REPORT ON THE

# PHILIPPINE FINANCIAL SYSTEM

SECOND SEMESTER 2024

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 (RA) No. 7653 (The New Central Bank Act), as amended by RA No. 11211, RA No. 7906 (Thrift Banks Act of 1995), RA No. 7353 (Rural Bank Act of 1992), as amended by RA No. 10574, R.A No. 7721 (Foreign Banks Law), as amended by RA No. 10641, RA No. 8367 (Revised Non-Stock Savings and Loans Association of 1997), RA No. 9178 (Barangay Micro Business Enterprises Act of 2002), and RA No. 11901 (The Agriculture, Fisheries and Rural Development Financing Enhancement Act of 2022),

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

# CONTENTS

# GLOSSARY

## A. Financial terms

**Agency account** – an 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 does not hold legal title to the asset as ownership remains with the client. In providing wealth, asset or fund management services to the client, the trust institution exercises either a discretionary or non-discretionary investment authority under an agency contract.

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

**Bills payable** – the amortized cost of obligations to the Bangko Sentral ng Pilipinas (BSP), interbank loans payable, deposit substitutes, and other borrowings.

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

**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”.

**Common equity tier 1 (CET1) capital** – for domestic banks, CET1 consists of paid-up common stock, common stock dividend distributable, additional paid-in capital, deposit for common stock subscription, retained earnings, undivided profits, other comprehensive income, and minority interest in subsidiary banks, which are subject to regulatory adjustments. For branches of foreign banks, this consists of permanently assigned capital, undivided profits, accumulated net earnings and other comprehensive income, which are also subject to regulatory adjustments.

**Consumer loans** – loans granted to individual borrowers for purchasing goods or paying for services. These include housing loans; car or auto loans; loans for purchasing appliances, furniture, and fixtures; loans for educational and hospital bills; salary loans; and loans for personal consumption, such as credit card loans.

**Credit risk** – the risk of default on a debt that may arise when a borrower fails to make required payments, such as failure to repay a loan.

**Debt securities measured at amortized cost** – a debt instrument held within a business model whose objective is to hold financial assets to collect contractual cash flows. Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal amount.

**Demand deposit** – consist of deposits that can be withdrawn by check through available bank channels. Also known as “current account” or “checking account,” demand deposits may or may not earn interest.

**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 relending or purchasing 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" means borrowing from 20 or more lenders at any one time. For this purpose, the term "lenders" refers to individuals and corporate entities that are not acting as financial intermediaries subject to the safeguards and regulations issued by the Monetary Board (MB).

The MB shall determine which specific instruments will be considered as deposit substitutes for purposes of Section 94 of RA No. 11211 (The New Central Bank Act), provided, however, that deposit substitutes of commercial, industrial, and other non-financial companies for financing their own needs or the needs of their agents or dealers shall not be covered by the provisions of the said section.

**Derivative** – a financial instrument or other contract with the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange (FX) 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 or "underlying" to a party to the contract;
- It requires no initial net investment or an investment smaller than what is required for other types of contracts with a similar response to changes in market factors; and
- It is settled at a future date.

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

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

**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.

**Financial assets (other than loans and receivables)** – the sum of all investments in debt and equity instruments as well as derivatives 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).

**Financial assets measured at fair value through other comprehensive income (FVOCI)** – financial assets held within a business model, whose objective is achieved by both collecting contractual cash flows and selling financial assets. The contractual terms of the financial assets give rise, on specified dates, to cash flows that are solely payments of principal and interest on the outstanding principal amount.

**Financial assets measured at fair value through profit or loss (FVTPL)** – financial assets not measured at amortized cost or at FVOCI and not part of a hedging relationship. These financial assets consist of financial assets held for trading (HFT), financial assets designated at fair value through profit or loss, and other financial assets mandatorily measured at FVTPL as defined under PFRS 9.

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

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

**Financial soundness indicators (FSIs)** – a set of key data on the current financial health and soundness of a country's financial institutions and its corporate and household sectors. These include both aggregate data on individual financial institutions and representative market indicators where these financial institutions operate. Supervisory data are important sources for the FSIs' calculation to support macroprudential analysis.

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

**Gains/(losses) on financial assets and liabilities HFT or Trading income/(loss)** – the sum of realized gains/(losses) from the sale or derecognition of, and unrealized gains/(losses) from marking-to-market of financial assets and liabilities HFT as well as realized gains/(losses) from FX transactions.

**Gross assets** – total assets plus allowance on non-performing assets (i.e., allowance for credit losses on loans, including general loan loss provision; 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).

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

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

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

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

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

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

**Net profit/(loss)** – the difference of total operating income and non-interest expenses, plus/(less) the recoveries/(losses) on financial assets and share in the profit/(loss) of unconsolidated subsidiaries, associates, joint ventures, and non-controlling interest in profit/(loss) of subsidiaries, less the provision for income taxes.

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

**Non-interest income** – the sum of the following: dividend income; fee-based income, including income from fiduciary activities; gains on financial assets and liabilities HFT; FX 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.

**Non-performing assets (NPAs)** – the sum of non-performing loans and real and other properties acquired (ROPA), gross, excluding performing sales contract receivable and including non-current assets held for sale.

**Non-performing loans (NPLs)** – loans, receivables, or any financial asset 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 the specific allowance for credit losses on NPLs. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than 90 days from contractual due date, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement

**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).

**Personal equity and retirement account (PERA)** – a voluntary retirement saving program that supplements 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.

**Proliferation financing** - the act of providing funds or financial services used, in whole or in part, for the manufacture, acquisition, possession, development, export, trans-shipment, brokering, transport, transfer, stockpiling or use of nuclear, chemical or biological weapons and their means of delivery and related materials (including both technologies and dual use goods used for non-legitimate purposes), in contravention of national laws or, where applicable, international obligations.

**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, which is charged against current operations.

**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. The elements of quasi–banking include:

- Borrowing funds for the borrower's own account;
- Twenty (20) or more lenders at any one time, whereby lenders refer to individuals and corporate entities that are not banks, quasi-banks or other financial intermediaries;
- Methods of borrowing are issuance, endorsement, or acceptance of debt instruments of any kind, other than deposits (e.g., acceptances, promissory notes, participations, certificates of assignments or similar instruments with recourse, trust certificates, repurchase agreements, and such other instruments as the MB may determine); and
- The purpose of which is relending or purchasing receivables and other obligations.

**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. The carrying amount of these properties will be principally recovered through a sale transaction.

**Real estate exposures (REEs)** – assets held by financial institutions composed of:

(a) real estate loans (RELs), which include residential RELs to individual households for occupancy; and commercial RELs for purposes of financing real estate activities, to:
  - individuals (including sole proprietorships), other than residential RELs granted to individual households for occupancy;
  - land developers and construction companies; and
  - 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 financing real estate activities.

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

**Restructured loans** – loans and other credit accommodations whose original contractual terms and conditions have been modified in accordance with a formal restructuring agreement. This agreement sets a revised payment schedule for reducing the financial difficulty of the borrower and maximizing collection and realizable economic value on the obligation within a reasonable period.

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

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

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

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

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

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

**Trust account** – the account wherein the legal title to the funds or properties of the trustor is transferred to the trustee (trust institution), subject to the trustee's equitable obligation to administer, hold and manage such funds and or properties for the use, benefit or advantage of the trustor or other designated beneficiaries. This consists of wealth, asset, or fund management services to the client where the trustee exercises either discretionary or non-discretionary investment authority.

**Unit investment trust fund (UITF)** – an open-ended, pooled trust fund denominated in peso or any acceptable currency operated and administered by a trust entity and made available through participation. As an open-ended fund, participation or redemption is allowed as often as stated in its rules.

## B. Other terms

**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's reportorial requirements with the provisions of the PFRS and the Basel Capital Adequacy Framework.

**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, while output refers to the goods and services produced by an establishment. Output is equal to the value of sales adjusted for the changes in inventories of finished goods (i.e., goods produced and ready for sale, or sold goods 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.

**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 conducts business in accordance with the *Shari'ah* principles.[1]

**Islamic banking unit (IBU)** - a division, department, office, or branch that conducts business in accordance with the *Shari'ah*.

**Repurchase agreements** - the amortized cost of borrowings in the form of a sale of securities to another bank/counterparty with an agreement to repurchase (i.e., buy back) these securities at a fixed price on a specified future date.

**Residential real estate price index (RREPI)** – an indicator of changes in the prices of residential properties in the Philippines over time. The growth rate of the index measures house price inflation.

**Sustainable finance –** any form of financial product or service that integrates environmental, social and governance criteria into business decisions to support economic growth and reduce pressures

---

[1] RA No. 11439 (An Act Providing for the Regulation and Organization of Islamic Banks).

on the environment. This also covers green finance, which is designed to facilitate the flow of funds toward environmentally friendly economic activities, including climate change mitigation and adaptation projects.

**Sustainable finance taxonomy** - a tool to classify if an economic activity is environmentally and socially sustainable and guides different stakeholders in making informed investment or financing decisions.

**Trust** – a relationship or arrangement whereby a person (trustee) is appointed by another person (trustor) to administer, hold and manage funds or property of the trustor or for the benefit of a beneficiary.

**Trust business** – any activity resulting from a trustor-trustee relationship (trusteeship) that involves the appointment of a trustee by a trustor for the administration, holding, and management of the trustor's funds and properties for the use, benefit, or advantage of the trustor or other beneficiaries.

## C. Financial and other prudential ratios

**Basel III leverage ratio (BLR)** – the ratio of capital (i.e., Tier 1 capital) to the exposure measure, composed of on-balance sheet exposures, derivatives, securities financing transactions and off-balance sheet items. The BLR is designed to act as a supplementary measure to risk-based capital requirements to restrict the build-up of leverage in the banking sector.

**Capital adequacy ratio (CAR)** – the ratio 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 03 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 06 December 2018), and higher loss absorbency capital requirement for domestic systemically important banks (D-SIBs) (Circular No. 856 dated 29 October 2014, as amended).

**CET1 ratio** – the ratio of regulatory CET1 capital to risk-weighted assets.

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

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

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

**Efficiency ratio** – measures the ability of the bank to generate income using its assets. It is the percentage of total expenses to total revenues.

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

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

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

**Liquid asset-to-deposit ratio** – the ratio of liquid assets to total deposits.

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

**Minimum liquidity ratio (MLR)** – the ratio of a bank's or a 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.

**Net interest margin (NIM)** – the ratio of net interest income to average earning assets.

**Net stable funding ratio (NSFR)** – the ratio of a covered bank's/QB's available stable funding to its required stable funding.

**Non-interest income to total operating income ratio** – the ratio of non-interest income to total operating income.

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

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

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

**Return on equity (RoE)** – the ratio of net profit or loss to average capital.

# PROLOGUE

The **Report on the Philippine Financial System** is a semestral report prepared by the Supervisory Policy and Research Department, Financial Supervision Sector (FSS), of the Bangko Sentral ng Pilipinas (BSP). This is submitted by the Governor to the President and the Congress, pursuant to Section 39(c), Article V of Republic Act (RA) No. 7653 or The New Central Bank Act, as amended by RA No. 11211 and other pertinent laws.

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

The report analyzes insights from various periodic reports submitted by BSP-supervised and regulated financial institutions to the FSS' Department of Supervisory Analytics. As of December 2024, these institutions consisted of 474 banks head offices with 12,910 branches and branch-lite units, 2,287 non-bank financial institutions with 21,242 branches, and one offshore banking unit.

Effective 03 July 1998, under Section 130 of RA No. 7653, the BSP's supervisory and regulatory powers over certain non-bank financial institutions were turned over to the Securities and Exchange Commission for corporations and partnerships and the Department of Trade and Industry for single proprietorships. Supervision and regulation over building and loan associations were also transferred to the Home Guarantee Corporation effective 07 February 2002, in accordance with Section 94 of RA No. 8791 (The General Banking Law of 2000).

# HIGHLIGHTS OF THE REPORT

# **Philippine banks play a pivotal role in the growth and development of the economy,** providing essential financial services to both businesses and households, including the marginalized sectors.

The banking system's robust performance in 2024 is evidenced by the sustained growth in assets, loans, deposits, and earnings, as well as strong capital and liquidity positions. This demonstrates the banking system's resilience and its ability to provide reliable support to the economy, ensuring the continued provision of essential financial services to more Filipinos.

As of December 2024, total assets of the Philippine banking system, which constitutes 83.2 percent of the total financial system (up from 82.4 percent in the prior year), grew by 9.0 percent year-on-year to ₱27.4 trillion. This increased asset level aligns with the country's strong macroeconomic fundamentals[1] and the upbeat outlook of the industry, enabling banks to expand their loan and investment portfolios. This expansion in bank operations is also supported by a wider network and a growth in electronic platforms—the number of bank offices reached 13,384, comprising 474 head offices and 12,910 branches and branch-lite units.

**₱27.4 trillion**
**in total assets**

**₱15.3 trillion**
**in total loans**

As for lending, it grew at a faster pace due to improved economic conditions and strong domestic demand amid an optimistic outlook. Total loans grew by 10.6 percent to ₱15.3 trillion in December 2024, serving businesses and households, including the marginalized sectors. The real estate sector continued to be the largest recipient of loans, accounting for 18.2 percent (₱2.8 trillion). This was followed by the household sector at 14.0 percent (₱2.1 trillion), the wholesale and retail trade sector at 10.7 percent (₱1.6 trillion), the electricity, gas, steam, and air-conditioning supply sector at 9.5 percent (₱1.5 trillion), and the manufacturing sector at 9.1 percent (₱1.4 trillion). Banks' broad-based lending underscores their crucial role in the continued development and growth of the Philippine economy.[2]

***Broad-based lending continues,** bolstered by improved economic conditions and positive business and consumer outlook.*

---

[1] Philippine Statistics Authority. (2025 January 30). *GDP expands by 5.2 percent in the fourth quarter of 2024: Brings the full-year 2024 GDP year-on-year growth rate to 5.6 percent* [Press release]. https://psa.gov.ph/content/gdp-expands-52-percent-fourth-quarter-2024-brings-full-year-2024-gdp-year-year-growth-rate

[2] The ratio of banks' credit-to-gross domestic product (GDP) in December 2024 went up to 58.0 percent from 57.0 percent in December 2023. This ratio refers to the proportion of gross total loans to annualized GDP at current prices.

**₱545.2 billion in MSME loans**

**₱115.2 million in BMBE loans**

**₱2.0 trillion in AFRD loans**

The banking system also remains supportive of the financial inclusion agenda, particularly for underserved sectors of the economy, by providing credit support to farmers, fisherfolks, as well as micro, small and medium enterprises (MSMEs), including barangay micro business enterprises (BMBEs).

Financing for MSMEs and BMBEs[3] grew by 8.4 percent to ₱545.2 billion and 115.9 percent to ₱115.2 million, respectively, in December 2024, echoing the strong commitment of banks to continually support these sectors. In terms of agriculture, fisheries and rural development (AFRD) financing, banks allocated 100.3 percent of their ₱2.0 trillion total loanable funds as of December 2024. This exceeds both the 25.0 percent mandatory allocation required by law under Republic Act (RA) No. 11901[4] and the 36.4 percent (₱3.1 trillion[5]) compliance rate recorded in June 2023, when total loanable funds amounted to ₱8.4 trillion. The increase is primarily attributed to a shorter reference cut-off date in computing total loanable funds—from 18 August 2023 to the reporting date as of end-December 2024, and from 20 April 2010 to the reporting date as of end-June 2023. Additionally, banks' compliance improved due to the expansion of eligible activities and modes of compliance, granting them greater flexibility in meeting the mandatory AFRD financing requirements.

**3.3% NPL ratio**

**96.0% NPL coverage ratio**

*Loan quality remains satisfactory despite continued rise in credit risk, supported by ample provisions for potential losses.*

The satisfactory quality of loans was maintained amid expansion in total loans and increase in non-performing loans (NPLs). Total NPLs rose by 11.4 percent to ₱500.4 billion in December 2024, slowing from the 12.6-percent growth recorded in 2023. This moderation is expected to continue given improving market conditions and the

---

[3] RA No. 9178, or the BMBEs Act, aims to promote the establishment and growth of BMBEs by providing credit windows and guarantees to registered BMBEs.
As of December 2024, rural banks provided ₱89.3 million loans to 9,704 BMBE borrowers. This accounted for 77.6 percent of the total loans of the banking system to BMBEs.

[4] The Agriculture, Fisheries and Rural Development Financing Enhancement Act of 2022, which lapsed into law last 28 July 2022, took effect on 18 August 2022.

[5] The revised June 2023 figure was due to amendments of reports submitted by banks.

easing of the Bangko Sentral ng Pilipinas (BSP) policy rates. This view is also supported by the favorable outlook of the industry wherein most banks foresee an improvement in loan quality alongside the continuous beefing up of loss reserves.

Moreover, banks' governance standards and credit risk management practices remained sound, supported by precautionary measures and robust NPL management strategies to mitigate increasing risk in their loan portfolios.  As of December 2024, the NPL ratio of the banking system stood at a low 3.3 percent, with high NPL coverage ratio at 96.0 percent.

**₱20.4 trillion**
**in total deposits**

**₱391.3 billion**
**in net profit**

**Capital and liquidity** buffers exceed domestic and global standards.

Deposit base grew by 7.0 percent to ₱20.4 trillion in December 2024, reflecting a strong confidence in the banking system.  These were primarily denominated in Philippine peso and sourced from residents. Similarly, total capitalization of banks expanded by 9.8 percent to ₱3.4 trillion, largely due to the healthy retained earnings of banks, with reported net profit reaching ₱391.3 billion during the same period. This solid performance was accompanied by sufficient capital and liquidity ratios that surpassed BSP and international standards, highlighting the ability of banks to support lending and investing activities as well as absorb potential losses from portfolios. The latest BSP stress tests further establish the banking system's continued resilience in absorbing  assumed credit and market shocks, including impairments in real estate exposures.

Across banking groups, universal and commercial banks constitute 93.8 percent (₱25.7 trillion) of total assets, 92.7 percent (₱14.2 trillion) of total loans, 93.8 percent (₱19.1 trillion) of total deposits, and 91.8 percent (₱3.1 trillion) of total capital. The share of other banks in the banking system's assets stood at 4.0 percent (₱1.1 trillion) for thrift banks, 1.8 percent (₱485.0 billion) for rural and cooperative banks, and 0.4 percent (₱117.7 billion) for digital banks.

Meanwhile, foreign bank branches and subsidiaries in the Philippines reported profitable operations with consistent asset growth and adequate capital and liquidity buffers. This enabled them to continue contributing to the growth and development of the economy, as well as connect the Philippines with the global market through trade, investments and other business opportunities.[6]  As of December 2024, total assets of the industry, which accounted for 6.1 percent of the total assets of the banking system, rose by 9.1 percent to ₱1.7 trillion. This expansion was mainly funded by deposits and was channeled into investments.

---

[6] Foreign banks' support to the policy objectives is embodied in Section 1 of RA No. 7721, as amended by RA No. 10641.

Other areas such as foreign currency deposit units (FCDUs) and trust operations remained satisfactory, with continued growth in assets and sustained profits.

**US$72.4 billion**
**in FCDU total assets**

**US$724.0 million**
**in FCDU net profit**

Total assets of FCDUs increased by 6.7 percent to US$72.4 billion (₱4.1 trillion) in December 2024, largely funded by borrowings and deposits from residents. This growth supported FCDUs' investments, including lending to regular banking units. Investments in securities also expanded by 10.0 percent to US$31.1 billion amid a favorable market outlook. Meanwhile, loans also rose by 4.1 percent to US$17.1 billion, gaining traction despite tight credit conditions.

As credit activity improved, the NPL ratio of FCDUs weakened to 2.1 percent, reflecting a faster increase in NPLs. This was influenced by foreign exchange volatility, inflationary pressures, and global trade uncertainties which affected borrower's repayment capacity. Despite the heightened credit risk, loan quality remained satisfactory supported by prudent credit practices and precautionary measures to manage NPLs. The NPL coverage ratio stood at 112.8 percent in December 2024.

In terms of profitability, net profit declined by 22.3 percent to US$724.0 million as higher funding costs and subdued lending squeezed interest earnings.

**₱7.4 trillion**
**in total trust assets**

**₱8.2 billion**
**in trust net profit**

Meanwhile, total assets of the trust industry increased by 18.6 percent to ₱7.4 trillion in December 2024, driven by expansion in both agency and trust accounts. This was strongly supported by the active promotion and innovation of trust products and services, with agency and trust accounts growing by 21.7 percent to ₱4.2 trillion and 15.1 percent to ₱2.3 trillion, respectively, during the same period.

By investment product, most trust clients still preferred unit investment trust funds, which now represent 14.1 percent (₱1.0 trillion) of the industry's total accountabilities. The Personal Equity and Retirement Account also reported robust growth, with total contributions growing by 24.0 percent to ₱491.4 million and the number of contributors rising from 5,555 to 5,912.

Overall, the industry's strong operations boosted the profitability of trust entities—generating a combined net profit of ₱8.2 billion in 2024, driven by significant increase in fees and commissions.

**₱179.8 billion**
**NBQBs**
in total assets

**₱333.5 billion**
**NSSLAs**
in total assets

**Pawnshops** 16,451
**MSBs** 6,339
extensive network across the country

Moreover, the non-bank industry, composed of BSP-supervised nonbank financial institutions (NBFIs)—namely NBFIs with quasi-banking functions (NBQBs); non-stock savings and loan associations (NSSLAs); pawnshops; and money service businesses (MSBs)—continued to contribute to the country's goal of fostering a more inclusive financial system. These NBFIs recorded strong performance in 2024, as evidenced by a consistent growth in assets as well as profitable operations.

Total assets of NBQBs, primarily funded by deposits substitutes, grew by 11.5 percent to ₱179.8 billion in December 2024. This growth enabled NBQBs to maintain their lending activities, supported by ongoing collaborations and partnerships that expanded their reach and improved access to financial products.

For NSSLAs, the continued confidence and patronage of their members drove asset growth, which increased by 5.3 percent to ₱333.5 billion in December 2024. This growth provided stability needed to support their members' financial needs.

Pawnshops and MSBs, with their extensive network, have become vital access points for delivering a diverse range of financial products and services to underserved populations. Their numbers have steadily grown, reaching 22,790 establishments nationwide in 2024,

Overall, the BSP's impactful policy reforms, along with active collaboration and close coordination with stakeholders, have enabled both banks and non-banks to expand their operations and contribute to economic development. These initiatives aim to build a more stable and resilient financial system to meet the evolving needs of all Filipinos.

*Financial reforms and proactive collaboration foster a more stable and resilient financial system.*

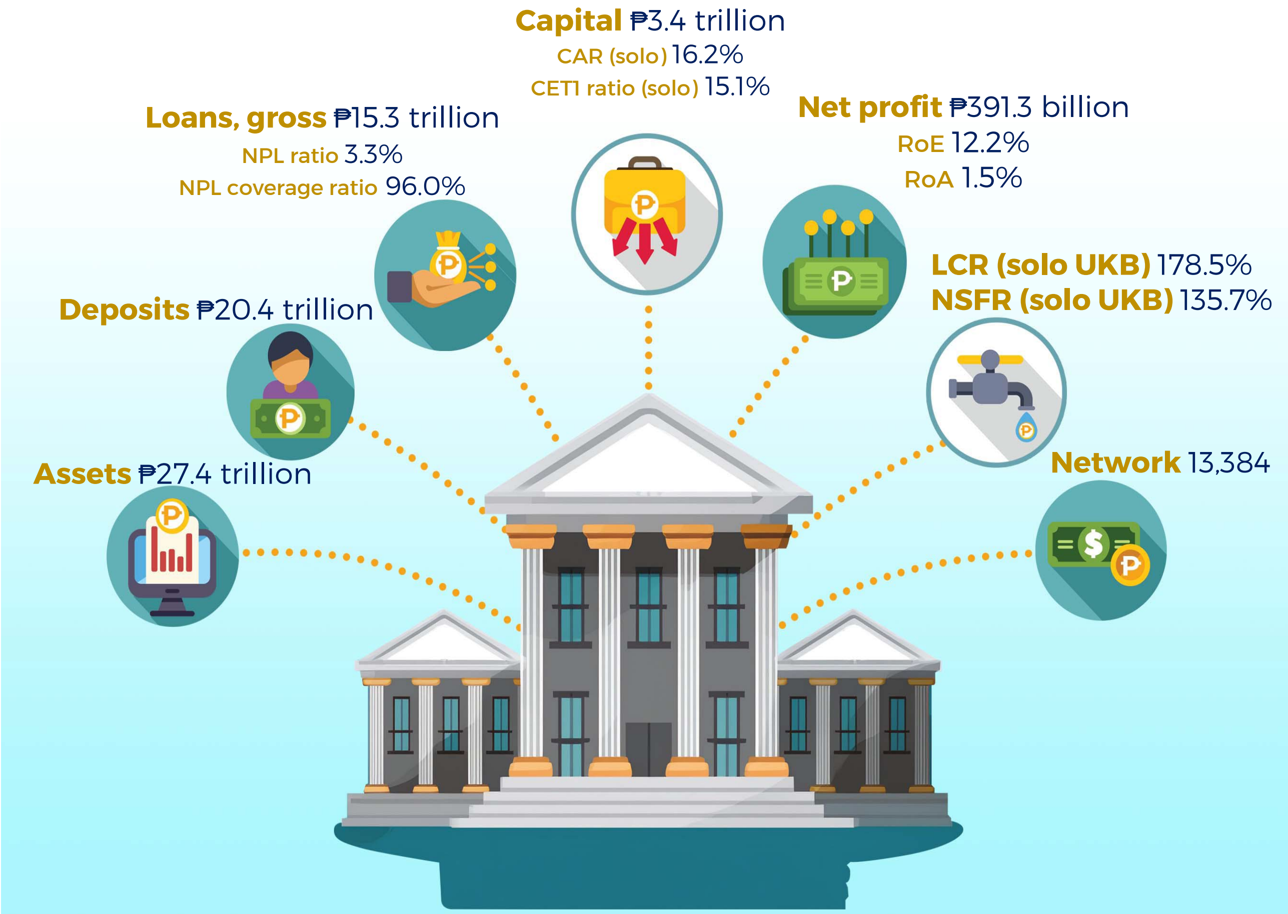
# THE PHILIPPINE BANKING SYSTEM


41
21

## **Philippine banks remained sound and resilient, demonstrating sustained growth and robust performance** backed by improved macroeconomic fundamentals and an upbeat industry outlook.

The banking system sustained its growth momentum, recording continued expansion in assets, loans, deposits, and earnings amid improving economic conditions and an upbeat industry outlook. This highlights the strong performance of banks, enabling them to effectively serve their clients and contribute to the growth and development of the economy.

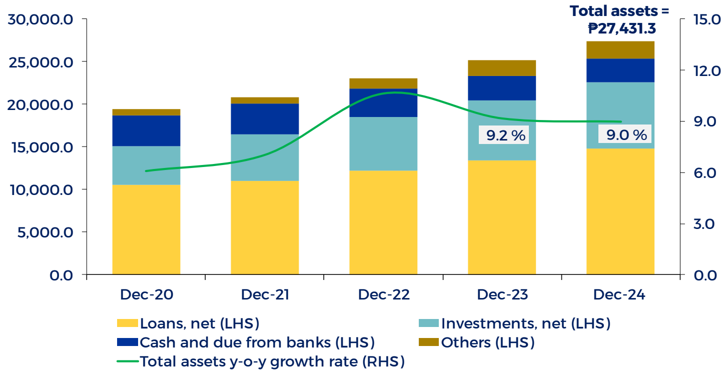
Key indicators of asset quality, profitability, capital and liquidity also reflect a safe and resilient banking system, with risk-based capital and liquidity ratios well above regulatory thresholds.



Total assets of the Philippine banking system recorded a 9.0-percent increase year-on-year (y-o-y) [1] in December 2024 to reach ₱27.4 trillion (*Figure 1*). This growth, although slower compared to the 9.2-percent reported in December 2023, was relatively the same as the 9.0-percent compounded annual growth rate (CAGR) [2] for 2020-2024. The robust asset growth, which is nearly double the growth of the country's gross domestic product (GDP)[3], is in line with the country's strong macroeconomic fundamentals and the industry's optimistic outlook.

*Banks recorded an impressive growth rate, pointing to brisk economic activity and sustained confidence in the financial system.*

Figure 1
**Asset Composition**
as of end-periods indicated; in billion PH pesos; growth rate in percent




Source: Bangko Sentral ng Pilipinas - Department of Supervisory Analytics
RHS - right-hand side
LHS - left-hand side

The higher asset level was due to continued expansion in lending and investment activities of banks, which both reported double-digit growth in December 2024. Loans and investments held the largest share of the total assets of the banking system, with loans[4], net of credit allowance for credit losses, and investments[5] comprising 54.1 percent (₱14.8 trillion) and 28.3 percent (₱7.8 trillion), respectively.

Across banking groups, universal and commercial banks (UKBs) comprised 93.8 percent (₱25.7 trillion) of the banking system as of December 2024. Meanwhile, thrift banks (TBs), rural and cooperative banks (RCBs), and digital banks (DGBs) accounted for 4.0 percent (₱1.1 trillion), 1.8 percent (₱485.0 billion), and 0.4 percent (₱117.7 billion), respectively.

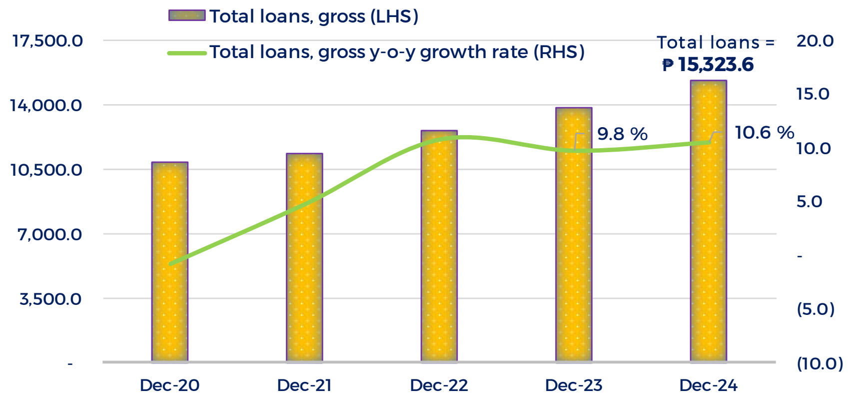
**Loans further expanded, serving the financial requirements of businesses and households, including marginalized sectors.**

Bank lending grew at a faster pace in December 2024, increasing by 10.6 percent to ₱15.3 trillion (*Figure 2*). This surpassed the 9.8-percent increase in December 2023 and the 9.0-percent CAGR. The double-digit growth was driven by improved economic

1 All growth rates and reporting periods pertain to y-o-y and as of December 2024, respectively, unless otherwise stated. Discussions were also based on the available data and information at the time of report preparation.
2 The CAGR is computed using December data from 2020-2024. The 2015-2019 or pre-pandemic CAGR stood at 11.0 percent.
3 The Philippine GDP, at constant 2018 prices, posted a y-o-y growth of 5.2 percent in the Q4 2024. This brought the 2024 full-year GDP growth to 5.6 percent, faster than the 5.5-percent growth in 2023.
4 These include interbank loans receivable and reverse repurchase agreements.
5 These were made up of investments in debt and equity securities and derivatives and equity investments in subsidiaries, associates, and joint ventures, net of allowance for credit losses, as applicable.

conditions[6] and strong domestic demand, supported by upbeat industry, business, and consumer outlook[7]. This growth trajectory is expected to further gain momentum bolstered by policy rate cuts by the Bangko Sentral ng Pilipinas (BSP) along with a favorable operating environment and continued positive sentiment from businesses and consumers.

Figure 2
**Total Loans**
as of end - periods indicated; in billion PH pesos; growth in percent




Source: Bangko Sentral ng Pilipinas - Department of Supervisory Analytics
RHS - right hand side
LHS - left hand side

***Credit growth is poised to accelerate** as the BSP continues its easing policy cycle, bolstered by improved economic conditions and optimistic business and consumer outlooks.*

Bank lending also expanded across key economic activities, serving both the productive and household sectors, including marginalized segments (*Figure 3*).

As of December 2024, the real estate sector continued to be the largest recipient of loans of the banking system, holding an 18.2 percent share (₱2.8 trillion). This was followed by households[8] at 14.0 percent (₱2.1 trillion); wholesale and retail trade at 10.7 percent (₱1.6 trillion); electricity, gas, steam, and air-conditioning supply at 9.5 percent (₱1.5 trillion); manufacturing at 9.1 percent (₱1.4 trillion); and financial and insurance activities at 7.0 percent (₱1.1 trillion).

---

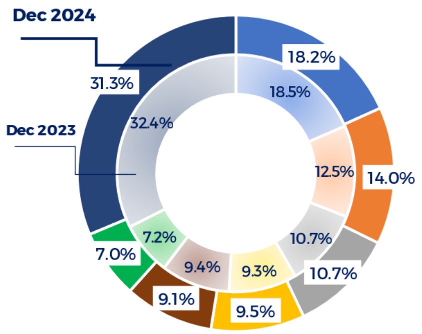
[6] The ratio of banks' credit-to-GDP in December 2024 went up to 58.0 percent from 57.0 percent in December 2023. This ratio refers to the proportion of gross total loans to annualized GDP at current prices.

[7] The BSP Q4 2024 Business Expectations Survey shows that more firms reported expansion plans in the next 12 months, climbing to 26.5 percent from 25.7 percent in Q4 2023, while the BSP Q4 2024 Consumer Expectations Survey (CES) shows that the proportion of households intending to apply for a loan in the next 12 months remained at 13.7 percent from Q4 2023. The BSP Q4 2024 Senior Loan Officers' Survey (SLOS) also shows that lending is expected to increase in Q4 2024 under the diffusion index approach as credit demand from both firms and households continues to rise. For firms, the increase will be driven by higher inventory needs, more optimistic economic expectations, and increase in short-term financing needs. For household consumption, banks expect an increase in household loan demand due to attractive financing terms and higher consumption.

[8] Loans for household consumption comprised credit card receivables (CCRs), motor vehicle loans (MVLs), salary-based general consumption loans (SBGCLs), and other consumption loans (OCLs).

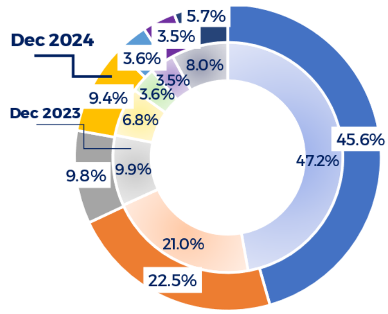
Loans to households rose by 24.3 percent (₱419.6 billion) in December 2024, contributing 28.7 percent to the ₱1.5-trillion loan expansion. Loans to key productive sectors likewise contributed to the system's total loan expansion, with real estate growing by 9.1 percent (₱232.3 billion); electricity, gas, steam and air-conditioning supply by 14.1 percent (₱180.3 billion); wholesale and retail trade by 10.6 percent (₱156.8 billion); transportation and storage by 28.4 percent (₱112.8 billion); and manufacturing by 7.5 percent (₱97.3 billion). These sectors, including households, collectively accounted for 65.0 percent (₱10.0 trillion) of the system's gross total loans in December 2024.

Figure 3
**Loans by Economic Activity and Counterparty**
as of end-periods indicated; in billion PH pesos; share in percent




**By economic activity**

**Real estate - ₱2,794.7 billion, 18.2%**
**Households* - ₱2,149.3 billion, 14.0%**
**Wholesale and retail - ₱1,642.7 billion, 10.7%**
**Electricity, gas, steam - ₱ 1,463.4 billion, 9.5%**
**Manufacturing - ₱1,397.3 billion, 9.1%**
**Financial and insurance - ₱1,079.0 billion, 7.0%**
**Others** - ₱4,797.4 billion, 31.3%**




**By counterparty**

**Non-financial private corp. - ₱6,982.5 billion, 45.6%**
**Individuals - ₱3,440.6 billion, 22.5%**
**Banks and financial private corp. - ₱1,502.2 billion, 9.8%**
**Agri-agra borrowers - ₱1,444.2 billion, 9.4%**
**MSMEs - ₱545.2 billion, 3.6%**
**Non-residents - ₱538.4 billion, 3.5%**
**Others*** - ₱870.5 billion, 5.7%**

Source: Bangko Sentral ng Pilipinas - Department of Supervisory Analytics
Notes:
* These exclude residential real estate loans
** These include 16 other remaining sectors
*** These include loans to government

By counterparty, domestic borrowers constituted the majority of the banking system's total loans, with resident non-financial private corporations receiving 45.6 percent (₱7.0 trillion), followed by resident individuals and resident financial private corporations, including banks, at 22.5 percent (₱3.4 trillion) and 9.8 percent (₱1.5 trillion), respectively.

Among banking groups, UKBs provided 92.7 percent (₱14.2 trillion) of the total loans of the banking system while TBs, RCBs, and DGBs held 5.2 percent (₱790.8 billion), 1.9 percent (₱293.1 billion), and 0.2 percent (₱37.4 billion), respectively. By segment, UKBs' loans largely catered to corporate accounts, whereas the portfolios of TBs, RCBs, and DGBs mainly focused on retail and community lending.

**Real estate exposures continue to grow amid evolving market conditions in the property sector**

The consolidated real estate exposures[9] of UKBs and TBs rose by 5.1 percent to ₱3.3 trillion in December 2024, surpassing the 4.1 percent recorded the prior year. This upward momentum was largely driven by expansion in real estate loans (RELs).

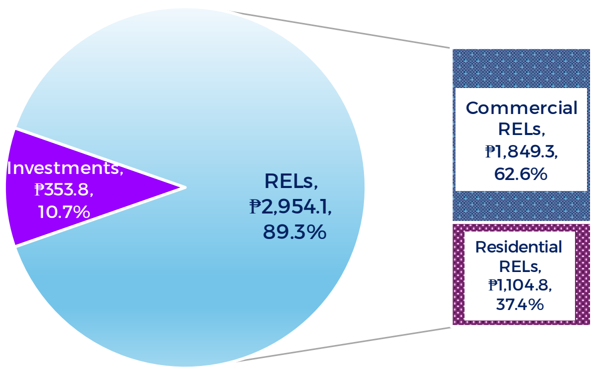
Rising demand in areas outside the National Capital Region (NCR) helped ease the pressure in the real estate market arising from evolving consumer preferences, the shift to work from home arrangements, the exit of Philippine Offshore Gaming Operators (POGOs), and an oversupply of condominium units.[10]

As of December 2024, residential RELs (RRELs) posted a strong growth rate of 9.6 percent, up from 6.7 percent in the previous year, Meanwhile, commercial RELs (CRELs) grew by 6.9 percent, an improvement from 5.3 percent recorded in the prior year. The continued rise in RELs highlights their importance in banks' lending strategies and reflects the real estate industry's adaptability and resilience amid shifting market dynamics.

This positive trends also aligns with the latest BSP survey findings, which show steady demand for both RRELs and CRELs. For CRELs, growth has been primarily fueled by increased customer inventory and accounts receivable financing needs, along with improved economic prospects.[11] On the consumer side, while sentiment toward home buying remains cautious, households are becoming less pessimistic about purchasing residential properties.[12]

*The **bulk** of real estate exposure **remains primarily in the form of loans.***

Figure 4
**Real Estate Exposures of UKBs and TBs (Consolidated)**
as of December 2024; in billion PH pesos; share in percent




Source: Bangko Sentral ng Pilpinas - Department of Supervisory Analytics

---

9 These accounted for 12.1 percent of the total assets of the banking system (from 12.5 percent in December 2023).

10 According to Colliers' Property Market Report–Office for Q4 2024, space surrenders outpaced demand in the Metro Manila office market due to the exit of POGOs and non-renewal of pre-pandemic leases. Meanwhile, Collier's Property Market Report–Residential for Q4 2024 emphasized that not all Metro Manila submarkets were affected by the condominium overhang and that to address the oversupply issue, developers in Metro Manila continue to offer more attractive payment terms for pre-selling and ready-for-occupancy projects.

11 Based on the BSP Q4 2024 SLOS, which showed consistently positive diffusion index scores for CREL demand since Q3 2023, indicating that more banks reported an increase in CREL demand compared to those stating the opposite. For Q4 2024, banks stated increased customer inventory and accounts receivable financing needs as well as improvement in customers' economic outlook.

12 Based on the BSP Q4 2024 CES, which showed households' less pessimistic buying intentions for house and lots over the next 12 months (i.e., from-73.4 percent in Q4 2023, -72.9 percent in Q3 2024, to -67.9 percent in Q4 2024).

As shown in *Figure 4*, RELs[13] constitute 89.3 percent (₱3.0 trillion) of real estate exposures with CRELs[14] and RRELs[15] accounting for 62.6 percent (₱1.8 trillion) and 37.4 percent (₱1.1 trillion), respectively.

Amid sustained REL expansion, non-performing RELs (NPRELs) rose by 0.4 percent to ₱108.8 billion. This resulted in an NPREL ratio of 3.7 percent, lower than the 4.0 percent recorded in the previous year and was driven by slower growth in NPRELs relative to total RELs. By category, the non-performing RREL ratio improved to 6.3 percent, down from 7.0 percent in December 2023, while the non-performing CREL ratio remained low at 2.1 percent, better than the 2.2 percent in the prior year.

Given the importance of real estate activities in the country's economy, the BSP conducts regular monitoring and surveillance of banking system exposures to the sector. These measures aim to proactively identify emerging risks and vulnerabilities within the banking system. The latest BSP real estate stress test reaffirmed the resilience of the banking system, demonstrating its ability to withstand an assumed downturn in the property market. Moreover, recent data show that bank RELs continued to remain below the 25.0-percent REL limit.[16]

**An optimistic consumer outlook fueled the sustained double-digit growth in consumer loans.**

The robust growth in consumer loans persisted,[17] driven by steady demand, positive consumer sentiment and more favorable financing terms offered by banks to households. As of December 2024, consumer loans, which account for 20.1 percent of the banking system's total loans, rose by 18.0 percent to ₱3.1 trillion. This growth surpassed the 17.0 percent recorded in December 2023 and the 11.6-percent CAGR.

***Robust growth continues**, mainly driven by expansion in credit card receivables.*

The expansion was primarily led by strong growth across all types of consumer loans. Credit card receivables registered the largest contribution, increasing by 29.4 percent (₱212.1 billion) in December 2024. Other types, particularly RRELs, motor vehicle loans (MVLs), salary based general purpose consumption loans (SBGPCLs), and other consumption loans (OCLs) grew by 9.6 percent (₱95.9 billion), 18.5 percent (₱93.8 billion), 17.5 percent (₱58.3 billion), and 23.1 percent (₱10.8 billion), respectively. This upward trend is expected to continue, supported by a positive consumer finance

13 RELs for socialized and low-cost housing, which accounted for 18.3 percent of the total RELs, declined by 0.8 percent to ₱539.8 billion in December 2024 from the 4.6 percent growth recorded in December 2023. Loans granted to individual households for their residential units accounted for 75.2 percent of these loans.

14 CRELs were mainly used to finance land development, acquisition, construction, and/or improvement of commercial real estate units at 83.1 percent (₱1.5 trillion), and largely with residual maturity of over one year to five years at 42.8 percent (₱791.1 billion).

15 RRELs were mainly used to finance mid-end (47.1 percent or ₱520.1 billion) and low-cost (36.4 percent or ₱402.5 billion) housing units. Majority of residential RELs had residual maturity of over 10 years (51.2 percent or ₱565.5 billion) and secured by real estate mortgages (65.3 percent or ₱721.9 billion).

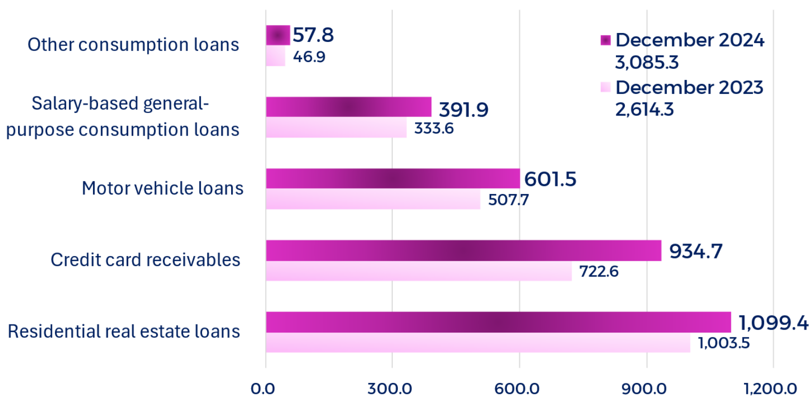
16 The REL limit, which applies to all UKBs, covers CRELs extended to finance the acquisition and development of land and the construction of buildings and structures, including housing units for sale/lease, for income-generating purposes.

17 CLs have been growing double-digit since September 2022.

outlook, increased household consumption, and better financing terms offered by banks.[18]

*Figure 5* illustrates the comparative distribution of consumer loans by type, with RRELs and credit card receivables comprising 35.6 percent (₱1.1 trillion) and 30.3 percent (₱934.7 billion), respectively.[19]

Figure 5
**Consumer Loans of UKBs and TBs (Solo)**
as of end-periods indicated; in billion PH pesos;




Source: Bangko Sentral ng Pilpinas - Department of Supervisory Analytics

**Lending to marginalized sectors continued to rise, fostering inclusive growth for more Filipinos.**

Banks also supported the growth and development of marginalized sectors particularly farmers, fisherfolks and micro, small and medium enterprises (MSMEs)[20], including barangay microentrepreneurs.

**Micro** ₱86.9 billion
**SMEs** ₱458.3 billion

Financing for MSMEs[21] reached ₱545.2 billion in December 2024, growing by 8.4 percent and accounting for 3.6 percent of the banking system's total loans. This growth trend echoes the strong commitment of banks to continually support MSMEs.[22] Loans to MSMEs were largely channeled to the wholesale and retail trade sector (40.8 percent share, or ₱222.3 billion) and were provided by UKBs (72.0 percent share, or ₱392.4 billion).

---

[18] Based on the BSP's Q4 2024 SLOS, banks anticipate an increase in household loan demand, driven by rising household consumption and more attractive financing terms of banks. Similarly, the BSP's Q4 2024 CES showed that 13.7 percent of households intend to apply for a loan in the next 12 months. This figure remained steady relative to the Q4 2023 CES.

[19] The share of other types of consumer loans particularly MVLs, SBGPCLs, and OCLs stood at 19.5 percent (₱601.5 billion), 12.7 percent (₱391.9 billion), and 1.9 percent (₱57.8 billion), respectively.

[20] These include farmers, fisherfolk, agrarian reform beneficiaries, agrarian reform communities, settlers, agricultural lessees, amortizing owners, farmworkers, fish workers, owner cultivators, compact farmers, tenant farmers, and members of their household and their MSMEs, as well as agriculture cooperatives, and farmer's and fisherfolk's organizations and associations in good standing.

[21] The mandatory credit allocation for MSMEs set forth in Republic Act (RA) No. 6977, as amended by RA Nos. 8289 and 9501, ended last 16 June 2018. Nonetheless, the BSP continues to monitor the credit allocation of banks to the MSME sector.

[22] Based on the BSP 2023 Banking Sector Outlook Survey (BSOS), most respondent banks will prioritize the expansion of their loan portfolio, focusing on the credit requirement of MSMEs (and the real estate sector).

**BMBEs** ₱115.2 million

In addition, total loans extended to barangay micro business enterprises (BMBEs) grew by 115.9 percent to reach ₱115.2 million as of December 2024 (from ₱53.4 million recorded in 2023).[23] Among banking groups, rural banks continued to account for the largest share of loans to BMBEs, both in terms of amount and number of borrowers,[24] reinforcing the pivotal role of rural banks in promoting inclusive financing through credit to entrepreneurs and small businesses in the country.

**Total AFRD compliance**
₱2.0 trillion

Meanwhile, as of December 2024, banks allocated 100.3 percent of their ₱2.0 trillion total loanable funds for agriculture, fisheries, and rural development (AFRD) financing. This surpassed both the 25.0 percent mandatory allocation set by the law[25] and the 36.4 percent (₱3.1 trillion) [26] compliance rate recorded in June 2023, when total loanable funds amounted to ₱8.4 trillion. The increase is primarily attributed to a shorter reference cut-off date in computing total loanable funds—from 18 August 2023 to the reporting date as of end-December 2024, and from 20 April 2010 to the reporting date as of end-June 2023. Additionally, banks' compliance improved due to the expansion of eligible activities[27] and modes of compliance[28], granting them greater flexibility in meeting the mandatory AFRD financing requirements.

*Broad-based lending continued,*
***supporting inclusive growth for all Filipinos.***

---

23 Based on the Report on Loans Granted to BMBEs, which forms part of the quarterly Report on Compliance with Mandatory Credit Allocation required under RA No. 6977, as amended. Section 9 of the BMBEs Act requires government financial institutions, namely the Land Bank of the Philippines, the Development Bank of the Philippines, and the Small Business Corporation, to establish special credit windows for registered BMBEs. The law also requires the Government Service Insurance System and the Social Security System to create special credit windows to meet the financing needs of their members interested in establishing BMBEs. For agribusiness activities, the law mandates SBCorp. to establish a special guarantee window that will provide credit guarantees to BMBEs. Meanwhile, the BSP was tasked to formulate the implementing rules on credit delivery and establish incentive programs to promote and enhance credit delivery to BMBEs.

24 As of December 2024, rural banks provided ₱89.3 million loans to 9,704 BMBE borrowers. This accounted for 77.6 percent of the total loans of the banking system to BMBEs,

25 RA No. 11901, or "The Agriculture, Fisheries and Rural Development Financing Enhancement Act of 2022", lapsed into law on 28 July 2022, and took effect on 18 August 2022.
The AFRD financing refers to loans and investments that will increase (the) income of an agricultural and fisheries household, thereby promoting agricultural sector productivity and competitiveness, as well as the sustainable development of rural communities.

26 The revised June 2023 figure was due to amendments of reports submitted by banks.

27 The new eligible activities include off-farm/fishery entrepreneurial activities; agricultural mechanization/modernization; agri-tourism; sustainable projects; digitalization/automation of farming, fishery and agribusiness activities and processes; programs that will promote the health and wellness of farmers, fisherfolk, and agrarian reform beneficiaries, including members of their households, such as water and sanitation projects for rural communities; and livelihood, skills enhancement, and other capacity-building activities of rural community beneficiaries. These are in addition to the eligible activities under RA No. 10000, which were retained under RA No. 11901 such as activities under RA No. 8435 (Agriculture and Fisheries Modernization Act, AFMA of 1997); acquisition of lands authorized under the Agrarian Reform Code of the Philippines and its amendments; efficient and effective marketing, processing, distribution, shipping and logistics, and storage of agricultural and fishery commodities; public rural infrastructure.

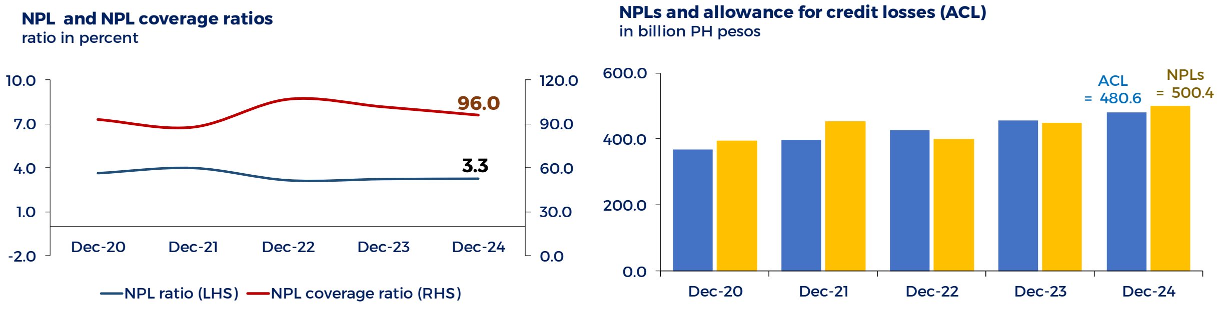
28 The new modes of compliance include sustainable finance; investments in unsecured subordinated debt instruments of banks that are rural financial institutions (RFIs); investments in MSMEs of agri-workers through organized market, initial public offering, follow-on offering, or through registered crowdfunding intermediaries. These are in addition to the eligible modes of compliance under RA No. 10000, which were carried over to RA No. 11901 such as loans to rural community beneficiaries; investments in debt securities to finance eligible activities; investments in shares of stock of RFIs, Philippine Crop Insurance, and companies that primarily engage

## Loan quality remains satisfactory amid a continued rise in credit, supported by ample provisions for potential losses.

The non-performing loan (NPL) ratio stood at 3.3 percent in December 2024 (*Figure 6*), slightly up from the 3.2 percent recorded in the prior year. This can be attributed to a decelerating trend in NPL growth, which rose by 11.4 percent to ₱500.4 billion, slower than the 12.6 percent recorded in December 2023. [29] The NPL moderation is expected to continue due to improving market conditions and the continued easing of BSP policy rates. This is supported by the industry's outlook wherein most respondent banks foresee an improvement in loan quality alongside the continuous beefing up of loss reserves.[30]

The increase in NPLs was matched by a rise in bank provisioning, with the allowance for credit losses increasing by 5.2 percent to ₱480.6 billion. This resulted in an NPL coverage ratio of 96.0 percent (*Figure 6*), down from 101.7 percent in the prior year. In addition, banks' governance standards and credit risk management practices remain sound, supported by precautionary measures and robust NPL management strategies to mitigate increasing risk in their loan portfolios.

Figure 6
**NPLs and Allowance for Credit Losses**
as of end -periods indicated; in billion PH pesos; ratio in percent




Source: Bangko Sentral ng Pilipinas - Department of Supervisory Analytics
RHS - right-hand side
LHS - left-hand side

## Expanding investments were driven by prospects of further cuts in BSP policy rates.

Total investments reached ₱7.5 trillion in December 2024,[31] increasing at a faster rate of 10.6 percent compared to the 9.3 percent posted in the previous year but slower than the 14.9-percent CAGR.

The bulk of these investments remained predominantly on securities issued by the national government[32] at 73.0 percent (₱5.5 trillion). As to type, securities measured at amortized cost (AC) and at fair value through other comprehensive income (FVOCI) comprised 52.6 percent (₱3.9 trillion) and 40.0 percent (₱3.0 trillion), respectively (*Figure 7*). Meanwhile, securities measured at fair value through profit or loss (FVTPL) had a minimal share of 7.4 percent (₱556.3 billion).

---

in agriculture; deposits in and wholesale lending to RFIs; rediscounting facility covering qualified financing; rural infrastructure loans; loans to agri-business; and agricultural value chain financing.

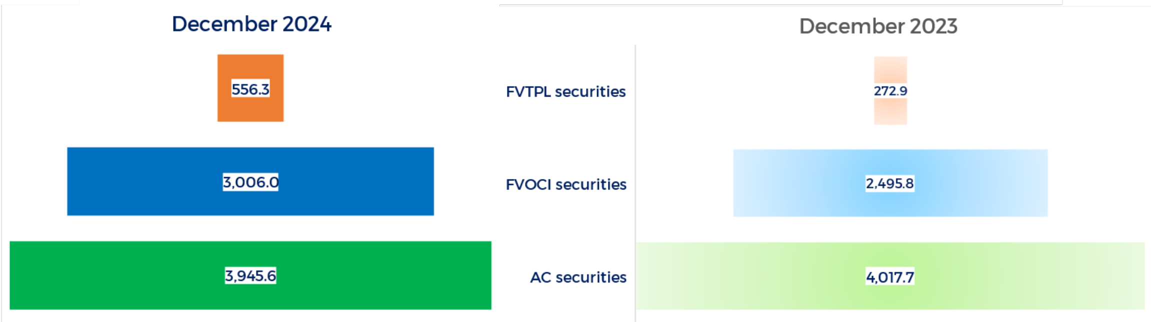
29 The CAGR of NPLs stood at 6.1 percent.

30 Based on the BSP 2023 BSOS.

31 These exclude equity investments in subsidiaries/associates/joint ventures.

32 The remainder was issued by private corporations at 7.3 percent (₱551.4 billion), BSP at 6.4 percent (₱480.6 billion), banks at 3.3 percent (₱244.6 billion), and other issuers at 10.0 percent (₱748.3 billion).

Figure 7
**Investment Mix**
as of end-periods indicated; in billion PH pesos



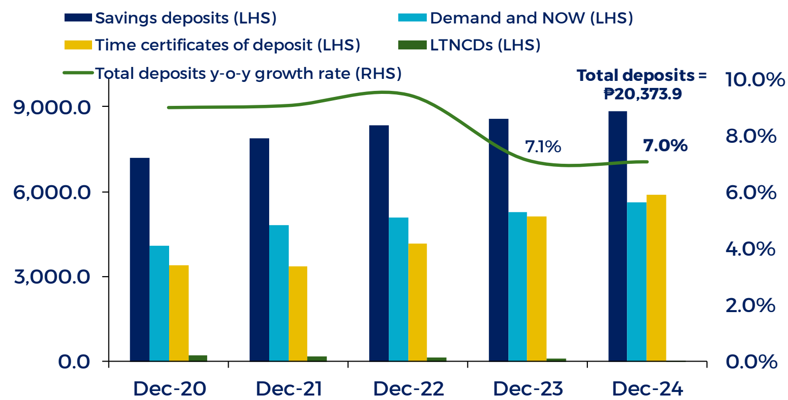

Source: Bangko Sentral ng Pilipinas -Department of Supervisory Analytics

Across investment types, a notable shift toward FVOCI securities from AC securities was observed, with the former increasing by 20.4 percent in December 2024. Meanwhile, AC securities slightly declined by 1.8 percent. This resulted in an increase in the share of FVOCI securities at 40.0 percent, up from 36.8 percent in December 2023. In contrast, AC securities declined to 52.6 percent, down from 59.2 percent in December 2023. This shift in investment mix can be attributed to banks' strategy of managing liquidity amid volatilities brought about by market expectations of easing interest rates.

### Stable growth in funding reflects strong depositor confidence.

Total deposits amounted to ₱20.4 trillion, increasing by 7.0 percent in December 2024 (*Figure 8*). This growth remained relatively stable compared to the 7.1 percent recorded in the previous year and the 8.1-percent CAGR. The modest expansion was mainly driven by the 14.7-percent increase in certificates of time deposits (TDs) as depositors maximized their earnings amid the high-interest rate environment.

Figure 8
**Deposits by Type**
as of end-periods indicated; in billion PH pesos; growth in percent

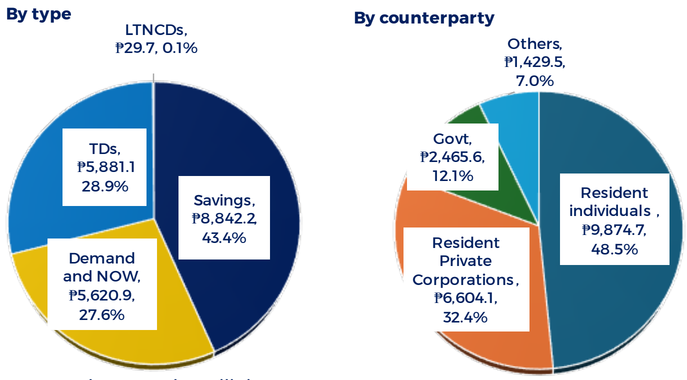



Source: Bangko Sentral ng Pilipinas - Department of Supervislry Analytics
RHS - right hand side
LHS - left hand side

Moreover, deposits remained largely denominated in peso (83.9 percent, or ₱17.1 trillion) and sourced from resident depositors (99.1 percent, or ₱20.2 trillion). By segment, individuals and private corporations constituted 48.5 percent (₱9.9 trillion) and 32.4 percent (₱6.6 trillion), respectively, of the deposit base. This mix mitigates the banking system's exposure to exchange rate risks and fluctuations in the global financial market. By type, savings accounted for nearly half, or 43.4 percent, of total deposits (*Figure 9*), whereas the remaining half was held by TDs at 28.9 percent and demand and negotiable order of withdrawals (NOW) accounts at 27.6 percent.

*Domestically oriented deposits provided robust protection against external risks and fluctuations.*

Figure 9
**Deposits by Type and Counterparty**
as of December 2024; in billion PH pesos; share in percent




Source : Bangko Sentral ng Pilipinas - Department of Supervisory Analytics

Other sources of funding, such as bills payable and bonds payable continued to be minimal, representing 4.6 percent (₱1.1 trillion) and 2.4 percent (₱0.6 trillion), respectively, of the banking system's total liabilities. Meanwhile, the BSP's initiative to reduce reserve requirement ratio, from 3.0 percent to zero percent, for green, social, sustainability and sustainability-linked (GSS+) bonds is seen to contribute to the increased bond issuances of banks.[33] From 2017 to 2024, the total GSS+ bond issuances of the banking system were estimated at ₱436.7 billion. Moreover, most of the thematic bond issuances in 2024 were in the form of sustainability bonds amounting to ₱170.2 billion.[34]

### Robust capital and ample liquidity positions support risk taking activities.

Total capitalization further expanded, rising by 9.8 percent to ₱3.4 trillion in December 2024,[35] driven by the 15.7-percent increase in retained earnings. The strong capital base was accompanied by high risk-based capital adequacy and leverage ratios[36] that exceed the BSP and international standards. This highlights the ability of banks to support lending and investing activities as well as absorb potential losses from portfolios. The latest BSP stress tests further reinforce the continued resilience of the banking system to withstand assumed credit and market shocks,

---

33 The applicable reserve requirement ratio for GSS+ bonds issued by banks was reduced over a two-year period as follows: (a) 1.0 percent in the first year from the effectivity of the policy, or from 01 January to 31 December 2024; and (b) zero percent in the succeeding year for another 12 months, or from 01 January to 31 December 2025. Bond issuances should comply with the appropriate regulations of the Securities and Exchange Commission and/or other relevant regional or international standards acceptable to the market including but not limited to the issuances of the International Capital Markets Association or endorsement of the Association of Southeast Asian Nations Capital Markets Forum. The issuing banks should also comply with the disclosure requirements in the Sustainable Finance Framework and not engage in greenwashing.

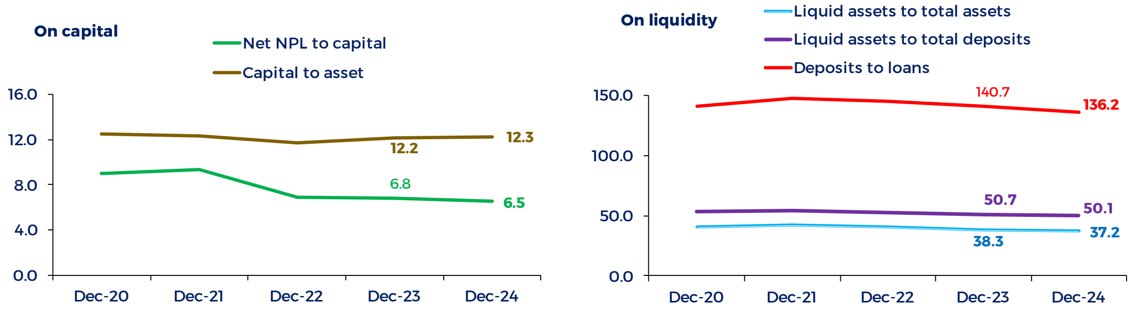
34 Based on BSP staff computation.

35 Capital growth in December 2024 surpassed the 8.5-percent CAGR but remained slower compared to the 13.4 percent recorded in 2023

36 As of December 2024, the banking system's solo and consolidated capital adequacy ratios were at 16.2 percent and 16.6 percent, respectively, well above the minimum thresholds of 10.0 percent set by the BSP and 8.0 percent set by the Bank for International Settlements. Additionally, the common equity tier 1 ratios of the banking system were 15.1 percent on a solo basis and 15.6 percent on a consolidated basis. Meanwhile, the Basel III leverage ratios of UKBs in December 2024 were at 9.3 percent on a solo basis and 9.8 percent on a consolidated basis, surpassing the 5.0-percent BSP requirement and the 3.0 percent required by international standards,

Ample liquidity buffers were also maintained, with key Basel liquidity ratios[37] exceeding regulatory thresholds, indicating sufficient funds to meet obligations and absorb potential liquidity crunches.

Figure 10
**Other Financial Soundness Indicators on Capital and Liquidity**
as of end-periods indicated; ratio in percent




Source: Bangko Sentral ng Pilipinas - Department of Supervisory Analytics with Supervisory Policy and Research Department (SPRD) staff computations

In addition, the BSP utilizes other financial soundness indicators[38] on capital and liquidity (*Figure* 10). These ratios, which include capital to asset, net NPL to capital, liquid assets to total assets, liquid assets to deposits, and deposit to loan, enhances the BSP's surveillance tools in identifying potential vulnerabilities within the banking system.

Another indicator that the BSP monitors is the ratio of net foreign exchange (FX) position to total regulatory capital. As of December 2024, the consolidated net FX position of the banking system remained below the threshold (25.0 percent of their qualifying capital, or US$150 million, whichever is lower), indicating active management by banks of their FX exposures.

**Robust earnings from lending activities sustained bank profitability.**

Improving economic conditions and satisfactory loan quality enabled banks to sustain profitable operations as net profit increased by 9.8 percent to reach ₱391.3 billion in 2024. This growth, however, was lower than the 15.0 percent recorded in 2023 and was due to strong earnings from lending activities, particularly loans to private corporations and households, being tempered by high funding costs.

[37] As of December 2024, the UKB industry's liquidity coverage ratios of 178.5 percent on a solo basis and 178.2 percent on a consolidated basis surpassed the minimum 100.0 percent regulatory thresholds. Moreover, the UKB industry's solo and consolidated net stable funding ratios stood at 135.7 percent and 136.5 percent, respectively, over the same period. For smaller banks, the minimum liquidity ratios of stand-alone TBs, RBs, and CBs in December 2024 remained well above the 20.0-percent minimum.,

[38] Based on the International Monetary Fund's *Financial Soundness Indicators Compilation Guide*, the NPL to capital ratio is an important gauge of a bank's ability to absorb losses from NPLs that are not covered by specific loan loss provisions. The capital to asset ratio measures how much of an asset's funding comes from the bank's resources. On liquidity, the liquid assets to total assets ratio offers insight into the liquidity available for banks to address both expected and unexpected cash outflows while the liquid assets to deposits ratio indicates the extent to which banks could handle short-term fund withdrawals without facing liquidity challenges. Finally, the ratio of deposits to loans shows how much of a bank's gross loans (excluding interbank loans) is funded by its deposits.

Interest income from loans rose by 16.9 percent (₱217.6 billion) to ₱1,504.9 billion in 2024, driven by increases in earnings from loans to private corporations (up by 7.6 percent, or ₱34.2 billion) and individuals (up by 30.5 percent, or ₱90.9 billion). Interest income from investments also contributed to banks' profitability, rising by 20.4 percent (₱56.2 billion) due to higher yields from securities measured at FVOCI (up by 44.8 percent, or ₱39.6 billion).

*Income from lending boosted banks' profitability, which offset higher funding costs.*

Solid earnings from lending activities and investments helped managed the 25.2-percent increase (₱93.4 billion) in interest expenses, which largely came from interest expenses on deposits, up by 21.9 percent (₱67.0 billion).[39] Net interest margin for the period improved to 4.3 percent from 4.1 percent in the prior year. This trend is expected to continue given the recovery of corporate accounts, higher yield from retail lending, and lower funding costs amid easing policy rates and reduced reserve requirements.

Fees and commissions income, which grew by 16.0 percent (₱22.6 billion), also contributed to profitable operations, enabling banks to cover increases in operating costs, particularly compensation and administrative expenses.[40]

Overall, the sustained satisfactory operations translated to stable returns for stockholder, generating a 1.5 percent return on assets and a 12.2 percent return on equity.

**Double-digit growth in derivatives and commitments drove the expansion of contingent accounts.**

Total off-balance accounts[41] amounted to ₱18.6 trillion in December 2024, rising at a faster rate of 20.6 percent (₱3.2 trillion) compared to the 15.9 percent recorded in the prior year. The expansion was largely due to the double-digit growth in derivatives and commitments of residents, rising by 21.0 percent (₱1.2 trillion) and 41.1 percent (₱918.9 billion), respectively. The growth in derivatives was mainly driven by the rise in the notional amount of FX contracts[42] (up by 21.1 percent, or ₱907.2 billion), while the growth in commitments was mainly due to an increase in credit card lines[43] (up by 60.7 percent, or ₱916.6 billion).

[39] The growth of TDs contributed to higher interest expenses on deposits. Meanwhile, interest expenses on bills payable increased by 38.4 percent (₱12.4 billion) as banks utilized alternative funding sources.

[40] Total non-interest expenses grew by 10.4 percent (₱67.3 billion) in December 2024, driven by compensation/fringe benefits, taxes and licenses, and fees and commissions expenses, which rose by 10.8 percent (₱23.0 billion), 19.0 percent (₱14.7 billion), and 21.2 percent (₱9.0 billion), respectively. Collectively, these accounts comprised 53.1 percent of the total non-interest expenses of the banking system.

[41] These accounted for 68.0 percent of the banking system's total assets in December 2024, higher than the 61.4 percent share (₱15.5 trillion) in December 2023. The total off-balance sheet accounts were mostly resident transactions, representing 84.4 percent share (₱15.7 trillion).

[42] The notional amount of FX contract, excluding spot FX contracts, made up 82.6 percent of total derivatives in December 2024.

[43] The increase in credit card lines reflects continued credit card portfolio growth as seen in targeted credit card limit increases and acquisitions of new credit card holders.

By composition, derivative instruments, trust department accounts, and commitments comprised 79.4 percent (₱14.8 trillion) of total off-balance sheet accounts.[44] Except for trust department accounts, all contingent accounts posted double-digit growth in 2024.[45] (*Note: A detailed discussion on trust operations is presented in a separate section of this report*).

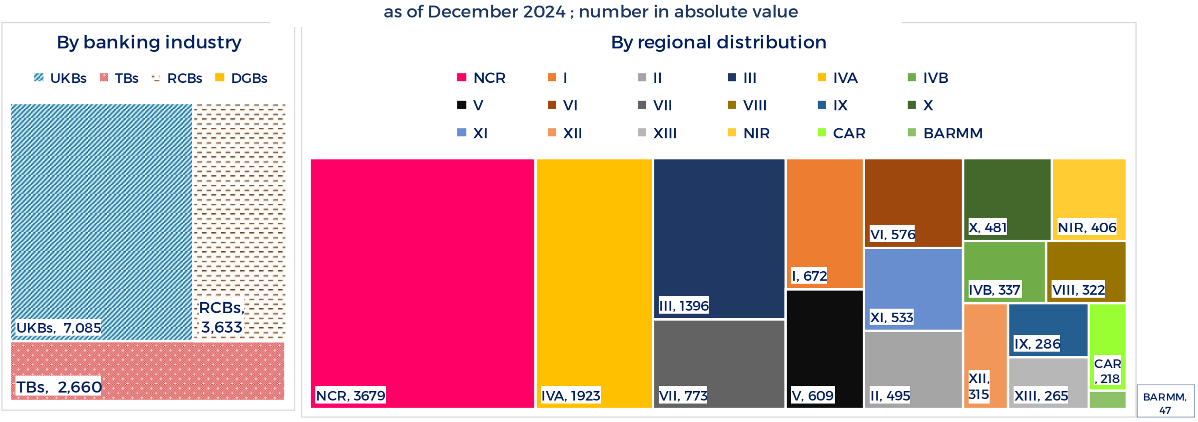
**Banking network further expanded, providing greater access through their offices and electronic platforms.**

The expanding operations of the banking system is supported by the increasing network of bank offices across the country. As of December 2024, the total number of bank offices grew by 0.2 percent to 13,384 from 13,359 in December 2023, driven mainly by an addition of 33 other offices. In total, the banking network is composed of 474 head offices and 12,910 other offices, including branches and branch-lite units (BLUs).[46]

Across banking groups, UKBs continued to dominate with 7,085 bank offices (*Figure 11*), comprising 44 head offices and 7,041 branches and BLUs/other offices.[47] Geographically, bank offices remained concentrated in Luzon. As of December 2024, the NCR housed the highest number of bank offices with 3,679 (27.6 percent share), followed by CALABARZON (Region IV-A) with 1,923 (14.4 percent), and Central Luzon (Region III) with 1,396 (10.5 percent). In contrast, the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) had the least number of bank offices, with only 47 offices, making up for 0.4 percent of the total banking network.

Meanwhile, amid an enabling legal and regulatory environment on Islamic banking and finance in the Philippines, the banking system is gradually expanding its Islamic banking footprint in the country, as two conventional banks commenced Islamic banking unit operations in 2024.

Figure 11
**Bank Offices by Bank Industry and Regional Distribution**
as of December 2024 ; number in absolute value




Source: Bangko Sentral ng Pilipinas - Department of Supervisory Analytics

44 Derivative instruments held the largest share at 38.5 percent (₱7.2 trillion), followed by trust department accounts (23.9 percent or ₱4.5 trillion) and commitments (16.9 percent or ₱3.2 trillion). Meanwhile, the remaining shares were held by bank guarantees (4.0 percent or ₱749.8 billion), trade-related accounts (1.0 percent or ₱184.2 billion), and others[44] (15.6 percent or ₱2.9 trillion).

45 Bank guarantees increased by 14.4 percent (₱94.3 billion) while trade-related accounts and trust department accounts went up by 11.4 percent (₱18.8 billion) and 6.3 percent (₱262.8 billion), respectively.

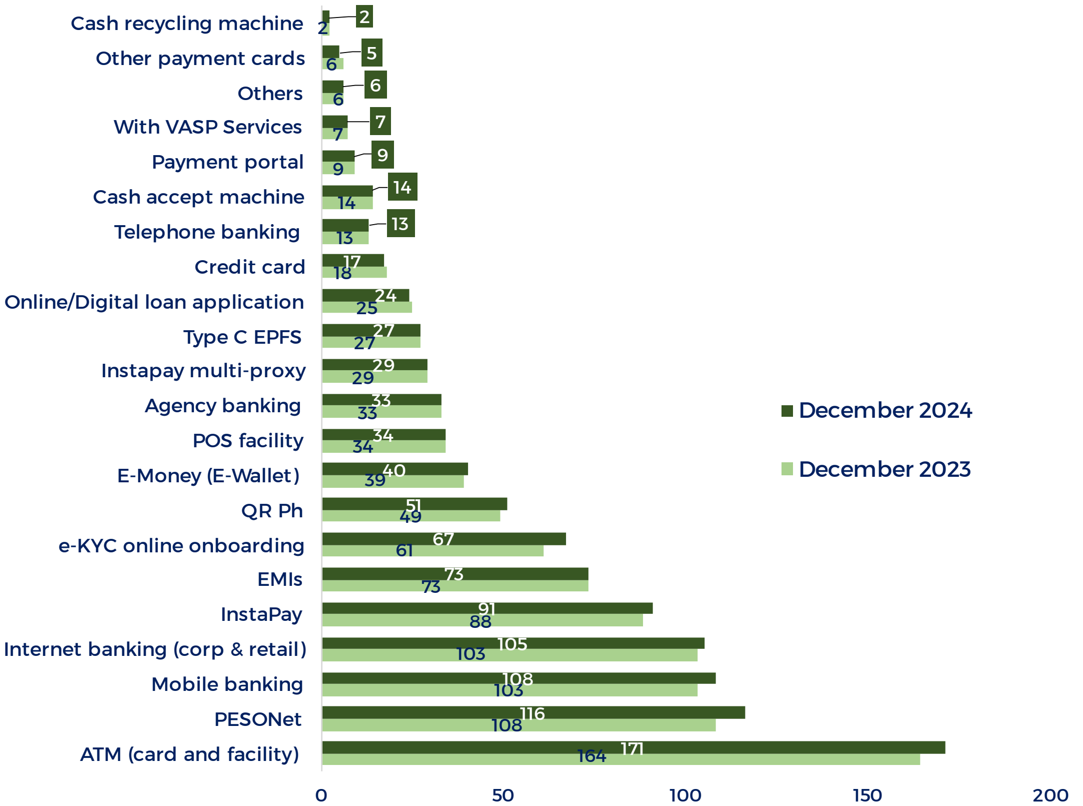
46 In December 2023, bank network was composed of 482 head offices and 12,877 other offices.

47 For TBs, there are 2,660 banking offices (41 head offices and 2,619 branches and BLUs). For RCBs, there are 3,633 banking offices (383 head offices and 3,250 branches and BLUs). Meanwhile, there are six DGBs.

## *Banks continue to enhance customer experience and increase accessibility through network expansion, including electronic platforms.*

In terms of further improving accessibility and addressing the evolving needs of their clients, BSP-supervised financial institutions (BSFIs), including banks, have been actively expanding their reach through cutting-edge digital innovations. A notable initiative in this transformation is the growing adoption of electronic platforms to enhance service delivery and customer experience. The number of BSFIs providing electronic payment and financial services[48] (EPFS) increased, with automated teller machine (ATM), both in terms of card issuance and facility availability, recording the highest number at 171 in December 2024, up from 164 in December 2023 (*Figure 12*).

### Figure 12
### Electronic Payment and Financial Services
as of end-periods indicated




Source: Bangko Sentral ng Pilipinas - Department of Supervisory Analytics

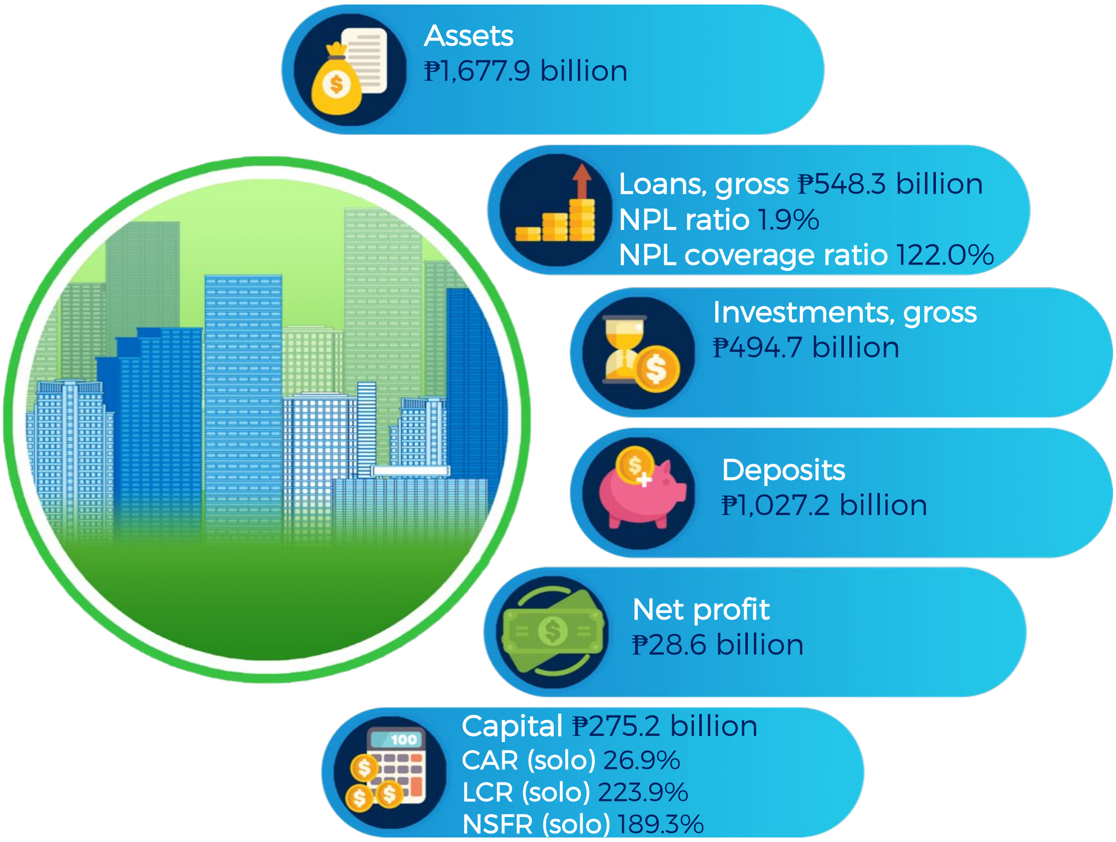
[48] These comprise of 40 UKBs, 30 TBs, 62 RCBs, and 6 DGBs, as well as 43 electronic money issuers (EMIs) and 15 other BSFIs.

# FOREIGN BANK BRANCHES AND SUBSIDIARIES

**Robust asset growth enables foreign banks** to **continue contributing to the growth and development of the local economy**, serving their clients' financial requirements and **connecting the Philippines with the global market**.

Foreign banks recorded robust asset growth, with ample liquidity and capital buffers to support risk-taking activities. The expansion in assets was primarily channeled in investments in securities and loans, broadly supporting the financial requirements of both business and household clients. This underscores the industry's crucial role in enhancing the competitiveness of the country's financial system while contributing in the development and economic growth through trade promotions, investments, and other business opportunities.

Operations remained profitable, as reflected in stable returns on assets and equity, along with high net interest margins. Strong earnings from lending and investment activities mitigated the impact of high funding and borrowing costs amidst a high-interest rate environment.

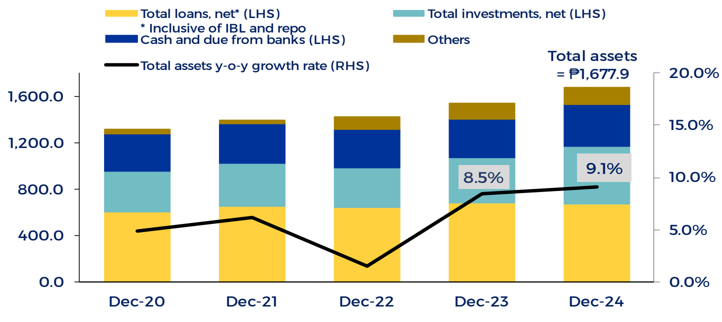


The aggregate assets of foreign bank branches and subsidiaries, which accounted for 6.1 percent of the banking system's total assets, rose by 9.1 percent to ₱1.7 trillion in December 2024[1]. This growth exceeded the 8.5 percent recorded the previous year and the 6.3 percent compounded annual growth rate[2] (CAGR) for 2020-2024. The expansion was primarily driven by increased investments in securities, particularly those held at fair value through profit or loss (FVTPL) and measured at fair value through other comprehensive income (FVOCI), which grew by 76.5 percent to ₱146.0 billion and 18.0 percent to ₱281.6 billion, respectively.

*Robust asset growth was largely channeled into investments in debt securities.*

The easing of policy rates prompted banks to reallocate funds to debt securities, which offer higher yields and flexibility. This trend is expected to continue amid anticipation of further rate cuts. Nevertheless, loans[3] remain the largest component of total assets, comprising 40.0 percent (₱670.9 billion), followed by investments in securities[4] and cash and due from banks[5] at 29.5 percent (₱495.6 billion) and 21.5 percent (₱360.6 billion), respectively (*Figure 1*).

**Figure 1**
**Total Asset Composition**
as of of end -periods indicated; in billion PH pesos;
growth rate in percent




Source: Departmentof Supervisory Analytics (DSA)
RHS - right hand side
LHS - left hand side

The robust asset growth was supported by 28 foreign banks[6], comprising 24 branches and 4 subsidiaries.[7]

---

1 All growth rates and reference period pertain to y-o-y, and as of December 2024, respectively. unless otherwise specified. All discussions were based on available data and information at the time of report preparation.
2 The CAGR is computed using December data from 2020-2024. The 2015-2019 or pre-pandemic CAGR stood at 6.2 percent.
3 These include interbank loans receivable (IBL) and reverse repurchase agreements (RRP) and were net of allowance for credit losses.
4 These include equity investments and were net of allowance for credit losses and accumulated market gains or losses, as applicable.
By counterparty, securities issued by residents accounted for 68.3 percent (₱337.8 billion) of total investments in securities, while non-residents, including multi-lateral agencies, held the remaining share at 31.7 percent (₱156.8 billion). Residents include banks and other private corporations, while the Philippine government include the national government, local government units, government-owned and controlled corporation, and the BSP. Non-residents include central banks/governments, public sector entities, banks, private corporations, and multi-lateral agencies.
5 This was largely composed of due from BSP at 75.6 percent or about ₱272.7 billion.
6 Universal and commercial banks had the largest number of licenses at 44 (2 FCDUs, and 42 EFCDUs) while thrift banks, rural and cooperative banks, and digital banks held 19, 11, and 3 FCDU licenses, respectively.
7 By banking group, there are 6 foreign universal banks, 20 foreign commercial banks, and 2 foreign thrift banks.


Foreign banks link Philippines with the global market, facilitating trade, investments, and various business/financial transactions. According to a survey conducted by BSP[8], the industry's trade and investment transactions for the Philippines amounted to US$8.8 billion and US$1.6 billion, respectively, in 2024, up from US$5.0 billion and US$0.7 billion reported in 2023. Other business opportunities created were valued at US$12.5 billion, increasing from US$9.1 billion in the previous year. [9]

In terms of innovations, foreign banks adopted new systems and tools and initiated various automation projects using artificial intelligence (AI) and block chain technology[10] in 2024 to enhance bank operations and boost productivity. New offerings in loans, deposits, and payment solutions were also introduced to meet the evolving financial requirements of corporate and retail clients,

On sustainable finance, foreign banks remained supportive of this agenda as evidenced in their issuance of green bonds, engagement in green lending, and underwriting of sustainability bonds.[11] They are also championing environmental, social, and governance (ESG) principles through training programs and information campaigns.

*Foreign banks boost the country's trade and investments and enhance the competitiveness of Philippine banks with their innovations.*

---

[8] 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. It was conducted from January to February 2025, covering all 28 foreign bank branches and subsidiaries in the Philippines, with questions relating to (i) investment, trade, and other business opportunities undertaken to attract foreign investments in the Philippines; (ii) banking technology introduced for the benefit of local clients and depositors; (iii) financial products and services introduced to local residents or companies based in the Philippines; (iv) sustainable projects financed and supported, as well as assistance offered to clients and capacity building for employees; and (v) number of Filipino officers and employees hired.

[9] Financial activities facilitated, arranged, or assisted by foreign banks that benefited trade and investments of the Philippines as well as deepen capital market include letters of credit, guarantees, syndicated/term loans. Additionally, foreign banks provided underwriting activities, acting as lead manager, arranger, underwriter, and bookrunner for capital market transactions. Other business opportunities that expanded foreign investments in the country include dialogues with potential investors and partner institutions, promotional campaigns, roadshows, exhibits, and information desks, as well as technical consultations on key initiatives, such as FX rules and regulations and the expansion of tax brackets.

[10] In 2024, foreign banks automated their processes and used AI and block chain technology to improve their communication platforms, security monitoring, file record maintenance, regulatory and management reportorial requirements, virtual client support, and core bank operations, involving credit, clearing, remittance, cross-border, and foreign exchange-related transactions. Additionally, foreign banks expanded their services by establishing virtual platforms and solutions to offer trading, brokerage, and custody of cryptocurrency and other digital assets, including asset tokenization (using blockchain technology) of government bonds and treasury funds.

[11] In 2024, the aggregate loans and investments of foreign banks related to sustainable finance reached amounted to US$651.0 million and US$14.4 million, respectively, while the issuance of sustainable bonds totaled US$400.0 million.

Furthermore, these banks are embedding sustainability principles into their governance frameworks, business strategies, risk management practices, and overall operations.

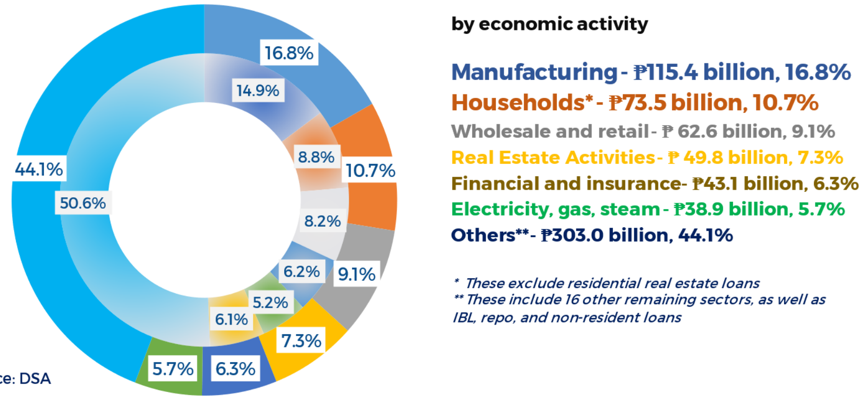
**Despite marginal decline in total loans, loans channeled to productive sectors increased, supporting the domestic economy**

Total loans, which include reverse repurchase agreements (repo) and interbank loans (IBLs), marginally declined by 0.9 percent to ₱686.4 billion in December 2024.[12] The decline was attributed to the 19.4-percent (₱40.6 billion) drop in repo transactions due to non-awarding in auctions. These loans represented 4.5 percent of the total loans of the banking system, down from 5.0 percent the previous year.[13]

By composition, loans and receivables (L&R)-others accounted for 69.7 percent (₱478.2 billion) of total loans, while repo and IBLs comprised 24.6 (₱168.6 billion) and 5.8 percent (₱39.6 billion), respectively.

Nonetheless, by economic activity (*Figure 2*), L&R-others maintained a broad-based structure, growing by 7.8 percent due to increases in key productive sectors and households. Manufacturing captured 16.8 percent (₱115.4 billion) of total loans in December 2024, followed by households[14] with a 10.7 percent share (₱73.5 billion). Other key sectors included wholesale and retail trade (9.1 percent, or ₱62.6 billion), real estate (7.3 percent, or ₱49.8 billion), financial and insurance services (6.3 percent, or ₱43.1 billion), and electricity, gas, steam, and air-conditioning supply (5.7 percent, or ₱38.9 billion). Excluding electricity, loans to these sectors, including households, all recorded growth in December 2024[15].

Figure 2
**Total Loans**
as of end-periods indicated; in billion PH pesos; share in percent




Source: DSA

12 The 2020-2024 CAGR of loans stood at 2.2 percent, while the 2015-2019 CAGR was 9.7 percent.

13 The share of foreign banks' total loans to the banking system's total loans has been declining at 6.8 percent in December 2020, 5.9 percent in December 2021, 5.2 percent in December 2022, 5.0 percent in December 2023, and 4.5 percent in December 2024, respectively.

14 These exclude residential real estate loans. Loans to households for consumption purpose comprised of motor vehicle loans (MVLs, 34.0 percent share, or ₱25.0 billion), other consumer loans (OCLs, 30.4 percent, or ₱22.3 billion), credit card receivables (CCRs, 25.4 percent, or ₱18.7 billion), and salary-based general-purpose consumption loans (SBGPCLs, 10.2 percent, or ₱7.5 billion). All types reported growth in 2024, with MVLs growing by 31.7 percent (₱6.0 billion), OCLs by 19.2 percent (₱3.6 billion), CCRs by 15.2 percent (₱2.5 billion), and SBGPCLs by 7.0 percent (₱0.5 billion).

15 Manufacturing, and households reported growth rates of 12.2 percent (up by ₱12.6 billion) and 20.6 percent (up by ₱12.6 billion), respectively, in December 2024. Meanwhile, wholesale and retail trade, financial and insurance services, and real estate grew by 10.2 percent (₱5.8 billion), 20.2 percent (₱7.2 billion), and 15.7 percent (₱6.8 billion), respectively, during the same period. In contrast, electricity, gas, steam, and air-conditioning supply declined by 8.5 percent (₱3.6 billion).

**Loan quality remained satisfactory despite an increase in delinquencies, supported by an ample buffer for potential losses.**

Non-performing loans (NPLs), accounting for 2.5 percent (₱12.7 billion) of the banking system's total NPLs, increased by 5.6 percent (₱0.7 billion). This can be attributed to the high-interest rate environment and geopolitical uncertainties, which has affected borrower's repayment capacity. Consequently, the NPL ratio increased to 1.9 percent, up from 1.7 percent in the previous year. Notwithstanding this, banks maintained sound governance, prudential limits and robust credit standards, including implementing precautionary measures and robust NPL strategies, to mitigate the heightened credit risks. As of December 2024, the NPL coverage ratio stood at 122.0 percent, up from 118.4 percent in the prior year.

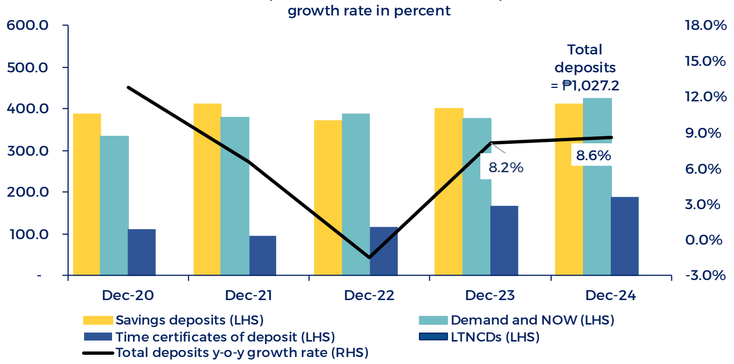
*Satisfactory loan quality was maintained, highlighted by a* ***low NPL ratio*** *and a* ***high loss buffer.***

**Double-digit growth in demand deposits enabled banks to maintain a steady and reliable source of funding.**

Deposits reached ₱1.0 trillion in December 2024, rising by 8.6 percent, driven by the double-digit growth in demand and time certificate of deposits (TDs)[16]. This growth was faster than the 8.2 percent recorded in the previous year and the 5.4 percent CAGR, reflecting an expanded deposit base and a growing preference for TDs due to higher yields. These deposits were predominantly peso denominated and domestically sourced, reducing banks' exposure to external market fluctuations and interest rate vulnerability.

As shown in *Figure 3*, demand and savings deposits made up 41.4 percent and 40.1 percent of total deposits, respectively.

Figure 3
**Deposits by Type**
as of end-periods indicated; in billion PH pesos; growth rate in percent




Source: DSA
LHS - left-hand side
RHS - right-hand

Other source of funding includes bills payable, which accounted for a modest 4.0 percent (₱56.6 billion) of the industry's total liabilities in December 2024.

---

16 Demand deposits and TDs grew by 12.8 percent (₱48.2 billion) and 13.9 percent (₱23.2 billion), respectively, in December 2024.

**Robust capital and liquidity positions support the risk-taking activities of banks.**

Total capital grew by 6.9 percent to reach ₱275.2 billion in December 2024, recovering from 1.5-percent decline recorded in December 2023. This can be attributed to higher accumulated net earnings, which rose by 32.0 percent in December 2024, adding ₱17.0 billion to the overall capital.

In terms of composition, total assigned capital[17] continues to hold the lion's share of total capital accounts, comprising 55.1 percent (₱151.6 billion), down from 58.2 percent recorded in the prior year.

Banks maintained their risk-based capital and liquidity ratios well above BSP and international standards.[18] Moreover, the Basel III leverage ratio[19] (BLR) of foreign banks settled at 12.8 percent, on a solo basis, higher than the 5.0-percent BSP regulatory requirement and the 3.0-percent international standards. This underscores banks' ability to withstand financial stress without impairing their solvency.

**Profitable operations sustained despite the drop in net profit.**

Net profit in 2024 amounted to ₱28.6 billion, a marginal decline of 3.3 percent from the ₱29.6 billion reported in the prior year.

Total interest income rose by 17.1 percent (₱13.7 billion) to ₱93.7 billion, driven by higher yields from investment in securities and commercial and retail lending. The robust interest earnings tapered the 32.2-percent increase in interest expenses, which was mainly driven by high interests on tiered deposits and TDs. This resulted in an improved net interest margin of 4.7 percent, up from 4.5 percent in the prior year. However, other earning metrics weakened amid the decline in net profit. For the period ending in 2024, return on assets and return on equity were 1.8 percent and 10.7 percent, respectively, down from 2.0 percent and 11.4 percent reported in December 2023.

Fees and commission helped cushioned the high funding and borrowing costs for the period, expanding by 8.3 percent (₱0.8 billion) to reach ₱10.4 billion. Income from trading also provided support, rising by 22.3 percent (₱1,6 billion) to reach ₱8.8 billion.

---

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

18 The solo capital adequacy ratio (CAR) and solo common equity tier 1 (CET1) ratio of foreign banks stood at 26.9 percent and 26.28 percent, respectively, in December 2024, well above BSP and global standards. These ratios however, marginally declining from 27.0 percent (CAR) and 26.34 percent (CET1 ratio) in December 2023.
In terms of liquidity buffer, the solo liquidity coverage ratios (LCRs) and solo net stable funding ratio (NSFR) of foreign banks were maintained at levels higher than the 100 percent minimum, reporting 223.9 percent and 189.3 percent, respectively, in December 2024, up from 207.7 percent and 186.3 percent in December 2023.

19 The solo BLR of foreign banks in December 2023 was 12.7 percent.


# FOREIGN CURRENCY DEPOSIT UNIT OPERATIONS

## The **sustained growth in foreign currency deposit unit assets and deposits** enable banks to meet foreign currency financing to support key economic sectors.

Asset expansion, largely funded by deposits, has bolstered banks' ability to meet clients' financial needs, sustain lending growth, and support investment activities, even in a high-interest environment.

Lending rebounded, particularly in the transportation and storage; arts, entertainment, and recreation; real estate; and mining and quarrying sectors. While non-performing loans rose slightly, ample loan loss provisions helped cushion the impact on asset quality. At the same time, increased investment activities showed improved market sentiment.

Banks remained profitable, but rising funding costs outpaced the growth in interest income, exerting downward pressure on overall profitability. Easing inflation and recent rate cuts provided stability domestically, though external risks, particularly those associated with shifts in U.S. trade policy, continue to pose uncertainties.

**Assets**
US$72.4 billion
(₱4.2 trillion)

**Net profit**
US$724.0 million
(₱41.9 billion)

**Investments, gross**
US$31.1 billion
(₱1.8 trillion)

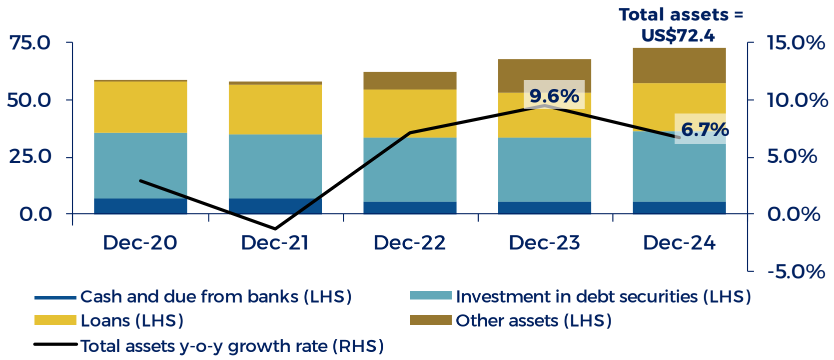
**Deposits**
US$55.5 billion
(₱3.2 trillion)

**Loans, gross**
US$17.1 billion
(₱991.7 billion)

**NPL ratio** 2.1%
**NPL coverage ratio**
112.8%

Assets[1] of foreign currency deposit units (FCDUs) reached US$72.4 billion (₱4.2 trillion) in December 2024 (*Figure 1*), increasing by 6.7 percent year-on-year (y-o-y)[2]. While the growth rate moderated compared to the 9.6-percent increase recorded in December 2023, it surpassed the 5.5 percent compounded annual growth rate (CAGR)[3] for 2020-2024. The expansion, which was largely funded by borrowings and deposits, was primarily driven by increased investments in debt securities, which remains to be the largest asset component at 42.1 percent (US$30.5 billion).[4] This trend indicates sustained demand for foreign currency-denominated instruments.

Figure 1
**Asset Composition**
as of end-periods indicated, in billion US dollars; growth rate in percent




Source: Bangko Sentral ng Pilipinas - Department of Supervisory Analytics
RHS - right-hand side
LHS - left-hand side

*Banks maintained a **diversified foreign currency deposit unit portfolio**, with a growing focus on investments in debt securities.*

FCDUs also provided loans to their clients, including regular banking unit (RBU). As of December 2024, total loans, excluding interbank loans receivables, amounted to US$17.1 billion (or ₱991.7 billion) while loans to RBU,[5] booked under other assets,[6] reached US$14.8 billion (or ₱855.1 billion). Loans, including loans to RBU under other assets, accounted for 28.7 percent and 20.4 percent, respectively, of the total assets.

---

1 This amount is net of due from head office, branches, and agencies as well as due from FCDU and RBU.

2 All growth rates and reference period pertain to y-o-y, and as of December 2024, respectively. unless otherwise specified. Discussions were also based on the available data and information at the time of preparation.

3 The CAGR is computed using December data from 2020-2024. The 2015-2019 or pre-pandemic CAGR stood at 6.6 percent.

4 Loans and cash and due from banks accounted for 28.7 percent (US$20.8 billion) and 7.9 percent (US$5.7 billion), respectively, of the total assets of FCDUs. Collectively, these accounts, including investment in debt securities, constituted 78.6 percent of the total assets of FCDUs in December 2024 (78.3 percent in December 2023).

5 The share of loans to RBU to the total assets of FCDUs has been increasing over the past years, recording 0.6 percent in December 2021, 10.7 percent in December 2022, 20.6 percent in December 2023, and 20.4 percent in December 2024. In terms of share to other assets, the share stood at 35.1 percent in December 2021, 89.6 percent in December 2022, 94.8 percent in December 2023, and 95.6 percent in December 2024.

6 The share of other assets to FCDU's total assets stood at 11.9 percent in December 2022, 21.7 percent in December 2023, and 21.4 percent in December 2024. Loans to RBU comprised the bulk of other assets at 89.6 percent in December 2022, 94.8 percent in December 2023, and 95.6 percent in December 2024.

The reform in FCDU regulations[7] in 2021 provided banks with flexibility in managing their foreign currency-denominated funds on a bank-wide basis by easing the conditions on lending to RBU. This amendment facilitated continued growth in lending to RBU.

Overall, the expansion of FCDU assets was supported by 77 banks[8] with FCDU and expanded FCDU (EFCDU) licenses.

**Increased appetite for tradeable securities amid a favorable market outlook.**

Investment in securities expanded to US$31.1 billion (₱1.8 trillion) in December 2024, growing by 10.0 percent (US$2.8 billion) from the previous year. This marks a strong recovery from the 1.1-percent decline recorded in December 2023, significantly surpassing the 2.1 percent CAGR. The sharp rebound highlights renewed investment activity driven by evolving financial conditions and shifting market expectations.

The expansion was largely fueled by a strategic reallocation toward more liquid and tradeable assets. Held-for-trading (HFT) securities surged by 150.1 percent (US$1.8 billion) to reach US$2.9 billion in December 2024, underscoring anticipated rate cuts and an improving market outlook as banks aimed to capitalize on potential price gains while controlling risk exposure.

Complementing this trend, securities measured at fair value through other comprehensive income (FVOCI) increased by 25.0 percent (US$2.5 billion) to US$12.7 billion. This was partly attributed to the reinvestment of proceeds from maturing long-term investments, enabling banks to improve net interest margins and strengthen liquidity buffers amid elevated interest rates, rising funding costs, and heightened global uncertainties.

In contrast, debt securities measured at amortized cost (DSMAC) declined by 8.9 percent ($1.5 billion) to $15.4 billion, possibly influenced by changing expectations regarding interest rates.

*The reallocation to fair value through other comprehensive income and held-for-trading securities reflects banks' outlook on interest rate.*

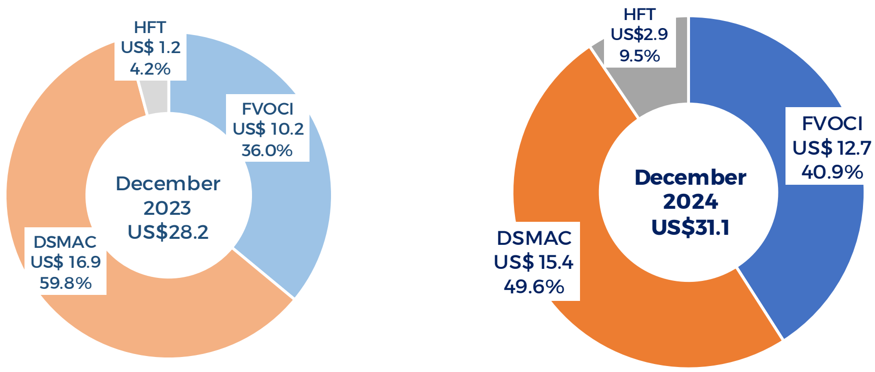
Despite these shifts, DSMAC remained as the dominant investment class, comprising 49.6 percent (US$15.4 billion) of total holdings, while FVOCI securities followed closely at 40.9 percent (US$12.7 billion). Despite its lower proportion, HFT securities recorded the most pronounced change, nearly doubling their share from 4.2 percent (US$2.9 billion) to 9.5 percent (US$2.9 billion) in December 2024. This indicates that while banks are reallocating toward more liquid assets, their portfolios remain firmly

[7] BSP Circular No. 1134 dated 28 December 2021 (Amendments to the Relevant Regulations on Foreign Currency Deposit System - Phase 2)

[8] Universal and commercial banks held 44 licenses (2 FCDUs, and 42 EFCDUs) while thrift banks, rural and cooperative banks, and digital banks held 19, 11, and 3 FCDU licenses, respectively.

anchored on stable, long-term investments. *Figure 2* illustrates the comparative distribution of investments by account classification in 2023 and 2024.

Figure 2
**Investment Mix**
December 2024 vs December 2023; in billion US dollar; share in percent




Source: Bangko Sentral ng Pilipinas - Department of Supervisory Analytics

By counterparty, investments in securities issued by non-residents[9] grew by 21.6 percent (US$2.9 billion) to US$16.3 billion (₱943.6 billion) in December 2024, recovering from a 3.5-percent decline in December 2023. This resulted in higher holdings of non-resident issuances at 52.5 percent of total FCDU investments, up from 47.5 percent recorded in the previous year. The expansion was primarily driven by a 48.0-percent surge (US$3.4 billion) in investments in securities issued by central banks and central governments, tempering the noted decline across almost all other non-resident issuances.[10] This strong growth reflects sustained investor demand for government securities despite higher benchmark yields, amid evolving monetary policy expectations as the US Federal Reserve signaled a shift towards a more dovish policy stance.[11]

Meanwhile, investments in government securities—mainly US dollar-denominated Republic of the Philippines (ROP) bonds—declined by 3.2 percent to US$12.0 billion (₱694.0 billion) in December 2024, reversing the 6.4-percent growth recorded in the previous year. This contributed to a lower share of investment in government securities at 38.6 percent of total investments, down from 43.9 percent in the prior year. The lower issuance of government bonds can be attributed to the government's reduced borrowings after meeting its requirements from the previous periods, which also led to fewer bond issuances in the latter part of 2024. [12]

---

[9] Non-residents include central banks, central governments, non-financial corporations, banks, public sector entities, and multilateral agencies. The investments in securities issued by non-residents consist primarily of securities issued by central banks and central governments with a share of 64.7 percent (US$10.6 billion) and corporations with 22.4 percent (US$3.6 billion).

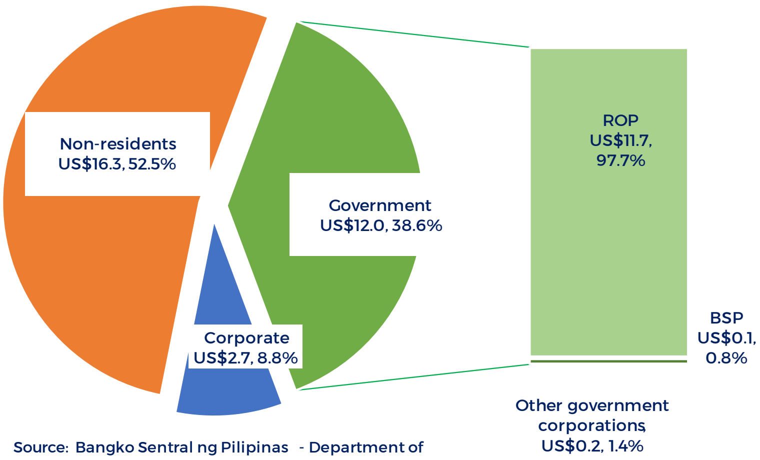
[10] Securities issued by non-resident corporations dropped by 8.6 percent (US$344.1 million) to US$3.6 billion in December 2024, while bank-issued securities fell by 12.4 percent (US$227.9 million) to US$1.6 billion. Similarly, investments in multilateral agency issuances contracted sharply by 36.1 percent (US$14.1 million) to US$25.0 million In contrast, issuances from public sector entities remained stable, with a 14.6-percent (US$61.3 million) growth to US$481.1 million over the same period.

[11] In a press release dated 31 July 2024, the Federal Reserve stated that it is prepared to adjust the monetary policy stance as appropriate if risks emerge that could impede the attainment of the Committee's goals. Source: https://www.federalreserve.gov/newsevents/pressreleases/monetary20240731a.htm?utm_source=chatgpt.com

[12] The ADB's March 2024 Asia Bond Monitor report highlighted a contraction in the Philippine bond market due to reduced government and central bank issuances. This was reflected in a 48.2 percent quarter-on-quarter drop in Treasury and government bond issuances in Q4 2024, following the government's front-loading of borrowings to meet its financing needs and reduce reliance on new issuances. Source: https://www.adb.org/sites/default/files/publication/956111/asia-bond-monitor-march-2024.pdf

Investments in securities issued by resident corporations, which accounted for 8.8 percent of total investments, increased by 12.7 percent to US$2.7 billion (₱158.4 billion). This marked a significant turnaround from the 19.1-percent decline recorded in December 2023.

Figure 3
**Investments by Issuer/Counterparty**
as of December 2024; in billion US dollar; share in percent




Source: Bangko Sentral ng Pilipinas - Department of Supervisory Analytics

## Lending activity gains traction amid tight credit conditions.

Lending recovered in 2024, with total loans[13,14] rising by 4.1 percent to US$17.1 billion (₱991.7 billion). This marks a turnaround from the 4.5-percent decline in December 2023 and the -0.7 percent CAGR. While the recovery reflects an improving credit environment, challenges such as elevated funding costs, inflation, interest rate volatility, and tighter borrower conditions[15] continued to weigh on FCDUs' loan portfolio.

By type of borrowers (*Figure 4)*, resident borrowers comprised 68.1 percent of the portfolio, up from 67.3 percent the previous year.[16] Moreover, resident borrowers from the productive sectors[17] particularly the electricity, gas, steam, and air-conditioning supply industry remained the largest recipient of FCDU loans, accounting for 13.7 percent (US$2.34 billion) of the total loans. Manufacturing followed closely at 13.4 percent (US$2.30 billion), highlighting its resilience in the face of global supply chain disruptions.

---

[13] This total includes loans and receivable-others as well as loans and receivables arising from repurchase agreements, certificates of assignment/participation with recourse, and securities lending and borrowing transactions.

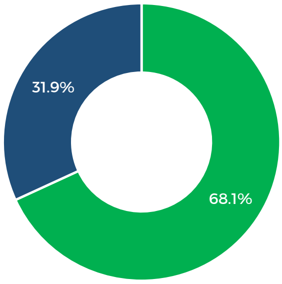
[14] This excludes interbank loan receivable and loans to the Bangko Sentral ng Pilipinas.

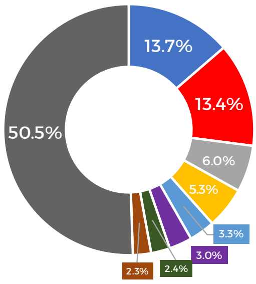
[15] The Q4 2024 Senior Bank Loan Officers' Survey results showed that lending standards for businesses generally reflected a net tightening mainly due to the deterioration of borrowers' profiles and the profitability of banks' portfolios.

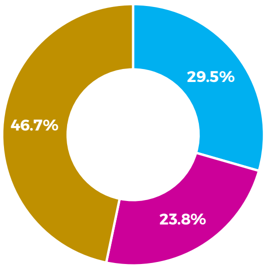
[16] Nearly a third, or 31.9 percent, of FDCUs' total loans were granted to non-resident borrowers. Loans to non-residents include loans arising from reverse repurchase transactions.

[17] Loans to other sectors such as transportation and storage accounted for 6.0 percent (US$1.0 billion); real estate activities at 5.3 percent (US$951.8 million); and financial and insurance activities at 3.3 percent (US$568.4 million). Collectively, these sectors, including electricity and manufacturing, represented nearly half, or 41.7 percent share (US$7.2 billion, ₱413.9 billion) of FCDUs' total loans, highlighting the critical role they play in driving economic activity.

Figure 4
**Loans* by Borrower, Economic Activity, and Maturity**
as of December 2024 ; in million US dollar; share in percent




Source: Bangko Sentral ng Pilipinas - Department of Supervisory Analytics
Notes:
* These exclude interbank loans receivable and loan to BSP
** Others include loans to non-residents, individuals for consumption purposes,and other productive sectors, and loans arising from repurhase agreement, certificate of assignments/participation with recourse , and securites and lending borrowing transations.

However, the prevailing elevated borrowing costs dampened credit demand in specific sectors, particularly electricity, gas, steam, and air-conditioning supply, as well as financial and insurance activities. Loans to these sectors recorded sharp contractions by 14.9 percent (US$410.9 million) and 25.8 percent (US$197.5 million), respectively, in December 2024. In addition, high energy prices due to rising coal costs and power outages, significantly increased operational expenses in the electricity sector, prompting more cautious borrowing and investment decisions.[18]

In contrast, real estate and consumer-driven activities recorded strong credit demand. Loans to transportation and storage; arts, entertainment, and recreation; real estate; and mining and quarrying surged by 172.3 percent (US$652.3 million), 825.9 percent (US$400.0 million), 24.6 percent (US$181.0 million), and 22.9 percent (US$94.7 million), respectively.

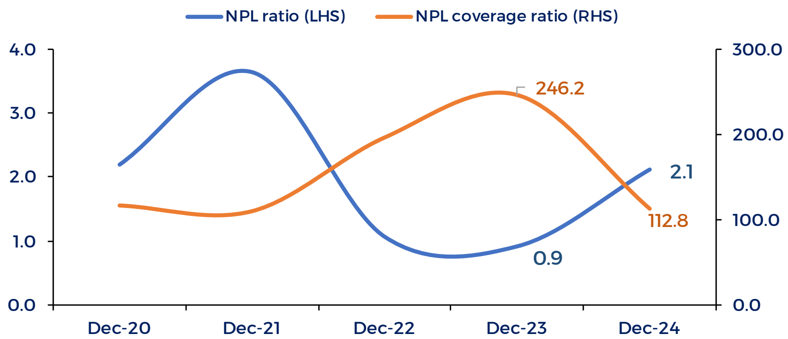
[18] The Energy Regulatory Commission (ERC) reports that fuel price volatility, transmission constraints, and weather-related disruptions will continue to pose challenges in the years ahead. Source: https://powerphilippines.com/power-prices-normalize-after-mid-2024-surge-erc-reports/

As to maturity profile, the FCDU portfolio remained predominantly long-term at 46.7 percent, slightly down from the 49.5 percent share recorded in December 2023, signaling a gradual decline in the share of long-term borrowings. However, there was observed increase in short- and medium-term loans,[19] resulting in higher shares at 29.5 percent and 23.8 percent, respectively, up from 28.6 percent and 21.8 percent recorded a year earlier. This indicates a moderate shift in preference among borrowers for shorter tenors, influenced by heightened economic uncertainties and efforts to manage exposure to interest rates fluctuations.

**Rising NPLs exerted pressure on asset quality, but ample provisions provide a cushion.**

The non-performing loan (NPL) ratio more than doubled to 2.1 percent in December 2024 from 0.9 percent in December 2023 (*Figure 5*). This was due to a faster increase in gross NPLs, rising by 142.2-percent (US$212.3 million) to US$361.5 million, compared with loan growth of only 4.1 percent. Delinquencies in the manufacturing and agriculture sectors were the primary contributors to the rise in total NPLs, accounting for 81.3 percent (US$294.1 million) of the total. Other factors such as foreign exchange volatility, inflationary pressures, and global trade uncertainties may have further intensified financial stress among FCDU borrowers, increasing risks to overall asset quality.

Figure 5
**NPL and NPL Coverage Ratios**
as of end-periods indicated; ratio in percent




Source: Bangko Sentral ng Pilipinas - Department of Supervisory Analytics
RHS - right-hand side
LHS - left-hand side

*Banks remain committed to maintaining adequate provisions amid increase in credit risk.*

Further, NPLs in the manufacturing and agriculture, forestry, and fishing sectors surged in December 2024 by 297.6 percent (US$152.1 million) and 87.0 percent (or US$42.3 million) to reach US$203.2 million and US$90.9 million, respectively. This sharp increase suggests growing financial strain in these sectors, potentially linked to supply chain disruptions and higher input costs,[20] which weighed heavily on large corporate borrowers. Additionally, a series of disturbances, such as reduced crop yields

---

[19] Short- and long-term loans increased by 7.1 percent (US$332.6 million) and 13.6 percent (US$486.9 million), respectively, in December 2024.

[20] S&P Global highlights typhoon-related port congestion and flooding have significantly disrupted supply chains, delaying deliveries and exacerbating inflationary pressures. It also notes that rising input costs have driven up the prices of Filipino manufactured goods, with output charge inflation reaching its highest level in 21 months. Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/c082397b4edc4154baa1d10c3c1ce725

and livestock disease outbreaks, further impacted agricultural output and likely caused setbacks for borrowers in the agriculture, forestry, and fishing sector.[21]

Despite the uptick in NPLs, overall loan quality remained satisfactory, bolstered by banks' prudential credit risk management practices and ample loss reserves. The NPL coverage ratio stood at 112.8 percent, down from 246.2 percent in December 2023. The decline was in view of newly classified NPLs that remain largely recoverable. Banks continue to manage these exposures through restructuring, asset sales, intensified collection efforts to restore loan performance, and capital infusion, among others.

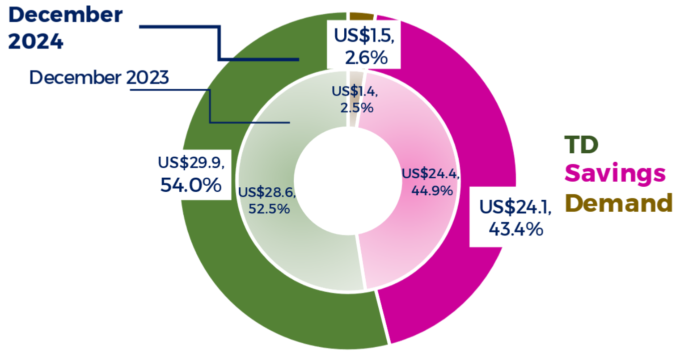
**Time deposits continue to anchor deposit growth.**

Deposits continued their decade-long expansion, reaching US$55.5 billion (₱3.2 trillion) in December 2024, up from US$54.4 billion in the same period last year. Growth moderated to 1.9 percent amid heightened competition in deposit rates which pressured banks to secure funding at higher costs. Nonetheless, deposits remained the primary funding source, accounting for 76.6 percent of total assets.

In terms of funding base, resident counterparties continued to dominate, contributing 97.6 percent (US$54.1 billion) of total deposits. Of this share, resident individuals held 52.0 percent (US$28.8 billion), while resident private corporations accounted for 37.8 percent (US$21.0 billion). This robust domestic base safeguard the industry against potential large-scale withdrawals by foreign lenders, reinforcing financial stability.

Meanwhile, growth was primarily fueled by a 4.7-percent increase in time certificate of deposits (TDs), as depositors' preference shifted toward high-yield instruments. This helped offset the 1.6-percent decline (US$382.3 million) in savings deposits, reflecting an evolving trend among investors reallocating funds to high-yielding investments such as TD. The increase in TDs was partly influenced by the introduction of a swap investment product, which combines TD with foreign exchange (FX) swaps and forwards. This structured product offered enhanced yield opportunities, further boosting the attractiveness of TDs despite intense competition in the market.

**Figure 6**
**Deposit Mix**
December 2024 vs December 2023; in billion US dollar; share in percent




Source: Bangko Sentral ng Pilipinas - Department of Supervisory Analytics

As of December 2024, TD and savings deposits comprised 54.0 percent (US$29.9 billion) and 43.4 percent (US$24.1 billion), respectively, of total deposits (*Figure 6*).

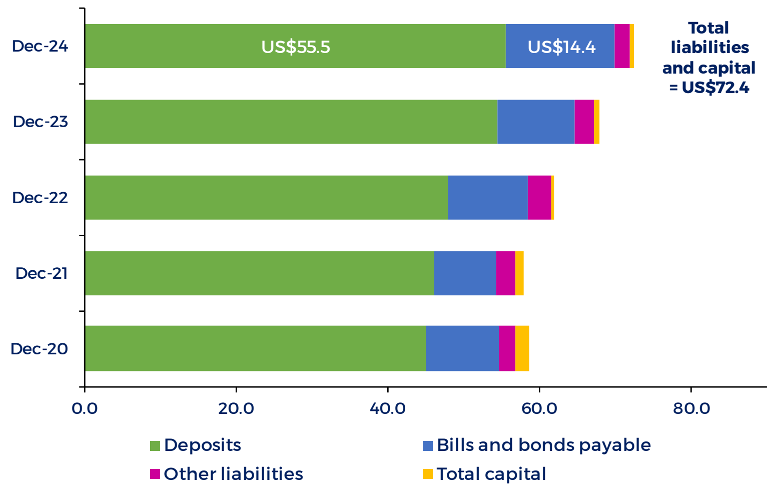
21 According to the Philippine Statistics Authority, agricultural production decreased by 2.2 percent in Q4 2024 due to declines in the values of crops, livestock, and fisheries production.

Other sources of borrowings include bills and bonds payable, accounting for 14.7 percent (US$10.5 billion) and 5.4 percent (US$3.9 billion), respectively, of total liabilities, both of which are up from 11.1 percent and 4.1 percent the previous year.

In terms of capitalization, total capital reached US$560.8 million, down from US$711.6 million due to a 21.2-percent contraction in undivided profits. This decline was compounded by a 19.1-percent increase in unrealized losses booked under other comprehensive income, further dampening capital levels despite the 78.9-percent growth in retained earnings.

*Figure 7* shows the levels of FCDU liabilities and capital as of December 2024 compared with levels in prior years.

Figure 7
**Liabilities and Capital**
as of end-periods indicated; in billion US dollars




Source: Bangko Sentral ng Pilipinas - Department of Supervisory Analytics

**Earnings narrowed as higher funding costs and subdued lending squeezed margins.**

Bank profitability softened in December 2024 as net profit contracted further by 22.3 percent (US$207.4 million) to US$724.0 million (₱41.9 billion), following a 13.3-percent drop (US$143.5 million) from US$931.4 million the previous year. While total interest income[22] rose by 6.1 percent to US$2.5 billion (₱144.0 billion), the increase fell short in covering the sharp rise in funding costs, particularly the 32.6-percent surge in interest expense on TDs.[23] Higher borrowings further added to cost pressures, with bills payable and bonds payable increasing by 30.9 percent (US$96.4 million) and 43.6 percent (US$53.7 million), respectively. Despite easing inflation and domestic rate cuts, profitability remained strained by high funding costs and global headwinds tied to U.S. trade policy shifts.

As a result, net interest income (NII) faced downward pressure, declining by 24.9 percent to US$778.7 million (₱45.0 billion) from US$1.0 billion (₱57.4billion) in

22 Total interest income grew by 6.1 percent to US$2.5 billion (₱144.0 billion) for the period ending in December 2024, driven by banks' lending and investment activities.

23 Total interest expense grew by 30.6 percent to US$1.7 billion (₱98.9 billion) for the period ending in December 2024. Interest expense on TDs accounted for 55.7 percent of the total, growing by 32.6 percent (US$233.9 million), followed by interest expense on bills payable at 23.9 percent (up by 30.9 percent, US$96.4 million).

December 2023. Interest income growth was further constrained by the modest expansion of loans and the high non-interest earning assets (loans to RBU), impacting profitability. This trend translates to lower earning metrics in December 2024, with net interest margin narrowing to 1.4 percent, down from 1.9 percent the previous year, while return on assets declined to 1.0 percent from 1.4 percent during the same period.

Meanwhile, non-interest income helped cushion the decline in NII, expanding by 57.8 percent (US$87.1 million) to US$237.7 million, largely driven by a 158.9-percent increase (US$64.1 million) in FX profits, which reached US$104.5 million. Income from fees and commissions also provided support, increasing by 14.7 percent (US$13.5 million) to US$105.0 million. However, these gains were tempered by increased losses on financial assets and liabilities HFT, which widened to US$17.1 million from US$8.8 million in the same period last year.

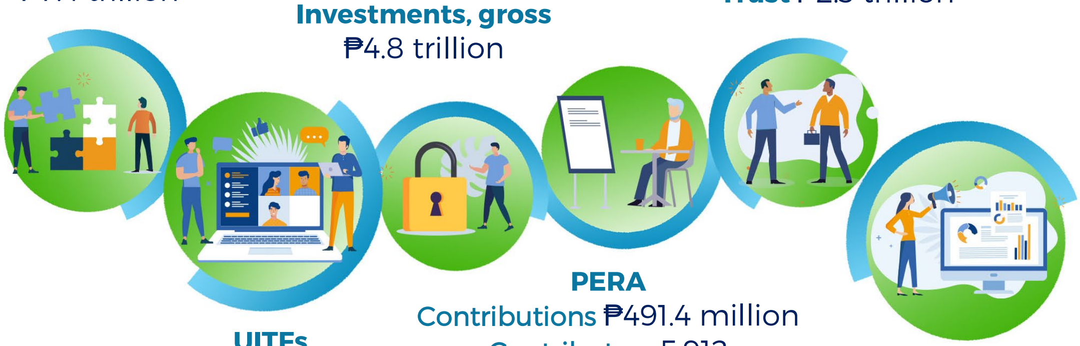
# TRUST OPERATIONS

## Building upon its robust asset growth, **the trust industry continues to deliver innovative, client-centric products and services.**

The trust industry concluded 2024 with a robust double-digit growth in assets, driven by increases in agency and trust accounts. Trust assets represented over a quarter of the banking system's total assets, remaining highly liquid through deposits in banks and investments in securities. The industry's positive outlook is underpinned by innovative products and services tailored to investor preferences and designed to attract broader market segments.

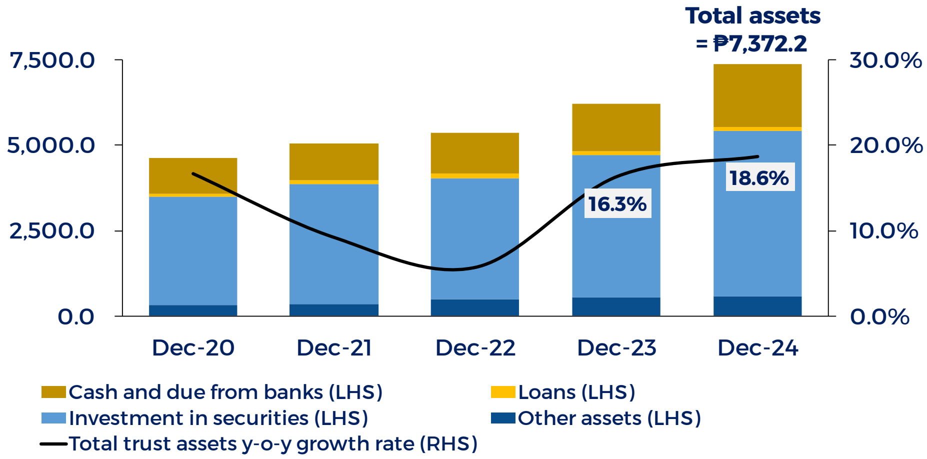
Profitability also remained strong, buoyed by solid income from fees and commissions, which helped trust entities manage higher expenses.

Additionally, contributions to the Personal Equity and Retirement Account (PERA) steadily grew, fueled by investor confidence, financial literacy initiatives, and improved accessibility within the PERA ecosystem.



Assets of the industry surged to ₱7.4 trillion in December 2024, recording robust growth rate of 18.6 percent year-on-year (y-o-y)[1] . This growth, largely driven by expansion in both agency and trust accounts, surpassed the 16.3 percent recorded in December 2023 (*Figure 1*) and the 12.3 percent compounded annual growth rate (CAGR)[2] for 2020-2024. The trend is expected to continue amid stable economic conditions and the industry's positive outlook, complemented by digital transformation initiatives and product innovations to meet evolving investor needs.[3] As of December 2024, the industry's total assets represent 26.9 percent of the banking system's total assets, up from 24.7 percent in December 2023.

Figure 1
**Asset Composition**
as of end -periods indicated; in billion PH pesos; growth rate in percent




Source: Bangko Sentral ng Pilipinas - Department of Supervisory Analytics
LHS - left-hand side
RHS - right-hand side

By composition, investments in securities[4] as well as cash and due from banks[5] comprised 65.8 percent (₱4.8 trillion) and 24.8 percent (₱1.8 trillion), respectively, of the total trust assets. While loans, net of allowance for credit losses, represented a smaller portion at 1.7 percent (₱122.0 billion).

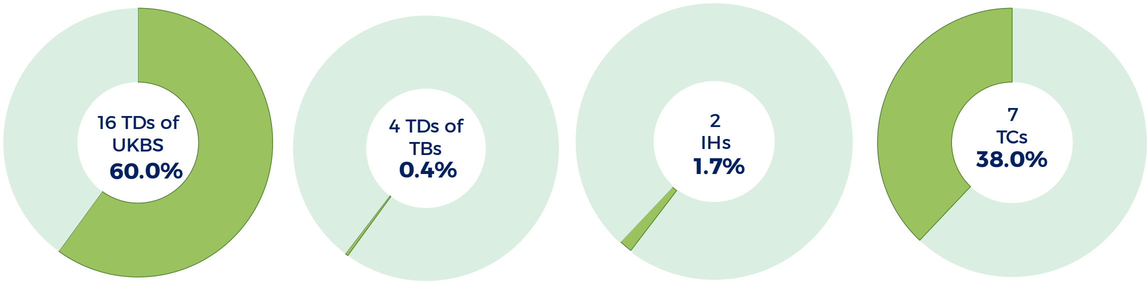
*The industry anticipates sustained growth in assets, driven by* ***digital transformation and product innovation initiatives.***

Asset growth is strongly supported by the active promotion and innovation of trust products and services offered by 29 trust entities[6], particularly the trust department

1 All growth rates and reference period pertain to y-o-y, and as of December 2024, respectively. unless otherwise specified. Discussions were also based on available data and information at the time of report preparation.
2 The CAGR is computed using December data from 2020-2024. The 2015-2019 or pre-pandemic CAGR stood at 10.4 percent.
3 Source: Trust Officers Association of the Philippines (TOAP)
4 Net of amortization and allowance for credit losses, as applicable, and accumulated gains/losses.
5 Consisted of deposits in banks (₱1.8 trillion) as well as cash and due from the BSP (₱399.5 million).
6 These exclude six inactive trust entities (i.e., 4 TDs of UKBs, 1 TD of TB, and 1 IH).

(TD) of banks, trust corporations (TCs), and investment houses (IHs). As shown in *Figure 2*, 60.4 percent of the total trust assets, amounting to ₱4.5 trillion, was held by 20 TDs of universal, commercial, and thrift banks (UKBs and TBs).

Figure 2
**Asset Share of Trust Entities to Total Trust Assets**
as of December 2024; in billion PH pesos; share in percent




Source: Bangko Sentral ng Pilipinas - Department of Supervisory Analytics

### Increase in government securities boosted investments.

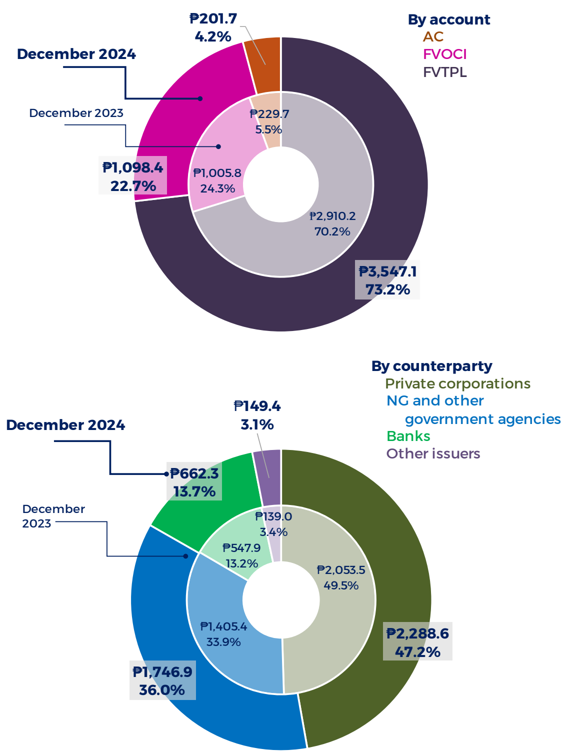
The investment portfolio, primarily composed of resident issuances[7] and debt securities[8], reached ₱4.8 trillion in December 2024, marking a 16.9-percent growth. This performance surpassed the 11.4 percent CAGR though it slightly moderated from the 17.3 percent recorded in December 2023.[9] Notably, investments in government securities[10] grew by 24.3 percent (₱341.5 billion), driven by heightened investor demand in a high-interest-rate environment. Trust clients predominantly preferred these instruments, capitalizing on higher yields while maintaining their conservative, risk-averse investment strategies. Despite this trend, nearly half of all investments remained in private corporations' issuances[11], accounting for 47.2 percent (₱2.3 trillion). These were followed by investments in the national government and other government agencies' securities, including government securities, which comprise 36.0 percent (₱1.7 trillion).

By type, the share of securities measured at fair value through profit or loss (FVTPL) rose to 73.2 percent (₱3.5 trillion) of the total investments in December 2024, up from 70.2 percent a year earlier *(Figure 3)*. The industry attributes this increase to the persistently high-interest-rate environment, which influenced investor's behavior and preference for FVTPL securities, driving a 21.9-percent increase in December 2024. However, this trend is expected to moderate amid anticipated further easing of BSP policy rates as well as geopolitical uncertainties that may temper investor appetite. FVTPL securities primarily consisted of unit investment trust funds (UITFs) and retirement funds.[12]

---

7 The share of investments issued by residents stood at 89.7 percent (₱4.3 trillion) in December 2024, which slightly declined from 90.1 percent (₱3.7 trillion) in December 2023. These comprised securities issued by the Philippine national government (NG) and other government agencies, banks, and private corporations.
8 Investments in debt securities, which grew by 15.6 percent to ₱3.2 trillion, accounted for majority of the industry's investments at 66.9 percent in December 2024. Meanwhile, investments in equity securities stood at 33.1 percent (₱1.6 trillion), up by 19.6 percent over the same period.
9 The 2015-2019 or pre-pandemic CAGR of investments stood at 13.1 percent.
10 Investments in government securities accounted for 33.9 percent, 31.5 percent, and 27.2 percent, respectively, of the industry's total investments in December 2024, December 2023, and December 2022.
11 The share of private corporations' issuances stood at 49.5 percent in December 2023.
12 Source: TOAP

Figure 3
**Investments by Account and Counterparty**
December 2024 vs December 2023; in billion PH pesos; share in percent




Source: Bangko Sentral ng Pilipinas - Department of Supervisory Analytics

Meanwhile, securities measured at fair value through other comprehensive income (FVOCI) and securities measured at amortized cost (AC) accounted for the remaining shares of 22.7 percent (₱1.1 trillion) and 4.2 percent (₱201.7 billion), respectively. Detailed investment distribution by account and counterparty is shown in *Figure 3*.

***Investor preference for fair value through profit or loss securities is largely influenced by the prevailing high-interest-rate environment****, which provides more attractive yields.*

**Trust accountabilities continued to rise, driven by a sustained double-digit growth in trust and agency accounts.**

Total trust accountabilities reached ₱7.4 trillion, growing at a faster rate of 18.6 percent compared to the 16.3 percent recorded in December 2023. This strong growth was driven by continued increase in placements in agency and trust accounts, underscored by trust entities' dedication to innovating products and services, including enhancing accessibility amid heightened competition from alternative investment options.[13] The industry is also intensifying its financial education campaigns, client engagement initiatives, and portfolio diversification efforts to sustain growth momentum.

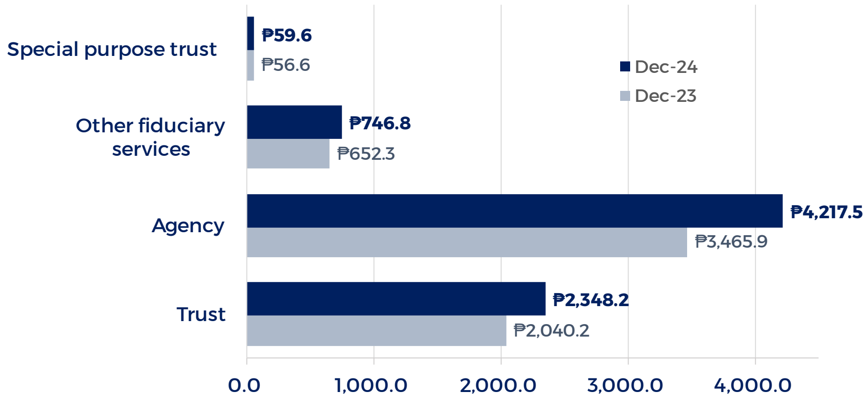
*Figure 4* presents a y-o-y comparison of the industry's total accountabilities, with agency accounts holding 57.2 percent in December 2024. [14] These accounts grew by 21.7 percent (₱751.6 billion) to reach ₱4.2 trillion though this growth was still a decline from the 28.0 percent recorded in December 2023. The decrease is attributed to heightened competition, particularly the shift in investor focus toward cryptocurrencies in 2024. Nevertheless, the industry remains optimistic that this trend will taper off, given the inherent volatility of the cryptocurrency market and the continued efforts to innovate trust products and services to align with investor preferences.

[13] Intensified competition from treasury departments of banks, brokerage firms, fintech players, and digital banks that offer higher returns such as futures contracts, cryptocurrencies, and non-fungible tokens. Source: TOAP
[14] The share of agency accounts consistently rose from 50.7 percent in December 2022, 55.8 percent in December 2023, and 57.2 percent in December 2024.

## *Trust entities continue to enhance their offerings to ensure sustained growth and remain competitive.*

Meanwhile, trust accounts comprised 31.9 percent (₱2.3 trillion), increasing by 15.1 percent (₱308.0 billion).[15] This marks a recovery from the 0.2-percent contraction recorded in December 2023. The rebound, according to the industry, was driven by a combination of increase in UITFs and employee benefit accounts, along with the regulatory requirement for electronic money issuers with sizable e-money balances to allocate a certain percentage of their unencumbered liquid assets to trust accounts.[16]

Figure 4
**Trust Accountabilities**
December 2024 vs December 2023; in billion PH pesos




Source: Bangko Sentral ng Pilipinas- Department of Supervisory Analytics

### Growth in placements for money market funds drives increased participation in unit investment trust funds.

UITFs grew by 21.3 percent to reach ₱1,039.2 billion in December 2024, reversing the 10.3-percent contraction in December 2023. This robust growth was largely driven by a 26.8-percent increase in UITF principals for money market funds, as investors widely favored investments, such as BSP bills and government securities, which offer liquidity and stable returns. However, the industry anticipates a tapering of investor's demand for money market funds due to declining interest rates and moderating inflation.

In terms of share of total trust accountabilities, UITFs' share increased to 14.1 percent in December 2024, up from 13.8 percent in December 2023. Meanwhile, the number of financial institutions granted a UITF license remained unchanged at 24.[17]

---

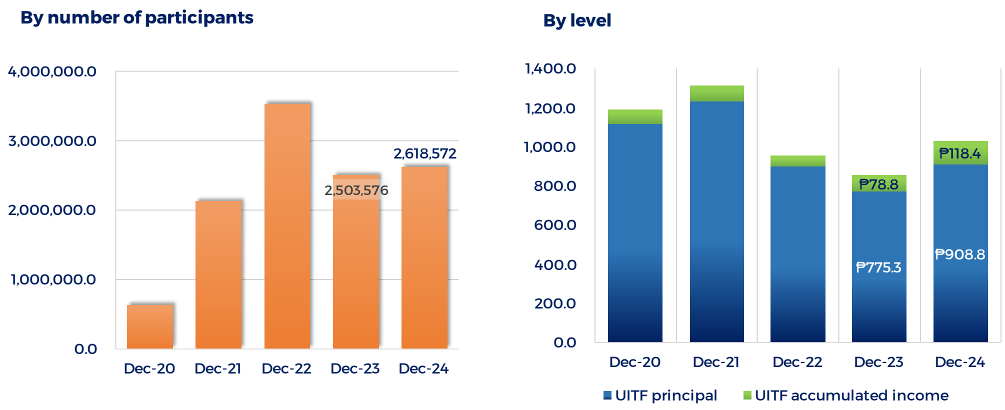
15 The share of trust accounts has been declining from 38.2 percent in December 2022, 32.8 percent in December 2023, and 31.9 percent in December 2024.

16 BSP Circular No. 1166 dated 07 February 2023 (Amendments to the Regulations on Electronic Money (E-money) and the operations of Electronic Money Issuers [EMIs] in the Philippines).

17 These financial institutions consist of 16 TDs of banks (13 UKBs and 3 TBs), and eight non-bank financial institutions (NBFIs). UKBs held the largest share of UITF holdings at 58.9 percent (or ₱611.6 billion), followed by NBFIs with 41.1 percent (or ₱426.8 billion). Moreover, FVTPL securities and deposits in banks largely comprised UITF assets at 75.4 percent (₱783.8 billion) and 17.7 percent (₱183.7 billion), respectively. Majority of FVTPL securities were debt securities issued by the national government (34.9 percent, or ₱273.5 billion) and the BSP (22.1 percent, or ₱173.3 billion), as well as equity securities issued by resident private corporations (16.7 percent, or ₱131.2 billion).

The improved UITF environment is evident in the increased number of participants, principals, and accumulated income (*Figure 5*). As of December 2024, the total number of participants reached 2,618,572, reflecting a 4.6-percent increase from December 2023. This growth translated to higher UITF placements across all fund types[18], with the aggregate UITF principal rising by 17.2 percent to reach ₱908.8 billion. Similarly, accumulated income, which showed growth across all fund types, surged by 50.2 percent to ₱118.4 billion from ₱78.8 billion in December 2023. [19]

Figure 5
**UITFs Level and Number of Participants**
as of end-periods indicated; in billion PH pesos; number of participants in thousands




Source: Bangko Sentral ng Pilipinas - Department of Supervisory Analytics

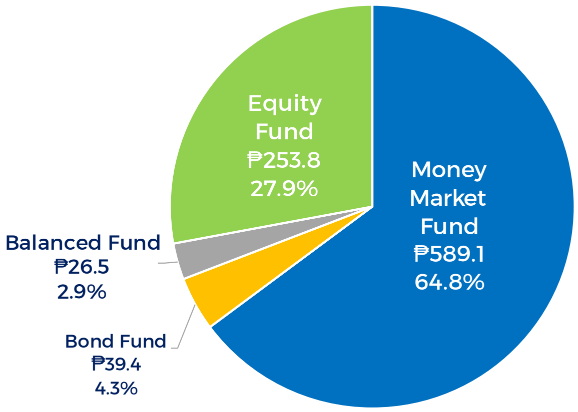
Among UITF fund types, money market funds remained as the preferred choice for most trust clients due to its flexibility and higher return compared to other investment outlets. Money market funds accounted for 64.8 percent of the total UITF principals (up from 59.9 percent in December 2023), with 1,292,984 participants. Equity funds followed with a 27.9 percent share, down from 32.3 percent in December 2023.

According to the industry, the decline in equity fund shares was attributed to market volatility and cautious investor sentiment. This trend may reverse if market conditions improve, along with a resurgence in investor confidence and foreign inflows. *Figure 6* highlights the UITF principal distribution by fund type.

[18] The UITF placements in equity funds, money market funds, bond funds, and balanced funds rose by 1.2 percent, 26.8 percent, 13.2 percent, and 5.9 percent, respectively, in December 2024, reversing the contractions recorded a year ago.

[19] The marked-to-market UITF portfolio was influenced by changes in interest rates and foreign exchange rates, affecting the net asset value per unit across different types of UITFs. Gains from investments in securities of equity and money market funds largely contributed to the uptick in the total accumulated income of the trust industry.

Figure 6
**UITF Principal per Fund Type**
as of December 2024; in billion PH pesos; share in percent




Source: Bangko Sentral ng Pilipinas- Departmentof Supervisory Analytics

*Investor preference for money market funds is driven by* ***higher returns and minimal to zero volatility*** *compared to equity funds.*

**The Personal Equity and Retirement Account recorded double-digit growth, driven by increased contributions from existing participants.**

Total contributions for PERA reached ₱491.4 million in December 2024, growing at a faster pace of 24.0 percent compared to 20.3 percent in December 2023. This growth was largely attributed to the sustained confidence of participants in securing their retirement through increased contributions. Additional factors, such as the accessibility of PERA through digital platform and the availability of tax incentives, may have also encouraged existing contributors to invest more.[20]

Alongside the increased contributions is the rise in the number of contributors to 5,912 from 5,555 a year ago. This reflects a growth of 6.4 percent, a decrease from the 8.9 percent in December 2023. The slowdown highlights ongoing challenges in expanding participation, particularly economic pressures, such as the effects of inflation and the high cost of living over long-term retirement savings. Additionally, low financial literacy levels regarding retirement planning continue to pose barriers to wider participation. [21]

*Personal Equity and Retirement Account contributions achieved double-digit growth, highlighting* ***Filipinos' confidence in achieving financial security and saving for their retirement.***

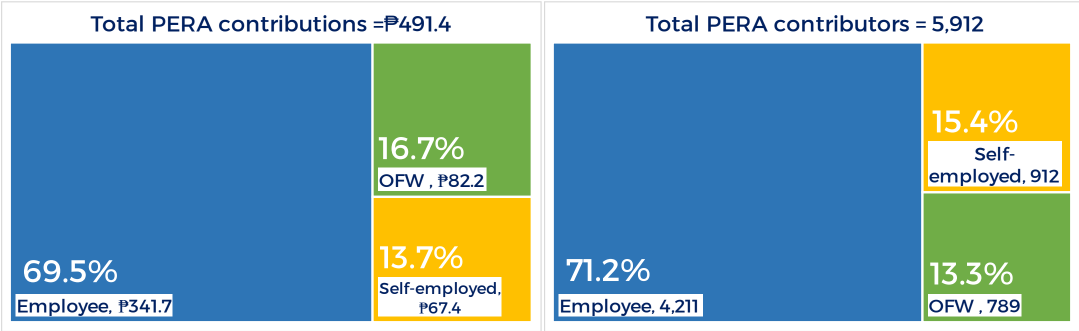
As shown in *Figure 7*, employed individuals remain the largest participant group, with contributions aggregating ₱341.7 million (69.5 percent of the total contributions) from 4,211 participants. Overseas Filipino workers (OFWs) and self-employed individuals accounted for the remaining share. All three groups recorded an increase in both contributions and the number of participants.

---

[20] Source: BSP PERA- Technical Working Group (TWG)

[21] *Ibid*

Figure 7
**PERA Contributions and Number of Contributors**
as of December 2024; in million PH pesos




Source: Bangko Sentral ng Polipinas- PERA Technical Working Group

Amid the continued growth of PERA investments are the BSP's efforts to actively promote PERA through regulatory initiatives, focused campaigns, and broader market engagements. It takes a proactive approach by collaborating with concerned regulatory agencies and industry associations to improve accessibility and efficiency. Key initiatives include advocating for the inclusion of non-BSP-supervised institutions into the PERA ecosystem, advancing open finance with PERA as a core use case, and integrating PERA into employee benefit programs. These efforts reinforce the BSP's commitment to empowering Filipinos with retirement savings and ensuring long-term financial security. [22]

**Robust fees and commission from trust and agency accounts propelled the profitable operations of the industry.**

The industry's robust operations boosted profitability, generating a net profit of ₱8.2 billion in 2024, a 9.7-percent increase from ₱7.4 billion the previous year. This growth was primarily fueled by significant increase in fees and commissions from trust and agency accounts, which rose by 20.5 percent (₱1.5 billion) and 25.0 percent (₱1.7 billion), respectively. Total fees and income rose by 23.1 percent (or ₱3.5 billion) to reach ₱18.5 billion.[23]

Despite strong earnings, the efficiency ratio[24] weakened to 57.5 percent from 54.5 percent in December 2023. This is due to the growth in total trust expenses, which increased by 23.8 percent (₱2.1 billion) having outpaced the growth in trust income, which only grew by 17.4 percent (₱2.8 billion). The higher trust expenses were mainly attributed to increased employee wages and benefits, as well as operational costs.[25] These expenses supported process and operational enhancements, particularly the deployment of experienced trust officers, digitalization and system upgrades, as well as cybersecurity measures.

---

[22] *Ibid*, p. 49
[23] Fees and commissions from other fiduciary services (25.6 percent or ₱191.1 million), and advisory/consultancy accounts (62.0 percent or ₱75.6 million) also reported growth in the same period, while special purpose trust accounts declined (-2.0 percent or -₱0.1 million)..
[24] Efficiency ratio measures the ability of a trust entity to generate income using its assets. It is calculated by dividing total expenses by the total revenue.
[25] Employee wages and benefits, and other expenses stood at ₱4.3 billion and ₱2.6 billion, respectively, rising by 18.2 percent (₱656.8 million) and 37.0 percent (₱688.9 million) in 2024.

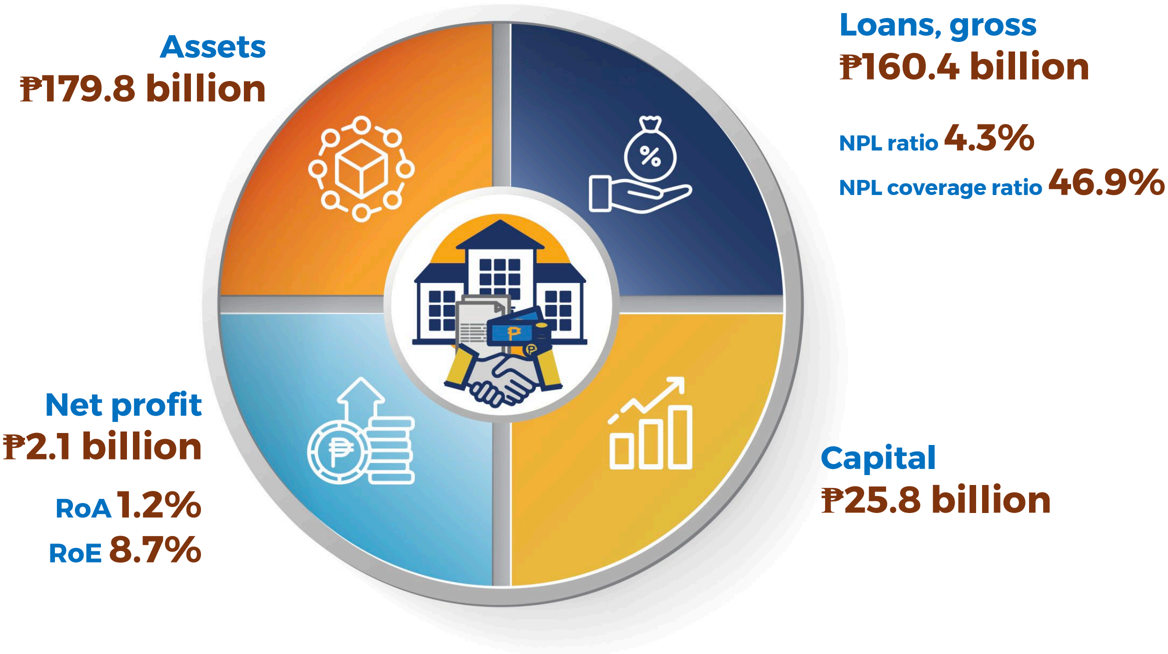
# NON-BANK FINANCIAL INSTITUTIONS (NBFIs)


# NBFIs WITH QUASI-BANKING FUNCTIONS

## **Strategic partnerships** enabled non-bank financial institutions with quasi-banking functions to **expand operations and reach a broader market.**

Non-bank financial institutions with quasi-banking functions (NBQBs) continued to demonstrate satisfactory performance, showing steady growth in assets, loans, and deposit substitutes driven by strategic partnerships. These collaborations allowed NBQBs to leverage technology and the financial expertise of their partners in enhancing the convenience and accessibility of financial products and services to reach broader market segments.

In addition to sustained operational expansion, key performance metrics improved, resulting in double digit growth in net profit with well-managed overhead costs.

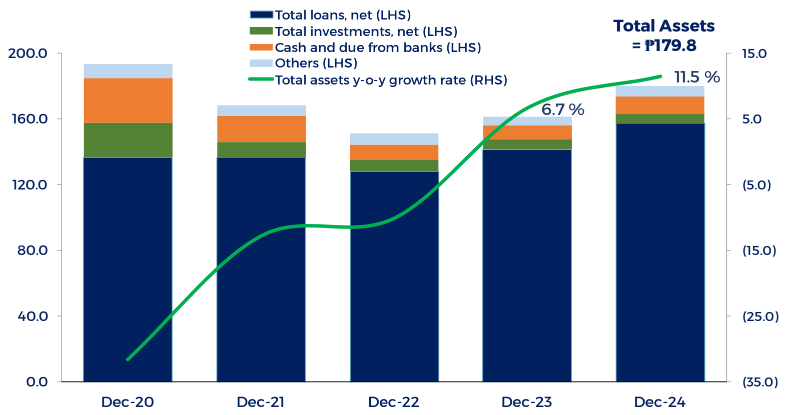


## Double-digit growth in assets supports lending.

The total assets of NBQBs recorded robust growth, rising by 11.5 percent year-on-year (y-o-y)[1] in December 2024 to reach ₱179.8 billion (*Figure 1*). This surpassed the 6.7-percent growth recorded in December 2023, as well as the -1.8 percent compounded annual growth rate (CAGR)[2] for 2020-2024.

The growth in assets, primarily funded by deposit substitutes, was mainly directed into lending operations. As of December 2024, loans remained the largest component of assets, accounting for 87.4 percent (₱157.2 billion). followed by cash and due from banks with a 6.0 percent share (or ₱10.8 billion).[3]

Figure 1
**Asset Composition**
as of end-periods indicated; in billion PH Peso; growth rate in percent




Source: Bangko Sentral ng Pilipinas- Department of Supervisory Analytics
RHS - right-hand side
LHS - left-hand side

By type, financing companies (FCs)[4] dominated the industry in terms of asset and loan size, comprising 97.9 percent (₱176.1 billion) and 99.9 percent (₱160.4 billion), respectively, of NBFIs' total assets and total loans, with three head offices and 14 other offices.

Meanwhile, NBQBs, composed of five head offices and 19 other offices[5], represented 0.5 percent of the total assets of the Philippine financial system[6].

## Strong growth continues, driven by an expanding market bolstered by strategic alliances.

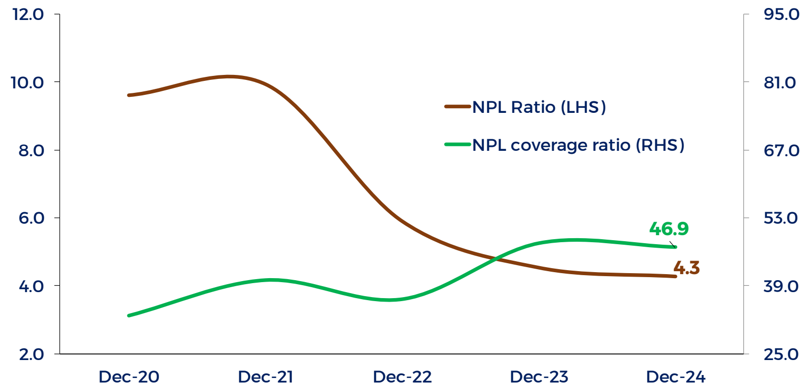
Lending accelerated, recording an 11.0-percent growth in December 2024 to reach ₱160.4 billion, with the majority consisting of finance lease receivables[7]. This growth

---

1 All growth rates and reporting periods pertain to y-o-y and as of December 2024, respectively, unless otherwise stated. Discussions were also based on the available data and information at the time of report preparation.
2 The CAGR was calculated using December data from 2020-2024. The pre-pandemic or 2015-2019 CAGR stood at 8.0 percent.
3 Investments and other assets accounted for 3.2 percent (₱5.7 billion) and 3.4 percent (₱6.1 billion), respectively, of total assets of NBQBs in December 2024.
4 Loans accounted for 91.1 percent (₱160.4 billion) of total assets of FCs.
5 This consisted of three FCs, with 14 other offices, one investment house, and one other non-bank entity with quasi-banking functions.
6 As of December 2024, the total resources of the Philippine Financial System reached ₱34.0 trillion.
7 FC's comprised 99.9 percent of total loans of NBQBs, with a leading FC reporting that 89.9 percent of its loan portfolio consists of finance lease receivables.

represents an improvement over the 10.2 percent recorded in the prior year and the 3.3-percent CAGR. The expansion was driven by growth in the retail loans and loans to small and medium enterprises bolstered by strategic partnerships established by NBQBs. Over the years, several FCs and one investment house have formed alliances with other FCs, fintech players, and leading car manufacturers to expand their market reach and improve accessibility to their financial products. These efforts primarily focus on leveraging technology and the shared financial expertise that NBQBs have with their partners.

Figure 2
**NPL and NPL Coverage Ratios**
as of end -periods indicated; ratio in percent




Source : Bangko Sentral ng Pilipinas - Department of Supervisory Analytics
RHS - right-hand side
LHS - left-hand side

Alongside the expansion of loan portfolios, the quality of loans has also improved. The non-performing loan (NPL) ratio declined to 4.3 percent in December 2024 from 4.5 percent in the previous year due to the combined effects of slower NPL growth (4.7 percent, or ₱0.3 billion) and faster loan growth. This easing was accompanied by an NPL coverage ratio of 46.9 percent in December 2024, a marginal drop from the 47.7 percent of the previous year (*Figure 2*).

> ***Ongoing collaborations and partnerships unlocked new opportunities****, providing the industry with new technology and financial expertise to* ***enhance services and expand market segments.***

**Deposit substitutes remained as a stable source of funds.**

As of December 2024, bills payable accounted for 78.8 percent of total liabilities, increasing by 10.2 percent (₱11.3 billion) to reach ₱121.4 billion. This surpassed the 3.7-percent growth recorded in December 2023 and the 1.9-percent CAGR. Bills payable largely comprised deposit substitutes[8], representing 99.96 percent (₱121.37 billion).

---

[8] Deposit substitutes include promissory notes, repurchase agreements, and certificates of assignment participation.

In addition, total capital further expanded, recording an 11.9-percent growth to reach ₱25.8 billion in December 2024. The expansion, which was faster than the 8.3-percent expansion in the previous year, was due to retention of earnings, with a 27.2-percent increase in surplus, surplus reserves, and undivided profits.

**Profitable operations were buoyed by solid earnings.**

Net profit in 2024 reached ₱2.1 billion, an increase of 16.2 percent (₱295.9 million) that was largely driven by increases in finance leases and fee-based income.

The solid earnings from finance leases[9] translated to higher net interest income, which rose by 5.2 percent (₱358.0 million) in December 2024 to ₱7.2 billion. Likewise, fee-based income contributed to the profitable operations of the industry, increasing by 136.2 percent (₱581.0 million) and helping temper operating costs[10].

Overall, the industry generated better returns amid improved operations and well-managed overhead costs. Return on assets and return on equity improved to 1.25 percent and 8.7 percent, respectively, up from 1.17 percent and 8.3 percent in 2023. Moreover, the ratio of cost to income remained stable at 46.4 percent despite its slight uptick from the 45.9 percent recorded in 2023.

---

[9] Income from finance leases accounted for 97.3 percent (₱15.44 billion) of total interest income (₱15.86 billion), while the remaining 2.7 percent (₱0.42 billion) was attributed to interest income. Income from finance leases grew by 17.3 percent, faster than the 15.7 percent recorded in December 2023.

[10] Total operating expenses rose by 4.4 percent (₱229.6 million) in December 2024 mainly due to higher overhead costs. The 17.5-percent increase in overhead costs, up by ₱430.7 million, was tempered by the 14.3-percent decrease in provisions, down by ₱196.5 million.


# NON-STOCK SAVINGS AND LOAN ASSOCIATIONS

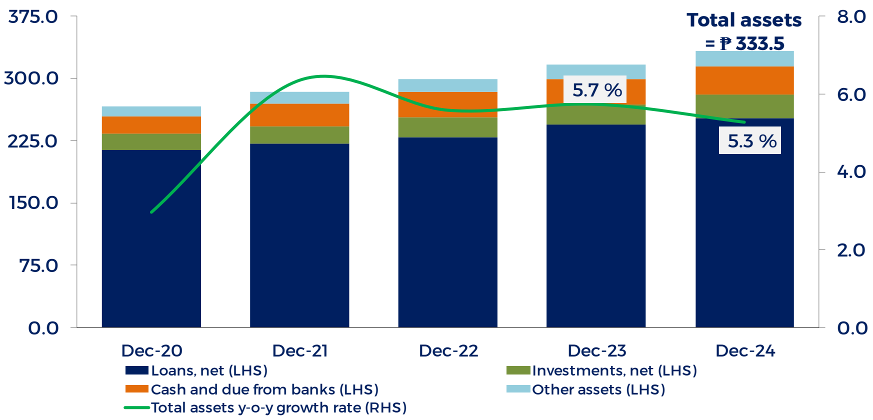
## The continued growth in assets has enabled **non-stock savings and loan associations** to **cater to their members' financial needs.**

The sustained growth in assets, largely funded by members' contributions, enabled non-stock savings and loan associations (NSSLAs) to serve their members' financial needs. The continued confidence and patronage of members also sustained the industry's progress, fortifying its resilience amid challenges posed by the high-interest-rate environment, heightened competition, and digital transformations in the financial system.

## Sustained asset growth supported investments and members' financing needs.

The total assets of NSSLAs recorded sustained growth, increasing by 5.3 percent year-on-year (y-o-y)[1] to reach ₱333.5 billion in December 2024 (*Figure 1).* This, however, represents a moderation from the 5.7 percent recorded in December 2023 and the 5.7-percent compounded annual growth rate (CAGR)[2] for 2020-2024. The slower growth may be partly attributed to the voluntary dissolution and liquidation of an NSSLA in the latter part of 2024.

Figure 1
**Asset Composition**
as of end-periods indicated; in billion PH pesos; growth rate in percent




Source: Bangko Sentral ng Pilipinas- Department of Supervisory Analytics
RHS- right-hand side
LHS- left-hand side

Asset expansion, which was largely funded by member's contributions, was channeled into investment and lending activities. Loans accounted for 75.4 percent (₱251.6 billion) of total assets, followed by cash and due from banks at 10.1 percent (or ₱33.6 billion), and investments[3] at 8.7 percent (or ₱29.1 billion).[4]

By type of members, military and other uniformed personnel (MUP) comprised 90.2 percent (₱300.9 billion) of NSSLAs' total assets, 88.5 percent (₱261.4 billion) of its total loans, and 88.2 percent (₱202.1 billion) of its total capital.[5]

Collectively, NSSLAs, composed of 55 head offices and 139 branches and satellite offices, represent 1.0 percent of the total assets of the Philippine financial system[6].

## Lending growth slowed due to heightened competition and members' behavior.

Total loans reached ₱272.7 billion in December 2024,reflecting a modest increase of 1.6 percent (₱4.4 billion) compared to the 6.1 percent in December 2023 and the 3.9 percent CAGR. This deceleration in growth can be attributed to a combination of

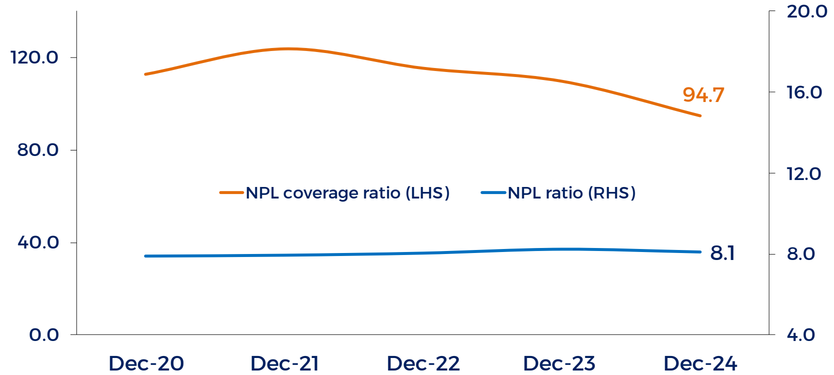
1 All growth rates and reporting periods pertain to y-o-y and as of December 2024, respectively, unless otherwise stated. Discussions were also based on the available data and information at the time of report preparation.
2 The CAGR was calculated using December data from 2020-2024. The pre-pandemic or 2015-2019 CAGR stood at 11.8 percent.
3 Net of allowance for credit losses and accumulated market gains or losses, as applicable.
4 Investments and cash and due from banks recorded faster growth rates in December 2024, reporting 19.6 percent and 7.1 percent, respectively, up from 0.9 percent and 4.1 percent in December 2023. Loans, however, moderated to 1.6-percent increase from the 6.1 percent reported a year ago.
5 Members from private and government sectors held the remaining share at 8.6 percent (₱28.6 billion) and 1.2 percent (₱3.9 billion), respectively.
6 As of December 2024, the total resources of the Philippine financial system reached ₱34.0 trillion.

competitive interest rates and the availability of more convenient and accessible lending platforms offered by banks, and on-bank financial institutions, and other entities[7]. Additionally, the member profile played a role, as most members are contributors rather than both contributors and borrowers.

## *Lending slowed down but remains robust in supporting members' financial needs.*

As shown in *Figure 2*, the non-performing loan (NPL) ratio decreased to 8.1 percent, down from 8.2 percent in December 2023 amid subdued loan growth. The easing was accompanied by ample provision for potential losses, with an NPL coverage ratio of 94.7 percent, a moderation from the previous year's 109.8 percent.

Figure 2
**Asset Quality**
as of end -periods indicated; ratio in percent




Source: Bangko Sentral ng Pilipinas- Department of Supervisory Analytics
RHS -right-hand side
LHS-left-hand side

**Capital contributions further expanded, reflecting the strong confidence of members.**

Total capital recorded sustained growth, increasing by 8.1 percent to reach ₱223.7 billion as of December 2024 (*Figure 3*). This surpassed the growth rate of 7.7 percent in December 2023 and the 6.4-percent CAGR. The continued growth can be attributed to the 7.3 percent rise (₱11.0 billion) in capital contributions, primarily driven by an aggressive recruitment strategy for MUPs and higher required contributions for private companies, along with a 10.4-percent increase (or ₱5.8 billion) in retained earnings.

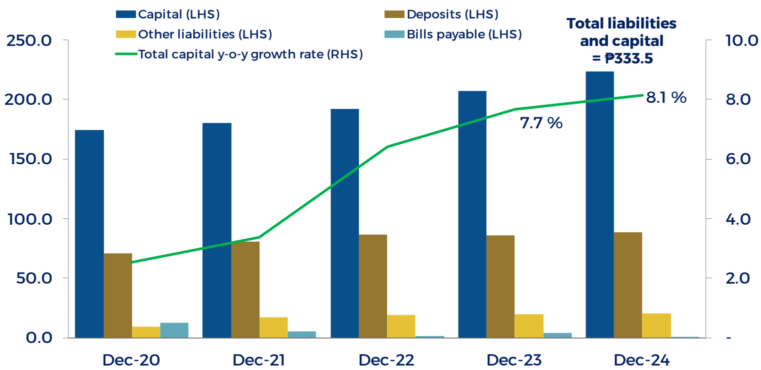
Deposits from members also contributed to the overall growth, rising by 2.7 percent (₱2.3 billion) to ₱88.5 billion. This marked a significant rebound from the 0.2-percent contraction recorded a year earlier.

[7] For example, the Government Service Insurance System (GSIS) launched a new loan program for members. Source: Government Service Insurance System. (2024, October 28). *GSIS Launches New Loan Program for Members*. https://www.gsis.gov.ph/gsis-launches-new-loan-program-for-members/

The growth in both capital and deposits highlights the industry's resilience and its strong commitment to build a robust capital buffer to meet the needs of its members.

*Members' contributions remained **as** a cornerstone of the industry's funding.*

Figure 3
**Funding Mix**
as of end-periods indicated; in billion PHpesos; growth rate in percent



Source: Bangko Sentral ng Pilipinas - Department of Supervisory Analytics

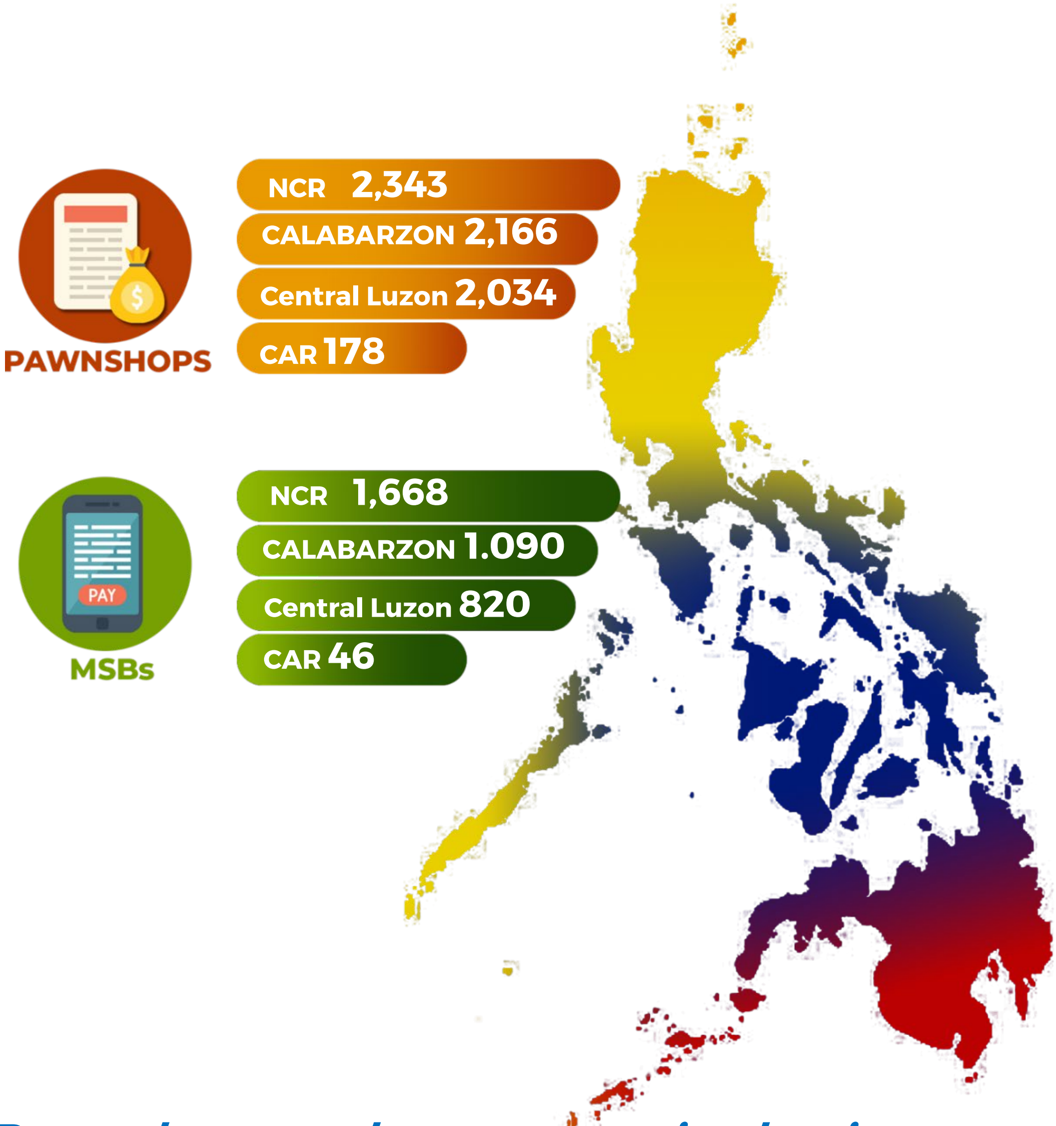
**Net profit dropped amid higher operating costs.**

Profitability weakened given marginal earnings from lending and higher operating costs. Net profit declined by 6.3 percent to reach ₱26.1 billion in 2024, reversing the 11.7-percent growth recorded in 2023.

Total operating income may have slightly increased by 0.2 percent (₱0.1 billion) despite lower loan demand from members. However, higher operating costs, which rose by 25.9 percent (₱1.9 billion), offset this growth and dampened net income. As a result, earnings metrics such as return on assets and return on equity declined to 8.0 percent and 12.1 percent, respectively, from 9.0 percent and 14.0 percent reported in the previous year.


# PAWNSHOPS AND MONEY SERVICE BUSINESSES

With their extensive networks across the country, pawnshops and money service businesses (MSBs) have been pivotal in supporting the Bangko Sentral ng Pilipinas (BSP) and the National Government's inclusive finance campaign. These non-banking financial institutions act as vital financial access points, delivering a diverse range of financial products and services to underserved segments, including low-income individuals, overseas Filipinos, small businesses, and beneficiaries of social amelioration programs. Amid rapid technological advancements and evolving consumer preferences, pawnshops and MSBs continue to adapt and innovate to better serve their clients, sustaining their integral role in fostering economic empowerment and financial inclusivity throughout the country.

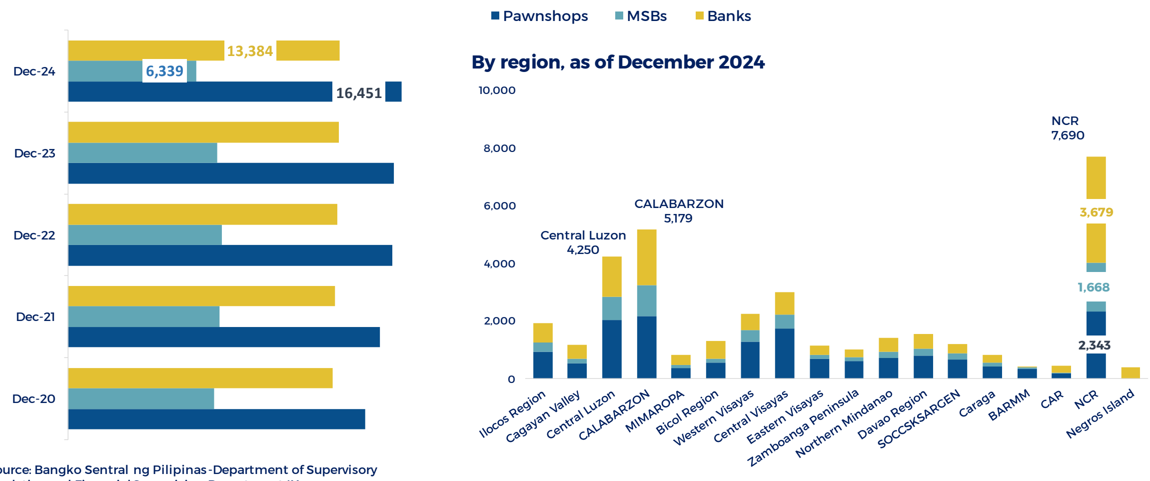



***Pawnshops and money service businesses provide wider touchpoints for Filipinos, significantly contributing to the country's goal of fostering a more inclusive financial system.***

### Concentration of pawnshops and money service businesses in Luzon area

The number of pawnshops and MSBs grew steadily over the years, with combined numbers reaching 22,790 as of December 2024. The extensive network, which outnumber banks (*(Figure 1)*, enables these non-bank financial institutions to continue playing their key role in serving broader client base particularly low-income individuals, overseas Filipinos, small businesses, and social amelioration beneficiaries.

Figure 1
**Major Financial Access Points**
as of end-periods indicated




Source: Bangko Sentral ng Pilipinas-Department of Supervisory Analytics and Financial Supervision Department IX

Nearly half, or 44.4 percent of pawnshops and MSBs are located in Luzon, primarily in the national capital region (NCR), CALABARZON (Region IV-A), and Central Luzon. As of December 2024, NCR accounts for 17.6 percent (2,343 pawnshops and 1,668 MSBs), followed by CALABARZON at 14.3 percent (2,166 pawnshops and 1,090 MSBs) and Central Luzon at 12.5 percent (2,034 pawnshops and 820 MSBs), respectively. This geographic distribution underscores the strong demand for these services in the country's most economically active regions[1].

In contrast, the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) and the Cordillera Administrative Region (CAR) have the fewest pawnshops and MSBs. BARMM accounts for only 1.7 percent, with 349 pawnshops and 44 MSBs, while CAR represents only 1.0 percent, with 178 pawnshops and 46 MSBs. This disparity highlights the urgent need to enhance financial inclusion efforts and expand access to essential financial services in these underserved regions.

Pawnshops continued to grow, reaching 16,451 in December 2024—a 2.4-percent increase compared to 16,070 in December 2023. This total includes 1,176 head offices and 15,275 branches nationwide. Growth is expected to persist, driven by expanding range of products and services offered by pawnshops along with the anticipated benefits of forthcoming regulatory amendments. These amendments are designed to

[1] According to the Philippine Statistics Authority 2023's data on regional gross domestic product, NCR, CALABARZON, and Central Luzon were major contributor to the country's services and industry sectors. The services sector includes wholesale and retail trade, transportation and storage, accommodation and food services, financial and insurance activities, real estate, and education, health and social activities, among others. Meanwhile, the industry sector encompasses manufacturing, construction, mining and quarrying, and electricity, gas, steam, and air conditioning supply, all of which drive production of goods and infrastructure development.

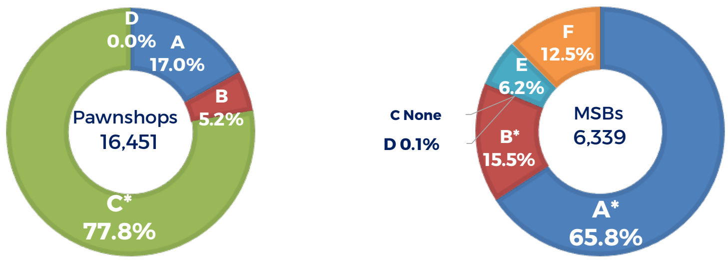
broaden the scope of allowable corollary business activities[2], further enhancing pawnshops' role in advancing financial inclusion across the country.

The number of MSBs decreased by 13.8 percent to 6,339 in December 2024 from 7,358 in December 2023. This decline was largely due to the revocation of license for regulatory non-compliance. This stricter oversight underscores the BSP's commitment to ensuring the integrity of the financial system while fostering responsible business practices. As of December 2024, the MSB network comprised 722 head offices and 5,617 branches nationwide.

### Most pawnshops and MSBs offer remittance services

Many pawnshops and MSBs provide remittance services. As shown in *Figure 2*[3], 77.8 percent, or 12,797 pawnshops with type "C" licenses were authorized to engage in remittance services. Among MSBs, 65.8 percent (4,170) were large-scale operators with type "A" licenses, and 15.5 percent (981) were small-scale remittance operators with type "B" licenses.

Figure 2
**Distribution of Licenses**
as of December 2024



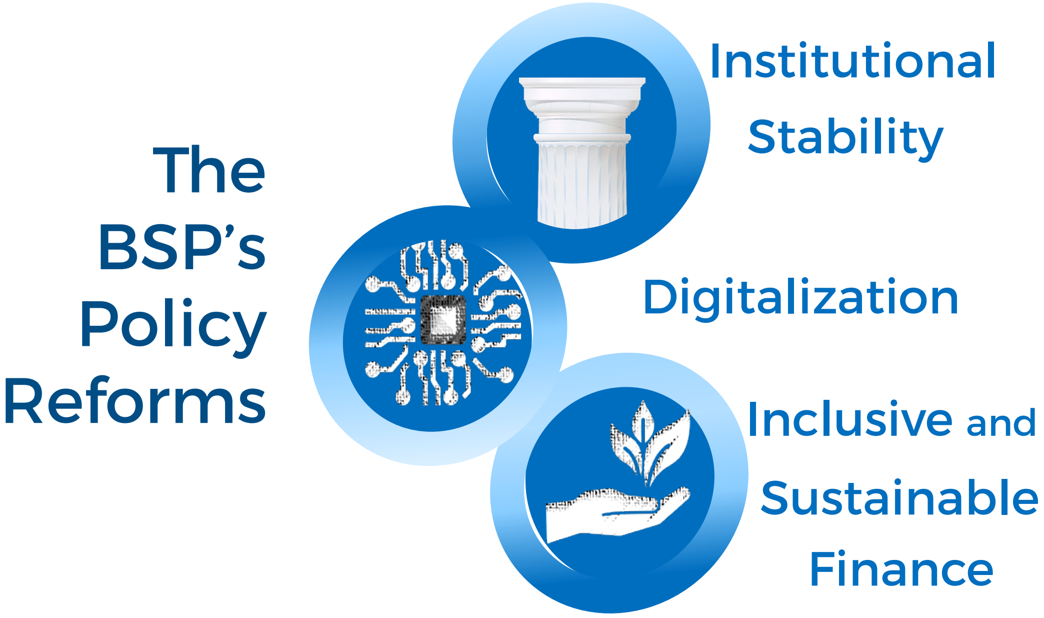

Source: Bangko Sentral ng Pilipinas - Department of Supervisory Analytics and Financial Supervision Department IX
Note:
* With remittance services

2 The BSP, through a draft circular, proposes expanding pawnshops' allowable activities to include additional corollary business activities such as acting as remittance agents/sub-agents, and cash agents of banks; serving as cash-in/cash-out touchpoints; performing gold-buying stations/partners of accredited gold traders; marketing and facilitating microinsurance, micro-investment, and micro-finance products and services; providing bills payment services and/or acting as top-up partners of utility and other companies; and acting as cash collection services and/or corporate payout partners, among others.

3 The types of pawnshop licenses include (1) "A" - with no more than 10 offices; (2) "B" - with more than 10 offices or money-changing/foreign exchange dealing business; (3) "C" - with remittance activity; and (4) "D" - virtual pawnshop or e-pawnshop. Meanwhile, there are six types of MSB licenses, namely, (1) "A" - large-scale remittance operators with an average monthly network volume of transactions of at least ₱75.0 million; (2) "B" - small-scale remittance operators with an average monthly network volume of transactions of less than ₱75.0 million; (3) "C" - electronic money issuer or EMI; (4) "D" - remittance platform provider; (5) "E" - large-scale operators with an average monthly network volume of transactions of at least ₱50.0 million; and (6) "F" - small-scale money-changing/forex exchange dealing operators with an average monthly network volume of transactions of less than ₱50.0 million.


# POLICY REFORM AGENDA

Anchored in its unwavering commitment to foster a sound, resilient, inclusive and sustainable financial ecosystem, the Bangko Sentral ng Pilipinas (BSP) remains a catalyst of impactful policy reforms and initiatives. Further bolstering this role is the BSP's regulatory and supervisory efforts focused on its three strategic agendas: institutional stability, digitalization, and inclusive and sustainable finance. These priorities aim to enhance the ability of the Philippine financial system to continually support sustainable and equitable economic growth.




In line with these priorities, the BSP implemented a series of key reforms and measures in the second half of 2024. As a continuation of the groundwork to promote institutional stability, the BSP issued the guidelines on operational resilience[1] to strengthen the ability of BSP-supervised financial institutions (BSFIs) to manage and mitigate disruptions and threats to their critical operations. The guidelines aim to ensure that financial services will remain accessible even during prolonged business interruptions, such as those experienced during the COVID-19 pandemic. All BSFIs are expected to integrate operational resilience with their governance structure and risk management processes, particularly operational risk management, business continuity management, cyber resilience, third-party risk management, and recovery plans, among others.

*The BSP continually implements **impactful policy reforms and initiatives** to foster a more stable and resilient financial system.*

[1] BSP Circular No. 1203 dated 26 October 2024 (Guidelines on Operational Resilience)

***Robust framework and enhanced regulations** demonstrate the BSP's long-term commitment to protect the **integrity of the Philippine financial system.***

The BSP also recognizes the importance of protecting the integrity of the financial system by reinforcing and sustaining efforts to strengthen the country's measures against money laundering, terrorism and proliferation financing activities. Aligned with the BSP's mandate of ensuring the sustained safety and soundness of the financial system, the BSP continues to disseminate advisories and reminders[2], issue regulations, conduct heightened surveillance and reporting requirements, perform risk-based anti-money laundering/countering terrorism and proliferation (AML/CTPF) examinations and thematic reviews, and provide capacity building and literacy programs. *Box Article 1* highlights the BSP's risk surveillance and reporting mechanism for an effective risk-based AML/CTPF supervision.

As part of the cohesive strategies to exit the Financial Action Task Force (FATF) grey list, the BSP conducted thematic reviews, which focused on key areas such as exposures of the banking system to junket operations and customer due diligence for designated non-financial business and profession and juridical persons. The BSP also assisted other supervisors[3] in successfully addressing their action plan items. The BSP likewise regularly monitored the impact of the country's inclusion in the FATF grey list to aid proper and timely supervisory action or intervention.

Proactive cooperation and collaboration with partners and counterparts are essential to fostering an effective AML/CTPF regime. This becomes prominent in the BSP's active steering of the ongoing ML/TF national risk assessment exercise for the banking sector and other supervised financial institutions and in the BSP's leadership in the implementation of targeted initiatives under the National AML/CFT Strategy 2023-2027, particularly for supervisors of financial institutions in the country.

Collectively, these initiatives enhanced the effectiveness of the AML/CTFP supervisory regime in the country and contributed significantly to the successful removal of the country from the FATF grey list in February 2025.

The BSP also boosts the ability of smaller financial institutions such as pawnshops and money service businesses (PMSBs) to effectively manage their attendant risks, which include their susceptibility to be used as conduits for money laundering, terrorism financing, and proliferation financing (ML/TF/PF) activities. PMSBs are important agents of financial inclusion in the country. They provide remittance platforms for

---

2 This includes issuance of (a) newsletter to BSFIs and industry associations, which compiles articles, regulations, international standards, best practices, and emerging ML/TF/PF risks, i.e., iAMLatest; (bi) FATF statements, i.e., Circular Letter Nos. CL-2024-034 dated 5 July 2024 and CL-2024-045 dated 30 October 2024; (c) freeze order and advisories, i.e., Circular Letter Nos. CL-2024-032 dated 02 July 2024 and CL-2024-058 dated 27 December 2024; and (d) reminders on the acceptance of the national identification. i.e., Memorandum No. M-2024-026 dated 09 August 2024.

3 The Securities and Exchange Commission, the Philippine Amusement ang Gaming Corporation, and the Anti-Money Laundering Council Secretariat.

more than 90 percent of Filipinos[4] as well as extensive touchpoints nationwide. As a strategic initiative, the BSP developed the MSBs and Pawnshops Strengthening program (MaPS)[5], to raise the capitalization and governance standards of these non-bank financial institutions (NBFIs). Complementing MaPS is the recent consolidation of all MSB-related provisions under "M-Regulations[6]" in the new Manual of Regulations for NBFIs (MORNBFI). These unified regulations cover key aspects such as the supervisory authority for the registration and licensing of MSBs, capitalization requirements, amendments to the definition of e-money, classification of pawnshop licenses, and disclosure requirements to the audited financial reports. Relatedly, a new section in the MORNBFI contains regulations on the activities of non-stock savings and loans associations (NSSLAs). This section provides guidelines on the compensation and per diem of trustees, officers, and employees of NSSLAs, including the minimum requirements and standards under which NSSLAs may operate.[7] The BSP also fine-tuned its supervision approach for PMSBs, implementing a proportionate and risk-based methodology to ensure that supervision and oversight measures match the size, complexity, and risk profile of each PMSB. *Box Article 2* presents the recalibrated approach for MSB and pawnshop BSP supervisory assessment framework (RAMPS).

Meanwhile, the regulations on trust account review and investments were amended to further protect the public and promote the adherence of banks and the trust industry to prudent practices. The rules on trust account reviews[8], which consist of administrative and investment reviews, were revised to set the supervisory expectations for the conduct of review of trust, investment management, and other fiduciary accounts. The administrative review ensures that accounts are managed consistent with their governing agreements, relevant laws, rules, and regulations, and the trust entity's (TE) internal policies and procedures. On the other hand, the investment review confirms that a client's investment risks are properly managed by the TE and that the portfolio aligns with the client's risk profile, investment objectives, risk tolerance, and liquidity needs. The administrative review will be conducted every three years, while the investment review will be more frequent, conducted at least annually depending on the nature, investment needs, and/or requirements of the account. As for banks with unauthorized equity holdings, the amendment requires the immediate disposal of bank assets that were previously rejected, breach current regulations or violate existing laws.[9] Appropriate fines and penalties, including the requirement to submit divestment plans and progress reports to the BSP, will be imposed on non-compliant banks.

Foremost on the digitalization front was the launch of the 2024-2029 Financial Services Cyber Resilience Plan (FSCRP)[10]. This is in line with the BSP's strong commitment to increase the banking system's overall cyber resilience and maturity. The plan, which will be implemented in phases until 2029, is a comprehensive

---

[4] Based on the BSP 2019 Financial Inclusion Survey

[5] The MaPS Program is built on four key elements, namely a) Strengthened capital and corporate governance; b) Six time-bound action tracks; c) Incentives and capacity-building initiatives; and d) Review and enhancement of existing regulations to ensure consistency in policy direction.

[6] Circular No. 1206 dated 23 December 2024 [Consolidated Rules for Money Service Businesses (MSBs) under the New "Manual of Regulations for Non-bank Financial Institutions (MORNBFI)-M"]

[7] Circular No. 1200 dated 06 September 2024 [Guidelines on Compensation and Per Diem of Trustees, Officers and Employees of Non-Stock Savings and Loan Associations (NSSLAs)]

[8] Circular No. 1204 dated 08 November 2024 (Amendments to the Regulations on the Periodic Review of Trust, Investment Management, and Other Fiduciary Accounts)

[9] Circular No. 1199 dated 08 August 2024 (Divestment of Equity Investments)

[10] The BSP launched the FSCRP on 06 August 2024.

roadmap to foster coordinated incident response mechanisms, encourage active information sharing, strengthen cybersecurity culture and awareness, and promote best practices across various cybersecurity domains. The phased implementation will allow for continuous improvement and responsiveness within the evolving cyber landscape. *Box Article 3* outlines the key components of FSCRP, and its integration with BSP regulations and national government policies[11].

*The launch of **the 2024-2029 FSCRP marks a significant milestone** in the country's cybersecurity journey, **promoting strong cybersecurity practices, governance, and collaboration.***

Moreover, the BSP fully supported the passage of the Anti-Financial Account Scamming Act (AFASA)[12] as this legislative measure enhanced the BSP's supervisory capabilities and provided a strong complement to the FSCRP. AFASA compels all BSFIs to implement more rigorous measures to protect consumers by promoting awareness on the proper use of financial accounts[13]. The BSP, in a memorandum to all BSFIs,[14] reiterated the guidelines on risk management systems and controls to protect financial accounts. The memorandum also emphasizes the responsibility of BSFIs to adopt adequate fraud management systems; infrastructure and security monitoring; multi-factor authentication; and user enrollment and verification processes to safeguard financial accounts.

*The BSP welcomes the passage of **AFASA, the cornerstone of the financial system's cybersecurity plan.***

To boost competition and innovation in the country, the BSP lifted the moratorium on the issuance of new digital bank (DGB) license starting on 01 January 2025.[15] The entry of new players is expected to diversify the market, thereby enhancing the national government's ongoing efforts toward financial inclusion. Since the issuance of the Digital Banking framework in December 2020, six DGBs have been operating in the Philippines. [16] *Box Article 4* explains the key process for the grant of new DGB license, including the conversion of an existing bank license to a DGB license.

[11] National Cybersecurity Plan 2023-2028
[12] Republic Act No. 12010, or the AFASA was signed into law on 20 July 2024 and took effect on 11 August 2024.
[13] This covers all financial accounts from deposits, trust, investment, credit card to e-wallet accounts.
[14] Memorandum No. M-2024-029 dated 19 September 2024
[15] Circular no. 1205 dated 26 December 2024 (Lifting of the Moratorium on the Establishment of Digital Banks)
[16] GoTyme Bank Corporation, Maya Bank, Inc., Overseas Filipino Bank, Inc. (A Digital Bank of LANDBANK), Tonik Digital Bank, Inc., Union Digital Bank, and UNObank, Inc.

*On inclusive and sustainable finance,* the BSP has implemented measures in the form of additional 15.0 percent to the regular single borrower's limit of 25.0 percent and graduated decrease in the reserve requirement rate for thematic bonds issued by banks starting in January 2024, allowing banks to finance eligible green or sustainable projects or activities, including transitional activities. Complementing this, the issuance of the implementing circular of the Sustainable Finance Taxonomy Guidelines (SFTG) for banks in the first quarter of the year is aimed at directing capital flows to environmentally and socially sustainable activities. To increase banks' understanding and familiarity of the SFTG, the BSP issued supplementary memoranda clarifying the treatment of excluded activities and coal-fired power plant projects relative to the SFTG implementation and providing quick reference guide on the use of the SFTG.

Further contributing to the expansion of credit activity in the country is the series of reserve cuts on local currency deposits and deposit substitute liabilities of banks and NBFIs with quasi-banking functions (NBQBs). These allowed BSFIs to channel more funds to productive loans and investments. Beginning 25 October 2024, the reserve requirement ratios (RRRs) of universal and commercial banks (UKBs) and NBQBs were reduced to 7.0 percent, while DGBs, thrift banks (TBs), and rural and cooperative banks dropped to 4.0 percent, 1.0 percent, and 0.0 percent, respectively.[17] Further cut is expected in line with the BSP's continuing efforts to reduce distortions in the financial system, lower intermediation costs, and promote better pricing for financial services.[18]

Collectively, these reforms and scaled up efforts by the BSP strengthen the soundness and resilience of the financial system, while also empowering banks and other BSP-supervised entities to serve as more robust drivers of economic growth and development in the country.

### Continuing the tradition of excellence to 2025: The BSP's strategic reforms for a more resilient, inclusive, and sustainable financial system

The BSP adapts to the globalized financial environment, remaining steadfast in its commitment to fostering the stability of the Philippine financial system amid challenges posed by geopolitical tensions, a global economic slowdown, and domestic conditions.

Grounded in its strategic agenda[19], the BSP will further strengthen its efforts to ensure the stability and resilience of financial institutions, promote responsible innovation, and mainstream inclusive and sustainable finance. These priority prudential reforms, combined with the strong fundamentals of the banking system, are expected to drive the Philippines toward a more robust and dynamic financial system that offers an accessible and equitable financial landscape for all Filipinos.

*On ensuring institutional stability and financial sector resilience*, the BSP is working on the phased implementation of the operational resilience requirements for BSFIs. This will ensure continuity of critical operations of BSFIs through disruptions to serve the

[17] Circular no. 1201 dated 20 September 2024 (Reduction in Reserve Requirements)

[18] The BSP announced a further reduction in RRRs last 21 February 2025 that would take effect on the reserve week beginning on 28 March 2025. RRRs for UKBs and NBQBs, DGBs, and TBs will be reduced by 200 basis points (bps, to 5.0 percent), 150 bps (to 2.5 percent) and 100 bps (to 0.0 percent), respectively. Source: Circular no. 1211 dated 11 March 2025 (Reduction in Reserve Requirements)

[19] These are institutional stability, digitalization, and inclusive and sustainable finance.

needs of the public. The BSP also expects to complete the national risk assessment on ML/TF for the banking sector in 2025. This is expected to inform priority actions that will be taken to address key ML/TF/PF risks and vulnerabilities in the sector.

*On fostering digitalization*, the BSP remains committed to providing a conducive environment for innovations to serve as a pathway to financial inclusion and customer centricity. In line with this, the BSP is gearing up to issue a set of guidelines for digital marketplace activities of banks and electronic money issuers (EMIs). This new business model and arrangement, which will allow banks and EMIs to create a more tailored and holistic experience for their clients using a single platform, is expected to deepen financial inclusion, foster innovation, encourage competition, and bring more value to consumers.

*The BSP prepares for digital marketplace activities and new digital bank.*

In addition, the BSP has made significant strides in improving its data analytics and supervisory technology capabilities. In 2025, the BSP will embark on a digital transformation of its supervisory processes, which will allow it to perform its core functions with increased efficiency; provide timelier and more in-depth insights: and conduct more data-driven and evidence-based assessment of risks in the financial system.

*On advancing the inclusive and sustainable finance agenda*, forthcoming initiatives are the improvement of existing sustainability-related disclosures and prudential reports, and the development of climate stress testing guidelines, including climate scenarios and assumptions, in collaboration with the banking industry. These aim to facilitate identification and collection of relevant data and information for enhanced climate risk assessment and market transparency. The BSP is also amending regulatory relief package to expand measures available to banks affected by calamities as well as exploring other regulatory incentives to broaden financing for innovation, development[20], climate adaptation, and transition-related activities. Likewise, the BSP will be issuing guidelines for sustainability-themed unit investment trust funds by trust entities.

The BSP will accompany its pursuit of progressive financial reforms with active collaboration and close coordination with development partners, counterpart government agencies, the private sector, and other stakeholders. The BSP will also continue to advocate for essential legislation on bank deposit secrecy. Overall, these initiatives will support a resilient, dynamic, inclusive, and sustainable financial system.

[20] To implement the provisions of Section 23 of the Philippine Innovation Act (PIA).

***Ongoing policy reforms*** *and* ***active collaboration*** *are vital in promoting a resilient, dynamic, and inclusive financial system.*

**Box Article 1**


# Strengthening Risk-Based Anti-Money Laundering /Countering Terrorism and Proliferation Financing Supervision Through Robust Risk Surveillance

The financial system's risk landscape, including threats posed by money laundering (ML), terrorist financing (TF), and proliferation financing (PF), is constantly evolving. This dynamic environment highlights the need for robust risk surveillance mechanisms to support effective risk-based anti-money laundering/countering terrorism and proliferation financing (AML/CTPF) supervision.

Risk surveillance, as a core component of supervision, involves the continuous identification and assessment of emerging risks. This ensures that supervisors stay informed of the ML/TF/PF risk environment, the inherent risk profiles of regulated entities, and potential vulnerabilities. Insights gained from surveillance activities inform the approach and focus of on-site supervisory reviews.[1]

One of the key risk surveillance and reporting mechanisms employed by the Bangko Sentral ng Pilipinas (BSP) is the requirement for BSP-supervised financial institutions (BSFIs) to submit ML/TF/PF risk event report[2]. This mandates BSFIs to report to the BSP, within 24 hours from the date of knowledge, or discovery of occurrence, any significant risk events arising from ML/TF/PF-related activities and transactions that may present material and adverse impact on the BSFI, or the financial system. This regulation enables the BSP to obtain timely and accurate information, allowing for strategic, coordinated, and proportionate responses to these events.

---

1 FATF Guidance-Risk-Based-Supervision.pdf.coredownload.inline.pdf

2 Circular No. 1193 dated 29 April 2024 (Amendments to Section 911/911-Q of the Manual of Regulations for Banks/Manual of Regulations for Non-Bank Financial Institutions - ML/TF/PF Risk Reporting and Notification Requirements) and Memorandum No. M-2024-016 dated 27 May 2024 (Guidelines on the Electronic Submission of ML/TF/PF Risk Event Report)

Another risk surveillance mechanism is the iAMLatest newsletter[3], which is a thematic publication distributed to BSP supervisors, industry associations, and BSFIs. This newsletter provides updates on relevant laws, regulations, global standards, best practices, and emerging trends/typologies at both the local and international levels. By keeping stakeholders informed, iAMLatest enhances the industry awareness and strengthens AML/CTPF compliance efforts.

Data collected from reports and surveillance activities (a) inform BSP's supervisory approach to mitigate emerging risks and concerns that could impact the financial system and (b) refine risk assessments and priorities. This information, in turn, guide the formulation of sustainable supervisory strategies and priority action plans in line with the implementation of relevant strategic objectives under the National AML/CFT Strategy 2023-2027[4]. This aims to further strengthen the effectiveness of the Philippines' AML/CTPF supervisory regime.

---

[3] Since March 2020, BSP has issued a total of 33 newsletters, which include an issue focusing on National Risk Assessment.

[4] Pursuant to Executive Order No. 33, Series of 2023, dated 04 July 2023

**Box Article 2**

# RAMPS: A Smarter Approach of Money Services Business and Pawnshops

Bangko Sentral ng Pilipinans (BSP), through the Financial Supervision Departmetn IX, is adopting a smarter, more deliberate approach to supervision called RAMPS or the Recalibrated Approach for MSB (money service business) and Pawnshop SAFr (BSP Supervisory Assessment Framework). RAMPS is designed to enhance supervision by applying a proportionate, risk-based approach that aligns oversight with the size, complexity, and risk profile of MSBs and pawnshops. This ensures that regulatory measures match the level of risk, thereby upholding financial integrity and stability while supporting sustainable growth of the pawnshop and MSB sectors.

As of 31 December 2024, BSP oversees 1,428 pawnshops and 723 MSBs, collectively operating more than 31,000 units of head office, branch, and sub-agent. These businesses vary widely in size, complexity, and risk exposure—diversity that the RAMPS framework aims to address. Guided by the SAFr, BSP developed RAMPS as a supervisory framework that is both adaptive and proportional. This means higher-risk or more complex entities receive heightened oversight and stricter compliance requirements, while smaller, lower-risk entities benefit from simplified regulatory expectations, avoiding undue regulatory burden. This approach ensures that regulatory measures correspond to the risk each business poses to the sector and the broader financial system.

RAMPS also helps in targeting complex financial networks, allowing BSP to identify and address financial flows more effectively. By focusing on businesses that handle cross-border transactions or have multiple points of contact within the financial ecosystem, RAMPS helps detect complex money laundering schemes that might otherwise evade notice.

Moreover, a targeted regulatory framework facilitates better data collection on transactions that are more likely to be risky. With a more granular oversight, BSP can track emerging trends, uncover patterns of suspicious activity, and disrupt illicit financial flows. By focusing on higher-risk transactions, RAMPS enables BSP to take prompt and decisive action, optimizing prevention of financial crimes.

The flexibility of RAMPS also allows BSP to quickly adapt to emerging threats and vulnerabilities, such as those arising from technological advancements, online platforms, and digital transactions. This capability ensures that businesses facing new risks—such as online MSBs or pawnshops involved in virtual assets and other online transactions—are closely monitored, helping BSP stay ahead of evolving challenges and ensuring the financial system remains protected from emerging risks

RAMPS creates a regulatory environment that is both effective and efficient. Its tailored, risk-based approach ensures that BSP supervision remains responsive and focused, effectively addressing emerging challenges in the rapidly changing financial landscape. By strengthening defenses against financial crimes, RAMPS not only promotes financial stability but also fosters a financial ecosystem where growth and risk management thrive together, supporting a competitive, resilient, and innovative MSB and pawnshop sector.

## Box Article 3

# The 2024-2029 Financial Services Cyber Resilience Plan: Navigating Challenges through Agility and Collaboration

As digital innovation accelerates and reshapes the financial services industry, the attack surface for cyberthreat actors is growing remarkably. Cybercriminals are diversifying their tactics, refining their methods, and deploying increasingly sophisticated threats at an alarming pace. The financial sector, as a prime target, faces mounting risks that threaten consumer trust and financial stability.

In response to these escalating threats, Bangko Sentral ng Pilipinas (BSP) launched on 06 August 2024 the Financial Services Cyber Resilience Plan (FSCRP)—a strategic blueprint designed to strengthen the security posture of BSP-supervised financial institutions (BSFIs) —on 06 August 2024. BSP, as the lead Computer Emergency Response Team of the banking sector and steward of critical information infrastructure, recognizes the urgency of building a cyber-resilient ecosystem—one that not only safeguards institutions, but also ensures swift recovery from cyber incidents.

Beyond reinforcing cybersecurity defenses, the FSCRP also institutionalizes coordinated efforts among financial institutions, government agencies, and private sector participants.


Formal launching of the FSCRP with key stakeholders (from left to right, Deputy Governor Mamerto Tangonan, Deputy Governor Chuchi Fonacier, Deputy Governor Elmore Capule, Senator Mark Villar, Governor Eli M. Remolona, Jr., Department of Information and Communication Technology Undersecretary Jeffrey Ian Dy, Bankers Association of the Philippines President Teodoro Limcaoco, Assistant Governor Lyn Javier and Senior Director Melchor Plabasan)

**Key components of the FSCRP**

The FSCRP is structured around four high-level goals, each addressing a fundamental aspect of cybersecurity resilience: [1]

**1. Defined and coordinated incident response protocols and mechanisms**. The first goal focuses on enhancing the industry's capacity to proactively respond to and recover from cyber incidents. The key priority actions under this goal are to:

- establish a baseline industry incident response plan;
- develop scenario-based incident response playbooks;
- conduct a progressive industry-wide cyber testing exercise regime; and
- explore the establishment of an industry security operations center.

**2. Active information sharing and collaboration**. The second goal emphasizes the importance of information-sharing platforms and partnerships. The key priority actions under this goal are to:

- expand and further enhance the Bankers Association of the Philippines Cybersecurity Incident Database as an industry-sharing platform;
- strengthen domestic and international cybersecurity partnerships; and
- support the enactment of cyber-related initiatives such as the Anti-Financial Account Scamming Act (AFASA)[1] and the liberalization of bank secrecy laws to improve transparency and fraud mitigation.

**3. Strong cybersecurity culture and awareness**. The third goal aims to instill a robust cybersecurity culture and enhance cybersecurity skills and capabilities in the financial services industry. The key priority actions under this goal are to:

- develop and implement cyber education program for BSFI Board and Senior Management;
- conduct regular Chief Information Security Officer forum and annual cybersecurity summit;
- roll out cybersecurity roadshows for small and medium-sized financial institutions;
- pursue holistic development programs on cybersecurity skills and talent development;
- mainstream cyber education for financial clients.

**4. Holistic cybersecurity best practices and standards**. The final goal contains strategies to promote cybersecurity best practices and standards across cybersecurity domains. The key priority actions under this goal are to:

- complete policy reforms on digital security controls, application programming interface security, cybersecurity maturity model framework and supply chain risk management;
- explore the establishment of an industry cyber innovation/research hub;
- conduct benchmarking exercises on cyber capabilities.

---

[1] Republic Act No. 12010 (2024, July 20) (Phil.) https://elibrary.judiciary.gov.ph/thebookshelf/showdocs/2/97690


**FSCRP STRATEGY MAP**

Source: BSP (2024), *Financial Services Cyber Resilience Plan 2024-2029*
https://www.bsp.gov.ph/Media_And_Research/FSCRP/FinancialServicesCyberResiliencePlan2024-2029.pdf

**Integration with BSP regulations and national policies**

A key strength of the FSCRP lies in its seamless integration with BSP's regulations and national policies. The blueprint aligns with the National Cybersecurity Plan 2023-2028, which reinforces the country's overarching strategy to protect critical information infrastructures. Given the multi-dimensional aspect of cybersecurity, the FSCRP was designed to complement BSP's Technology Risk Management Framework, and to cut across its broader initiatives on financial inclusion, financial consumer protection, open finance, anti-money laundering, operational resilience, and enhanced work on systemic risk oversight and resolution.

**Progress and industry collaboration**

Since its launch, the FSCRP has already gained traction through stakeholder engagements, policy refinements, and strengthened industry collaboration. Among the notable developments thus far include:

- **Cyber education and awareness initiatives.** BSP's Technology Risk and Innovation Supervision Department (TRISD) launched the TRISD Academy Roadshows, covering key topics such as IT risk management; electronic payments and financial services; cybersecurity fundamentals; outsourcing risk management; and regulatory updates. Since its initial run in April 2024, eight sessions have been conducted across various BSP branches and/or regional offices, benefiting financial institutions nationwide.

- **Legislative support and policy developments.** The enactment of the AFASA law in July 2024 marked a pivotal step in the fight against financial fraud and cybercrime. In support of its implementation, BSP published three draft circulars[2] providing industry guidance on key provisions of the law. Additionally, BSP continues to

[2] Draft circulars as follows: (1) Regulations on the Temporary Holding of Funds Subject of a Disputed Transaction and Coordinated Verification Process; (2) Draft Rules of Procedure on the Conduct of Inquiry into Financial Account and Sharing; and (3) Amendments to Regulations on Information Technology Risk Management

advocate for the liberalization of the Bank Secrecy Law to enhance transparency and bolster fraud detection measures.

- **Launch of the Financial Cyber Resilience Governance Council (FCRGC).** The FCRGC, a high-level, multi-stakeholder body,[3] was established on 11 February 2025 to oversee the implementation of the FSCRP. The council is entrusted to provide guidance and ensure the industry's progress in achieving cybersecurity goals and objectives.

[3] The FCRGC is composed of board and senior-level officers from relevant industry associations, select BSFIs, and senior management of BSP.

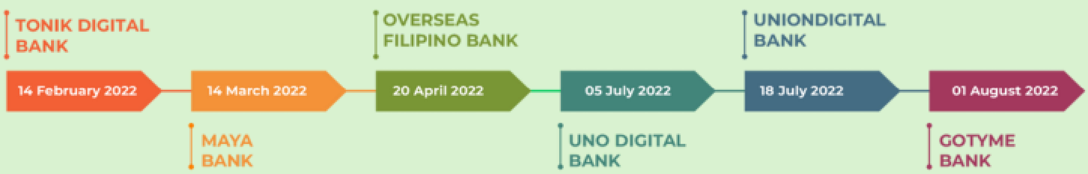
## Box Article 4

# Lifting of the Moratorium on Establishment of Digital Banks in the Philippines

The Bangko Sentral ng Pilipinas (BSP) re-opened the application window for the establishment of new digital banks starting 01 January 2025.[1] It may be recalled that after issuing six digital bank licenses, the application window for digital banks was temporarily closed in August 2021 to monitor the performance of the digital bank industry.

The lifting of the moratorium is based on BSP's evaluation of the performance of digital banks and their contribution to promoting financial inclusion and advancing digital transformation in the financial system. This decision included an increase in the maximum number of digital banks that may be allowed to operate in the country to 10. Given the present lineup of six digital banks (*Figure 1*), there are four additional licenses available for new entrants or converting banks.

Figure 1
**List of Digital Banks in the Philippines**




Considering the key results of the digital banks review and the need to enable them to generate a steadier income stream, it is deemed prudent to subject aspiring digital banks to additional or higher licensing standards. First, digital bank applicants must demonstrate their capacity to offer unique value proposition or business model not currently available in the country. Second, the proposed products or services must reach broader market segment in particular those who have little to no access to banking or financial services. And third, applicants must show their readiness to deploy the right tools, skills, and solutions in launching their digital products or services and in growing their business within the Philippine setting.

Meanwhile, applications for the establishment of other types of banks—such as thrift, rural, or cooperative bank—whose business model is predominantly "digital centric" or whose operations will be conducted mainly through a digital platform and/or electronic channel, will be treated and evaluated as a digital banking license application. Similarly, existing thrift, rural and cooperative banks that are operating under a digital-centric business model may be subjected to a phased implementation of higher regulatory standards or to the requirements applicable to a digital bank, as may be determined by BSP. This will ensure fair competition within the industry.

Converting banks must be able to meet the minimum capital requirement of ₱1.0 billion for digital banks at the time of their application. This ensures that only those banks with

[1] Circular No. 1205 dated 26 December 2024 (Lifting of the Moratorium on the Establishment of Digital Banks)

sufficient capital and financial strength are eligible for conversion. Additionally, the three-year transition plan remains in place, giving banks ample time to gradually phase out activities that are not aligned with a digital banking license.

Overall, these measures demonstrate BSP's strong commitment to a balanced regulatory approach that fosters responsible innovation through new or emerging business model, while safeguarding the stability and resilience of the financial system.

# APPENDICES

Appendix 1

**The Philippine Banking System: Financial Highlights and Growth Rates**

as of end-periods indicated; in billion PH pesos; growth rate in percent

| | Financial Highlights | | | | | Year-on-Year Growth | |
|---|---|---|---|---|---|---|---|
| | end-December | | | | | end-December | |
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2023 | 2024 |
| **On-Balance Sheet** | | | | | | | |
| **Total Assets** [1] | **19,457.1** | **20,828.1** | **23,047.7** | **25,165.9** | **27,431.3** | **9.2** | **9.0** |
| Cash and due from banks | 3,584.1 | 3,571.5 | 3,271.7 | 2,918.9 | 2,741.7 | (10.8) | (6.1) |
| Investments, gross | 4,569.5 | 5,497.9 | 6,470.0 | 7,082.4 | 7,819.7 | 9.5 | 10.4 |
| Financial assets, gross (net of amortization) | 4,307.8 | 5,221.0 | 6,207.5 | 6,786.4 | 7,507.9 | 9.3 | 10.6 |
| Securities measured at fair value through profit or loss | 328.8 | 255.3 | 207.8 | 272.9 | 556.3 | 31.3 | 103.8 |
| Securities measured at fair value through other comprehensive income | 2,061.7 | 2,337.5 | 2,194.8 | 2,495.8 | 3,006.0 | 13.7 | 20.4 |
| Securities measured at amortized cost | 1,917.2 | 2,628.2 | 3,804.9 | 4,017.7 | 3,945.6 | 5.6 | (1.8) |
| Accumulated market gains/(losses) | 40.4 | (4.5) | (122.8) | (49.1) | (42.4) | (60.1) | (13.7) |
| Allowance for credit losses | 19.5 | 20.7 | 17.7 | 14.7 | 7.5 | (17.0) | (49.2) |
| Financial assets, net | 4,328.7 | 5,195.9 | 6,066.9 | 6,722.6 | 7,458.1 | 10.8 | 10.9 |
| Equity investments in subsidiaries, associates and joint ventures, net | 261.7 | 276.9 | 262.5 | 296.0 | 311.7 | 12.8 | 5.3 |
| Investments, net | 4,590.4 | 5,472.8 | 6,329.4 | 7,018.6 | 7,769.8 | 10.9 | 10.7 |
| Loans, gross | 10,872.6 | 11,391.1 | 12,625.1 | 13,859.9 | 15,323.6 | 9.8 | 10.6 |
| Allowance for credit losses | 367.2 | 396.8 | 426.7 | 456.9 | 480.6 | 7.1 | 5.2 |
| Loans, net | 10,505.4 | 10,994.3 | 12,198.4 | 13,403.0 | 14,843.0 | 9.9 | 10.7 |
| Real and other properties acquired, net | 92.7 | 95.9 | 104.3 | 106.5 | 117.6 | 2.1 | 10.4 |
| Other assets, net | 684.4 | 693.6 | 1,143.9 | 1,718.8 | 1,959.2 | 50.3 | 14.0 |
| **Total Liabilities** | **17,025.9** | **18,254.2** | **20,341.3** | **22,097.0** | **24,061.5** | **8.6** | **8.9** |
| Financial liabilities held for trading | 47.3 | 43.7 | 72.9 | 57.0 | 64.0 | (21.7) | 12.2 |
| Deposits liabilities | 14,895.0 | 16,241.1 | 17,770.4 | 19,032.7 | 20,373.9 | 7.1 | 7.0 |
| Peso liabilities | 12,702.2 | 13,857.9 | 15,065.4 | 15,974.8 | 17,087.8 | 6.0 | 7.0 |
| Foreign currency | 2,192.8 | 2,383.2 | 2,704.9 | 3,057.8 | 3,286.1 | 13.0 | 7.5 |
| Due to banks/others | 171.2 | 181.9 | 114.4 | 164.3 | 151.9 | 43.7 | (7.6) |
| Bills payable | 558.2 | 496.9 | 666.0 | 780.2 | 1,096.4 | 17.2 | 40.5 |
| Bonds payable | 723.6 | 613.8 | 578.2 | 496.3 | 574.6 | (14.2) | 15.8 |
| Unsecured subordinated debt | 27.5 | 22.6 | 19.3 | 8.1 | 8.1 | (57.9) | 0.1 |
| Redeemable preferred shares | 0.2 | 0.2 | 0.3 | 0.3 | 0.3 | 7.6 | 6.1 |
| Derivatives with negative fair value held for hedging | 0.8 | 0.3 | 4.4 | 8.1 | 10.6 | 85.5 | 31.2 |
| Other liabilities | 602.2 | 653.5 | 1,115.6 | 1,549.9 | 1,781.7 | 38.9 | 15.0 |
| **Total Capital Accounts** [2] | **2,431.1** | **2,574.0** | **2,706.4** | **3,068.9** | **3,369.8** | **13.4** | **9.8** |
| **Total Off-Balance Sheet Accounts** | **10,530.7** | **12,171.3** | **14,114.7** | **13,344.5** | **14,901.4** | **(5.5)** | **11.7** |
| **Income Statement** | | | | | | | |
| Total operating income | 893.3 | 869.4 | 1,014.5 | 1,137.8 | 1,272.8 | 12.2 | 11.9 |
| Net interest income | 674.2 | 661.8 | 754.7 | 915.6 | 1,039.1 | 21.3 | 13.5 |
| Non-interest income | 219.1 | 207.6 | 259.9 | 222.3 | 233.7 | (14.5) | 5.1 |
| Non-interest expenses | 491.5 | 512.4 | 562.4 | 645.1 | 712.4 | 14.7 | 10.4 |
| (Losses)/Recoveries on financial assets | (214.2) | (97.7) | (88.6) | (84.2) | (105.6) | (5.0) | 25.4 |
| Net profit before share in the profit/(loss) of unconsolidated subsidiaries, associates and joint ventures | 187.6 | 259.3 | 363.5 | 408.5 | 454.8 | 12.4 | 11.3 |
| Share in the profit/(loss) of unconsolidated subsidiaries, associates and joint ventures | 11.9 | 20.7 | 23.8 | 27.3 | 30.5 | 14.3 | 11.7 |
| Total profit/(loss) before tax and before minority interest | 199.5 | 280.1 | 387.4 | 435.7 | 485.2 | 12.5 | 11.4 |
| Income tax expense | 44.3 | 55.3 | 77.3 | 79.2 | 93.9 | 2.6 | 18.5 |
| Total profit/(loss) after tax and before minority interest | 155.2 | 224.8 | 310.1 | 356.5 | 391.3 | 15.0 | 9.8 |
| Minority interest in profit/(loss) of subsidiaries | - | - | - | - | - | | |
| Net profit/(loss) after tax and minority interest | **155.2** | **224.8** | **310.1** | **356.5** | **391.3** | **15.0** | **9.8** |

Source: Bangko Sentral ng Pilipinas - Department of Supervisory Analytics

[1] Net of due to/from head office of foreign bank branches

[2] Inclusive of the portion of the net due to head office, which qualified as capital

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

Appendix 2

## The Philippine Banking System: Selected Performance Indicators

as of end-periods indicated; ratio in percent

| | end-December | | | | |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 | 2024 |
| **Asset Quality** | | | | | |
| Restructured loans to total loan portfolio (TLP) | 1.9 | 3.1 | 2.6 | 2.2 | 2.0 |
| Allowance for credit losses (ACL) to TLP | 3.4 | 3.5 | 3.4 | 3.3 | 3.1 |
| Non-performing loan (NPL) ratio | 3.6 | 4.0 | 3.2 | 3.2 | 3.3 |
| NPL ratio (net of interbank loans receivables) | 3.7 | 4.1 | 3.2 | 3.3 | 3.3 |
| NPL coverage ratio | 93.0 | 87.7 | 107.0 | 101.7 | 96.0 |
| Non-performing asset (NPA) ratio | 2.6 | 2.7 | 2.2 | 2.3 | 2.3 |
| NPA coverage ratio | 78.5 | 75.3 | 87.9 | 85.1 | 80.5 |
| **Profitability** | | | | | |
| Earning asset yield[1] | 4.8 | 4.1 | 4.4 | 5.8 | 6.2 |
| Funding cost[2] | 1.1 | 0.7 | 0.9 | 1.9 | 2.2 |
| Interest spread[3] | 3.7 | 3.4 | 3.5 | 3.9 | 4.1 |
| Net interest margin (NIM)[4] | 3.8 | 3.5 | 3.6 | 4.1 | 4.3 |
| Non-interest income to total operating income[5] | 24.5 | 23.9 | 25.6 | 19.5 | 18.4 |
| Cost-to-income ratio[6] | 54.9 | 58.7 | 55.2 | 56.7 | 56.0 |
| Return on assets (RoA)[7] | 0.8 | 1.1 | 1.4 | 1.5 | 1.5 |
| Return on equity (RoE)[7] | 6.5 | 9.0 | 11.7 | 12.3 | 12.2 |
| **Capital Adequacy** | | | | | |
| Total capital accounts[8] to total assets | 12.5 | 12.4 | 11.7 | 12.2 | 12.3 |
| Capital adequacy ratio (CAR, solo)[9, 10] | 16.7 | 16.7 | 15.7 | 16.6 | 16.2 |
| Common equity tier 1 (CET1) ratio | 15.5 | 15.5 | 14.6 | 15.5 | 15.1 |
| Capital conservation buffer | 9.5 | 9.5 | 8.6 | 9.5 | 9.1 |
| Tier 1 ratio | 15.7 | 15.7 | 14.8 | 15.6 | 15.3 |
| CAR (consolidated)[9, 10] | 17.2 | 17.2 | 16.3 | 17.1 | 16.6 |
| CET1 ratio | 16.0 | 16.0 | 15.2 | 16.0 | 15.6 |
| Capital conservation buffer | 10.0 | 10.0 | 9.2 | 10.0 | 9.6 |
| Tier 1 ratio | 16.1 | 16.2 | 15.4 | 16.1 | 15.7 |
| **Liquidity** | | | | | |
| Cash and due from banks to deposits | 24.1 | 22.0 | 18.4 | 15.3 | 13.5 |
| Liquid assets to deposits | 53.1 | 54.0 | 52.6 | 50.7 | 50.1 |
| Loans, gross to deposits | 73.0 | 70.1 | 71.0 | 72.8 | 75.2 |

Source: Bangko Sentral ng Pilipinas - Department of Supervisory Analytics

[1] Earning asset yield refers to the ratio of interest income to average earning assets.

[2] Funding cost ratio 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] NIM 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] Total capital accounts includes redeemable preferred shares.

[9] CAR refers to the ratio of qualifying capital to total risk-weighted assets.

[10] Aggregates are combination of Basel III and Basel 1.5

Appendix 3

## The Philippine Banking System: Number of Offices and Regional Profile

as of end-periods indicated

| | end-December 2024 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Total | Universal Banks | Commercial Banks | Thrift Banks | Rural Banks | Cooperative Banks | Digital Banks |
| **Total** | **13,384** | **6,894** | **191** | **2,660** | **3,453** | **180** | **6** |
| **Head Offices** | **474** | **22** | **22** | **41** | **362** | **21** | **6** |
| **Branches/Other Offices** | **12,910** | **6,872** | **169** | **2,619** | **3,091** | **159** | - |
| Regular Branch | 9,845 | 6,588 | 150 | 1,655 | 1,322 | 130 | - |
| Branch-Lite Unit | 2,876 | 249 | 19 | 949 | 1,630 | 29 | - |
| Microfinance-Oriented Branch | 153 | - | - | 15 | 138 | - | - |
| Representative Office | 17 | 17 | - | - | - | - | - |
| Remittance Desk Office | 14 | 14 | - | - | - | - | - |
| Marketing Office | 2 | 2 | - | - | - | - | - |
| Limited Purpose Branch | 1 | 1 | - | - | - | - | - |
| Sub-Branch | 1 | 1 | - | - | - | - | - |
| Islamic Branch | 1 | | - | - | 1 | - | - |

| | end-December 2023 | end-December 2024 | | |
|---|---|---|---|---|
| | Total | Total | Head Offices | Branches/ Other Offices |
| **Total** | **13,359** | **13,384** | **474** | **12,910** |
| **Nationwide** | **13,307** | **13,333** | **474** | **12,859** |
| **National Capital Region (NCR)** | **3,780** | **3,679** | **79** | **3,600** |
| **Luzon** | **5,604** | **5,650** | **257** | **5,393** |
| Region I - Ilocos | 669 | 672 | 28 | 644 |
| Region II - Cagayan Valley | 483 | 495 | 26 | 469 |
| Region III - Central Luzon | 1,388 | 1,396 | 67 | 1,329 |
| Region IV-A - CALABARZON | 1,923 | 1,923 | 84 | 1,839 |
| Region IV-B - MIMAROPA | 328 | 337 | 19 | 318 |
| Region V - Bicol | 601 | 609 | 18 | 591 |
| Cordillera Administrative Region | 212 | 218 | 15 | 203 |
| **Visayas** | **2,043** | **2,077** | **77** | **2,000** |
| Region VI - Western Visayas | 803 | 576 | 25 | 551 |
| Region VII - Central Visayas | 926 | 773 | 19 | 754 |
| Region VIII - Eastern Visayas | 314 | 322 | 12 | 310 |
| Negros Island Region | | 406 | 21 | 385 |
| **Mindanao** | **1,880** | **1,927** | **61** | **1,866** |
| Region IX - Zamboanga Peninsula | 282 | 286 | 14 | 272 |
| Region X - Northern Mindanao | 466 | 481 | 21 | 460 |
| Region XI - Davao Region | 520 | 533 | 12 | 521 |
| Region XII - SOCCSKSARGEN[1] | 310 | 315 | 9 | 306 |
| CARAGA | 260 | 265 | 5 | 260 |
| BARMM | 42 | 47 | | 47 |
| **Overseas** | **52** | **51** | - | **51** |
| Asia-Pacific | 20 | 19 | - | 19 |
| Europe | 5 | 5 | - | 5 |
| North America | 5 | 5 | - | 5 |
| Middle East | 22 | 22 | - | 22 |

Source: Bangko Sentral ng Pilipinas - Department of Supervisory Analytics

[1] Composed of the provinces of North Cotabato, South Cotabato, Sultan Kudarat and Sarangani, and the cities of General Santos, Koronadal, Tacurong and Kidapawan.

Appendix 4

## The Philippine Banking System: Number of BSP-supervised Financial Institutions (BSFIs) with Authority to Provide Electronic Payment and Financial Services (EPFS)

as of end-December 2024

| | No. of BSFIs with Authority to Provide EPFS | ATM Card | Credit Card | EMIs | E-Money (E-Wallet) | Other Payment Cards | Internet Banking - Retail | Internet Banking - Corporate | Mobile Banking |
|---|---|---|---|---|---|---|---|---|---|
| **Universal and commercial banks** | 40 | 25 | 15 | 17 | 4 | 5 | 25 | 36 | 22 |
| **Thrift banks** | 30 | 27 | 1 | 7 | - | - | 13 | 8 | 18 |
| **Rural and cooperative banks** | 62 | 30 | - | 5 | 4 | - | 8 | 2 | 20 |
| **Digital banks** | 6 | 3 | - | - | - | - | 1 | 1 | 6 |
| **Banks** | 138 | 85 | 16 | 29 | 8 | 5 | 47 | 47 | 66 |
| **Electronic Money Issuers (EMI)** | 43 | - | - | 43 | 32 | - | 3 | 1 | 32 |
| **Others** | 15 | 1 | 1 | 1 | - | - | 7 | - | 10 |
| **Total** | **196** | **86** | **17** | **73** | **40** | **5** | **57** | **48** | **108** |

| | Telephone banking | ATM Facility | Cash Accept Machine | Cash Recycling Machine | Point of Sale Facility | Payment Portal | With VASP Services | InstaPay |
|---|---|---|---|---|---|---|---|---|
| **Universal and commercial banks** | 10 | 25 | 10 | 1 | 17 | 8 | 1 | 22 |
| **Thrift banks** | 3 | 27 | 2 | 1 | 6 | - | - | 20 |
| **Rural and cooperative banks** | - | 29 | - | - | 8 | - | - | 17 |
| **Digital banks** | - | 3 | 1 | - | 1 | - | - | 6 |
| **Banks** | 13 | 84 | 13 | 2 | 32 | 8 | 1 | 65 |
| **EMIs** | - | - | 1 | - | 2 | 1 | 5 | 25 |
| **Others** | - | 1 | | - | - | - | 1 | - |
| **Total** | **13** | **85** | **14** | **2** | **34** | **9** | **7** | **90** |

| | PESONet | QR Ph | Instapay Multi-Proxy | Agency Banking | e-KYC Online Onboarding | Type C EPFS | Online/ Digital Loan Application | Others |
|---|---|---|---|---|---|---|---|---|
| **Universal and commercial banks** | 39 | 15 | 12 | 15 | 15 | - | 10 | 4 |
| **Thrift banks** | 18 | 10 | 1 | 5 | 4 | 4 | 2 | - |
| **Rural and cooperative banks** | 41 | 9 | 5 | 8 | 14 | 22 | 7 | - |
| **Digital banks** | 6 | 3 | 4 | 4 | 6 | - | 4 | 1 |
| **Banks** | 104 | 37 | 22 | 32 | 39 | 26 | 23 | 5 |
| **EMIs** | 10 | 15 | 9 | 4 | 26 | - | - | 1 |
| **Others** | - | - | - | - | 4 | - | 1 | - |
| **Total** | **114** | **52** | **31** | **36** | **69** | **26** | **24** | **6** |

Source: Bangko Sentral ng Pilipinas - Department of Supervisory Analytics

## Appendix 5
# The Philippine Financial System: Number of Offices of Financial Institutions (FIs) under BSP Supervision/Regulation
as of end-periods indicated

| Type of FI | end-December 2023 Total | end-December 2023 Head Offices | end-December 2023 Other Offices | end-December 2024 Total | end-December 2024 Head Offices | end-December 2024 Other Offices |
|---|---|---|---|---|---|---|
| **BSP Supervised/Regulated FIs[1]** | **37,305** | **2,528** | **34,777** | **36,914** | **2,762** | **34,152** |
| **I. Banks[2]** | **13,359** | **482** | **12,877** | **13,384** | **474** | **12,910** |
| **A. Universal and Commercial Banks** | **7,198** | **45** | **7,153** | **7,085** | **44** | **7,041** |
| **Universal Banks** | **6,849** | **22** | **6,827** | **6,894** | **22** | **6,872** |
| Private domestic banks | 5,994 | 13 | 5,981 | 6,040 | 13 | 6,027 |
| Government banks | 844 | 3 | 841 | 843 | 3 | 840 |
| Foreign bank branches | 11 | 6 | 5 | 11 | 6 | 5 |
| **Commercial Banks** | **349** | **23** | **326** | **191** | **22** | **169** |
| Private domestic banks | 232 | 3 | 229 | 70 | 2 | 68 |
| Foreign bank subsidiaries | 98 | 2 | 96 | 102 | 2 | 100 |
| Foreign bank branches | 19 | 18 | 1 | 19 | 18 | 1 |
| **B. Thrift Banks** | **2,604** | **42** | **2,562** | **2,660** | **41** | **2,619** |
| **Financial Institution-Linked Banks** | **1,158** | **10** | **1,148** | **1,200** | **10** | **1,190** |
| Domestic bank-controlled | 1,131 | 8 | 1,123 | 1,173 | 8 | 1,165 |
| Foreign bank-controlled | 27 | 2 | 25 | 27 | 2 | 25 |
| Domestic non-bank financial institution (NBFI)-controlled | - | - | - | - | - | - |
| Foreign NBFI-controlled | - | - | - | - | - | - |
| **Non-Linked** | **1,446** | **32** | **1,414** | **1,460** | **31** | **1,429** |
| **C. Rural and Cooperative Banks** | **3,551** | **389** | **3,162** | **3,633** | **383** | **3,250** |
| Rural banks | 2,469 | 362 | 2,107 | 2,548 | 358 | 2,190 |
| Microfinance-oriented rural banks | 902 | 5 | 897 | 905 | 4 | 901 |
| Cooperative banks | 180 | 22 | 158 | 180 | 21 | 159 |
| **D. Digital Banks** | **6** | **6** | - | **6** | **6** | - |
| **II. NBFIs** | **23,945** | **2,045** | **21,900** | **23,529** | **2,287** | **21,242** |
| **A. With Quasi-Banking (QB) Function** | **19** | **5** | **14** | **19** | **5** | **14** |
| Investment houses | 1 | 1 | | 1 | 1 | - |
| Financing companies | 17 | 3 | 14 | 17 | 3 | 14 |
| Other non-bank with QB function | 1 | 1 | - | 1 | 1 | - |
| **B. Without Quasi-Banking Function** | **23,926** | **2,040** | **21,886** | **23,510** | **2,282** | **21,228** |
| Authorized Agent Banks (AAB) - Forex corporation | 1 | 1 | - | 1 | 1 | - |
| Credit card companies | 4 | 4 | - | 5 | 5 | - |
| Credit granting entities | - | - | - | - | - | - |
| Electronic money issuers - others | 118 | 43 | 75 | 118 | 43 | 75 |
| Financing companies | 149 | 21 | 128 | 140 | 20 | 120 |
| Government non-bank financial institutions | 2 | 2 | - | 2 | 2 | - |
| Investment companies | 1 | 1 | - | 1 | 1 | - |
| Investment houses | 12 | 11 | 1 | 12 | 11 | 1 |
| Lending investors | 1 | 1 | - | 1 | 1 | - |
| Non-stock savings and loan associations | 192 | 56 | 136 | 195 | 55 | 140 |
| Operators of payment system | | | | 219 | 219 | - |
| Pawnshops[3] | 16,070 | 1,160 | 14,910 | 16,451 | 1,176 | 15,275 |
| Money service businesses (MSBs) | 7,358 | 722 | 6,636 | 6,339 | 722 | 5,617 |
| Remittance agent (subsidiary of a bank) | - | - | - | 1 | 1 | - |
| Securities dealers/brokers | 12 | 12 | - | 12 | 12 | - |
| Trust corporations | 6 | 6 | - | 7 | 7 | - |
| Virtual asset service providers | | | | 6 | 6 | - |
| **III. Offshore Banking Unit** | **1** | **1** | - | **1** | **1** | - |

Source: Bangko Sentral ng Pilipinas - Department of Supervisory Analytics

[1] Excludes foreign banks' representative offices (ROs) in the Philippines; includes MSBs

[2] Includes ROs abroad of domestic banks

[3] Excludes pawnshops multi-functioning as MSBs

Appendix 6

**The Philippine Banking System: Compliance of Banks with the Mandatory Agriculture, Fisheries, and Rural Development (AFRD) Financing**

as of end-periods indicated; in billion PH pesos; ratio in percent

| | Total | Universal and commercial banks | Thrift banks | Rural and cooperative banks | Digital banks |
|---|---|---|---|---|---|
| **end-December 2024** | | | | | |
| Total loanable fund (TLF) | 2,022.0 | 1,753.9 | 129.3 | 103.2 | 35.6 |
| 25% of TLF | 505.5 | 438.5 | 32.3 | 25.8 | 8.9 |
| Total compliance[1] | 2,028.5 | 1,811.8 | 89.0 | 127.7 | - |
| **Percentage of TLF used for compliance** | **100.3** | **103.3** | **68.8** | **123.7** | **-** |

Source: Bangko Sentral ng Pilipinas - Department of Supervisory Analytics

[1] Newly-established banks are exempted from the mandatory AFRD financing for a period of five years from their commencement of operations pursuant to Section 6 of R.A. No. 11901

## Appendix 7
### Foreign Bank Branches and Subsidiaries: Financial Highlights and Selected Performance Indicators
as of end-periods indicated; in billion PH pesos; ratio in percent

| Selected accounts | Total 2022 | Total 2023 | Total 2024 | Foreign Bank Branches 2022 | Foreign Bank Branches 2023 | Foreign Bank Branches 2024 | Foreign Bank Subsidiaries 2022 | Foreign Bank Subsidiaries 2023 | Foreign Bank Subsidiaries 2024 |
|---|---|---|---|---|---|---|---|---|---|
| | end-December | | | | | | | | |
| **Balance Sheet** | | | | | | | | | |
| **Total Assets** | **1,417.6** | **1,538.1** | **1,677.9** | **1,229.1** | **1,327.3** | **1,453.7** | **188.5** | **210.8** | **224.2** |
| Cash and due from banks | 331.3 | 330.7 | 360.6 | 301.9 | 310.6 | 339.0 | 29.4 | 20.1 | 21.6 |
| Financial assets, net | 335.0 | 388.9 | 493.1 | 291.1 | 339.7 | 437.9 | 43.9 | 49.2 | 55.3 |
| Loans, net (inclusive of interbank loan receivable [IBL] and reverse repurchase) | 647.9 | 678.4 | 670.9 | 547.7 | 560.0 | 551.9 | 100.2 | 118.3 | 119.0 |
| Equity investments, net | 2.8 | 2.4 | 2.4 | 2.8 | 2.4 | 2.4 | | - | |
| ROPA, net | 3.0 | 3.2 | 3.7 | 0.0 | 0.0 | 0.0 | 3.0 | 3.2 | 3.7 |
| Other assets | 97.7 | 134.5 | 147.1 | 85.7 | 114.5 | 122.5 | 12.0 | 20.0 | 24.6 |
| **Total Liabilities** | **1,156.4** | **1,280.6** | **1,402.7** | **996.1** | **1,096.6** | **1,204.2** | **160.3** | **184.0** | **198.5** |
| Financial liabilities held-for-trading | 36.5 | 25.7 | 29.4 | 36.0 | 25.5 | 29.0 | 0.5 | 0.1 | 0.3 |
| Deposit liabilities | 874.5 | 945.8 | 1,027.2 | 742.2 | 812.1 | 892.6 | 132.3 | 133.8 | 134.6 |
| Due to other banks/Treasurer of the Philippines/PDIC/BSP/head office/branch/agency | 100.2 | 146.0 | 130.5 | 100.1 | 145.9 | 130.4 | 0.1 | 0.1 | 0.1 |
| Bills payable | 31.7 | 32.5 | 56.6 | 15.7 | 4.5 | 16.7 | 16.0 | 28.0 | 39.9 |
| Unsecured subordinated debt | | | | | - | | - | - | |
| Derivatives with negative fair value held for hedging | 0.2 | 0.0 | 0.0 | 0.2 | 0.0 | 0.0 | - | - | |
| Other liabilities | 113.3 | 130.5 | 159.0 | 101.9 | 108.6 | 135.4 | 11.4 | 22.0 | 23.6 |
| **Total Capital Accounts** | **261.3** | **257.5** | **275.2** | **233.1** | **230.7** | **249.5** | **28.2** | **26.8** | **25.7** |
| **Income Statement** | | | | | | | | | |
| Total operating income | 108.1 | 86.0 | 94.3 | 98.6 | 76.9 | 85.0 | 98.6 | 76.9 | 9.3 |
| Net interest income | 40.5 | 60.6 | 67.9 | 33.9 | 53.0 | 60.4 | 33.9 | 53.0 | 7.5 |
| Non-interest income | 67.6 | 25.4 | 26.4 | 64.7 | 23.8 | 24.6 | 64.7 | 23.8 | 1.8 |
| Non-interest expenses | 49.4 | 44.0 | 48.9 | 41.7 | 36.3 | 40.3 | 41.7 | 36.3 | 8.6 |
| (Losses)/Recoveries on financial assets | (2.6) | (5.3) | (6.6) | (2.1) | (4.6) | (5.7) | (2.1) | (4.6) | (0.8) |
| Share in the profit/(loss) of unconsolidated subsidiaries, associates and joint ventures accounted for using the equity method | 0.1 | 0.3 | 0.0 | 0.1 | 0.3 | 0.0 | 0.1 | 0.3 | |
| Income tax expense | 14.5 | 7.4 | 10.3 | 13.9 | 6.8 | 9.7 | 13.9 | 6.8 | 0.6 |
| Net profit/(loss) after tax and after minority interest | **41.8** | **29.6** | **28.6** | **41.0** | **29.4** | **29.3** | **41.0** | **29.4** | **(0.7)** |
| **Selected Performance Indicators** | | | | | | | | | |
| **Asset Quality** | | | | | | | | | |
| Non-performing loan (NPL) to total loans | 1.3 | 1.7 | 1.9 | | | | | | |
| NPL ratio (exclusive of IBL) | 1.3 | 1.8 | 2.0 | | | | | | |
| NPL coverage ratio | 149.0 | 118.4 | 122.0 | | | | | | |
| Non-performing asset (NPA) to gross assets | 0.8 | 1.0 | 1.0 | | | | | | |
| NPA coverage ratio | 111.5 | 95.4 | 96.7 | | | | | | |
| **Profitability** | | | | | | | | | |
| Net interest margin | 3.0 | 4.5 | 4.7 | | | | | | |
| Cost-to-income | 45.6 | 51.2 | 51.8 | | | | | | |
| Return on assets | 3.0 | 2.0 | 1.8 | | | | | | |
| Return on equity | 16.9 | 11.4 | 10.7 | | | | | | |

Source: Bangko Sentral ng Pilipinas - Department of Supervisory Analytics
Notes: Figures may not add up due to rounding-off.
0.0 denotes below ₱0.05 billion

## Appendix 8
## Foreign Currency Deposit Unit (FCDU) Operations: Financial Highlights and Growth Rates
as of end-periods indicated; in million US dollars; growth rate in percent

| Financial Highlights | end-December 2022 | 2023 | 2024 |
|---|---|---|---|
| **Balance Sheet** | | | |
| **Total Assets[1]** | **61,920.0** | **67,836.2** | **72,400.7** |
| Cash and due from banks | 5,577.6 | 5,405.3 | 5,705.2 |
| Financial assets, gross | 28,557.3 | 28,237.8 | 31,050.1 |
| Allowance for credit losses | 47.7 | 52.6 | 44.6 |
| Accumulated market gains/losses | (903.6) | (475.1) | (528.8) |
| Financial assets, net | 27,606.0 | 27,710.0 | 30,476.7 |
| Interbank loan receivables (IBLs), net | 4,464.9 | 3,900.5 | 4,013.3 |
| Loans, gross (exclusive of IBL) | 17,243.1 | 16,472.4 | 17,144.8 |
| Allowance for probable losses[2] | 357.7 | 367.5 | 408.0 |
| Loans, net (exclusive of IBL) | 16,885.5 | 16,104.9 | 16,736.9 |
| ROPA, net | 21.9 | 17.7 | 3.9 |
| Other assets, net | 7,364.2 | 14,697.8 | 15,464.7 |
| **Total Liabilities** | **61,533.2** | **67,124.6** | **71,839.9** |
| Financial liabilities held for trading | 111.1 | 115.3 | 132.1 |
| Deposit liabilities | 47,852.7 | 54,416.1 | 55,458.4 |
| Due to other banks | 741.5 | 538.4 | 769.8 |
| Bills payable | 5,654.3 | 7,437.3 | 10,529.0 |
| Bonds payable, net | 4,972.2 | 2,761.5 | 3,899.0 |
| Other liabilities | 385.2 | 493.5 | 636.0 |
| Due to head office/branches/agencies/FCDU/regular banking unit (RBU), net[3] | 1,816.3 | 1,362.5 | 415.7 |
| **Total Capital Accounts** | **386.8** | **711.6** | **560.8** |
| **Income Statement** | | | |
| Total operating income | 1,141.5 | 1,188.0 | 1,016.5 |
| Net interest income[4] | 981.9 | 1,037.3 | 778.7 |
| Non-interest income | 159.6 | 150.6 | 237.7 |
| Non-interest expenses | 165.4 | 173.5 | 181.3 |
| Losses/recoveries on financial assets | 139.7 | (28.4) | (52.7) |
| **Net Profit or Loss** | **1,074.9** | **931.4** | **724.0** |
| **Year-on-Year Growth** | | | |
| **Total Assets** | **7.1** | **9.6** | **6.7** |
| Cash and due from banks | (14.8) | (3.1) | 5.5 |
| Financial assets, gross | 0.9 | (1.1) | 10.0 |
| Loans, gross (exclusive of IBL) | 4.8 | (4.5) | 4.1 |
| **Total Liabilities** | **8.3** | **9.1** | **7.0** |
| Financial liabilities held for trading | 26.4 | 3.8 | 14.6 |
| Deposit liabilities | 3.8 | 13.7 | 1.9 |
| Due to other banks | 6.1 | (27.4) | 43.0 |
| Bills payable | 76.1 | 31.5 | 41.6 |
| Other liabilities | (25.5) | 28.1 | 28.9 |
| **Total Capital Accounts** | **(61.5)** | **84.0** | **(21.2)** |
| Total operating income | (10.6) | 4.1 | (14.4) |
| Net interest income[4] | 18.9 | 5.7 | (24.9) |
| Non-interest income | (64.7) | (5.6) | 57.8 |
| Non-interest expenses | (10.8) | 5.0 | 4.5 |
| **Net Profit/(Loss)** | **33.0** | **(13.3)** | **(22.3)** |

Source: Bangko Sentral ng Pilipinas - Department of Supervisory Analytics
[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] Net of interest expenses and provision for losses on accrued interest income from financial assets

## Appendix 9
# Foreign Currency Deposit Unit Operations: Selected Performance Indicators
as of end-periods indicated; ratio in percent

| | end-December | | |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| **Liquidity** | | | |
| Liquid assets to deposits[1] (excl. of Republic of the Philippines [ROP]) | 47.2 | 40.4 | 44.7 |
| Liquid assets to deposits[1] (incl. of ROP) | 69.3 | 60.9 | 65.2 |
| Loans, gross to deposits | 45.4 | 37.4 | 38.2 |
| **Asset Quality** | | | |
| Non-performing loan (NPL) ratio[2] | 1.1 | 0.9 | 2.1 |
| NPL coverage ratio[2] | 196.4 | 246.2 | 112.8 |
| Non-performing asset (NPA) to gross assets[2] | 0.3 | 0.3 | 0.5 |
| NPA coverage ratio[2] | 165.9 | 202.0 | 110.0 |
| **Profitability** | | | |
| Cost-to-income ratio | 14.5 | 14.6 | 17.8 |
| Return on assets | 1.8 | 1.4 | 1.0 |
| Net interest margin | 1.7 | 1.9 | 1.4 |

Source: Bangko Sentral ng Pilipinas - Department of Supervisory Analytics

[1] Exclusive of interbank loan receivables

[2] 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)

## Appendix 10
## Trust Operations (Philippine Banks and Non-bank Financial Institutions): Financial Highlights and Growth Rates
as of end-periods indicated; in billion PH pesos; growth rate in percent

| Financial Highlights | end-December 2022 | 2023 | 2024 |
|---|---|---|---|
| **Total Assets** | **5,345.9** | **6,215.1** | **7,372.2** |
| Cash and due from banks | 0.4 | 0.4 | 0.4 |
| Deposits in banks, gross | 1,181.0 | 1,389.3 | 1,831.4 |
| Allowance for credit losses | - | 0.7 | 0.4 |
| Deposits in banks, net | 1,181.0 | 1,388.6 | 1,831.0 |
| Financial assets, gross (net of amortization) | 3,559.7 | 4,150.2 | 4,841.5 |
| Accumulated market gains/losses | (28.1) | (3.7) | 5.9 |
| Allowance for credit losses | 0.5 | 0.3 | 0.3 |
| Financial assets, net | 3,531.2 | 4,146.1 | 4,847.2 |
| Loans, gross | 134.2 | 137.4 | 128.5 |
| Allowance for probable losses | 6.4 | 9.0 | 6.5 |
| Loans, net | 127.8 | 128.4 | 122.0 |
| Equity investments, gross | 5.4 | 0.0 | - |
| Allowance for probable losses | 2.5 | - | - |
| Equity investments, net | 2.9 | 0.0 | - |
| Real and other properties acquired, net | 0.2 | 0.3 | 0.3 |
| Other assets | 502.4 | 551.3 | 571.3 |
| **Total Accountabilities** | **5,345.9** | **6,215.1** | **7,372.2** |
| Wealth/asset/fund management accounts (Trust) | 2,043.4 | 2,040.2 | 2,348.2 |
| Unit investment trust fund (UITF) | 940.7 | 841.2 | 1,020.8 |
| Employee benefit | 465.9 | 523.1 | 578.7 |
| Pre-need | 125.3 | 133.9 | 145.9 |
| Other institutional trust accounts | 49.0 | 54.2 | 85.0 |
| Personal trust | 399.9 | 398.5 | 413.9 |
| Personal retirement fund | 0.1 | 0.1 | 0.1 |
| Other individual trust accounts | 62.5 | 89.3 | 103.8 |
| Wealth/asset/fund management accounts (Agency) | 2,708.6 | 3,465.9 | 4,217.5 |
| Employee benefit | 59.0 | 61.9 | 65.5 |
| Pre-need | 0.7 | 0.6 | 0.6 |
| Other institutional agency accounts | 1,405.5 | 1,797.8 | 2,112.8 |
| Personal retirement fund | 0.0 | 0.0 | 0.0 |
| Other individual agency accounts | 1,243.3 | 1,605.7 | 2,038.6 |
| Other fiduciary services | 593.2 | 652.3 | 746.8 |
| UITF | 14.5 | 15.3 | 18.4 |
| Court trusts | 1.2 | 0.1 | 0.1 |
| Corporate fiduciary trust | 44.1 | 63.3 | 72.7 |
| Escrow | 45.2 | 65.1 | 67.1 |
| Custodianship | 438.5 | 449.6 | 485.8 |
| Safekeeping | 0.0 | 0.2 | 0.2 |
| Others | 49.6 | 58.6 | 102.5 |
| Advisory/consultancy | 0.0 | 0.0 | 0.0 |
| Special purpose trust | 0.8 | 56.6 | 59.6 |
| **Year-on-Year Growth** | | | |
| **Total Assets** | **5.7** | **16.3** | **18.6** |
| Cash and due from banks | 13.9 | 8.1 | (2.6) |
| Deposits in banks, gross | 8.7 | 17.6 | 31.8 |
| Financial assets, gross (net of amortization) | 2.8 | 16.6 | 16.7 |
| Loans, gross | 13.1 | 2.3 | (6.5) |
| Equity investments, gross | (2.4) | (100.0) | (100.0) |
| ROPA, net | 245.5 | 25.5 | 0.3 |
| Other assets | 37.6 | 9.7 | 3.6 |
| **Total Accountabilities** | **5.7** | **16.3** | **18.6** |
| Wealth/asset/fund management accounts (Trust) | (14.7) | (0.2) | 15.1 |
| UITF | (27.9) | (10.6) | 21.4 |
| Employee benefit | 1.2 | 12.3 | 10.6 |
| Pre-need | (2.1) | 6.9 | 9.0 |
| Other institutional trust accounts | 8.8 | 10.6 | 56.7 |
| Personal trust | (4.9) | (0.3) | 3.9 |
| Personal retirement fund | (30.9) | (22.7) | 6.9 |
| Other individual trust accounts | 73.6 | 42.8 | 16.2 |
| Wealth/asset/fund management accounts (Agency) | 22.7 | 28.0 | 21.7 |
| Employee benefit | 4.9 | 4.9 | 5.8 |
| Pre-need | (3.7) | (19.9) | 6.6 |
| Other institutional agency accounts | 18.2 | 27.9 | 17.5 |
| Personal retirement fund | (8.1) | 147.4 | 3.1 |
| Other individual agency accounts | 29.4 | 29.1 | 27.0 |
| Other fiduciary services | 30.3 | 10.0 | 14.5 |
| Advisory/consultancy | 0.0 | (5.1) | (10.8) |
| Special purpose trust | 26.3 | 6,884.7 | 5.3 |

Source: Bangko Sentral ng Pilipinas - Department of Supervisory Analytics
Notes: Figures may not add up due to rounding-off
0.0 denotes below ₱0.05 billion

Appendix 11

## Trust Operations (Philippine Banks and Non-bank Financial Institutions): Selected Performance Indicators

as of end-periods indicated; ratio in percent

| | end-December | | |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| **Asset Quality** | | | |
| Non-performing loan (NPL) ratio | 1.7 | 2.0 | 1.9 |
| NPL coverage ratio | 285.4 | 327.3 | 262.6 |
| Non-performing asset (NPA) to gross assets | 0.05 | 0.05 | 0.04 |
| NPA coverage ratio | 255.7 | 292.1 | 231.6 |
| **Liquidity** | | | |
| Cash and due from banks to total accountabilities | 0.01 | 0.01 | 0.01 |
| Liquid assets to total accountabilities | 66.6 | 66.8 | 65.7 |
| Loans, gross to total accountabilities | 2.5 | 2.2 | 1.7 |

Source: Bangko Sentral ng Pilipinas - Department of Supervisory Analytics
Note: "0.0%" denotes below 0.05%

## Appendix 12
## Non-bank Financial Institutions with Quasi-Banking Functions: Financial Highlights and Growth Rates
as of end-periods indicated; in billion PH pesos; growth rate in percent

| | Financial Highlights | | | Year-on-Year Growth | |
|---|---|---|---|---|---|
| | end-December | | | | |
| | 2022 | 2023 | 2024 | 2023 | 2024 |
| **Balance Sheet** | | | | | |
| **Total Assets** | **151.3** | **161.3** | **179.8** | **6.7** | **11.5** |
| Cash and due from banks | 8.8 | 8.5 | 10.8 | (3.8) | 27.5 |
| Loans, gross (inclusive of interbank loan receivable [IBL]) | 131.0 | 144.5 | 160.4 | 10.2 | 11.0 |
| Allowance for probable losses | 2.8 | 3.1 | 3.2 | 11.8 | 2.9 |
| Loans, net (inclusive of IBL) | 128.2 | 141.3 | 157.2 | 10.2 | 11.2 |
| Investments, net | 7.0 | 6.1 | 5.7 | (13.2) | (5.1) |
| Other assets | 7.2 | 5.4 | 6.1 | (24.6) | 11.4 |
| **Total Liabilities** | **130.0** | **138.3** | **154.1** | **6.4** | **11.4** |
| Bills payable | 106.2 | 110.1 | 121.4 | 3.7 | 10.2 |
| Other liabilities | 23.8 | 28.1 | 32.6 | 18.4 | 16.0 |
| **Total Capital Accounts** | **21.3** | **23.0** | **25.8** | **8.3** | **11.9** |
| **Income Statement** | | | | | |
| Total operating income | 6.8 | 7.5 | 8.3 | 9.3 | 11.3 |
| Net interest income | 6.4 | 6.9 | 7.2 | 8.1 | 5.2 |
| Non-interest income | 0.5 | 0.6 | 1.1 | 25.8 | 85.2 |
| Operating expenses | 4.5 | 5.2 | 5.5 | 15.2 | 4.4 |
| Bad debts/Provision for credit losses | 1.6 | 1.8 | 1.6 | 11.5 | (11.1) |
| Other operating expenses | 2.9 | 3.4 | 3.9 | 17.2 | 12.6 |
| Net operating income | 2.3 | 2.2 | 2.8 | (2.4) | 27.7 |
| Extraordinary credits/(charges) | 0.1 | 0.3 | 0.1 | 69.4 | (77.8) |
| Net income before tax | 2.4 | 2.5 | 2.9 | 2.0 | 17.0 |
| Provision for income tax | 0.6 | 0.6 | 0.8 | 9.2 | 19.2 |
| Net income after tax and after minority interest | **1.8** | **1.8** | **2.1** | **(0.3)** | **16.2** |

Source: Bangko Sentral ng Pilipinas - Department of Supervisory Analytics
Notes: Figures may not add up due to rounding-off
0.0 Less than ₱50 million

Appendix 13

**Non-bank Financial Institutions with Quasi-Banking Functions: Selected Performance Indicators**

as of end-periods indicated; ratio in percent

| | end-December | | |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| **Asset Quality** | | | |
| Non-performing loan (NPL) ratio | 5.9 | 4.5 | 4.3 |
| NPL coverage ratio | 36.2 | 47.7 | 46.9 |
| Non-performing asset (NPA) to gross assets | 5.9 | 4.5 | 4.8 |
| NPA coverage ratio | 34.2 | 46.4 | 40.4 |
| **Profitability** | | | |
| Net interest margin | 4.5 | 4.8 | 4.6 |
| Cost-to-income ratio | 42.8 | 46.0 | 46.4 |
| Return on assets | 1.1 | 1.2 | 1.2 |
| Return on equity | 7.7 | 8.3 | 8.7 |

Source: Bangko Sentral ng Pilipinas - Department of Supervisory Analytics

Appendix 14
## Non-Stock Savings and Loan Associations: Financial Highlights and Growth Rates
as of end-periods indicated; in billion PH pesos; growth rate in percent

| | Financial Highlights | | Year-on-Year Growth | |
|---|---|---|---|---|
| | end-December | | | |
| | 2023 | 2024 | 2023 | 2024 |
| **Balance Sheet** | | | | |
| **Total Assets** | **316.8** | **333.5** | 5.7 | **5.3** |
| Cash and due from banks | 31.3 | 33.6 | 4.1 | 7.1 |
| Loans, gross (inclusive of interbank loan receivables [IBLs]) | 268.3 | 272.7 | 6.1 | 1.6 |
| Allowance for probable losses | 24.3 | 20.9 | 3.2 | (13.7) |
| Loans, net (inclusive of IBLs) | 243.9 | 251.6 | 6.4 | 3.1 |
| Investments, net | 24.3 | 29.1 | 1.0 | 19.8 |
| Other assets, net | 17.3 | 19.2 | 6.2 | 11.5 |
| **Total Liabilities** | **109.9** | **109.8** | 2.3 | **(0.1)** |
| Deposit liabilities | 86.2 | 88.5 | (0.2) | 2.7 |
| Bills payable | 3.9 | 0.8 | 116.1 | (78.6) |
| Other liabilities | 19.8 | 20.4 | 2.6 | 3.0 |
| **Total Capital Accounts** | **206.9** | **223.7** | 7.7 | **8.1** |
| **Income Statement** | | | | |
| Total operating income | 35.1 | 35.1 | 4.6 | 0.2 |
| Net interest income | 32.9 | 34.2 | 3.1 | 3.9 |
| Non-interest income | 2.1 | 0.9 | 36.4 | (56.8) |
| Operating expenses | 7.2 | 9.1 | (16.2) | 25.9 |
| Bad debts/Provision for credit losses | (0.3) | (1.7) | (87.3) | 541.0 |
| Other operating expenses | 7.0 | 7.4 | 6.0 | 6.6 |
| Net operating income | 27.8 | 26.0 | 11.9 | (6.4) |
| Extraordinary credits/(charges) | 0.1 | 0.1 | (23.8) | 36.4 |
| Net income before tax | 27.9 | 26.1 | 11.7 | (6.3) |
| Provision for income tax | 0.0 | 0.0 | 8.8 | (58.6) |
| Net income after tax and after minority interest | **27.9** | **26.1** | 11.7 | (6.3) |

Source: Bangko Sentral ng Pilipinas - Department of Supervisory Analytics
Notes: Figures may not add up due to rounding-off
0.0 Less than ₱50 million

## Appendix 15
## Non-Stock Savings and Loan Associations: Selected Performance Indicators
as of end-periods indicated; ratio in percent

| | end-December | | |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| **Asset Quality** | | | |
| Non-performing loan (NPL) ratio | 8.1 | 8.2 | 8.1 |
| NPL ratio (inclusive of interbank loan receivables) | 8.1 | 8.2 | 8.1 |
| NPL coverage ratio | 115.4 | 109.8 | 94.7 |
| Non-performing asset (NPA) to gross assets | 6.4 | 6.5 | 6.3 |
| NPA coverage ratio | 114.9 | 109.4 | 94.5 |
| **Profitability** | | | |
| Cost-to-income ratio | 19.6 | 19.9 | 21.2 |
| Return on assets | 8.6 | 9.0 | 8.0 |
| Return on equity | 13.4 | 14.0 | 12.1 |
| **Liquidity** | | | |
| Cash and due from banks to deposits | 34.8 | 36.3 | 37.9 |
| Liquid assets[1] to deposits | 62.7 | 64.5 | 70.8 |
| Gross loans to deposits | 292.7 | 311.1 | 308.0 |

Source: Bangko Sentral ng Pilipinas - Department of Supervisory Analytics

[1] Liquid assets refer to cash and due from banks plus investments,net (exclusive of equity investments)

www.bsp.gov.ph