




# REPORT

ON THE  
**PHILIPPINE FINANCIAL SYSTEM**  
**SECOND SEMESTER 2025**



This semestral report is prepared by the Supervisory Policy and Research Department (SPRD), Financial Supervision Sector (FSS), Bangko Sentral ng Pilipinas (BSP), in accordance with 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 R.A. No. 10641, R.A. No. 8367 (Revised Non-Stock Savings and Loans Association of 1997), R.A. No. 9178 (Barangay Micro Business Enterprises Act of 2002), and R.A. No. 11901 (The Agriculture, Fisheries and Rural Development Financing Enhancement Act of 2022),

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

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# GLOSSARY

## A. Financial terms

**Agency account** – a fiduciary arrangement in which a trust institution, acting as agent, provides asset management services on behalf of the client (principal) without holding legal title to the asset. Ownership remains with the principal, and the institution may exercise discretionary or non-discretionary authority under an agency agreement.

**Bills payable** – obligations measured at amortized cost arising from borrowings from the Bangko Sentral ng Pilipinas (BSP), interbank loans, deposit substitutes, and other written or committed borrowings.

**Bonds payable** – obligations measured at amortized cost arising from a bank's issuance of bonds.

**Capital** – the sum of unimpaired paid-in capital, surplus, and undivided profits, subject to applicable adjustments. It is also referred to as “unimpaired capital and surplus”, “combined capital accounts,” or “net worth.”

**Common equity tier 1 (CET1) capital** – the highest quality component of regulatory capital. For domestic banks, this includes paid-up common stock, distributable common stock dividends, additional paid-in capital, subscription on common stock, retained earnings, undivided profits, other comprehensive income, and minority interest in subsidiary banks, subject to regulatory adjustments. For foreign bank branches, this includes permanently assigned capital, undivided profits, accumulated net earnings, and other capital components.

**Consumer loans** – loans granted to individual borrowers for personal consumption, including housing, auto and motorcycle loans, credit card receivables, and salary loans, and other loans used to purchase goods or pay for services (e.g., appliances, furniture and fixtures, education, medical expenses, and similar purposes).

**Demand deposits** – deposits withdrawable on demand through checks or other payment channels, with or without interest. It is also referred to as “current account” or “checking account.”

**Derivative** – a financial instrument or contract whose value changes in response to an underlying variable, requires little or no initial investment, and is settled at a future date.

**Fees and commission income** – income derived from payment services, intermediation, custodianship, underwriting and securities dealership, securitization, fiduciary activities, and other fee-based services.

**Financial assets (other than loans and receivables)** – investments in debt and equity instruments, including derivatives, measured and classified in accordance with the Philippine Financial Reporting Standards 9 (PFRS 9) based on business model and cash flow characteristics.

**Financial assets measured at amortized cost (AC)** – debt instruments, excluding those designated at fair value through profit or loss, which are (a) held within a business model with the objective of collecting contractual cash flows and (b) have contractual terms that produce payments consisting solely of principal and interest.

**Financial assets measured at fair value through other comprehensive income (FVOCI)** – financial assets held under a business model that both collects contractual cash flows and sells financial assets, with contractual terms providing only for principal and interest payments.

**Financial assets measured at fair value through profit or loss (FVTPL)** – financial assets that do not meet the criteria for AC or FVOCI and are not part of a hedging relationship. These include financial assets held for trading, those designated at FVTPL upon initial recognition, or those mandatorily measured at FVTPL under the PFRS 9.

**Foreign currency deposit unit (FCDU)** – a branch or unit of a bank authorized by the BSP to engage in foreign currency-denominated transactions under Republic Act (RA) No. 6426 (Foreign Currency Deposit Act, as amended).

**Loans to regular banking unit (RBU)** – funds extended by an FCDU or expanded FCDU to a bank's RBU, as allowed under existing regulations.

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

**Net profit/(loss)** – the sum of (a) total profit/loss after tax and before minority interest and (b) minority interest in profit/loss of subsidiaries.

**Non-interest expenses** – operating expenses other than interest expense, including compensation and fringe benefits, taxes and licenses, fees and commissions, other administrative expenses, depreciation and amortization, and impairment losses and provisions.

**Non-interest income** – the aggregate of dividend income, fee-based income, including from fiduciary activities; gains on financial assets and liabilities held for trading; foreign exchange gains; gains from the sale or derecognition of non-trading financial assets and liabilities; gains from the sale or derecognition of non-financial assets; gains on financial assets and liabilities designated at fair value through profit or loss; fair value adjustments 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 and receivables classified as impaired based on regulatory or accounting standards (i.e., doubtful, loss, under litigation, or cases where full repayment is doubtful without collateral foreclosure). Net NPL refers to gross NPLs less the specific allowance for credit losses.

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

**Real estate exposures** – assets held by financial institutions consisting of (a) real estate loans (RELs), which include residential RELs to households for occupancy and commercial RELs to individual developers, construction firms, real estate lessors, property managers, holding firms, and other corporate borrowers, and (b) investments in debt or equity securities of real estate-related corporate entities. These exclude loans or investments that finance infrastructure projects for public use.

**Repurchase agreements (repo)** – short-term borrowings involving the sale of securities to a counterparty, with an agreement to repurchase them at a fixed price on a specified future date. These are accounted for at amortized cost.

**Savings deposits** – deposits that may earn interest and are withdrawable on demand through available banking channels.

**Securities** – fungible, negotiable financial instruments with monetary value, broadly categorized as (a) equity securities, representing ownership interest (e.g., shares) in an entity, and (b) debt securities, evidencing borrowed funds repayable with established principal, interest, and maturity terms.

**Tier 1 capital** – a component of qualifying capital that comprised CET1 and additional Tier 1 capital. It is also referred to as "going-concern capital."

**Time certificates of deposit (TD)** – interest-bearing deposits with fixed maturity dates, typically evidenced by certificates issued by banks.

**Total assets** – the sum of all assets held by a bank, excluding amounts due from its head office, branches, or agencies of foreign bank branches.

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

**Trust account** – an account in which the legal title to assets is transferred to a trustee (i.e., the trust institution) under an equitable obligation to administer, hold, and manage for the benefit of the trustor or designated beneficiaries. This includes wealth, asset, or fund management services under discretionary or non-discretionary authority.

**Unit investment trust fund (UITF)** – an open-ended pooled trust fund, denominated in peso or other acceptable currency, administered by a trust entity and available for participation or redemption according to its terms.

## B. Other terms

**Credit risk** – the risk of financial loss arising from a borrower's failure to meet contractual obligations (e.g., principal or interest on a loan).

**Digital bank** – a bank operating primarily or exclusively through digital platforms or electronic channels, without reliance on physical branches.

**Financial conglomerate** – a group of entities under common control engaged in significant financial activities in at least two of the regulated banking, securities, or insurance sectors for which Financial Sector Forum (FSF) member agencies grant licenses under their respective laws to operate.

**Financial Reporting Package (FRP)** – a set of Prudential Financial reports, comprising balance sheet, income statement, and supporting schedules. It aligns the BSP's supervisory reporting requirements with the PFRS and the Basel Capital Adequacy Framework, while also supporting statistical needs.

**Gross domestic product (GDP)** – the sum of gross value added (GVA) by all resident producer units. GVA equals output less intermediate consumption, where output refers to sales adjusted for inventory changes, and intermediate consumption excludes fixed assets (which are recorded instead as consumption of fixed capital).

**Islamic bank** – a bank that operates in accordance with *Shari'ah* principles,<sup>1</sup> including the prohibition of interest (*riba*).

**Islamic banking unit (IBU)** – a division, department, office, or branch of a conventional bank that conducts *Shari'ah*-compliant banking activities.

**Liquidity risk** – the risk to earnings or capital arising from a bank's inability to meet its obligations as they fall due without incurring unacceptable losses or costs. This includes the failure to manage unexpected funding shortfalls or changes in funding sources.

**Money service business (MSB)** – an entity engaged in remittance, money changing, or FX dealing activities. This includes remittance agents and subagents, remittance platform providers, e-money issuers, and money changers or FX dealers.

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<sup>1</sup> RA No. 11439 (An Act Providing for the Regulation and Organization of Islamic Banks).

**Non-bank financial institution (NBFI)** – a BSP-supervised financial entity that does not accept traditional deposits but provides financial services such as lending, trust, or payments.

**Non-stock savings and loan association (NSSLA)** – a non-stock, non-profit financial institution that promotes savings and provides credit to its members.

**Other fiduciary services** – trust or agency agreements other than those classified under trust, wherein the trust institution may act as the depository of the assets and properties and shall manage the same in accordance with the provisions of the trust agreement.

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

**Personal Equity and Retirement Account (PERA)** – a voluntary retirement savings account established by and for the exclusive use and benefit of the contributor, intended solely for investment in PERA-eligible products in the Philippines. The contributor retains full legal and beneficial ownership of all funds placed in the account, including any earnings or income derived therefrom.

**Quasi-banks (QBs)** – entities engaged in the borrowing of funds through the issuance, endorsement or assignment with recourse or acceptance of deposit substitutes as defined in Section 95 of RA No. 7653 (The New Central Bank Act), as amended, for purposes of relending or purchasing of receivables and other obligations. The elements of quasi-banking include:

- a. borrowing funds for the borrower's own account;
- b. 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;
- c. methods of borrowing are issuance, endorsement, or acceptance of debt instruments of any kind, other than deposits, such as acceptances, promissory notes, participations, certificates of assignments or similar instruments with recourse, trust certificates, repurchase agreements, and such other instruments as the Monetary Board may determine; and
- d. the purpose of which is relending or purchasing receivables and other obligations.

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

**Special purpose trust** – a trust created under securitization agreements, with powers as provided under the Securitization Act of 2004 (RA No. 9267) and its implementing rules and regulations.

**Sukuk** – *Shari'ah*-compliant financial certificates representing a proportional undivided ownership right in tangible assets, or pool of tangible assets and other types of assets. These assets could be in specific projects or a specific investment activity.

**Sustainable finance** – any form of financial product or service that integrates environmental, social and governance criteria into decision-making to support sustainable economic growth and climate resilience.

**Takaful** – a *Shari'ah* - compliant insurance arrangement based on mutual assistance and risk sharing among participants.

**Trust** – a legal arrangement where a trustee (appointed by a trustor) administers, holds, and manages trust assets or property on behalf of designated beneficiaries.

**Trust business** – activities arising from a trustor-trustee relationship, wherein the trustee administers, holds, or manages the trustor's funds or properties for beneficiaries under fiduciary relationships.

## C. Financial and prudential ratios

**Basel III leverage ratio** – the ratio of Tier 1 capital to the exposure measure (including on-balance sheet exposures, derivatives, securities financing transactions, and off-balance sheet items). It serves as a supplementary constraint on leverage.

**Capital adequacy ratio** – the ratio of total qualifying capital to risk-weighted assets, in accordance with risk-based capital regulations.

**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.

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

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

**Loan-to-deposit ratio** – the ratio of total loans, exclusive of repo and interbank loans, to total deposits.

**Minimum liquidity ratio** – the ratio of eligible liquid assets to total qualifying liabilities. This is applicable to standalone thrift banks, rural and cooperative banks, and QBs.

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

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

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

**NPL ratio** – the ratio of NPLs to total gross loans, inclusive of interbank loans.

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

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

# LIST OF ACRONYMS AND ABBREVIATIONS

| <u>Acronym/Abbreviation</u> | <u>Definition</u>  |
|-----------------------------|--|
| AC                          | amortized cost   |
| ACL                         | allowance for credit losses                                    |
| ADB                         | Asian Development Bank   |
| AFASA                       | Anti-Financial Account Scamming Act                            |
| AFRD                        | agriculture, fisheries, and rural development                  |
| AI                          | artificial intelligence  |
| AML/CTF                     | anti-money laundering/counter-terrorism financing              |
| API                         | application programming interface                              |
| BARMM                       | Bangsamoro Autonomous Region in Muslim Mindanao                |
| BES                         | Business Expectations Survey                                   |
| BIR                         | Bureau of Internal Revenue                                     |
| BMBE                        | barangay micro business enterprise                             |
| BSFI                        | BSP-supervised financial institution                           |
| BSP                         | Bangko Sentral ng Pilipinas                                    |
| BTr                         | Bureau of the Treasury   |
| CALABARZON                  | Cavite, Laguna, Batangas, Rizal, and Quezon                    |
| CAR                         | capital adequacy ratio   |
| CCR                         | credit card receivable   |
| CES                         | Consumer Expectations Survey                                   |
| CET1                        | common equity tier 1   |
| COCREE 2.0                  | Enhanced Comprehensive Credit and Equity Exposures Report      |
| DGB                         | digital bank   |
| DOF                         | Department of Finance  |
| DTI                         | Department of Trade and Industry                               |
| ESG                         | environmental, social, and governance                          |
| FCDU                        | foreign currency deposit unit                                  |
| FSCRPF                      | Financial Services Cyber Resilience Plan                       |
| FSF                         | Financial Sector Forum   |
| FSS                         | Financial Supervision Sector                                   |
| FVTPL                       | fair value through profit or loss                              |
| FVOCI                       | fair value through other comprehensive income                  |
| FX                          | foreign exchange   |
| FXD                         | foreign exchange dealer  |
| GDP                         | gross domestic product   |
| GenAI                       | generative AI  |
| GSS+                        | green, social, sustainability, and sustainability-linked bonds |
| HFT                         | held-for-trading   |
| HITL                        | human-in-the-loop  |
| IB                          | Islamic bank   |
| IBU                         | Islamic banking unit   |
| IC                          | Insurance Commission   |

| <u>Acronym/Abbreviation</u> | <u>Definition</u>                                     |
|-----------------------------|---|
| IFCF                        | Islamic Finance Coordination Forum                    |
| LCR                         | liquidity coverage ratio                              |
| MC                          | money changer   |
| MLR                         | minimum liquidity ratio                               |
| MSB                         | money service business                                |
| MSME                        | micro, small, and medium enterprise                   |
| MVL                         | motor vehicle loan                                    |
| NBFI                        | non-bank financial institution                        |
| NBQB                        | non-bank with quasi-banking function                  |
| NCR                         | National Capital Region                               |
| NDF                         | non-deliverable forward                               |
| NG                          | national government                                   |
| NIM                         | net interest margin                                   |
| NOW                         | negotiable order of withdrawal                        |
| NPL                         | non-performing loan                                   |
| NPREL                       | non-performing real estate loan                       |
| NSFR                        | net stable funding ratio                              |
| NSSLA                       | non-stock savings and loan association                |
| OF                          | overseas Filipino                                     |
| PCA                         | prompt corrective action                              |
| PDIC                        | Philippine Deposit Insurance Corporation              |
| PERA                        | Personal Equity and Retirement Account                |
| PoC                         | proof-of-concept                                      |
| PONV                        | point of non-viability                                |
| PRIME                       | Prudential Reporting Innovation and Monitoring Engine |
| QB                          | quasi-bank  |
| RBU                         | regular banking unit                                  |
| RCB                         | rural and cooperative bank                            |
| REL                         | real estate loan                                      |
| repo                        | repurchase agreement                                  |
| RGRA                        | Reference Guide for Planning and Risk Assessment      |
| RoA                         | return on assets                                      |
| RoE                         | return on earnings                                    |
| ROPA                        | real and other properties acquired                    |
| RRP                         | reverse repurchase agreement                          |
| RRR                         | reserve requirement ratio                             |
| RTC                         | remittance transfer company                           |
| SBGPCL                      | salary-based general-purpose consumption loan         |
| SEC                         | Securities and Exchange Commission                    |
| SFTG                        | Sustainable Finance Taxonomy Guidelines               |
| SLOS                        | Senior Bank Loan Officers' Survey                     |
| SPRD                        | Supervisory Policy and Research Department            |
| SSB                         | <i>Shari'ah</i> Supervisory Board                     |
| TB                          | thrift bank   |

| <u>Acronym/Abbreviation</u> | <u>Definition</u>              |
|-----------------------------|--------------------------------|
| TC                          | trust corporation              |
| TD                          | time certificates of deposit   |
| TLP                         | total loan portfolio           |
| UKB                         | universal and commercial bank  |
| UITF                        | unit investment trust fund     |
| VASP                        | virtual asset service provider |
| y-o-y                       | year-on-year                   |

# PROLOGUE

The **Report on the Philippine Financial System** is a semestral report prepared by the SPRD, FSS, of the BSP. This is submitted by the Governor to the President and the Congress, in accordance with Section 39 (c), Article V of 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 (MSBs), 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. In addition, 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 (IBs) and Islamic banking units (IBUs) 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 end-December 2025, these institutions consisted of 463 banks with 13,176 branches and branch-lite units, 2,296 non-bank financial institutions (NBFIs) with 21,553 branches, and one offshore banking unit.

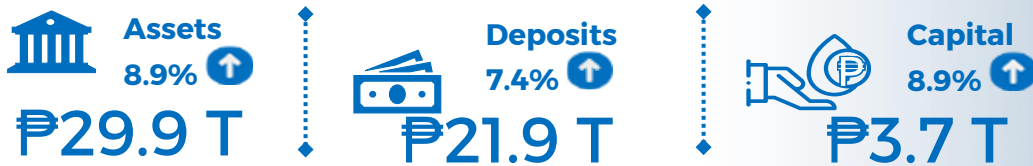
Effective 3 July 1998 under Section 130 of RA No. 7653, the BSP's supervisory and regulatory powers over certain NBFIs were transferred to the Securities and Exchange Commission (SEC) for corporations and partnerships, and to the Department of Trade and Industry (DTI) for single proprietorships. Supervision and regulation over building and loan associations were likewise transferred to the Home Guarantee Corporation effective 7 February 2002, in accordance with Section 94 of RA No. 8791 (The General Banking Law of 2000).

The background is a deep blue color. It features a faint, repeating pattern of white circuit board traces and nodes. In the lower right corner, there is a silhouette of a modern building with a grid of windows. Overlaid on the circuit pattern are several thick, white, stylized lines that resemble circuit traces, each ending in a white circle. These lines are positioned at the top and bottom of the page, framing the central text.

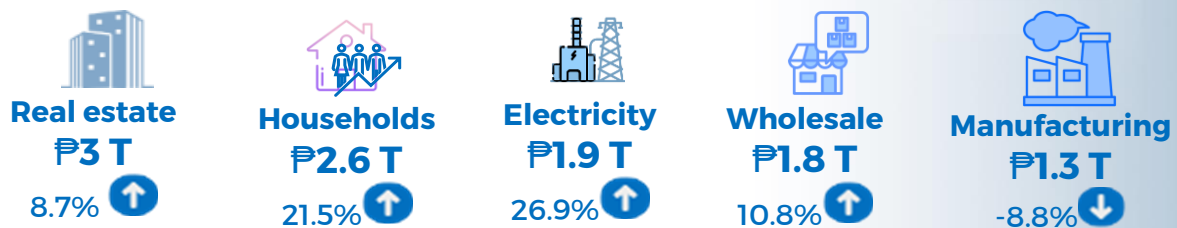
# HIGHLIGHTS OF THE REPORT

## Strong buffers and prudent risk management continue to anchor the banking system's resilience amid global uncertainty.

The Philippine banking system remained resilient in the second semester of 2025,<sup>1</sup> supported by sound balance-sheet expansion, stable funding conditions, and robust capital and liquidity buffers.



Credit growth remained firm, anchored on domestic demand. Lending expanded by 11.7 percent year-on-year (y-o-y)<sup>2</sup> to **₱17.1 trillion**, driven by households, electricity, real estate, and wholesale sectors. Banks adopted more selective growth strategies, reallocating exposures toward these segments while moderating lending to more volatile or externally exposed activities. Together with manufacturing, these sectors accounted for **61.9 percent (₱10.6 trillion)** of total banking system loans, underscoring banks' continued role in supporting domestic economic activity.<sup>3</sup>



Banks benefited from easing macroeconomic conditions and the BSP's monetary policy cycle, which supported **prudent portfolio rebalancing toward high-quality, liquid instruments** while preserving flexibility in risk management. Core operations remained anchored on **stable, resident deposit funding**, providing a reliable and low-cost source of liquidity. Strong earnings from core and ancillary activities supported organic growth, enabling banks to reinforce buffer-building capacity through retained earnings and sustain lending and investment activities.<sup>4</sup>

Latest supervisory assessments likewise indicate that the banking system's direct exposures to geopolitical tensions in the Middle East remain limited, with risks largely transmitted through indirect channels such as higher oil prices, inflationary pressures, foreign exchange (FX) movements, and tighter global financial conditions. Banks' strong capital and liquidity positions, diversified funding bases, and proactive risk management practices provide cushions against these external spillovers, supporting overall system resilience amid heightened global uncertainty.

<sup>1</sup> Banks accounted for 83.2 percent of total financial system resources, underscoring their central role in supporting economic growth.  
<sup>2</sup> Unless otherwise stated, all growth rates are y-o-y, and reporting periods refer to end-2025. Discussions are based on data available at the time of report preparation.  
<sup>3</sup> The credit-to-gross domestic product (GDP) improved to 61.1 percent at end-2025 from 57.9 percent at end-2024, indicating the deepening of financial intermediation.  
<sup>4</sup> Profitability strengthened banks' capital position, with net profit rising by 3.6 percent to ₱405.6 billion for the period ending in December 2025, from ₱391.3 billion in 2024.

## Domestic-led credit expansion, complemented by priority-sector lending, is reinforcing inclusive and sustainable growth.

**Credit to priority and underserved sectors also increased**, reinforcing the banking system's contribution to inclusive growth. Lending to micro, small, and medium enterprises (MSMEs) grew by **6.4 percent**, while loans to barangay micro business enterprises (BMBEs) posted a sharper increase of **47.4 percent**. Banks likewise exceeded the mandated **25 percent allocation for agriculture, fisheries, and rural development (AFRD)**, surpassing both regulatory requirements and prior-year levels.<sup>5</sup>



**₱580.1 B**

Micro, small, and medium enterprises



**₱169.8 M**

Barangay micro business enterprises



**₱2.8 T**

Agriculture, fisheries, and rural development

**Asset quality remains sound but sensitive to macroeconomic conditions.** System-wide non-performing loan (NPL) dynamics showed **measured improvement**, supported by easing macroeconomic conditions and sustained prudential oversight by the BSP. These also contributed to **slower NPL formation and a continued moderation in the overall NPL ratio**.

Latest BSP data indicate that while the **absolute level of NPLs increased**, the **gross NPL ratio declined by end-2025**, reaching its lowest levels in recent years. This suggests that loan expansion and improved repayment behavior have outpaced the growth in problem loans, reflecting **broadly stable underlying credit conditions**.



**3.1%**

Non-performing loan ratio



**97.2%**

Non-performing loan coverage ratio

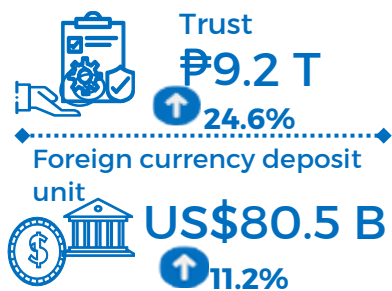
These conditions are consistent with recent BSP survey results pointing to **broadly unchanged credit standards alongside steady loan demand**. Nonetheless, asset quality remains **subject to downside risks**, including softer domestic growth momentum, external headwinds, and **sector-specific vulnerabilities**—particularly in unsecured consumer lending and selected corporate exposures. In the context of ongoing geopolitical tensions, banks have identified heightened sensitivity in fuel- and supply-chain-dependent sectors such as

transportation, manufacturing, wholesale and retail trade, construction, and utilities. Stress tests results indicate that capital and liquidity buffers remain sufficient under baseline and moderate shock scenarios. At the same time, these highlight the need for continued vigilance against valuation effects, funding cost pressures, and potential credit deterioration should external shocks persist.

Banks maintain **adequate provisioning and loss-absorption buffers**, supported by prudent risk management frameworks and BSP surveillance tools, including stress tests. These factors underpin the system's resilience, although evolving domestic and global conditions continue to warrant close **supervisory monitoring**.

<sup>5</sup> RA No. 11901

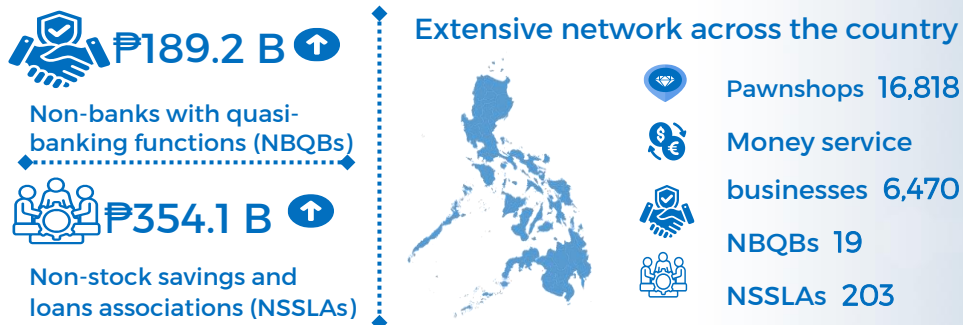
**Broad-based financial intermediation strengthened resilience and inclusion.** The banking system remained broadly diversified, with growth concentrated among large domestic banks. Across the industry, universal and commercial banks (UKBs) dominated in terms of balance sheet size and earnings, while smaller banks maintained minimal yet steady shares, underscoring their role in financial inclusion.<sup>6</sup> Foreign banks, though modest in presence,<sup>7</sup> continued to support trade and investment flows, advance digital financial solutions, and facilitate funding for renewable energy, clean transport, and green projects—reinforcing their role as **stable contributors** to the Philippine banking system.



Beyond core banking, ancillary services continued to complement traditional activities and support system performance. Trust and foreign currency deposit unit (FCDU) operations remained key contributors, accounting for 30.7 percent and 15.9 percent of total system assets, respectively, as of end-2025. Both segments sustained profitability, supporting income diversification and enhancing banks' capacity to manage risks and respond to evolving market conditions.

At the same time, BSP-supervised NBFIs—including NBQBs, NSSLAs, pawnshops, and MSBs—continued to **deepen financial inclusion and expand access to financial services**, particularly in underserved areas.

### BSP-supervised non-bank financial institutions



Collectively, BSP policy reforms—anchored in institutional soundness, supervisory innovation, and inclusive finance, and reinforced through close stakeholder coordination—have enabled banks to expand responsibly, support economic activity, and respond to the evolving financial needs of Filipinos. These initiatives strengthen system resilience, promote inclusion, and sustain a secure, modern financial environment supportive of long-term growth.

**Policy-driven reforms, proactive supervision strengthen system's capacity to *absorb shocks, adapt to change.***

<sup>6</sup> Thrift banks (TBs), rural and cooperative banks (RCBs), and digital banks (DGBs) accounted for 4.6 percent (₱1.4 trillion), 1.5 percent (₱440.5 billion), and 0.6 percent (₱165.4 billion), respectively, of total banking system assets.

<sup>7</sup> Foreign banks branches and subsidiaries accounted for 5.7 percent (₱1.7 trillion) of total banking system assets.



# THE PHILIPPINE BANKING SYSTEM

## Philippine banking system remains *a cornerstone* of economic stability, with strong financials, key indicators.

### Financials

Assets expanded further

Assets ↑8.9%

**₱29.9 T**

Deposits fueled bank operations

Deposits ↑7.4%

**₱21.9 T**

Loan demand remained robust

Loans, gross ↑11.7%

**₱17.1 T**

Operations remained profitable

Net profit ↑3.6%

**₱405.6 B**

### Key indicators

#### Good asset quality

3.1%

Non-performing loan ratio

97.2%

Non-performing loan coverage ratio

#### Strong capital position

15.8%

Capital adequacy ratio Solo

16.2%

Consolidated

#### Healthy profitability

11.5%

Return on equity

1.4%

Return on assets

#### Sufficient liquidity

Universal and commercial banks

172.3%

Liquidity coverage ratio (Solo)

132.7%

Net stable funding ratio (Solo)

### Network

**13,639**

Total bank offices

**24,394**

Automated teller machines (ATMs)

**139**

Banks with e-banking services



- 463 head offices
- 13,176 other offices

#### Top and bottom regional office distribution

**3,682** in National Capital Region (NCR)

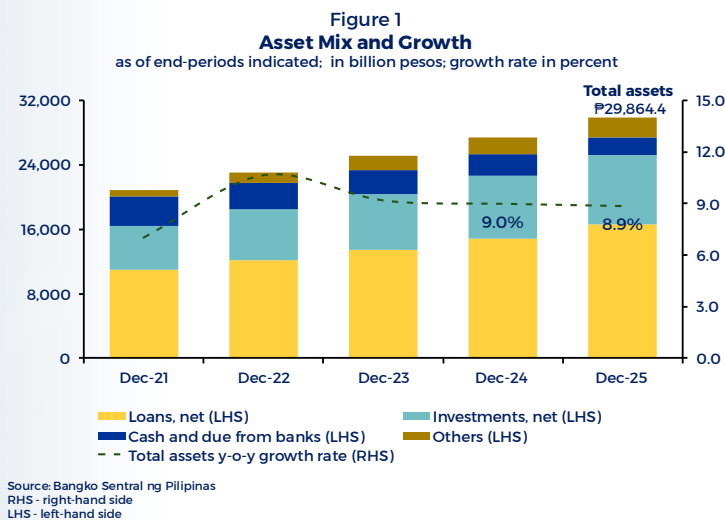
**1,941** in Cavite, Laguna, Batangas, Rizal, and Quezon (CALABARZON)

**1,432** in Central Luzon

**47** in Bangsamoro Autonomous Region in Muslim Mindanao (BARMM)

## Philippine banking system sustains resilience, supported by sound balance sheet growth, prudent risk management.

The Philippine banking system remained **resilient** in the second semester of 2025. Balance sheet expansion continued, with **total assets reaching ₱29.9 trillion**, supported by sustained lending, steady investment activity, and a stable funding base. Growth moderated compared with 2024 but continued to **outpace domestic economic activity**,<sup>1</sup> reflecting broad confidence in the operating environment (*Figure 1*).<sup>2</sup>



Banks drove asset growth primarily through **lending (up 11.9 percent)**<sup>3</sup> and **investments (up 10.5 percent)**,<sup>4</sup> with loans remaining the dominant asset class (55.6 percent). Banks continued to **reposition balance sheets** by combining **measured loan expansion** with broader portfolio diversification. This approach supported earnings while preserving balance-sheet flexibility amid shifting financial conditions.

Growth remained concentrated among large banks within a structurally diverse system (as to types and ownership). UKBs held 93.4 percent (₱27.9 trillion) of total assets. By ownership, domestic banks comprised 94.3 percent (₱28.1 trillion) and foreign banks accounted for 5.7 percent (₱1.7 trillion). Despite a leaner balance sheet share, foreign banks continued to support system resilience through global market linkages, technology-driven efficiencies, and sustainable finance initiatives (see *infographic summary on foreign bank branches and subsidiaries' operations*).

Banks maintained **broad access to financial services** through a hybrid delivery model. As of end-2025, the banking network expanded to **13,639 offices** (from 13,384 in 2024),<sup>5</sup>

<sup>1</sup> Philippine GDP grew by 3.0 percent in Q4 2025, bringing full-year GDP growth to 4.4 percent.

<sup>2</sup> Results of the BSP's Q4 2025 and January 2026 Business Expectations Survey (BES) indicated more upbeat business sentiment for Q4 2025, Q1 2026, and the next 12 months. Firms cited stronger consumer demand, improved domestic conditions, recovering government spending, better governance, and stronger investor confidence.

<sup>3</sup> Loans include reverse repurchase (repo) interbank loans and are reported net of allowance for credit losses (ACL).

<sup>4</sup> Investments cover debt and equity securities, derivatives, and equity investments in subsidiaries, associates, and joint ventures, net of ACL, as applicable.

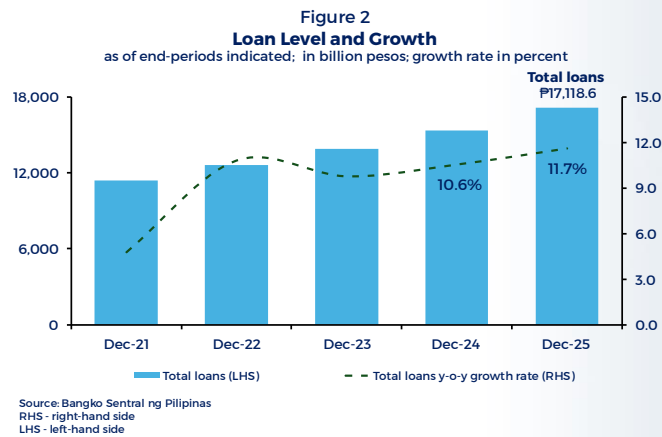
<sup>5</sup> The total number of bank offices increased with the addition of 266 offices.

## Banks reinforce financial inclusion with growing physical network, *expanding digital channels.*

led by UKBs with 7,156 offices nationwide. Offices remained concentrated in Luzon, particularly NCR (27.0 percent), followed by CALABARZON (14.2 percent), and Central Luzon (10.5 percent). Banks complemented physical networks with expanded ATM and electronic banking services, strengthening operational resilience and supporting financial inclusion, especially in underserved areas.

### Lending activity and sectoral distribution: Broad-based growth

Credit growth remained robust as loans reached ₱17.1 trillion (*Figure 2*), supported by sustained loan demand and easing financing conditions.<sup>6,7</sup> Banks adopted **more selective growth strategies**, reallocating exposures toward retail, electricity, real estate, and wholesale sectors while moderating lending to more volatile segments.



Lending remained **predominantly domestic oriented**,<sup>8</sup> and **broad-based across sectors** (*Figure 3*). Real estate remained the largest borrower, followed by households,<sup>9</sup> electricity, wholesale, manufacturing, and financial services. **Household lending continued to drive expansion**, rising by 21.5 percent (₱462.4 billion) and accounting for 25.8 percent of total loan expansion. Electricity (up 26.9 percent or ₱393.7 billion), real estate (up 8.7 percent or ₱242.5 billion), and wholesale (up 10.8 percent or ₱176.6 billion) also posted solid gains, underscoring the role of banks in supporting both household spending and productive sectors. **Credit to priority sectors, including**

<sup>6</sup> Results of the BSP's Q4 2025 Senior Bank Loan Officers' Survey (SLOS) showed steady loan demand from both businesses and households. Higher diffusion index scores for Q1 2026 suggest expectations of increased loan demand.

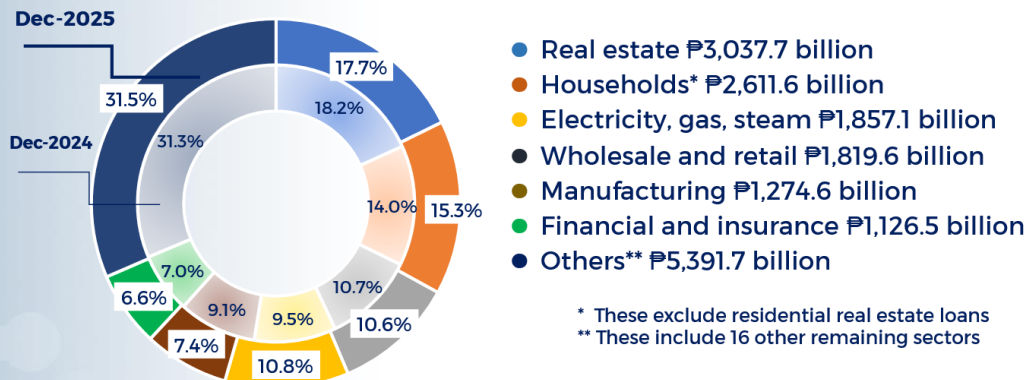
<sup>7</sup> From August 2024 to February 2026, the BSP cumulatively reduced the target overnight reverse repurchase rate by 225 basis points (bp) to 4.25 percent through nine 25-bp cuts. Correspondingly, overnight deposit and lending facility rates were lowered to 3.75 percent and 4.75 percent, respectively.

<sup>8</sup> By counterparty, domestic borrowers comprised the bulk of loan portfolio, led by resident non-financial private corporations (42.1 percent, ₱7.2 trillion), resident individuals (23.8 percent, ₱4.1 trillion), agri-agra borrowers (11.9 percent, ₱2 trillion), and resident financial private corporations, including banks, (7.9 percent, ₱1.3 trillion).

<sup>9</sup> Loans for household consumption include credit card receivables (CCRs), motor vehicle loans (MVLs), salary-based general-purpose consumption loans (SBGPCLs), and others.

MSMEs,<sup>10</sup> agriculture,<sup>11</sup> and microenterprises,<sup>12</sup> continued to expand, reinforcing the system's inclusive growth.

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



Survey results point to **household lending as the main driver of credit growth going forward**. Demand remains strong for consumer loans that finance essential goods, services, and consumption needs.<sup>13</sup> In contrast, lending to **export-oriented sectors**, such as manufacturing and wholesale, is expected to proceed more cautiously amid external uncertainty and evolving trade developments. **Real estate lending** is projected to expand at a measured pace, reflecting prudent project evaluation. **Sustainable finance** is seen to gain further traction, supported by regulatory initiatives and long-term investment priorities.<sup>14</sup>

## Robust credit growth is driven by *household demand and productive-sector* lending.

UKBs remained the primary credit providers, accounting for 92.3 percent (₱15.8 trillion) of total loans, serving both corporates and households, while smaller banks sustained their role in retail and community lending. This balance preserved system diversity while anchoring credit intermediation.

<sup>10</sup> MSME lending rose by 6.4 percent to ₱580.1 billion, with 72.2 percent provided by UKBs. Wholesale and retail trade accounted for 41.1 percent of MSME lending.

<sup>11</sup> Banks exceeded the 25.0-percent mandatory allocation for AFRD financing under RA No. 11901. Total bank allocation for December 2025 reached ₱2.8 trillion.

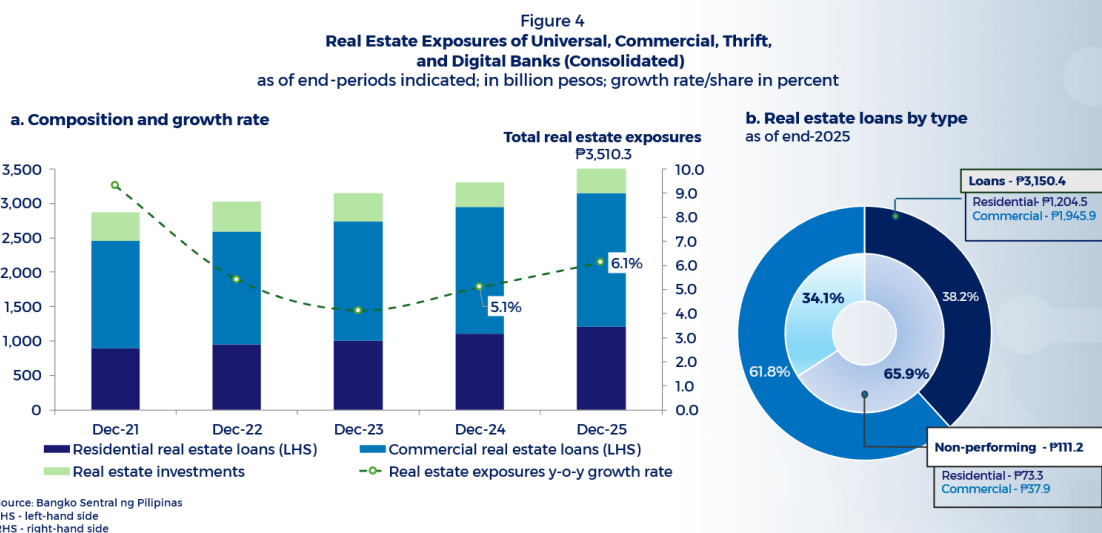
<sup>12</sup> Loans to BMBEs increased by 47.4 percent to ₱169.8 million, from ₱115.2 million in 2024. RBs accounted for the largest share both in terms of loan amount (89.2 percent) and number of borrowers (95.2 percent).

<sup>13</sup> The BSP's Q4 2025 Consumer Expectations Survey (CES) showed a higher share of households planning to acquire residential and agricultural property in the next 12 months, even as buying sentiment for big-ticket items remained pessimistic during the quarter.

<sup>14</sup> BSP Circular No. 1227 dated 5 January 2026 extends regulatory incentives for an additional two years, allowing banks to exceed single borrower limits by up to 15.0 percent and apply a zero-percent reserve requirement on sustainable bonds to support financing for eligible green and sustainable projects.

## Real estate exposures: Measured and risk-calibrated growth pace

Real estate remained the **largest single exposure** of the banking system, covering both loans and investments. Total real estate exposures increased to **₱3.5 trillion** (Figure 4), supported by sustained housing demand and selective commercial real estate activity, particularly in the office and industrial segments.<sup>15,16,17</sup>



Real estate loans (RELs) continued to dominate, comprising 89.7 percent (₱3.1 trillion) of total real estate exposures,<sup>18</sup> while real estate investments remained minimal at ₱359.8 billion. Within commercial RELs (₱1.9 trillion)<sup>19</sup> and residential RELs (₱1.2 trillion),<sup>20</sup> growth moderated across both segments with the latter increasing by 9 percent (from 9.6 percent a year earlier). Commercial RELs rose by 5.2 percent (from 6.9 percent), indicating a more measured expansion. Banks maintained a **risk-calibrated approach**, prioritizing lower-risk segments while limiting exposure to oversupplied markets.

Asset quality in the real estate portfolio improved despite a modest rise in non-performing RELs (NPRELs), which increased by 2.2 percent to ₱111.2 billion. The decline in NPREL ratio to 3.5 percent from 3.7 percent reflected slower NPL build-up relative to exposure growth.<sup>21</sup> This improvement coincided with banks' risk-calibrated portfolio

<sup>15</sup> Colliers' Q4 2025 Metro Manila Residential Report cited improved takeup of pre-selling middle-income residential condominium units, while demand for secondary condominium units demand in major business districts remained stable. Meanwhile, the Q4 2025 Metro Manila Office Report noted increased rental demand and fewer space surrenders, easing office vacancy rates. Similarly, Colliers' H2 2025 Industrial Report pointed to sustained demand, supported by the expansion of industrial park developers.

<sup>16</sup> The BSP's January 2026 BES pointed to an optimistic overall business outlook for the next 12 months.

<sup>17</sup> Total real estate exposures of UKBs, TBs, and DGBs accounted for 11.8 percent of total banking system assets, slightly lower than 12.1 percent in December 2024.

<sup>18</sup> RELs for socialized and low-cost housing declined by 2.6 percent to ₱395.7 billion and accounted for 12.6 percent of total RELs. Loans to individual households comprised 58.0 percent.

<sup>19</sup> Commercial RELs were primarily used to finance land development, acquisition, construction, and improvement of commercial real estate units, accounting for 82.7 percent (₱1.6 trillion). Most had residual maturities of over one year to five years (40.7 percent, ₱792.3 billion).

<sup>20</sup> Residential RELs mainly financed mid-end (50.1 percent, ₱603.6 billion) and low-cost (32.7 percent, ₱393.4 billion) housing units. Majority had residual maturity of over 10 years (53.2 percent, ₱640.7 billion) and were secured by real estate mortgages (69.5 percent, ₱836.7 billion).

<sup>21</sup> Disaggregated data showed improvement in the non-performing residential REL ratio to 6.1 percent from 6.3 percent, while the non-performing commercial REL ratio remained low at 1.9 percent from 2.1 percent.

## Stress tests indicate that banks can absorb real estate shocks while *maintaining capital strength.*

positioning, as new exposures were directed toward **residential end-user financing**, logistics, industrial, and mixed-use developments, while exposures to oversupplied office and vertical residential segments remained restrained. Ongoing supervisory monitoring, including stress tests and compliance with the 25.0 percent prudential limits,<sup>22</sup> indicates that banks can absorb plausible shocks while maintaining capital adequacy ratio (CAR) above regulatory thresholds.

### Consumer credit: Strong demand, manageable risks

Overall, consumer lending continued to expand strongly, rising by **17.1 percent** to **₱3.8 trillion** and accounting for 22.2 percent of total loans. While growth moderated from last year's pace, double digit expansion was sustained amid resilient household consumption, particularly for unsecured retail credit.

Growth was led by CCRs (up 28.2 percent or ₱264.1 billion), residential RELs (up 8.6 percent or ₱94.3 billion), and MVLs (up 14.3 percent or ₱86.9 billion).<sup>23</sup> Despite rapid expansion, risks remained contained, supported by broadly stable underwriting standards and a cautious lending stance.<sup>24</sup> In the credit card segment, transactors who pay balances in full continued to dominate, helping manage risk.

**CCRs and residential RELs** remained the largest consumer loan segments (*Figure 5*), accounting for 31.6 percent and 31.4 percent of the portfolio, respectively.<sup>25</sup>

## Strong household consumption supports consumer credit growth, with risks managed through *prudent underwriting, provisioning.*

While unsecured lending warrants close monitoring, indicators point to manageable risks at the system level. Consumer credit penetration remains below regional peers,<sup>26</sup> suggesting scope for further deepening under a sound risk framework.

<sup>22</sup> The REL limit applies to all UKBs and covers commercial RELs used to finance the acquisition and development of land, as well as the construction and development of income-generating properties. System-wide real estate exposures remain within banks' internal risk appetite and regulatory limits based on the BSP's supervisory assessments.

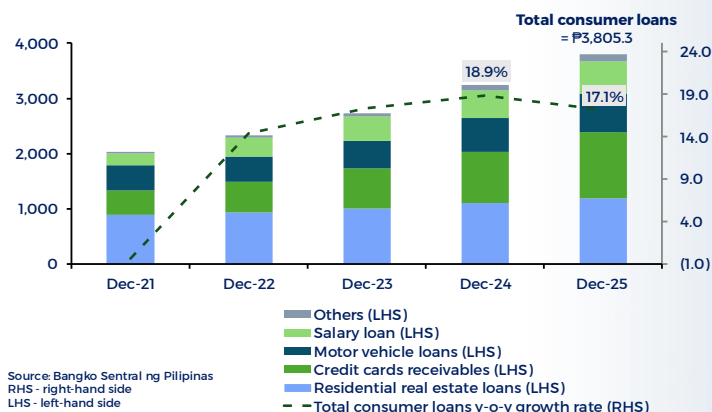
<sup>23</sup> Other consumer loan segments also posted gains: SBGPCLs (15.2 percent or ₱77.3 billion) and others (34.8 percent or ₱34.1 billion).

<sup>24</sup> The BSP's Q4 2025 SLOS showed that 79.5 percent of banks expect household lending standards to remain unchanged in Q1 2026. Among banks anticipating adjustments, a net tightening bias persisted, indicating a cautious credit environment.

<sup>25</sup> Among consumer loans, MVLs accounted for 18.2 percent; SBGPCLs for 15.4 percent; and others for 3.5 percent.

<sup>26</sup> Cross-country comparison based on end-September 2025 BIS data showed that household credit-to-GDP ratios were highest in South Korea (89.4 percent), Hong Kong SAR (87.6 percent), and Thailand (87.2 percent), while other Asian economies, including Malaysia (69.9 percent), Japan (61.1 percent), China (59.0 percent), and Singapore (43.5 percent) recorded lower ratios. The Philippines' consumer loan-to-GDP of 15.8 percent (as of end-2025) remained comparable to Indonesia (15.7 percent) and below other regional peers.

Figure 5  
**Consumer Loan Mix and Growth of  
Universal, Commercial, and Thrift Banks (Solo)**  
as of end-periods indicated; in billion pesos; growth rate in percent



### Asset quality: Sustained growth with contained but evolving risks

Loan quality remained broadly sound amid continued portfolio expansion. System-wide NPL growth moderated, while the overall NPL ratio declined and NPL coverage strengthened (*Figure 6*). These trends reflect prudent credit risk management and improving borrower conditions. At the same time, **evolving domestic and external conditions** continue to warrant heightened **supervisory vigilance**.

As of end-2025, NPLs rose by 5.1 percent to ₱526 billion, easing from the 11.4-percent increase recorded a year earlier. Increases were concentrated in specific segments, particularly unsecured household loans—most notably CCRs—and selected corporate exposures to construction and real estate. These developments point to **localized stress rather than a broad-based deterioration**.

**For the covered period, easing macroeconomic conditions supported borrower performance.** Lower inflation and reduced borrowing costs helped temper debt servicing pressures, contributing to slower NPL formation and a decline in the system-wide NPL ratio to 3.1 percent from 3.3 percent a year earlier. Nonetheless, these gains remain sensitive to shifts in domestic activity and external demand.

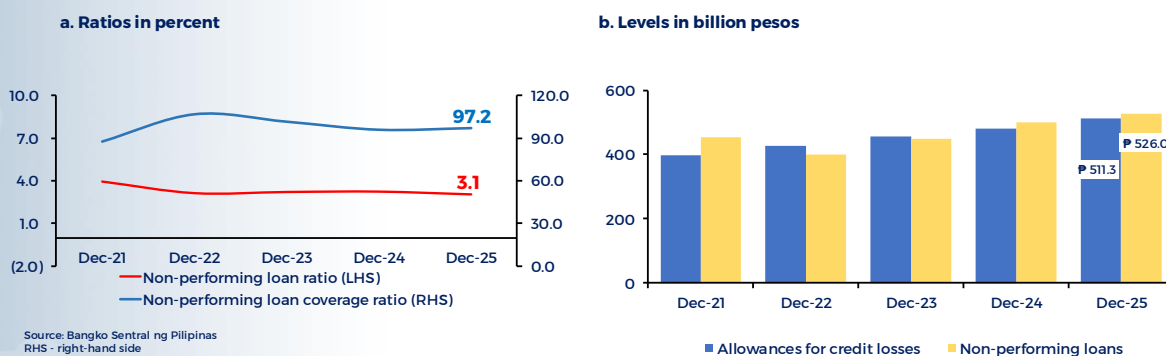
## Moderating non-performing loan growth, stronger coverage point to *effective credit risk management.*

Within consumer portfolios, **risks warrant continued close monitoring**, especially for unsecured products. While NPLs were more pronounced in CCRs, portfolio-level risks remained contained, with the non-performing consumer loan ratio at 5.4 percent. This was supported by adequate provisioning, as the NPL coverage ratio for CCRs stood at 107.1 percent. Supervisory assessments indicate that underwriting standards and remediation practices remain prudent and broadly unchanged.

Corporate asset quality risks likewise remained manageable, albeit with **pockets of vulnerability**. Exposures to real estate and construction stayed within risk appetite but remained sensitive to market conditions, while manufacturing and other trade-related sectors continued to face external headwinds. Current indicators point to broadly

stable repayment capacity, although downside risks could emerge should external conditions weaken.

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



Banks continued to **strengthen their loss-absorption buffers**, with allowances for credit losses rising (up 6.4 percent to ₱511.3 billion) and the NPL coverage ratio improving (*Figure 6*). Sound credit governance and proactive NPL management further supported system resilience.<sup>27</sup> BSP stress tests confirm that **banks remain resilient under severe but plausible credit shocks**.

### Investments in securities: Measured expansion amid an easing rate cycle

Investment activity remained firm as banks rebalanced their portfolio toward more stable debt instruments. Total investments rose by 9.1 percent to ₱8.2 trillion,<sup>28</sup> moderating from the 10.6-percent growth recorded in the previous year but continuing to support balance sheet strength. Growth was driven mainly by a sharp increase in fair value through other comprehensive income (FVOCI) holdings (up 23.0 percent or ₱692.4 billion), reflecting portfolio positioning ahead of further monetary policy easing while preserving flexibility in interest rate risk management.

Portfolio composition continued to emphasize safety and liquidity. National government (NG)-issued securities remained dominant (75.3 percent or ₱6.2 trillion),<sup>29</sup> anchoring banks' risk posture. By type, amortized cost (AC) and FVOCI securities accounted for the bulk of holdings,<sup>30</sup> underscoring a balanced approach between income stability and valuation opportunities.

<sup>27</sup> Banks continued to strengthen credit risk management through stricter underwriting standards, enhanced credit scoring and collection frameworks, wider use of digital and early-warning tools, and timely remedial actions.

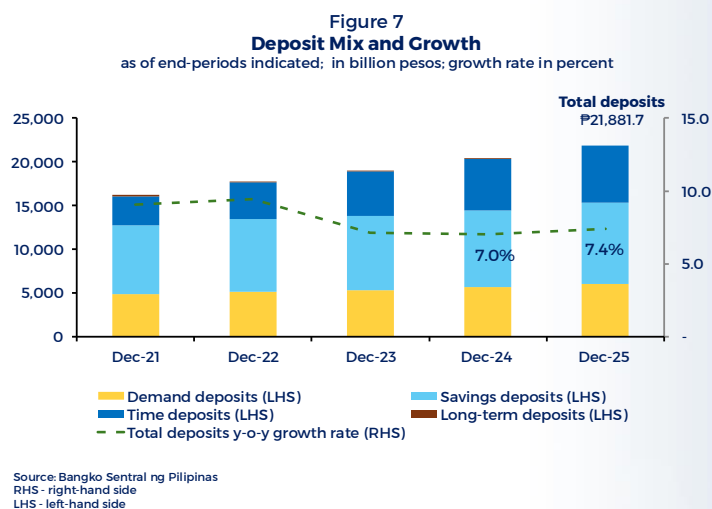
<sup>28</sup> Figures exclude equity investments in subsidiaries, associates, and joint ventures.

<sup>29</sup> Non-government securities were issued mainly by private corporations (6.6 percent, ₱544.4 billion), the BSP (2.7 percent, ₱217.4 billion), banks (3.5 percent, ₱290.2 billion), and other issuers (11.9 percent, ₱972.1 billion).

<sup>30</sup> Securities measured at AC and FVOCI accounted for 48.7 percent (₱4 trillion) and 45.2 percent (₱3.7 trillion), respectively, while fair value through profit or loss (FVTPL) remained minimal at 6.1 percent (₱500.5 billion).

### Funding structure: Stable deposits anchor funding

Funding conditions remained favorable, anchored on a stable deposit base. Total deposits rose by 7.4 percent to ₱21.9 trillion (*Figure 7*), supporting lending and investment activity. Growth was driven mainly by time certificates of time deposit (TD), which expanded by 11.2 percent as depositors responded to yield opportunities.



Deposits remained predominantly peso-denominated (83.3 percent, or ₱18.2 trillion) and resident-sourced (99.1 percent, or ₱21.7 trillion),<sup>31</sup> limiting exposure to external funding risks. At the same time, demand and savings deposits remained a strategic priority. Banks continued to invest in digital channels, transaction banking, and cross-selling initiatives to deepen low-cost funding and help moderate overall funding costs over the medium term.

Beyond deposits, banks selectively tapped alternative funding sources to enhance flexibility. Issuance of bills and bonds payable—including green, social, sustainability, and sustainability-linked (GSS+) bonds—as well as repos and interbank borrowings supported liability diversification, cost management, and longer funding tenors. Capital market funding remained modest at 7.5 percent of total liabilities,<sup>32</sup> while cumulative GSS+ bond issuances expanded to an estimated ₱664.7 billion in 2025,<sup>33</sup> reinforcing funding diversification and sustainability-related financing objectives.

## Predominantly peso-based deposit structure continues to support *funding stability*.

### Capital and liquidity: Strong buffers reinforce system resilience

Capital and liquidity positions remained robust, reinforcing the banking system capacity to support growth. Capitalization continued to grow (up 8.9 percent to ₱3.7

<sup>31</sup> Resident individuals and private corporations held the largest shares of deposits at 48.9 percent (₱10.7 trillion) and 31.7 percent (₱6.9 trillion), respectively.

<sup>32</sup> Other funding sources include bills payable and bonds payable, which accounted for 4.6 percent (₱1.2 trillion) and 2.9 percent (₱0.8 trillion), respectively, of total liabilities.

<sup>33</sup> BSP staff estimates show cumulative GSS+ bond issuances by Philippine banks comprised ₱531.5 billion in sustainability bonds, ₱70.9 billion in green bonds, ₱56.5 billion in social bonds, and ₱5.9 billion in blue bonds.

trillion), driven mainly by a 12.5-percent increase in retained earnings, signaling internally generated strength.

## Adequate capital, liquidity buffers continue to strengthen banks' capacity to absorb shocks.

Regulatory capital,<sup>34</sup> leverage,<sup>35</sup> and liquidity ratios<sup>36</sup> remained well above BSP and international thresholds. This headroom preserved banks' ability to absorb potential losses while sustaining credit support. In parallel, banks' net FX position stayed below the regulatory limit—the lower of 25.0 percent of qualifying capital or US\$150 million—underscoring prudent exposure management and contained FX risk.

Beyond standard metrics, supervisory stress tests and forward-looking indicators reinforced early risk detection and timely policy response.<sup>37</sup>

### Profitability and earnings performance: Core activities sustain stable profitability

Earnings performance remained stable, anchored on core banking activities. Net profit rose by 3.6 percent to ₱405.6 billion for the period ending in December 2025, translating to solid returns on assets (RoA) (1.4 percent) and equity (RoE) (11.5 percent). Lending continued to drive income growth, particularly loans to individuals (up 17.0 percent, or ₱66.2 billion), supported by higher investment yields from FVOCI securities (up 16.0 percent, or ₱20.4 billion). These gains more than offset the modest rise in funding costs (up 1.6 percent, or ₱7.5 billion),<sup>38</sup> allowing the net interest margin (NIM) to widen to 4.5 percent from 4.3 percent a year earlier.

## Solid lending income, wider margins sustain resilient profitability.

Operating costs and provisioning expenses remained elevated. Higher expenses reflected compensation adjustments, continued investments in technology and digital capabilities, and increased expected credit loss charges in selected portfolios. In response, banks emphasized disciplined expense management, adherence to cost-to-income targets, and closer alignment of cost growth with revenue expansion.

<sup>34</sup> As of end-2025, the UKB industry's solo and consolidated CARs stood at 15.6 percent and 16.0 percent, respectively. Additionally, the common equity tier 1 (CET1) ratios of UKBs were 14.6 percent on a solo basis and 15.1 percent on a consolidated basis.

<sup>35</sup> As of end-2025, the UKB industry's Basel III leverage ratios were at 9.1 percent on a solo basis and 9.5 percent on a consolidated basis, surpassing the 5.0-percent BSP requirement and the 3.0 percent required by international standards.

<sup>36</sup> As of end-2025, the UKB industry's liquidity coverage ratios (LCRs) of 172.3 percent on a solo basis and 172.1 percent on a consolidated basis surpassed the minimum 100.0-percent regulatory threshold. During the same period, both the UKB industry's solo and consolidated net stable funding ratios (NSFRs) stood at 132.7 percent and 132.9 percent, respectively. While for smaller banks, the minimum liquidity ratios of stand-alone TBs, rural banks, and cooperative banks remained well above the 20.0-percent minimum.

<sup>37</sup> Forward-looking indicators include loans-at-risk and distressed loan ratios.

<sup>38</sup> Interest expenses on bonds payable grew by 28.0 percent (₱7.9 billion), while interest expense on deposits, which comprised 76.4 percent of total interest expenses, contracted by 3.1 percent (₱11.5 billion).

Fee-based income provided additional support, with higher fees and commissions (up 11.2 percent, or ₱18.3 billion), helping absorb cost pressures, particularly compensation and administrative costs,<sup>39</sup> and reinforcing revenue diversification.

Margins are expected to remain broadly resilient despite easing-cycle pressures, keeping profitability cautiously optimistic amid evolving macroeconomic and asset-quality conditions.

### Off-balance sheet exposures and ancillary operations strengthen earnings

Off-balance sheet activities expanded alongside core operations. Contingent accounts grew at a faster pace to reach ₱21.6 trillion,<sup>40</sup> driven mainly by resident-related commitments,<sup>41</sup> particularly credit card lines (up 27.2 percent, or ₱660.1 billion), as well as trust (up 28.0 percent, or ₱1.2 trillion), derivatives (up 8.5 percent, or ₱565.9 billion), and custodianship (up 14.8 percent, or ₱371.6 billion) accounts.<sup>42</sup> These developments reflected rising client activity and broader use of risk-management instruments.

Ancillary business continued to complement traditional banking activities. Trust and foreign currency deposit unit (FCDU) operations continued to contribute meaningfully to system performance, accounting for 30.7 percent (₱9.2 trillion) and 15.9 percent (US\$80.5 billion or ₱4.7 trillion), respectively, of total system assets as of end-2025. Both segments remained profitable, supporting income diversification and reinforcing the banking system's overall resilience (*see infographic summaries on trust and FCDU operations*).

These developments highlight the growing role of ancillary services in supporting bank earnings and client engagement, while underscoring the need for continued risk monitoring.

<sup>39</sup> Total non-interest expenses grew by 11.3 percent (₱80.7 billion), driven mainly by compensation (up 12.2 percent, ₱28.7 billion) and other administrative expenses (up 8.9 percent, ₱24.6 billion). Together, these accounts comprised 71.5 percent of total banking system non-interest expenses.

<sup>40</sup> Off-balance sheet accounts rose by 15.8 percent (₱2.9 trillion) from 11.1 percent (₱2 trillion) a year ago and represented 72.3 percent (from 68.0 percent in 2024) of total banking system assets.

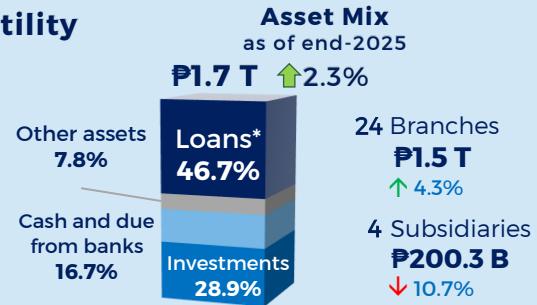
<sup>41</sup> Resident transactions comprised 85.7 percent (₱18.5 trillion) of total off-balance sheet exposures.

<sup>42</sup> Derivatives held the largest share (33.6 percent, ₱7.3 trillion), followed by trust accounts (26.4 percent, ₱5.7 trillion), credit card commitments (14.3 percent, ₱3.1 trillion), and banks' custodianship (13.4 percent, ₱2.9 trillion).

## FOREIGN BANK BRANCHES AND SUBSIDIARIES OPERATIONS

### Assets hold steady amid global volatility

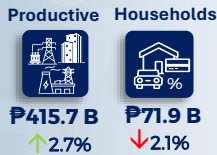
Assets remained broadly stable at 5.7 percent of the total banking system, with growth moderating from a year earlier. Balance sheet expansion was supported mainly by BSP repo lending and higher investments, alongside a shift toward FVOCI income securities. This reflected a more cautious operating environment amid slower domestic growth, easing monetary conditions, and persistent global volatility.



\* These include repos (₱266.4 billion) and interbank (₱64.3 billion) loans.

### Broad-based credit growth, with sound asset quality

**₱487.6 B**  
↑2.0%



Loan growth, net of repos and interbank lending, moderated but remained broad-based, led by electricity and financial services, while exposures to manufacturing, wholesale, real estate, and households softened.

Low NPL ratio and ample coverage reflect prudent underwriting and provisioning standards.

Non-performing loan ratio **1.6%** Coverage ratio **128.6%**

**Stable funding** was anchored on **low-cost domestic deposits**, supporting stability alongside a high loan-to-deposit ratio.

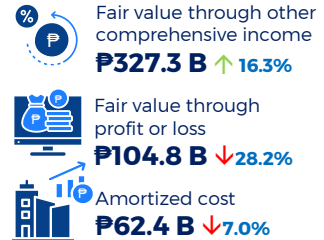
**₱1.1 T**  
↑3.2%

- ✓ Demand and savings **₱884.1 M** ↑5.6%
- ✓ Loans-to-deposit ratio **77.2%**

### Investment repositioning

Portfolio investments remained stable, with a shift toward FVOCI, reflecting market expectations to lock in yields while retaining balance sheet flexibility.

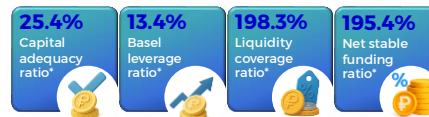
**₱496.0 B** ↑0.1%



**Net Profit**  
**₱23.3 B**

Net interest margin **4.2%**  
Cost-to-income **54.1%**  
Returns: Assets **1.4%**, Equity **8.0%**

**Profitability was sustained**, supported by stable margins and disciplined cost and funding management, **sustaining returns** and **strengthening liquidity and capital buffers**.



\*These ratios are on a solo basis.

## 2025 SURVEY HIGHLIGHTS: \* Broader System Contribution



### Strengthening global market linkages

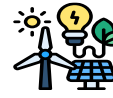
Supporting trade, investments, and market entry

- **US\$8 billion** in trade facilitation
- **US\$3.4 billion** in investment and capital deployment
- **US\$6.4 billion** in market entry and expansion support



### Enhancing efficiencies and product sophistication

- Improving processes through digital platforms, automation, and advanced analytics
- Delivering tailored corporate and retail solutions, including cross-border and digital services



### Advancing sustainable finance

- Channeling funding to renewable energy, clean transport, green projects, and environmental, social, and governance (ESG)-aligned investments

|                  |                    |                |
|------------------|--------------------|----------------|
| Loans            | Investments        | Bonds          |
| <b>US\$1.9 B</b> | <b>US\$115.6 M</b> | <b>US\$2 B</b> |
| Underwriting     | Deposits/Others    |                |
| <b>US\$7 B</b>   | <b>US\$684.2 M</b> |                |

- Furthering ESG development through capacity building and awareness

\* The survey gathers information on foreign banks' 2025 activities and initiatives aligned with the policy objectives of RA No. 7721, as amended.

## TRUST OPERATIONS



### Assets sustain robust growth

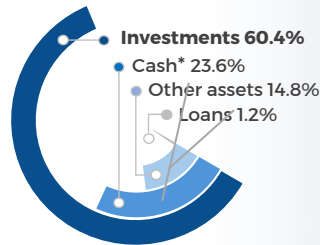
**₱9.2 T** ↑ 24.6%

Assets grew beyond last year's 18.6 percent, supported by higher agency and trust accounts. Investments remained the predominant asset class, with banks' trust departments holding the largest share. The industry navigated market pressures through prudent rebalancing toward higher-yielding assets, emphasizing capital preservation and income generation to sustain growth.

### Asset Mix

as of end-2025

#### By composition



#### By trust entity



\* This includes cash and due from banks (₱767.3 million) and deposits in banks (₱2.2 trillion).

### Investment growth remains stable



**₱5.5 T** ↑ 14.5%



**₱3.8 T** (↑16.7%)



**₱1.8 T** (↑9.7%)

Investments growth slowed from 21.9 percent last year, with FVTPL accounting for 73.9 percent of total investments. This reflects a gradual shift toward buy-and-hold strategies to lock in yields as market stabilized.



**₱4.1 T** ↑ 15.5%

Fair value through profit or loss



**₱1.2 T** ↑ 12.3%

Fair value through other comprehensive income

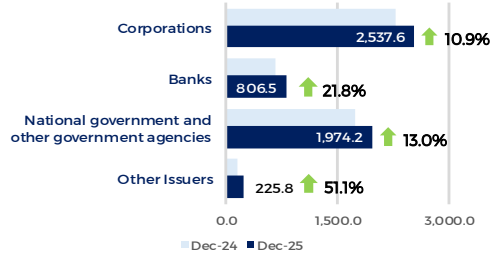


**₱213.4 B** ↑ 5.8%

Amortized cost

### Investments by Counterparty

in billion pesos; growth rate in percent



Corporate securities held the largest share, with portfolios moving toward longer-tenor government and corporate bonds, as well as selective offshore exposures. This enhanced returns while managing risk.

Total accountabilities sustained upward growth trajectory, driven by higher placements in agency and trust accounts.



**Trust accounts**  
**₱2.7 T** ↑ 14.2%



**Agency accounts**  
**₱4.8 T** ↑ 14.1%



**Other fiduciary services**  
**₱1.6 T** ↑ 118.0%



**Special purpose trust**  
**₱61.3 B** ↑ 2.8%

### Unit Investment Trust Fund (UITF)

**Participants**  
2,829,880  
↑ 8.1%

**Placements**  
**₱1.1 trillion**  
↑ 19.8%

**Income**  
**₱145.2 billion**  
↑ 22.7%

**Money market funds**  
**₱751.2 billion**  
↑ 27.5%

Digitally engaged, return-sensitive investors drove demand for low-cost UITFs, largely in money market funds, supporting growth amid liquidity preference.

### Personal Equity and Retirement Account\*

Continued expansion in PERA reflects Filipinos' growing focus on long-term financial security, underpinned by the BSP and government initiatives to broaden investment options, enhance digital access, and strengthen retirement planning.



**Number of contributors**  
↑ 9.7%

**Overall**  
6,334

**Employed**  
4,503

**Overseas Filipinos (OF)**  
818

**Self-employed**  
1,013



**Total contributions**  
↑ 21.3%

**₱571.1 M**

**₱396.5 M**

**₱90.6 M**

**₱83.9 M**

**Net Profit** **₱9.3 B** ↑ 13.9%

**Robust fees and commission sustained profitability, supported by technology upgrades and focus on income scaling, cost discipline, and operational consolidation.**

\*As of end-September 2025

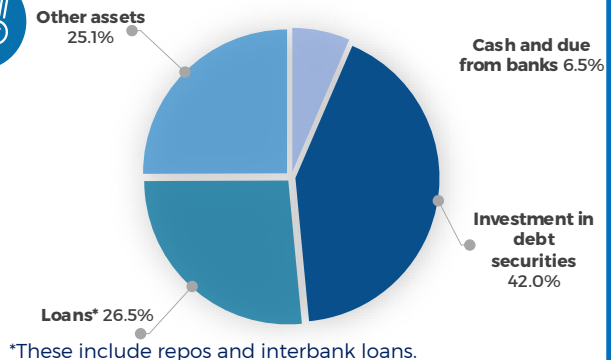
## FOREIGN CURRENCY DEPOSIT UNIT OPERATIONS

**Assets record robust growth**  
**US\$80.5 B (₱4.7 T) ↑11.2%**

Assets expanded more rapidly in 2025, up from 6.7 percent a year earlier. Growth was largely investment-led, with banks increasing their holdings of debt securities to capture elevated global yields while maintaining liquid, low-risk portfolios amid uncertainty. This was supported by sustained foreign currency deposit inflows.



**Assets Mix**  
as of end-2025



**US\$34.1 B**  
(₱2 T)  
↑10.0%



Investment levels continued to rise, shifting toward stable debt securities amid market expectations and foreign exchange volatility.

Banks repositioned portfolios toward FVOCI amid expectations of further policy easing, for liquidity management needs, and to optimize accrual income.

**Held-for-trading**

↓43.3%

sharply declined to US\$1.7 billion (₱98 billion)

**Fair value through other comprehensive income**

↑37.3%

rose to US\$17.5 billion (₱1 trillion)

**Amortized cost**

↓2.4%

declined to US\$15 billion (₱883.1 billion)

**US\$21.6 B\*** (₱1.3 T)  
↑2.2%



\*This includes repos and interbank loans.

### Broad-based sectoral growth amid improving loan quality

- Loan growth was driven by interbank and repo activity, with sectoral gains in transport, finance, mining, and accommodation offsetting declines in arts, electricity, and real estate.
- Asset quality remained sound, with the NPL ratio improving to 1.8 percent from 2.1 percent a year earlier, supported by robust coverage at 103.2 percent.
- Pockets of risk remain in agriculture and mining, underscoring the need for continued supervisory vigilance.

**US\$59.8 B** Deposit gains  
(₱3.5 T) ↑7.9% drive assets



**Savings**

US\$24.8 B  
↑3.2%

**Time certificates of deposit**

US\$33.4 B  
↑11.7%

Sustained deposit inflows, particularly TD, supported asset growth and funded regular banking unit (RBU) requirements.

**US\$951.8 M**  
(₱56 B)  
↑31.5%



### Earnings rebound amid market volatility

- Profitability strengthened, driven by lower funding costs and investment gains.
- Better cost-to-income dynamics supported margins, offsetting softer and more volatile FX income.

**Net interest margin**

1.7%  
(from 1.4%)

**Cost-to-income**

16.5%  
(from 17.8%)

**Return on assets**

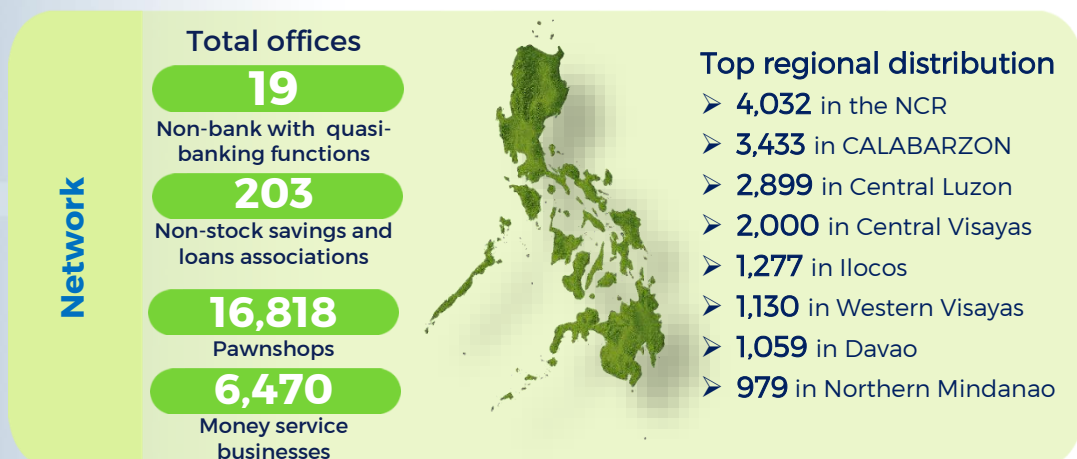
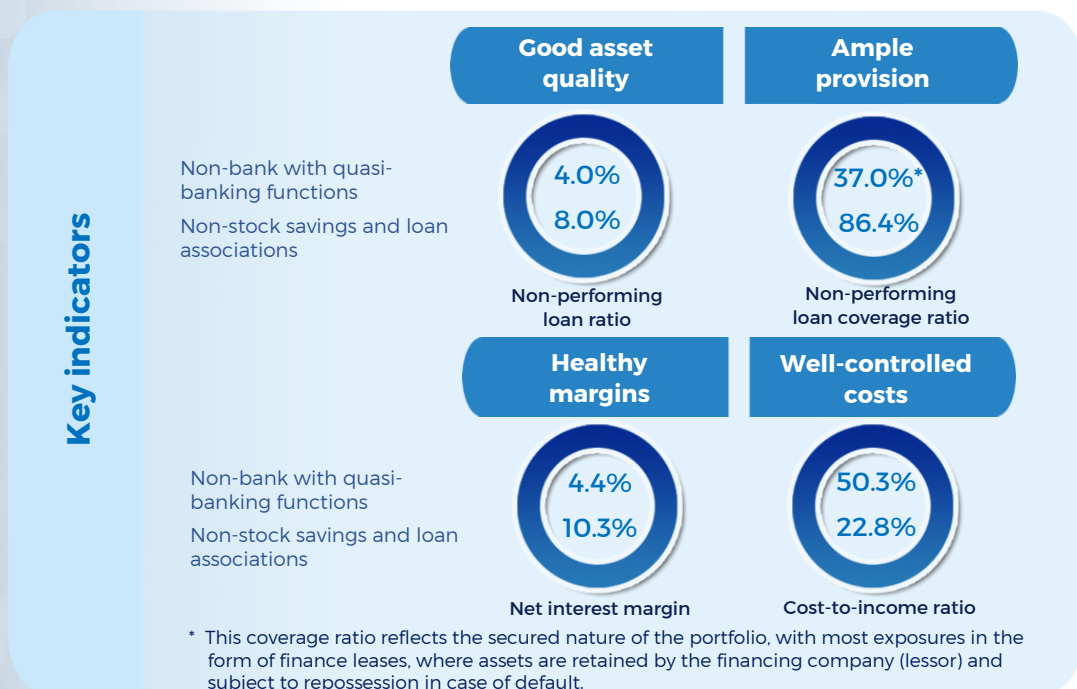
1.2%  
(from 1.0%)





# THE BSP-SUPERVISED NON-BANK FINANCIAL INSTITUTIONS

## BSP supervised non-bank institutions sustain lending, strengthen balance sheets, and expand access nationwide.



**T**he BSP-supervised NBFi sector **continued to complement the banks in sustaining credit intermediation, providing financial products and services, and advancing financial inclusion in 2025.** Balance sheet growth moderates from the previous year but remains **broadly resilient**, underpinned by sustained lending activity, stable funding structures, and strengthened balance-sheet quality, in line with the broader macro-financial environment.

Within the sector, **NBQBs** and **NSSLAs** account for the bulk of activity. **NBQBs' assets reached ₱189.2 billion**, reflecting loan focused balance sheets supported by stable wholesale funding and retained earnings, alongside improving asset quality from slower NPL formation and prudent provisioning. **NSSLAs expanded at a faster pace**, with assets rising to **₱354.1 billion**, driven by stronger member lending, firmer deposits, and continued capital buildup, while asset quality further improved.

Earnings across the sector reflect **normalization**, marked by moderation in NBQB profitability and a recovery among NSSLAs (see *infographic summary on NBQBs' and NSSLAs' operations*). Beyond financial performance, NBQBs and NSSLAs continue to **broaden access to finance**, serving retail clients, MSMEs, and member-based communities. This is reinforced by the extensive nationwide network of **pawnshops and MSBs**, which expanded to **23,288 offices as of end-2025**, catering to the underserved households, microenterprises, and communities, particularly in areas with limited access to bank branches.

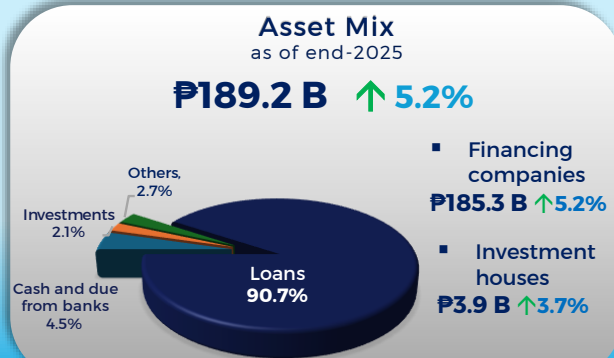
**BSP-supervised non-bank financial institutions  
balance resilience and reach, *bringing  
financial services closer to Filipinos.***

## NON-BANKS WITH QUASI-BANKING FUNCTIONS



### Assets grow moderately, driven by lending

Asset growth continued, moderating to single digits (from 11.5 percent a year earlier) as lending remained cautious and borrowing costs stayed elevated. Expansion was driven primarily by finance leases to retail and MSME segments, supported by ongoing collaborations and partnerships providing technology and financial expertise to broaden services, market reach, and accessibility. As of end-2025, the industry accounted for about 0.5 percent of total financial system resources.



### Lending expands amid elevated funding costs

Lending growth eased from last year's faster pace of 11.0 percent, reflecting market normalization. Partnerships with fintech, other financing companies, and auto manufacturer continued to support credit expansion.

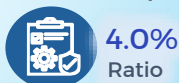


**₱174.2 B\***  
↑ 8.6%

\*This largely comprises loans and receivables of financing companies at ₱173.7 billion, or 99.7 percent of total loans.

### Asset quality improves further

#### Non-performing loan



Alongside credit growth, asset quality strengthened. The NPL ratio improved further by end-2025 from 4.3 percent in 2024, underpinned by slower NPL formation and prudent provisioning practices.

### Funding remains stable

Funding remained stable, with wholesale funding—particularly interbank borrowings—accounting for 60.6 percent (₱114.7 billion) of the total liabilities and capital. Retail promissory notes, along with fixed-rate notes, also contributed a meaningful share. This was complemented by higher capital from retained earnings, albeit at a moderated pace amid elevated funding costs and a more challenging macroeconomic conditions.



**Bills payable\***  
**₱149.2 B**  
↑ 22.9%



**Other liabilities**  
**₱13.1 B**  
↓ 59.9%



**Capital**  
**₱26.8 B**  
↑ 4.1%

\* This includes interbank borrowings.

### Profitability softens on margin pressures



**Net Profit**  
**₱1.5 B**  
↓ 27.8%

✓ Finance lease **₱16.9 B**  
↑ 9.4% (from 17.3%)

✓ Fee-based **₱1.2 B**  
↑ 21.4% (from 136.2%)

Net profit and returns declined, reflecting credit normalization, elevated funding costs, and lower fee-based income following last year's strong growth. This

compressed margin to 4.4 percent from 4.6 percent a year earlier. Meanwhile, the cost-to-income ratio remained broadly steady, edging up to 50.3 percent from 46.4 percent, indicating generally well-controlled operating expenses.



**Returns**  
**Equity 5.8%**  
(from 8.7%)



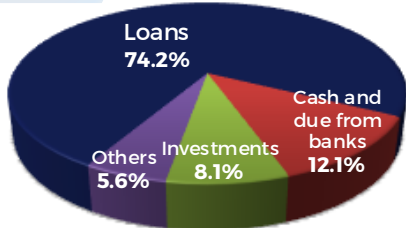
**Assets 0.8%**  
(from 1.2%)

## NON-STOCK SAVINGS AND LOAN ASSOCIATIONS



### Asset growth accelerates on sustained member support

**₱354.1 B**  
↑ 6.2%



Total assets continued to expand, outpacing the 5.3-percent growth recorded a year earlier. This was driven mainly by increased loans to members and higher cash and due from banks, amid tighter macroeconomic conditions and heightened competition from fintech firms, banks, and other alternative platforms. This underscores continued member patronage and demand for financial services, with military and uniformed personnel dominating the membership base and balance sheet. As of end-2025, the industry accounted for 1.0 percent of total Philippine financial system resources.

### Lending recovers amid competitive credit landscape

Lending remained subdued but rebounded, growing faster than the 1.6 percent recorded a year



**₱282.3 B**  
↑ 3.5%

earlier. This trend may be partly driven by the combined impact of competitive interest rates and the greater availability of more convenient and accessible credit services offered by other institutions and lending platforms.

### Asset quality continues to improve

The NPL ratio has declined over the years, accompanied by ample provision for potential losses.

|                    |       |
|--------------------|-------|
| NPL ratio          | 8.0%  |
| NPL coverage ratio | 86.4% |

### Capital strengthens on members contribution

Capital continued to grow, albeit at a slower pace than the 8.1 percent recorded in the previous year. Growth was largely driven by higher member contributions and supported by retained earnings.



**Deposits**  
**₱92.5 B**  
↑ 4.5%



**Capital**  
**₱239.1 B**  
↑ 6.9%

Deposits posted strong growth, exceeding the 2.7 percent recorded a year earlier. This reflects the continued buildup of a stable funding base and further reinforces financial resilience.

### Profitability rebounds on efficiency gains



**₱28.2 B**  
↑ 7.9%  
**Net Profit**

Operating performance improved, reversing the prior year's decline. This recovery was driven by stronger net interest income, disciplined funding and cost management, and enhanced operational efficiency through increased use of technology to streamline processes and contain costs.

### Return

**8.2%** Assets  
**12.2%** Equity



✓ Funding cost **3.9%**

✓ Net interest margin **10.3%**

✓ Cost-to-income **22.8%**

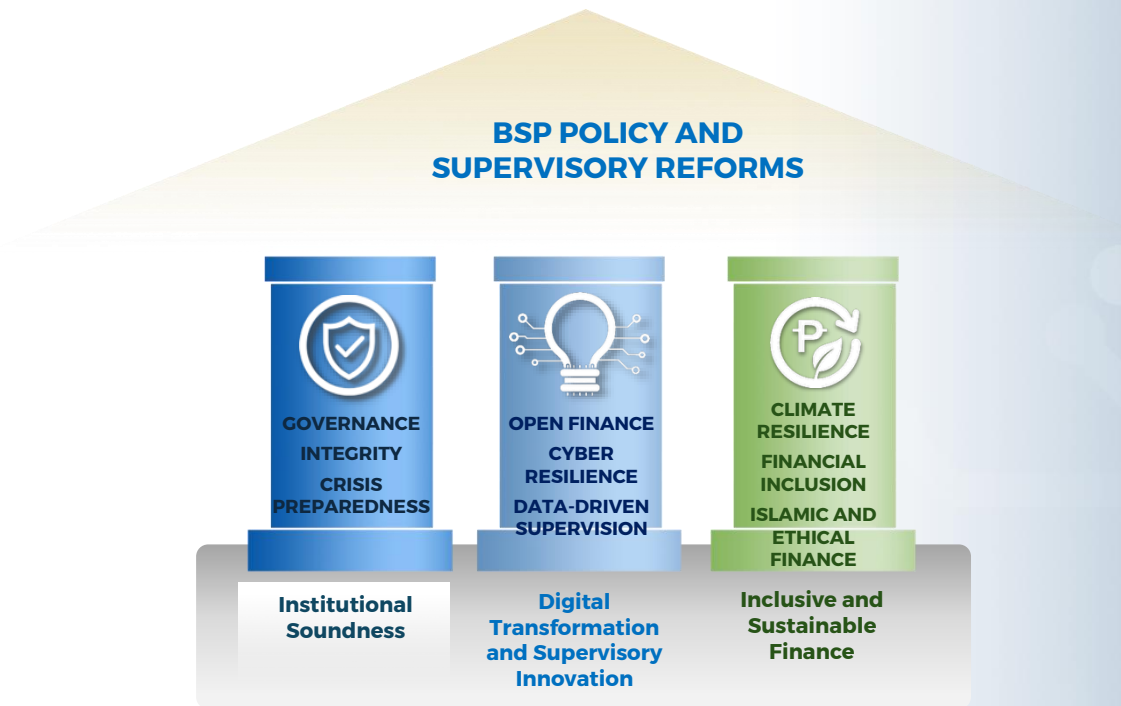
The efficient operations translated into higher returns for members.

# POLICY REFORM AGENDA



## Policy and Regulatory Updates: Anchoring Reforms on Stability, Innovation, and Inclusion

**D**uring the second half of 2025, BSP pursued policy and supervisory reforms guided by three strategic priorities: (i) strengthening institutional soundness, (ii) accelerating digital transformation and supervisory innovation, and (iii) promoting inclusive and sustainable finance. These priorities reflect the BSP's balanced approach to financial sector development—ensuring that the system remains stable and well-governed, adaptive to technological change, and responsive to the needs of the Filipinos.



### Strengthening Institutional Soundness

Strengthening institutional soundness remains the cornerstone of financial stability. In H2 2025, the BSP advanced reforms aimed at reinforcing governance standards, sharpening supervisory discipline, and safeguarding the integrity of the financial system.

To promote ethical leadership and accountability, it strengthened rules on the disqualification and watch listing of directors and officers of BSP-supervised financial institutions (BSFIs)<sup>1</sup>. These measures ensure that individuals entrusted with managing financial institutions meet stringent fit-and-proper standards and uphold the highest levels of integrity.

Financial integrity was further reinforced through updated reporting governance standards for money service businesses, aligned with evolving business models and international anti-

<sup>1</sup> BSP Circular No. 1216 dated 16 July 2025 (Amendments to Regulations on Disqualification of Directors and Officers)  
BSP Circular No. 1226 dated 15 December 2025 (Amendments to the Regulations on Disqualification of Directors and Officers)

money laundering and counter-terrorism financing (AML/CTF) standards.<sup>2</sup> To address risks associated with large cash activities, transactions exceeding ₱500,000 are now required to pass through traceable channels and undergo enhanced due diligence.<sup>3</sup> In addition, the BSP suspended in-app gambling access on digital platforms to mitigate potential financial harm and reduce vulnerabilities to illicit financial activities.<sup>4</sup>

To strengthen crisis preparedness, the BSP advanced consolidated supervision through the Financial Sector Forum (FSF) and completed its fifth Supervisory College in the second half of 2025 to enhance cross-sectoral risk assessment and interagency coordination (see *Box Article 1*). The BSP institutionalized an independent review mechanism from bank examination issues to foster objectivity and transparency and enhance supervisory credibility.<sup>5</sup> Also, dedicated FSS Resolution Group was created to strengthen resolution frameworks and protect public interests (see *Box Article 2*).<sup>6</sup>

**By pairing risk-focused oversight with effective resolution framework, the BSP ensures that financial institutions operate responsibly and that *depositors remain protected*.**

Together, these measures strengthen the institutional foundations of the financial system, protect depositors, and reinforce confidence in the BSP's supervisory framework.

### Accelerating Digital Transformation and Supervisory Innovation

Building on a foundation of institutional soundness, the BSP accelerated digital transformation and supervisory innovation to improve efficiency, expand access, and enhance resilience in an increasingly digital financial system.

In July 2025, the BSP launched Open Finance for PERA under the Open Finance Framework.<sup>7</sup> This initiative enables secure, consent-based sharing of customer data across financial institutions, allowing individuals to open PERA accounts using existing bank or e-wallet information. By simplifying onboarding and broadening investment options, Open Finance supports wider participation in long-term savings while maintaining strong data protection safeguards.

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<sup>2</sup> BSP Circular No. 1222 dated 23 October 2025 (Amendments to Regulations on Reporting Governance Framework for Money Service Businesses (MSBs) – Remittance Transfer Companies (RTCs) and Money Changers/Foreign Exchange Dealers (MC/FXD))

<sup>3</sup> BSP Circular No. 1218 dated 18 September 2025 (Regulation on Large Value Cash Transactions) BSP Memorandum No. M-2025-036 dated 30 October 2025 [Frequently Asked Questions (FAQs) on Large Value Cash Transactions (BSP Circular 1218, Series of 2025)]

<sup>4</sup> BSP Memorandum No. M-2025-029 dated 14 August 2025 (Suspension of In-app Gambling Access in Mobile Payment Apps and Websites)

<sup>5</sup> BSP Circular No. 1225 dated 3 December 2025 (Guidelines on the Independent Review Mechanism for Resolution of Issues Arising from Bank Examinations)

<sup>6</sup> The Group formulates and implements resolution policies, leads resolvability assessments and planning, and coordinates with domestic and foreign stakeholders to ensure timely and orderly resolution of distressed BSFs.

<sup>7</sup> BSP Press Release dated 4 August 2025 (BSP launches pilot to accelerate open finance and PERA retirement program)

At the same time, the BSP maintained a calibrated regulatory stance to ensure that innovation does not outpace risk management and supervisory capacity. It closed the application window for new digital bank licenses effective December 2025 and extended the moratorium on licenses for virtual asset service providers (VASPs).<sup>8,9</sup> These actions balance innovation with consumer protection, cybercrime risk management, and effective supervision.

Guided by the 2024-2029 Financial Services Cyber Resilience Plan (FSCR),<sup>10</sup> the BSP intensified efforts to strengthen cyber defenses across BSFIs. This enhances the security of digital platforms and reinforces the protection of consumer data, supporting trust in digital financial services.

Supervisory innovation also remained a priority. The continued rollout of the Prudential Reporting Innovation and Monitoring Engine (PRIME) and enhanced reporting systems supports improved data quality and analytics and strengthens supervisory responsiveness. The PRIME sandbox is used during testing and parallel runs, while continuing the transition toward automated, application programming interface (API)-based regulatory reports submissions.<sup>11</sup> The live implementation of the Enhanced Comprehensive Credit and Equity Exposures Report of 2023 (COCREE 2.0) for RCBs,<sup>12</sup> further aligned reporting standards across the banking system, enabling more consistent and timely monitoring of credit and equity exposures. Technology is increasingly being integrated into ESG supervision to strengthen monitoring of sustainability and environmental risk management practices of banks (see *Box Article 3*).

Through these measures, the BSP ensures that digital transformation enhances—not compromises—the resilience and integrity of the financial system.

### Promoting Inclusive and Sustainable Finance

Alongside stability and innovation, the BSP advanced measures to ensure financial development remains inclusive and climate responsive.

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<sup>8</sup> BSP Memorandum No. M-2025-032 dated 25 September 2025 (Closure of Application Window for Establishment of Digital Banks)

<sup>9</sup> BSP Memorandum No. M-2025-031 dated 29 August 2025 (Continued Enforcement of the Moratorium on the Issuance of New Licenses for VASPs)

<sup>10</sup> The BSP launched the 2024-2029 FSCR, a comprehensive roadmap and primary framework for enhancing the financial services sector's resilience against cyber threats, on 6 August 2024. It outlines high-level goals and strategies essential to maintaining the integrity and security of the financial ecosystem.

<sup>11</sup> BSP Memorandum No. M-2025-024 dated 29 July 2025 [Guidelines on the Submission of the Report on Intraday Liquidity (INTRADAY) using Extensible Mark-up Language (XML) Format through Prudential Reporting Innovation and Monitoring Engine (PRIME)]

BSP Memorandum No. 2025-037 dated 21 November 2025 [Guidelines on the Submission of the revised Report on NDF Transactions and the Certification of Compliance with the Requirement on NDF Transactions against the Philippine Peso using Extensible Mark-up Language (XML) Format through Prudential Reporting Innovation and Monitoring Engine (PRIME)]

BSP Memorandum No. M-2025-041 dated 26 December 2025 [Guidelines on the Submission of Updated Prudential Reports using Extensible Mark-up Language Format Through Prudential Reporting Innovation and Monitoring Engine (PRIME)]

<sup>12</sup> BSP Memorandum No. M-2025-035 dated 25 October 2025 [Live Implementation of the Enhanced Comprehensive Credit and Equity Exposures Report of 2023 (COCREE 2.0)]

Spanning disaster resilience, sustainable finance, and inclusive banking, BSP is steering financial development toward *resilience, equity, and shared progress.*

It issued supplemental guidance on the Sustainable Finance Taxonomy Guidelines (SFTG),<sup>13</sup> providing practical examples of climate change mitigation and adaptation activities aligned with the National Adaptation Plan 2023-20250.<sup>14</sup> This guidance assists banks in developing products that channel financing toward sustainable and climate-resilient projects.

Recognizing the impact of environmental shocks on livelihood and economic activities, the BSP amended its regulatory relief policy, enabling banks to extend timely assistance to borrowers or clients located in areas affected by calamities.<sup>15</sup>

To deepen financial inclusion, it also allowed PERA UITFs to invest in BSP securities and select foreign fund/assets,<sup>16, 17</sup> subject to existing regulations, expanding long-term investment opportunities.

The BSP also simplified prudential requirements for conventional banks seeking to establish Islamic Banking Units (IBUs) (see *Box Article 4*).<sup>18</sup> It also emphasized that BSFIs must provide accessible and non-discriminatory financial services, ensuring that race, religion, ethnic origin, or social profile does not serve as ground for denial—particularly for refugees, asylum seekers, stateless persons, and other persons of concern.<sup>19</sup>

Collectively, these initiatives support a more inclusive financial system that is responsive to social needs and resilient to climate and environmental-related challenges.

### Looking Ahead: Sustaining Reforms and Future-Proofing the Industry

The BSP remains firmly committed to safeguarding financial stability through calibrated supervision and policy reforms anchored on the pillars of **resilience** and **relevance**.

<sup>13</sup> BSP Memorandum No. M-2025-025 dated 28 July 2025 (Philippine Sustainable Finance Taxonomy Guidelines (SFTG) Frequently Asked Questions Series 1.2)

<sup>14</sup> BSP Memorandum No. M-2025-033 dated 23 October 2025 (Philippine Sustainable Finance Taxonomy Guidelines: Sample Climate Adaptation-related Projects and Activities)

<sup>15</sup> BSP Circular No. 1221 dated 23 October 2025 (Amendments to the Regulatory Relief Policy)

<sup>16</sup> BSP Circular No. 1220 dated 17 October 2025 (Amendments to Regulations on Access to Bangko Sentral Securities of Unit Investment Trust Funds)

<sup>17</sup> BSP Memorandum No. M-2025-030 dated 20 August 2025 [Unit Investment Trust Funds (UITFs) Structured as Feeder Funds/Fund-of-Funds with Foreign Exposures/Investments as Personal Equity and Retirement Account (PERA) Investment Products]

<sup>18</sup> BSP Circular No. 1219 dated 17 October 2025 (Amendments to Prudential Regulatory Guidelines in Islamic Banking)

<sup>19</sup> BSP Memorandum No. M-2025-021 dated 8 July 2025 [Reminder on Non-Discrimination Against Certain Types of Customers, including Persons of Concern (POC)]

**To foster resilience** is to bolster capabilities to withstand shocks and safeguard financial stability. To this end, the BSP will enhance cybersecurity safeguards under the FSCR, refine crisis management and resolution planning frameworks, implement Basel III capital reforms on operational and credit risks, and introduce climate-adaptation related policies.



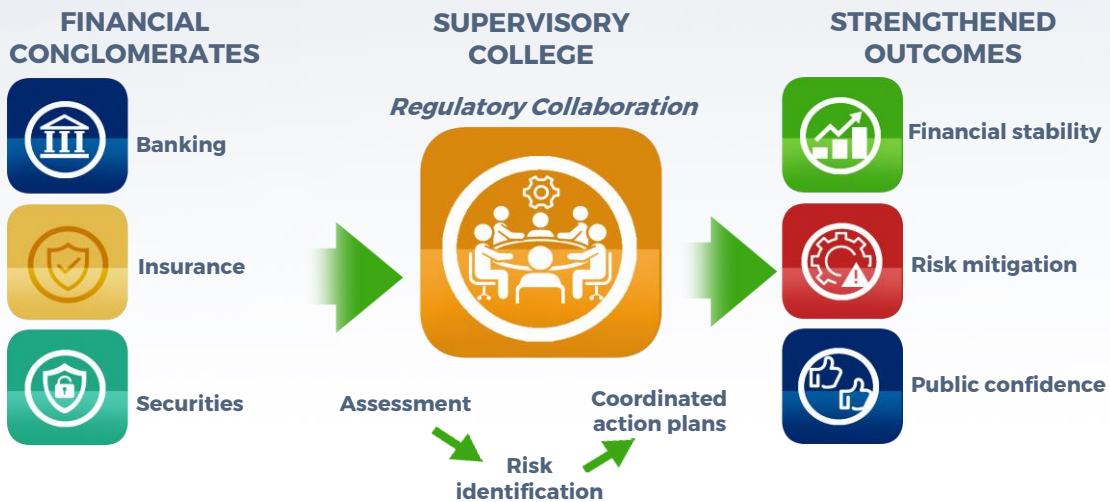
**To sustain relevance** is to keep regulations at pace with innovation, evolving risks and changing economic conditions. Hence, the BSP will modernize regulatory frameworks, strengthen governance and financial integrity standards, and advance inclusive finance through policy guidance on digi-centric banking models, digital financial marketplace, as well as on *Shariah*-compliant products, and *Sukuk* issuance.

Through these forward-looking reforms, the BSP reinforces a stable, adaptive, and well-governed financial system capable of supporting sustainable and inclusive growth.

## Box Article 1

## Supervisory Colleges: Advancing Coordinated Oversight of Financial Conglomerates in the Philippines

In today's fast-evolving financial landscape, coordinated supervision of financial conglomerates has become increasingly critical. These conglomerates operate across multiple sectors—including banking, insurance, and securities—and their size and complexity make them significant players in the Philippine economy. Effective regulatory oversight is therefore essential not only to preserve the stability and integrity of the financial system, but also to mitigate risks that could ultimately affect the welfare of everyday Filipinos.



In recent years, financial regulators have taken important steps to strengthen the oversight and monitoring of financial conglomerates. A key supervisory tool adopted for this purpose is the supervisory college—a collaborative mechanism that brings together financial regulators to deepen their understanding and enhance oversight of these complex groups. Supervisory colleges are conducted under the FSF which is composed of the BSP, the SEC, the Insurance Commission (IC), and the Philippine Deposit Insurance Corporation (PDIC). Through this platform, regulators collectively assess the condition, interconnections and risk profile of financial conglomerates. This inter-agency coordination platform was formalized through a Memorandum of Understanding dated 25 January 2022, along with its implementing guidelines issued in December 2022.

Since the framework's launch in 2022, supervisory colleges have been conducted for five<sup>1</sup> of the country's major financial conglomerates, with the sixth currently ongoing. These engagements allow regulators to gain a holistic view of conglomerates' operations, intra-group linkages, and potential risks that may arise across entities within the group.

To ensure that supervisory colleges are well-planned and effective, the FSF developed a prioritization framework in early 2024. This framework guides the selection of which financial conglomerates should be reviewed first, considering

<sup>1</sup> Includes four of the nine identified financial conglomerates under the prioritization framework, plus one conglomerate recommended for supervisory college by the FSF.

factors such as organizational complexity, potential systemic impact in the event of failure, governance strength, and overall financial condition. In doing so, it helps ensure that supervisory resources are strategically focused on groups with the greatest potential impact on the Philippine economy.

Complementing this initiative, the FSF introduced the Reference Guide for Planning and Risk Assessment (RGRA) to promote consistent standards and common analytical language among regulators in evaluating risks. The RGRA serves as a practical toolkit to support the efficient conduct of supervisory colleges and strengthen collaborative supervision. It provides a structured, step-by-step approach—from understanding a conglomerate’s structure and operations, to identifying key risks such as financial vulnerabilities or governance weaknesses, and, ultimately, forming an overall assessment of the group. This facilitates the evaluation of financial indicators, management practices, and emerging risks, and supports the formulation of coordinated supervisory action plans. The RGRA is designed with sufficient flexibility to accommodate different types of financial groups within the Philippine context.

### KEY TOOLS & FRAMEWORKS *for Effective Oversight*

#### PRIORITIZATION FRAMEWORK *Evaluating Financial Conglomerates*



#### REFERENCE GUIDE FOR PLANNING AND RISK ASSESSMENT



The supervisory college is expected to be further strengthened by the implementation of Section 23 of RA No. 7653, as amended, through BSP Circular No. 1209, issued in January 2025. The Circular establishes standards for data collection to ensure the availability of reliable information for statistical and policy development purposes. Improved access to accurate, timely, and relevant data supports informed decision-making, enhances regulators' ability to monitor trends affecting financial conglomerates, and facilitates more coordinated policy responses across the regulatory community.

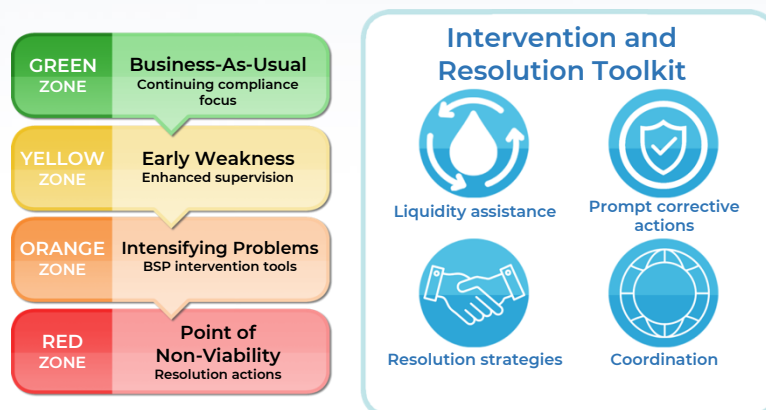
Financial conglomerates influence many aspects of daily life—from the banking services individuals rely on, to the insurance products they purchase and the investments they make. By continuously strengthening the supervisory framework for these groups, regulators help reinforce the resilience of the financial system and uphold public confidence. These efforts reflect the FSF’s ongoing commitment to protecting the public and promoting trust in the Philippine financial sector.

## Box Article 2

## Protecting the Public Through Effective Bank Resolution

Banks play a vital role in the economy as financial intermediaries, facilitating payments, and providing a broad range of financial services to individuals and businesses. As such, the BSP is mandated to safeguard both the safety and soundness of individual banks and the stability of the overall banking system. Through this supervisory and regulatory powers, the BSP helps maintain the resilience of our financial system.

Despite these efforts, financial stress may arise and pose risks that could erode public confidence, disrupt critical functions, and challenge the broader economy. To strengthen its preparedness and enable a more timely response to such risks, the BSP is laying the groundwork for the development and operationalization of its resolution framework. Key initiatives include adopting well-defined non-viability triggers, shortening escalation timelines for supervisory actions, and developing structured guidance for resolution strategies.



BSP's intervention and resolution tools provide graduated responses to emerging bank problems through a warning system, as described below:

- In the **“green zone”**, banks operate in a business-as-usual conditions with the BSP focused on ensuring continuing compliance and resilience.
- When early signs of weakness emerge, banks move into the **“yellow zone”** where enhanced supervision is applied, and caution is advised.
- As problems intensify, banks enter the **“orange zone”**, prompting the BSP to deploy intervention tools aimed at restoring viability.
- In rare cases, severe economic stress or financial panic may push a bank in the **“red zone”**, where it reaches the point of non-viability (PONV). At this stage, despite prior interventions, the BSP must employ its crisis management and resolution tools-akin to a mandatory evacuation-to protect depositors, preserve financial stability, and minimize systemic risk.

To prevent banks from reaching PONV, the BSP may deploy a range of intervention measures in the yellow or orange zone. For banks facing liquidity stress, the framework for granting liquidity assistance is being refined to clearly define eligibility requirements and credit terms for each BSP facility. For banks with solvency concerns, the Prompt Corrective Action (PCA) framework is being streamlined to sharpen its focus on capital deficiencies with clearer criteria for initiation and shorter timelines toward potential resolution. These enhancements complement other supervisory and regulatory tools available to the BSP to preserve both short- and long-term bank viability.

For banks in the red zone, resolution seeks to ensure the continuity of critical services while limiting systemic effects. Clear triggers have been established to determine when a bank has reached PONV, prompting its transition into resolution. Structured guidance is being developed to support the identification of the preferred resolution strategy, including the assessment of potential third-party investors. Where financial support is required, coordination with the PDIC is undertaken for the provision of assistance under defined conditions. The BSP also retains the authority to prohibit a bank from doing business and appoint PDIC as receiver and liquidator, thereby containing depositor and creditor losses through orderly liquidation and deposit payouts.

While the likelihood of severe financial distress that could threaten individual banks or the broader banking system seems remote, these reforms are being pursued to ensure that the BSP is equipped to deploy appropriate measures should a situation arise. The BSP stands ready to help financial institutions withstand the build-up of pressures, while remaining firmly committed to its mandate to preserve financial stability and maintain public trust in the banking system.

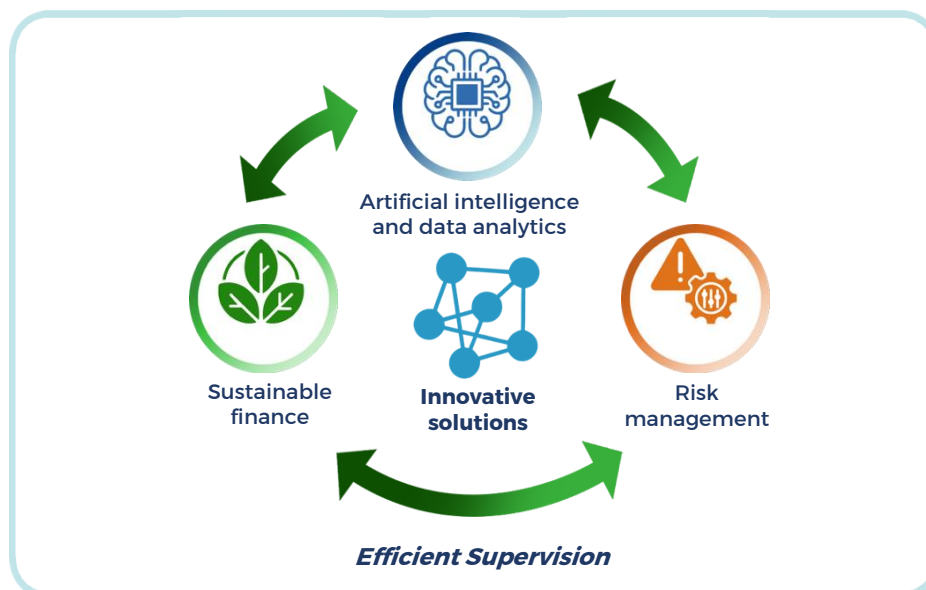
## Box Article 3

## From Disruption to Transformation: Technology-Driven Solutions in Sustainable Finance and Environment, Social, and Governance Supervision

### When disruptive technology meets sustainable finance

Disruptive technologies are reshaping how organizations design business processes, manage risks and allocate resources. In the financial sector, artificial intelligence (AI) and advanced data analytics have become critical enablers of more effective supervision, stronger regulatory processes, and sound decision-making. At the same time, sustainable finance or ESG considerations are integrated into core strategies, risk management, and operations.

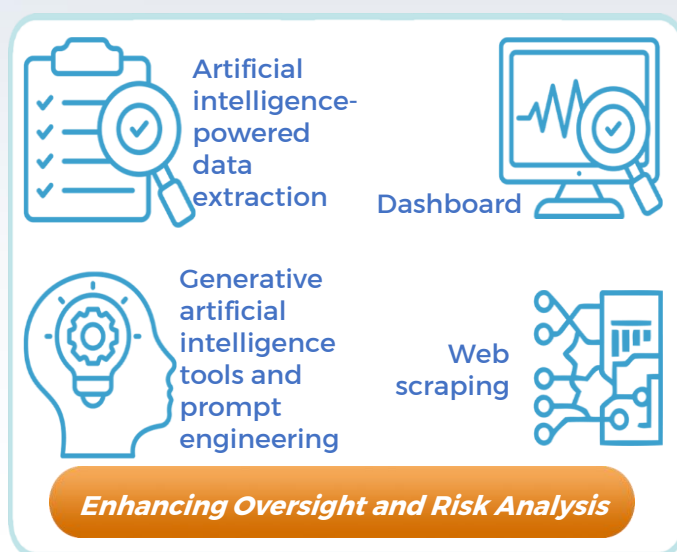
These two areas of AI and sustainable finance are mutually reinforcing. Technology enhances the ability of financial institutions and regulators to identify, measure, and manage sustainability-related risks, mobilize capital more efficiently, and support the transition toward a more resilient and inclusive financial system. Powered by machine learning and advanced data analytics, AI can process vast volumes of structured and unstructured data, automate complex tasks, and present insights through interactive dashboards. In the context of sustainable finance, AI can support the extraction and validation of information from banks' sustainability reports, reduce operational errors in reports, and analyze large data sets to inform climate-related risk policies and assessments.



### Technology adoption in ESG supervision

Technology is increasingly being integrated into ESG supervision to strengthen the monitoring of sustainability practices among banks.

The BSP utilized the use of Generative AI (GenAI)<sup>1</sup> tools to enhance the review of sustainability-related bank disclosures. AI-assisted data extraction from banks' annual and sustainability reports, guided by predefined supervisory themes, such as risk management practices, sustainability products, and other initiatives, has enabled the generation of structured inputs for identifying leading practices. Prompt engineering played a crucial role in the process to guide GenAI toward producing accurate and desired results.<sup>2</sup> The output remains subject to careful human validation, review and professional judgment.



Supervisory results indicate that banks are adopting a range of digital solutions to support sustainability-related functions, including ESG dashboards and data management systems. These internal systems are often complemented by publicly available online tools, such as *Hazard Hunter* and *Sustainalytics*, to enhance environmental and social risk identification.

In parallel, the BSP is also exploring more integrated digital solutions for climate and ESG oversight. This includes proof-of-concept activities for a potential climate-action platform, as well as the use of automated web-scraping tools to systematically collect and synthesize information on environmental and social risks from appropriate public online sources.

These initiatives highlight the growing role of technology in strengthening ESG supervision, enhancing risk surveillance, and supporting data-driven and evidence-based policy development.

### Responsible technological innovation for a sustainable and resilient financial system

The responsible use of advanced technologies can accelerate the scaling of sustainable finance and unleash innovative approaches to support climate

<sup>1</sup> A groundbreaking frontier in AI that goes beyond analyzing data to creating entirely new content. Unlike traditional AI systems, which excel at classification and prediction, generative models push boundaries by mimicking human creativity and imagination. Retrieved from <https://www.iso.org/artificial-intelligence/what-is-ai>

<sup>2</sup> Prompt engineering is the art and science of designing and optimizing prompts to guide AI models, particularly large language models, toward generating the desired responses. By carefully crafting prompts, you provide the model with context, instructions, and examples that help it understand your intent and respond in a meaningful way. Think of it as providing a roadmap for the AI, steering it toward the specific output you have in mind. Retrieved from <https://cloud.google.com/discover/what-is-prompt-engineering>

transition and adaptation efforts. Expert discussions consistently highlight that successful adoption depends on data quality, governance frameworks, and human-in-the-loop (HITL)<sup>3</sup> controls. Technology choices must be proportionate, transparent, and aligned with institutional capacity and risk appetite.

Technological innovation enhances service delivery and analytics. It, however, also presents scalability, interoperability, and cybersecurity concerns. In line with this, the BSP maintains a strong focus on cyber resilience, reinforces sustainability principles, and provides steady leadership in guiding the responsible adoption of innovative technologies. This balanced approach helps ensure that innovation supports—rather than undermines—a resilient, inclusive, and forward-looking financial system.

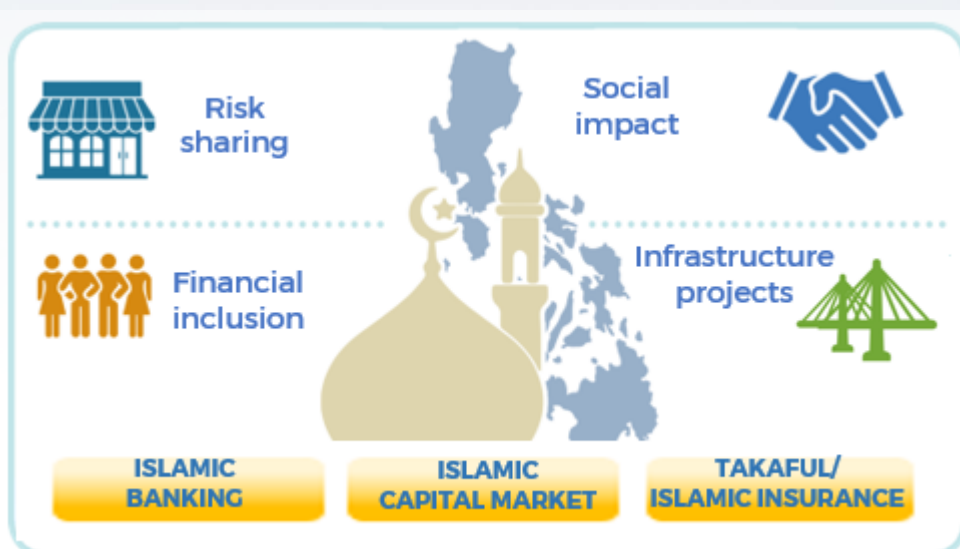
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<sup>3</sup> HITL refers to a system or process in which a human actively participates in the operation, supervision, or decision-making of an automated system. Retrieved from [https://www.ibm.com/think/topics/human-in-the-loop#:~:text=Human%2Din%2Dthe%2Dloop%20\(HITL\)%20refers%20to.making%20of%20an%20a,utomated%20system](https://www.ibm.com/think/topics/human-in-the-loop#:~:text=Human%2Din%2Dthe%2Dloop%20(HITL)%20refers%20to.making%20of%20an%20a,utomated%20system).

Box Article 4

## The Philippines' Approach to Developing Islamic Banking and Finance

The Philippines recognizes the vital role of Islamic banking in expanding financial inclusion and in broadening funding options for MSMEs as well as for large government infrastructure projects. Anchored on principles of risk sharing, Islamic finance contributes not only to economic growth but also to positive social outcomes. This vision underpins national policy efforts to develop a vibrant Islamic finance ecosystem through enabling frameworks that support functional markets and expand access to *Shari'ah*-compliant financial services.



Central to this effort is a whole-of-government approach led by the BSP through the Islamic Finance Coordination Forum (IFCF). This high-level forum brings together 12 agencies and institutions to coordinate policy and advocacy initiatives across key areas such as Islamic banking, *sukuk* (Islamic bonds)<sup>1</sup>, *takaful* (Islamic insurance), tax neutrality, and the *hala* industry. Through this coordinated mechanism, the IFCF helps ensure that the development of the Islamic finance progresses alongside the conventional financial system, fostering inclusivity, regulatory coherence, and sustainable growth.<sup>2</sup>

At the policy level, RA No. 11439 provides the foundational legal framework for Islamic banking in the Philippines.<sup>3</sup> It mandates the BSP to regulate and

<sup>1</sup> The SEC has established a regulatory framework governing the issuance, registration, disclosure and continuing obligations pertaining to *sukuk* issuances through SEC Memorandum Circular No. 12, Series of 2026.

<sup>2</sup> The IFCF is composed of 12 member-agencies/institutions, namely, the BSP, Asian Development Bank (ADB), Auditing and Assurance Standards Council, Bangsamoro Government, Bureau of Internal Revenue (BIR), Bureau of the Treasury (BTr), DTI, IC, National Commission on Muslim Filipinos, PDIC, Philippine Financial and Sustainability Reporting Standards Council, and SEC.

<sup>3</sup> RA No. 11439, An Act Providing for the Regulation and Organization of Islamic Banks or otherwise known as the Islamic Banking Law

## MILESTONES



2019

Enactment of the Islamic Banking Law



2022

Establishment of the Shari'ah Supervisory Board



2023

Licensing of first Islamic Banking Unit (IBU) license and maiden sukuk issuance



2024

Commencement of IBU operations, grant of first Takaful operator license, and launch of the Islamic Finance Roadmap



2025

Expansion of Takaful operator(s) and issuance of Shari'ah Supervisory Board guidance

supervise IBs and IBUs, empowering it to issue comprehensive rules covering licensing, *Shari'ah* governance, liquidity risk management, prudential reporting, capital requirements, and other regulations aligned with efforts to develop Islamic banking in the country. The law also enables the BSP to authorize both domestic and foreign Islamic banks, as well as conventional banks with Islamic banking windows, subject to operational segregation and compliance with *Shari'ah* principles. These policy initiatives are reinforced by continuous dialogue with stakeholders and a flexible regulatory approach that promotes a level-playing field while maintaining financial stability.

Beyond banking, other IFCF-member agencies have advanced enabling regulations across additional pillars of Islamic finance. The IC has integrated *takaful* into the insurance framework,<sup>4</sup> while the PDIC has affirmed the insurance coverage for Islamic deposits on par with conventional accounts.<sup>5</sup> The BIR has issued revenue regulations on key Islamic contracts and continues to study further tax adjustments to support other *Shari'ah*-compliant arrangements.<sup>6</sup> The SEC has recently issued the guidelines on the issuance and disclosure of sukuk, which serve as *Shari'ah*-compliant instruments for raising funds to support long-term financing and investment activities.

Awarded as the “Most Innovative Islamic Deal” at the Islamic Finance Awards 2023, the Philippines marked a milestone with its maiden US\$1 billion *sukuk* issuance on 6 December 2023, led by the Department of Finance (DOF) and BTr. Structured using *ijara*, *wakala*, and commodity *murabaha*, the 5.5-year *sukuk* was listed on Nasdaq Dubai and oversubscribed by 4.9 times—signaling strong investor confidence and the country’s readiness to engage Islamic finance markets. This issuance provided IBs with alternative investment

instruments and prompted the government (i.e., the BTr and the DOF) to explore the inclusion of *sukuk* in its regular funding program.

At the regional level, the Bangsamoro Government is actively advancing its Islamic Finance agenda through the Islamic Finance Roadmap 2024-2028. This roadmap outlines strategic interventions to strengthen Islamic banking, expand

<sup>4</sup> Issued under BSP Circular Letter Nos. 2024-13 and 2022-04.

<sup>5</sup> Issued under PDIC Bulletin No. 2024-09

<sup>6</sup> The BIR has implemented tax neutrality provisions of the Islamic banking law through the issuance of Revenue Regulations (RRs) on specific Islamic contracts, as *murabaha* (RR No. 17-2000) and *tawarruq* (or Commodity Murabaha) (RMC No. 35-2022) and *sukuk* (Islamic bonds) (RMC No. 081-2024).

access to Islamic microfinance, facilitate *takaful* operations, and promote the development of the Islamic capital market. It also emphasizes human capital development and the integration of Islamic finance objectives into broader regional initiatives, such as the Bangsamoro *Halal* Industry Development Plan. These efforts aim to establish a fully operational Islamic finance ecosystem in the BARMM by 2028, aligned with *Shari'ah* principles and responsive to the region's socioeconomic context.<sup>7</sup>

These reforms are bolstered by the establishment of the *Shari'ah* Supervisory Board (SSB) on Islamic Banking and Finance in the BARMM. The multi-agency body strengthens the credibility of Islamic finance in the Philippines by providing *Shari'ah* guidance on financial products and services. In May 2025, the SSB issued guidance on the submission of requests for *Shari'ah* opinions,<sup>8</sup> with the aim of increasing its visibility and strengthening stakeholder confidence in its oversight role.

Market momentum continues to build. The Philippines' first Islamic bank is now complemented by two conventional banks with IBU licenses that commenced operations in 2024, thereby significantly expanding financial access points for Islamic banking services.<sup>9</sup> The IC, for its part, licensed the first two *takaful* operators in November 2024, followed by a micro *takaful* operator in January 2025 and another *takaful* operator in August 2025.<sup>10</sup> Moreover, complementary developments in the *halal* ecosystem—such as initiatives to expand halal trade, strengthen certification systems, and support MSME engagement—underscore a broader momentum in advancing *Shari'ah*-aligned products and services across sectors.

Capacity-building and public awareness reinforce these institutional and market developments. With support from the ADB, the BSP has facilitated training workshops for supervisors and IFCF member-agencies, including study visits to Indonesia and Malaysia, as well as certification programs on Islamic finance. An Islamic banking e-course was also developed as part of the BSP's internal learning platform, while public outreach is being intensified through roadshows, speaking engagements and a dedicated Islamic banking webpage launched in January 2023.

Taken together, these developments point to steady progress toward an enabling environment for Islamic finance in the Philippines. With strong institutional commitment, progressive policy reforms, and growing industry participation, the country is laying a solid foundation for Islamic finance to flourish—not only as a vehicle for financial inclusion, but also as a catalyst for sustainable development, climate resilience, and regional economic integration.

<sup>7</sup> Islamic Finance Roadmap sets vision for BARMM's economic growth (<https://bangsamoro.gov.ph/news/latest-news/islamic-finance-roadmap-sets-vision-for-barmms-economic-growth/>) - accessed on 16 September 2025

<sup>8</sup> Issued Circular 001, s. 2025

<sup>9</sup> List of Banks with Islamic Banking Authority is available in the BSP website. (<https://www.bsp.gov.ph/SitePages/financialstability/Directories.aspx>)

<sup>10</sup> The IC authorized Pru Life UK and Etika Life and General Assurance Philippines, Inc. to operate as *takaful* window operators on 4 November 2024. This was followed by the issuance of a micro *takaful* license to CARD MBA, Inc. on 27 January 2025, and a *takaful* license to Stronghold Insurance Company, Inc. in August 2025.

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Appendix 1  
**The Philippine Banking System: Financial Highlights and Growth Rates**  
as of end-periods indicated; in billion pesos; growth rate in percent

|  | Financial Highlights |                 |                 | y-o-y Growth Rates |              |
|--|----------------------|-----------------|-----------------|--------------------|--------------|
|  | end-December         |                 | 2025            | end-December       |              |
|  | 2023                 | 2024            |                 | 2024               | 2025         |
| <b>Balance Sheet</b>   |                      |                 |                 |                    |              |
| <b>Total Assets<sup>1</sup></b>  | <b>25,165.9</b>      | <b>27,431.3</b> | <b>29,864.4</b> | <b>9.0%</b>        | <b>8.9%</b>  |
| Cash and due from banks  | 2,918.9              | 2,741.7         | 2,221.0         | (6.1%)             | (19.0%)      |
| Total Investments, Net   | 7,018.6              | 7,769.8         | 8,586.4         | 10.7%              | 10.5%        |
| Financial Assets, gross  | 6,786.4              | 7,507.9         | 8,190.2         | 10.6%              | 9.1%         |
| Financial assets measured at FVTPL   | 272.9                | 556.3           | 500.5           | 103.8%             | (10.0%)      |
| Financial assets measured at FVOCI   | 2,495.8              | 3,006.0         | 3,698.5         | 20.4%              | 23.0%        |
| Financial assets measured at AC  | 4,017.7              | 3,945.6         | 3,991.2         | (1.8%)             | 1.2%         |
| Accumulated market gains/(losses)  | (49.1)               | (42.4)          | (20.2)          | (13.7%)            | (52.4%)      |
| ACL  | 14.7                 | 7.5             | 7.4             | (49.2%)            | (0.9%)       |
| Financial Assets, net  | 6,722.6              | 7,458.1         | 8,162.6         | 10.9%              | 9.4%         |
| Equity investments in subsidiaries, associates and joint ventures, net                                     | 296.0                | 311.7           | 423.7           | 5.3%               | 35.9%        |
| Loans, gross   | 13,859.9             | 15,323.6        | 17,118.6        | 10.6%              | 11.7%        |
| ACL  | 456.9                | 480.6           | 511.3           | 5.2%               | 6.4%         |
| Loans, net   | 13,403.0             | 14,843.0        | 16,607.3        | 10.7%              | 11.9%        |
| Real and other properties acquired (ROPA), net   | 106.5                | 117.6           | 138.6           | 10.4%              | 17.9%        |
| Other assets, net  | 1,718.8              | 1,959.2         | 2,311.1         | 14.0%              | 18.0%        |
| <b>Total Liabilities</b>   | <b>22,097.0</b>      | <b>24,061.5</b> | <b>26,193.9</b> | <b>8.9%</b>        | <b>8.9%</b>  |
| Financial liabilities held-for-trading (HFT)   | 57.0                 | 64.0            | 60.9            | 12.2%              | (4.8%)       |
| Deposits liabilities   | 19,032.7             | 20,373.9        | 21,881.7        | 7.0%               | 7.4%         |
| Peso liabilities   | 15,974.8             | 17,087.8        | 18,217.0        | 7.0%               | 6.6%         |
| Foreign currency   | 3,057.8              | 3,286.1         | 3,664.7         | 7.5%               | 11.5%        |
| Due to banks/others  | 164.3                | 151.9           | 202.4           | (7.6%)             | 33.3%        |
| Bills payable  | 780.2                | 1,096.4         | 1,194.0         | 40.5%              | 8.9%         |
| Bonds payable  | 496.3                | 574.6           | 770.0           | 15.8%              | 34.0%        |
| Unsecured subordinated debt  | 8.1                  | 8.1             | 2.7             | 0.1%               | (67.4%)      |
| Redeemable preferred shares  | 0.3                  | 0.3             | 0.3             | 6.1%               | 3.5%         |
| Derivatives with negative fair value held for hedging  | 8.1                  | 10.6            | 3.9             | 31.2%              | (63.6%)      |
| Other liabilities  | 1,549.9              | 1,781.7         | 2,078.0         | 15.0%              | 16.6%        |
| <b>Total Capital<sup>2</sup></b>   | <b>3,068.9</b>       | <b>3,369.8</b>  | <b>3,670.4</b>  | <b>9.8%</b>        | <b>8.9%</b>  |
| <b>Total Off-Balance Sheet</b>   | <b>15,461.5</b>      | <b>18,640.3</b> | <b>21,579.9</b> | <b>20.6%</b>       | <b>15.8%</b> |
| <b>Income Statement</b>  |                      |                 |                 |                    |              |
| Total operating income   | 1,137.8              | 1,272.8         | 1,426.4         | 11.9%              | 12.1%        |
| Net interest income  | 915.6                | 1,039.1         | 1,166.8         | 13.5%              | 12.3%        |
| Non-interest income  | 222.3                | 233.7           | 259.6           | 5.1%               | 11.1%        |
| Non-interest expenses  | 645.1                | 712.4           | 793.1           | 10.4%              | 11.3%        |
| (Losses)/Recoveries on financial assets  | (84.2)               | (105.6)         | (162.7)         | 25.4%              | 54.0%        |
| Net profit before share in the profit/(loss) of unconsolidated subsidiaries, associates and joint ventures | 408.5                | 454.8           | 470.7           | 11.3%              | 3.5%         |
| Share in the profit/(loss) of unconsolidated subsidiaries, associates and joint ventures                   | 27.3                 | 30.5            | 31.7            | 11.7%              | 4.2%         |
| Total profit/(loss) before tax and before minority interest  | 435.7                | 485.2           | 502.4           | 11.4%              | 3.5%         |
| Income tax expense   | 79.2                 | 93.9            | 96.8            | 18.5%              | 3.1%         |
| Total profit/(loss) after tax and before minority interest   | 356.5                | 391.3           | 405.6           | 9.8%               | 3.6%         |
| Minority interest in profit/(loss) of subsidiaries   | -                    | -               | -               |                    |              |
| Net profit/(loss) after tax and minority interest  | <b>356.5</b>         | <b>391.3</b>    | <b>405.6</b>    | <b>9.8%</b>        | <b>3.6%</b>  |

Source: Bangko Sentral ng Pilipinas

<sup>1</sup> Net of due to/from head office of foreign bank branches

<sup>2</sup> 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 |       |       |
|--|--------------|-------|-------|
|  | 2023         | 2024  | 2025  |
| <b>Asset Quality</b>                                       |              |       |       |
| Restructured loans to total loan portfolio (TLP)           | 2.2%         | 2.0%  | 2.0%  |
| ACL to TLP   | 3.3%         | 3.1%  | 3.0%  |
| NPL ratio  | 3.2%         | 3.3%  | 3.1%  |
| NPL ratio (net of interbank loans receivables)             | 3.3%         | 3.3%  | 3.2%  |
| NPL coverage ratio   | 101.7%       | 96.0% | 97.2% |
| Non-performing asset (NPA) ratio                           | 2.3%         | 2.3%  | 2.3%  |
| NPA coverage ratio   | 85.1%        | 80.5% | 79.5% |
| <b>Profitability</b>                                       |              |       |       |
| Earning asset yield <sup>1</sup>                           | 5.7%         | 6.2%  | 6.3%  |
| Funding cost <sup>2</sup>                                  | 1.9%         | 2.2%  | 2.0%  |
| Interest spread <sup>3</sup>                               | 3.9%         | 4.1%  | 4.3%  |
| NIM <sup>4</sup>   | 4.1%         | 4.3%  | 4.5%  |
| Non-interest income to total operating income <sup>5</sup> | 19.5%        | 18.4% | 18.2% |
| Cost-to-income ratio <sup>6</sup>                          | 56.7%        | 56.0% | 55.6% |
| RoA <sup>7</sup>   | 1.5%         | 1.5%  | 1.4%  |
| RoE <sup>7</sup>   | 12.3%        | 12.2% | 11.5% |
| <b>Capital Adequacy</b>                                    |              |       |       |
| Total capital accounts <sup>8</sup> to total assets        | 12.2%        | 12.3% | 12.3% |
| CAR (solo) <sup>9</sup>                                    | 16.6%        | 16.2% | 15.8% |
| CET1 ratio   | 15.5%        | 15.1% | 14.8% |
| Capital conservation buffer                                | 9.5%         | 9.1%  | 8.8%  |
| Tier 1 ratio   | 15.6%        | 15.3% | 14.9% |
| CAR (consolidated) <sup>9</sup>                            | 17.1%        | 16.6% | 16.2% |
| CET1 ratio   | 16.0%        | 15.6% | 15.2% |
| Capital conservation buffer                                | 10.0%        | 9.6%  | 9.2%  |
| Tier 1 ratio   | 16.1%        | 15.7% | 15.3% |
| <b>Liquidity</b>   |              |       |       |
| Cash and due from banks to deposits                        | 15.3%        | 13.5% | 10.2% |
| Liquid assets to deposits                                  | 50.7%        | 50.1% | 47.5% |
| Loans, gross to deposits                                   | 72.8%        | 75.2% | 78.2% |

Source: Bangko Sentral ng Pilipinas

<sup>1</sup> Earning asset yield refers to the ratio of interest income to average earning assets.

<sup>2</sup> Funding cost ratio refers to the ratio of interest expenses to average interest-bearing liabilities

<sup>3</sup> Interest spread refers to the difference between earning asset yield and funding cost

<sup>4</sup> NIM refers to the ratio of net interest income to average earning assets.

<sup>5</sup> Non-interest income includes dividends income.

<sup>6</sup> Cost-to-income ratio refers to the ratio of non-interest expenses to total operating income

<sup>7</sup> RoA and RoE refer to the ratios of net profit to average assets and capital, respectively.

<sup>8</sup> Total capital accounts includes redeemable preferred shares.

<sup>9</sup> CAR refers to the ratio of qualifying capital to total risk-weighted assets.

Appendix 3  
**The Philippine Banking System: Number of Offices and Regional Profile**  
as of end-periods indicated

| end-December 2025             |               |                 |                  |              |              |                   |               |
|-------------------------------|---------------|-----------------|------------------|--------------|--------------|-------------------|---------------|
|                               | Total         | Universal Banks | Commercial Banks | Thrift Banks | Rural Banks  | Cooperative Banks | Digital Banks |
| <b>Total</b>                  | <b>13,639</b> | <b>6,963</b>    | <b>193</b>       | <b>3,371</b> | <b>2,924</b> | <b>182</b>        | <b>6</b>      |
| <b>Head offices</b>           | <b>463</b>    | <b>22</b>       | <b>22</b>        | <b>42</b>    | <b>350</b>   | <b>21</b>         | <b>6</b>      |
| <b>Branches/Other offices</b> | <b>13,176</b> | <b>6,941</b>    | <b>171</b>       | <b>3,329</b> | <b>2,574</b> | <b>161</b>        | <b>-</b>      |
| Regular branch                | 9,964         | 6,656           | 150              | 1,852        | 1,174        | 132               | -             |
| Branch-lite unit              | 3,024         | 253             | 21               | 1,462        | 1,259        | 29                | -             |
| Microfinance-oriented branch  | 154           | -               | -                | 15           | 139          | -                 | -             |
| Representative office         | 14            | 14              | -                | -            | -            | -                 | -             |
| Remittance desk office        | 14            | 14              | -                | -            | -            | -                 | -             |
| Marketing office              | 2             | 2               | -                | -            | -            | -                 | -             |
| Limited purpose branch        | 1             | 1               | -                | -            | -            | -                 | -             |
| Sub-branch                    | 1             | 1               | -                | -            | -            | -                 | -             |
| Islamic Branch                | 2             | -               | -                | -            | 2            | -                 | -             |

|  | end-December 2024 | end-December 2025 |              |                        |
|--|-------------------|-------------------|--------------|------------------------|
|  | Total             | Total             | Head Offices | Branches/Other Offices |
| <b>Total</b>                               | <b>13,384</b>     | <b>13,639</b>     | <b>463</b>   | <b>13,176</b>          |
| <b>Nationwide</b>                          | <b>13,333</b>     | <b>13,591</b>     | <b>463</b>   | <b>13,128</b>          |
| <b>NCR</b>                                 | <b>3,679</b>      | <b>3,682</b>      | <b>79</b>    | <b>3,603</b>           |
| <b>Luzon</b>                               | <b>5,650</b>      | <b>5,771</b>      | <b>249</b>   | <b>5,522</b>           |
| Region I - Ilocos                          | 672               | 694               | 27           | 667                    |
| Region II - Cagayan Valley                 | 495               | 506               | 24           | 482                    |
| Region III - Central Luzon                 | 1,396             | 1,432             | 64           | 1,368                  |
| Region IV-A - CALABARZON                   | 1,923             | 1,941             | 84           | 1,857                  |
| Region IV-B - MIMAROPA <sup>1</sup>        | 337               | 348               | 18           | 330                    |
| Region V - Bicol                           | 609               | 629               | 17           | 612                    |
| Cordillera administrative region (CAR)     | 218               | 221               | 15           | 206                    |
| <b>Visayas</b>                             | <b>2,077</b>      | <b>2,136</b>      | <b>75</b>    | <b>2,061</b>           |
| Region VI - Western Visayas                | 576               | 594               | 24           | 570                    |
| Region VII - Central Visayas               | 773               | 786               | 19           | 767                    |
| Region VIII - Eastern Visayas              | 322               | 334               | 11           | 323                    |
| Negros island region (NIR)                 | 406               | 422               | 21           | 401                    |
| <b>Mindanao</b>                            | <b>1,927</b>      | <b>2,002</b>      | <b>60</b>    | <b>1,942</b>           |
| Region IX - Zamboanga Peninsula            | 286               | 303               | 14           | 289                    |
| Region X - Northern Mindanao               | 481               | 493               | 20           | 473                    |
| Region XI - Davao region                   | 533               | 545               | 12           | 533                    |
| Region XII - SOCCSKSARGEN <sup>1</sup>     | 315               | 327               | 9            | 318                    |
| Region XIII - Caraga administrative region | 265               | 287               | 5            | 282                    |
| BARMM                                      | 47                | 47                | -            | 47                     |
| <b>Overseas</b>                            | <b>51</b>         | <b>48</b>         | <b>-</b>     | <b>48</b>              |
| Asia-Pacific                               | 19                | 18                | -            | 18                     |
| Europe                                     | 5                 | 5                 | -            | 5                      |
| North America                              | 5                 | 5                 | -            | 5                      |
| Middle East                                | 22                | 20                | -            | 20                     |

Source: Bangko Sentral ng Pilipinas

<sup>1</sup> MIMAROPA refers to the provinces of Mindoro (Oriental and Occidental), Marinduque, Romblon, and Palawan.

<sup>2</sup> SOCCSKSARGEN refers to the provinces of Cotabato (North and South), Sultan Kudarat and Sarangani, and the cities of General Santos, Koronadal, Tacurong and Kidapawan.

Appendix 4  
**The Philippine Banking System: Compliance of Banks with the Mandatory Agriculture, Fisheries, and  
Rural Development Financing**  
as of end-periods indicated; in billion pesos; ratio in percent

|  | Total   | Universal<br>and<br>commercial<br>banks | Thrift<br>banks | Rural and<br>cooperative<br>banks | Digital<br>banks |
|--|---------|---|-----------------|-----------------------------------|------------------|
| <b>end-December 2025 <sup>p/</sup></b> |         |   |                 |                                   |                  |
| Total loanable fund (TLF)              | 3,292.5 | 2,802.3                                 | 268.6           | 140.1                             | 81.5             |
| 25% of TLF                             | 823.1   | 700.6                                   | 67.2            | 35.0                              | 20.4             |
| Total compliance <sup>1</sup>          | 2,808.0 | 2,551.1                                 | 147.0           | 109.9                             |                  |
| Percentage of TLF used for compliance  | 85.3%   | 91.0%                                   | 54.7%           | 78.4%                             |                  |

Source: Bangko Sentral ng Pilipinas

<sup>p/</sup> preliminary

<sup>1</sup> Newly-established banks are exempted from the mandatory financing for a period of five years from their commencement of operations under Section 6 of RA No. 11901.

Appendix 5  
**Foreign Bank Branches and Subsidiaries: Financial Highlights and Selected Performance Indicators**  
as of end-periods indicated; in billion pesos; ratio in percent

| Selected accounts  | Total          |                |                | Foreign Bank Branches |                |                | Foreign Bank Subsidiaries |              |              |
|--|----------------|----------------|----------------|-----------------------|----------------|----------------|---------------------------|--------------|--------------|
|  | 2023           | 2024           | 2025           | end-December          |                |                | 2023                      | 2024         | 2025         |
|  | 2023           | 2024           | 2025           | 2023                  | 2024           | 2025           | 2023                      | 2024         | 2025         |
| <b>Balance Sheet</b>   |                |                |                |                       |                |                |                           |              |              |
| <b>Total Assets</b>  | <b>1,538.1</b> | <b>1,677.9</b> | <b>1,717.1</b> | <b>1,327.3</b>        | <b>1,453.7</b> | <b>1,516.8</b> | <b>210.8</b>              | <b>224.2</b> | <b>200.3</b> |
| Cash and due from banks  | 330.7          | 360.6          | 286.0          | 310.6                 | 339.0          | 265.9          | 20.1                      | 21.6         | 20.1         |
| Financial assets, net  | 388.9          | 493.1          | 495.0          | 339.7                 | 437.9          | 442.5          | 49.2                      | 55.3         | 52.5         |
| Loans, net (inclusive of interbank loans and repos)  | 678.4          | 670.9          | 801.4          | 560.0                 | 551.9          | 692.1          | 118.3                     | 119.0        | 109.3        |
| Equity investments, net  | 2.4            | 2.4            | 1.1            | 2.4                   | 2.4            | 1.1            | -                         | -            | -            |
| ROPA, net  | 3.2            | 3.7            | 3.6            | 0.0                   | 0.0            | 0.0            | 3.2                       | 3.7          | 3.6          |
| Other assets   | 134.5          | 147.1          | 130.0          | 114.5                 | 122.5          | 115.3          | 20.0                      | 24.6         | 14.8         |
| <b>Total Liabilities</b>   | <b>1,280.6</b> | <b>1,402.7</b> | <b>1,413.1</b> | <b>1,096.6</b>        | <b>1,204.2</b> | <b>1,238.1</b> | <b>184.0</b>              | <b>198.5</b> | <b>175.0</b> |
| Financial liabilities HFT  | 25.7           | 29.4           | 25.2           | 25.5                  | 29.0           | 25.0           | 0.1                       | 0.3          | 0.1          |
| Deposit liabilities  | 945.8          | 1,027.2        | 1,060.5        | 812.1                 | 892.6          | 929.2          | 133.8                     | 134.6        | 131.3        |
| Due to other banks/Treasurer of the Philippines/PDIC/BSP/head office/branch/agency   | 146.0          | 130.5          | 177.2          | 145.9                 | 130.4          | 177.1          | 0.1                       | 0.1          | 0.2          |
| Bills payable  | 32.5           | 56.6           | 38.6           | 4.5                   | 16.7           | 7.4            | 28.0                      | 39.9         | 31.2         |
| Unsecured subordinated debt  | -              | -              | 1.3            | -                     | -              | -              | -                         | -            | 1.3          |
| Derivatives with negative fair value held for hedging  | 0.0            | 0.0            | 0.0            | 0.0                   | 0.0            | 0.0            | -                         | -            | 0.0          |
| Other liabilities  | 130.5          | 159.0          | 110.3          | 108.6                 | 135.4          | 99.3           | 22.0                      | 23.6         | 10.9         |
| <b>Total Capital</b>   | <b>257.5</b>   | <b>275.2</b>   | <b>304.0</b>   | <b>230.7</b>          | <b>249.5</b>   | <b>278.7</b>   | <b>26.8</b>               | <b>25.7</b>  | <b>25.2</b>  |
| <b>Income Statement</b>  |                |                |                |                       |                |                |                           |              |              |
| Total operating income   | 86.0           | 94.3           | 94.0           | 76.9                  | 85.0           | 83.8           | 76.9                      | 9.3          | 10.2         |
| Net interest income  | 60.6           | 67.9           | 64.9           | 53.0                  | 60.4           | 56.6           | 53.0                      | 7.5          | 8.2          |
| Non-interest income  | 25.4           | 26.4           | 29.1           | 23.8                  | 24.6           | 27.2           | 23.8                      | 1.8          | 1.9          |
| Non-interest expenses  | 44.0           | 48.9           | 50.8           | 36.3                  | 40.3           | 41.4           | 36.3                      | 8.6          | 9.4          |
| (Losses)/Recoveries on financial assets  | (5.3)          | (6.6)          | (11.1)         | (4.6)                 | (5.7)          | (9.0)          | (4.6)                     | (0.8)        | (2.1)        |
| Share in the profit/(loss) of unconsolidated subsidiaries, associates and joint ventures accounted for using the equity method | 0.3            | 0.0            | 0.1            | 0.3                   | 0.0            | 0.1            | 0.3                       | -            | -            |
| Income tax expense   | 7.4            | 10.3           | 8.9            | 6.8                   | 9.7            | 8.4            | 6.8                       | 0.6          | 0.5          |
| Net profit/(loss) after tax and after minority interest  | <b>29.6</b>    | <b>28.6</b>    | <b>23.3</b>    | <b>29.4</b>           | <b>29.3</b>    | <b>25.2</b>    | <b>29.4</b>               | <b>(0.7)</b> | <b>(1.9)</b> |
| <b>Selected Performance Indicators</b>   |                |                |                |                       |                |                |                           |              |              |
| <b>Asset Quality</b>   |                |                |                |                       |                |                |                           |              |              |
| Gross NPL to total loans   | 1.7%           | 1.9%           | 1.6%           |                       |                |                |                           |              |              |
| NPL ratio (exclusive of interbank loans)   | 1.8%           | 2.0%           | 1.7%           |                       |                |                |                           |              |              |
| NPL coverage ratio   | 118.4%         | 122.0%         | 128.6%         |                       |                |                |                           |              |              |
| NPA to gross assets  | 1.0%           | 1.0%           | 1.0%           |                       |                |                |                           |              |              |
| NPA coverage ratio   | 95.4%          | 96.7%          | 102.9%         |                       |                |                |                           |              |              |
| <b>Profitability</b>   |                |                |                |                       |                |                |                           |              |              |
| NIM  | 4.5%           | 4.7%           | 4.2%           |                       |                |                |                           |              |              |
| Cost-to-income ratio   | 51.2%          | 51.8%          | 54.1%          |                       |                |                |                           |              |              |
| RoA  | 2.0%           | 1.8%           | 1.4%           |                       |                |                |                           |              |              |
| RoE  | 11.4%          | 10.7%          | 8.0%           |                       |                |                |                           |              |              |

Source: Bangko Sentral ng Pilipinas

Notes: Figures may not add up due to rounding-off. 0.0 denotes values below P0.05 billion.

## Appendix 6

## Trust Operations (Banks and Non-Bank Financial Institutions): Financial Highlights and Growth Rates

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

| Financial Highlights                           | end-December   |                | 2025           |
|--|----------------|----------------|----------------|
|  | 2023           | 2024           |                |
| <b>Total Assets</b>                            | <b>6,215.1</b> | <b>7,372.2</b> | <b>9,183.2</b> |
| Cash and due from banks                        | 0.4            | 0.4            | 0.8            |
| Deposits in banks, gross                       | 1,389.3        | 1,831.4        | 2,164.8        |
| Allowance for credit losses                    | 0.7            | 0.4            | 0.3            |
| Deposits in banks, net                         | 1,388.6        | 1,831.0        | 2,164.5        |
| Financial assets, gross (net of amortization)  | 4,150.2        | 4,841.5        | 5,542.4        |
| Accumulated market gains/losses                | (3.7)          | 5.9            | 2.1            |
| Allowance for credit losses                    | 0.3            | 0.3            | 0.3            |
| Financial assets, net                          | 4,146.1        | 4,847.2        | 5,544.1        |
| Loans, gross                                   | 137.4          | 128.5          | 122.1          |
| Allowance for probable losses                  | 9.0            | 6.5            | 5.8            |
| Loans, net                                     | 128.4          | 122.0          | 116.3          |
| Equity investments, gross                      | 0.0            | -              | -              |
| Allowance for probable losses                  | -              | -              | -              |
| Equity investments, net                        | 0.0            | -              | -              |
| Real and other properties acquired, net        | 0.3            | 0.3            | 0.3            |
| Other assets                                   | 551.3          | 571.3          | 1,357.1        |
| <b>Total Accountabilities</b>                  | <b>6,215.1</b> | <b>7,372.2</b> | <b>9,183.2</b> |
| Wealth/asset/fund management accounts (Trust)  | 2,040.2        | 2,348.2        | 2,680.9        |
| UITF   | 841.2          | 1,020.8        | 1,227.0        |
| Employee benefit                               | 523.1          | 578.7          | 632.3          |
| Pre-need                                       | 133.9          | 145.9          | 158.4          |
| Other institutional trust accounts             | 54.2           | 85.0           | 107.0          |
| Personal trust                                 | 398.5          | 413.9          | 433.6          |
| Personal retirement fund                       | 0.1            | 0.1            | 0.1            |
| Other individual trust accounts                | 89.3           | 103.8          | 122.6          |
| Wealth/asset/fund management accounts (Agency) | 3,465.9        | 4,217.5        | 4,813.0        |
| Employee benefit                               | 61.9           | 65.5           | 65.7           |
| Pre-need                                       | 0.6            | 0.6            | -              |
| Other institutional agency accounts            | 1,797.8        | 2,112.8        | 2,453.7        |
| Personal retirement fund                       | 0.0            | 0.0            | 0.0            |
| Other individual agency accounts               | 1,605.7        | 2,038.6        | 2,292.1        |
| Other fiduciary services                       | 652.3          | 746.8          | 1,627.9        |
| UITF   | 15.3           | 18.4           | 20.3           |
| Court trusts                                   | 0.1            | 0.1            | 0.2            |
| Corporate fiduciary trust                      | 63.3           | 72.7           | 84.9           |
| Escrow   | 65.1           | 67.1           | 70.7           |
| Custodianship                                  | 449.6          | 485.8          | 1,327.5        |
| Safekeeping                                    | 0.2            | 0.2            | 0.3            |
| Others   | 58.6           | 102.5          | 124.0          |
| Advisory/Consultancy                           | 0.0            | 0.0            | 0.0            |
| Special purpose trust                          | 56.6           | 59.6           | 61.3           |
| <b>y-o-y Growth Rates</b>                      |                |                |                |
| <b>Total Assets</b>                            | <b>16.3%</b>   | <b>18.6%</b>   | <b>24.6%</b>   |
| Cash and due from banks                        | 8.1%           | (2.6%)         | 92.1%          |
| Deposits in banks, gross                       | 17.6%          | 31.8%          | 18.2%          |
| Financial assets, gross (net of amortization)  | 16.6%          | 16.7%          | 14.5%          |
| Loans, gross                                   | 2.3%           | (6.5%)         | (4.9%)         |
| Equity investments, gross                      | (100.0%)       | (100.0%)       | -              |
| ROPA, net                                      | 25.5%          | 0.3%           | (6.0%)         |
| Other assets                                   | 9.7%           | 3.6%           | 137.6%         |
| <b>Total Accountabilities</b>                  | <b>16.3%</b>   | <b>18.6%</b>   | <b>24.6%</b>   |
| Wealth/asset/fund management accounts (Trust)  | (0.2%)         | 15.1%          | 14.2%          |
| UITF   | (10.6%)        | 21.4%          | 20.2%          |
| Employee benefit                               | 12.3%          | 10.6%          | 9.3%           |
| Pre-need                                       | 6.9%           | 9.0%           | 8.6%           |
| Other institutional trust accounts             | 10.6%          | 56.7%          | 25.9%          |
| Personal trust                                 | (0.3%)         | 3.9%           | 4.8%           |
| Personal retirement fund                       | (22.7%)        | 6.9%           | 13.8%          |
| Other individual trust accounts                | 42.8%          | 16.2%          | 18.1%          |
| Wealth/asset/fund management accounts (Agency) | 28.0%          | 21.7%          | 14.1%          |
| Employee benefit                               | 4.9%           | 5.8%           | 0.2%           |
| Pre-need                                       | (19.9%)        | 6.6%           | (100.0%)       |
| Other institutional agency accounts            | 27.9%          | 17.5%          | 16.1%          |
| Personal retirement fund                       | 147.4%         | 3.1%           | 3.6%           |
| Other individual agency accounts               | 29.1%          | 27.0%          | 12.4%          |
| Other fiduciary services                       | 10.0%          | 14.5%          | 118.0%         |
| Advisory/Consultancy                           | (5.1%)         | (10.8%)        | (3.0%)         |
| Special purpose trust                          | 6,884.7%       | 5.3%           | 2.8%           |

Source: Bangko Sentral ng Pilipinas

Notes: Figures may not add up due to rounding-off. 0.0 denotes values below P0.05 billion.

Appendix 7  
**Trust Operations (Banks and Non-Bank Financial Institutions): Selected Performance Indicators**  
as of end-periods indicated; ratio in percent

|   | end-December |        |        |
|---|--------------|--------|--------|
|   | 2023         | 2024   | 2025   |
| <b>Asset Quality</b>                              |              |        |        |
| NPL ratio   | 2.0%         | 1.9%   | 2.7%   |
| NPL coverage ratio                                | 327.3%       | 262.6% | 175.3% |
| NPA to gross assets                               | 0.05%        | 0.04%  | 0.04%  |
| NPA coverage ratio                                | 292.1%       | 231.6% | 160.8% |
| <b>Liquidity</b>                                  |              |        |        |
| Cash and due from banks to total accountabilities | 0.0%         | 0.0%   | 0.0%   |
| Liquid assets to total accountabilities           | 66.8%        | 65.7%  | 60.4%  |
| Loans, gross to total accountabilities            | 2.2%         | 1.7%   | 1.3%   |

Source: Bangko Sentral ng Pilipinas  
Note: 0.0% denotes values below 0.05%

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

|   | end-December    |                 |                 |
|---|-----------------|-----------------|-----------------|
|   | 2023            | 2024            | 2025            |
| <b>Financial Highlights</b>                                   |                 |                 |                 |
| <b>Balance Sheet</b>  |                 |                 |                 |
| <b>Total Assets</b> <sup>1</sup>                              | <b>67,836.2</b> | <b>72,400.7</b> | <b>80,528.7</b> |
| Cash and due from banks                                       | 5,405.3         | 5,705.2         | 5,207.2         |
| Financial assets, gross                                       | 28,237.8        | 31,050.1        | 34,149.0        |
| ACL   | 52.6            | 44.6            | 41.8            |
| Accumulated market gains/(losses)                             | (475.1)         | (528.8)         | (266.8)         |
| Financial assets, net   | 27,710.0        | 30,476.7        | 33,840.4        |
| Interbank loans receivable, net                               | 3,900.5         | 4,013.3         | 4,463.3         |
| Loans, gross (exclusive of interbank loans)                   | 16,472.4        | 17,144.8        | 17,163.2        |
| ACL <sup>2</sup>  | 367.5           | 408.0           | 324.4           |
| Loans, net (exclusive of interbank loans)                     | 16,104.9        | 16,736.9        | 16,838.7        |
| ROPA, net   | 17.7            | 3.9             | 0.0             |
| Other assets, net   | 14,697.8        | 15,464.7        | 20,179.2        |
| <b>Total Liabilities</b>                                      | <b>67,124.6</b> | <b>71,839.9</b> | <b>79,870.3</b> |
| Financial liabilities HFT                                     | 115.3           | 132.1           | 84.3            |
| Deposit liabilities   | 54,416.1        | 55,458.4        | 59,812.2        |
| Due to other banks  | 538.4           | 769.8           | 611.0           |
| Bills payable   | 7,437.3         | 10,529.0        | 12,131.3        |
| Bonds payable, net  | 2,761.5         | 3,899.0         | 5,396.3         |
| Other liabilities   | 493.5           | 636.0           | 521.1           |
| Due to head office/branch/agencies/FCDU/RBU, net <sup>3</sup> | 1,362.5         | 415.7           | 1,314.2         |
| <b>Total Capital</b>  | <b>711.6</b>    | <b>560.8</b>    | <b>658.4</b>    |
| <b>Income Statement</b>                                       |                 |                 |                 |
| Total operating income  | 1,188.0         | 1,016.5         | 1,214.5         |
| Net interest income <sup>4</sup>                              | 1,037.3         | 778.7           | 985.3           |
| Non-interest income   | 150.6           | 237.7           | 229.3           |
| Non-interest expenses   | 173.5           | 181.3           | 200.0           |
| (Losses)/Recoveries on financial assets                       | (28.4)          | (52.7)          | (2.2)           |
| <b>Net Profit/(Loss)</b>                                      | <b>931.4</b>    | <b>724.0</b>    | <b>951.8</b>    |
| <b>y-o-y Growth Rates</b>                                     |                 |                 |                 |
| <b>Total Assets</b>   | <b>9.6%</b>     | <b>6.7%</b>     | <b>11.2%</b>    |
| Cash and due from banks                                       | (3.1%)          | 5.5%            | (8.7%)          |
| Financial assets, gross                                       | (1.1%)          | 10.0%           | 10.0%           |
| Loans, gross (exclusive of interbank loans)                   | (4.5%)          | 4.1%            | 0.1%            |
| <b>Total Liabilities</b>                                      | <b>9.1%</b>     | <b>7.0%</b>     | <b>11.2%</b>    |
| Financial liabilities HFT                                     | 3.8%            | 14.6%           | (36.2%)         |
| Deposit liabilities   | 13.7%           | 1.9%            | 7.9%            |
| Due to other banks  | (27.4%)         | 43.0%           | (20.6%)         |
| Bills payable   | 31.5%           | 41.6%           | 15.2%           |
| Other liabilities   | 28.1%           | 28.9%           | (18.1%)         |
| <b>Total Capital</b>  | <b>84.0%</b>    | <b>(21.2%)</b>  | <b>17.4%</b>    |
| Total operating income  | 4.1%            | (14.4%)         | 19.5%           |
| Net interest income   | 5.7%            | (24.9%)         | 26.5%           |
| Non-interest income   | (5.6%)          | 57.8%           | (3.6%)          |
| Non-interest expenses   | 5.0%            | 4.5%            | 10.3%           |
| <b>Net Profit/(Loss)</b>                                      | <b>(13.3%)</b>  | <b>(22.3%)</b>  | <b>31.5%</b>    |

Source: Bangko Sentral ng Pilipinas

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

<sup>2</sup> Inclusive of general loan loss provision

<sup>3</sup> Net of due from head office/branches/agencies (Philippine branches of foreign banks) and due from FCDU/RBU

<sup>4</sup> Net of interest expenses and provision for losses on accrued interest income from financial assets

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

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

|   | end-December |        |        |
|---|--------------|--------|--------|
|   | 2023         | 2024   | 2025   |
| <b>Liquidity</b>  |              |        |        |
| Liquid assets to deposits <sup>1</sup> (excl. of Republic of the Philippines) | 40.4%        | 44.7%  | 46.0%  |
| Liquid assets to deposits <sup>1</sup> (incl. of Republic of the Philippines) | 60.9%        | 65.2%  | 65.3%  |
| Loans, gross to deposits  | 37.4%        | 38.2%  | 36.2%  |
| <b>Asset Quality</b>  |              |        |        |
| NPL ratio <sup>2</sup>  | 0.9%         | 2.1%   | 1.8%   |
| NPL coverage ratio <sup>2</sup>   | 246.2%       | 112.8% | 103.2% |
| NPA to gross assets <sup>2</sup>  | 0.3%         | 0.5%   | 0.4%   |
| NPA coverage ratio <sup>2</sup>   | 202.0%       | 110.0% | 103.2% |
| <b>Profitability</b>  |              |        |        |
| Cost-to-income ratio  | 14.6%        | 17.8%  | 16.5%  |
| RoA   | 1.4%         | 1.0%   | 1.2%   |
| NIM   | 1.9%         | 1.4%   | 1.7%   |

Source: Bangko Sentral ng Pilipinas

<sup>1</sup> Liquid assets refers to cash and due from banks plus financial assets, net of amortization (net of financial assets in equity securities and ACL)

<sup>2</sup> Exclusive of interbank loans

Appendix 10  
**Non-Banks with Quasi-Banking Functions: Financial Highlights and Growth Rates**  
as of end-periods indicated; in billion pesos; growth rate in percent

|  | Financial Highlights |              |                                    | y-o-y Growth Rates |                 |
|--|----------------------|--------------|------------------------------------|--------------------|-----------------|
|  | 2023                 | 2024         | end-December<br>2025 <sup>P/</sup> | 2024               | 2025            |
| <b>Balance Sheet</b>                             |                      |              |                                    |                    |                 |
| <b>Total Assets</b>                              | <b>161.3</b>         | <b>179.8</b> | <b>189.2</b>                       | <b>11.5 %</b>      | <b>5.2%</b>     |
| Cash and due from banks                          | 8.5                  | 10.8         | 8.5                                | 27.5 %             | (21.6 %)        |
| Loans, gross (inclusive of interbank loans)      | 144.5                | 160.4        | 174.2                              | 11.0 %             | 8.6 %           |
| ACL  | 3.1                  | 3.2          | 2.6                                | 2.9 %              | (19.1 %)        |
| Loans, net (inclusive of interbank loans)        | 141.3                | 157.2        | 171.6                              | 11.2 %             | 9.1 %           |
| Investments, net                                 | 6.1                  | 5.7          | 4.0                                | (5.1%)             | (29.9 %)        |
| Other assets                                     | 5.4                  | 6.1          | 5.1                                | 11.4 %             | (16.0 %)        |
| <b>Total Liabilities</b>                         | <b>138.3</b>         | <b>154.1</b> | <b>162.3</b>                       | <b>11.4 %</b>      | <b>5.4%</b>     |
| Bills payable                                    | 110.1                | 121.4        | 149.2                              | 10.2 %             | 22.9%           |
| Other liabilities                                | 28.1                 | 32.6         | 13.1                               | 16.0 %             | -59.9%          |
| <b>Total Capital Accounts</b>                    | <b>23.0</b>          | <b>25.8</b>  | <b>26.8</b>                        | <b>11.9 %</b>      | <b>4.1%</b>     |
| <b>Income Statement</b>                          |                      |              |                                    |                    |                 |
| Total operating income                           | 7.5                  | 8.3          | 8.8                                | 11.3 %             | 5.8%            |
| Net interest income                              | 6.9                  | 7.2          | 7.5                                | 5.2 %              | 4.0%            |
| Non-interest income                              | 0.6                  | 1.1          | 1.2                                | 85.2 %             | 17.8%           |
| Operating expenses                               | 5.2                  | 5.5          | 6.1                                | 4.4 %              | 10.9%           |
| Bad debts/Provision for credit losses            | 1.8                  | 1.6          | 1.6                                | (11.1 %)           | 1.7 %           |
| Other operating expenses                         | 3.4                  | 3.9          | 4.4                                | 12.6 %             | 14.8%           |
| Net operating income                             | 2.2                  | 2.8          | 2.7                                | 27.7%              | (4.1 %)         |
| Extraordinary credits/(charges)                  | 0.3                  | 0.1          | (0.6)                              | (77.8 %)           | (1,172.1 %)     |
| Net income before tax                            | 2.5                  | 2.9          | 2.1                                | 17.0%              | (26.7 %)        |
| Provision for income tax                         | 0.6                  | 0.8          | 0.6                                | 19.2%              | (23.8 %)        |
| Net income after tax and after minority interest | <b>1.8</b>           | <b>2.1</b>   | <b>1.5</b>                         | <b>16.2%</b>       | <b>(27.8 %)</b> |

Source: Bangko Sentral ng Pilipinas

<sup>P/</sup> preliminary

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

Appendix 11  
**Non-Banks with Quasi-Banking Functions: Selected Performance Indicators**  
as of end-periods indicated; ratio in percent

|                      | end-December |       |                    |
|----------------------|--------------|-------|--------------------|
|                      | 2023         | 2024  | 2025 <sup>P/</sup> |
| <b>Asset Quality</b> |              |       |                    |
| NPL ratio            | 4.5%         | 4.3%  | 4.0%               |
| NPL coverage ratio   | 47.7%        | 46.9% | 37.0%              |
| NPA to gross assets  | 4.5%         | 4.8%  | 44.4%              |
| NPA coverage ratio   | 46.4%        | 40.4% | 33.5%              |
| <b>Profitability</b> |              |       |                    |
| NIM                  | 4.8 %        | 4.6%  | 4.4%               |
| Cost-to-income ratio | 45.9%        | 46.4% | 50.3%              |
| RoA                  | 1.2%         | 1.2%  | 0.8%               |
| RoE                  | 8.3%         | 8.7%  | 5.8%               |

Source: Bangko Sentral ng Pilipinas

<sup>P/</sup> preliminary

Appendix 12  
**Non-Stock Savings and Loan Associations: Financial Highlights and Growth Rates**  
as of end-periods indicated; in billion pesos; growth rate in percent

|  | Financial Highlights |              |                                    | y-o-y Growth Rates |              |
|--|----------------------|--------------|------------------------------------|--------------------|--------------|
|  | 2023                 | 2024         | end-December<br>2025 <sup>P/</sup> | 2024               | 2025         |
| <b>Balance Sheet</b>                             |                      |              |                                    |                    |              |
| <b>Total Assets</b>                              | <b>316.8</b>         | <b>333.5</b> | <b>354.1</b>                       | <b>5.3%</b>        | <b>6.2%</b>  |
| Cash and due from banks                          | 31.3                 | 33.6         | 42.8                               | 7.1%               | 27.5%        |
| Loans, gross (inclusive of interbank loans)      | 268.3                | 272.7        | 282.3                              | 1.6%               | 3.5%         |
| Allowance for probable losses                    | 24.3                 | 20.9         | 19.4                               | (13.7%)            | (7.2 %)      |
| Loans, net (inclusive of interbank loans)        | 243.9                | 251.6        | 262.7                              | 3.1%               | 4.4%         |
| Investments, net                                 | 24.3                 | 29.1         | 28.7                               | 19.8%              | (1.5 %)      |
| Other assets, net                                | 17.3                 | 19.2         | 19.9                               | 11.5%              | 3.6%         |
| <b>Total Liabilities</b>                         | <b>109.9</b>         | <b>109.8</b> | <b>115.0</b>                       | <b>(0.1 %)</b>     | <b>4.8 %</b> |
| Deposit liabilities                              | 86.2                 | 88.5         | 92.5                               | 2.7 %              | 4.5%         |
| Bills payable                                    | 3.9                  | 0.8          | 1.4                                | (78.6%)            | 65.5 %       |
| Other liabilities                                | 19.8                 | 20.4         | 21.1                               | 3.0%               | 3.4%         |
| <b>Total Capital</b>                             | <b>206.9</b>         | <b>223.7</b> | <b>239.1</b>                       | <b>8.1%</b>        | <b>6.9%</b>  |
| <b>Income Statement</b>                          |                      |              |                                    |                    |              |
| Total operating income                           | 35.1                 | 35.1         | 36.7                               | 0.2%               | 4.3%         |
| Net interest income                              | 32.9                 | 34.2         | 35.4                               | 3.9%               | 3.5%         |
| Non-interest income                              | 2.1                  | 0.9          | 1.2                                | (56.8 %)           | 32.7 %       |
| Operating expenses                               | 7.2                  | 9.1          | 8.6                                | 25.9 %             | (5.6 %)      |
| Bad debts/Provision for credit losses            | (0.3)                | (1.7)        | (0.2)                              | 541.0%             | -86.1%       |
| Other operating expenses                         | 7.0                  | 7.4          | 8.4                                | 6.6%               | 12.6%        |
| Net operating income                             | 27.8                 | 26.0         | 28.1                               | (6.4 %)            | 7.8 %        |
| Extraordinary credits/(charges)                  | 0.1                  | 0.1          | 0.2                                | 36.4 %             | 59.2%        |
| Net income before tax                            | 27.9                 | 26.1         | 28.2                               | (6.3 %)            | 8.0 %        |
| Provision for income tax                         | 0.0                  | 0.0          | 0.0                                | (58.6 %)           | 40.7 %       |
| Net income after tax and after minority interest | <b>27.9</b>          | <b>26.1</b>  | <b>28.2</b>                        | <b>(6.3 %)</b>     | <b>7.9 %</b> |

Source: Bangko Sentral ng Pilipinas

<sup>P/</sup> preliminary

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

Appendix 13  
**Non-Stock Savings and Loans Associations: Selected Performance Indicators**  
as of end-periods indicated; ratio in percent

|  | end-December |         |                    |
|--|--------------|---------|--------------------|
|  | 2023         | 2024    | 2025 <sup>P/</sup> |
| <b>Asset Quality</b>                     |              |         |                    |
| NPL ratio                                | 8.2 %        | 8.1 %   | 8.0%               |
| NPL ratio (inclusive of interbank loans) | 8.2 %        | 8.1 %   | 8.0%               |
| NPL coverage ratio                       | 109.8 %      | 94.7 %  | 86.4 %             |
| NPA to gross assets                      | 6.5 %        | 6.3 %   | 6.1 %              |
| NPA coverage ratio                       | 109.4 %      | 94.5 %  | 86.2 %             |
| <b>Profitability</b>                     |              |         |                    |
| NIM                                      | 10.4 %       | 10.4 %  | 10.3 %             |
| Cost-to-income ratio                     | 19.9 %       | 21.2 %  | 22.8 %             |
| RoA                                      | 9.0 %        | 8.0 %   | 8.2 %              |
| RoE                                      | 14.0 %       | 12.1 %  | 12.2 %             |
| <b>Liquidity</b>                         |              |         |                    |
| Cash and due from banks to deposits      | 36.3 %       | 37.9 %  | 46.3 %             |
| Liquid assets <sup>1/</sup> to deposits  | 64.5 %       | 59.7 %  | 77.2 %             |
| Gross loans to deposits                  | 311.1 %      | 308.0 % | 305.1 %            |

Source: Bangko Sentral ng Pilipinas

<sup>P/</sup> preliminary

<sup>1</sup> Liquid assets refer to cash and due from banks plus investments, net (exclusive of equity investments)

