BANGKO SENTRAL
NG PILIPINAS

REPORT ON THE PHILIPPINE FINANCIAL SYSTEM

for the Second 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), as amended by R.A. No. 10574, R.A No. 7721 (Foreign Banks Law), as amended by R.A. No. 10641, R.A. No. 8367 (Revised Non-Stock Savings and Loans Association of 1997), R.A. No. 9178 (Barangay Micro Business Enterprises Act of 2002), R.A. No. 10000 (Agri-Agra Reform Act of 2009), and R.A. No. 11901 (The Agriculture, Fisheries and Rural Development Financing Enhancement Act of 2022).

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. **Assigned capital** - refers to the capital permanently assigned by a foreign bank to its branches operating in the Philippines pursuant to Section 4 of Republic Act No. 7721 (An Act Liberalizing the Entry and Scope of Operations of Foreign Banks in the Philippines and For Other Purposes).

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

4. **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.

5. **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.

6. **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.

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7. **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.

8. **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 non-financial companies for the limited purpose of financing their own needs or the needs of their agents or dealers shall not be covered by the provisions of Section 94 of R.A. No. 11211.

9. **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.

10. **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.

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

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

13. **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.

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

15. **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.

16. **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: (a) debt instruments measured at FVTPL; (b) debt instruments at FVOCI; (c) debt instruments at amortized cost; (d) equity instruments at FVTPL, including those held-for-trading (HFT), and at FVOCI; and (e) derivatives at FVTPL.

17. **Financial assets measured at amortized cost** – a debt instrument, other than those that are designated at fair value through profit or loss, which is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and where its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

18. **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.

19. **Financial liabilities HFT** – the sum of derivatives with negative fair value HFT and liability for short position.

20. **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.

21. **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.

22. **Foreign currency deposit unit (FCDU)**– a unit of a local bank or of a local branch of a foreign bank authorized by the BSP to engage in foreign currency-denominated transactions, pursuant to the provisions of Republic Act (R.A.) No. 6426 (Foreign Currency Deposit Act of the Philippines), as amended.

23. **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.

24. **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).

25. **Gross domestic product (GDP)** – the sum of the gross value added of all resident producer units. Gross value added 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.

26. **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.

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

28. **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.

29. **Islamic bank** – refers to a bank that conducts banking business with objectives and operations that do not involve interest (riba) as prohibited by the Shari'ah and which conducts business in accordance with the principles of the Shari'ah.[1]

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

31. **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.

32. **Loans to regular banking unit (RBU) by FCDU/EFCDU** – FCDU/EFCDU funds lent to RBU, as allowed under existing regulations.

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

34. **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.

35. **Money Service Business (MSB)** - any entity that engages in remittance, money changing and/or foreign exchange dealings. This includes remittance agent and sub-agent, remittance platform provider, E-money issuer and money changers or foreign exchange dealers.

36. **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.

37. **Net interest income (NII)** – the difference between interest income, and the sum of provision for losses on accrued interest income from financial assets and interest expense.

[1] Republic Act No. 11439 dated 22 Aug 2019 (An Act Providing for the Regulation and Organization of Islamic Banks).

38. **Net profit/(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.

39. **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.

40. **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.

41. **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).

42. **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.

43. **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).

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

45. **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.

46. **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.

47. **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.

48. **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.

49. 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.

50. 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.

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

52. 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.

53. 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.

54. Restructured loans – loans and other credit accommodations the original contractual terms and conditions of which have been modified in accordance with a formal restructuring agreement that sets forth a revised schedule of payments for the purpose of lessening the financial difficulty of the borrower and maximizing collection and realizable economic value on an obligation within a reasonable period of time.

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 – refers to the practical divine law deduced from its legitimate sources: the Qur'an, Sunnah, consensus of Muslim scholars, analogical deduction and other approved sources of Islamic law.[2]

[2] Ibid, footnote 1.

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. **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.

68. **Visualization Tool for Analytics (VisTA)** – it is an in interactive analytics tool and supervision technology or SupTech that provides quick data-driven insights to internal and external stakeholders. As an application of data analytics and business intelligence, the ViSTA provides relevant information pertaining to the financial condition of the banking system that can be swiftly analyzed for reporting and policy making.

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 build-up 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** – measures the ability of the bank to generate income using its assets. It is 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 thrift banks, rural and cooperative banks 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 (NIM)** – 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 to its required stable funding.

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 (R.A.) No. 7653 or The New Central Bank Act, as amended by R.A. No. 11211, and other pertinent laws.

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

The report analyzes the insights from various periodic reports submitted by BSP-supervised and regulated financial institutions to the Department of Supervisory Analytics, FSS. As of end-December 2022, these consisted of 497 banks with 12,744 branches and other offices, 1,348 non-bank financial institutions with 15,125 branches and one offshore banking unit.

Effective 3 July 1998, the supervision and regulation of the BSP over certain non-banking financial institutions were turned over to the Securities and Exchange Commission (SEC) for corporations and partnerships, and to the Department of Trade and Industry (DTI) for single proprietorships, in accordance with Section 130 of R.A. No. 7653. Likewise, the supervision and regulation over building and loan associations were transferred to the Home Guarantee Corporation (HGC) effective 07 February 2002, in accordance with Section 94 of R.A. No. 8791 or The General Banking Law of 2000).

Highlights of the Report

OVERVIEW

The Philippine financial system sustained its strong performance in 2022 amid the lingering uncertainties in the global financial system following the COVID-19.

Philippine banks likewise exhibited sustained growth momentum in assets, deposits, and profit, as well as maintained adequate capital and liquidity buffers. The banks' asset growth, funded mainly by deposits, enabled the banking system[1] to continue to support the economy's recovery through improved credit activity. Importantly, the financial soundness indicators on capital adequacy, asset quality, profitability, liquidity, and sensitivity to market risk point to the continued stability and resilience of the banking system despite tighter financial conditions.

In 2022, total assets of the banking system grew by 10.7 percent to ₱23,047.7 billion, faster than the 7.0 percent recorded in 2021. By banking group, universal and commercial banks (UKBs) held the largest share of the total assets of the banking system at 94.2 percent (₱21,706.9 billion). Meanwhile, thrift banks (TBs) and rural and cooperative banks (RCBs) each held around 4.2 percent (₱968.3 billion) and 1.6 percent (₱372.5 billion) share, respectively.

Lending continued and supported economic recovery as gross loans rose by 10.8 percent to ₱12,625.1 billion in 2022, faster than the 4.8 percent recorded in 2021. By economic sector, bank loans went mainly to real estate activities (18.3 percent share, ₱2,314.0 billion), household consumption (11.0 percent, ₱1,388.0 billion), wholesale and retail trade (10.9 percent, ₱1,378.6 billion), manufacturing (10.2 percent, ₱1,287.1 billion), electricity, gas, steam & air-conditioning supply (9.6 percent, ₱1,207.4 billion), and financial and insurance activities (8.3 percent, ₱1,052.3 billion).

On mandatory credit to the agri-agra sector, the banking system set aside a total of ₱848.0 billion of its loanable funds for agriculture and agrarian reform credit as of end-June 2022 (latest data), expanding by 7.4 percent from the ₱789.7 billion recorded as of end-June 2021. The compliance ratio however, of 9.5 percent for other agricultural and 0.8 percent for agrarian reform was below the minimum required of 15 percent and 10 percent, respectively.

With the passage of "The Agriculture, Fisheries and Rural Development Financing Enhancement Act of 2022" or R.A. No. 11901 in July 2022, amending the R.A. No 10000, the BSP expects that the new law will strengthen rural development and improve the well-being of agricultural and rural community beneficiaries. 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 shall set aside at least 25 percent of their total loanable funds for agriculture, fisheries, and rural development financing (see Box Article 1).

The BSP also continues to monitor the credit allocation of banks to micro, small and medium enterprises or MSMEs even if the mandatory credit allocation for this sector, as set forth in R.A. No. 6977, as amended by R.A. Nos. 8289 and 9501, ended last 16 June 2018. In 2022, the banking system provided a total of ₱493.5 billion credit to MSMEs (₱190.5 billion to micro and small enterprises, and ₱303.0 billion to medium enterprises), higher than the ₱463.1 billion in 2021.

Similarly, the banking system, together with concerned government financial institutions, continued to serve the financing needs of Barangay Micro Business Enterprises (BMBEs) in line with R.A. No. 9178, otherwise known as the BMBEs Act of 2002. Based on bank submitted MSME reports, 21 banks granted a total of ₱43.3 million retail loans to 2,580 BMBE borrowers in 2022, lower than the ₱67.2 million (3,510 BMBE borrowers) in 2021. Annex 1 of the report discusses the role of banks in serving the financing needs of BMBEs.

[1] As of end-December 2022, the total assets of the banking system represented 82.8 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 banks and non-bank financial institutions.

Alongside the improvement in credit activity, the banking system's non-performing loan (NPL) ratio in 2022 further eased to 3.2 percent from the 4.0 percent in 2021. This was accompanied by high NPL coverage ratio of 107.0 percent, increasing from the 87.7 percent in 2021. The NPL ratio is seen to remain in single-digit and to gradually return to pre-pandemic levels.

Robust growth in deposits mirrored the economy's recovery and the depositors' continued confidence in the banking system. In 2022, deposits grew by 9.4 percent to ₱17,770.4 billion, faster than the 9.0 percent in 2021. These deposits were mostly peso-denominated (84.8 percent share) and generated from resident individuals (45.6 percent) and private corporations (33.4 percent), indicating domestic orientation and stability of banks' funding source.

Strong capital position was sustained by the banking system in 2022 providing further cushion against shock. Total capital increased by 5.1 percent to ₱2,706.4 billion, slower than the 5.9 percent in 2021. On risk-based capital, the capital adequacy ratios (CARs) of the banking system of 15.7 percent on a solo basis and 16.3 percent on a consolidated basis as of end-December 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 (BIS). Moreover, the banks' risk-taking activities remained supported by adequate capital composed mainly of common equity and retained earnings.

All banking groups maintained higher than the minimum standard CARs. UKBs registered ratios of 15.4 percent and 16.1 percent, respectively, on a solo and consolidated bases. Stand-alone thrift banks (TBs) and rural banks (RBs) and cooperative banks (CBs) reported their CARs at 20.3 percent, 22.0 percent, and 18.6 percent, respectively, as of the same reference period. Meanwhile, subsidiary TBs and RBs posted an 18.2 percent and 16.9 percent, respectively.

Notwithstanding this, the BSP recognizes the critical role of building the resilience of banks through the enhancements to recovery planning requirements as provided under Circular No. 1158 dated 18 October 2022 (see Box Article No. 3).

Banks likewise maintained ample liquidity to meet liquidity and funding requirements of their clients. In 2022, the liquidity coverage ratio (LCR) of U/KBs on a solo and consolidated bases stood at 185.7 percent and 185.4 percent, significantly higher than the 100 percent minimum threshold. For smaller banks, the minimum liquidity ratio (MLR) of stand-alone TBs, RBs, and CBs were favorably high at 29.9 percent, 63.7 percent, and 44.4 percent, respectively, on solo basis, surpassing the 16 percent minimum requirement as of the same reference period. Meanwhile, the net stable funding ratio (NSFR) of UKBs reached 136.7 percent and 138.1 percent on a solo and consolidated bases, respectively, well-above the minimum regulatory requirement of 100 percent.

Banks sustained profitable operations with double-digit growth in net profit of 38.0 percent to ₱310.1 billion in 2022, slower than the 44.8 percent growth in 2021. Key performance measures also improved like return on assets and return on equity, rising to 11.9 percent and 1.4 percent, respectively, from the 9.0 percent and 1.1 percent in 2021.

The strong performance of banks was supported with leaner, stronger, and more inclusive and technology-enabled network. In 2022, the total number of bank head offices stood at 497, down from 506 in 2021 in view of merger, voluntary surrender of bank license and closure of some banks. Nonetheless, the total number of branches and other offices increased to 12,744 from 12,648 the previous year.

Meanwhile, the banking system's foreign currency deposit unit (FCDU) operations, which accounted for 15.1 percent of the banking system's total assets, grew by 7.1 percent to US$61.9 billion (₱3,475.0 billion), reversing the 1.2 percent contraction in the same period last year. This asset expansion was largely funded by resident foreign currency-denominated deposits, supported by strong remittance and investment inflows. Deposits continued to expand, growing by 3.8 percent to US$47.9 billion (₱2,685.5 billion) from the 2.3 percent in 2021. In terms of deposit mix, the majority of deposits was held by residents (97.2 percent share or US$46.5 billion) thus, shielding the industry from possible funding withdrawals by non-resident depositors due to developments in the global financial markets.

FCDU investment and loans continued to account for most of the assets, each holding a share of 44.6 percent (US$27.6 billion) and 34.5 percent (US$21.4 billion), respectively. FCDU loans remained diversified and continued to support key economic activities in the country. Alongside the loan expansion, NPL ratio eased to 1.1 percent in 2022 (from 3.6 percent in 2021) on the back of economic recovery of the country which contributed to the improvement in the overall quality of loans particularly those extended to manufacturing, and transportation and storage sectors and non-residents. The improvement in loan quality was matched with adequate provisioning as NPL coverage ratio stood at 196.4 percent.

The operations of FCDU remained profitable as net profit rose by 33.0 percent to US$1.1 billion (₱60.3 billion) driven primarily by the double-digit increase in interest income from lending and investing activities and supplemented by non-interest income.

Foreign bank branches and foreign bank subsidiaries' operations, which accounted for 6.2 percent of the banking system's total resources, expanded amid global uncertainties. They remained an integral part of the country's financial system, connecting retail and corporate customers to trade as well as cross-border lending and investment opportunities across the globe. Total assets of these banks grew by 1.5 percent to ₱1,417.6 billion in 2022. Results of the survey that covered 29 respondent foreign bank branches and foreign bank subsidiaries are summarized in Annex 2 of the report.

On trust operations of banks, total assets of the industry, which represented around 23.2 percent of the banking system's total resources, grew by 5.7 percent to ₱5,345.9 billion in 2022 and continued to be domestic-oriented and highly liquid. Most of the industry's assets was in the form of investments in securities and bank deposits at 66.1 percent (₱3,534.1 billion) and 22.1 percent (₱1,181.0 billion), respectively.

Total accountabilities were made up mostly of ₱2,708.6 billion (50.7 percent share) in agency accounts and ₱2,043.4 billion (38.2 percent) in trust accounts, collectively holding around 88.9 percent share. By type of accountability, unit investment trust funds (UITFs) comprised 17.9 percent of total accountabilities and stood at ₱955.1 billion with 3,531,167 participants in 2022. The trust industry reported annual growth in the number of participants in UITFs as trust entities leveraged on digital technology and offered small-value retail UITF products to their clientele. Meanwhile, Personal Equity and Retirement Account (PERA) contributions continued to draw new participants and generated additional contributions. In 2022, PERA recorded double-digit growth in both contributions and contributors, growing by 30.1 percent to ₱329.5 million and 16.4 percent to 5,100, respectively.

Net income of the trust industry stood at ₱7.2 billion in 2022, declining by 2.2 percent and reversing the 17.3 percent growth in 2021.

Similarly, the BSP-supervised non-bank financial institution (NBFI) industry, as represented by NBFIs with quasi-banking functions (NBQBs), non-stock savings and loan associations (NSSLAs), pawnshops and money service businesses remained supportive of their clients by delivering financial products and services through extensive network nationwide. Total assets of BSP-supervised NBFIs, as represented by NBQBs and NSSLAs stood at ₱450.9 billion in 2022 and were largely in the form of loans at 79.3 percent share (₱357.5 billion) and cash and due from banks at 8.6 percent (₱38.9 billion). NSSLAs comprised most of the industry's total assets at 66.5 percent share (₱299.6 billion) while NBQBs held the remaining 33.5 percent (₱151.3 billion).

In terms of loan quality, both NBQBs and NSSLAs' NPL ratios remained manageable at 5.9 percent and 8.1 percent, respectively, in 2022. Both NBFIs likewise maintained provisions with NPL coverage ratio of 36.2 percent and 115.4 percent, respectively, as of the same reference period.

Total capital of the industry, which funded around 47.3 percent share of the total assets, rose by 1.6 percent to ₱213.4 billion in 2022. Bills payable continued to comprise the majority of NBQBs' source of funding particularly deposit substitutes (68.9 percent share of NBQBs' total assets) followed by capital (14.1 percent share of NBQBs' total assets). Meanwhile, NSSLAs' funding was provided mainly by their members' capital (64.1 percent share of NSSLAs' total assets) and deposits (28.8 percent share of NSSLAs' total assets).

Overall operations of both NBQBs and NSSLAs likewise remained profitable, as they posted double-digit growth in net profit at 11.7 percent (to ₱24.95 billion) and 40.1 percent (to ₱1.8 billion), respectively, in 2022. This strong performance translated to high return on assets and equity.

Network of BSP-supervised NBFIs continued to expand with 23,796 total offices nationwide (1,978 head offices and 21,818 other offices) as of end-December 2022. Pawnshops continued to account for the lion's share with 15,999 total offices as of end-December 2022 (1,172 head offices and 14,827 other offices), an increase of 4.0 percent from 15,388 in 2021. Money service businesses also contributed a total of 7,584 offices (743 head offices and 6,841 other offices) during the same period, growing by 1.8 percent from 7,449 in 2021. Notably, some pawnshops and money service businesses are leveraging on technology, offering their products and services through online platforms, thus, enabling them to further expand their reach in the country. Meanwhile, NBQBs and NSSLAs' total network stood at 19 (5 head offices and 14 other offices) and 194 (58 head offices and 136 other offices), respectively, as of the same reference period.

The rapidly changing financial landscape in the country necessitates the transformation and improvement of the financial supervision process to make it more adaptive to the new environment. This involves the enhancement of provision and delivery of data and strengthening of supervisory tools and processes to ensure effective monitoring, supervision, and regulation of financial institutions. The implementation of visualization tool for analytics or VisTA, as a Supervision Technology (SupTech) strategy of the BSP and an interactive analytics tool, aims to provide quick data-driven insights to internal and external stakeholders. With the application of data analytics and business intelligence, relevant information pertaining to the financial condition of the banking system can be swiftly analyzed for bank supervision and policy making (see Box Article 2).

In summary, the Philippine financial system exhibited sustained resilience and remained supportive of the economy through continued delivery of financial products and services to businesses and households. For its part, the BSP will continue to monitor risks and lingering vulnerabilities from the COVID-19 pandemic that may put undue pressure on the performance of the financial system. Moreover, the BSP remains committed in pursuing prudential and progressive reforms that will further strengthen corporate and risk governance as well as promote responsible innovation and sustainable finance in its supervised financial institutions. These are intended to foster a sound, stable, and sustainably inclusive financial system supportive of economic growth.

PHILIPPINE BANKING SYSTEM

OVERVIEW

The Philippine banking system sustained its strong performance in 2022 as shown by continued growth in assets, loans, deposits, and profit, as well as adequate capital and liquidity buffers and ample loan loss reserves. Funded by deposits, the growth in resources enabled the banking system to remain supportive of the economy through continued delivery of financial products and services. Key indicators on capital, asset quality, earnings, liquidity, and sensitivity to market risk likewise point to stable and resilient banking system despite macroeconomic challenges.

Capital
₱2,706.4 billion

CAR* and CET1 Ratio*
16.1 percent and 15.0 percent
(Consolidated)

Net Profit
₱310.1 billion

RoE and RoA
11.7 percent and 1.4 percent

LCR* and NSFR*
185.4 percent and 138.1 percent
(Consolidated,)

Net FX to Regulatory Capital
2.0 percent

Assets
₱23,047.7 billion

NPL and NPL Coverage Ratios
3.2 percent and 107.0 percent

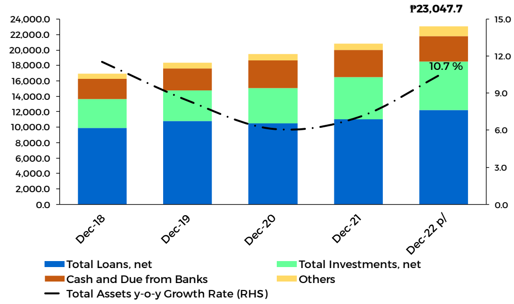
Loans
₱12,625.1 billion

Deposits
₱ 17,770.4 billion

** Universal and commercial banks and their subsidiary banks/quasi-banks*

ASSETS FURTHER EXPANDED, NEARING PRE-PANDEMIC GROWTH

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



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

Total assets grew by 10.7 percent year-on-year[1] (y-o-y) to ₱23,047.7 billion in 2022, funded mainly by deposits and channeled to core activities particularly loans and investments. The asset growth was faster than the 7.0 percent growth rate in 2021 but remained lower than the pre-pandemic average growth rate[2] of 11.0 percent (Figure 1).

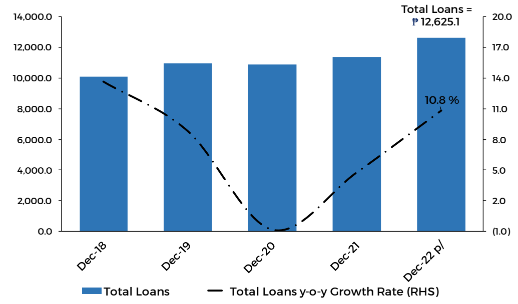
Loans, net[3] continued to account for most of the banking system's total assets at 52.9 percent (₱12,198.4 billion), followed by investments[4] and cash and due from banks with 27.5 percent share (₱6,329.4 billion) and 14.2 percent share (₱3,271.7 billion), respectively.

Across banking groups, universal and commercial banks (UKBs) held the largest share of the total assets at 94.2 percent (up by 12.8 percent to ₱21,706.9 billion). Meanwhile, thrift banks (TBs) and rural and cooperative banks (RCBs) each held around 4.2 percent (down by 23.5 percent to ₱968.3 billion)[5] and 1.6 percent (up by 19.4 percent to ₱372.5 billion) share, respectively.

DOUBLE-DIGIT GROWTH AND DIVERSIFIED LENDING ACROSS KEY PRODUCTIVE SECTORS

Credit activity in the country continued to cater to key industries, with gross loans rising by 10.8 percent to ₱12,625.1 billion in 2022[6], faster than the 4.8 percent recorded in 2021 but remained lower than the 13.8 percent pre-pandemic growth[7] (Figure 2).

Figure 2.
Gross Total Loans
As of End-Periods Indicated; In Billion₱ and Growth Rate in %



Source: DSA *p/ preliminary*

Banks' loan growth largely went to productive sectors, particularly information and communication, manufacturing, electricity, gas, steam and air-conditioning supply, wholesale and retail trade, and real estate, which increased by 21.8 percent (up by ₱106.0 billion), 15.6 percent (up by ₱174.1 billion), 14.3 percent (up by ₱151.1 billion), 11.3 percent (up by ₱140.0 billion) and 4.8 percent (up by ₱105.3 billion), respectively. Loans for household consumption[8] likewise contributed to the improved credit activity particularly salary-based general-purpose consumption loans (SBGPCLs) and credit card receivables (CCRs), which posted substantial growth of 62.2 percent (up by ₱134.0 billion) and 26.0 percent (up by ₱114.6 billion), respectively.[9] Overall, these sectors accounted for 60.9 percent (₱7,682.9 billion) of the banking system's gross total loans.

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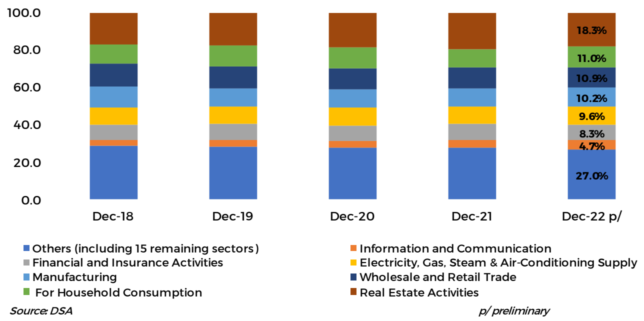
[1] All discussed growth rates and report period pertain to y-o-y and end-December 2022, unless otherwise stated.
[2] The pre-pandemic compounded annual growth rate (CAGR) of total assets was 11.0 percent. Pre-pandemic CAGR is computed using end-December 2015 to end-December 2019 data.
[3] Includes Interbank Loans Receivable (IBL) and Reverse Repurchase (RRP), net of allowance 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] The decline was due to a merger of a TB with its parent UB.
[6] Across banking groups, UKBs held the largest share of the industry's total loans at 93.5 percent (up by 12.9 percent to ₱11,802.5 billion). Meanwhile, TBs and RCBs each held around 4.8 percent (down by 20.8 percent to ₱607.6 billion) and 1.7 percent (up by 28.9 percent to ₱214.9 billion) share, respectively.
[7] Pre-pandemic CAGR.
[8] Excluded are loans to individuals for housing purposes or residential real estate loans.
[9] Based on BSP's Q4 2022 Senior Loan Officers' Survey (SLOS), banks indicate increased loan demand for both businesses and households (i.e., housing loans, credit card loans, and personal/salary loans). Respondents cited that credit demand of businesses was driven by the improvement in customers' economic outlook and increase in customer inventory and accounts receivable financing needs. Meanwhile, loan demand of households increased due to higher household consumption, and banks' more attractive financing terms.

The improving credit activity mirrors the industry outlook as banks remain cautious but project a double-digit increase in lending in the next two years.[10]

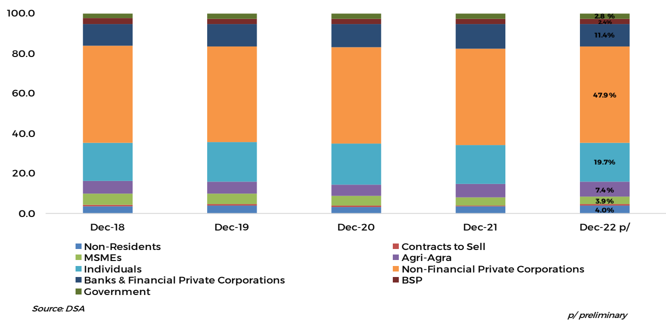
Across various industries and borrower types (Figure 3), loans to real estate activities, though leading at 18.3 percent share (₱2,314.0 billion) of the banking system's total loans, remained comfortably below the regulatory cap of 25.0 percent.[11] Other activities that figured prominently include loans for household consumption (11.0 percent share, ₱1,388.0 billion), wholesale and retail trade (10.9 percent share, ₱1,378.6 billion), manufacturing (10.2 percent share, ₱1,287.1 billion), electricity, gas, steam & air-conditioning supply (9.6 percent share, ₱1,207.4 billion), and financial and insurance activities (8.3 percent share, ₱1,052.3 billion).

Figure 3.
Loans by Economic Activity
As of End-Period Indicated; Share in %



By sectoral activity, distribution remained largely stable (Figure 4)[12] with loans to resident non-financial private corporations still holding the largest share of total loans at 47.9 percent (₱6,053.5 billion). Loans to resident private financial corporations[13] and resident individuals followed, each accounting for around 11.4 percent (₱1,434.5 billion) and 19.7 percent (₱2,483.0 billion), respectively.

Figure 4.
Loans by Economic Sector: Counterparty
As of End-Periods Indicated; Share in %

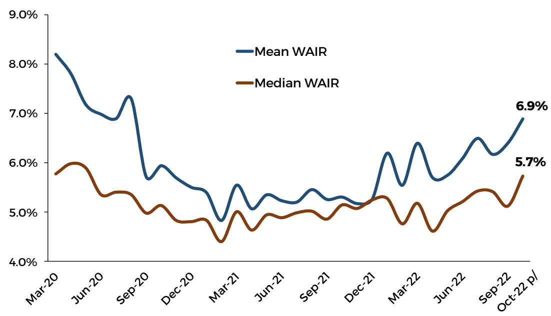


Banks likewise provided relief to their borrowers through extension and/or modification in loan terms. In 2022, total restructured loans (RLs) reached ₱329.7 billion or about 2.6 percent of total loans. The level of RLs contracted by 7.6 percent but remained substantially higher by 7.3 times than the pre-pandemic level of ₱45.0 billion in February 2020.

[10] Based on BSP's Banking Sector Outlook Survey (BSOS) for the First Semester of 2022.
[11] Circular No. 1093 dated 20 August 2020 (Amendments to the Real Estate Limits of Banks).
[12] Based on the Financial Soundness Indicators (FSIs) developed by the International Monetary Fund, 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.
[13] This refers to loans to resident banks and resident financial private corporations.

LENDING RATES INCHED UP AMID IMPROVED ECONOMY

Figure 5.
UKBs Weighted Average Interest Rates (WAIR) on Loans
For End-Periods Indicated

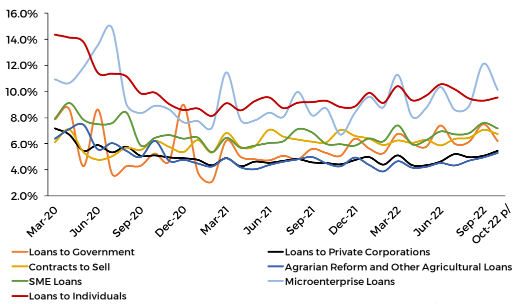


Source: DSA *p/ preliminary*

The BSP's accommodative policy stance[14] continued to support the recovery of the economy and enable banks to pass on lower lending rates to their clients during the crisis. With the improving economy, inflationary pressures and policy normalization, interest rates on bank loans inched up in 2022 compared to that posted in 2021. Based on latest data for the period-ended October 2022, the overall mean weighted average interest rates (WAIR) on loans of UKBs stood at 6.9 percent, lower than the 8.2 percent in March 2020 (pre-pandemic) but higher than the 5.3 percent in October 2021 (Figure 5). Meanwhile, the overall median WAIR registered at 5.7 percent for the same period, lower than the 5.8 percent in March 2020 but higher than the 5.1 percent in October 2021.

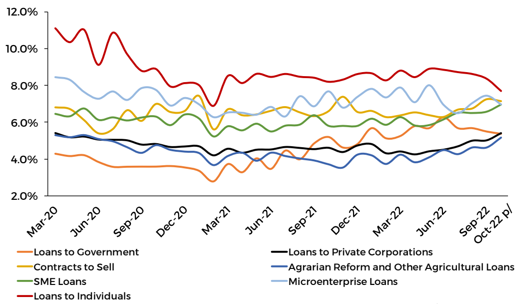
Generally, most loan types displayed a similar trend in both mean and median WAIR with rates starting to rise in 2022. (Figures 6 and 7).

Figure 6.
Mean WAIR on UKBs Loans (by Loan Type)
For End-Periods Indicated



Source: DSA *p/ preliminary*

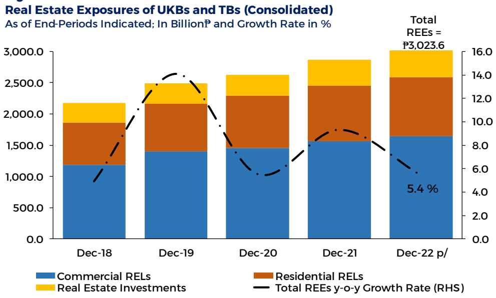
Figure 7.
Median WAIR on UKBs Loans (by Loan Type)
For End-Periods Indicated



Source: DSA *p/ preliminary*

MODEST EXPANSION IN REAL ESTATE EXPOSURES...

Figure 8.
Real Estate Exposures of UKBs and TBs (Consolidated)
As of End-Periods Indicated; In Billion₱ and Growth Rate in %



Source: DSA *p/ preliminary*

Real estate exposures or REEs of UKBs and TBs remained relatively modest in 2022, growing at a slower pace of 5.4 percent (₱3,023.6 billion). This expansion was lower than the 9.3 percent recorded in 2021 and far from the 13.2 percent pre-pandemic average[15] (Figure 8).

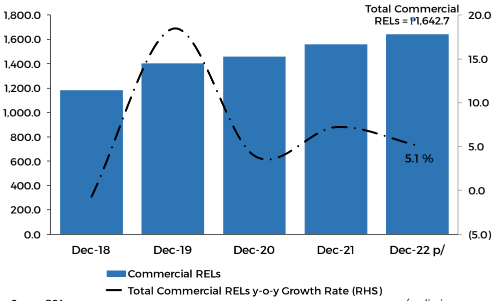
REEs were made up mainly of real estate loans (RELs), representing 85.6 percent share, which increased by 5.2 percent to ₱2,587.3 billion in 2022, slower than the 7.3 percent growth in 2021.[16] Real estate investments continued to be minimal at 14.4 percent share.

As to types of RELs, commercials RELs accounted for the majority at 63.5 percent, growing by 5.1 percent to ₱1,642.7 billion at a slower pace than the 7.2 percent growth in 2021

[14] Since May 2022, the BSP has increased the policy rate by an aggregate of 425 basis points (bps). In particular, the BSP policy rate increased effective 20 May 2022 and 24 June 2022 both by 25 bps, effective 14 July 2022 by 75 bps, effective 19 August 2022 and 23 September 2022 both by 50 bps, effective 18 November 2022 by 75 bps, effective 16 December 2022 and 16 February 2023 both by 50 bps, and effective 24 March 2023 by 25 bps.
[15] The pre-pandemic CAGR of REEs was 13.2 percent.
[16] The pre-pandemic CAGR of RELs was 13.5 percent.

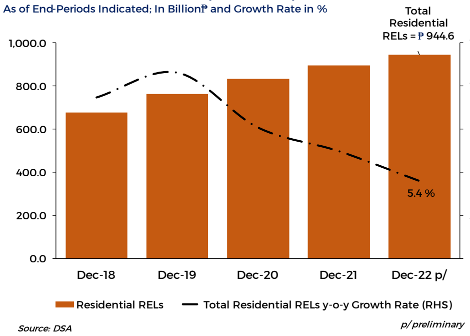
(Figure 9). Most of these commercial RELs were unsecured[17], used to finance land development, acquisition, construction and/or improvement of commercial real estate units[18], and had residual maturity of over one year to five years[19]. Meanwhile, residential RELs, which hold the remaining 36.5 percent share, expanded by 5.4 percent to ₱944.6 billion, although at a slower pace vis-à-vis the 7.5 percent in 2021 (Figure 10). Mid-end and low-cost housing loans[20] held the largest portion of residential RELs while a little over half had a residual maturity of over ten years[21].

Figure 9.
Commercial RELs of UKBs and TBs (Consolidated)
As of End-Periods Indicated; In Billion₱ and Growth Rate in Percent (%)



Source: DSA
p/ preliminary

Figure 10.
Residential RELs of UKBs and TBs (Consolidated)
As of End-Periods Indicated; In Billion₱ and Growth Rate in %



Source: DSA
p/ preliminary

The expansion in both commercial and residential RELs while on a decelerated pace reinforces the upbeat view of the industry experts that the property market is already showing signs of recovery.[22,23] Similarly, the latest index on residential real estate prices in the Philippines mirrored the growth in residential RELs as the said index moved up by 7.7 percent, driven by price increases across all housing types, except for townhouses. By area, residential property prices in the National Capital Region (NCR) went up by 16.1 percent as prices across all housing units increased. For property prices in the areas outside the NCR the increase was at 4.5 percent as all types of housing units, excluding townhouses, registered an upward movement in prices. By type of housing unit, the annual growth in the nationwide price index was primarily driven by the double-digit growth in prices of duplex housing units, condominium units, and single-detached/ attached houses, which rose by 42.9 percent, 12.9 percent, and 10.0 percent, respectively. Meanwhile, prices of townhouses registered a 6.8 percent contraction.[24] Moreover, per industry report, residential prices are expected to rise by 2.3 percent in 2023 as economy and employment recover fueled by the improving outlook of business and consumers, and the continued inward remittances of overseas Filipino workers.[25]

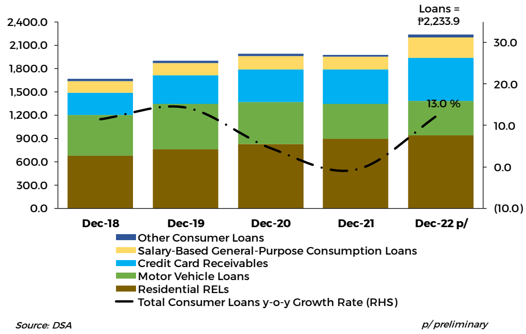
Considering the importance of the property market in the economy and banks' exposure to this industry, the BSP regularly assesses the banking system's vulnerabilities including risks from its exposures to the property sector. Based on the end-September 2022 results of the real estate stress test or REST[26], banks remain adequately capitalized against

[17] At around 72.1 percent share (₱1,184.4 billion).
[18] At around 80.6 percent share (₱1,323.3 billion).
[19] At around 48.0 percent share (₱788.2 billion).
[20] Mid-end and low-cost housing loans with share of around 43.6 percent (₱411.4 billion) and 41.7 percent (₱393.4 billion), respectively.
[21] At around 51.0 percent share (₱481.7billion).
[22] Based on Collier's Q4 2022 Property Market Report–Office, the demand for commercial space in the country continued to rise amidst concerns on the rationalization of office requirements from outsourcing companies with hybrid work arrangements. The report likewise indicated opportunities in fully fitted spaces to minimize costs, office demand from healthcare outsourcing firms, and projects in provincial territories. Source: https://www.colliers.com/en-ph/research/colliers-quarterly-property-market-report-office-q4-2022-philippines
[23] Based on Collier's Q4 2022 Property Market Report–Residential, residential rents and prices are expected to grow by 2.0 percent and 2.3 percent, respectively, in 2023 as the economy and employment recovers fueled by improving business and consumer sentiments as well as continued inward remittances of OFWs. Source: https://www.colliers.com/-/media/files/asia/philippines/colliers_manila_q4_2022_residential_v1.ashx
[24] Based on BSP's Q4 2022 Residential Real Estate Price Index or RREPI. The RREPI is a measure of the average change in the prices of various types of housing units, i.e., single detached/attached houses, duplexes, townhouses, and condominium units, based on banks' data on actual mortgage loans granted to acquire new housing units only. It is a chain-linked index, which is computed using the average appraised value per square meter, weighted by the share of floor area of each type of housing unit to the total floor area of all housing units. The RREPI is used as an indicator for assessing the real estate and credit market conditions in the country. The BSP has been releasing the report since Q1 2016.
[25] Based on Collier's Q4 2022 Property Market Report–Residential.
[26] Under Section 363-A of the Manual of Regulations for Banks, a prudential limit is set for REEs. For this purpose, a stress test will be undertaken on a UKB's REEs under an assumed write-off of 25 percent. For purposes of REST

potential downturn in the real estate market. In particular, the post-shock capital adequacy ratio (CAR) and common equity tier 1 (CET1) ratio of the UKB industry, as well as subsidiary and stand-alone TBs, remained well above the 10 percent and the 6 percent minimum thresholds, respectively, both on solo and consolidated bases.

...BUOYED BY CONSUMER LOANS' DOUBLE-DIGIT EXPANSION

Figure 11.
Consumer Loans of UKBs and TBs (Solo)
As of End-Periods Indicated; In Billion₱ and Growth Rate in %



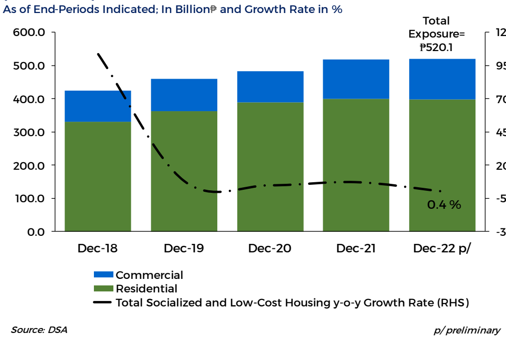
Consumer lending bounced back in 2022, growing by 13.0 percent to ₱2,233.9 billion and reversing the 0.6 percent contraction in 2021 (Figure 11).[27] The expansion, which was largely driven by salary loans and CCRs, however remained far from the pre-pandemic average of 15.7 percent.

By composition, residential RELs continued to account for the biggest share at 42.0 percent (₱938.0 billion),[28] followed by CCRs at 24.9 percent (₱555.4 billion), motor vehicle loans (MVLs) at 19.7 percent (₱441.0 billion), SBGPCLs at 11.8 percent (₱264.4 billion) and other consumer loans at 1.6 percent (₱35.1 billion).

Except for MVLs, all types of consumer loans grew in 2022. The substantial growth in SBGPCLs and CCRs of 61.7 percent (up by ₱100.9 billion) and 26.0 percent (up by ₱114.6 billion), respectively, outpaced the 2.9 percent decline (down by ₱13.2 billion) in MVLs. The growth of SBGPCLSs was reflective of consumers' allocation of loan proceeds for education and health-related expense, while CCRs continued to increase as consumers availed of reasonable credit card pricing following the retention of existing credit card transactions ceilings[29] in consideration of evolving domestic and external developments.

Although a notable growth in CLs was recorded in 2022, recent surveys registered a more pessimistic outlook from consumers due mainly to faster increase in the prices of goods and higher household expenses. Consumers' buying intentions was more downbeat for motor vehicles, and houses and lots, but remained steady for consumer durables within the next twelve months. Furthermore, consumers indicated that loans used to purchase basic goods and for business start-up/expansion accounted for a large portion of their total loan proceeds and total outstanding loans.[30]

Figure 12.
UKBs and TBs' Exposure to Socialized and Low -Cost Housing (Consolidated)
As of End-Periods Indicated; In Billion₱ and Growth Rate in %



Moreover, based on BSP's monitoring, UKBs and TBs lending to socialized and low-cost housing increased 0.4 percent to ₱520.1 billion in 2022, on a consolidated basis (Figure 12).[31] This was higher than the ₱518.0 billion recorded in 2021. Loans to

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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)."

[27] Consumer loans of UKBs and TBs, on a solo basis. Consumer loans include residential RELs.

[28] Residential RELs of UKBs and TBs on solo basis.

[29] 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 was in effect until end-December 2022 subject to review by the BSP every six months. In January 2023, the ceilings on credit card transactions was adjusted. The monthly interest rate on revolving credit card purchases was increased to a maximum of 36 percent per annum or a monthly interest rate of up to 3 percent while the monthly add-on rate on credit card installment loans and the maximum processing fee when availing credit card cash advances of 1.0 percent and ₱ 200, respectively, were retained.

[30] Based on the BSP's Consumer Expectations Survey for Q4 2022.

[31] 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.

individual households used to finance residential units for their occupancy accounted for around 76.4 percent of these exposures.

LOANS TO MSME AND AGRI-AGRA SECTORS CONTINUED

In 2022, the banking system provided a total of ₱493.5 billion credit (up by 6.6 percent) to micro, small and medium enterprises or MSMEs, higher than the ₱463.1 billion in 2021.[32] By banking group, UKBs extended the largest credit to MSMEs at 79.2 percent share (₱390.9 billion), followed by RCBs 10.7 percent (₱52.7 billion). The banking system's total credit allocation to micro and small enterprises, and medium enterprises reached ₱190.5 billion (38.6 percent share) and ₱303.0 billion (61.4 percent share), respectively.

The BSP continues to foster a regulatory environment supportive of MSMEs. Amid the winding down of the BSPs' temporary relief measures introduced during the COVID-19, some initiatives were extended particularly those that incentivize lending to MSMEs. These include the reduced credit risk weight of loans granted to MSMEs[33] and the utilization of peso-denominated loans to MSMEs and large enterprises as alternative compliance with the reserve requirements against deposit liabilities and deposit substitutes. The extension of these relief measures until end-June 2023 will encourage banks to continue to support the financing requirements of creditworthy MSMEs.

For the reserve week ending 29 December 2022, the banking system allocated an average of ₱263.1 billion of loans to MSMEs (or around 15.9 percent of total required reserves) as alternative compliance with the reserve requirements. This was a substantial increase from the ₱8.7 billion in MSME loans reported for the week ending 30 April 2020. Loans of banks to eligible large enterprises used as alternative compliance with the reserve requirements amounted to ₱72.9 billion or 4.4 percent of total required reserves for the same reserve week.

Meanwhile, the latest data on mandatory credit to agri-agra[34] showed that the banking system set aside a total of ₱848.0 billion of its loanable funds for agriculture and agrarian reform credit in June 2022, expanding by 7.4 percent from the ₱789.7 billion in June 2021. However, the banking system still fell short of the mandated credit at 9.5 percent for other agricultural and 0.8 percent for agrarian reform vis-à-vis the minimum required of 15 percent and 10 percent, respectively.

With the passage of "The Agriculture, Fisheries and Rural Development Financing Enhancement Act of 2022" or R.A. No. 11901 in July 2022, amending the R.A. No 10000, the BSP expects that the new law will strengthen rural development and improve the well-being of agricultural and rural community beneficiaries. 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 shall set aside at least 25 percent of their total loanable funds for agriculture, fisheries, and rural development (AFRD) financing (see Box Article 1).[35.]

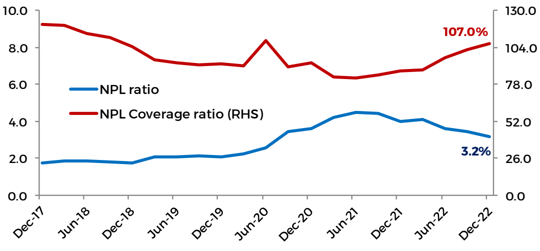
[32] The BSP continues to monitor the credit allocation of banks to the MSME sector despite the lapse of the mandatory credit allocation for MSMEs set forth in Republic Act (R.A.) No. 6977, as amended by R.A. Nos. 8289 and 9501.
[33] The BSP reduced the credit risk weights of loans granted to MSMEs that 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.
[34] R.A. No. 10000 (The Agri-Agra Reform Credit Act of 2009).
[35] The Implementing Rules and Regulations of R.A. No. 11901 were released under Circular No. 1159 dated 04 November 2022.

LOAN QUALITY FURTHER IMPROVED, ACCOMPANIED BY AMPLE PROVISIONS

Philippine banks' operations continued to be driven by their deposit-taking and lending activities. As such, an important financial soundness indicator of bank's asset quality is its ratio of non-performing loans (NPLs) to total gross loans.

In 2022, the banking system's NPL ratio further eased to 3.2 percent from 4.0 percent in 2021. This was accompanied by high NPL coverage ratio[36] of 107.0 percent, increasing from the 87.7 percent in 2021 (Figure 13).

Figure 13.
NPL Ratio and NPL Coverage Ratio
As of End-Periods Indicated, Ratio in %



Source: DSA *p/ preliminary*

For 2023, the BSP is confident that the NPL ratio will remain in single digit and will start to return to pre-pandemic levels[37]. 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.[38]

DOUBLE-DIGIT GROWTH IN INVESTMENTS, WITH NOTED SHIFT TO SECURITIES MEASURED AT AMORTIZED COST

Investments continued to post double-digit growth although at a slower pace. In 2022, investment in securities[39] rose by 18.9 percent to ₱6,207.5 billion[40], surpassing the 10.6 percent pre-pandemic average but remaining lower than the 21.2 percent recorded in 2021. The majority of these investments was issued by the National Government[41] (NG) and measured at amortized cost. Around 61.3 percent of investments in securities was measured at amortized cost[42] at ₱3,804.9 billion. This was followed by investments in securities measured at fair value through other comprehensive income[43] (FVOCI) at ₱2,194.8 billion (35.4 percent share). The remaining minimal share of 3.3 percent was measured at fair value through profit or loss (FVTPL) at ₱207.8 billion.

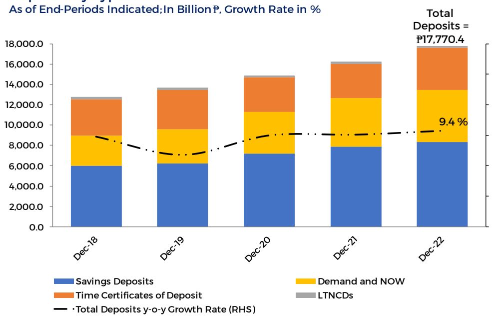
A shift in investment portfolio, particularly from investments in securities measured at FVOCI to investments in securities measured at amortized cost, has been noted since October 2021. Specifically, investments in securities measured at FVOCI dropped to 35.4 percent share in 2022 from the 44.8 percent share in 2021, contracting by 6.1 percent. Meanwhile, the share of investments in securities measured at amortized cost substantially increased to 61.3 percent in 2022 from the 50.3 percent share in 2021. The observed shift is consistent with a rebalancing strategy that reduces mark-to-market (MTM) losses amid increasing interest rate environment.

[36] Ratio of allowance for credit losses – total loans to gross NPLs.
[37] The NPL ratio of the banking system ranged between 1.7 percent and 2.5 percent from 2015 to 2019, prior to the pandemic. Whereas from 2020 to 2022, this ranged between 2.2 percent and 4.5 percent.
[38] Based on BSP's BSOS for the First Semester of 2022.
[39] Gross of allowance for credit losses, as applicable; excludes equity investments in subsidiaries/associates/joint ventures.
[40] Across banking groups, UKBs held the largest share of the industry's total investment in securities at 96.4 percent (up by 19.4 percent to ₱5,983.7 billion). Meanwhile, TBs and RCBs each held around 2.7 percent (up by 8.7 percent to ₱740.9 billion) and 0.9 percent (down by 1.4 percent to ₱56.4 billion) share, respectively.
[41] Investment in securities issued by the NG stood at ₱4,595.9 billion or around 74.0 percent share of the total investments in securities.
[42] By counterparty, debt securities issued by the NG accounted for 78.0 percent (₱2,968.3 billion) of total investments in securities measured at amortized cost.
[43] These investments in securities were mostly debt securities (₱2,145.0 billion, 97.7 percent share). By counterparty, debt securities issued by the NG accounted for 70.7 percent (₱1,552.1 billion) of total investments in securities measured at FVOCI.

DEPOSITS SUSTAINED GROWTH, FUELED BY DOUBLE-DIGIT GROWTH IN TIME DEPOSITS

With the Philippine economy gradually recovering from the COVID-19 pandemic and the depositors' desire to beef up savings in the face of future contingencies, deposits of the banking system continued to expand. In 2022, banks' deposits grew by 9.4 percent to ₱17,770.4 billion[44], driven mainly by the 24.2-percent expansion in time certificates of deposit (TD). The growth in deposits was faster than the 9.0 percent increase in 2021 but slower than the 10.3 percent pre-pandemic average (Figure 14).

Figure 14.
Deposits By Type
As of End-Periods Indicated;In Billion ₱, Growth Rate in %



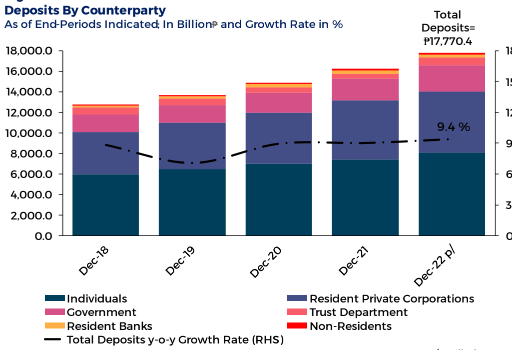
Source: DSA
p/ preliminary

Most deposits were savings deposits[45] at 47.0 percent (up by 6.0 percent to ₱8,356.8 billion), followed by demand deposits and negotiable order of withdrawal (NOW) accounts at 28.6 percent (up by 5.9 percent to ₱5,090.8 billion) and TD at 23.5 percent (up by 24.2 percent to ₱4,172.0 billion). Long-term negotiable certificates of deposit (LTNCDs) comprised a minimal 0.8 percent share (down by 22.0 percent to ₱150.8 billion).

Importantly, the BSP remains committed to pursuing initiatives and regulatory reforms that promote an inclusive financial system in the country. In 2022, there was a substantial increase in small deposit accounts which may be attributed to BSP and banks' joint efforts to promote financial inclusion and onboard unserved and underserved Filipinos to the banking system. In particular, deposit accounts with balance of ₱5,000 and below had the highest number of accounts at 71,689,519 (up by 21.5 percent, 70.6 percent share) totaling ₱40.0 billion (up by 7.4 percent, 0.2 percent share). By contrast, deposits with balance of over ₱5.0 million had the lowest number of accounts at 406,468 (up by 9.4 percent, 0.4 percent share) but took up a significant portion of total deposits (69.7 percent share) at ₱12,391.5 billion (up by 10.9 percent).

In terms of depositors, the banking system's deposits remained domestic-oriented as these were mostly peso-denominated at 84.8 percent share (₱15,065.4 billion) and generated from resident individuals and private corporations, with share of 45.6 percent (₱8,101.4 billion) and 33.4 percent (₱5,927.1 billion), respectively (Figure 15). Deposits from resident private corporations (excluding banks) grew by 2.4 percent, slower than the 16.9 percent growth recorded in 2021, while those from individuals accelerated to 9.6 percent from the 5.8 percent growth in 2021.

Figure 15.
Deposits By Counterparty
As of End-Periods Indicated: In Billion₱ and Growth Rate in %



Source: DSA
p/ preliminary

Notably, for smaller banks like TBs and RCBs, deposits from consumers and households continued to fund most of their operations. In 2022, individuals contributed around 58.4 percent (₱432.7 billion) and 82.9 percent (₱223.5 billion) share, respectively of the TBs' and RCBs' total deposits. Meanwhile, deposits of private corporations (excluding banks) comprised 29.9 percent (₱221.4 billion) and 14.4 percent (₱38.8 billion) share, respectively of the total deposits of TBs and RCBs.

[44] Across banking groups, UKBs held the largest share of the industry's total deposits at 94.3 percent (up by 11.6 percent to ₱16,759.9 billion). Meanwhile, TBs and RCBs each held around 4.2 percent (down by 25.1 percent to ₱740.9 billion) and 1.5 percent (up by 15.9 percent to ₱269.6 billion) share, respectively.

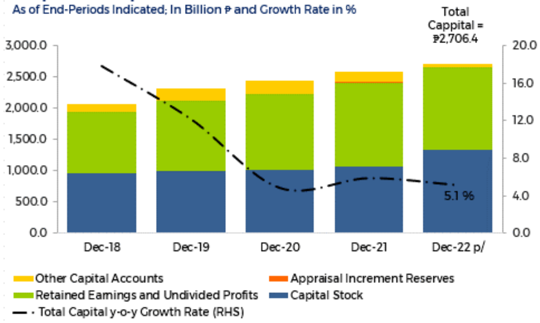
[45] Savings deposits were mainly comprised of regular savings (80.9 percent share, ₱6,762.5 billion), other savings (18.3 percent, ₱1,528.1 billion), kiddie and teen savings (0.6 percent, ₱54.2 billion), and basic deposit accounts (0.1 percent, ₱12.0 billion).
Other savings accounts refer to interest-bearing special savings account which offer tiered interest rates depending on the size of the deposit and usually carries higher interest rate compared to the rate for regular savings account

Other funding sources remained minimal. In 2022, bills payable (up by 34.0 percent to ₱666.0 billion) and bonds payable (down by 5.8 percent to ₱578.2 billion) only accounted around 3.3 percent and 2.8 percent share, respectively, of the banking system's total liabilities.

CAPITAL REMAINED ADEQUATE...

Strong capital position was sustained by the banking system in 2022, rising by 5.1 percent to ₱2,706.4 billion albeit slower than the 5.9 percent in 2021 (Figure 16)[46]. Paid-up capital comprised the largest share of total capital at 49.3 percent (₱1,333.9 billion), recording a substantial growth of 25.1 percent due to public offering and additional stock issuances in a bid to expand touchpoints and in line with banks' long-term business plan. This was complemented by retained earnings with 48.5 percent share (₱1,311.9 billion), declining by 2.2 percent due mainly to dividends payout.

Figure 16.
Components of Capital and Growth Rates
As of End-Periods Indicated; In Billion ₱ and Growth Rate in %



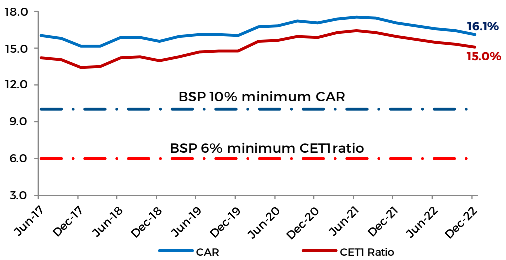
Source: DSA *p/ preliminary*

In terms of banking group, UKBs still held the biggest portion of the banking system's capital at 92.1 percent (up by 6.0 percent to ₱2,493.8 billion). Meanwhile, TBs and RCBs each accounted for around 5.3 percent (down by 13.4 percent to ₱142.8 billion)[47] and 2.6 percent (up by 22.4 percent to ₱69.8 billion) share, respectively.

...WITH CAPITAL RATIOS THAT WERE WELL-ABOVE BSP AND INTERNATIONAL STANDARDS

Both CAR[48] and CET1[49] ratio of UKBs, on a consolidated basis, stood at 16.1 percent and 15.0 percent, respectively, in 2022[50] (Figure 17). These ratios continued to be substantially higher than the minimum requirements set by BSP at 10 percent and 6 percent and the Bank for International Settlements at 8 and 4.5 percent. Importantly, the high capital ratios indicate UKBs' preparedness and ability to withstand shocks to their balance sheet, including those related to the COVID-19 pandemic.

Figure 17.
CAR and CET 1 Ratio of UKBs (Consolidated)
As of End-Periods Indicated, Ratio in %



Source: DSA *p/ preliminary*

Similarly, the banking system including smaller banks likewise recorded high capital ratios in 2022. The CAR of the banking system stood at 15.7 and 16.3 percent, respectively, on solo and consolidated bases[51]. Stand-alone TBs and RB and CBs[52] reported their CARs at 20.3 percent, 22.0 percent and 18.6 percent, respectively, as of the same reference period. While subsidiary TBs and RBs posted an 18.2 percent and 16.9 percent, respectively.[53]

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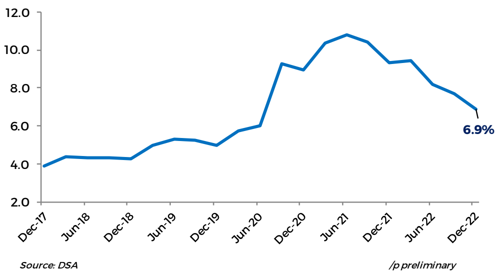
[46] The pre-pandemic CAGR of capital was 11.3 percent.
[47] The decline was due mainly to the merger of a TB with its parent UB in January 2022.
[48] Regulatory capital to risk-weighted assets.
[49] Regulatory CET1 Capital to RWA. The CAR and CET1 ratios are the most common measures of capital adequacy under the Basel Committee on Banking Supervision (BCBS) standards.
[50] On solo basis, CAR and CET1 ratio of UKBs stood at 15.4 percent and 14.3 percent, respectively, in 2022.
[51] Based on solo basis capital computation. Ratios are combination of Basel III and Basel 1.5 frameworks.
[52] Under Basel 1.5 framework.
[53] Under Basel III framework.

Another important capital adequacy indicator is the ratio of net NPLs[54] to total capital which aims to identify potential weaknesses in asset quality that can become serious over time.

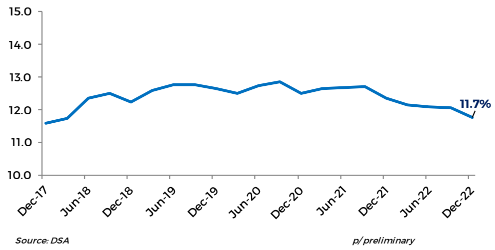
Figure 18.
Net NPL to Capital Ratio
As of End-Periods Indicated, Ratio in %



The strong growth momentum of the economy in 2022 supported the expansion of the manufacturing and services industries, as well as enabled consumption and investment activities to recover.[55] This has resulted in the improvement of NPLs across all major types of loans to consumers (e.g., auto loans and credit cards receivables), real estate, transportation and storage, and manufacturing sectors, and other loans, among others.

Net NPL to capital ratio of the banking system displayed a declining trend, reinforcing the improving asset quality and strong capital of banks (Figure 18). In 2022, this ratio stood at 6.9 percent, a substantial improvement from the 9.3 percent recorded in 2021 but still far from the pre-pandemic average of 3.8 percent.

Figure 19.
Capital-to-Asset Ratio
As of End-Periods Indicated, Ratio in %



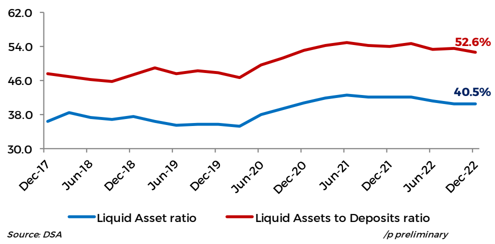
In terms of bank leverage, the BSP closely monitors the banking system's capital-to-asset ratio and Basel III leverage ratio (BLR). The capital-to-asset ratio[56] determines the extent to which assets are funded by the banks' own funds while the BLR[57] relates the level of a bank's tier 1 capital against its total on-book and off-book exposures.

In 2022, the capital-to-asset ratio stood at 11.7 percent, down from the 12.4 percent in 2021 (Figure 19). This ratio remained relatively stable for the past years, an indication that banks maintained a reasonable level of capital to fund their assets. Meanwhile, the UKBs' BLR stood at 8.8 and 9.3 percent, respectively, on solo and consolidated bases in 2022, declining from the 9.4 and the 9.8 percent in 2021 but remaining well-above the 5.0 percent BSP and the 3.0 percent international thresholds. The drop in BLR was driven mainly by the expansion in lending activity.

AMPLE BUFFERS FOR LIQUIDITY AND FUNDING REQUIREMENTS

Banks likewise maintained sufficient liquidity position to meet liquidity and funding requirements of their clients especially during financial shocks. These liquidity ratios[58] remained high and well-above BSP's minimum thresholds. In 2022, liquid asset[59] and liquid assets to deposit[60] ratios of the

Figure 20.
Liquid Asset Ratio and Liquid Assets to Deposits Ratio
As of End-Periods Indicated, Ratio in %

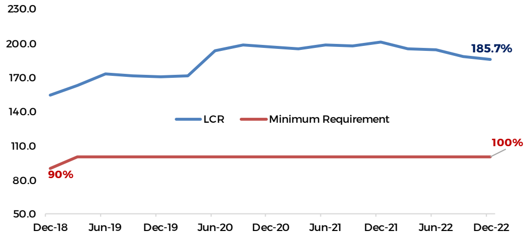


[54] Net of provisions.
[55] The country's real gross domestic product (GDP) posted a 7.6 percent full-year growth in 2022 as reported by the Philippine Statistics Authority (PSA).
[56] Pertains to ratio of total capital accounts to total assets.
[57] The BLR is expressed as a percentage of: Capital Measure (Tier 1 Capital) to 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." Source: BCBS press release on Basel III Leverage Ratio Framework and Disclosure Requirements, 12 January 2014.
[58] Include liquid asset ratio, liquid assets to deposit ratio, net loans to deposit ratio, LCR, MLR, NSFR and intraday liquidity, among others.
[59] Ratio of liquid assets to total assets.
As compared with ASEAN counterparts (latest available data): Indonesia (Q4 2022: 18.3 percent), Malaysia (Q1 2022: 22.8 percent), Thailand (Q3 2022: 19.5 percent), and Vietnam (Q2 2022: 11.2 percent). Source: IMF FSIs – Data and Metadata Tables.
[60] 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.

banking system stood at 40.5 percent and 52.6 percent, respectively, both declining from the 42.1 percent and the 54.0 percent in 2021 (Figure 20).

The BSP likewise uses liquidity coverage ratio (LCR), minimum liquidity ratio (MLR) and net stable funding ratio (NSFR) in monitoring liquidity of the banking system.[61] These liquidity ratios are generally patterned after the Basel standards. Similarly, the BSP rolled out the report on intraday liquidity for UKBs and their subsidiary TBs/quasi-banks in April 2022.[62]

Figure 21.
LCR of UKBs (Solo)
As of End-Periods Indicated, Ratio in %



Source: DSA *p preliminary*

In 2022, the LCR of U/KBs on a solo and consolidated bases stood at 185.7 percent and 185.4 percent, respectively, lower than the 200.9 percent and the 200.6 percent recorded in 2021 but remained significantly higher than the 100 percent minimum threshold[63] (Figure 21). Since the LCR was implemented in 2018, covered banks consistently surpassed the regulatory minimum, indicating high levels of high-quality liquid assets and the industry's resilience to potential short-term liquidity disruptions even during crisis. For smaller banks[64], the MLR of stand-alone TBs, RBs, and CBs were favorably high at 29.9 percent, 63.7 percent, and 44.4 percent, respectively, on solo basis, surpassing the 16 percent minimum requirement[65] as of the same reference period. These stand-alone banks' MLR in 2021 was 37.0 percent, 62.1 percent, and 41.5 percent, respectively.

Meanwhile, the NFSR of UKBs in 2022 reached 137.4 percent and 138.1 percent on a solo and consolidated bases, respectively, albeit lower than the 143.4 percent and the 145.1 percent posted in 2021 but well-above the minimum regulatory requirement of 100 percent.

Another indicator to monitor liquidity is the ratio of deposits to net loans[66]. This ratio stood at 144.9 percent in 2022, declining from the 147.3 percent in 2021 but remaining well-above the 100 percent mark. This denotes banks' more than one-to-one correspondence between deposits (source of funds) and loans (use of funds).

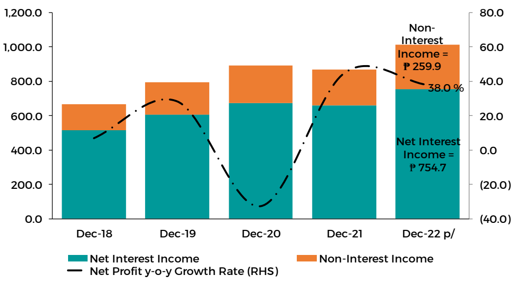
PROFITABLE OPERATIONS, SUPPORTED BY STRONG INTEREST INCOME AND WELL-MANAGED OPERATING EXPENSES

Banks sustained their double-digit growth in net profit, growing by 38.0 percent to ₱310.1 billion in 2022, although slower than the 44.8 percent growth in 2021 (Figure 22). The improvement was due mainly to the 17.3 percent growth in total interest income to ₱911.7 billion and the 281.7 percent growth in other income to ₱90.2 billion. Most of the interest income was from lending to private corporations and households[67] and investment in securities[68], denoting that core activities continued to drive the bank's operations.

[61] Circular No. 1034 dated 15 March 2019, and Circular No. 1035 dated 15 March 2019.
[62] The Report, which covered the month of January 2022 onwards, aims to appropriately monitor the intraday liquidity position of supervised entities, their sources of intraday liquidity, and their ability to meet payment and settlement obligations on a timely basis under both normal and stressed conditions. Based on Circular No. 1064 dated 03 December 2019
[63] Under existing BSP rules and regulations, the minimum LCR requirement for UKBs was 90 percent beginning 01 January 2018 and 100 percent from 01 January 2019 onwards.
[64] 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.
[65] The reduced MLR of 16 percent was in effect until end-December 2022.
[66] Net loans refer to total loans excluding interbank loan receivables. This also represents the core loans of the banking system.
[67] Bulk of the Interest income were earned from loans to private corporations and individuals for consumption purposes with shares of 36.9 percent (₱336.7 billion) and 16.3 percent (₱148.7 billion), respectively.
[68] Interest income from debt securities measured at amortized cost accounted for 14.2 percent (₱129.1 billion) of total interest income (₱911.7 billion).

Amid the policy normalization, total interest expense increased by 36.0 percent to ₱156.5 billion driven by the movement in banks' deposit mix, particularly TD outpacing the growth of savings deposits which translated to higher interest expense. As such, funding cost inched up to 0.9 percent in 2022 from the 0.7 percent in 2021. Notwithstanding this, net interest margin rose to 3.6 percent in 2022, better than the 3.5 percent in 2021 as rate hike boosted banks' interest income.

Figure 22.
Sources of Net Income
As of End-Periods Indicated; In Billion ₱ and Growth Rate in %



Source: DSA *p/ preliminary*

Non-core income likewise contributed to the overall performance, rising by 25.2 percent to ₱259.9 billion, a reversal from the 5.3 percent contraction in 2021. The growth was driven by other income and fees and commissions, increasing by 281.7 percent and 15.0 percent, respectively. Total trading income also rose by 70.5 percent to ₱16.5 billion, comprised of ₱9.7 billion realized gains from foreign exchange (FX) transactions and ₱9.6 billion from sales and/or redemption of trading securities, offsetting the ₱2.9 billion unrealized mark-to-market losses incurred on trading portfolio. On aggregate, banks were able to manage their trading portfolios as they shifted investment mix amidst movements in interest and FX rates to protect profits.

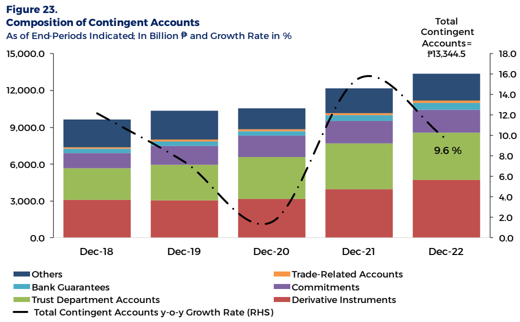
As banks upgraded technology, developed personnel, and incurred higher administrative costs in 2022, total operating expenses increased by 9.8 percent to ₱562.4 billion, higher than the 4.2 percent growth in 2021. The increase in costs however was outpaced by the growth in total operating income, bringing the cost-to-income (CTI) ratio down to 55.2 percent which was better than the 58.7 percent in 2021. The CTI ratio, which measures efficiency in banking operations, has been maintained below 65 percent even prior to the pandemic.

Other measures of bank profitability like return on equity (RoE) and return on Asset (RoA) also improved, rising to 11.7 percent and 1.4 percent, respectively, from the 9.0 percent and 1.1 percent in 2021.[69] The improvement in RoE and RoA may be attributed to improving loan quality and banks' efficient management of operating expenses.

MODEST LEVEL OF CONTINGENT ACCOUNTS SUSTAINED

Total off-balance sheet assets[70] grew by 9.6 percent to ₱13,344.5 billion in 2022, decelerating from the 15.6 percent growth in 2021 (Figure 23). The expansion was driven by increase in derivative instruments, trust department accounts and bank guarantees, which grew by 18.5 percent (up by ₱735.4 billion), 3.9 percent (up by ₱144.1 billion), and 21.0 percent (up by ₱97.7 billion), respectively. Collectively, these accounts comprised majority of the banking system's total contingent assets, holding around 68.4 percent (₱9,134.3 billion).

Figure 23.
Composition of Contingent Accounts
As of End-Periods Indicated; In Billion ₱ and Growth Rate in %



Source: DSA *p/ preliminary*

By composition, derivative instruments held the largest share at 35.3 percent share (₱4,715.3 billion), followed by trust department accounts, others[71] and commitments with

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

[70] Accounted for around 57.9 percent share (₱13,344.5 billion) of total assets in 2022, declining from the 58.4 percent share (₱12,171.3 billion) in 2021.

[71] Comprised largely of securities held under custodianship by bank proper at 13.9 percent share (₱1,857.7 billion, up by 7.8 percent) of total contingent assets in 2022.

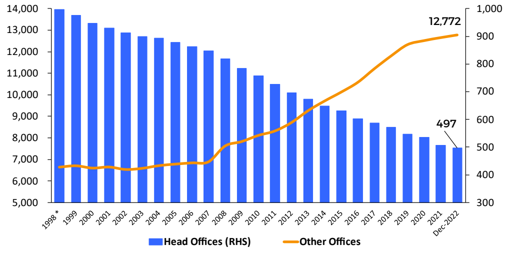
shares of 28.9 percent (₱3,856.2 billion), 16.2 percent (₱2,167.6 billion) and 13.9 percent (₱1,853.2 billion), respectively. Bank guarantees and trade-related accounts remained minimal with share of 4.2 percent (₱562.8 billion) and 1.4 percent (₱189.5 billion), respectively. Further discussion of recent trends in the trust industry is provided in a separate section of this report.

BANKS' NET OPEN FX POSITION REMAINED MANAGEABLE

The BSP also monitors the ratio of net FX position to bank's capital. In 2022, the net FX position to regulatory capital of domestic UKBs remained low at 2.0 percent (overbought position). Although the ratio went up from 1.2 percent in 2021, the ratio continued to be manageable, shielding the industry from adverse impact in case of volatility in the FX market. The low ratio may also denote that banks' FX position is primarily used to serve clients' FX requirements.

LEANER AND STRONGER NETWORK, SUPPORTIVE OF BANK OPERATIONS

Figure 24.
Total Banking Units



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

Source: BSP

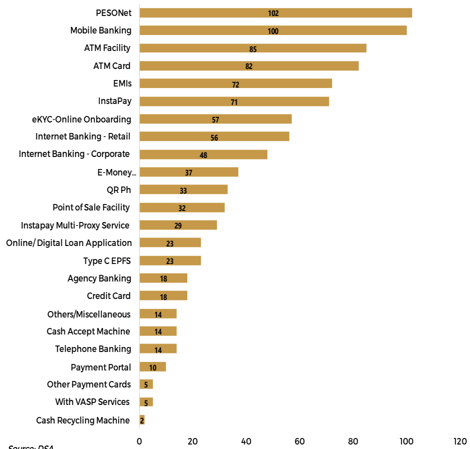
In line with BSP's mandate to maintain a stable and resilient financial system, the BSP continues to provide an enabling policy enviroment for mergers, consolidations and acquisitons in the industry. In 2022, total number of bank head offices declined to 497[72] from 506 in 2021 in view of merger, voluntary surrender of bank license and closure of some banks. Nonetheless, the total number of branches and branch-lite units (collectively referred to as other offices) increased to 12,772 from 12,648 in 2021 (Figure 24). This resulted in the establishment of additional touchpoints to deliver financial products and services to unserved and underserved population of the country.

Across banking groups, UKBs held the largest number of other offices at 7,148 (up from 6,992) while TBs and RCBS each have 2,549 (down from 2,691) and 3,075 (up from 2,965), respectively. As to number of head offices, RCBs constituted the majority at 403 (down from 413), distantly followed by UKBs at 44[73] (down from 45), TBs at 43 (down from 47), digital banks at six (6), and Islamic bank at one (1).

Meanwhile, as to geographical distribution, bank offices[74] remained heavily concentrated in Luzon particularly in NCR (28.8 percent share, 3,803 offices), CALABARZON (14.4 percent, 1,906 offices), and Central Luzon (10.4 percent, 1,371 offices). By contrast, the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) had the smallest number of offices at 39 (0.3 percent share).

Amid the development in the financial ecosystem in the country, banks continued to invest in fintech and other technological innovations to adapt and remain competitive. Based on latest data as of end-September 2022, the use of automated teller machines or ATMs (ATM card and facility) remained the leading electronic facility used by majority of supervised entities (167 users), followed by PESOnet (102 users), mobile banking (100 users), and electronic money issuers (EMIs, 72 users), along with InstaPay (71 users) (Figure 25).

Figure 25.
Electronic Payment and and Financial Services (EPFS)
As of End-September 2022



Source: DSA

[72] Includes six (6) digital banks.
[73] Exclusive of 1 Islamic Bank. Meanwhile, the decline in UKB was due to a merger of 2 UBs.
[74] There were 13,215 bank offices nationwide and 54 bank office overseas in 2022.

Developments on the Implementation of the New Agri-Agra and Rural Financing Law

Box Article 1

The Bangko Sentral ng Pilipinas (BSP) supported the passage of Republic Act (RA) No. 11901 or "The Agriculture, Fisheries and Rural Development Financing Enhancement Act of 2022" which provides a broader and more comprehensive financing framework for the development of the agriculture and fisheries sector, and the rural communities. The law became effective on 18 August 2022.

As required under the law, the BSP, in consultation with the industry, relevant agencies and stakeholders, has issued the implementing rules and regulations (IRR) of the mandatory agriculture, fisheries and rural development (AFRD) financing requirement as provided under Circular No. 1159 dated 04 November 2022.

The key enhancements in the new law and its IRR include the expansion of the scope of rural community beneficiaries and the activities for AFRD financing, introduction of new modes of compliance and the removal of the distinction on the credit allocation of 15 percent to agriculture and 10 percent to agrarian reform beneficiaries.

In view of the significant enhancements, the BSP will issue a revised reporting template on the compliance with the AFRD financing requirement. The enhanced AFRD report will provide the BSP with relevant data in monitoring banks' compliance with the mandatory credit requirement and in the imposition of applicable penalties to be collected and remitted to the implementing agencies as prescribed under the law.

The BSP is currently finalizing the circular amending the earlier issued IRR which includes, among others, the proposed reporting template, and the extension of the timeline of submission of the said report. This will provide banks with sufficient time to make the necessary adjustments in their systems to comply with the new provisions under the law and its IRR.

Coordination efforts among other implementing agencies are likewise ongoing to operationalize other provisions of the law, particularly on the development of the implementing guidelines on the utilization of penalties, capacity building programs, and the review framework of the Agricultural Credit Policy Council (ACPC).

Overall, the BSP remains committed to the effective implementation of the new law that enhances the access of the agriculture and fisheries sector, and the rural communities to financial services and programs which will strengthen agricultural productivity and support inclusive growth and development of the rural areas.

FOREIGN BANK BRANCHES AND SUBSIDIARIES

OVERVIEW

Foreign banks sustained their strong financial performance amid global uncertainties, inflationary pressures, and policy normalization. Total assets, net income, and capital continued to grow while loan quality further improved as evident in the easing of their non-performing loans. Importantly, capital standards remained sufficient to absorb potential losses and withstand shocks.

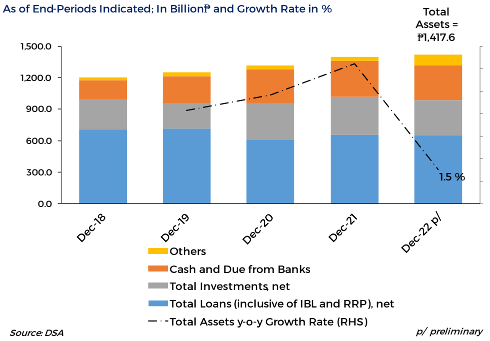
Assets	Investments	Loans	Deposits	Net Profit	Capital
₱1,417.6 billion	₱339.8 billion	₱660.2 billion	₱874.5 billion	₱41.8 billion	₱261.3 billion
		NPL and NPL Coverage Ratio			CAR*
		1.3%			29.0%
		149.0%			

*Based on end-September 2022

ASSET GROWTH SLOWED DOWN, DUE TO CONTRACTION IN INVESTMENTS AND LENDING ACTIVITIES

Total assets of foreign bank branches (FBBs) and foreign bank subsidiaries, which accounted for 6.2 percent of the Philippine banking system's total resources, grew at a slower pace in 2022, increasing by 1.5 percent year-on-year[1] (y-o-y) to ₱1,417.6 billion from the 6.2 percent growth in 2021. The decelerated growth was mainly due to decline in growth of investments and reverse repurchase (repo) transactions of these banks.[2]

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



Source: DSA
p/ preliminary

Foreign banks in the country, however, continued to support the financial requirements of their clients. In terms of asset mix (Figure 1), loans[3] continued to hold the largest share at 45.7 percent (₱647.9 billion). Investments in securities and cash and due from banks followed with a share of 23.6 percent (₱335.0 billion) and 23.4 percent (₱331.3 billion), respectively. Collectively, these accounts comprised around 92.7 percent (₱1,314.2 billion) of the total assets of FBBs and foreign bank subsidiaries.

In 2022, loans[4] posted minimal growth of 0.6 percent rising by ₱3.0 billion to ₱511.6 billion. This growth was lower than the 4.4 percent recorded in 2021. By contrast, interbank loans receivable (IBL), while modest in terms of share to total loans, substantially expanded by 27.7 percent to ₱29.1 billion, reversing the 2.7 percent contraction in 2021. As to loan quality, the gross non-performing loan (NPL) ratio[5] of FBBs and foreign bank subsidiaries eased to 1.3 percent, better than the 1.8 percent in 2021. The improvement was due to the substantial decline in NPLs by 31.6 percent (down by ₱3.8 billion) to ₱8.3 billion. Alongside the easing of NPL ratio, FBBs and foreign bank subsidiaries maintained ample provisions to cover for potential credit losses. NPL coverage ratio stood at 149.0 percent in 2022, higher than the 134.8 percent in 2021.

Meanwhile, investment in securities contracted by 6.3 percent to ₱339.8 billion, a reversal of the 5.0 percent growth in 2021. These investments were comprised of securities measured at fair value through other comprehensive income (FVOCI, 59.3 percent share), securities measured at amortized cost (22.4 percent share) and securities measured at fair value through profit or loss (FVTPL, 18.3 percent share). Both securities measured at FVTPL and FVOCI contracted by 38.5 percent (to ₱62.1 billion) and 0.1 percent (to ₱201.6 billion), respectively, in 2022. By contrast, securities measured at amortized cost rose by 27.3 percent to ₱76.1 billion.

In 2022, the total number of head offices stood at 29, comprising of 24 FBBs and five (5) foreign bank subsidiaries, relatively unchanged from 2021 (Table 1). The issuance of the implementing guidelines of Republic Act (R.A.) No. 10641 in November 2014 further contributed to the increase in the number of foreign banks in the country. Since its implementation, 12 foreign bank applications[6] have been approved by BSP through the Monetary Board.

Table 1
FBBs and Subsidiaries Network
As of End-December 2022

	Branch	Subsidiary	Total
By Bank Category			
Universal banks (UBs)	6	2	8
Commercial banks (KBs)	18	3	21
Total	**24**	**5**	**29**
By Mode of Entry			
R.A. No. 337	4	0	4
R.A. No. 7721	10	3	13
R.A. No. 10641	10	2	12
Total	**24**	**5**	**29**

Source: DSA

[1] All discussed growth rates and report period pertain to y-o-y and end-December 2022, unless otherwise stated.
[2] In 2022, reverse repo with BSP and other banks declined by 15.4 percent to ₱119.5 billion from ₱141.2 billion in 2021.
[3] Net of allowance for credit losses. Include IBL and reverse repo agreements.
[4] Gross of allowance for credit losses. Exclude IBL and RRP.
[5] Gross NPL to Total Loans (inclusive of IBL) stood at 1.25 percent while NPL Ratio (exclusive of IBL) was 1.31 percent in 2022, lower than the 1.8 percent and 1.9 percent, respectively, in 2021.
[6] Comprised of approved bank applications from Taiwan (1 TB and 4 KBs), South Korea (2 KBs and 1 TB), Japan (1 KB), Singapore (1 KB), Malaysia (1 KB) and China (1 KB).

The country's sound macroeconomic fundamentals and stable growth prospects continued to attract foreign players, especially in Asia. Most of the foreign banks in the country came from the Asia-Pacific region, particularly from Taiwan and South Korea.[7]

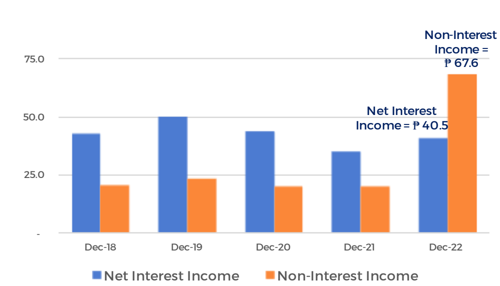
DEPOSITS CONTRACTED DUE TO DECLINE IN PESO-DENOMINATED DEPOSITS

Deposits remained the principal funding source of foreign banks' operations at 75.6 percent of total liabilities. These declined by 1.5 percent to ₱874.5 billion in 2022, a reversal of the 6.6 percent growth in 2021. Notwithstanding this, the deposit structure of foreign banks remained domestic-oriented as most deposits were peso-denominated (₱522.9 billion, 59.8 percent share) and sourced from resident individuals and private corporations(₱803.4 billion, 91.9 percent share. Meanwhile, other sources of funding like bills payable remained minimal, accounting for around 2.7 percent (₱31.7 billion) of the total liabilities. With this funding structure, foreign banks in the country are shielded from external vulnerabilities and are less susceptible to capital flight.

EARNINGS SOARED, DRIVEN BY SUBSTANTIAL GROWTH IN OTHER INCOME

Net profit jumped to ₱41.8 billion in 2022, increasing by 515.8 percent from the ₱6.8 billion recorded in 2021. This increase was largely due to the recognition of one-time growth in other income[8] in 2022.

Figure 2.
Total Operating Income
As of Year-Ended Indicated; ; In Billion ₱



Source: DSA *p/ preliminary*

Interest income from lending and investing activities also continued to increase by 25.5 percent in 2022, although lower than the 92.9 percent expansion in interest expenses amid policy normalization. Net interest income rose by 17.2 percent to ₱40.5 billion in 2022, a reversal of the 20.5 percent contraction in 2021. This improvement, likewise, generated higher spread as net interest margin of the industry increased to 3.0 percent in 2022 from 2.6 percent in 2021. Meanwhile, non-interest income soared by 240.6 percent to ₱67.6 billion, significantly above the 0.5 percent growth in 2021 (Figure 2).

The strong key profitability indicators in 2022 may partly be attributed to the one-time gain recorded under other income. Cost-to-income ratio was 45.6 percent, better than the 79.1 percent in 2021. Similarly, return on assets and return on equity registered higher ratios at 3.0 percent and 16.9 percent, respectively, when compared to the 0.5 percent and the 2.9 percent recorded in 2021.

The results of the 2022 Survey on the Effects of Foreign Bank Entry into the Philippine Banking System disclosed that foreign banks' operations continued to support the growth of the Philippine economy by, among others, facilitating the entry of foreign investments in the country (Annex 2).

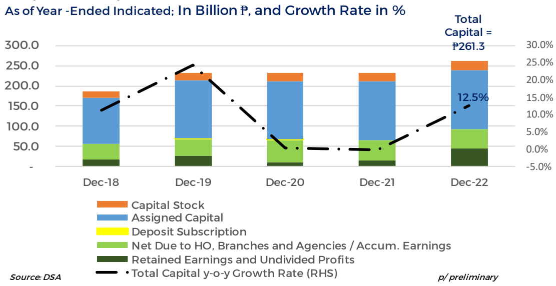
[7] Around 73.3 percent came from Asia-Pacific region, while the remaining 16.7 percent and 10.0 percent were from Europe and America, respectively.
[8] Pertains to gain from sale of consumer banking business of a foreign bank to a UB. Other income of foreign banks reached ₱46.2 billion in 2022 from ₱2.1 billion in 2021.

ADEQUATE CAPITAL SUSTAINED

Total capital increased by 12.5 percent to ₱261.3 billion (Figure 3), reversing the 0.3 percent contraction in 2021. The strong capital position was on account of higher retained earnings and undivided profits, rising by 380.5 percent to ₱50.0 billion in 2022.

Total assigned capital[9] comprised most of the total capital, accounting for 56.3 percent share (₱147.0 billion) in 2022, albeit lower than the 62.8 percent share in 2021 (Figure 3).

Figure 3.
Composition of Capital
As of Year -Ended Indicated; In Billion ₱, and Growth Rate in %



Source: DSA *p/ preliminary*

Similarly, both capital adequacy ratio (CAR) and common equity tier 1 ratio of the industry, on a solo basis, stood at 29.0 percent and 28.2 percent, respectively, as of end-September 2022. These ratios continued to be substantially higher than the minimum thresholds set by the BSP at 10 percent and by the Bank for International Settlements at 8 percent. Importantly, the high capital ratios indicate foreign banks' capability to withstand shocks to their balance sheet.

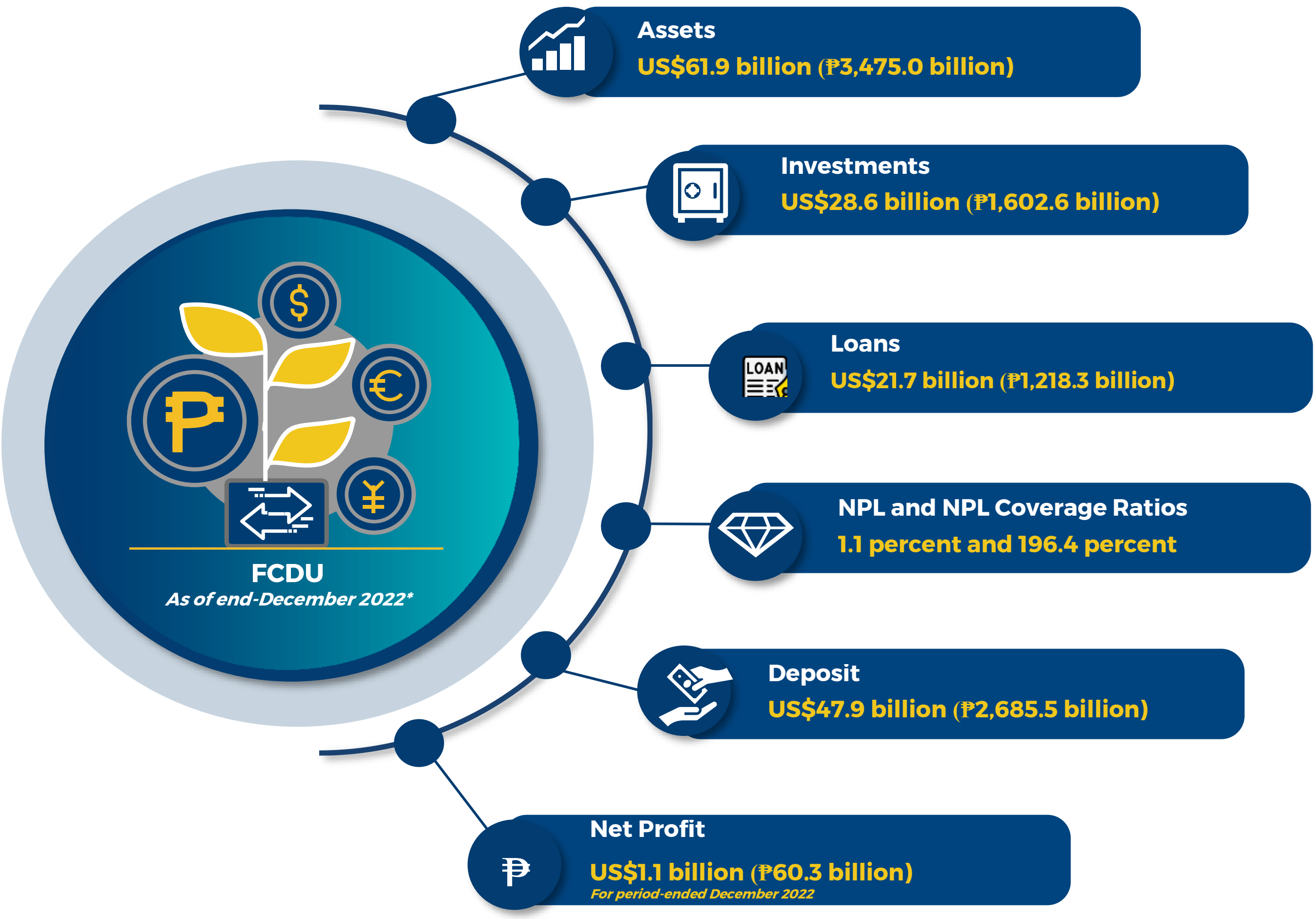
[9] Refers to the capital permanently assigned by a foreign bank to its branches operating in the Philippines pursuant to Section 4 of Republic Act No. 7721 (An Act Liberalizing the Entry and Scope of Operations of Foreign Banks in the Philippines and For Other Purposes).

FOREIGN CURRENCY DEPOSIT UNIT OPERATIONS

OVERVIEW

Total assets of banks' foreign currency deposit units (FCDUs) expanded. Loans and investments, which comprised mainly of total assets, likewise grew following the economic recovery and improvement in credit activity in the country. This asset expansion was largely funded by resident deposits, driven by strong remittance and investment inflows.

Moreover, the improvement in asset quality through easing of non-performing loans (NPLs) as well as efficient operations translated to higher profitability indicators than that reported in the previous year.

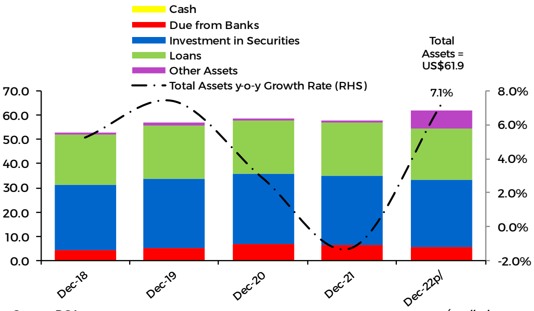


Based on closing rate of ₱56.120 as of 29 December 2022

ASSETS EXPANDED, DRIVEN BY LOANS TO REGULAR BANKING UNIT

Total assets[1], which accounted for 15.1 percent of the Philippine banking system's total resources, grew by 7.1 percent year-on-year (y-o-y)[2] to US$61.9 billion (₱3,475.0 billion), reversing the 1.2 percent contraction in the same period last year and exceeding the 6.6 percent average growth rate prior to the pandemic.[3] Both loans and investments grew by 4.8 percent (to US$17.2 billion) and 0.9 percent (to US$28.6 billion), respectively, as of the same period. Banks also took advantage of regulatory flexibility which gives banks the option to use excess funds in the FCDU to support lending/funding requirements of the regular banking unit (RBU). Loans to RBU[4], which is reported under other assets increased substantially by 1,791.3 percent to US$6.6 billion from US$0.4 billion in 2021.

Figure 1.
Asset Mix
As of End-Periods Indicated; In Billion US$ and Growth Rate in %



Source: DSA *p/ preliminary*

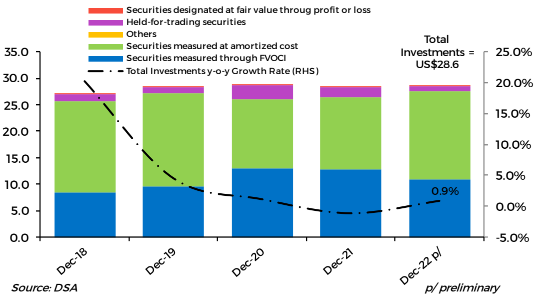
In terms of asset mix, investment in securities[5] and loans[6] continued to account for majority of the assets with share of around 44.6 percent (US$27.6 billion) and 34.5 percent (US$21.4 billion), respectively (Figure 1). This was followed by other assets with 11.9 percent share (US$7.4 billion), and cash and due from banks with 9.0 percent share (US$5.6 billion). The strong growth of other assets, particularly loans to RBU, in 2022 translated to a double-digit share to total assets vis-à-vis the minimal 1.7 percent share (US$970.0 million) in 2021. By contrast, the 14.8 percent decline in cash and due from banks in 2022 signal increased FCDU lending and investment activities.

A streamlined but stronger network supported the asset expansion. As of end-2022, there were 76 banks with FCDU/Expanded FCDU (EFCDU) licenses, a drop from the 77 banks in 2021 due to the merger of two domestic banks with EFCDU license. Across banking groups, universal and commercial banks held the largest number of FCDU/EFCDU licenses at 45 (3 FCDU and 42 EFCDU). Meanwhile, thrift banks, and rural and cooperative banks each have 21 and 10 FCDU licenses, respectively, as of the same reference period.

DOUBLE-DIGIT GROWTH IN INVESTMENT IN SECURITIES MEASURED AT AMORTIZED COST WAS OFFSET BY THE SHARP DECLINE IN OTHER TYPES OF INVESTMENT PORTFOLIOS

Gross investment in securities inched up by 0.9 percent y-o-y to US$28.6 billion (₱1,602.6 billion) in 2022, reversing the 1.1 percent contraction in 2021 (Figure 2).[7] This investment growth was due to double-digit increase in securities measured at amortized cost. Securities measured at amortized cost increased by 21.9 percent to US$16.6 billion (₱933.3 billion) and held the largest portion of total investments at around 58.2 percent share. All other types of investment in securities declined. Investment in securities measured at fair value through other comprehensive income (FVOCI) with 38.0 percent share dropped sharply by 14.9 percent to US$10.8 billion (₱608.5 billion), larger than the 1.5 percent decline in 2021.

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



Source: DSA *p/ preliminary*

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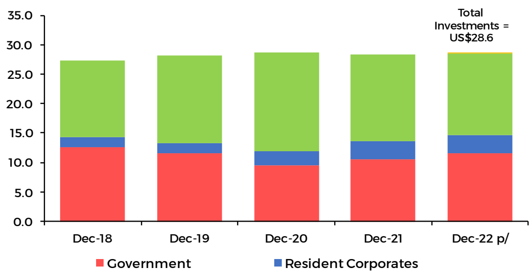
[1] Net of due from head office, branches, and agencies as well as due from FCDU and regular banking unit (RBU).
[2] All discussed growth rates and report period pertain to y-o-y and end-December 2022, unless otherwise stated.
[3] Pre-pandemic compounded annual growth rate (CAGR) is computed using end-December 2015 to end-December 2019 data.
[4] Refer to FCDU/EFCDU funds lent to RBU solely for the purpose of funding RBU's net fund outflow on its on-balance sheet foreign exchange transactions, as allowed under existing regulations.
[5] Net of allowance for credit losses and accumulated market gains or losses. Investment in debt securities accounted for the largest share of the total investments at around 99.4 percent or US$28.4 billion (₱1,593.5 billion).
[6] Net of allowance for credit losses. Inclusive of Interbank Loans Receivables (IBL) and loans to the BSP.
[7] Under the Financial Reporting Standards (PFRS) 9. Financial assets measured at FVOCI, and financial assets measured at amortized cost were previously classified as available-for-sale (AFS) and held-to-maturity (HTM) securities, respectively.

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



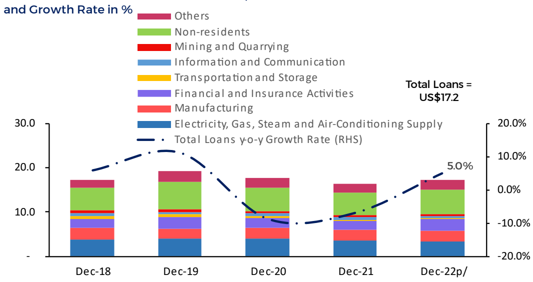
Source: DSA *p/ preliminary*

Since 2021, the share of securities measured at amortized cost has been gradually increasing vis-à-vis investment in securities measured through FVOCI. The observed shift in investment mix may be attributed to rebalancing strategy of banks to manage the impact of mark-to-market losses arising from market volatilities.

By counterparty, majority of investments in securities was issued by non-residents[8] and National Government (NG) at 48.7 percent share or US$13.9 billion (₱780.3 billion) and 37.2 percent share or U$10.6 billion (₱595.4 billion), respectively (Figure 3) as of end-December 2022.[9] In 2022, banks expanded their investments in issuances of the NG which grew by 12.4 percent.[10]

LENDING CONTINUED AND REMAINED BROAD-BASED ACROSS PRODUCTIVE SECTORS

Figure 4.
Industry Recipients of Loans*
As of End-Periods Indicated, In Billion US$
and Growth Rate in %



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

Gross total loans[11] rose by 5.0 percent to US$17.2 billion (₱967.7 billion) in 2022 following the double-digit increase in loans to non-residents (up by 10.2 percent to US$5.5 billion) and financial and insurance activities (up by 35.3 percent to US$2.8 billion). The loan expansion may be attributed to efforts of banks to take advantage of credit opportunities outside the country and in the domestic financial sector.

Lending remained diversified and continued to support key economic activities in the country (Figure 4).[12] In 2022, almost half or around 49.3 percent (US$8.5 billion, ₱477.5 billion) of total loans to residents went to electricity, gas, steam, and air-conditioning supply industry (19.0 percent share or US$3.3 billion), financial and insurance activities (16.1 percent or US$2.8 billion), and manufacturing industry (14.2 percent or US$2.5 billion). Notably, loans to non-residents remained significant, accounting for around 32.2 percent and growing by 10.2 percent y-o-y to US$5.5 billion (₱311.1 billion), an improvement from the 3.7 percent contraction in 2021.

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[8] Non-resident issuers of securities held by banks in their FCDU were comprised of central banks and central governments (58.5 percent share, US$8.1 billion), non-financial corporations (29.0 percent share, US$4.0 billion), banks (9.7 percent share, US$1.3 billion), public sector entities (2.6 percent share, US$364.9 million), and multilateral agencies (0.2 percent share, US$30.3 million).
By type of investment, securities measured at amortized cost accounted for 53.3 percent (US$7.4 billion) while investment in securities measured at FVOCI made up 40.9 percent (US$5.7 billion) of the total securities issued by non-residents.

[9] Government issuers were comprised of the NG (91.1 percent share, US$10.6 billion), government owned and controlled corporations (8.0 percent share, US$930.2 million), and BSP (0.9 percent share, US$109.3 million).

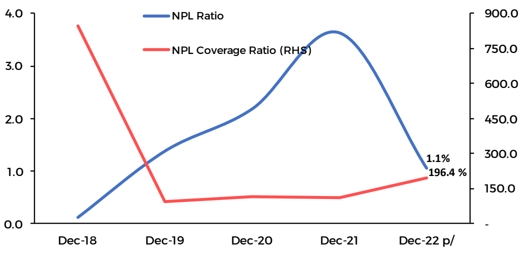
[10] Investments in issuances of non-residents contracted by 5.8 percent as of end-December 2022. Meanwhile, investment in securities issued by resident private corporations (composed of banks and non-banks) remained modest, holding around 10.5 percent share as of end-December 2022. Said securities declined by 0.7 percent to US$3.0 billion (₱168.4 billion) as of the same period.

[11] Excludes IBL and loans to BSP.

[12] Refers to loans and receivable-others and loans and receivables arising from repurchase agreements, certificates of assignment/participation with recourse, and securities lending and borrowing transactions.

ASSET QUALITY REMAINED SATISFACTORY WITH ADEQUATE LOSS BUFFER

Figure 5.
Loan Quality: NPL and NPL Coverage Ratios
As of End-Period Indicated; Ratio in %

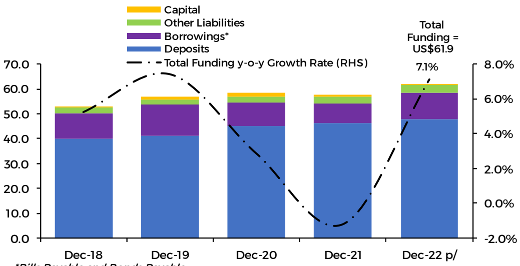


Source: DSA *p/ preliminary*

Loan quality continued to improve as the non-performing loan (NPL) ratio eased to 1.1 percent in 2022, relatively better than the 3.6 percent in 2021 (Figure 5). The improvement was due to significant decrease in total NPLs by 69.5 percent or US$0.4 billion (₱23.3 billion), a reversal from the 55.1 growth in the previous year. The recovery of the economy contributed to the improvement in the overall quality of loans particularly those extended to manufacturing, and transportation and storage sectors and non-residents. These sectors' NPLs went down by 81.6 percent (by US$223.3 million), 100.0 percent (by US$153.1 million) and 96.2 percent (by US$136.6 million), respectively. By economic activity, non-performing loans to agriculture, forestry and fishing sector had the biggest share to total NPLs at 47.7 percent (US$86.8 million), followed by manufacturing and wholesale and retail trade with share at 27.6 percent (US$50.2 million) and 10.1 percent (US$18.4 million), respectively. Moreover, the easing of NPLs was matched with adequate provisioning as NPL coverage ratio stood at 196.4 percent as of the same reference period, relatively higher than the 109.9 percent in 2021.

DEPOSITS GREW DUE TO STEADY REMITTANCE AND INVESTMENT INFLOWS

Figure 6.
Funding Sources
As of End-Periods Indicated; In Billion US$ and Growth Rate in %



**Bills Payable and Bonds Payable*
Source: DSA *p/ preliminary*

Deposits continued to expand, growing by 3.8 percent to US$47.9 billion (₱2,685.5 billion) from the 2.3 percent in 2021.[13] The growth was due to steady inflows from overseas Filipino remittances[14] and foreign investments.[15] In terms of deposit mix, the majority of deposits was held by residents (97.2 percent share or US$46.5 billion) thus, shielding the industry from possible funding withdrawals by common lenders in the global financial markets.

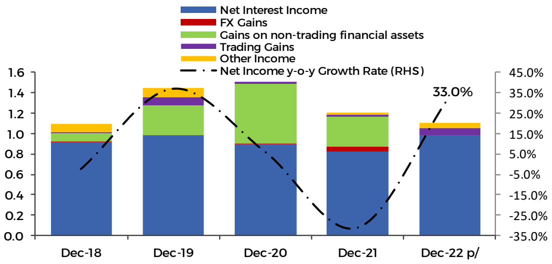
Other sources of funding like bills payable and bonds payable remained modest with share to total liabilities of 9.2 percent (up by 76.1 percent to US$5.7 billion) and 8.1 percent (up by 1.7 percent to US$5.0 billion), respectively. Other liabilities[16] went up by 17.5 percent to US$3.1 billion (₱171.4 billion) following the US$0.6 billion (₱31.5 billion) y-o-y increase in net due to FCDU/RBU corresponding to the amount of eligible foreign currency assets transferred from the RBU book to the FCDU/EFCDU book representing "Net Realized/Unrealized Losses Recognized in Profit or Loss and in Equity" in the FCDU/EFCDU book. Capital which stood at US$0.4 billion (₱21.7 billion) dropped by 61.5 percent owing largely to net unrealized losses on investment in securities measured at FVOCI (Figure 6).

[13] Deposits recorded a pre-pandemic CAGR of 6.1 percent.
[14] The full-year 2022 personal remittances reached US$36.1 billion, up by 3.6 percent from the US$34.9 billion remittance flows in 2021. Of the personal remittances from OFs, cash remittances coursed through banks grew by 5.8 percent to US$3.2 billion in December 2022, from US$3.0 billion registered in the same month in 2021. Source: BSP Press Release dated 15 February 2023.
[15] Foreign investments registered with the BSP, through Authorized Agent Banks (AABs) yielded net inflows of US$887.0 million from January to December 2022, a turnaround from the US$574.0 million net outflows noted for the same period last year. Source: BSP Press Release dated 26 January 2022
[16] The total other liabilities refer to the sum of other liabilities, net due to head offices, branches, and agencies and net due to FCDU/RBU, due to other banks, and financial liabilities HFT and financial liabilities DFVPL.

OPERATIONS SUSTAINED POSITIVE BOTTOMLINE

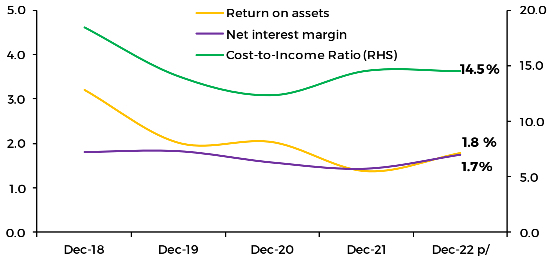
Net profit rose by 33.0 percent to US$1.1 billion (₱60.3 billion) in 2022, reversing the 31.4 percent contraction in 2021 (Figure 7).[17] The satisfactory performance was driven mainly by the double-digit increase in interest income from lending and investing activities (up by 28.1 percent to US$1.5 billion) and supplemented by non-interest income particularly from account collections/recovery (up by 3,226.5 percent to US$162.7 million), fees and commissions (up by 15.4 percent to US$87.4 million), trading gains on investment in securities (up by 203.1 percent to US$68.2 million), and other income (up by 307.8 percent to US$59.5 million). Lower write-offs and provision for the period also improved the FCDU's overall performance.

Figure 7.
Income Accounts
As of End-Periods Indicated; In Billion US$ and Growth Rate in %



Source: DSA *p/ preliminary*

Figure 8.
Profitability Ratios
As of End-Period Indicated; Ratio in %



Source: DSA *p/ preliminary*

The profitable operations translated to strong performance indicators. For 2022, the net interest margin improved to 1.7 percent, higher than the 1.4 percent in 2021 and an indication of good operating margin. A healthy return on assets can also be seen as it improved to 1.8 percent from the 1.4 percent in 2021. Cost-to-income ratio disclosed a relatively stable trend at 14.5 percent, the same ratio from the previous year (Figure 8).

[17] Net income recorded a pre-pandemic CAGR of 10.1 percent.

TRUST OPERATIONS

OVERVIEW

Total assets of the trust industry continued to be domestic-oriented, growing at a slower pace. The decline in total assets was due to drop in discretionary funds particularly unit investment trust funds or UITFs amidst market volatility and clients' preference towards higher yielding investments. Asset mix remained heavy on investments in debt securities and deposits in banks. In terms of total accountabilities, agency accounts sustained double-digit growth and countered the contraction in trust accounts particularly from UITFs. Meanwhile, Personal Equity and Retirement Account continued to draw new participants and generate additional contributions although slowing down vis-à-vis the previous year's performance.

Overall, operations continued to be profitable albeit on a declining trend due to higher operating expenses, outpacing the growth in total trust income.

Assets
₱5,345.9 billion

Investments in Securities
₱3,534.1 billion

Agency Accounts
₱2,708.6 billion

Trust Accounts
₱2,043.4 billion

UITFs
₱955.1 billion

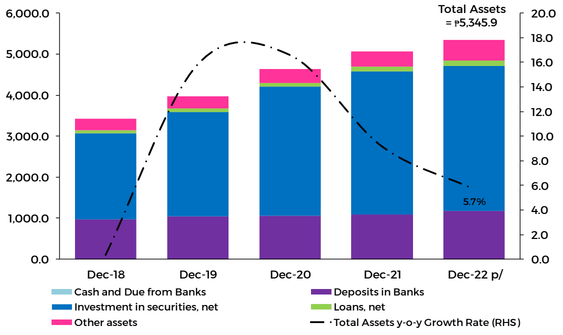
PERA
₱329.5 million
5,100 Contributors

Net Income
₱7.2 billion
For period-ended December 2022

As of End-December 2022

ASSETS SLOWED DOWN AMID MARKET VOLATILITY

Figure 1.
Asset Composition
As of End-Periods Indicated; In Billion ₱



Source: DSA

p/ preliminary

Total assets[1], which accounted for 23.2 percent of the Philippine banking system's total resources, grew by 5.7 percent year-on-year (y-o-y)[2] to ₱5,345.9 billion in 2022 (Figure 1). Following the decline in discretionary funds particularly UITF accounts, growth in trust assets slowed in 2022 from 9.2 percent in 2021. The lingering uncertainty in the global markets and investors' preference for liquidity preservation and maximization of profits through guaranteed returns caused the decline in UITF.

Notwithstanding this, the industry is optimistic considering the untapped opportunities available in the market. Digitalization initiatives including application of deep learning and artificial intelligence in trust operations, and the growing interest in new instruments by trust clients such as real estate investment trusts (REITs) are expected to improve the growth momentum of the trust industry.[3]

Investments in securities[4] and deposits in banks continued to account for majority of the industry's total assets with share of around 66.1 percent (₱3,534.1 billion) and 22.1 percent (₱1,181.0 billion), respectively (Figure 1). These assets rose by 2.8 percent (down from 11.8 percent in 2021)[5] and 8.7 percent (up from 2.6 percent in 2021), respectively. The industry maintained liquid assets consisting of highly marketable securities and due from banks which stood at ₱3,560.1 billion or around 66.6 percent of the total assets and trust accountabilities. Meanwhile, other assets held around 9.4 percent share and increased by 37.6 percent to ₱502.4 billion. Loans remained minimal, comprising about 2.4 percent share and grew by 15.0 percent to ₱127.8 billion as of the same reference period.[6]

In terms of network, there were 32 trust entities with active trust operations[7] in the country consisting of 24 trust departments[8] (TDs) of banks and eight (8) non-bank financial institutions[9] (NBFIs). TDs of banks held the larger portion of the industry's total assets with 72.1 percent share (₱3,856.2 billion).[10] The remaining 27.9 percent was held by NBFIs particularly trust corporations (TCs) and investment houses (IHs) with share of 26.4 percent (₱1,411.4 billion) and 1.5 percent (₱78.3 billion), respectively.

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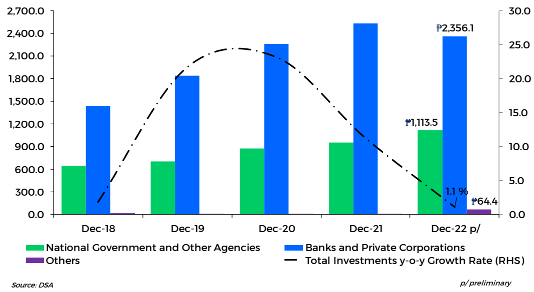
[1] Assets recorded a pre-pandemic compounded annual growth rate (CAGR) of 10.4 percent. CAGR is computed using end-December 2015 to end-December 2019 data.
[2] All discussed growth rates and report period pertain to y-o-y and end-December 2022, unless otherwise stated.
[3] Source: Trust Officers Association of the Philippines (TOAP) and Fund Managers Association of the Philippines (FMAP)
[4] Net of amortization and allowance for credit losses, as applicable. Includes equity investments,
[5] Gross of amortization and allowance for credit losses. Includes equity investments,
[6] Loan quality remained manageable as non-performing loan (NPL) ratio stood at 1.7 percent in 2022. This was matched with high NPL coverage ratio of 285.4 percent.
According to TOAP and FMAP, lending activity remained low given the trust clients' requirements (i.e., liquid investments) and the greater effort required on the part of the trustees to establish, service and secure loans.
[7] The number of financial institutions with trust license remained at 37 in 2022, same number from a year ago. Out of this number, there were five (5) trust entities with inactive operations.
[8] Comprised of 20 TDs of universal and commercial banks (UKBs) and 4 TDs of thrift banks (TBs). This does not include the 4 TDs with inactive operations i.e., 3 UKBs and 1 TB.
[9] Comprised of 2 IHs and 6 TCs. The 8 NBFIs does not include 1 IH with inactive operations.
[10] TDs of UKBs held 71.6 percent share (₱3,828.4 billion) of the total assets, while TDs of TBs held a minimal portion at 0.5 percent (₱27.8 billion).

INVESTORS PREFERENCE TOWARDS DEBT SECURITIES

Investment in debt securities, long considered as a safe haven by investors, increased to 67.2 percent share (₱2,375,7 billion) in 2022 from 63.1 percent (₱2,207 billion) in 2021. By contrast, the share of investments in equity securities dropped to 32.8 percent (₱1,158.2 billion) in 2022 from 36.9 percent (₱1,288.4 billion) a year ago. The 7.6 percent growth in investment in debt securities, coupled with the 10.1 percent contraction in investments in equity securities, indicates an increasingly risk-averse profile on the part of investors amidst market volatility.[11]

By issuer, investments in securities issued by resident private corporations[12] remained heavily favored by investors with 66.7 percent share (₱2,356.1 billion) over investments in government securities[13] and debt securities issued by other corporations[14] with share of around 31.5 percent (₱1,113.5 billion) and 1.8 percent (₱64.4 billion), respectively (Figure 2). However, in terms of growth, investment in government securities recorded the highest, expanding by 17.1 percent while investments in corporate securities contracted by 7.0 percent in 2022.[15] The strong growth in investments in government securities may be attributed to investors' more cautious stance to manage risk.[16]

Figure 2.
Investments in Debt and Equity Securities- By Counterparty
As of End-Periods Indicated; In Billion ₱, Growth Rate in %



As to investment classification, investment in securities measured at fair value through profit or loss (FVPTL) continued to comprise the bulk of total investment in securities with 72.5 percent share (₱2,562.9 billion). This was followed by investment in securities measured at fair value through other comprehensive income (FVOCI) with 23.1 percent share (₱817.6 billion). The sizeable share of investment in securities measured at FVTPL was due to most trust entities having UITFs and retirement funds as their main products. The industry experts likewise disclosed that some trust clients prefer their portfolios to be recorded at fair value for ease of monitoring should they want to sell the securities before maturity.[17] The 3.6 percent contraction in investment in securities measured at FVTPL in 2022 may be attributed to anticipated hike in interest rates amid policy normalization as these investments are subject to market fluctuation.

Overall, the industry's total investments remained domestic-oriented with 91.9 percent share (₱3,246.4 billion) of securities issued by residents.

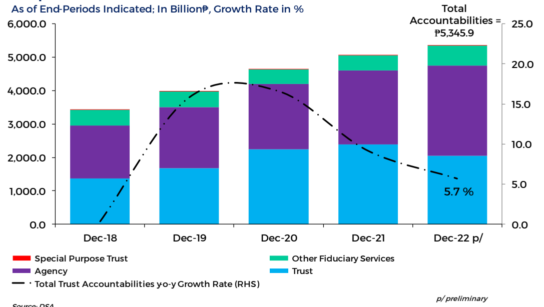
Across trust entities, TDs of UKBs held the largest share of investments in securities at 65.2 percent (₱2,303.0 billion), followed by TCs at 33.5 percent (₱1,184.4 billion). The remaining 1.3 percent share came from IHs with trust license and TDs of TBs at 0.9 percent (₱31.4 billion) and 0.4 percent (₱15.2 billion), respectively.

[11] According to TOAP and FMAP, the high interest rate environment resulted in investors de-risking their portfolio away from equity securities and increasing their exposures to corporate bonds.
[12] Include securities issued by banks and other private corporations.
[13] Include securities issued by the National Government and BSP.
[14] Include securities issued by non-resident central banks/government agencies, multilateral agencies, and public sector entities.
[15] The 17.1 percent growth in investment in government securities in 2022 was higher than the 8.5 percent growth in 2021, while the 7.0 percent contraction in investment in corporate securities was a reversal from the 12.3 percent growth recorded the previous year.
[16] Source: TOAP and FMAP.
[17] Source: TOAP and FMAP

TRUST ACCOUNTABILITIES EXPANDED, DRIVEN BY DOUBLE-DIGIT GROWTH IN AGENCY ACCOUNTS

Total accountabilities rose by 5.7 percent to ₱5,345.9 billion in 2022, owing to double-digit growth in agency accounts (Figure 3).

Figure 3.
Composition of Accountabilities
As of End-Periods Indicated; In Billion₱, Growth Rate in %



Source: DSA

p/ preliminary

Agency accounts comprised the largest share of total accountabilities at 50.7 percent, growing by 22.7 percent to ₱2,708.6 billion in 2022. This growth[18] was higher than the 12.6 percent recorded in 2021 and mainly driven by increase in other-individual agency accounts[19] (up by 29.4 percent to ₱282.8 billion) and other-institutional agency accounts[20] (up by 18.2 percent to ₱216.0 billion), respectively. Meanwhile, trust accounts, which held around 38.2 percent share (₱2,043.4 billion), declined by 14.7 percent in 2022.[21] The drop was largely attributed to the 27.9 percent and 4.9 percent decline, respectively, in UITFs and Personal Trust accounts. The UITFs accounted for 46.0 percent (₱940.7 billion) of the trust accounts, followed by employee benefit and personal trust with share of 22.8 percent (₱465.9 billion) and 19.6 percent (₱399.9 billion), respectively.

The continued increase in agency accounts, particularly investment management activities (IMA), was due to the amendment on the IMA regulations[22] as well as the shift in consumers' preference amid market uncertainties. The ongoing geo-political pressure from the Russia-Ukraine war and rising inflation on a global scale have caused investors to retain liquidity over their own funds as well as invest in agency accounts, particularly IMA. IMA offers clients access to high-yielding securities as compared to UITF that are subject to possible daily marked-to-market losses.[23]

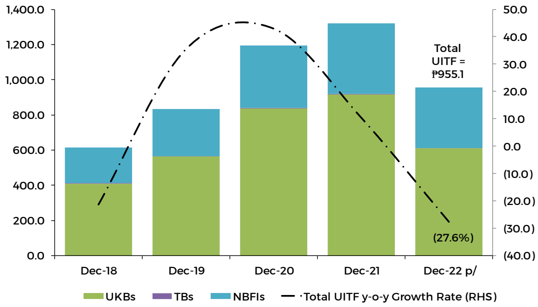
UITF PARTICIPANTS INCREASED AS TRUST ENTITIES LEVERAGED ON TECHNOLOGY AND OFFERED SMALL-VALUE RETAIL UITF PRODUCTS

With the continuous efforts of trust entities[24] and BSP[25,26] to increase UITF participation, the total number of UITF participants climbed by 65.8 percent to 3,531,167 in 2022 from 2,129,176 the previous year. The substantial increase in UITF

[18] The pre-pandemic CAGR of agency accounts was 23.0 percent.
[19] Other individual agency accounts refer to accounts other than personal pension fund and personal retirement fund accounts.
[20] Other institutional agency accounts refer to accounts other than employee benefit accounts and pre-need accounts.
[21] The 14.7 percent contraction in trust accounts in 2022 was a reversal of the 6.8 percent growth in 2021.
[22] Circular No. 1109 dated 04 February 2021 (Amendments to the regulation on Investment Management Activities (IMA). This regulation reduced the minimum amount for opening an IMA from ₱1 million to any lower amount, subject to a floor of ₱100,000. Moreover, the required investment of each IMA in a commingled fund was reduced to ₱100,000. Under the regulations, corporate accounts were allowed to participate in commingled funds.
[23] Source: TOAP and FMAP
[24] According to TOAP and FMAP, trust entities are working on increasing the UITF participation rate, especially among retail clients from the middle-income sector and younger age bracket.
[25] Circular No. 1152 dated 05 September 2022 (Amendments to the Regulations on Unit Investment Trust Funds (UITFs). The amended UITF regulations streamline the approval process for the creation of UITFs to accord trust entities with greater flexibility to create funds that are responsive to the needs of their clients. In addition, this regulation redefines the classification of UITFs to align with international terminologies and standards and improve the comparability of UITFs' risk-return profiles across the industry. This regulation also provides guidelines on the treatment of REITs as an investment outlet for UITFs.
[26] Circular No. 1157 dated 14 October 2022 (Amendments to the Manual of Regulations for Banks and Manual of Regulations for Non-Bank Financial Institutions pertaining to Bangko Sentral Issued Securities Eligible Counterparties). This regulation allows trust entities to invest UITFs with minimal participation from non-residents in the BSP Securities Facility. Trust entities are allowed to purchase BSP Securities in the secondary market for any UITF in which the share of net assets of non-residents does not exceed ten percent of the net assets of the fund.

accounts mainly came from TCs with trust entities leveraging on technology and promoting small-value retail UITF products to encourage more Filipinos to open UITF accounts.[27]

Figure 4.
UITF by Financial Institution
As of End-Periods Indicated; In Billion ₱, Growth Rate in %



Source: DSA
p/ preliminary

Notwithstanding the continued increase in participants, the level of UITFs dropped by 27.6 percent to ₱955.1 billion in 2022, a turnaround from the 10.5 percent growth in 2021 (Figure 4). The decline was due to combined effect of lower principal and lower accumulated income from UITF placements.[28] The decline in principal of UITF accounts of big-value retail participants reversed the effect of new UITF accounts of small-value retail participants. Meanwhile, the lower accumulated income was a result of foreign exchange fluctuations and rising interest rates following the US Federal Reserve rate hikes and tightening in financial markets.[29]

Apart from accommodative investment environment for UITF participants through more risk-based regulations and streamlined UITF processes, the availability of various types of UITFs[30] in the market which include sustainability-linked products is also seen to improve UITF participation rate. Among the different UITF products, the money market funds remained the top choice, indicating the investors preference for holding short-term securities. In 2022, money market funds accounted for 64.4 percent (₱615.4 billion, with 1,519,176 participants) of the total UITFs.[31] Equity funds, bond funds, and balanced funds held the remaining portion at 26.0 percent (₱248.1 billion, with 1,418,836 participants), 6.7 percent (₱63.8 billion, with 563,070 participants) and 2.9 percent (₱27.8 billion, with 30,052 participants), respectively.

By type of assets, financial assets booked at FVTPL accounted for the largest share of the industry's total UITF assets at 56.6 percent (₱540.8 billion), followed by deposits in banks at 42.9 percent (₱409.7 billion) as of end-December 2022. This was a shift from the 47.1 percent (₱620.7 billion) and 42.7 percent (₱509.5 billion) share held by financial assets booked at FVTPL as of end-December 2021 and end-December 2020, respectively, vis-à-vis the 52.6 percent (₱693.6 billion) and 57.0 percent (₱680.0 billion) share held by deposits in banks as of end-December 2021 and end-December 2020, respectively. Majority of the financial assets booked at FVTPL were in the form of equity securities issued by resident private corporations (26.5 percent, ₱143.3 billion), and debt securities issued by the national government (19.5 percent, ₱105.4 billion) and BSP (17.2 percent, ₱93.3 billion).

The number of financial institutions with UITF license dropped to 24 in 2022 from 25 a year ago, owing to a merger. TDs of UKBs held the largest number of UITF

[27] In 2022, 1 TC contributed an additional 1.4 million new accounts after partnering with various online channels to offer small-value retail investment products.
[28] UITF principal declined by 26.9 percent to ₱901.3 billion in 2022, a reversal from the 10.3 percent growth in 2021. Likewise, accumulated income dropped by 37.4 percent to ₱51.5 billion as of the same reference period, a turnaround from the 14.1 percent growth in 2021.
[29] The UITF portfolio, being marked-to-market, is affected by changes in interest rates and foreign exchange rates, thereby affecting the amount of net asset value per unit (NAVPU) across different types of UITFs.
[30] Include feeder funds, multi-class UITFs, and UITFs with unit playing feature allowing for a non-guaranteed stream of income to its participants, among others.
[31] These funds were largely deposited in banks (64.9 percent share) and invested in financial assets measured at FVTPL (34.7 percent share).

license at 16 and accounted the biggest share in UITFs at 64.8 percent (₱610.0 billion).[32]

PERA SUSTAINED DOUBLE-DIGIT GROWTH ALTHOUGH AT A SLOWER PACE

Personal Equity and Retirement Account or PERA continued to attract new contributors and gain additional contributions. The positive sentiments towards PERA may be attributed to the BSP's proactive public awareness campaign and information drive including accessibility of PERA through online platform. Despite the growth slowdown in the number of contributors and the total contributions in 2022, PERA managed to record double-digit growth rising by 16.4 percent to 5,100 contributors and by 30.1 percent to ₱329.5 million total contributions. These figures however were lower than the 64.1 percent (contributor) and the 45.0 percent (contributions), respectively, from the previous year.

By type of contributor, employed individuals continued to hold the top spot with 3,594 contributors (70.5 percent share) in 2022. This was followed by self-employed individuals and overseas Filipino workers (OFWs), with 785 (15.4 percent) and 721 (14.1 percent) contributors, respectively. As to total contributions, employed individuals also contributed the majority of the total PERA contributions at 67.9 percent share (₱223.7 million). OFWs, despite having a smaller number of contributors, provided about 18.4 percent (₱60.6 million) of the total PERA contributions, higher than the 13.7 percent (₱45.3 million) share of self-employed contributors (Table 1).

Table 1.
Outstanding PERA - Contributors and Contributions
As of End-Periods Indicated; In Million ₱, Growth Rate in %

	2022		2021		y-o-y Growth Rate	
Type of Contributors	No. of Contributors	Total Contribution	No. of Contributors	Total Contribution	No. of Contributors	Total Contribution
Employee	3,594	223.7	3,091	172.0	16.3%	30.0%
OFW	721	60.6	628	47.1	14.8%	28.6%
Self-employed	785	45.3	663	34.2	18.4%	32.2%
Total	**5,100**	**329.5**	**4,382**	**253.3**	**16.4%**	**30.1%**

Source: BSP PERA TWG

Employee, OFW and self-employed contributors and their respective contributions sustained double-digit growth, with the number of contributors rising by 16.3 percent, 14.8 percent, and 18.4 percent, respectively, and contributions expanding by 30.0 percent, 28.6 percent, and 32.2 percent. These growth rates however were slower than the 65.7 percent, 48.8 percent and 72.7 percent contributor surge and the 46.5 percent, 33.4 percent, and 55.8 percent contribution expansion in 2021.

Filipinos' personal finances were not spared from the COVID-19 economic disruptions, and thus may have deterred Filipinos from savings for retirement. The opening of economy and easing health restrictions further challenged Filipinos from savings for retirement as most engaged in "revenge spending" on travel, food and dining, and recreations. Apart from curtailed savings, Filipinos need continuing financial education on savings and investments to ensure an

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[32] Among the financial institutions with UITF license, UKBs held the largest number at 16 (down from 17 in 2021 due to a merger of 2 UBs). TBs and NBFIs with UITF license each stood at 3 and 5, respectively, and were both unchanged from a year ago.
TDs of UKBs likewise held the biggest portion of UITFs (63.9 percent, ₱610.0 billion), followed by NBFIs (36.0 percent, ₱344.3 billion). TDs of TBs held a minute share at 0.1 percent (₱0.9 billion). Both UITFs of TDs of UKBs and NBFIs, declined by 33.5 percent and 14.1 percent, respectively, a reversal of the 9.4 percent and the 13.0 percent growth in 2021. Meanwhile, UITFs of TDs of TBs further dropped by 17.8 percent from the 14.8 percent contraction in 2021.

adequate income stream as well as avoid excessive indebtedness during retirement.

Notwithstanding this, the BSP is confident that the growth momentum of PERA investments will continue due to increased awareness of Filipinos on the long-term benefits of retirement savings and the corresponding incentives[33] from investing in PERA.

In line with this, the BSP introduced PERA reforms like increase in the annual contribution limit across all types of contributors beginning January 2023, and removal of the basic security deposit for the faithful performance of a PERA Administrator's duties. The latter is expected to lower the cost of administering PERA assets and thus, encourage more financial institutions to participate in the PERA ecosystem. Moreover, the BSP is drafting a proposal to facilitate expansion in pool of potential PERA contributors.[34]

PROFITABLE OPERATIONS, TEMPERED BY HIGHER OPERATING COSTS

Net income stood at ₱7.2 billion in 2022, declining by 2.2 percent and reversing the 17.3 percent growth in 2021. The drop was mainly due to the higher trust expenses, growing by 13.1 percent (₱0.8 billion) and outpacing the increase in trust income which rose by 4.9 percent (₱0.7 billion). The main driver of high trust expenses were other administrative expenses and compensation and fringe benefits which went up by 35.7 percent (up by ₱0.4 billion) and 11.6 percent (up by ₱0.3 billion), respectively. Collectively, these expense items accounted for 60.1 percent share (₱4.3 billion) of the total expenses.[35]

Meanwhile, fees and commissions income increased alongside the expansion in trust assets, rising by 3.5 percent to ₱13.7 billion in 2022 and accounting for about 95.3 percent of the total income. By type, fees and commissions income from agency accounts, albeit comprising only 30.5 percent (₱4.4 billion) of the total income, drove the total income growth and countered the contraction in fees and commissions income from other contractual relationships. Fees and commissions income from trust accounts, which contributed around 59.2 percent (₱8.5 billion) of the total income, declined by 2.6 percent.

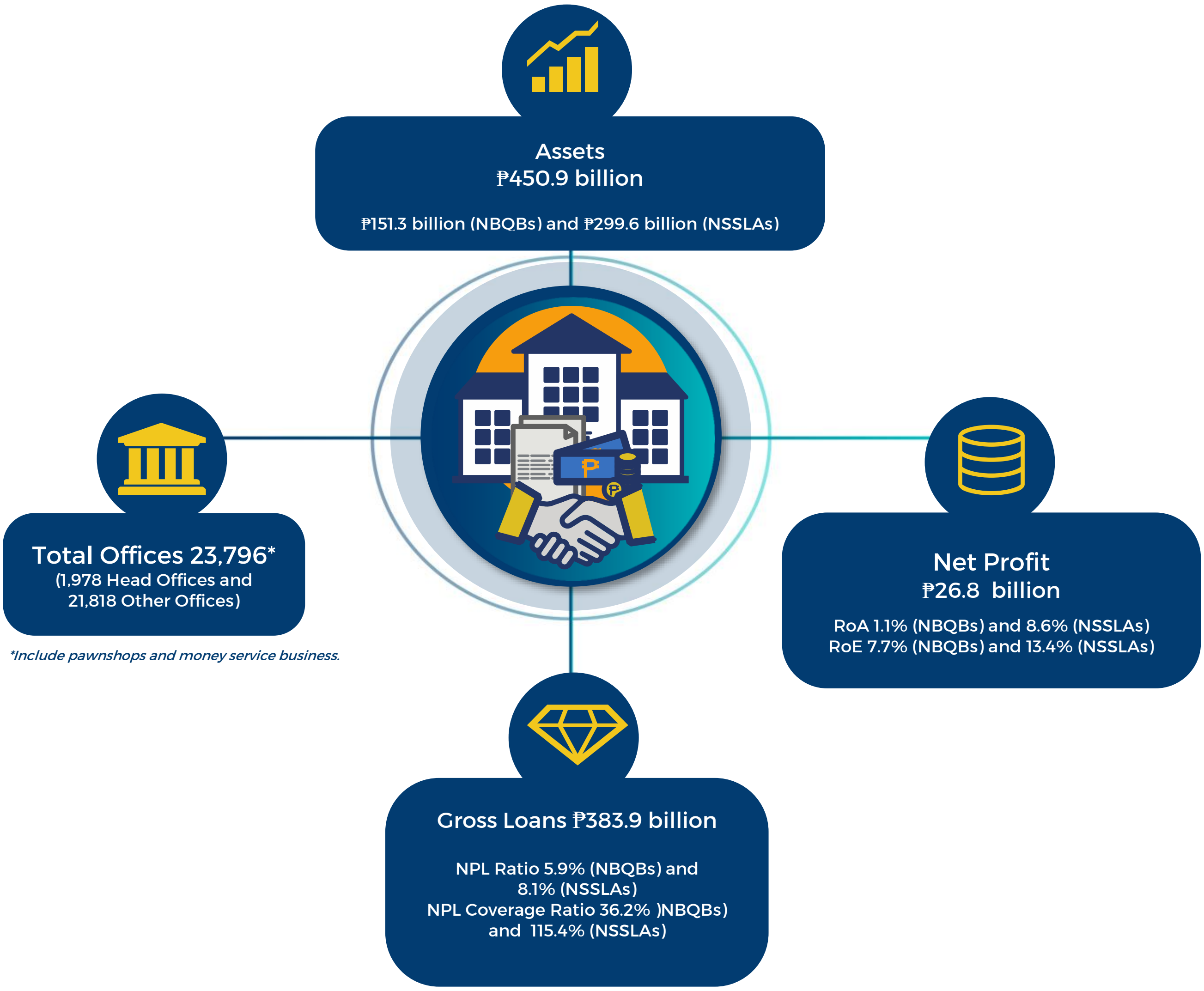
Other key measures of performance like efficiency ratio[36] climbed to 49.7 percent for the same period, higher than the 46.1 percent recorded in 2021 due to higher growth in total expenses vis-à-vis the total income.

[33] 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.
[34] Such as young professionals, practitioners, small business, and low-income communities.
[35] Other administrative expenses and compensation and fringe benefits accounted for 45.1 percent (₱0.4 billion) and 36.1 percent (₱0.3 billion), respectively, of the ₱0.8 billion total increase in trust expenses. According to TOAP and FMAP, more banks have adopted benchmark licensing, increasing the other administrative expenses in 2022.
[36] 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.

NON-BANK FINANCIAL INSTITUTIONS

OVERVIEW

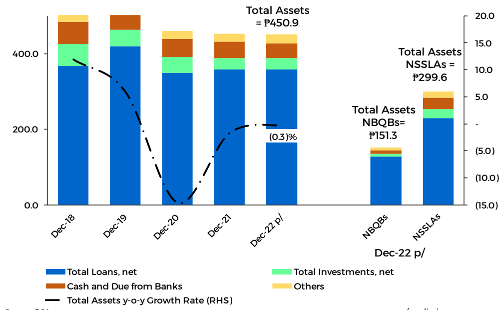
The BSP-supervised non-bank financial institution (NBFI) industry, as represented by NBFIs with quasi-banking functions (NBQBs), non-stock savings and loan associations (NSSLAs), pawnshops and money service businesses remained supportive of BSP's financial inclusion agenda by delivering financial products and services to their clients through their extensive network nationwide. The industry, particularly NBQBs also provided relief to their borrowers through extension and/or modification in loan terms. In terms of loan quality, both NBQBs and NSSLAs have manageable non-performing loan (NPL) ratio with ample provisions. Moreover, the NBQB and NSSLA industries sustained their double-digit growth in net profit, although at a slower pace than the previous year. Notwithstanding this, the profitable operations of both NBQBs and NSSLAs translated to higher return on assets and equity.



*Include pawnshops and money service business.

ASSET GROWTH IMPROVED AND NETWORK REMAINED EXTENSIVE

Figure 1.
Total Assets: NBQBs and NSSLAs
As of End-Periods Indicated; In Billion₱; Growth Rate in %



Source: DSA p/ preliminary

Total assets of BSP-supervised non-bank-financial institutions[1] (NBFIs), as represented by NBFIs with quasi-banking functions (NBQBs) and non-stock savings and loan associations (NSSLAs), declined by 0.3 percent year-on-year[2] (y-o-y) to ₱450.9 billion in 2022, a slight improvement from the 1.7 percent contraction in 2021 (Figure 1). Loans[3] continued to account for most of the assets of the industry at 79.3 percent share (₱357.5 billion), followed by cash and due from banks at 8.6 percent (₱38.9 billion). Meanwhile, investments[4] and other assets, each held around 6.9 percent (₱31.0 billion) and 5.2 percent (₱23.5 billion) share, respectively.

NSSLAs held close to two-thirds of the total assets at 66.5 percent share or ₱299.6 billion, higher by 5.6 percent from last year's ₱283.8 billion. Meanwhile, NBQBs held the remaining 33.5 percent at ₱151.3 billion (down by 10.1 percent from ₱168.3 billion). The decline in NBQBs' total assets may be attributed to the voluntary surrender of license of an NBQB (Table 1).

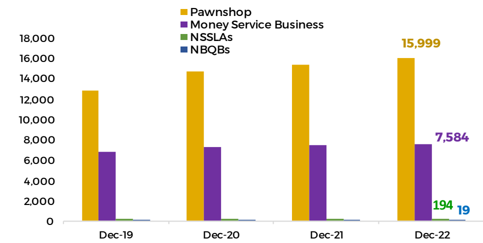
Table 1.
Assets of NBQBs and NSSLAs
As of End-Periods Indicated; In Billion ₱, Ratio in %

Particulars	2022	2021	2022 Share to Total	2022 y-o-y growth
1. NBQBs	151.3	168.3	33.5%	(10.1%)
2. NSSLAs	299.6	283.8	66.5%	5.6%

Source: DSA

Amid the decline in total assets, the network of BSP-supervised NBFIs continued to expand in 2022 with 23,796 total offices nationwide (1,978 head offices and 21,818 other offices) as of end-December 2022. Apart from NBQBs with network of 19 (5 head offices and 14 other offices) and NSSLAs with network of 194 (58 head offices and 136 other offices), pawnshops also add to the BSP-supervised NBFIs' total network with 15,999 total offices nationwide (1,172 head offices and 14,827 other offices), an increase of 4.0 percent from 15,388 in 2021 (Figure 2). Money service businesses also contributed to BSFI's expanded footprint, growing by 1.8 percent to 7,584 total offices (743 head offices and 6,841 other offices) from 7,449 in 2021. Moreover, some pawnshops and money service businesses are leveraging on technology, offering their products and services through online platforms, enabling them to further expand their reach in the country.

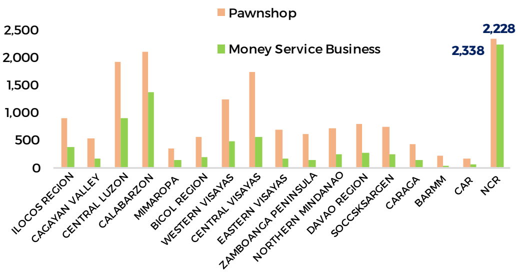
Figure 2.
Major Financial Access Points: Pawnshop, Money Service Business, NSSLAs and NBQBs
As of End -Periods Indicated



Source: DSA and FSD IX

[1] Collectively, total assets of NBQBs and NSSLAs, represented around 1.6 percent of the Philippine Financial System's total resources in 2022.
[2] All discussed growth rates and report period pertain to y-o-y and end-December 2022, unless otherwise stated.
[3] Loans, net of allowance for credit losses. Inclusive of Interbank Loans Receivable (IBL).
[4] Net of allowance for credit losses, as applicable, and accumulated market gain/(losses).

Figure 3.
Regional Distribution of Pawnshop and Money Servuce Business
As of End-December 2022



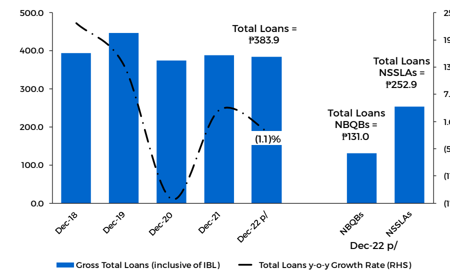
Source: DSA and FSDIX

By regional distribution (Figure 3), NCR leads the Top 5 regions with the greatest number of pawnshops and money service businesses combined at 4,566 or around 19.4 percent share of total offices of pawnshops and MSBs nationwide. Other regions that registered hefty shares were CALABARZON (3,486, 14.8 percent share), Central Luzon (2,831, 12.0 percent share), Central Visayas (2,284, 9.7 percent share) and Western Visayas (1,711, 7.3 percent share). Collectively, these regions had 63.1 percent share of the total pawnshop and MSB network nationwide.

LOANS CATERED LARGELY TO NSSLA MEMBERS

Total loans[5] dropped by 1.1 percent to ₱383.9 billion in 2022, a reversal of the 3.5 percent recorded in 2021 (Figure 4). Across groups, NSSLAs remained as the primary provider of loans, holding around 65.9 percent share (up by 2.7 percent to ₱252.9 billion) of the industry's total portfolio while NBQBs held 34.1 percent share (down by 7.7 percent to ₱131.0 billion). The contraction in lending activity of NBQBs was due to the surrendered QB license in 2022.

Figure 4.
Total Loans: NBQBs and NSSLAs
As of End-Periods Indicated; In Billion₱; Growth Rate in %



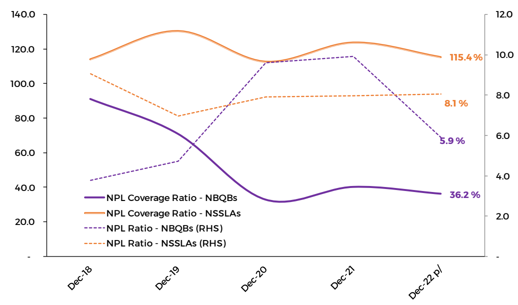
Source: DSA *p/preliminary*

The industry likewise remained supportive of their borrowers as they continued to provide relief through extension and/or modification in loan terms. In 2022, total restructured loans of NBQBs reached ₱2.8 billion, accounting around 0.7 percent of total loans of the industry and increasing substantially by 30.7 percent. NSSLAs had no restructured loans in 2022.

MANAGEABLE NPL RATIO[6] WITH PROVISIONS FOR CREDIT LOSSES

Loan quality of NBQBs improved as non-performing loans (NPL) dropped substantially by 45.2 percent (down by ₱6.4 billion) to ₱7.7 billion from the previous year's ₱14.1 billion. This translated to lower NPL ratio of 5.9 percent, better than the 9.9 percent in 2021. The overall improvement in NPL ratio however may be attributed to modification in the industry's loan portfolio in view of surrendered QB license in 2022. Meanwhile, the NPL ratio of NSSLAs inched up to 8.1 percent from 8.0 percent in 2021 due to corresponding increase in NPLs which went up by 4.0 percent to ₱20.4 billion from ₱19.6 billion in 2021 (Figure 5).

Figure 5.
NPL Ratio and NPL Coverage Ratio: NBQBs and NSSLAs
As of End-Periods Indicated, Ratio in %



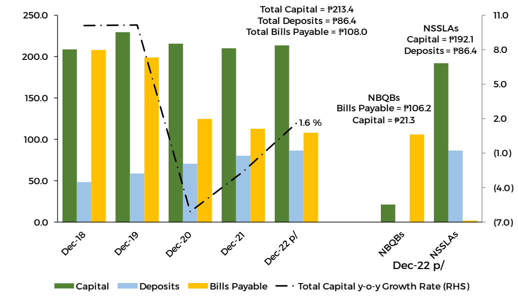
Source : DSA *p/preliminary*

Notwithstanding this, NSSLAs' maintained high provisions as NPL coverage stood at 115.4 percent while NBQBs provided a smaller coverage at 36.2 percent.

[5] Loans, gross of allowance for credit losses. Inclusive of IBL.
[6] NPL ratio (inclusive of IBL).

CAPITAL EXPANDED AND CONTINUED TO FUND MOST OF THE INDUSTRY'S OPERATIONS

Figure 6.
Sources of Funding: NBQBs and NSSLAs
As of End-Periods Indicated; In Billion₱; Growth Rate in %



Source: DSA *p/ preliminary*

In 2022, total capital of the industry, which funded around 47.3 percent share of the total assets, rose by 1.6 percent to ₱213.4 billion, reversing the 2.6 percent contraction in 2021 (Figure 6).

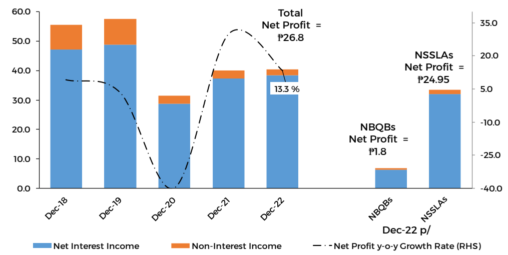
NSSLAs had the biggest portion of the industry's total capital at 90.0 percent share (up by 6.4 percent to ₱192.1 billion). NBQBs' capital, which held the remaining 10.0 percent share, had a double-digit decline of 27.8 percent (down to ₱21.3 billion) due to surrendered QB license.

Bills payable and deposits, as other sources of funding of the industry, each held around 24.0 percent (down by 4.2 percent to ₱108.0 billion) and 19.2 percent (up by 7.2 percent to ₱86.4 billion), respectively, share to total assets. Deposit substitutes which were issued by NBQBs made up the most of the industry's total bills payable at around 96.5 percent share (₱104.2 billion). In terms of the industry's total deposits, these were all peso-denominated and held by NSSLAs. Savings deposits accounted for most of the deposits at 77.0 percent share (₱66.5 billion) and the remaining 23.0 percent (₱19.9 billion) was time deposits.

On a per industry basis, bills payable continued to comprise the majority of NBQBs' source of funding particularly deposit substitutes (68.9 percent share of NBQBs' total assets) followed by capital (14.1 percent share of NBQBs' total assets). Meanwhile, NSSLAs' funding was provided mainly by their members' capital (64.1 percent share of NSSLAs' total assets) and deposits (28.8 percent share of NSSLAs' total assets).

OPERATIONS REMAINED PROFITABLE, DRIVEN BY CORE EARNINGS

Figure 7.
Sources of Net Income: NBQBs and NSSLAs
For the Periods-Ended Indicated; InBillion ₱; Growth Rate in %



Source: DSA *p/ preliminary*

Net income of the industry sustained double-digit growth, increasing by 13.3 percent to ₱26.8 billion in 2022, although at a slower pace when compared with the 29.9 percent growth in 2021. The strong performance was on account of higher income generated from core activities like lending and leasing finance, complemented by lower operating costs. Both NSSLAs and NBQBs posted double-digit growth in net income of 11.7 percent (to ₱24.95 billion) and 40.1 percent (to ₱1.8 billion), respectively, (Figure 7).

Interest income of the industry increased by 4.3 percent to ₱35.8 billion, albeit slower than the 30.9 percent growth recorded in 2021. Leasing income however, contracted by 11.4 percent to ₱11.4 billion, reversing the 4.7 percent growth (to ₱12.8 billion) in 2021. The decline in both interest and leasing income was on account of surrendered NBQB license in 2022.

Collectively, net interest income, which includes leasing income, had the largest share of the industry's total operating income at 95.0 percent share (up by 2.9 percent to ₱38.3 billion). NSSLAs contributed 99.2 percent share (up by 4.8 percent to ₱35.6 billion) of the industry's total interest income while NBQBs had minimal share at 0.8 percent (down by 32.7 percent to ₱0.3 billion).

Fee-based income and other non-interest income each accounted for around 3.1 percent (down by 34.7 percent to ₱1.3 billion), and 2.0 percent (down by 14.9 percent to ₱0.8 billion), respectively, of the industry's total operating income.

In terms of operating expenses, the industry recorded a 19.4-percent decline (to ₱13.2 billion) in 2022, an improvement from the 22.5 percent growth in 2021. The lower expenses were due mainly to lower overhead costs, dropping by 17.2 percent (to ₱5.9 billion), better than the 7.8 percent increase in 2021. These expenses accounted for almost half of the total operating expenses in 2022 at 44.7 percent share. Both NBQBs and NSSLAs managed to reduce their total operating expenses which dropped by 36.2 percent (to ₱4.5 billion) and 6.3 percent (to ₱8.6 billion), respectively, in 2022.

The strong performance of the industry was also evident in return on assets (RoA) and return on equity (RoE). NSSLAs posted RoA and RoE at 8.6 percent (from 8.1 percent) and 13.4 percent (from 12.6 percent), respectively. Meanwhile, NBQBs had RoA and RoE of 1.1 percent and 7.7 percent, respectively, higher than the 0.7 percent and the 3.8 percent recorded in 2021.

POLICY REFORM AGENDA

OVERVIEW

The implementation of strategic, calibrated and timely financial sector reforms in 2022 supported the continued growth and solid performance of the Philippine financial system. Cognizant of lingering vulnerabilities from the COVID-19 pandemic, the BSP will continue to build on its existing regulatory and supervisory frameworks with emphasis on further upgrading risk governance standards of banks, enhancing digital transformation, strengthening cybersecurity-related initiatives, and mainstreaming of sustainability agenda in line with international standards and best practices while remaining responsive to domestic conditions.

Overview of BSP's Key Reforms and Policy Initiatives in 2022

In 2022, promoting the safety, soundness, and resilience of the financial system remained at the forefront of BSP's policy priorities. In line with this, a number of regulations were issued to strengthen corporate and risk governance, mainstream sustainable finance, and promote responsible digital innovation.

Strengthen Corporate and Risk Governance

On promoting good governance and effective risk management standards and best practices, the BSP issued various policy reforms reinforcing the culture and conduct of BSP-supervised financial institutions (BSFIs), ensuring the financial soundness and viability of BSFIs through improved capitalization framework, and integrating sustainability principles in their strategic objectives and operations. In adopting policy reforms, the BSP is guided by the principle of proportionality for purposes of tailoring these to domestic conditions.

First, the BSP implemented the prudential framework[1] for large exposure monitoring threshold provides guidance for universal and commercial banks (UKBs) and their subsidiary banks/quasi-banks (QBs) in complying with large exposures monitoring threshold of 25 percent of Tier 1 capital, on solo and consolidated basis. This threshold intends to protect covered banks'/QBs' from a sudden failure or default of a counterparty or group of connected counterparties and to facilitate monitoring by the BSP of concentration risk in the financial system.[2]

The guidelines on recovery plans of banks[3] were likewise amended to reduce risk posed by a bank's distress or disorderly failure to the stability of the financial system. The recovery planning requirements were expanded to not only cover domestic systemically important banks but all other banks, subject to proportionality. A bank is expected to develop a concrete and reasonable recovery plan that is linked to its risk management framework, internal capital adequacy assessment process or capital planning, liquidity plans, and business contingency plans. Details of this reform are further discussed in Box Article 3.

Further, the BSP launched the Rural Bank Strengthening Program[4] (RBSP) which was developed through an inter-agency collaboration. The RBSP aims to enhance the operations, capacity, and competitiveness of rural banks (RBs) in view of their vital role in promoting countryside development and inclusive economic growth. This will reinforce the RBs' resiliency and enable them to respond to the evolving socio-economic conditions and regulatory environment with the increasing digitalization across economic sectors. In line with this, the BSP amended the minimum capitalization requirements of RBs[5] to enable them to enhance their risk management systems, upgrade resources and manage operational costs, meet prudential standards, and accelerate digital transformation.

On improving financial operations, the BSP allowed BSFIs to defer up to a maximum of five years the reporting of losses from the sale and transfer of non-performing assets under the Financial Institutions Strategic Transfer or FIST Act as part of prudential reporting purposes, subject to prior BSP approval and compliance with certain conditions. The BSP also amended the implementing guidelines of the FIST Act[6] to clarify prudential treatment of banks' holdings of investment unit instruments issued by a FIST Corporation.

Parallel to this, the BSP continues to assess the effectiveness of its temporary relief measures given evolving developments and will adopt the necessary reforms to ensure continued delivery of financial services and liquidity support to vulnerable sectors. Related to this, the BSP monitors the banking system's provision of credit to critical development sectors of the economy such as the micro, small and medium enterprises (MSMEs) including barangay micro, small and medium enterprises or BMBEs[7], and agri-agra sectors

[1] Circular No. 1150 dated 23 August 2022 (Prudential Framework for Large Exposures Monitoring Threshold)
[2] The BSP also amended the regulations on single borrower's limit (SBL) in early part of 2023. Circular No. 1164 dated 05 January 2023 (Amendments to the Regulations on Credit Exposure Limits to a Single Borrower and Definition of Capital).
[3] Circular No. 1158 dated 18 October 2022 (Guidelines on the Recovery Plan of Banks)
[4] Memorandum No. M-2022-024 dated 05 May 2022
[5] Circular No. 1151 dated 24 August 2022 (Amendments to the Minimum Capitalization of Rural Banks).
[6] Circular No. 1147 dated 10 June 2022 (Amendment to the Guidelines Implementing Republic Act No. 11523, otherwise known as the "Financial Institutions Strategic Transfer Act")
[7] Refers to BMBEs where the credit window and related financing are monitored by the BSP pursuant to the provisions of the BMBE Law or R.A. No. 9178 (Barangay Micro Business Enterprises Act of 2002).

in 2022. The BSP expects that the passage of "The Agriculture, Fisheries and Rural Development Financing Enhancement Act of 2022" or Republic Act (R.A.) No. 11901 in July 2022 will strengthen rural development and improve the well-being of agricultural and rural community beneficiaries. 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 shall set aside at least 25 percent of their total loanable funds for agriculture, fisheries, and rural development financing. Details of the legislative reform and its implementation were summarized in Box Article 1.

Meanwhile, to further promote growth of the trust industry while underscoring the importance of good governance, effective risk management, and strong consumer protection, the BSP issued the second phase of the Trust Business Model which amended the regulations on unit investment trust funds (UITFs). The guidelines provide that trust entities must have the competence and appropriate processes, systems, and infrastructure to administer and market UITFs and to manage the related risks. Trust entities shall likewise have in place a sound client suitability assessment process and a system for the adequate disclosure of risks to clients. Complementary to this, the BSP simplified the licensing framework on the creation of UITFs.

The BSP also expanded its eligible counterparties in the case of BSP-issued securities to include trust entities. This will improve the BSP's ability to absorb cash in the financial system allowing for better price transparency and monetary transmission.

Promote Digital Transformation and Conducive Regulatory and Supervisory Environment

The BSP has taken a proactive stance in guiding the market towards the fulfillment of digital transformation, while ensuring that the financial system remains secure and resilient.

Cognizant of the role of digital platforms in driving greater efficiency in the delivery of financial products and services and in expanding reach into the unserved and underserved areas in the country, the BSP issued the second set of regulations for digital banking framework[8] which intends to clarify the applicability of regulations on capital and liquidity, corporate and risk governance, and risk management to digital banks.

To counter the evolving IT and cybersecurity threats as well as foster responsible digital innovation, the BSP has developed a Cybersecurity Roadmap covering three key areas; namely, capacity building, collaborative engagements and continuing policy framework and supervisory enhancements to institutionalize cyber-resilience in the financial services industry. Parallel to this, the BSP amended key regulations on outsourcing and information technology and technology risk management to promote a risk-based supervisory approach on outsourcing activities of banks, consistent with recent industry developments and international practices, Key amendments include the adoption of risk-based supervisory approach, expansion of classification of service providers from Cloud Service Providers to Technology Service Providers, and relaxation of regulatory requirements for cloud outsourcing of core systems.[9] The BSP also issued guidelines which require BSFIs to adopt a robust fraud management system as well as consumer education and awareness program to strengthen the financial system's cybersecurity posture as well as minimize losses arising from fraud and cyber-criminal activities.[10] Likewise, the BSP constantly engages with BSFIs and other stakeholders to ensure that cyber resilience strategies remain effective vis-à-vis evolving threats.[11]

Other digitalization-related issuances released in 2022 include institutionalization of the BSP's Regulatory Sandbox Framework or "test-and-learn" approach.[12] The Regulatory Sandbox Framework aims to promote a more active. evidence-based, and results-driven assessment of new and emerging financial solutions.

[8] Circular No. 1154 dated 14 September 2022 (Prudential Requirements Applicable to Digital Banks, and Amendments to Relevant Provisions of the Manual of Regulations for Banks and Non-Bank Financial Institutions and Manual of Regulations on Foreign Exchange Transactions).
[9] Circular No. 1137 dated 18 February 2022 and Circular No. 1140 dated 24 March 2022 (Amendments to Regulations on Outsourcing and IT Risk Management).
[10] Circular No. 1140 dated 24 March 2022 (**Amendments to Regulations on Information Technology Risk Management**).
[11] Memorandum No. M-2022-15 dated 22 March 2022 (Recommended Control Measures Against Cyber Fraud and Attacks on Retail Electronic Payments and Financial Services (EPFS)).
[12] Circular No. 1153 dated 05 September 2022 (Regulatory Sandbox Framework).

Corollary to this, the BSP adopted several business improvements for its regulatory and supervisory technologies such as the Advanced Supervisory Technology Engine for Risk-based Compliance (ASTERisC*), and the Visualization Tool for Analytics (VisTA), among others. Through Project ASTERisC*, regulatory supervision, reporting and compliance assessment of BSFIs' cybersecurity risk management can be done seamlessly. In particular, the adoption of VisTA, an interactive analytics tool and supervision technology or SupTech, provides quick data-driven insights to internal and external stakeholders through the application of data analytics and business intelligence for reporting and policy making. Details of VisTA implementation was summarized in Box Article 2.

The BSP likewise issued adjustments[13] on the licensing approach for Virtual Asset Service Providers (VASPs), shifting focus towards the assessment of existing BSP-registered VASPs. The overall performance, risk management systems, their impact on financial services and financial inclusion agenda, are weighed towards their contribution to the success of the BSP's Digital Payments Transformation Roadmap's objectives.

Mainstream Sustainable Finance

On mainstreaming of sustainability agenda, the BSP, as enabler, fosters a conducive policy and regulatory environment that enables BFSIs to take a balanced and proportionate approach on the adoption of key sustainability reforms in 2022.

As part of the phased approach in introducing sustainability related guidelines in the country, the BSP issued the third phase of its key regulations to provide the expectations on the integration of sustainability principles in investment activities of banks[14], particularly in the banking book. Banks shall consider their sustainability strategic objectives and risk appetite in their investment activities as well as ensure that such investment does not contribute to sectors considered to have harmful effects to the environment or society. It also issued guidance[15] to inform banks on the initial steps or approaches that may be considered in developing the environmental and social risk management (ESRM) system. It describes the BSP's minimum expectations as embodied in the issued Circulars and provides information and reference to publications of the Network for Greening the Financial System (NGFS) and the Basel Committee on Banking Supervision (BCBS), among others, to support the development of an ESRM System.

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

Toward this end, the BSP remains committed to implementing and pursuing strategic reforms, namely: (i) advancing the digital transformation of the banking system and leveraging on technologies to enhance surveillance and supervisory processes; (ii) mainstreaming sustainable finance; and (iii) strengthening the operational resilience of BSFIs.

On digital transformation, the BSP is exploring the adoption of a marketplace banking model. The proposed guidelines on the adoption of a digital financial marketplace model will spell out the criteria for the grant of authority for an eligible BSFI to engage in marketplace operations and the supervisory expectations on the governance and management of attendant risks. Such a platform-based business model will enable ecosystem partnerships between UKBs, digital banks, or electronic money issuers (EMIs) and other financial service providers. Under such partnerships, qualified parties may use the digital marketplace owned and operated by the bank or EMI to offer select products and services to its clients, for a fee or commission. Other forthcoming regulations include enhancement of VASP guidelines and central bank digital currencies.

On sustainable finance, the BSP will soon issue regulations covering the following areas: (i) conduct of climate risk stress testing by banks; (ii) disclosure requirements; (ii) prudential reports for data collection and surveillance analysis; and (iv) development of sustainable finance taxonomy. Related to the conduct of climate stress test and vulnerability assessment, the BSP is working with development partners to better

[13] Memorandum No. M-2022-035 dated 10 August 2022 (Modified Approach in the Grant of VASP Licenses)
[14] Circular No. 1149 dated 23 August 2022 (Guidelines on the Integration of Sustainability Principles in Investment Activities of Banks)
[15] Memorandum No. M-2022-042 dated 29 September 2022 (Guidance on the Implementation of the Environmental and Social Risk Management (ESRM) System)

understand climate and other environmental-related risks and estimate its potential impact on the banking system.

To further build the banks' capacity and strengthen their risk governance, the BSP will issue guidance on the adoption of revised Basel III capital standards related to credit and operational risks, operational resilience, and model risk management system.

The BSP also aims to introduce further reforms in the trust business with upcoming issuances on Trust Business Model Initiative (third phase) involving guidelines on the use of benchmarks performance measurement of UITFs based on the principles of fair representation and full disclosure, comprehensive investment guidelines and amendments to the regulations on periodic review of accounts. Similarly, to further promote Personal Equity and Retirement Account (PERA) and encourage more Filipinos to prepare for retirement through the PERA investment, the BSP PERA Technical Working Group will work on expanding the profile of PERA contributors to other segments of the population such as young professionals, practitioners, small business, and low-income communities by conducting face-to-face roadshows and webinars, tapping financial advisors to promote PERA in their respective talks and platforms, and engaging other BSFIs to join the PERA ecosystem.

For BSP-supervised NBFIs, the BSP has ongoing amendments to regulations on Reporting Governance for Pawnshops. This sets forth the BSP's expectations for pawnshops on the establishment of an effective reporting system, with an adequate governance process that enables the generation and timely submission of reports in accordance with the BPS's reporting standards. Meanwhile, following the implementation of Enhanced Corporate Governance Framework for Non-stock Savings and Loan Associations (NSSLAs) in 2021, the BSP is also pursuing the adoption of regulations on well-defined group of NSSLAs that aims to provide a broader definition of the industry's membership in accordance with Section 4 of R.A. No. 8367.

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

These legislative reforms include the amendments to the laws on secrecy of bank deposits, namely: R.A. Nos. 1405 (Law on Secrecy of Bank Deposits) and 6426 (Foreign Currency Deposit Act). The proposed 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, such legislative reform could help the Philippines comply with key recommendations of the Financial Action Task Force (FATF), the global anti-money laundering watchdog, particularly the enactment of legislation that allow competent authorities such as the BSP to access relevant information held by banks. The bill's approval will hasten the Philippines' exit from the FATF Grey List.

In summary, the inherent soundness, stability and sustainability of the Philippine financial system has been supported by BSP's commitment to pursue meaningful and strategic reforms for the financial sector and establish partnerships with its various stakeholders. Moving forward, the BSP will continue to pursue reforms that are consistent with international standards and best practices while also responsive to the increasing sophistication of the domestic financial system for the benefit of more Filipinos.

Visualization Tool for Analytics (VisTA)

Box Article No. 2

As new technologies are rapidly changing the landscape of banking and finance, there is a need to transform and improve the financial supervision process to make it more adaptive to the new environment. This transformation involves the enhancement of provision and delivery of data and strengthening of supervisory tools and processes to ensure effective monitoring, supervision, and regulation of financial institutions.

SupTech or supervisory technology is now used by supervisory agencies to support supervision. SupTech helps supervisory agencies gather prudential information and perform regulatory processes in a more efficient and proactive manner using innovative technology. Its adoption around the world concentrates primarily in two areas, namely, data collection and data analytics.

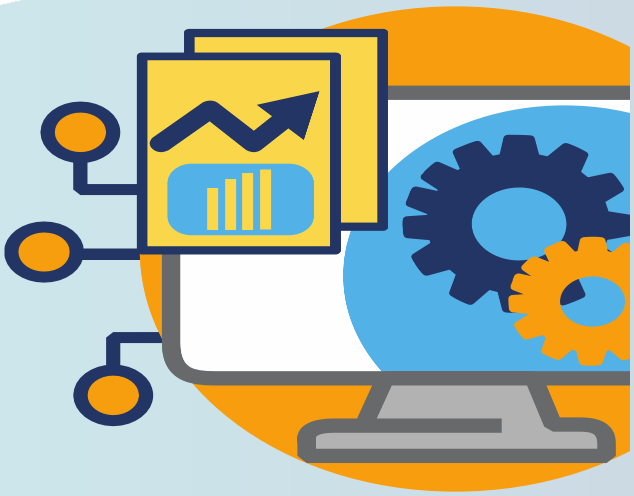
The VisTA which is aligned with the SupTech strategy of the Financial Supervision Sector (FSS) of the BSP, is an interactive analytics tool that aims to provide quick data-driven insights to internal and external stakeholders. With the application of data analytics and business intelligence, relevant information pertaining to the financial condition of the Philippine Banking System can be swiftly analyzed. The use of VisTA promotes robust financial industry surveillance consistent with the sector's mandate of maintaining a strong and resilient financial system.

Through the VisTA project, massive amounts of financial data are extracted from the prudential reports submitted by BSP-supervised entities, aggregated, and synthesized to support generation of supervisory analytics. The dataset is also transformed into visual format to facilitate the off-site monitoring of the changing risk profile of banks. This Microsoft Power BI-based platform performs historical trend analysis of key financial accounts and is embedded with machine learning algorithms to further advance the analysis of data. It also features geographical visualization of accounts based on branch level supervisory data that can provide location-based insights to policymakers and bank supervisors.

The project consists of several dashboards and visualization reports intended to be shared to different stakeholders. The VisTA – Financial Industry Surveillance (FIS) is the publicly available data visualization platform which displays the aggregate-level data for bank industry categories like universal and commercial banks, thrift banks, and rural and cooperative banks. The VisTA-FIS is available on the BSP website under the Statistics section[1].

The VisTA enables the BSP to fulfill its financial stability mandate in an effective and efficient manner. It also provides other BSP stakeholders such as BSP-supervised entities and the general public with a means to generate valuable insights on the banking system to support their analysis and decision-making.

[1] https://www.bsp.gov.ph/sites/FIS.



Building Resiliency of Banks through Enhancements of the Recovery Planning Requirements

Box Article 3

The changing financial system landscape, and evolving trends present banks with both opportunities and challenges. Banks should be able to leverage on their strengths and opportunities to ensure long-term viability, and contribute to the broader economic recovery and stability.

It is in this light that the BSP recognizes the critical role of building the resilience of banks through the enhancements to recovery planning requirements as provided under Circular No. 1158 dated 18 October 2022.

Recovery planning is a critical aspect of a bank's enterprise-wide risk management system. This process prepares a bank for unexpected situations that could harm the business and helps to restore a bank to financial soundness within the shortest possible time. In line with this, a recovery plan is a document that sets out the guidelines and measures that must be followed and undertaken by a bank in responding to stress events and in restoring itself to a going concern status.

Considering the importance of recovery planning, the BSP has expanded the scope of application of the regulations to cover all banks, not just the Domestic Systemically Important Banks (D-SIBs). This is because all banks, regardless of whether they are considered "too big to fail" or have significant influence in the financial system, should have the ability to restore themselves to financial soundness in an orderly manner.

Thus, all banks are now required to have a realistic and reasonable recovery plan that is linked to their risk management framework and is integrated into their business continuity and contingency plans. The recovery plan should also be *commensurate with the bank's size, nature, complexity of operations, overall risk profile and systemic importance*.

The BSP requires banks to establish a set of indicators that works as a traffic light system to alert bank management and the BSP of the need for early-stage preventive or corrective actions. *First* are early warning indicators which serve as the "yellow light" that signal an early-stage alert to possible future breaches of triggers. *Second* are the establishment of internal triggers which should be above the minimum prudential requirements set by the BSP. These triggers serve as the "red light" that signal potential activation of the recovery plan and adoption of possible corrective actions. *Third* are the restoration points which may be depicted by the "green light" or the desired state when bank's operations are considered fully restored following a financial shock and activation of the recovery plan.

Building Resiliency of Banks through Enhancements of the Recovery Planning Requirements

Box Article 3

Anchored on the existing BSP stress testing guidelines, banks should assess the impact of stress scenarios on their financial health and ability to withstand market shocks. Banks are expected to include stress scenarios that are bank-specific or those that are internal to them, *system-wide* or those that are market-wide and systemic, or a combination of both. These provide important context in refining the recovery options or step-by-step measures that must be implemented in case a stress event materializes.

Banks must also regularly test their recovery plans to ensure that they remain effective in the face of changing market conditions and emerging risks. The testing can be in the form of a *regular desktop exercise* to assess certain components of the recovery plan; a *live simulation exercise* conducted at least once every five (5) years to test the entirety of the recovery plan; and regular *independent review* performed by internal or external units independent from those involved in the recovery planning process.

Overall, the enhanced recovery planning requirements are directed on strengthening the ability of banks to restore their operations as quickly and efficiently as possible, while also minimizing the impact of disruptions on customers, stakeholders, and the broader financial system.

Annex 1. Implementation of the Barangay Micro Business Enterprises Act

OVERVIEW

In line with Republic Act (R.A.) No. 9178 or the "Barangay Micro Business Enterprises (BMBEs) Act of 2002", the Philippine banking system, together with other government financial institutions, continued to serve the financing needs of BMBEs in 2022. This was complemented by enabling regulatory policies and regulations released by the BSP which aim to promote improved financial services delivery to BMBEs and other micro enterprises.

CONTINUED CREDIT SERVICE TO BMBEs

RA No. 9178 encourages the formation and growth of BMBEs through rationalization of bureaucratic restrictions,[1] active government intervention and granting of incentives and benefits. The Act primarily aims to integrate micro enterprises in the informal sector to the mainstream economy. Strengthening BMBEs and supporting their credit needs are important since these will help generate more jobs, provide livelihood, and hasten economic development of the Filipinos in the micro, small and medium enterprises (MSMEs) sector.

Under Section 9 of the BMBEs Act and in line with BSP policies, rules and regulations, a special credit window shall be set up for registered BMBEs by the following government financial institutions (GFIs), namely, Land Bank of the Philippines (LBP), Development Bank of the Philippines (DBP), Small Business Corporation (SBC)[2] and People's Credit and Finance Corporation (PCFC). The law also mandates the BSP to formulate the implementing rules on credit delivery, as well as establish incentive programs to encourage and improve credit delivery to BMBEs.

The Government Service Insurance System (GSIS) and the Social Security System (SSS) are likewise mandated under the law to set up special credit windows for the financing needs of their members who wish to establish BMBEs. In the case of agribusiness activities, SBC is required to set up a special guarantee window to provide the necessary credit guarantee to BMBEs.

BSP CLOSELY MONITORS THE IMPLEMENTATION OF THE BMBEs ACT

The BSP, as financial regulator, ensures that concerned GFIs are compliant with the provisions of Section 9 and the second paragraph of Section 13 of the BMBEs Act. Non-compliant GFIs are subject to administrative sanctions and other penalties under Section 333 of the BSP's Manual of Regulations for Banks (MORB).[3] Under the same regulatory framework, LBP, DBP, SBC and PCFC are required to serve the credit requirements of BMBEs, either retail or wholesale through special credit windows. Meanwhile, for GSIS and SSS members, they may avail their BMBEs credit needs through a similar special credit window. For agri-BMBEs, SBC provides a credit guaranteed under its guarantee program.

Other channels to extend credit to BMBEs are likewise available to further encourage banks and other financial institutions to support the sector. All loans from whatever sources granted to BMBEs under the law were considered part of the alternative compliance with the mandatory credit allocation for MSMEs prescribed by R.A. No. 6977, as amended by R.A. Nos. 8289 and 9501

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

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

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

(Magna Carta for MSMEs). The mandatory credit allocation for MSMEs set forth in the Magna Carta for MSMEs, however, expired on 16 June 2018.

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

Moreover, the BMBEs credit welfare is safeguarded as banks and other financial institutions that lend to this sector are required to comply with the following conditions:

1. the interest on loans to BMBEs should be just and reasonable;

2. the schedule of loan amortization should take into consideration the projected cash flow of the borrowers; and

3. registered BMBE borrowers shall be exempted from submission of income tax returns as a condition for the grant of loans, considering that they are exempt from income tax on earnings arising from their operations, provided that before grant of the loan, banks shall undertake reasonable measures to determine the borrowers' capability to pay.

BANKS GRANTED RETAIL LOANS TO BMBEs

Based on the Report on Loans Granted to BMBEs to BSP[4], the banking system granted a total of ₱43.3 million retail loans to BMBEs in 2022, lower than the ₱67.2 million in 2021 (Table 1).

Retail loans were directly granted to 2,870 BMBE borrowers by 21 banks. Across banking groups, rural and cooperative banks (RBs and CBs) continued to hold the largest share at 66.3 percent (₱28.7 million) and 20.8 percent (₱9.0 million), respectively, of the banking system's total loans to BMBEs. Meanwhile, no wholesale loans[5] were granted to BMBEs during the reference period.

Table 1.
Philippine Banking System: Loans to BMBEs
Amount in Million ₱, Growth Rate in %

	2022			2021			y-o-y Loan Growth	
Banks	No. of Banks	No. of Borrowers	Outs. Loans	No. of Banks	No. of Borrowers	Outs. Loans	Amount	%
UKBs	1	2	1.5	1	3	3.5	(2.0)	(57.1%)
TBs	1	137	4.0	1	143	5.1	(1.1)	(21.6%)
RBs	17	2,642	28.7	17	3,211	40.7	(12.0)	(29.5%)
CBs	2	89	9.0	2	153	18.0	(9.0)	(50.0%)
Total	21	2,870	43.3	21	3,510	67.2	(23.9)	(35.6%)

Source: BSP

GFIs COMPLIED WITH THE REQUIREMENTS OF THE BMBEs ACT

All GFIs, namely, LBP, DBP, SSS, GSIS, PCFC and SBC continued to implement the requirements of the BMBEs Act by setting up special credit windows and facilities to serve the financing needs of BMBEs. These GFIs regularly submit their annual reports on the status of the implementation of the BMBEs Act to both houses of Congress as mandated by Section 9 of the BMBEs Act.

[4] Report on Compliance with Mandatory Credit Allocation Required Under R.A. No. 6977, as amended. This report, which forms part of the quarterly MSME Report to BSP, includes data on outstanding loans to BMBEs, number of borrowers and corresponding loan amounts utilized as alternative compliance with the mandatory credit allocation for MSMEs.
As per BSP Memorandum No. M-2018-022 dated 10 August 2018, banks are required to submit their MSME reports to the BSP even though the mandatory credit allocation for MSMEs already ended.

[5] Wholesale funds that are lent to accredited private financial institutions including community-based organizations such as cooperatives, non-government organizations and people's organizations engaged in granting credit, for relending to BMBEs

POLICY HIGHLIGHTS

With the continued recovery in the economy, the BSP has started to scale back the temporary relief measures introduced during the COVID-19 crisis save for those that incentivize lending to MSMEs, including BMBEs. The relief measures that were extended until end-June 2023 include the reduced credit risk weight of loans granted to MSMEs and the utilization of loans to MSMEs as alternative compliance with the reserve requirements. The extension of these relief measures will encourage banks to continue to support financing requirements of creditworthy MSMEs, including BMBEs.

Based on latest data, credit to MSMEs continues. As of end-December 2022, loans to MSME sector of the banking system stood at ₱492.6 billion higher than the ₱470.1 billion recorded in December 2021. In terms of new loans, the universal and commercial banks, granted a total of ₱37.7 billion new loans to MSMEs for the month of October 2022, an increase from the ₱33.6 billion recorded for the same period a year ago.[6] In addition to providing new credit, banks have also been restructuring loans of their MSME borrowers. As of end-December 2022, total restructured MSME loans stood at ₱24.8 billion or about 5.0 percent of the total MSME loans.

[6] Based on universal and commercial banks' Enhanced Report on Interest Rates on Loans and Deposits (IRLD) to BSP.

Annex 2. 2022 Survey on the Effects of Foreign Bank Entry into the Philippine Banking System

OVERVIEW

Foreign banks continue to expand their core banking business alongside the robust recovery of the Philippine economy. They remain an integral part of the Philippine financial system, connecting retail and corporate customers to trade as well as cross-border lending and investment opportunities across the globe. Even before the COVID-19 crisis, foreign banks have been offering a broad range of innovative financial products and services to their clients, contributing to the healthy competition in the country's financial landscape. These banks, likewise, promote continuous enhancement of their operations through digital solutions including development of employees' skills and competencies, among others.

OBJECTIVE

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

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

METHODOLOGY

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

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

The survey was conducted from January to February 2023.

KEY FINDINGS

A. INVESTMENTS, TRADE AND BUSINESS OPPORTUNITIES

FBBs and foreign bank subsidiaries facilitated various trade transactions between the country and foreign businesses, created business opportunities and promoted investments in the Philippines. These include financing infrastructure and renewable energy projects, promotion of trade and investments, as well as other related transactions.

B. PRINTED MATERIALS

FBBs and foreign bank subsidiaries greatly contributed to attracting potential investors and promoting the Philippine financial system through news articles and social media posts the banks produce and share.

C. NEW TECHNOLOGY

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

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

Fintech Tools	Remarks
Client-Centric Platforms	
Mobile and Online Banking Platforms*	A system that allows clients to manage their bank accounts and access other banking products and products and services via the Internet and digital platforms. It offers convenience with 24/7 availability of access to banking and other financial services, even in remote areas, and promotes automated payments and settlement of clients' various financial transactions.
Application Programming Interface (API) Tool*	An API solution that allows the integrated and flexible exchange of trade-related information between a bank and its clients – allowing for real time reporting of data when these are available in the bank's system.
Bank Operating Systems	
Check Clearing System	A system that facilitates the electronic clearing of checks.
Digital Signature*	A program that allows the preparation, signing and sending of documents electronically in a secure manner.
Core Banking Systems	A back-end system that processes daily banking transactions and posts updates to accounts and other financial records.
Loan Processing System	A system that automates loan application and evaluation.
Robotic Process Automation	A system introduced in the settlements process to improve efficiency and enhance accuracy in pre-settlement processes which include check administration, and trade pre-matching and FX reporting.
FX systems	A back-office system for trading and FX processing with improved security features and processing time.
Risk Management and Compliance	
Anti-Money Laundering (AML) Tool*	An AML solution that enhances the capability of bank to comply with covered and suspicious transaction reporting as mandated by the AML Act.
Communications and Collaboration Platforms	
Virtual Communication Platforms*	A platform that facilitates ease of coordination and collaboration among the bank's different project teams to enable them to effectively work together on common projects, regardless of their physical location.
Remote Access via Virtual Private Network*	A virtual access solution that supports banks' implementation of work from home setup due to the global pandemic.
* Same response from a year ago.	

D. TRAININGS, SEMINARS AND BRIEFINGS

FBBs and foreign bank subsidiaries disclosed the conduct and/or attendance to the following trainings and seminars on risk governance and bank operations:

Area	Topic
Anti-Money Laundering and Combatting Terrorism and Proliferation Financing	Know Your Customer (KYC)
	Fraud/Signature Verification and Forgery Detection
	Know Your Money and Counterfeit Detection
	Anti-Money Laundering/Financial Crime Risk Management
	Real Estate Money Laundering
Risk Management	Corporate Governance/ Operational Risk Management/Change Management/Risk Management/Problem Management/ Reputational, Management, and Institutional Risks/Third Party Risk Management
	Basel III
	Stress Testing Exercise
	Cybersecurity/Cyber Risk, Cybercrime and Cyber Fraud Detection
	Environmental/Climate Risk Management/Environmental, Social and Governance
	Interest Rate Risk in the Banking Book
	Compliance/Regulatory / Project Management/ Internal Controls
	Business Continuity/ Disaster Preparedness/ Safety/ Occupational Safety & Health

Area	Topic
Credit Operations	Credit Risk
	Liquidity Risk
	Credit/Credit Analysis/ Related Party Transactions
	Corporate Banking
	Personal Property Security Registry/Condominium Management
	Microfinance/Sustainable Finance
IT Operations and Digital Financial Services	Digital Banking/Digitalization/Financial Technology/Financial Modelling/Virtual Currency/Cryptocurrency/Blockchain/Big Data
	Data Privacy/ Security/ Information Technology
Financial Market Operations	Investment, Trade and Treasury Operations/Treasury Certification/Trade Finance/Trust/Derivatives/Capital Markets/ Foreign Exchange Regulations/Interest Rates
	Sustainable Finance
	Shadow Banking
	Ethics and Etiquette in the Financial Market
Reporting Standards	Philippine Financial Reporting Standards 3 and 10 (PFRS 3 and 10)
	Taxation and Accounting
Financial Consumer Protection	Financial Consumer Protection Framework
Leadership and Management	HR/Personnel/Leadership Skills Development/KYE Program/ Stress Management/Mental Health Awareness/ Mentoring/ Negotiation and Conflict Resolution
	Financial Management Compliance/Business Communication/ Business Writing
Operating Developments	Economic Briefings and Forums /CREATE Act/FIST Act
	Mandatory Continuing Legal Education/Philippine Immigration Law/Competition Law

E. IMPACT OF COVID-19 ON THE BANK

FBBs and foreign bank subsidiaries shared their observations on the overall performance of their operations with the recovery of the economy from the impact of the COVID-19 crisis. These include:

1. Overall increase in business opportunities, due to the opening of the economy alongside improvement in the country's credit activity,
2. Growth in total assets due to expansion in loans and investments,
3. Higher net income due to the increase in interest income and improvement in trade and financial transactions.

In addition, these banks disclosed that they continued to undertake the following:

1. Promoting and encouraging clients to use online and digital platforms as a more convenient and secure way in doing their financial transactions, as well as in conducting meetings and presentations.
2. Employing stringent credit risk management framework by implementing comprehensive credit risk policies, identifying, and monitoring risk exposures, and enforcing measures to mitigate risk in their portfolio.
3. Enhancing digital capabilities (i.e., platform, system) to maintain competitiveness and operational efficiency.
4. Providing a healthy and conducive work environment for employees through the adoption of hybrid work and training arrangements (i.e., work from home, flexible work schedules, teleworking, online training), shuttle services and other incentives, among others..

5. Strengthening their business continuity plans to ensure that services will not halt in case of any business disruptions.

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Appendix 1. Philippine Banking System: Financial Highlights and Growth Rates

As of End-Periods Indicated

	Financial Highlights End-December			Growth Rates End-December	
	2020	2021	2022 p/	2021	2022 p/
In Billion ₱					
Balance Sheet					
Total Assets [1]	19,457.1	20,828.1	23,047.7	7.0%	10.7 %
Cash and Due from Banks	3,584.1	3,571.5	3,271.7	(0.4%)	(8.4 %)
Financial Assets, gross (Other than Loans)	4,307.8	5,221.0	6,207.5	21.2%	18.9 %
Financial Assets Held for Trading (HFT)	325.0	250.4	202.7	(22.9%)	(19.1 %)
Financial Assets Designated at Fair Value through Profit or Loss (DFVPL)	3.8	4.8	5.1	26.5%	6.6 %
Accumulated Market Gains/(Losses)	40.4	(4.5)	(122.8)	(111.0%)	2,653.0 %
Allowance for Credit Losses	19.5	20.7	17.7	5.9%	(14.3 %)
Financial Assets, net (Other than Loans)	4,328.7	5,195.9	6,066.9	20.0%	16.8 %
Loans, gross (inclusive of IBL)	10,872.6	11,391.1	12,625.1	4.8%	10.8 %
Interbank Loans Receivable (IBL)	296.2	366.9	362.2	23.9%	(1.3 %)
Loans, gross (exclusive of IBL)	10,576.4	11,024.2	12,262.9	4.2%	11.2 %
Reverse Repurchase (RRP) with BSP and Other Banks	367.9	375.9	356.0	2.2%	(5.3 %)
Loans, gross (exclusive of IBL and RRP with BSP and Other	10,208.5	10,648.4	11,906.9	4.3%	11.8 %
Allowance for Probable Losses	367.2	396.8	426.7	8.1%	7.5 %
Loans, net (exclusive of IBL and RRP with BSP and Other	9,841.3	10,251.5	11,480.2	4.2%	12.0 %
Equity Investment in Subsidiaries, Associates and Joint	261.7	276.9	262.5	5.8%	(5.2 %)
ROPA, net	92.7	95.9	104.3	3.4%	8.8 %
Other Assets, net	684.4	693.6	1,143.9	1.3%	64.9 %
Financial Liabilities Held for Trading	47.3	43.7	72.9	(7.5%)	66.7 %
Financial Liabilities DFVPL	-	-	-	(6.7%)	0.5 %
Deposits	14,895.0	16,241.1	17,770.4	9.0%	9.4 %
Peso Liabilities	12,702.2	13,857.9	15,065.4	9.1%	8.7 %
Foreign Currency	2,192.8	2,383.2	2,704.9	8.7%	13.5 %
Bills Payable	558.2	496.9	666.0	(11.0%)	34.0 %
Unsecured Subordinated Debt	27.5	22.6	19.3	(18.0%)	(14.5 %)
Redeemable Preferred Shares	0.3	0.2	0.3	(0.5%)	19.3 %
Other Liabilities	1,497.7	1,449.6	1,812.5	(3.2%)	25.0 %
Total Capital Accounts [2]	2,431.1	2,574.0	2,706.4	5.9%	5.1 %
Income Statement					
Total Operating Income	893.3	869.4	1,014.5	(2.7%)	16.7 %
Net Interest Income	674.2	661.8	754.7	(1.8%)	14.0 %
Non-interest Income	219.1	207.6	259.9	(5.3%)	25.2 %
Non-Interest Expenses	491.5	512.4	562.4	4.2%	9.8 %
Losses/Recoveries on Financial Assets	(214.2)	(97.7)	(88.6)	(54.4%)	(9.3 %)
Provision for Credit Losses on Loans & Other Fin'l Assets	(211.6)	(106.4)	(105.3)	(49.7%)	(1.0 %)
Bad Debts Written Off	(6.4)	(7.5)	(2.4)	18.0%	(68.3 %)
Recovery on Charged-Off Assets	3.8	16.2	19.1	323.8%	17.6 %
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	187.6	259.3	363.5	38.2%	40.2 %
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	11.9	20.7	23.8	73.7%	15.0 %
Total Profit/Loss Before Tax and Before Minority Interest	199.5	280.1	387.4	40.4%	38.3 %
Total Profit/Loss After Tax and Before Minority Interest	155.2	224.8	310.1	44.8%	38.0 %
Minority Interest in Profit/(Loss) of Subsidiaries	-	-	-		
Net Profit/(Loss)	155.2	224.8	310.1	44.8%	38.0 %

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

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

p/ preliminary

Note: Figures may not add up due to rounding-off

Appendix 2. Philippine Banking System: Selected Performance Indicators

As of End-Periods Indicated

	End-December		
	2020	2021	2022 p/
Profitability			
Earning Asset Yield [1]	4.8 %	4.1 %	4.4 %
Funding Cost [2]	1.1 %	0.7 %	0.9 %
Interest Spread [3]	3.7 %	3.4 %	3.5 %
Net Interest Margin [4]	3.8 %	3.5 %	3.6 %
Non-Interest Income to Total Operating Income [5]	24.5 %	23.9 %	25.6 %
Cost-to-Income [6]	54.9 %	58.7 %	55.2 %
Return on Assets (RoA) [7]	0.8 %	1.1 %	1.4 %
Return on Equity (RoE) [7]	6.5 %	9.0 %	11.7 %
Liquidity			
Cash and Due from Banks to Deposits	24.1 %	22.0 %	18.4 %
Liquid Assets to Deposits [8]	53.1 %	54.0 %	52.6 %
Loans, gross to Deposits	73.0 %	70.1 %	71.0 %
Asset Quality			
Restructured Loans to Total Loan Portfolio (TLP)	1.9 %	3.1 %	2.6 %
Allowance for Credit Losses (ACL) to TLP	3.4 %	3.5 %	3.4 %
Gross Non-Performing Loans (NPL) to TLP [NPL Ratio]	3.6 %	4.0 %	3.2 %
Net NPL to TLP	2.0 %	2.1 %	1.5 %
NPL Ratio (net of IBL)	3.7 %	4.1 %	3.2 %
NPL Coverage Ratio (ACL to Gross NPL)	93.0 %	87.7 %	107.0 %
Non-Performing Assets (NPA) to Gross Assets [NPA Ratio]	2.6 %	2.7 %	2.2 %
NPA Coverage Ratio (Allowance on NPA to NPA)	78.5 %	75.3 %	87.9 %
ROPA to Gross Assets Ratio	0.6 %	0.6 %	0.5 %
ROPA Coverage Ratio	29.0 %	28.5 %	28.2 %
Distressed Assets Ratio	6.2 %	7.2 %	6.0 %
Capital Adequacy			
Total Capital Accounts to Total Assets [9]	12.5 %	12.4 %	11.7 %
Capital Adequacy Ratio (CAR, Solo) [10,11]	16.6 %	16.5 %	15.4 %
Common Equity Tier 1 (CET1) Ratio	15.4 %	15.3 %	14.3 %
Capital Conservation Buffer	9.4 %	9.3 %	8.3 %
Tier 1 Ratio	15.6 %	15.5 %	14.5 %
CAR (Consolidated) [10,11]	17.1 %	17.1 %	16.1 %
CET1 Ratio	15.9 %	15.9 %	15.0 %
Capital Conservation Buffer	9.9 %	9.9 %	9.0 %
Tier 1 Ratio	16.0 %	16.1 %	15.2 %

[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 cooperat*
p/ *preliminary*

Appendix 3. Philippine Banking Offices: Number of Offices and Regional Profile

As of End-Periods Indicated

	2022 p/						
	TOTAL	Universal Banks	Commercial Banks	Thrift Banks	Rural Banks	Cooperative Banks	Digital Banks
TOTAL	**13,269**	**6,846**	**347**	**2,592**	**3,303**	**175**	**6**
Head Offices	**497**	**22**	**23**	**43**	**379**	**24**	**6**
Branches/Other Offices	**12,772**	**6,824**	**324**	**2,549**	**2,924**	**151**	
Regular Branch	9,921	6,553	306	1,606	1,337	119	
Branch-Lite Unit	2,658	233	18	928	1,447	32	
Microfinance-Oriented Branch	155			15	140		
Representative Office	20	20					
Remittance Desk Office	14	14					
Marketing Office	2	2					
Limited Purpose Branch	1	1					
Sub-Branch	1	1					

		2021	2022 p/		
		TOTAL	TOTAL	Head Offices	Branches/ Other Offices
TOTAL		**13,154**	**13,269**	**497**	**12,772**
Nationwide		**13,100**	**13,215**	**497**	**12,718**
National Capital Region (NCR)		**3,834**	**3,803**	**81**	**3,722**
Luzon		**5,497**	**5,559**	**269**	**5,290**
Region I	- Ilocos	674	684	31	653
Region II	- Cagayan Valley	476	488	28	460
Region III	- Central Luzon	1,359	1,371	70	1,301
Region IV-A	- CALABARZON	1,912	1,906	85	1,821
Region IV-B	- MIMAROPA	310	316	20	296
Region V	- Bicol	564	588	20	568
Cordillera Administrative Region (CAR)		202	206	15	191
Visayas		**1,962**	**2,003**	**85**	**1,918**
Region VI	- Western Visayas	761	777	40	737
Region VII	- Central Visayas	906	921	31	890
Region VIII	- Eastern Visayas	295	305	14	291
Mindanao		**1,807**	**1,850**	**62**	**1,788**
Region IX	- Zamboanga Peninsula	276	279	13	266
Region X	- Northern Mindanao	443	458	22	436
Region XI	- Davao Region	504	517	13	504
Region XII	- SOCCSKSARGEN [1/]	314	301	9	292
ARMM		18	-	-	-
CARAGA		252	256	5	251
BARMM		-	39		39
Overseas		**54**	**54**		**54**
Asia-Pacific		21	21		21
Europe		5	5		5
North America		5	5		5
Middle East		23	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 4. Philippine Banking System: Number of Automated Teller Machines (ATMs)
As of End-Periods Indicated

	On-site		Off-site		Total	
	2021	2022 p/	2021	2022 p/	2021	2022 p/
TOTAL	**12,463**	**12,828**	**10,524**	**10,594**	**22,987**	**23,422**
Universal Banks	9,841	10,283	9,399	9,563	19,240	19,846
Commercial Banks	592	369	546	411	1,138	780
Thrift Banks	1,350	1,392	476	504	1,826	1,896
Rural banks	650	749	103	116	753	865
Cooperative Banks	30	35			30	35

p/ *preliminary*

Appendix 5: Number of BSFIs with Authority to Provide Electronic Payment and Financial Services (EPFS)

As of End-September 2022 p/

	No. of BSFIs with Authority to Provide EPFS	ATM Card	Credit Card	Electronic Money Issuers (Prepaid Card/Cash Card/ Remittance	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	17
Rural and Cooperative Banks	54	24	-	5	2	-	6	1	12
Digital Banks	6	3	-	-	-	-	1	1	4
Banks	133	82	17	30	6	5	48	47	60
EMIs	41	-	-	41	31	-	2	1	30
Others	10	-	1	1	-	-	6	-	10
TOTAL	184	82	18	72	37	5	56	48	100

	Telephone Banking	ATM Facility	Cash Accept Machine	Cash Recycling Machine	Point of Sale Facility	Payment Portal	With VASP Services	InstaPay	PESONet
Universal and Commercial Banks	10	27	10	1	17	9	-	23	42
Thrift Banks	4	29	2	1	7	-	-	17	17
Rural and Cooperative Banks	-	26	-	-	5	-	-	14	33
Digital Banks	-	3	1	-	1	-	-	3	3
Banks	14	85	13	2	30	9	-	57	95
EMIs	-	-	1	-	2	1	5	14	7
Others	-	-	-	-	-	-	-	-	-
TOTAL	14	85	14	2	32	10	5	71	102

	QR Ph	Instapay Multi-Proxy Service	Agency Banking	eKYC-Online Onboarding	E-Gov Payments	BIR ePayments	Type C EPFS	Online/ Digital Loan Application	Others
Universal and Commercial Banks	14	13	6	16	2	1	-	11	8
Thrift Banks	7	1	4	4	-	-	4	2	-
Rural and Cooperative Banks	4	3	6	4	-	-	19	7	2
Digital Banks	-	3	2	5	-	-	-	2	3
Banks	25	20	18	29	2	1	23	22	13
EMIs	8	9	-	26	-	-	-	-	-
Others	-	-	-	2	-	-	-	1	1
TOTAL	33	29	18	57	2	1	23	23	14

p/ *preliminary*

Appendix 6. Philippine Banking System: Profitability Indicators
For the Periods-Ended Indicated

	End-December			Growth Rates End-December	
	2020	2021	2022 p/	2021	2022 p/
In Billion ₱					
Total Operating Income	893.3	869.4	1,014.5	(2.7%)	16.7%
Net Interest Income	674.2	661.8	754.7	(1.8%)	14.0%
Interest Income	851.2	777.2	911.7	(8.7%)	17.3%
Provision for Lossses on Accrued Interest Income from Financial Assets	0.9	0.3	0.5	(62.2%)	54.3%
Interest Expenses	176.1	115.1	156.5	(34.7%)	36.0%
Non-interest Income	219.1	207.6	259.9	(5.3%)	25.2%
Dividend Income	3.2	2.0	2.4	(39.2%)	23.2%
Fee-based Income	89.5	107.3	123.4	19.8%	15.0%
Trading Income	20.2	9.7	16.5	(52.1%)	70.5%
FX Profit/(Loss)	6.6	5.3	12.4	(19.1%)	131.9%
Profit/(Loss) from Sale/Redemption/Derecognition of Non-Trading Financial Assets and Liabilities	83.4	25.8	(0.8)	(69.0%)	(103.1%)
Profit/(Loss) from Sale/Derecognition of Non-Financial	5.5	41.2	30.7	652.9%	(25.6%)
Profit/(Loss) on Financial Assets and Liabilities Designated at Fair Value through Profit or Loss	0.5	0.3	(0.2)	(47.4%)	(168.2%)
Profit/(Loss) on Fair Value Adjustment in Hedge	(2.8)	(0.0)	. . .	(99.5%)	(152.4%)
Other Income	13.1	16.1	75.6	23.1%	370.1%
Non-Interest Expenses	491.5	512.4	562.4	4.2%	9.8%
Losses/Recoveries on Financial Assets	(214.2)	(97.7)	(88.6)	(54.4%)	(9.3%)
Provision for Credit Losses on Loans & Other Fin'l Assets	(211.6)	(106.4)	(105.3)	(49.7%)	(1.0%)
Bad Debts Written Off	(6.4)	(7.5)	(2.4)	18.0%	(68.3%)
Recovery on Charged-Off Assets	3.8	16.2	19.1	323.8%	17.6%
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	187.6	259.3	363.5	38.2%	40.2%
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	11.9	20.7	23.8	73.7%	15.0%
Total Profit/Loss Before Tax and Before Minority Interest	199.5	280.1	387.4	40.4%	38.3%
Income Tax Expense	44.3	55.3	77.3	24.8%	39.7%
Total Profit/Loss After Tax and Before Minority Interest	155.2	224.8	310.1	44.8%	38.0%
Minority Interest in Profit/(Loss) of Subsidiaries			-		
Net Profit/(Loss)	155.2	224.8	310.1	44.8%	38.0%

p/ preliminary
Note: ". . ." denotes below ₱0.05 billion
"(0.0)" denotes less than negative ₱0.05 billion

Appendix 7. Philippine Banking System: Asset Quality Indicators
As of End-Periods Indicated

	End-December			Growth Rates End-December	
	2020	2021	2022 p/	2021	2022 p/
In Billion ₱					
Total Assets	19,457.1	20,828.1	23,047.7	7.0 %	10.7 %
Gross Assets [1]	19,857.8	21,258.9	23,510.4	7.1 %	10.6 %
Total Loan Portfolio (TLP) [2]	10,872.6	11,391.1	12,625.1	4.8 %	10.8 %
Interbank Loans Receivable (IBL)	296.2	366.9	362.2	23.9 %	(1.3%)
TLP [2], net of IBL	10,576.4	11,024.2	12,262.9	4.2 %	11.2 %
TLP, net of Allowance for Credit Losses (ACL)	10,505.4	10,994.3	12,198.4	4.7 %	11.0 %
Gross Non-Performing Loans (NPL)	394.9	452.5	398.8	14.6 %	(11.9%)
Net NPL [3]	217.9	240.3	186.1	10.3 %	(22.5%)
ACL	367.2	396.8	426.7	8.1 %	7.5 %
ROPA [2, 4]	115.8	119.3	127.8	3.0 %	7.1 %
ROPA (inclusive of performing Sales Contract Receivable)	126.8	130.4	141.0	2.8 %	8.2 %
Provisions for ROPA [5]	33.6	34.0	36.0	1.2 %	6.0 %
Restructured Loans [2/]	208.9	356.7	329.7	70.8 %	(7.6%)
Performing Restructured Loans	174.0	255.2	244.2	46.7 %	(4.3%)
Distressed Assets [6]	684.7	827.0	770.8	20.8 %	(6.8%)
Non-Performing Assets (NPAs) [7]	510.7	571.8	526.6	12.0 %	(7.9%)
Allowance on NPA [8]	400.8	430.8	462.7	7.5 %	7.4 %
Performing Sales Contract Receivables	10.9	11.0	13.2	1.0 %	20.1 %

[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 8. Foreign Currency Deposit Unit: Financial Highlights and Growth Rates
As of End-Periods Indicated

	Financial Highlights End-December			Growth Rates End-December	
	2020	2021	2022 p/	2021	2022 p/
In Million US$					
Balance Sheet					
Total Assets [1]	58,515.1	57,796.1	61,920.0	(1.2 %)	7.1 %
Cash and Due from Banks	6,860.8	6,547.2	5,577.6	(4.6 %)	(14.8 %)
Financial Assets, gross	28,616.9	28,302.2	28,557.3	(1.1 %)	0.9 %
Allowance for Credit Losses	44.1	43.7	47.7	(1.0 %)	9.1 %
Accumulated Market Gains/Losses	294.2	62.7	(903.6)	(78.7 %)	(1,540.9 %)
Financial Assets, net	28,867.0	28,321.2	27,606.0	(1.9 %)	(2.5 %)
Interbank Loans Receivable (IBL), net	4,989.1	6,132.3	4,464.9	22.9 %	(27.2 %)
Loans, gross (exclusive of IBL)	17,638.6	16,456.5	17,243.1	(6.7 %)	4.8 %
Allowance for Probable Losses [2]	449.4	657.3	357.7	46.3 %	(45.6 %)
Loans, net (exclusive of IBL)	17,189.2	15,799.2	16,885.5	(8.1 %)	6.9 %
ROPA, net	31.5	26.2	21.9	(16.7 %)	(16.2 %)
Other Assets, net	577.5	970.0	7,364.2	68.0 %	659.2 %
Total Liabilities	56,862.9	56,792.4	61,533.2	(0.1 %)	8.3 %
Financial Liabilities Held for Trading	144.2	87.9	111.1	(39.0 %)	26.4 %
Deposit Liabilities	45,061.6	46,093.8	47,852.7	2.3 %	3.8 %
Due to Other Banks	713.4	698.9	741.5	(2.0 %)	6.1 %
Bills Payable	4,001.8	3,210.8	5,654.3	(19.8 %)	76.1 %
Bonds Payable, net	5,592.7	4,888.5	4,972.2	(12.6 %)	1.7 %
Other Liabilities	377.0	517.1	385.2	37.2 %	(25.5 %)
Due to HO/Br./Agencies/FCDU/RBU, net [3]	972.2	1,295.4	1,816.3	33.2 %	40.2 %
Total Capital Accounts [4]	1,652.2	1,003.7	386.8	(39.3 %)	(61.5 %)
Income Statement					
Total Operating Income	1,530.3	1,277.4	1,141.5	(16.5 %)	(10.6 %)
Net Interest Income [5]	890.8	825.5	981.9	(7.3 %)	18.9 %
Non-interest Income	639.5	451.9	159.6	(29.3 %)	(64.7 %)
Non-Interest Expenses	188.8	185.4	165.4	(1.8 %)	(10.8 %)
Losses/Recoveries on Financial Assets	(122.9)	(240.2)	139.7	95.4 %	(158.2 %)
Bad Debts/Provision for Credit Losses	(125.3)	(245.0)	(23.0)	95.6 %	(90.6 %)
Recovery on Charged-Off Assets	2.4	4.9	162.7	106.5 %	3,226.5 %
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subs., Associates & Joint Ventures	1,218.6	851.8	1,115.9	(30.1 %)	31.0 %
Total Profit/Loss Before Tax & Before Minority Interest	1,218.6	851.8	1,115.9	(30.1 %)	31.0 %
Income Tax Expense	41.0	43.9	41.0	7.0 %	(6.5 %)
Total Profit/Loss After Tax & Before Minority Interest	1,177.6	807.9	1,074.9	(31.4 %)	33.0 %
Net Profit or Loss	1,177.6	807.9	1,074.9	(31.4 %)	33.0 %

[1] Adjusted to net off the account "Due from Head Office" with "Due to Head Office" of branches of foreign banks
[2] Inclusive of General Loan Loss Provision
[3] Net of Due from Head Office/Branches/Agencies (Philippine branches of foreign banks) and Due from FCDU/RBU
[4] Revised based on the Financial Reporting Package (FRP) data
[5] Net of interest expenses and provision for losses on accrued interest income from financial assets
p/ preliminary

Appendix 9. Foreign Currency Deposit Unit: Selected Performance Indicators
As of End-Periods Indicated

	End-December		
	2020	2021	2022 p/
Liquidity			
Liquid Assets to Deposits [1] (excl. of ROPs)	60.1%	55.2%	47.2%
Liquid Assets to Deposits [1] (incl. of ROPs)	79.3%	75.6%	69.3%
Loans, gross to Deposits	50.2%	49.0%	45.4%
Asset Quality			
Non-Performing Loans (NPL) Ratio [2]	2.2%	3.6%	1.1%
NPL Coverage Ratio [2]	116.6%	109.9%	196.4%
Non-Performing Assets (NPA) to Gross Assets [2]	0.7%	1.1%	0.3%
NPA Coverage Ratio [2]	105.2%	103.7%	165.9%
Profitability			
Cost-to-Income Ratio	12.3%	14.5%	14.5%
Return on Assets	2.0%	1.4%	1.8%
Net Interest Margin	1.6%	1.4%	1.7%

[1] *Liquid assets refers to Cash and Due from Banks plus Financial Assets, net of amortization (net of Financial Assets in Equity Securities and Allowance For Credit Losses)*
[2] *Exclusive of Interbank Loans Receivable*
p/ *preliminary*

Appendix 10. Total Trust (Philippine Banks and NBFIs): Financial Highlights and Growth Rates

As of End-Periods Indicated

	Financial Highlights End-December			Growth Rate End-December	
	2020	2021	2022 p/	2021	2022 p/
In Billion ₱					
Total Assets	**4,633.1**	**5,058.2**	**5,345.9**	**9.2 %**	**5.7 %**
Cash and Due from banks	0.3	0.3	0.4	(2.9 %)	13.9 %
Deposits in Banks	1,058.4	1,086.2	1,181.0	2.6 %	8.7 %
Financial Assets, gross (net of amortization)	3,091.7	3,461.2	3,559.7	12.0 %	2.8 %
Accumulated Market Gains/Losses	46.6	31.7	(28.1)	(32.0 %)	(188.6 %)
Allowance for Credit Losses	0.9	0.2	0.5	(72.9 %)	104.4 %
Financial Assets, net	3,137.3	3,492.6	3,531.2	11.3 %	1.1 %
Loans, (gross)	100.0	118.6	134.2	18.6 %	13.1 %
Allowance for probable losses	3.1	7.5	6.4	143.6 %	(14.8 %)
Loans, net	96.9	111.1	127.8	14.6 %	15.0 %
Equity Investments (gross)	8.1	5.5	5.4	(31.8 %)	(2.4 %)
Allowance for probable losses	2.5	2.5	2.5	0.0 %	(3.0 %)
Accumulated Market Gain/(Loss)	-	-	-		
Equity Investments (net)	5.5	3.0	2.9	(46.3 %)	(1.9 %)
ROPA (net)	0.1	0.1	0.2	(17.0 %)	245.5 %
Other assets	334.5	365.0	502.4	9.1 %	37.6 %
Total Accountabilities	**4,633.1**	**5,058.2**	**5,345.9**	**9.2 %**	**5.7 %**
Wealth/Asset/Fund Management Accounts (Trust)	2,243.3	2,395.2	2,043.4	6.8 %	(14.7 %)
UITF	1,180.2	1,305.3	940.7	10.6 %	(27.9 %)
Employee Benefit	440.5	460.1	465.9	4.4 %	1.2 %
Pre-Need	125.0	127.9	125.3	2.4 %	(2.1 %)
Other Institutional Trust Accounts	39.6	45.1	49.0	13.8 %	8.8 %
Personal Trust	432.5	420.7	399.9	(2.7 %)	(4.9 %)
Personal Retirement Fund	0.1	0.1	0.1	0.1 %	(30.9 %)
Other Individual Trust Accounts	25.4	36.0	62.5	41.8 %	73.6 %
Wealth/Asset/Fund Management Accounts (Agency)	1,959.4	2,207.0	2,708.6	12.6 %	22.7 %
Employee Benefit	57.9	56.3	59.0	(2.9 %)	4.9 %
Pre-Need	0.8	0.7	0.7	(2.1 %)	(3.7 %)
Other Institutional Agency Accounts	1,013.3	1,189.5	1,405.5	17.4 %	18.2 %
Personal Retirement Fund	0.0	0.0	0.0	(0.1 %)	(8.1 %)
Other Individual Agency Accounts	887.4	960.5	1,243.3	8.2 %	29.4 %
Other Fiduciary Services	429.4	455.3	593.2	6.0 %	30.3 %
UITF	13.7	13.6	14.5	(0.7 %)	6.3 %
Court Trusts	2.4	2.4	1.2	(0.4 %)	(49.9 %)
Corporate Fiduciary Trust	51.3	47.7	44.1	(7.0 %)	(7.5 %)
Escrow	45.1	47.8	45.2	6.1 %	(5.5 %)
Custodianship	280.3	303.0	438.5	8.1 %	44.7 %
Safekeeping	0.0	0.0	0.0	2.8 %	1.9 %
Others	36.6	40.8	49.6	11.4 %	21.7 %
Advisory/Consultancy	0.0	0.0	0.0	2.6 %	0.0 %
Special Purpose Trust	1.0	0.6	0.8	(38.5 %)	26.3 %

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

Appendix 11. Total Trust (Philippine Banks and NBFIs) : Selected Performance Indicators
As of End-Periods Indicated

	End-December		
	2020	2021	2022 p/
Liquidity			
Cash and Due from Banks to Total Accountabilities	0.0%	0.0%	0.0%
Liquid Assets to Total Accountabilities	66.7%	68.4%	66.6%
Loans (gross) to Total Accountabilities	2.2%	2.3%	2.5%
Asset Quality			
Non-Performing Loans (NPL) Ratio	1.0%	0.5%	1.7%
NPL Coverage Ratio	320.2%	1244.2%	285.4%
Non-Performing Assets (NPA) to Gross Assets	0.0%	0.0%	0.0%
NPA Coverage Ratio	283.9%	1068.5%	255.7%
Efficiency Ratio	47.2%	46.1%	49.7%

Note: "0.0%" denotes below 0.05%

p/ preliminary

Appendix 12. Foreign Bank Branches and Subsidiaries: Financial Highlights and Growth Rates
As of End-Periods Indicated

	Financial Highlights End-December			Growth Rates End-December	
	2020	2021	2022 p/	2021	2022 p/
In Billion ₱					
Balance Sheet					
Total Assets	1,314.9	1,396.6	**1,417.6**	6.2 %	**1.5 %**
Cash and Due from Banks	321.6	341.5	**331.3**	6.2 %	**(3.0 %)**
Financial Assets, gross (Other than Loans)	345.3	362.5	**339.8**	5.0 %	**(6.3 %)**
Financial Assets Held for Trading (HFT)	112.6	100.9	**62.1**	(10.4 %)	**(38.5 %)**
Financial Assets Designated at Fair Value through Profit and Loss (DFVPL)	0.0	0.0	**0.0**	117.5 %	**5.9 %**
Available-for-Sale (AFS) Financial Assets	210.4	201.7	**201.6**	(4.1 %)	**(0.1 %)**
Held-to-Maturity (HTM) Financial Assets	22.2	59.8	**76.1**	169.0 %	**27.3 %**
Unquoted Debt Securities Classified as Loans	-	-	**-**	-	**-**
Investments in Non-Marketable Equity Securities (INMES)	-	-	**-**	-	**-**
Allowance for Credit Losses	0.0	0.1	**0.1**	146.0 %	**1.8 %**
Accumulated Market Gains/Losses	2.7	(0.5)	**(4.8)**	(117.4 %)	**909.7 %**
Financial Assets, net (Other than Loans)	348.0	362.0	**335.0**	4.0 %	**(7.5 %)**
Interbank Loans Receivable (IBL)	23.4	22.8	**29.1**	(2.7 %)	**27.7 %**
Loans. Gross (inclusive of IBL)	629.8	672.6	**660.2**	6.8 %	**(1.8 %)**
Loans, gross (exclusive of IBL)	606.4	649.8	**631.1**	7.2 %	**(2.9 %)**
Reverse Repurchase (RRP) with BSP and Other Banks	119.1	141.2	**119.5**	18.5 %	**(15.4 %)**
Loans, gross (exclusive of IBL and RRP with BSP and	487.3	508.6	**511.6**	4.4 %	**0.6 %**
Allowance for Probable Losses	25.1	16.3	**12.3**	(35.0 %)	**(24.4 %)**
Loans, net (exclusive of IBL and RRP with BSP and Other	462.2	492.3	**499.3**	6.5 %	**1.4 %**
Equity Investment in Subsidiaries, Associates and Joint	2.6	2.4	**2.8**	(5.6 %)	**13.2 %**
ROPA, net	1.9	1.9	**3.0**	1.1 %	**55.7 %**
Other Assets, net	36.1	32.5	**97.7**	(9.9 %)	**200.2 %**
Total Liabilities	1,082.1	1,164.4	**1,156.4**	7.6 %	**(0.7 %)**
Financial Liabilities Held for Trading	20.7	21.4	**36.5**	3.3 %	**70.3 %**
Financial Liabilities DFVPL	-	-	**-**	-	**-**
Deposits	832.8	887.4	**874.5**	6.6 %	**(1.5 %)**
Peso Liablities	532.8	555.7	**522.9**	4.3 %	**(5.9 %)**
Foreign Currency	300.0	331.6	**351.6**	10.5 %	**6.0 %**
Due to Other Bank/BSP/PDIC/Head Office/Branch/Agency(Philippines)	161.4	170.2	**100.2**	5.5 %	**(41.1 %)**
Bills Payable	16.4	31.5	**31.7**	92.5 %	**0.4 %**
Other Liabilities	48.8	51.8	**113.5**	6.0 %	**119.2 %**
Unsecured Subordinated Debt	2.0	2.0	**-**	0.0 %	**(100.0 %)**
Redeemable Preferred Shares	-	-	**-**	-	**-**
Total Capital Accounts	232.9	232.2	**261.3**	(0.3 %)	**12.5 %**
Income Statement					
Total Operating Income	63.2	54.4	**108.1**	(13.9 %)	**98.7 %**
Net Interest Income	43.4	34.5	**40.5**	(20.5 %)	**17.2 %**
Non-interest Income	19.8	19.9	**67.6**	0.5 %	**240.6 %**
Non-Interest Expenses	42.8	43.0	**49.4**	0.4 %	**14.7 %**
Losses/Recoveries on Financial Assets	(18.9)	0.7	**(2.6)**	(103.9 %)	**(449.7 %)**
Bad Debts/Provisions for Credit Losses	(20.2)	(10.0)	**(6.6)**	(50.5 %)	**(34.2 %)**
Recovery on Charged-Off Assets	1.4	10.8	**4.0**	691.3 %	**(62.4 %)**
Net Profit Before Share in the Profit/(Loss) of	1.5	12.1	**56.2**	719.2 %	**364.3 %**
Share in the Profit/(Loss) of Unconsolidated Subsidiaries,	(0.0)	(0.0)	**0.1**	687.8 %	**(341.7 %)**
Total Profit/Loss Before Tax and Before Minority Interest	1.5	12.1	**56.3**	719.3 %	**366.6 %**
Income Tax Expense	2.4	5.3	**14.5**	116.3 %	**174.7 %**
Total Profit/Loss After Tax and Before Minority Interest	(1.0)	6.8	**41.8**	(801.8 %)	**515.8 %**
Minority Interest in Profit/(Loss) of Subsidiaries	-	-	**-**		
Net Profit or Loss	(1.0)	6.8	**41.8**	(801.8 %)	**515.8 %**

p/ *preliminary*
Note: Figures may not add up due to rounding-off.
"0.0" denotes below ₱0.05 billion

Appendix 13. Foreign Bank Branches and Subsidiaries: Selected Performance Indicators
As of End-Periods Indicated

	End-December		
	2020	2021	2022 p/
Liquidity			
Cash and Due from Banks to Deposits	38.6 %	38.5 %	37.9 %
Liquid Assets to Deposits [1]	80.4 %	79.3 %	76.2 %
Gross Loans to Deposits	75.6 %	75.8 %	75.5 %
Asset Quality [2]			
Allowance for Credit Losses to Total Loans	4.0 %	2.4 %	1.9 %
Gross Non-Performing Loans (NPL) to Total Loans	2.6 %	1.8 %	1.3 %
NPL Ratio [3]	2.7 %	1.9 %	1.3 %
NPL Coverage Ratio	150.9 %	134.8 %	149.0 %
Non-Performing Assets (NPA) to Gross Assets	1.4 %	1.0 %	0.8 %
NPA Coverage Ratio	136.8 %	118.5 %	111.5 %
ROPA to Gross Assets	0.2 %	0.1 %	0.2 %
ROPA Coverage Ratio	25.2 %	24.3 %	17.2 %
Distressed Assets Ratio	3.3 %	2.6 %	2.2 %
Capital Adequacy			
Total Capital Accounts to Total Assets [4]	17.7 %	16.6 %	18.4 %
Capital Adequacy Ratio (Solo) [5]	27.5 %	25.3 %	
Profitability			
Non-interest Income to Total Operating Income [6]	31.3 %	36.5 %	62.6 %
Cost-to-Income [7]	67.8 %	79.1 %	45.6 %
Return on Assets [8]	(0.1 %)	0.5 %	3.0 %
Return on Equity [9]	(0.4 %)	2.9 %	16.9 %

[1] Liquid Assets refer to Cash and Due from Banks plus Financial Assets, net of amortization (net of Financial Assets in Equity Securities,
[2] Ratios are computed in accordance with the NPL definition as prescribed under
[3] Exclusive of Interbank Loans Receivable
[4] Capital includes redeemable preferred shares
[5] Refers to the ratio of qualifying capital to total risk-weighted assets. With the
[6] Non-interest income includes dividend income
[7] Refers to the ratio of non-interest expenses to total operating income
[8] Refers to the ratio of annualized net profit to average assets.
[9] Refers to the ratio of annualized net profit to average capital.
p/ preliminary

Appendix 14. Non-Banks with Quasi-Banking Functions (NBQBs)
Financial Highlights and Growth Rates
As of End-Periods Indicated

	Financial Highlights End-December			Growth Rates End-December	
	2020	2021 r/	2022 p/	2021 r/	2022 p/
In Billion ₱					
Balance Sheet					
Total Assets	193.0	168.3	151.3	(10.1 %)	(12.8 %)
Cash and Due from Banks	27.1	15.8	8.8	(44.2 %)	(41.7 %)
Interbank Loans Receivable (IBL)	0.0	0.0	0.0	(59.4 %)	(40.1 %)
Loans, gross (inclusive of IBL)	140.9	142.0	131.0	(7.7 %)	0.7 %
Allowance for Probable Losses	4.4	5.6	2.8	(50.6 %)	27.5 %
Loans, net (inclusive of IBL)	136.5	136.3	128.2	(5.9 %)	(0.1 %)
Investments, net	20.8	9.5	7.0	(26.4 %)	(54.5 %)
ROPA, net	1.3	1.2	1.1	(11.0 %)	(7.2 %)
Other Assets	8.6	6.7	7.2	8.2 %	(22.2 %)
Total Liabilities	152.1	138.9	130.0	(6.4 %)	(8.7 %)
Bills Payable	112.4	107.4	106.2	(1.1 %)	(4.5 %)
Other Liabilities	39.7	31.5	23.8	(24.5 %)	(20.6 %)
Total Capital Accounts	40.9	29.4	21.3	(27.8 %)	(28.1 %)
Income Statement					
Total Operating Income	8.4	8.6	6.8	(20.8 %)	2.7 %
Net Interest Income	6.6	7.0	6.4	(8.9 %)	6.0 %
Non-interest Income	1.8	1.6	0.5	(72.0 %)	(9.1 %)
Operating Expenses	7.8	7.1	4.5	(36.2 %)	(8.1 %)
Bad Debts/Provisions for Probable Losses	0.4	2.8	1.6	(41.1 %)	613.6 %
Other Operating Expenses	4.7	4.4	2.9	(33.2 %)	(6.8 %)
Net Operating Income	0.6	1.5	2.3	54.0 %	137.5 %
Extraordinary Credits/(Charges)	(0.0)	0.1	0.1	15.7 %	(1,514.2 %)
Net Income Before Tax	0.6	1.6	2.4	51.0 %	162.0 %
Provisions for Income Tax	(0.1)	0.3	0.6	99.0 %	(650.9 %)
Net Income After Tax (NIAT)	0.7	1.3	1.8	40.1 %	96.6 %

r/ *revised*
p/ *preliminary*
Note: Figures may not add up due to rounding-off
"0.0" denotes less than ₱50 million

Appendix 15. Non-Banks with Quasi-Banking Functions (NBQBs)
Selected Performance Indicators
As of End-Periods Indicated

	End-December		
	2020	2021 [r/]	2022 [p/]
Selected Ratios			
Profitability			
Cost-to-Income [1/]	55.9 %	50.7 %	42.8 %
Return on Assets (ROA)	0.3 %	0.7 %	1.1 %
Return on Equity (ROE)	1.3 %	3.8 %	7.7 %
Asset Quality			
Non-performing Loans (NPL) Ratio	9.6 %	9.9 %	5.9 %
NPL Coverage	32.8 %	40.1 %	36.2 %
Non-Performing Assets (NPA) to Gross Assets	7.6 %	8.9 %	5.9 %
NPA Coverage	30.9 %	37.7 %	34.2 %

[1] Cost-to-Income Ratio refers to operating expenses, exclusive of bad debts and provisions to total operating income
[r/] revised
[p/] preliminary

Appendix 16. Non-Banks with Quasi-Banking Functions (NBQBs) Profitability Indicators

For the Periods-Ended Indicated

	End-December		
	2020	2021 r/	2022 p/
In Billion ₱			
Total Operating Income	8.4	8.6	6.8
Net Interest Income	6.6	7.0	6.4
Interest Income	0.8	0.4	0.3
Interest Expenses	6.5	6.3	5.3
Non-interest Income	1.8	1.6	0.5
Fee-based Income	1.1	1.1	0.4
Trading Income	0.2	(0.0)	(0.1)
Other Income	0.6	0.6	0.2
Operating Expenses	7.8	7.1	4.5
Bad Debts/Provisions for Probable Losses	0.4	2.8	1.6
Other Operating Expenses	4.7	4.4	2.9
Net Operating Income	0.6	1.5	2.3
Extraordinary Credits/(Charges)	(0.0)	0.1	0.1
Net Income Before Tax	0.6	1.6	2.4
Provisions for Income Tax	(0.1)	0.3	0.6
Net Income After Tax (NIAT)	0.7	1.3	1.8
Selected Ratios			
Earning Asset Yield [1]	0.4 %	0.3 %	0.2 %
Funding Cost [2]	4.5 %	5.7 %	4.9 %
Interest Spread [3]	(4.0 %)	(5.4 %)	(4.7 %)
Net Interest Margin [4]	3.4 %	4.8 %	4.5 %
Non-interest Income to Total Operating Income	21.3 %	18.8 %	6.7 %
Cost-to-Income [5]	55.9 %	50.7 %	42.8 %
Return on Assets (RoA) [6]	0.3 %	0.7 %	1.1 %
Return on Equity (RoE) [6]	1.3 %	3.8 %	7.7 %

[1] Earning Asset Yield refers to the ratio of interest income to average earning assets
[2] Funding Cost refers to the ratio of interest expenses to average interest-bearing liabilities
[3] Interest Spread refers to the difference between earning asset yield and funding cost
[4] Net Interest Margin refers to the ratio of net interest income to average earning assets
[5] Cost-to-Income Ratio refers to operating expenses, exclusive of bad debts and provisions to total operating income
[6] RoA and RoE refer to the ratio of annualized NIAT to average assets and capital, respectively.

r/ revised
p/ preliminary
Note: Figures may not add up due to rounding-off

Appendix 17. Non-Banks with Quasi-Banking Functions (NBQBs)
Asset Quality Indicators
As of End-Periods Indicated

	End-December			Growth Rates End-December	
	2020	2021 r/	2022 p/	2021 r/	2022 p/
In Billion ₱					
Total Assets	193.0	168.3	151.3	(12.8 %)	(10.1 %)
Gross Assets [1]	197.7	174.1	154.4	(11.9 %)	(11.3 %)
Total Loan Portfolio (TLP)	140.9	142.0	131.0	0.7 %	(7.7 %)
Interbank Loans Receivable (IBL)	0.0	0.0	0.0	(40.1 %)	0.0 %
TLP, net (inclusive of IBL)	136.5	136.3	128.2	(0.1 %)	(5.9 %)
Non-Performing Loans (NPL)	13.5	14.1	7.7	4.1 %	(45.2 %)
Loan Loss Reserves (LLR)	4.4	5.6	2.8	27.5 %	(50.6 %)
ROPA, gross	1.5	1.4	1.4	(8.8 %)	1.7 %
Allowance for ROPA	0.2	0.2	0.3	(18.2 %)	90.6 %
Restructured Loans (RL), gross	1.3	2.1	2.8	67.1 %	30.7 %
RL, current	0.5	1.0	2.2	118.3 %	118.2 %
Non-performing Assets (NPAs) [2]	15.0	15.4	9.1	2.9 %	(41.1 %)
Allowance for Probable Losses on NPAs	4.6	5.8	3.1	25.4 %	(46.4 %)
Selected Ratios					
RL to TLP	0.3 %	1.5 %	2.1%		
LLR to TLP	3.1 %	4.0 %	2.1%		
NPL Ratio (inclusive of IBL)	9.6%	9.9%	5.9%		
NPL Ratio (exclusive of IBL)	9.6%	9.9%	5.9%		
NPL Coverage [3]	32.8 %	40.1 %	36.2 %		
NPA to Gross Assets	7.6 %	8.9 %	5.9 %		
NPA Coverage [4]	30.9 %	37.7 %	34.2 %		

[1] *Gross Assets refer to Total Assets, net of reserves plus Loan Loss Reserves (LLR) plus provision for ROPA*
[2] *NPA refers to NPLs plus ROPA, gross excluding performing sales contracts receivable per BSP Circular No. 380 dated 28 March 2003*
[3] *NPL Coverage refers to the ratio of LLR to NPL*
[4] *NPA Coverage refers to the ratio of valuation reserves (for Loans and ROPA) to NPAs*
r/ *revised*
p/ *preliminary*

Appendix 18. Non-Stock Savings and Loans Associations (NSSLAs) Financial Highlights and Growth Rates

As of End-Periods Indicated

	Financial Highlights End-December			Growth Rates End-December	
	2020	2021 r/	2022 p/	2021 r/	2022 p/
In Billion ₱					
Balance Sheet					
Total Assets	266.9	283.8	299.6	6.3 %	5.6 %
Cash and Due from Banks	21.5	27.1	30.1	26.1 %	11.1 %
Loans, gross	234.2	246.3	252.9	5.1 %	2.7 %
Allowance for Probable Losses	20.9	24.3	23.5	16.1 %	(3.1 %)
Loans, net (inclusive of IBL)	213.3	221.9	229.2	4.0 %	3.3 %
Investments, net	19.8	20.8	24.0	4.9 %	15.5 %
Other Assets	12.3	14.0	16.3	14.1 %	15.9 %
Total Liabilities	92.3	103.3	107.5	12.0 %	4.1 %
Deposit Liabilities	70.7	80.6	86.4	14.1 %	7.2 %
Bills Payable	12.4	5.4	1.8	(56.8 %)	(66.7 %)
Other Liabilities	9.2	17.3	19.3	89.0 %	11.7 %
Total Capital Accounts	174.6	180.5	192.1	3.4 %	6.4 %
Income Statement					
Total Operating Income	23.1	31.5	33.5	36.6 %	6.4 %
Net Interest Income	22.1	30.2	31.9	36.6 %	5.7 %
Non-interest Income	0.9	1.3	1.6	36.2 %	23.3 %
Operating Expenses	5.6	9.2	8.6	64.9 %	(6.3 %)
Bad Debts/Provisions for Probable	(1.1)	(3.1)	(2.1)	191.0 %	(34.0 %)
Other Operating Expenses	4.5	6.1	6.6	35.0 %	7.9 %
Net Operating Income	17.5	22.3	24.9	27.5 %	11.6 %
Extraordinary Credits/(Charges)	0.1	0.1	0.1	(12.0 %)	54.2 %
Net Income Before Tax	17.5	22.3	25.0	27.4 %	11.7 %
Provisions for Income Tax	0.0	0.0	0.0	133.3 %	14.2 %
Net Income After Tax (NIAT)	17.5	22.3	24.9	27.3 %	11.7 %

r/ revised
p/ preliminary
Note: Figures may not add up due to rounding-off
"0.0" denotes less than ₱50 million

Appendix 19. Non-Stock Savings and Loan Associations (NSSLAs)
Selected Performance Indicators
As of End-Periods Indicated

	End-December		
	2020	2021 r/	2022 p/
Profitability			
Cost-to-Income [1]	19.6 %	19.4 %	19.6 %
Return on Assets (RoA)	6.9 %	8.1 %	8.6 %
Return on Equity (RoE)	10.4%	12.6%	13.4%
Liquidity			
Cash and Due from Banks to Deposits	30.4 %	33.6 %	34.8 %
Liquid Assets to Deposits [2]	58.4 %	59.4 %	62.7 %
Loans, gross to Deposits	331.5 %	305.5 %	292.7 %
Asset Quality			
Non-performing Loans (NPL) Ratio	7.9 %	8.0 %	8.1 %
NPL Coverage	112.8 %	123.9 %	115.4 %
Non-performing Assets (NPA) to Gross Assets	6.5 %	6.5 %	6.4 %
NPA Coverage	112.2 %	123.2 %	114.9 %
Capital Adequacy			
Total Capital Accounts to Total Assets	65.4 %	63.6 %	64.1 %
Business Mix			
Total Investments (gross) to Total Assets	7.4 %	7.3 %	8.0 %
Total Loans (gross) to Total Assets	87.8 %	86.8 %	84.4 %

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

Appendix 20. Non-Stock Savings and Loan Associations (NSSLAs) Profitability Indicators

For the Periods-Ended Indicated

	Financial Highlights End-December			Growth Rates End-December	
	2020	2021 r/	2022 p/	2021 r/	2022 p/
In Billion ₱					
Income Statement					
Total Operating Income	23.1	31.5	33.5	36.6 %	6.4 %
Net Interest Income	22.1	30.2	31.9	36.6 %	5.7 %
Interest Income	25.4	33.9	35.6	33.4 %	4.8 %
Interest Expenses	3.3	3.7	3.6	12.0 %	(2.4 %)
Non-interest Income	0.9	1.3	1.6	36.2 %	23.3 %
Fee-based Income	0.7	0.9	0.9	33.1 %	3.0 %
Trading Income	0.0	0.0	0.02	269.7 %	9.4 %
Other Income	0.3	0.4	0.6	40.0 %	72.1 %
Operating Expenses	5.6	9.2	8.6	64.9 %	(6.3 %)
Bad Debts/Provisions for Probable Losses	(1.1)	(3.1)	(2.1)	191.0 %	(34.0 %)
Other Operating Expenses	4.5	6.1	6.6	35.0 %	7.9 %
Net Operating Income	17.5	22.3	24.9	27.5 %	11.6 %
Extraordinary Credits/(Charges)	0.1	0.1	0.1	(12.0 %)	54.2 %
Net Income Before Tax	17.5	22.3	25.0	27.4 %	11.7 %
Provisions for Income Tax	0.0	0.0	0.0	133.3 %	14.2 %
Net Income After Tax (NIAT)	17.5	22.3	24.9	27.3 %	11.7 %
Selected Ratios					
Cost-to-Income [1]	19.6 %	19.4 %	19.6 %		
Return on Assets (RoA) [2]	6.9 %	8.1 %	8.6 %		
Return on Equity (RoE) [2]	10.4 %	12.6 %	13.4 %		

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

[2] *RoA and RoE refer to the ratio of annualized NIAT to average assets and capital, respectively.*

r/ *revised*

p/ *preliminary*

Note: Figures may not add up due to rounding-off

"0.0" denotes less than ₱50 million

Appendix 21. Non-Stock Savings and Loan Associations (NSSLAs)
Asset Quality Indicators
As of End-Periods Indicated

	End-December			Growth Rates End-December	
	2020	2021 r/	2022 p/	2021 r/	2022 p/
In Billion ₱					
Total Assets	266.9	283.8	299.6	6.3 %	5.6 %
Gross Assets [1]	287.8	308.1	323.1	7.1 %	4.9 %
Total Loan Portfolio (TLP)	234.2	246.3	252.9	5.1 %	2.7 %
TLP, exclusive of IBL	234.2	246.3	252.9	5.1 %	2.7 %
TLP, net (inclusive of IBL)	213.3	221.9	229.2	4.0 %	3.3 %
Non-performing Loans (NPL)	18.5	19.6	20.4	5.7 %	4.0 %
Loan Loss Reserves (LLR)	20.9	24.3	23.5	16.1 %	(3.1 %)
ROPA, gross	0.2	0.3	0.2	19.2 %	(25.8 %)
Non-Performing Assets (NPAs) [2]	18.8	19.9	20.6	5.9 %	3.5 %
Allowance for Probable Losses on NPA	21.1	24.5	23.6	16.2 %	(3.4 %)
Selected Ratios					
LLR to TLP	8.9 %	9.9 %	9.3 %		
NPL Ratio (inclusive of IBL)	7.9 %	8.0 %	8.1 %		
NPL Coverage [3]	112.8 %	123.9 %	115.4 %		
NPA to Gross Assets	6.5 %	6.5 %	6.4 %		
NPA Coverage [4]	112.2 %	123.2 %	114.9 %		

[1] Gross Assets refer to Total Assets, net of reserves plus Loan Loss Reserves (LLR) plus provision for ROPA
[2] NPA refers to NPLs plus ROPA, gross
[3] NPL Coverage refers to the ratio of LLR to NPL
[4] NPA Coverage refers to the ratio of Allowance for Probable Losses on NPAs to NPAs
r/ revised
p/ preliminary
Note: Figures may not add up due to rounding-off
"0.0" denotes less than ₱50 million

Appendix 22. Financial Institutions Under BSP Supervision/Regulation: Physical Composition
As of End-Periods Indicated

TYPE OF FINANCIAL INSTITUTION (FI)	End-December 2021 TOTAL	End-December 2021 Head Offices	End-December 2021 Other Offices	End-December 2022 p/ TOTAL	End-December 2022 p/ Head Offices	End-December 2022 p/ Other Offices
BSP SUPERVISED/REGULATED FIs [1]	**36,471**	**2,579**	**33,892**	**37,327**	**2,589**	**34,738**
I. BANKS [2]	**13,154**	**506**	**12,648**	**13,269**	**497**	**12,772**
A. Universal and Commercial Banks	**7,038**	**46**	**6,992**	**7,193**	**45**	**7,148**
Universal Banks	**6,456**	**21**	**6,435**	**6,846**	**22**	**6,824**
Private Domestic Banks	5,803	12	5,791	5,995	13	5,982
Government Banks	643	3	640	841	3	838
Foreign Bank Branches	10	6	4	10	6	4
Commercial Banks	**582**	**25**	**557**	**347**	**23**	**324**
Private Domestic Banks	462	5	457	230	3	227
Foreign Bank Subsidiaries	98	2	96	98	2	96
Foreign Bank Branches	22	18	4	19	18	1
B. Thrift Banks	**2,738**	**47**	**2,691**	**2,592**	**43**	**2,549**
Financial Institution-Linked Banks	**1,301**	**13**	**1,288**	**1,154**	**11**	**1,143**
Domestic Bank-Controlled	1,263	10	1,253	1,121	8	1,113
Foreign Bank-Controlled	38	3	35	33	3	30
Domestic NBFI-Controlled						
Foreign NBFI-Controlled						
Non-Linked	**1,437**	**34**	**1,403**	**1,438**	**32**	**1,406**
C. Rural and Cooperative Banks	**3,378**	**413**	**2,965**	**3,478**	**403**	**3,075**
Rural Banks	2,290	383	1,907	2,386	374	2,012
Microfinance-oriented Rural Banks	917	6	911	917	5	912
Cooperative Banks	171	24	147	175	24	151
D. Digital Banks				**6**	**6**	
NON-BANK FINANCIAL INSTITUTIONS (NBFIs)	**23,316**	**2,072**	**21,244**	**24,057**	**2,091**	**21,966**
A. With Quasi-Banking Function	**127**	**6**	**121**	**19**	**5**	**14**
Investment Houses	1	1		1	1	
Financing Companies	125	4	121	17	3	14
Other Non-Bank with QBF Function	1	1		1	1	
B. Without Quasi-Banking Function	**23,189**	**2,066**	**21,123**	**24,038**	**2,086**	**21,952**
AAB - Forex Corporation	2	2		2	2	
Credit Card Companies	4	4		4	4	
Credit Granting Entities	9	9		9	9	
Electronic Money Issuer - Others	53	36	17	62	43	19
Financing Companies	51	21	30	149	21	128
Government Non-Bank Financial Institutions	2	2		2	2	
Investment Companies	1	1		1	1	
Investment Houses	13	12	1	13	12	1
Lending Investors	1	1		1	1	
Non-Stock Savings and Loan Associations	198	60	138	194	58	136
Pawnshops	15,388	1,152	14,236	15,999	1,172	14,827
Money Service Businesses [3]	7,449	748	6,701	7,584	743	6,841
Remittance Agent (Subsidiary of a Bank)						
Securities Dealers/Brokers	13	13		12	12	
Trust Corporation	5	5		6	6	
III. OFFSHORE BANKING UNITS (OBUs)	**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 23. Philippine Banking System: Comparative Statement of Condition
As of End-Periods Indicated
In Billion ₱

Selected Accounts	TOTAL [1]		Universal and Commercial Banks [1, 2]		Thrift Banks		Rural and Cooperative Banks	
	2021	2022 p/	2021	2022 p/	2021	2022 p/	2021	2022 p/
ASSETS	**20,828.1**	**23,047.7**	**19,250.7**	**21,706.9**	**1,265.4**	**968.3**	**312.0**	**372.5**
Cash and Due from Banks	3,571.5	3,271.7	3,213.2	3,031.9	286.6	156.6	71.7	83.2
Loan Portfolio (net) [3]	10,994.3	12,198.4	10,112.3	11,419.6	729.5	578.9	152.5	199.9
Financial Assets (net)	5,195.9	6,066.9	4,985.7	5,846.3	153.1	164.9	57.1	55.8
Equity Investments (net)	276.9	262.5	274.1	259.4	2.4	2.5	0.5	0.6
ROPA (net)	95.9	104.3	69.5	78.0	17.1	16.3	9.3	10.1
Other Assets	693.6	1,143.9	596.0	1,071.8	76.7	49.2	20.9	23.0
LIABILITIES AND CAPITAL	**20,828.1**	**23,047.7**	**19,250.7**	**21,706.9**	**1,265.4**	**968.3**	**312.0**	**372.5**
Liabilities	**18,254.2**	**20,341.3**	**16,898.7**	**19,213.1**	**1,100.5**	**825.5**	**255.0**	**302.7**
Financial Liabilities Held for Trading	43.7	72.9	43.7	72.9	0.0	-	-	-
Financial Liabilities DFVPL	-	-	-	-	-	-	-	-
Deposit Liabilities	16,241.1	17,770.4	15,018.9	16,759.9	989.7	740.9	232.5	269.6
Residents	16,093.7	17,599.5	14,875.9	16,592.9	985.4	737.3	232.5	269.4
Peso Liabilities	13,789.0	14,980.6	12,621.0	14,009.5	935.8	701.9	232.3	269.2
Demand and NOW	4,706.3	4,977.2	4,544.6	4,840.5	155.6	130.1	6.0	6.6
Savings	6,502.0	6,875.1	6,043.2	6,501.6	287.2	183.4	171.6	190.1
Time	2,387.5	2,977.5	1,848.3	2,521.8	484.5	383.2	54.7	72.5
LTNCD	193.3	150.8	184.8	145.7	8.5	5.1	-	-
Foreign Currency	2,304.7	2,618.9	2,254.9	2,583.3	49.6	35.4	0.2	0.2
Demand and NOW	73.2	83.8	73.1	83.7	0.0	0.1	-	-
Savings	1,296.5	1,386.3	1,266.9	1,369.0	29.4	17.1	0.2	0.1
Time	935.0	1,148.8	914.9	1,130.6	20.1	18.2	0.0	0.0
LTNCD	-	-	-	-	-	-	-	-
Non-Residents	147.4	170.9	143.0	167.1	4.3	3.6	0.1	0.2
Peso Liabilities	68.9	84.8	66.3	82.2	2.5	2.4	0.1	0.2
Demand and NOW	24.1	26.1	23.6	25.7	0.4	0.4	0.0	0.0
Savings	38.7	49.6	36.7	47.7	2.0	1.9	0.1	0.1
Time	6.1	9.0	5.9	8.8	0.1	0.1	0.0	0.1
LTNCD	-	-	-	-	-	-	-	-
Foreign Currency	78.5	86.1	76.7	84.9	1.8	1.2	-	-
Demand and NOW	2.5	3.7	2.5	3.7	0.0	0.0	-	-
Savings	45.4	45.8	43.7	44.6	1.8	1.2	-	-
Time	30.6	36.6	30.6	36.6	0.0	0.0	-	-
LTNCD	-	-	-	-	-	-	-	-
Bills Payable	496.9	666.0	458.2	601.2	30.1	46.8	8.6	18.0
BSP	0.0	0.0	0.0	0.0	-	-	0.0	-
Interbank Loans Payable	151.2	189.2	118.9	141.5	28.7	42.3	3.6	5.5
Other Deposits Substitutes	252.8	384.6	252.6	382.2	0.2	2.4	-	-
Others	92.9	92.1	86.7	77.5	1.2	2.1	5.0	12.6
Unsecured Subordinated Debt	22.6	19.3	20.0	17.9	1.3	1.3	1.3	0.1
Redeemable Preferred Shares	0.2	0.3	0.0	0.0	0.0	0.0	0.2	0.3
Other Liabilities	1,449.6	1,812.5	1,357.9	1,761.2	79.3	36.5	12.3	14.8
Capital Accounts	**2,574.0**	**2,706.4**	**2,352.0**	**2,493.8**	**164.9**	**142.8**	**57.1**	**69.8**
Capital Stock	1,066.0	1,333.9	955.6	1,210.3	75.4	76.4	35.1	47.3
Assigned Capital	145.8	147.0	145.8	147.0	-	-	-	-
Net Due to HO, Br & Ags / Accum Earnings	49.7	47.2	49.7	47.2	-	-	-	-
Other Equity Instruments [4]	16.4	16.0	14.5	14.5	0.7	1.1	1.2	0.5
Retained Earnings & Undivided Profits [5]	1,296.1	1,162.2	1,186.5	1,074.8	88.9	65.4	20.8	22.1

[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, namely, Development Bank of the Philippines, Land Bank of the Philippines, 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 24. Philippine Banking System: Comparative Statement of Income and Expenses
For the Periods-Ended Indicated
In Billion ₱

Selected Accounts	TOTAL		Universal and Commercial Banks [1]		Thrift Banks		Rural and Cooperative Banks	
	2021	2022 p/	2021	2022 p/	2021	2022 p/	2021	2022 p/
Operating Income	**869.4**	**1,014.5**	**756.1**	**902.9**	**79.2**	**70.6**	**34.2**	**41.1**
Net Interest Income	**661.8**	**754.7**	**567.1**	**663.5**	**67.8**	**59.6**	**27.0**	**31.6**
Interest Income	777.2	911.7	665.0	803.0	81.5	72.0	30.7	36.7
Provision for Losses on Accrued Interest	0.3	0.5	0.2	0.3	0.1	0.1	0.0	0.1
Less: Interest Expenses	115.1	156.5	97.7	139.2	13.6	12.3	3.7	5.0
Non-interest Income	**207.6**	**259.9**	**189.0**	**239.4**	**11.4**	**11.0**	**7.2**	**9.5**
Dividend Income	2.0	2.4	2.0	2.4	0.0	0.0	0.0	0.0
Fee-based Income	107.3	123.4	95.2	110.9	7.5	5.6	4.5	6.9
Trading Income/(Loss)	9.7	16.5	9.9	16.8	(0.2)	(0.3)	0.0	0.0
Foreign Exchange Income/(Loss)	5.3	12.4	5.2	12.3	0.1	0.1	0.0	0.0
Other Income/(Loss)	83.4	105.2	76.7	97.0	4.0	5.7	2.7	2.5
Non-Interest Expenses	**512.4**	**562.4**	**435.9**	**489.5**	**50.3**	**43.1**	**26.2**	**29.9**
Losses/Recoveries on Financial Assets	**(97.7)**	**(88.6)**	**(85.5)**	**(79.8)**	**(10.1)**	**(6.4)**	**(2.1)**	**(2.5)**
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures Accounted for Using the Equity Method	**259.3**	**363.5**	**234.7**	**333.6**	**18.8**	**21.2**	**5.9**	**8.8**
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures Accounted for Using the Equity Method	**20.7**	**23.8**	**20.6**	**23.6**	**0.1**	**0.2**	**0.0**	**0.1**
Total Profit/Loss Before Tax and Before Minority Interest	**280.1**	**387.4**	**255.3**	**357.2**	**18.8**	**21.4**	**5.9**	**8.8**
Income Tax Expense	55.3	77.3	47.9	69.8	6.0	5.1	1.4	2.3
Total Profit/Loss After Tax and Before Minority Interest	**224.8**	**310.1**	**207.4**	**287.3**	**12.8**	**16.3**	**4.5**	**6.5**
Minority Interest in Profit/(Loss) of Subsidiaries		-		-		-		-
NET PROFIT/(LOSS)	**224.8**	**310.1**	**207.4**	**287.3**	**12.8**	**16.3**	**4.5**	**6.5**
Selected Ratio								
Profitability								
Return on Assets	**1.1%**	**1.4%**	**1.1%**	**1.4%**	**1.1%**	**1.5%**	**1.5%**	**1.9%**
Return on Equity	**9.0%**	**11.7%**	**9.1%**	**11.9%**	**7.8%**	**10.6%**	**8.1%**	**10.2%**

[1] Inclusive of branches of foreign banks with universal banking license, other foreign bank branches and subsidiaries, and 3 government banks, namely, Development Bank of the Philippines, Land Bank of the Philippines, and Al Amanah Islamic Bank
p/ preliminary
Note: "0.0" denotes a value below ₱0.05 billion
Figures may not add up due to rounding-off

Appendix 25. Philippine Banking System: Selected Performance Indicators

As of End-Periods Indicated

Selected Ratios	TOTAL		Universal and Commercial Banks		Thrift Banks		Rural and Cooperative Banks	
	2021	2022 p/	2021	2022 p/	2021	2022 p/	2021	2022 p/
Profitability								
Earning Asset Yield [1]	4.1%	4.4%	3.8%	4.2%	7.2%	6.8%	11.2%	11.6%
Funding Cost [2]	0.7%	0.9%	0.6%	0.8%	1.4%	1.3%	1.6%	1.9%
Interest Spread [3]	3.4%	3.5%	3.1%	3.3%	5.8%	5.5%	9.6%	9.7%
Net Interest Margin [4]	3.5%	3.6%	3.2%	3.4%	6.0%	5.6%	9.9%	10.0%
Non-Interest Income to Total Operating Income [5]	23.9%	25.6%	25.0%	26.5%	14.4%	15.6%	21.1%	23.1%
Cost-to-Income [6]	58.7%	55.2%	57.5%	54.0%	62.5%	60.0%	76.4%	67.1%
Return on Assets (RoA) [7]	1.1%	1.4%	1.1%	1.4%	1.1%	1.5%	1.5%	1.9%
Return on Equity (RoE) [7]	9.0%	11.7%	9.1%	11.9%	7.8%	10.6%	8.1%	10.2%
Liquidity	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash and Due from Banks to Deposits	22.0%	18.4%	21.4%	18.1%	29.0%	21.1%	30.8%	30.9%
Liquid Assets to Deposits [8]	54.0%	52.6%	54.6%	53.0%	44.4%	43.4%	55.4%	51.6%
Loans, gross to Deposits	70.1%	71.0%	69.6%	70.4%	77.5%	82.0%	71.7%	79.7%
Asset Quality	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Restructured Loans to Total Loan Portfolio (TLP)	3.1%	2.6%	3.2%	2.6%	1.9%	2.2%	3.3%	2.6%
Allowance for Credit Losses (ACL) to TLP	3.5%	3.4%	3.3%	3.2%	4.9%	4.7%	8.5%	7.0%
Gross Non-Performing Loans (NPL) to TLP	4.0%	3.2%	3.6%	2.9%	7.7%	7.1%	12.8%	8.9%
Net NPL to TLP	2.1%	1.5%	1.8%	1.3%	4.7%	3.9%	6.3%	3.7%
NPL Ratio net of IBL	4.1%	3.2%	3.7%	2.9%	7.7%	7.1%	12.8%	8.9%
NPL Coverage (ACL to Gross NPL)	87.7%	107.0%	92.8%	113.8%	63.6%	66.4%	66.3%	79.0%
Non-Performing Assets (NPA) to Gross Assets	2.7%	2.2%	2.4%	2.0%	6.1%	6.2%	9.3%	7.4%
NPA Coverage (Allowance on NPA to NPA)	75.3%	87.9%	80.7%	94.8%	53.4%	53.2%	51.1%	57.1%
ROPA to Gross Assets Ratio	0.6%	0.5%	0.5%	0.5%	1.6%	1.8%	2.7%	2.5%
ROPA Coverage Ratio	28.5%	28.2%	30.9%	30.7%	23.9%	22.1%	14.6%	14.3%
Distressed Assets Ratio	7.2%	6.0%	6.7%	5.6%	11.3%	11.1%	18.8%	14.1%
Capital Adequacy	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Capital Accounts to Total Assets [9]	12.4%	11.7%	12.2%	11.5%	13.0%	14.8%	18.354%	18.8%
Capital Adequacy Ratio (Solo) [10]	16.7%	15.7%	16.5%	15.4%	18.5%	19.2%	19.1%	20.0%

[1] *Earning Asset Yield refers to the ratio of interest income to average earning assets.*

[2] *Funding Cost refers to the ratio of interest expenses to average interest-bearing liabilities.*

[3] *Interest Spread refers to the difference between earning asset yield and funding cost.*

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

[5] *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.*

p/ *preliminary*

Appendix 26. Philippine Banking System: Contingent Accounts

As of End-Periods Indicated
In Billion ₱

Selected Accounts	TOTAL		Universal and Commercial Banks		Thrift Banks	
	2021	2022 p/	2021	2022 p/	2021	2022 p/
TRADE-RELATED ACCOUNTS	**172.3**	**189.5**	**171.6**	**188.2**	**0.7**	**1.3**
Domestic Commercial Letters of Credit Outstanding	12.6	4.0	12.5	4.0	0.0	0.0
Foreign Commercial Letters of Credit Outstanding	124.5	150.5	124.1	149.4	0.5	1.2
LCs - Confirmed	12.1	20.7	12.1	20.7	-	-
Shipside Bonds/Airway Bills	23.1	14.2	22.9	14.1	0.2	0.1
BANK GUARANTEES	**465.0**	**562.8**	**464.6**	**562.3**	**0.4**	**0.5**
Stand-by Letters of Credit	372.6	462.8	372.2	462.3	0.4	0.5
Outstanding Guarantees Issued	92.4	100.0	92.4	100.0	0.0	0.0
COMMITMENTS	**1,841.0**	**1,853.2**	**1,838.0**	**1,851.2**	**2.9**	**1.8**
Underwritten Accounts Unsold	-	-	-	-	-	-
Committed Credit Lines for CPs Issued	0.7	0.4	0.6	0.3	0.1	0.1
Credit Card Lines	1,223.9	1,205.5	1,221.8	1,205.5	2.1	-
Others	616.4	647.3	615.5	645.4	0.8	1.8
DERIVATIVES INSTRUMENTS *	**3,759.4**	**4,345.4**	**3,759.3**	**4,345.3**	**0.2**	**0.1**
Interest Rate Contracts	785.6	800.1	785.6	800.1	-	-
Foreign Exchange Contracts	2,972.9	3,541.0	2,972.7	3,540.9	0.2	0.1
Equity Contracts	-	-	-	-	-	-
Credit Derivatives	1.0	4.3	1.0	4.3	-	-
TRUST DEPARTMENT ACCOUNTS	**3,712.1**	**3,856.2**	**3,684.1**	**3,828.4**	**28.0**	**27.8**

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

p/ preliminary

Note: Figures may not add up due to rounding-off

Appendix 27. Total Trust (Philippine Banks and NBFIs): Assets and Accountabilities by Industry
As of End-Periods Indicated
In Billion ₱

Selected Accounts	TOTAL		Universal and Commercial Banks		Thrift Banks		Non-Bank Financial Institutions (NBFIs)	
	2021	2022 p/	2021	2022 p/	2021	2022 p/	2021	2022 p/
Total Assets	**5,058.2**	**5,345.9**	**3,684.1**	**3,828.4**	**28.0**	**27.8**	**1,346.1**	**1,489.7**
Peso / Regular Assets	**4,132.5**	**4,280.7**	**2,920.8**	**2,908.7**	**26.4**	**25.7**	**1,185.3**	**1,346.3**
Cash and Due from banks	0.3	0.4	0.3	0.4	0.0	-	0.0	0.0
Deposits in Banks	941.7	1,041.8	787.3	871.6	3.3	4.6	151.1	165.6
Financial Assets, net	2,999.5	3,033.7	2,005.2	1,912.5	15.9	13.9	978.4	1,107.3
Loans, net	109.8	126.5	68.1	71.4	4.1	4.0	37.6	51.1
Equity Investments (net)	3.0	2.9	3.0	2.9	0.0	0.0	0.0	0.0
ROPA (net)	0.1	0.2	0.1	0.2		-	0.0	0.0
Other assets	78.1	75.1	56.9	49.7	3.1	3.1	18.2	22.3
FCDU/EFCDU Assets	**925.7**	**1,065.2**	**763.3**	**919.7**	**1.6**	**2.1**	**160.8**	**143.4**
Cash and Due from banks	-	-		-		-		-
Deposits in Banks	144.5	139.2	110.9	104.8	0.5	0.7	33.1	33.7
Financial Assets, net	493.1	497.5	365.6	387.6	0.9	1.3	126.6	108.5
Loans, net	1.3	1.3	1.1	1.2	0.2	0.1		-
Equity Investments (net)	0.0	0.0	0.0	0.0		-		-
ROPA (net)	-	-		-		-		-
Other assets	286.9	427.3	285.7	426.1	0.0	0.0	1.1	1.2
Total Accountabilities	**5,058.2**	**5,345.9**	**3,684.1**	**3,828.4**	**28.0**	**27.8**	**1,346.1**	**1,489.7**
Peso / Regular Accountabilities	**4,132.5**	**4,280.7**	**2,920.8**	**2,908.7**	**26.4**	**25.7**	**1,185.3**	**1,346.3**
Wealth/Asset/Fund Management Accounts	3,977.5	4,123.2	2,783.8	2,773.6	25.9	25.6	1,167.7	1,324.0
UITF	1,111.1	783.2	819.5	533.4	1.1	0.9	290.5	248.8
Employee Benefit	503.2	512.9	342.3	345.9	4.2	4.3	156.7	162.8
Pre-Need	128.2	125.3	87.5	87.3	0.5	0.4	40.3	37.6
Others-Institutional Accounts	1,126.9	1,340.8	614.7	679.8	9.5	9.5	502.7	651.4
Personal Trust	364.6	340.9	310.7	301.1	0.2	0.2	53.7	39.5
Personal Pension Fund	-	-		-		-		-
Personal Retirement Fund	0.1	0.1	0.1	0.1		-		-
Others-Individual Accounts	743.4	1,020.0	609.0	825.9	10.6	10.3	123.9	183.8
Other Fiduciary Services	154.4	156.7	136.4	134.3	0.5	0.1	17.6	22.3
Advisory/Consultancy	0.0	0.0	0.0	0.0		-	0.0	0.0
Special Purpose Trust	0.6	0.8	0.6	0.8		-		-
FCDU/EFCDU Accountabilities	**925.7**	**1,065.2**	**763.3**	**919.7**	**1.6**	**2.1**	**160.8**	**143.4**
Wealth/Asset/Fund Management Accounts	624.8	628.8	464.1	487.7	1.1	1.6	159.6	139.5
UITF	194.2	157.5	97.5	76.5		-	96.7	81.0
Employee Benefit	13.1	11.9	12.7	11.5	0.0	0.0	0.4	0.5
Pre-Need	0.5	0.7	0.5	0.7		-		-
Others-Institutional Accounts	107.7	113.8	59.5	72.4	0.3	0.3	47.8	41.0
Personal Trust	56.1	59.0	48.2	51.0	0.4	0.4	7.5	7.6
Personal Pension Fund	-	-		-		-		-
Personal Retirement Fund	0.0	0.0	0.0	0.0		-		-
Others-Individual Accounts	253.1	285.8	245.6	275.7	0.4	0.8	7.2	9.4
Other Fiduciary Services	300.9	436.5	299.2	432.0	0.5	0.6	1.2	3.9
Advisory/Consultancy	-	-		-		-		-
Special Purpose Trust	-	-		-		-		-

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Note: Figures may not add up due to rounding-off.
"0.0" denotes below ₱0.0005 billion
Other fiduciary services include other fiduciary services-UITF

Appendix 28. Total Trust (Philippine Banks and NBFIs): Assets and Accountabilities by Type

As of End-Periods Indicated

In Billion ₱

Selected Accounts	TOTAL		Trust		Agency		Other Fiduciary		Advisory and Consultancy		Special Purpose	
	2021	2022 p/	2021	2022 p/	2021	2022 p/	2021	2022 p/	2021	2022 p/	2021	2022 p/
Total Assets	**5,058.2**	**5,345.9**	**2,395.2**	**2,043.4**	**2,207.0**	**2,708.6**	**455.3**	**593.2**	**0.0**	**0.0**	**0.6**	**0.8**
Peso / Regular Assets	**4,132.5**	**4,280.7**	**2,080.9**	**1,745.3**	**1,896.6**	**2,377.9**	**154.4**	**156.7**	**0.0**	**0.0**	**0.6**	**0.8**
Cash and Due from banks	0.3	0.4	0.3	0.3	0.0	-	0.0	0.1	-	-	-	-
Deposits in Banks	941.7	1,041.8	626.6	371.7	229.4	582.5	85.7	87.6	-	-	0.0	0.0
Financial Assets, net	2,999.5	3,033.7	1,406.0	1,323.9	1,550.9	1,661.6	42.0	47.7	-	-	0.6	0.6
Loans, net	109.8	126.5	9.5	9.6	100.3	116.6	-	-	-	-	-	0.2
Equity Investments (net)	3.0	2.9	1.6	1.7	1.0	1.0	0.4	0.2	-	-	-	-
ROPA (net)	0.1	0.2	0.0	0.0	-	-	0.1	0.2	-	-	-	-
Other assets	78.1	75.1	36.9	38.1	15.0	16.2	26.2	20.8	0.0	0.0	0.0	0.0
FCDU/EFCDU Assets	**925.7**	**1,065.2**	**314.3**	**298.1**	**310.5**	**330.7**	**300.9**	**436.5**	-	-	-	-
Cash and Due from banks	-	-	-	-	-	-	-	-	-	-	-	-
Deposits in Banks	144.5	139.2	113.5	104.2	13.7	24.0	17.3	11.0	-	-	-	-
Financial Assets, net	493.1	497.5	198.5	190.8	292.8	301.4	1.8	5.3	-	-	-	-
Loans, net	1.3	1.3	-	-	1.3	1.3	-	-	-	-	-	-
Equity Investments (net)	0.0	0.0	-	-	0.0	0.0	-	-	-	-	-	-
ROPA (net)	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	286.9	427.3	2.3	3.1	2.7	4.0	281.8	420.2	-	-	-	-
Total Accountabilities	**5,058.2**	**5,345.9**	**2,395.2**	**2,043.4**	**2,207.0**	**2,708.6**	**455.3**	**593.2**	**0.0**	**0.0**	**0.6**	**0.8**
Peso / Regular Accountabilities	**4,132.5**	**4,280.7**	**2,080.9**	**1,745.3**	**1,896.6**	**2,377.9**	**154.4**	**156.7**	**0.0**	**0.0**	**0.6**	**0.8**
Wealth/Asset/Fund Management Accounts	3,977.5	4,123.2	2,080.9	1,745.3	1,896.6	2,377.9	-	-	-	-	-	-
UITF	1,111.1	783.2	1,111.1	783.2	-	-	-	-	-	-	-	-
Employee Benefit	503.2	512.9	447.8	454.9	55.4	58.0	-	-	-	-	-	-
Pre-Need	128.2	125.3	127.4	124.6	0.7	0.7	-	-	-	-	-	-
Others-Institutional Accounts	1,126.9	1,340.8	29.5	29.7	1,097.4	1,311.1	-	-	-	-	-	-
Personal Trust	364.6	340.9	364.6	340.9	-	-	-	-	-	-	-	-
Personal Pension Fund	-	-	-	-	-	-	-	-	-	-	-	-
Personal Retirement Fund	0.1	0.1	0.1	0.1	-	-	-	-	-	-	-	-
Others-Individual Accounts	743.4	1,020.0	0.4	12.0	743.0	1,008.0	-	-	-	-	-	-
Other Fiduciary Services	154.4	156.7	-	-	-	-	154.4	156.7	-	-	-	-
Advisory/Consultancy	0.0	0.0	-	-	-	-	-	-	0.0	0.0	-	-
Special Purpose Trust	0.6	0.8	-	-	-	-	-	-	-	-	0.6	0.8
FCDU/EFCDU Accountabilities	**925.7**	**1,065.2**	**314.3**	**298.1**	**310.5**	**330.7**	**300.9**	**436.5**	-	-	-	-
Wealth/Asset/Fund Management Accounts	624.8	628.8	314.3	298.1	310.5	330.7	-	-	-	-	-	-
UITF	194.2	157.5	194.2	157.5	-	-	-	-	-	-	-	-
Employee Benefit	13.1	11.9	12.3	10.9	0.8	1.0	-	-	-	-	-	-
Pre-Need	0.5	0.7	0.5	0.7	-	-	-	-	-	-	-	-
Others-Institutional Accounts	107.7	113.8	15.6	19.4	92.1	94.4	-	-	-	-	-	-
Personal Trust	56.1	59.0	56.1	59.0	-	-	-	-	-	-	-	-
Personal Pension Fund	-	-	-	-	-	-	-	-	-	-	-	-
Personal Retirement Fund	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-	-
Others-Individual Accounts	253.1	285.8	35.6	50.5	217.5	235.3	-	-	-	-	-	-
Other Fiduciary Services	300.9	436.5	-	-	-	-	300.9	436.5	-	-	-	-
Advisory/Consultancy	-	-	-	-	-	-	-	-	-	-	-	-
Special Purpose Trust	-	-	-	-	-	-	-	-	-	-	-	-

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Note: Figures may not add up due to rounding-off.

"0.0" denotes below ₱0.0005 billion

Other fiduciary services include other fiduciary services-UITF

Appendix 29. Total Trust (Philippine Banks and NBFIs): Income and Expenses

For the Periods-Ended Indicated
In Billion ₱

Selected Accounts	TOTAL		Universal and Commercial Banks		Thrift Banks		Non-bank Financial Institutions (NBFIs)	
	2021	2022 p/	2021	2022 p/	2021	2022 p/	2021	2022 p/
Trust Income	**13.7**	**14.4**	**9.4**	**9.6**	**0.1**	**0.1**	**4.2**	**4.7**
Fees and Commissions	13.3	13.7	9.2	9.3	0.1	0.1	3.9	4.3
Other Income	0.5	0.7	0.2	0.3		-	0.2	0.3
Trust Expenses	**6.3**	**7.2**	**3.1**	**3.4**	**0.1**	**0.1**	**3.1**	**3.7**
Compensation/Fringe Benefits	2.6	2.9	1.6	1.7	0.0	0.0	0.9	1.2
Taxes and Licenses	1.1	1.2	0.6	0.6	0.0	0.0	0.5	0.6
Other Administrative Expenses	1.1	1.4	0.5	0.6	0.0	0.0	0.5	0.8
Depreciation/Amortization	0.3	0.2	0.1	0.1	0.0	0.0	0.2	0.1
Allocated Indirect Expenses	0.1	0.2	0.0	0.1	0.0	0.0	0.0	0.1
Other Expenses	1.3	1.3	0.3	0.3	0.0	0.0	1.0	1.0
Net Income	**7.4**	**7.2**	**6.3**	**6.2**	**0.1**	**0.1**	**1.1**	**1.0**

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Note: Figures may not add up due to rounding-off.

"0.0" denotes below ₱0.0005 billion

Appendix 30. Foreign Bank Branches and Subsidiaries: Balance Sheet by Industry

As of Periods-Ended Indicated

In Billion ₱

Selected Accounts	TOTAL		Foreign Bank Branches		Foreign Bank Subsidiaries	
	2021	2022 p/	2021	2022 p/	2021	2022 p/
ASSETS	1,396.6	1,417.6	1,211.2	1,229.1	185.4	188.5
Cash and Due from Banks	341.5	331.3	305.5	301.9	36.0	29.4
Financial Assets (net)	362.0	335.0	316.6	291.1	45.3	43.9
Loan Portfolio (inclusive of IBL and RRPs), net	656.3	647.9	563.7	547.7	92.6	100.2
Equity Investments (net)	2.4	2.8	2.4	2.8		
ROPA (net)	1.9	3.0	0.0	0.0	1.9	3.0
Other Assets	32.5	97.7	22.9	85.7	9.6	12.0
LIABILITIES AND CAPITAL	1,396.6	1,417.6	1,211.2	1,229.1	185.4	188.5
Liabilities	1,164.4	1,156.4	1,007.3	996.1	157.1	160.3
Financial Liabilities Held for Trading	21.4	36.5	21.1	36.0	0.3	0.5
Financial Liabilities DFVPL						
Deposit Liabilities	887.4	874.5	755.1	742.2	132.3	132.3
Peso Liabilities	555.7	522.9	451.7	424.9	104.1	98.0
Demand and NOW	316.1	324.3	271.3	283.8	44.8	40.6
Savings	167.2	134.2	140.2	111.3	27.0	22.9
Time/LTNCD	72.4	64.4	40.1	29.8	32.2	34.5
Foreign Currency	331.6	351.6	303.4	317.3	28.2	34.3
Demand and NOW	62.2	62.2	62.2	62.2	0.0	0.1
Savings	245.1	237.8	226.7	217.1	18.4	20.6
Time/LTNCD	24.3	51.5	14.5	38.0	9.8	13.6
Due to	170.2	100.2	170.1	100.1	0.1	0.1
Due to Other Banks	44.8	50.5	44.8	50.5		
Due to Treasurer of the Philippines	0.5	0.7	0.5	0.6	0.1	0.1
Due to PDIC	0.5	0.5	0.4	0.4	0.1	0.1
Due to BSP	0.0	0.0	0.0	0.0		
Due to Head Office/Branch/Agency (Philippine Branches of Foreign Banks)	124.4	48.5	124.4	48.5		-
Bills Payable	31.5	31.7	16.7	15.7	14.9	16.0
Deposit Substitutes	11.1	8.6	11.1	8.6	0.0	0.0
Others	20.5	23.1	5.6	7.1	14.9	16.0
Unsecured Subordinated Debt	2.0	-		-	2.0	-
Redeemable Preferred Shares						
Other Liabilities	51.8	113.5	44.3	101.9	7.5	11.4
Capital Accounts	232.2	261.3	204.0	233.1	28.3	28.2
Capital Stock	21.6	21.6			21.6	21.6
Retained Earnings and Undivided Profits	15.1	45.4	8.5	38.8	6.7	6.6
Other Equity Instruments		-		-		-
Deposit Subscription						-
Assigned Capital	145.8	147.0	145.8	147.0		-
Net Due to Head Office, Branch and Agency/Accumu	49.7	47.2	49.7	47.2		-

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Note: Figures may not add up due to rounding-off.

Appendix 31. Foreign Bank Branches and Subsidiaries: Income and Expenses by Industry

For the Periods-Ended Indicated

In Billion ₱

Selected Accounts	TOTAL		Foreign Bank Branches		Foreign Bank Subsidiaries	
	2021	2022 p/	2021	2022 p/	2021	2022 p/
Operating Income	**54.4**	**108.1**	**45.3**	**98.6**	**9.0**	**9.5**
Net Interest Income	**34.5**	**40.5**	**27.1**	**33.9**	**7.4**	**6.6**
Interest Income	39.0	49.0	30.1	39.7	8.9	9.3
Provision for Losses on Accrued Interest	4.4	0.1	3.0	0.0	0.1	0.1
Less: Interest Expenses	0.1	8.4	0.0	5.8	1.3	2.6
Non-interest Income	**19.9**	**67.6**	**18.2**	**64.7**	**1.6**	**2.9**
Dividend Income	0.0	0.0	0.0	0.0	0.0	0.0
Fee-based Income	11.1	11.0	10.4	10.1	0.8	0.9
Trading Income/(Loss)	6.6	10.4	6.3	8.8	0.2	1.6
Other Income/(Loss)	2.1	46.2	1.5	45.7	0.6	0.5
Non-Interest Expenses	**43.0**	**49.4**	**35.6**	**41.7**	**7.5**	**7.6**
Losses/Recoveries on Financial Assets	**0.7**	**(2.6)**	**1.4**	**(2.1)**	**(0.7)**	**(0.5)**
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures Accounted for Using the Equity Method	**12.1**	**56.2**	**11.2**	**54.8**	**0.9**	**1.4**
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures Accounted for Using the Equity Method	**(0.0)**	**0.1**	**(0.0)**	**0.1**	-	-
Total Profit/Loss Before Tax and Before Minority Interest	**12.1**	**56.3**	**11.2**	**54.9**	**0.9**	**1.4**
Income Tax Expense	5.3	14.5	4.7	13.9	0.6	0.6
Total Profit/Loss After Tax and Before Minority Interest	**6.8**	**41.8**	**6.5**	**41.0**	**0.3**	**0.8**
Minority Interest in Profit/(Loss) of Subsidiaries	-	-	-	-	-	-
NET PROFIT/(LOSS)	**6.8**	**41.8**	**6.5**	**41.0**	**0.3**	**0.8**
Selected Ratios						
Profitability						
Return on Assets	**0.5%**	**3.0%**	**0.6%**	**3.4%**	**0.2%**	**0.4%**
Return on Equity	**2.9%**	**16.9%**	**3.2%**	**18.8%**	**1.1%**	**2.8%**

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Note: Figures may not add up due to rounding-off.

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