AND COMMERCIAL BANKS			THRIFT BANKS			NBFIs		
	June 2021	Dec 2021	June 2022	June 2021	Dec 2021	June 2022	June 2021	Dec 2021	June 2022	June 2021	Dec 2021	June 2022
TRUST INCOME	**6.7**	**13.7**	**7.1**	**4.6**	**9.4**	**4.8**	**0.1**	**0.1**	**0.1**	**2.1**	**4.2**	**2.3**
Fees and Commissions	6.5	13.3	6.8	4.5	9.2	4.6	0.1	0.1	0.1	2.0	3.9	2.1
Other Income	0.2	0.5	0.3	0.1	0.2	0.1			-	0.1	0.2	0.2
TRUST EXPENSES	**2.8**	**6.3**	**3.3**	**1.4**	**3.1**	**1.6**	**0.0**	**0.1**	**0.0**	**1.3**	**3.1**	**1.7**
Compensation/Fringe Benefits	1.1	2.6	1.3	0.7	1.6	0.8	0.0	0.0	0.0	0.4	0.9	0.6
Taxes and Licenses	0.6	1.1	0.6	0.3	0.6	0.3	0.0	0.0	0.0	0.3	0.5	0.3
Other Administrative Expenses	0.4	1.1	0.7	0.2	0.5	0.3	0.0	0.0	0.0	0.2	0.5	0.4
Depreciation/Amortization	0.2	0.3	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.1	0.2	0.0
Allocated Indirect Expenses	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Expenses	0.4	1.3	0.6	0.1	0.3	0.1	0.0	0.0	0.0	0.3	1.0	0.4
OPERATING INCOME / (LOSS)	**3.9**	**7.4**	**3.8**	**3.2**	**6.3**	**3.2**	**0.0**	**0.1**	**0.0**	**0.8**	**1.1**	**0.5**

Note: "0.0" denotes a value below ₱0.05 billion
Figures may not add up due to rounding-off

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