Quarterly Updates on Banking System*

March 2025

REPORT HIGHLIGHTS

- Credit exposures are mainly driven by loans, with notable investments largely in government securities.
- Sustained loan growth is buoyed by consumer loans—with credit cards, auto loans, and housing loans contributing significantly to year-on-year (y-o-y) and quarter-on-quarter growth—as well as steady financing to key sectors such as energy and real estate.
- Loan quality remains generally satisfactory, supported by a stable system-wide non-performing loan ratio, underpinned by sound credit risk management and proactive provisioning practices.
- Consistent with its mandate, the Bangko Sentral ng Pilipinas (BSP) actively monitors loan growth and emerging trends across consumer and key economic sectors, including related performance indicators, to inform timely policy and supervisory interventions. The BSP places particular emphasis on tracking the performance of unsecured consumer loans.
- Inclusive and sustainable financing initiatives have broadened credit access for underserved segments—such as farmers, fisherfolk, and small businesses—supporting their livelihoods and long-term development.
- The BSP's stress testing exercises affirm the resilience of banks' credit portfolios under adverse credit, market, and liquidity risk scenarios, with ample capital and liquidity buffers.

Loans comprise **54.8%** of total assets

Total Loans
₱15.6 T
14.2%

3.3%
Non-performing loan ratio

95.0%
Non-performing loan coverage ratio

Loan Growth Drivers

		Loans		Non-performing loans (NPLs)		
		Levels	Growth y-o-y	Levels	Growth y-o-y	NPL ratio
Consumer	Credit cards	₱960.7 B	29.0%	₱44.2 B	43.5%	4.6%
Consumer	Auto	₱633.0 B	18.5%	₱31.2 B	(2.4%)	4.9%
Consumer	Housing	₱1.1 T	10.8%	₱71.6 B	1.4%	6.3%
Production	Energy	₱1.6 T	21.9%	₱5.0 B	28.8%	0.3%
Production	Real estate	₱2.8 T	9.5%	₱96.1 B	2.9%	3.4%

Banks are **well-capitalized** and **highly liquid,** supportive of risk-taking activities.

175.3%
Solo
Liquidity Coverage Ratio

134.3%
Solo
Net Stable Funding Ratio

16.2%
Solo

16.6%
Consolidated

Capital Adequacy Ratio

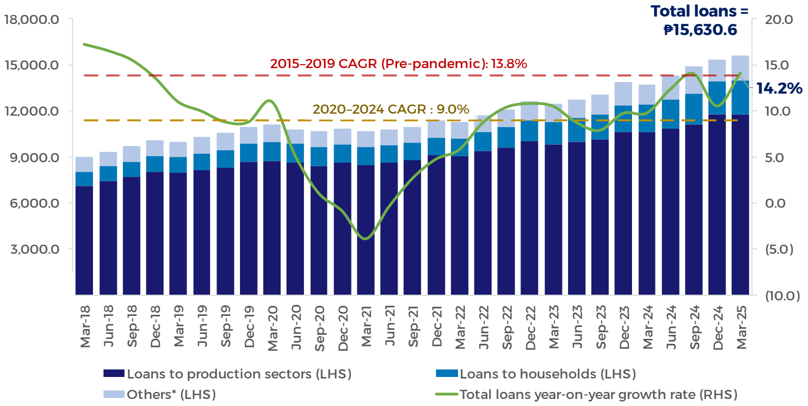
*This report was prepared by the Supervisory Policy and Research Department (SPRD) of the Financial Supervision Sector.

Loan growth accelerates, driven by improved economic conditions and policy easing that boosted credit demand and liquidity.

- Total loans of the banking system sustained its growth momentum,[1] reaching ₱15.6 trillion as of March 2025 (*Figure 1*)—an increase of 14.2 percent year-on-year (y-o-y). This marks a notable acceleration from 9.8 percent in March 2024 and 10.6 percent in December 2024, surpassing both the pre-pandemic (13.8 percent)[2] and the 2020–2024 (9.0 percent) compounded annual growth rates (CAGRs). On a quarter-on-quarter (q-o-q) basis, total loans expanded by 2.0 percent, reflecting sustained—though slightly moderating—credit growth in Q1 2025.

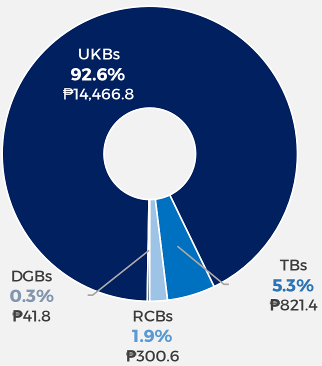
- This loan growth trend reflects the interplay between a recovering domestic economy and the continued impact of supportive monetary policy.[3] The BSP's easing stance, evident in the reduction of policy rates and reserve requirements,[4,5] helped lower borrowing costs and improve liquidity conditions.[6] These measures reinforced household consumption and business activities, sustaining double-digit credit growth since April 2024.

Figure 1
Total Loans: Philippine Banking System
as of end-periods indicated; in billion pesos; growth rate in percent



Source: Bangko Sentral ng Pilipinas
CAGR - compounded annual growth rate
LHS - left-hand side
RHS - right-hand side
* These include reverse repurchase, interbank loans, and loans to nonresidents.

Figure 2
Share of Total Loans by Banking Group
as of March 2025; in billion pesos; share in percent



Source: Bangko Sentral ng Pilipinas
UKBs - universal and commercial banks
TBs - thrift banks
DGBs - digital banks
RCBs - rural and cooperative banks

- Credit growth was evident across banking groups, particularly among universal and commercial banks (UKBs), whose performance closely aligns with the system-wide trend. As of March 2025, UKBs accounted for 92.6 percent (₱14.5 trillion) of total loans (*Figure 2*).

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1 This report is based on preliminary data and information available at the time of its preparation. Unless otherwise specified, all growth rates, reference periods, and data pertain to y-o-y and q-o-q figures and are as of March 2025. Data presented in figures and tables were provided by BSP's Department of Supervisory Analytics.
2 The pre-pandemic CAGR is computed using December data from 2015 to 2019.
3 The Philippines' full-year 2024 gross domestic product (GDP) growth stood at 5.6 percent. In Q1 2025, GDP grew by 5.4 percent—slightly higher than the revised 5.3 percent in Q4 2024, but still below the 5.9 percent in March 2024.
4 The BSP's policy stance has progressively eased since August 2024, with 25-basis point (bp) cuts on 15 August, 16 October, and 19 December 2024, before pausing on 13 February 2025. The easing resumed with additional 25-bp cuts on 10 April and 19 June 2025, bringing the interest rates on the overnight deposit and lending facilities to 4.75 percent and 5.75 percent, respectively.
5 Following a 250-bp reserve requirement ratio (RRR) cut in September 2024, the BSP implemented further reductions effective the week of 28 March 2025. The RRRs were lowered by 200 bps for UKBs (from 7.0 percent to 5.0 percent), 150 bps for digital banks (DGBs) (from 4.0 percent to 2.5 percent), and 100 bps for thrift banks (TBs) (from 1.0 percent to zero percent).
6 According to BSP data, the overall effective interest rate (lower bound) of UKBs declined from 10.4 percent in March 2024 and 8.3 percent in December 2024 to 8.1 percent in March 2025. All consumer loan segments, except other consumer loans (OCLs), recorded an improvement. Salary-based general-purpose consumption loans (SBGPCLs) and credit card receivables (CCRs) posted the largest declines to 14.8 percent (from 16.1 percent in December 2024) and 18.5 percent (from 19.5 percent), respectively.

UKBs posted a 13.8-percent y-o-y growth, up from 9.6 percent in March 2024 and 10.5 percent in December 2024. Meanwhile, smaller banking groups showed mixed results: TBs and DGBs posted faster expansion, while rural and cooperative banks (RCBs) registered slower growth.[7] These diverging trends likely point to differences in market focus, business models, and competition.[8]

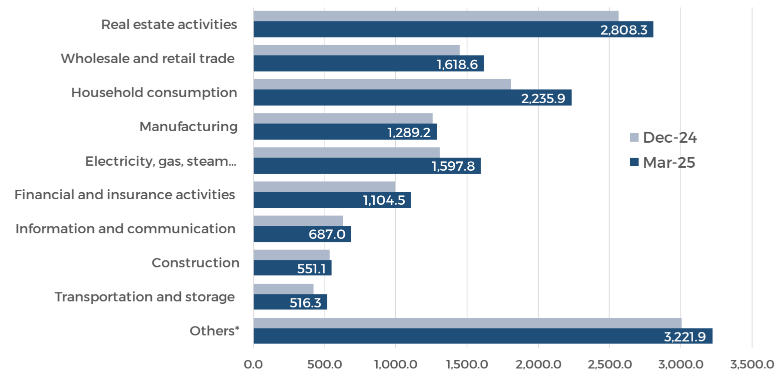
- The banking system's loan-to-GDP ratio rose to 58.1 percent as of March 2025, up from 55.2 percent in March 2024 and 57.9 percent in December 2024. This level exceeds the 2015–2019 and 2020–2024 averages of 50.5 percent and 57.2 percent, respectively, underscoring the steady deepening of financial intermediation.[9] This also reflects a post-pandemic recovery in credit demand, particularly in the household and real estate sectors, driven by improved consumer confidence and accommodative monetary policy settings.

- BSP surveys showed that businesses, consumers, and bank loan officers expect stable credit demand, accompanied by tightening standards and favorable policies moving forward.[10] The results reflect a generally optimistic outlook, with most respondents planning to sustain or increase borrowing in the near term.

- Overall, the growth trend in total loans and the rising loan-to-GDP ratio underscore the continued normalization of credit activity in the post-pandemic landscape and the increasing role of banks in financing key sectors. While global uncertainties and inflation risks persist, the BSP's prudent regulatory stance, along with banks' established credit risk management practices, helps safeguard financial stability and supports sustained economic growth.

Broad-based lending remains robust, supported by accelerating credit growth across households and key sectors such as electricity and real estate.

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



Source: Bangko Sentral ng Pilipinas
* These include other remaining sectors, reverse repurchase, and interbank loans.

7 Loans extended by TBs rose by 17.0 percent y-o-y in March 2025, up from 8.8 percent in March 2024 and 8.4 percent in December 2024. Meanwhile, DGBs posted a significantly faster growth rate of 110.4 percent y-o-y, accelerating from 50.7 percent in December 2024 and 19.9 percent in March 2024. In contrast, loans from RCBs slowed to 14.6 percent y-o-y during the same period, down from 20.3 percent in March 2024 and 15.4 percent in December 2024.

8 Loan growth among UKBs was driven by diversified lending across corporates, small- and medium-sized enterprises (SMEs), and consumer sectors, reflecting their broad market reach. In contrast, TBs, RCBs, and DGBs focused on consumer lending, which accounted for more than half of the increase in their loan portfolio, highlighting their niche in the retail and personal finance market.

9 This is based on computations by the BSP's Supervisory Policy and Research Department (SPRD) staff using annualized GDP at current prices.

10 These are based on the BSP's Q1 2025 surveys, particularly the Senior Loan Officers' Survey (SLOS), Business Expectations Survey (BES), and Consumer Expectations Survey (CES).

- Banks' lending remained well-diversified, supporting both households and key productive sectors of the economy. Of the ₱15.6 trillion in total loans as of March 2025, ₱10.7 trillion (68.2 percent) was granted to households (14.3 percent) and core economic sectors—led by real estate (18.0 percent), wholesale and retail trade (10.4 percent), electricity (10.2 percent), manufacturing (8.2 percent), and financial and insurance activities (7.1 percent) (*Figure 3*).

- Credit growth was primarily driven by lending to households and the electricity sector, which collectively accounted for 36.9 percent of y-o-y and 72.0 percent of q-o-q loan increases. This reflects sustained consumer spending and continued investments in power generation and energy infrastructure projects.[11]

- Overall loan growth remained resilient despite a moderated increase in wholesale and retail trade, manufacturing, and real estate in recent months. The moderation reflects a more cautious credit environment; rising geopolitical risks, including trade frictions and Middle East tensions[12]; and sector-specific challenges such as elevated condominium inventories in Metro Manila and rising input costs.[13]

Prudent lending practices and strong provisioning help sustain satisfactory loan quality amid persistent pressures from retail and sectoral non-performing loans.

- Loan quality remained satisfactory, with the banking system maintaining a stable non-performing loan (NPL) ratio amid a decelerating pace of NPL growth. NPLs grew by 11.1 percent y-o-y to ₱516.1 billion (*Figure 4*), slower than 12.0 percent in March 2024 and 11.4 percent in December 2024. The NPL ratio inched up from 3.27 percent in December 2024 to 3.30 percent in March 2025 but remained below the 3.39 percent recorded in March 2024. The current level compares favorably with previous crisis peaks of 4.5 percent in August 2021, during the COVID-19 pandemic,[14] and 5.0 percent in March 2008, during the global financial crisis (GFC). This indicates enhanced credit risk management, improving economic conditions, and sustained recovery in lending activity.

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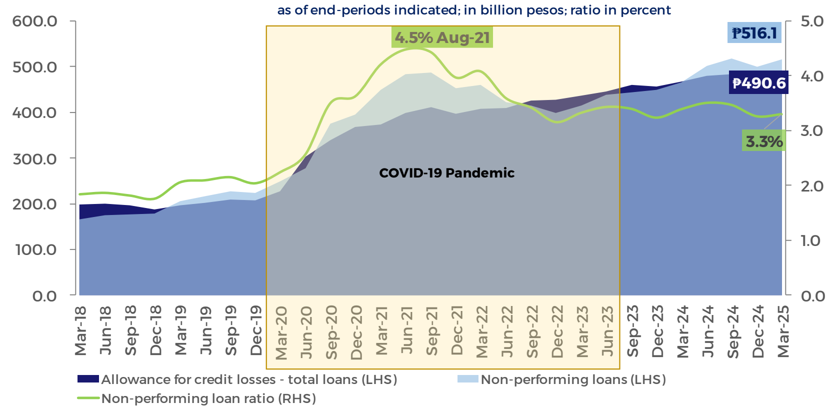
[11] From December 2024, the q-o-q loan growth in the electricity sector and households stood at 9.2 percent and 4.0 percent, respectively.

[12] In its Advisory No. 19, series of 2025, the Department of Migrant Workers urged private recruitment agencies to temporarily delay the deployment of overseas Filipino workers to conflict-affected Middle Eastern countries due to escalating security concerns and travel restrictions. (Source: https://www.pna.gov.ph/articles/1252587)

[13] Colliers. (2025). *Quarterly property market report: Residential (Q1 2025, Philippines)*. https://www.colliers.com/en-ph/research/colliers-quarterly-property-market-report-residential-q1-2025-philippines
Colliers. (2025). *Quarterly property market report: Office (Q1 2025, Philippines)*. https://www.colliers.com/en-ph/research/colliers-quarterly-property-market-report-office-q1-2025-philippines

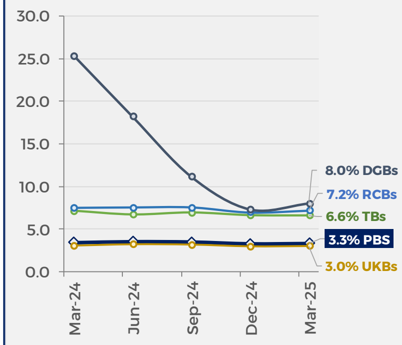
[14] In the Philippine context, the COVID-19 period began in March 2020 with the imposition of a Luzon-wide enhanced community quarantine and formally ended in July 2023 following the lifting of the public health emergency under Proclamation No. 297. (Source: https://www.officialgazette.gov.ph/2023/07/21/proclamation-no-297-s-2023)

Figure 4
Loan Quality: Non-Perfoming Loans, Non-Performing Loan Ratio, and Allowance for Credit Losses
as of end-periods indicated; in billion pesos; ratio in percent



Source: Bangko Sentral ng Pilipinas
LHS - left-hand side
RHS - right-hand side

Figure 5
Non-Performing Loan Ratios by Banking Group
as of end-periods indicated; ratio in percent

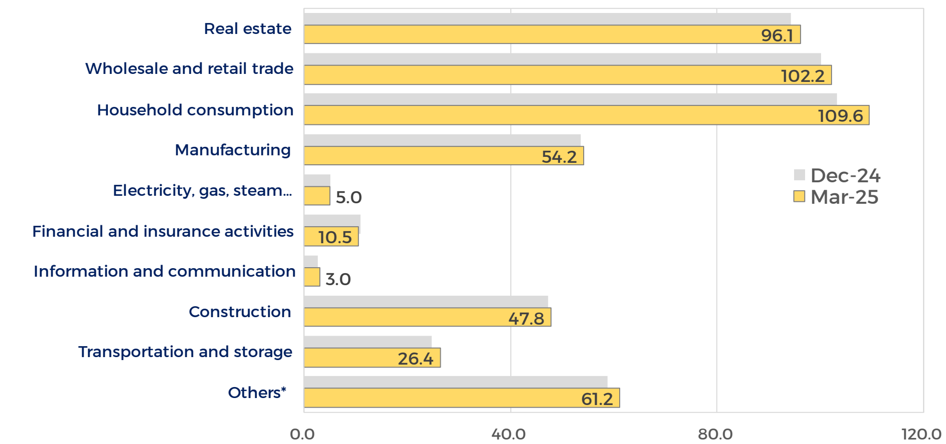


Source: Bangko Sentral ng Pilipinas
PBS - Philippine banking system
UKBs - universal and commercial banks
TBs - thrift banks
DGBs - digital banks
RCBs - rural and cooperative banks

- Across banking groups, NPL ratios remained generally stable, except for DGBs (*Figure 5*). DGBs recorded the highest NPL ratio at 8.0 percent, which, nevertheless, was a significant improvement from the peak of 25.3 percent in March 2024. In contrast, UKBs posted the lowest NPL ratio at 3.0 percent. This was below the system-wide ratio of 3.3 percent, supported by diversified lending across corporates, SMEs, and consumer segments. TBs and RCBs posted higher but stable NPL ratios of 6.6 percent and 7.2 percent, respectively, reflecting business models that mainly focus on retail lending.[15]

- Meanwhile, delinquencies in unsecured consumer loans and key sectors increased despite easing inflation, indicating continued financial pressure on certain borrower segments. This warrants sustained vigilance and focused credit risk management and monitoring.

Figure 6
Non-Performing Loans by Economic Activity
as of end-periods indicated; in billion pesos



Source: Bangko Sentral ng Pilipinas
* These include other remaining sectors, reverse repurchase, and interbank loans.

- Based on sectoral data as of March 2025, households, wholesale and retail trade, and real estate were the top contributors to the banking system's NPLs (*Figure 6*). These segments accounted for ₱109.6 billion (21.2 percent), ₱102.2 billion (19.8 percent), and ₱96.1 billion

[15] As of March 2025, household loans accounted for the bulk of q-o-q loan growth in TBs (65.1 percent), DGBs (92.2 percent), and RCBs (177.7 percent). In contrast, household loans accounted for only 18.6 percent of the increase in UKBs. In terms of NPLs, households contributed 39.6 percent (₱4.8 billion), 33.2 percent (₱596.8 million), 97.2 percent (₱592.8 million), and 31.7 percent (₱363.5 million) of total NPL increases in UKBs, TBs, DGBs, and RCBs, respectively, over the same period.

(18.6 percent), respectively, collectively comprising ₱308.0 billion or 59.7 percent of total NPLs.

- On a y-o-y basis, the largest increase in NPLs (as to level) was recorded in wholesale and retail trade, households, manufacturing, financial and insurance activities, and transportation. Meanwhile, on a q-o-q basis, households posted the highest increase, followed by wholesale and retail trade, transportation, and real estate (*Table 1*).

Table 1
Non-Performing Loans by Economic Activity
as of March 2025; in billion pesos; ratio and share in percent

Particulars	**Non-performing loans**	**Non-performing loan ratio**	**Non-performing loan year-on-year change and growth (March 2025 vs. March 2024)**		**Non-performing loan quarter-on-quarter change and growth (March 2025 vs. December 2024)**	
			Level	**Growth rate**	**Level**	**Growth rate**
Real estate activities	₱96.1	3.4%	₱2.7	2.9%	₱1.79	1.9%
Wholesale and retail trade	₱102.2	6.3%	₱16.8	19.7%	₱2.1	2.1%
Household consumption	₱109.6	4.9%	₱14.1	14.7%	₱6.4	6.2%
Manufacturing	₱54.2	4.2%	₱8.5	18.7%	₱0.6	1.1%
Electricity, gas, steam, & air-conditioning supply	₱5.0	0.3%	₱1.1	28.8%	(₱0.0)	(0.5%)
Financial and insurance activities	₱10.5	1.0%	₱3.8	56.4%	(₱0.3)	(2.8%)
Information and communication	₱3.0	0.4%	(₱1.2)	(28.2%)	₱0.3	10.4%
Construction	₱47.8	8.7%	(₱1.6)	(3.2%)	₱0.6	1.3%
Transportation and storage	₱26.4	5.1%	₱3.5	15.2%	₱1.81	7.4%
Other remaining sectors (including reverse repurchase and interbank loans)	₱61.2		₱3.7	6.5%	₱2.5	4.2%
Philippine banking system	**₱516.1**	**3.3%**	**₱51.4**	**11.1%**	**₱15.7**	**3.1%**

Source: Bangko Sentral ng Pilipinas

- Despite the continued retail and sectoral pressures, the banking system remained resilient, supported by established risk governance and credit risk management practices. Banks maintained a cautious yet proactive stance by enhancing underwriting standards, credit scoring models, and collection mechanisms while increasingly using digital tools and strengthening internal capabilities. Regular portfolio reviews, early warning systems, deployment of dedicated recovery teams, and adoption of remedial measures—such as restructuring, repayment plans, and asset recovery—further helped mitigate risks.[16]

- These efforts are reinforced by a proactive provisioning culture. Banks apply Stage 1, 2, and 3 loan classifications under the Philippine Financial Reporting Standard 9 to assess expected credit losses. This forward-looking methodology, guided by regulatory expectations and lessons from past crises, allows banks to proactively identify and manage current risks while preparing for potential asset quality deterioration.

- As of March 2025, the banking system's coverage is adequate to absorb potential losses over the horizon. Total allowances for credit losses rose by 4.9 percent y-o-y to ₱490.6 billion, translating to an NPL coverage ratio of 95.0 percent. This is slightly lower than the 100.7 percent coverage ratio in March 2024 due to faster NPL growth. Across banking groups, UKBs and DGBs stood strong, with NPL coverage ratios of 99.8 percent and 124.7 percent, respectively. TBs and RCBs reported 60.8 percent and 79.8 percent, respectively, reflecting ongoing efforts to bolster financial buffers within these institutions.

[16] The aggregate insights are based on the latest coordination of BSP-SPRD staff with supervising departments.

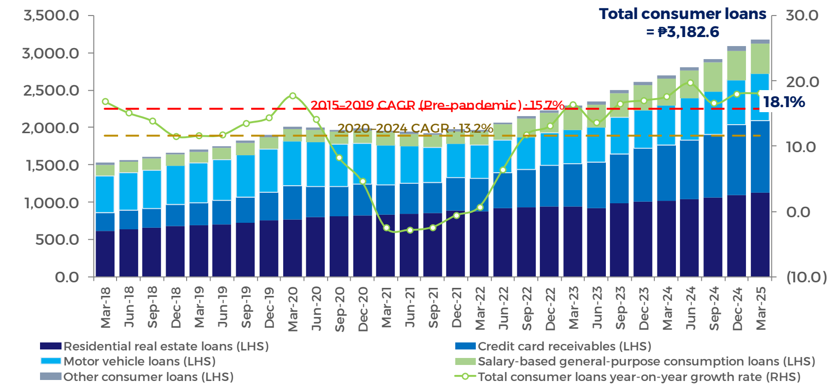
- Forward-looking indicators further support the satisfactory loan quality of banks,[17] with the potential maximum NPL ratio showing a declining trend—both system-wide and across banking groups—in the near term. This marks an improvement from the same period a year earlier, although it is slightly above the previous quarter. The positive shift reflects enhanced credit assessment, more robust monitoring practices, and strengthened overall risk governance within the banking system.

- Expectations of easing inflation and continued policy rate reductions by the BSP support a moderated forecast for NPL growth. Survey results showed that most banks anticipate stable credit standards,[18] improving asset quality,[19] and increased provisioning,[20] further bolstering confidence in the banking system's resilience through 2025.

Credit cards, auto loans, and housing loans drive strong consumer lending growth, but the quality of unsecured loans warrants close monitoring.

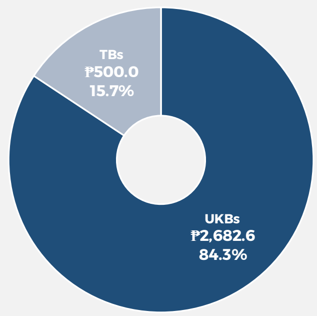
- Consumer loans continued to accelerate, driven by CCRs, residential real estate loans (RRELs), and motor vehicle loans (MVLs), propelling both y-o-y and q-o-q growth trends. As of March 2025, consumer loans of UKBs and TBs, on a solo basis, rose by 18.1 percent y-o-y to ₱3.2 trillion,[21] slightly outpacing the growth of 17.6 percent in March 2024 and 18.0 percent in December 2024. This rate also outperforms both the pre-pandemic (15.7 percent) and 2020–2024 (13.2 percent) CAGRs (*Figure 7*), reflecting strong demand for retail loans and better access to formal credit. Meanwhile, q-o-q data showed moderating growth at 3.2 percent, possibly reflecting tighter lending standards and portfolio rebalancing by banks.

Figure 7
Consumer Loans: Philippine Banking System
as of end-periods indicated; in billion pesos; growth rate in percent



Source: Bangko Sentral ng Pilipinas
CAGR - compounded annual growth rate
LHS - left-hand side
RHS - right-hand side

Figure 8
Share of Consumer Loans by Banking Group
as of end-March 2025; in billion pesos; share in percent



Source: Bangko Sentral ng Pilipinas
UKBs - universal and commercial banks
TBs - thrift banks

- On a y-o-y basis, growth was primarily driven by increases in CCRs (₱215.9 billion), RRELs (₱109.9 billion), and MVLs (₱98.7 billion), collectively accounting for 86.9 percent of the total.[22] These segments also led q-o-q growth, contributing 87.9 percent (₱85.6 billion) of the total. Consumer loans were largely composed of RRELs (35.4 percent), CCRs (30.2 percent), and

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[17] These include indicators such as the loans-at-risk and distressed loan ratios.
[18] This is based on the BSP's Q1 2025 SLOS.
[19] This is based on the BSP's 2023 Banking Sector Outlook Survey (BSOS).
[20] *Ibid.*
[21] These include CCRs, MVLs, RRELs, SBGPCLs, and OCLs.
[22] As of March 2025, all consumer loans posted y-o-y growth. CCRs recorded the largest increase at 29.0 percent, followed by MVLs at 18.5 percent, SBGPCLs at 15.4 percent, RRELs at 10.8 percent, and OCLs at 22.5 percent. On a q-o-q basis, all segments except OCLs continued to expand. CCRs rose by 2.8 percent, MVLs by 5.2 percent, SBGPCLs by 3.8 percent, and RRELs by 2.6 percent. OCLs contracted by 5.7 percent over the same period.

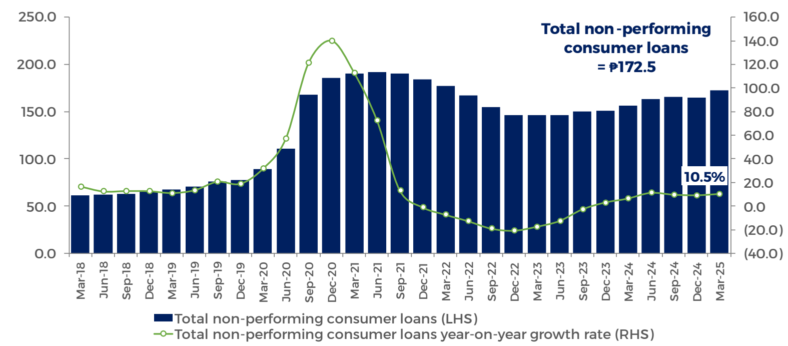
MVLs (19.9 percent),[23] reflecting robust demand for homeownership, personal spending, and mobility. This was supported by easing borrowing costs, improved financial confidence, and banks' strategic lending initiatives, including digital expansion and targeted marketing.

- The consumer loan-to-GDP ratio rose to 11.8 percent as of March 2025, up from 10.9 percent in March 2024 and 11.7 percent in December 2024. This ratio exceeds both the 2015–2019 (8.5 percent) and 2020–2024 (10.5 percent) averages, highlighting the growing role of household consumption in the recovery and credit deepening.[24]

- As of March 2025, consumer loans comprised 20.4 percent of total bank loans, with UKBs holding 84.3 percent of this share (*Figure 8*). This growth was supported by BSP's policy rate and reserve requirement cuts, improved liquidity, and banks' efforts to scale digital platforms, tap consumer demand, and promote financial inclusion. Moreover, the moderately growing exposure of banks to financing companies engaged in retail lending reflects healthy consumer demand and expanding credit intermediation through non-bank channels.[25]

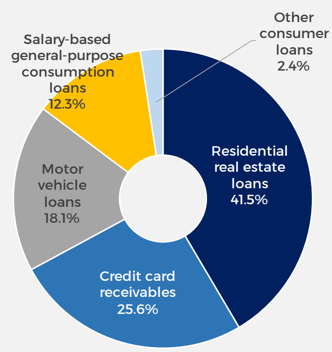
- Looking ahead, consumer loans are expected to continue growing, driven by steady household loan demand, rising consumption, and favorable financing conditions.[26] Despite a slight tightening of lending standards by some banks in Q1 2025, most banks maintained their criteria. This was supported by higher incomes, stable employment, and BSP initiatives, such as digital innovation and Islamic finance, which are expected to further increase the share of consumer loans in the banking system's loan portfolio.

Figure 9
Non-Performing Consumer Loans: Philippine Banking System
as of end-periods indicated; in billion pesos; growth rate in percent



Source: Bangko Sentral ng Pilipinas
LHS - left-hand side
RHS - right-hand side

Figure 10
Non-Performing Consumer Loans by Type
as of end-March 2025; share in percent



Source: BangkoSentral ng Pilipinas

- Consumer loan quality remained satisfactory. The non-performing consumer loan (NPCL) ratio inched up from 5.3 percent in December 2024 to 5.4 percent in March 2025, but remained lower than the 5.8 percent recorded in March 2024. This level is significantly below the peaks during past crises: 9.9 percent in September 2021 (COVID-19) and 9.1 percent in March 2009 (post-GFC). NPCLs steadily rose in recent months, reflecting the overall expansion of consumer loans (*Figure 9*).[27] Total NPCLs grew by 10.5 percent y-o-y (₱16.3 billion) to ₱172.5 billion in March 2025, largely due to a 43.5-percent surge (₱13.4 billion) in non-performing CCRs (NPCCRs). On a q-o-q basis, NPCLs increased by ₱7.6 billion (4.6 percent), with NPCCRs (up by 8.2 percent) and non-performing RRELs (NPRRELs) (up by 3.1 percent) collectively accounting for 73.1 percent of the increase.

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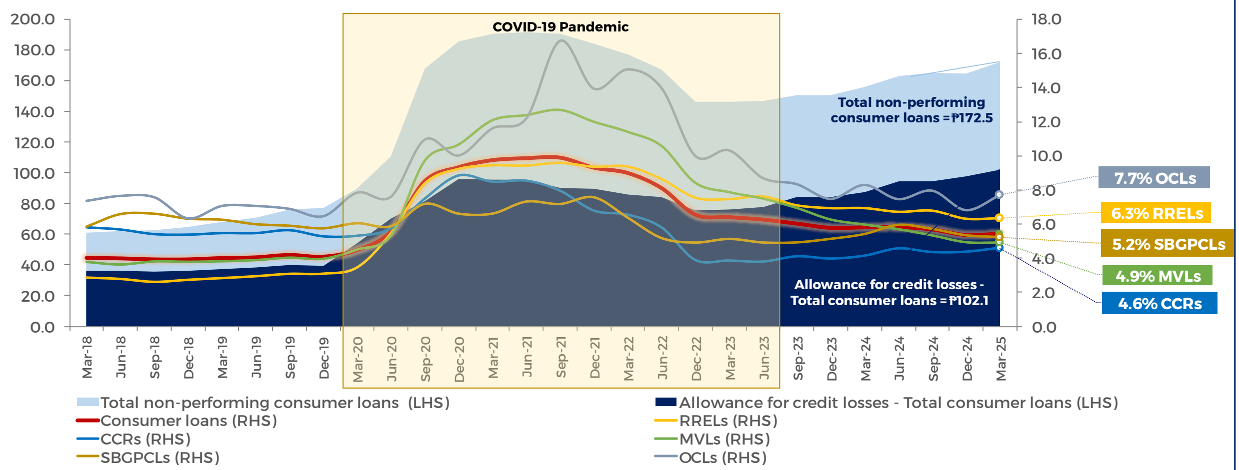
23 As of March 2025, the share of SBGPCLs and OCLs stood at 12.8 percent and 1.7 percent, respectively.
24 *Ibid*, p. 2
25 Based on the latest BSP data as of December 2024, the total exposure of banks to BSP-supervised financing companies engaged in retail lending reached ₱160.3 billion, marking a 3.3-percent increase from September 2024.
26 *Ibid*, p. 6
27 Since September 2022, consumer loans consistently posted double-digit growth, ranging from 11.7 percent to 19.7 percent. In contrast, NPCLs, after a period of contraction, resumed an upward trend.

- RRELs and CCRs made up the largest shares of NPCLs (*Figure 10*). The uptick in NPCLs, both y-o-y and q-o-q, may be attributed to banks' expansionary strategies in retail lending, alongside the return to pre-pandemic credit standards, particularly for unsecured loans.

- Segment-level NPL ratios remained broadly stable (*Figure 11*), although a divergence emerged between secured and unsecured consumer loans. For secured NPCLs, the NPL ratio for RRELs increased slightly from 6.31 percent in December 2024 to 6.35 percent in March 2025, while the ratio for MVLs improved from 5.0 percent to 4.9 percent. Both ratios remained well below their pandemic peaks—9.6 percent for RRELs and 12.7 percent for MVLs in September 2021—indicating improved asset quality and better borrower resilience.

Figure 11
Consumer Loans: Non-Performing Loans, Non-Performing Loan Ratio, and Allowance for Credit Losses
as of end-periods indicated; in billion PH pesos; ratio in percent



Source: Bangko Sentral ng Pilipinas
CCRs - credit card receivables
SBGPCLs - salary-based general-purpose consumption loans
RRELs - residential real estate loans
MVLs - motor vehicle loans
OCLs - other consumer loans
LHS - left-hand side
RHS - right-hand side

- In contrast, unsecured consumer loans showed mixed performance. While their NPL ratios remained below pandemic-era highs,[28] CCRs and OCLs recorded slight increases from 4.4 percent and 6.8 percent in the previous quarter to 4.6 percent and 7.7 percent, respectively. SBGPCLs posted a modest improvement, with the NPL ratio easing from 5.3 percent to 5.2 percent.

- The divergence in consumer loans highlights differences in the types of risk exposure, borrower behaviors, and portfolio management strategies. Unsecured consumer loans, particularly CCRs and OCLs, showed pressure in higher-risk segments amid rapid portfolio growth.

- In response to rising NPCLs, banks further strengthened their credit risk management framework through enhanced provisioning and intensified resolution strategies. For unsecured segments, such as CCRs and SBGPCLs, banks deployed integrated risk management tools that combine fraud prevention, risk segmentation, and targeted borrower support, enabling more effective and tailored interventions. Additionally, collection efforts were enhanced, and broader resolution strategies were implemented, including flexible repayment terms, asset recovery, and an improved portfolio monitoring system.

- Banks also maintained an ample level of provisions to absorb rising credit risks (*Figure 11*), particularly for NPCCRs. As of March 2025, the loss coverage ratio for NPCCRs stood at 110.0 percent, a slight decline from 118.8 percent in March 2024 and 110.5 percent in December 2024.[29] The coverage ratio for total NPCLs was 59.2 percent, marginally lower than 59.4 percent in the previous quarter but still higher than the 56.1 percent recorded a year ago.

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[28] The peak NPL ratios for CCRs, OCLs, and SBGPCLs during the height of the COVID-19 pandemic were 8.9 percent in December 2020, 16.7 percent in September 2021, and 7.6 percent in December 2021, respectively.

[29] Since March 2020, the ratio of loan loss reserve to NPCCRs has remained above 100.0 percent.

This reflects banks' commitment to maintaining sufficient buffers in light of evolving credit risks in the retail segment.

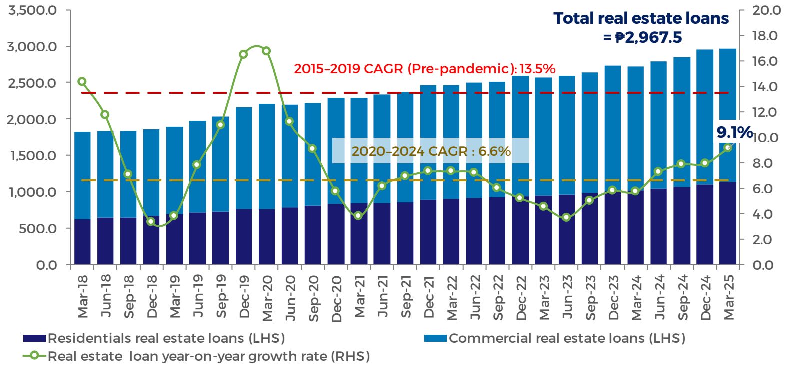
- Amid sustained lending growth and deepening exposure to unsecured segments, the BSP continues to emphasize the importance of sound credit risk management practices.

Real estate loans drive growth in real estate exposures, while loan quality remains stable amid market moderation.

- The real estate exposures (REEs) of UKBs and TBs, on a consolidated basis, reached ₱3.3 trillion as of March 2025,[30] equivalent to 12.1 percent of the banking system's total assets. This marked a faster increase of 7.8 percent y-o-y, up from 3.4 percent in March 2024 and 5.1 percent in December 2024. The strong growth—largely driven by rising real estate loans (RELs)—surpassed the 2020–2024 CAGR (6.6 percent) but remained below the pre-pandemic CAGR (13.5 percent). This reflects sustained market confidence amid ongoing domestic economic recovery and supportive monetary conditions.

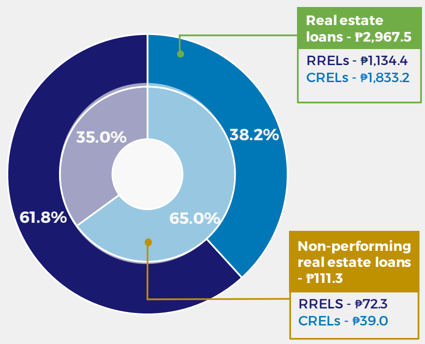
- The outlook aligns with the generally positive sentiments of leading property consultants and bank experts, who cited strong market fundamentals, supportive economic policies, and sustained economic recovery as key drivers of continued growth in both the commercial and residential real estate segments. The ongoing economic expansion—buoyed by tempered inflation, easing interest rates, steady consumer demand, and infrastructure-led development—is expected to further bolster the country's property market.

Figure 12
Real Estate Loans
as of end-periods indicated; in billion pesos; growth rate in percent



Source: Bangko Sentral ng Pilipinas
CAGR - compounded annual growth rate
LHS - left-hand side
RHS - right-hand side

Figure 13
Real Estate Loans by Type
as of end-March 2025; in billion pesos; share in percent



Source: Bangko Sentral ng Pilipinas
RRELs - residential real estate loans
CRELs - commercial real estate loans

- RELs continued to dominate banks' REEs, accounting for 88.9 percent (₱3.0 trillion) as of March 2025, with the remainder consisting of real estate investments (REIs).[31] RELs made up 19.0 percent of total loans and remained largely unsecured.[32,33] Since December 2023, RELs expanded steadily, with a 9.1-percent y-o-y increase to ₱3.0 trillion as of March 2025 (*Figure 12*), up from 5.7 percent in March 2024 and 7.9 percent in December 2024. This growth rate exceeds the 2020–2024 CAGR (6.6 percent) but remained below the pre-pandemic CAGR (13.5 percent). On a q-o-q basis, however, REL growth moderated to 0.5 percent, as elevated

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[30] This includes the trust department of banks, which accounted for 8.4 percent (₱279.4 billion) of total REEs as of March 2025. The remaining 91.6 percent (₱3.1 trillion) was held directly by banks.

[31] The share of REIs to total REEs remained modest at 11.1 percent (₱372.4 billion) as of March 2025, slightly higher than the 10.7 percent share in the previous quarter. REIs consisted of debt and equity securities at ₱256.0 billion and ₱116.4 billion, respectively.

[32] Total loans include reverse repurchase agreements and interbank loans receivables.

[33] More than half, or 54.2 percent, of total RELs were unsecured, particularly 82.8 percent (₱1.3 trillion) for commercial RELs (CRELs) and 17.2 percent (₱277.4 million) for RRELs.

inventories of unsold residential units tempered loan demand and prompted greater caution among developers and buyers.

- Banks kept their REL exposures below the 25.0 percent regulatory cap relative to their total loan portfolio, in line with the BSP's prudential standards.

- Within the REL portfolio, CRELs accounted for 61.8 percent of total RELs,[34] while RRELs comprised the remainder (*Figure 13*).[35] Both segments posted robust y-o-y growth: CRELs expanded by 8.0 percent, and RRELs rose by 11.0 percent. On a q-o-q basis, RRELs grew by 2.7 percent, driven by increased supply of ready-for-occupancy units with attractive payment and lease terms, as well as strategic residential developments in more affordable markets outside the National Capital Region.[36] In contrast, CRELs contracted by 0.9 percent q-o-q due to shifting demand for corporate space and cautious leasing decisions amid evolving work arrangements. Nonetheless, leading property consultants and bank analysts expect sustained CREL growth, supported by continued demand from the information technology and business process management sector (IT-BPM), particularly the expansion of Global In-house Centers.[37]

- Loan quality remained broadly stable, with only a minimal increase in NPLs. As of March 2025, non-performing RELs (NPRELs) rose slightly by 0.4 percent (₱485.1 million) y-o-y but recorded a notably faster q-o-q increase of 2.3 percent (₱2.5 billion). This acceleration was mainly driven by non-performing RRELs (NPRRELs), which rose by 1.4 percent (₱994.8 million) y-o-y and 3.1 percent (₱2.2 billion) q-o-q. In contrast, non-performing CRELs (NPCRELs) marginally increased by 0.8 percent q-o-q but contracted by 1.3 percent y-o-y.

- The variation in the annual and quarterly movements reflects evolving market dynamics and borrower behavior. Slower y-o-y growth indicates improved credit conditions and borrower capacity due to economic recovery and effective risk management. The sharper q-o-q rise in NPRRELs points to short-term pressures from elevated unsold residential inventories, which dampened loan demand and repayment. Meanwhile, the commercial segment remains relatively resilient, supported by sustained demand from key industries such as IT-BPM.

- Overall, the NPREL ratio inched up from 3.7 percent in December 2024 to 3.8 percent in March 2025 (*Figure 14*). Despite the uptick, the ratio remained below the 4.1 percent recorded in March 2024 and the COVID-19 peak of 5.2 percent in September 2021. By segment, the NPL ratio for RRELs was at 6.4 percent, slightly above the 6.3 percent in December 2024 but below the 7.0 percent in March 2024. Meanwhile, the NPL ratio for CRELs held steady at 2.1 percent, an improvement from 2.3 percent in March 2024.

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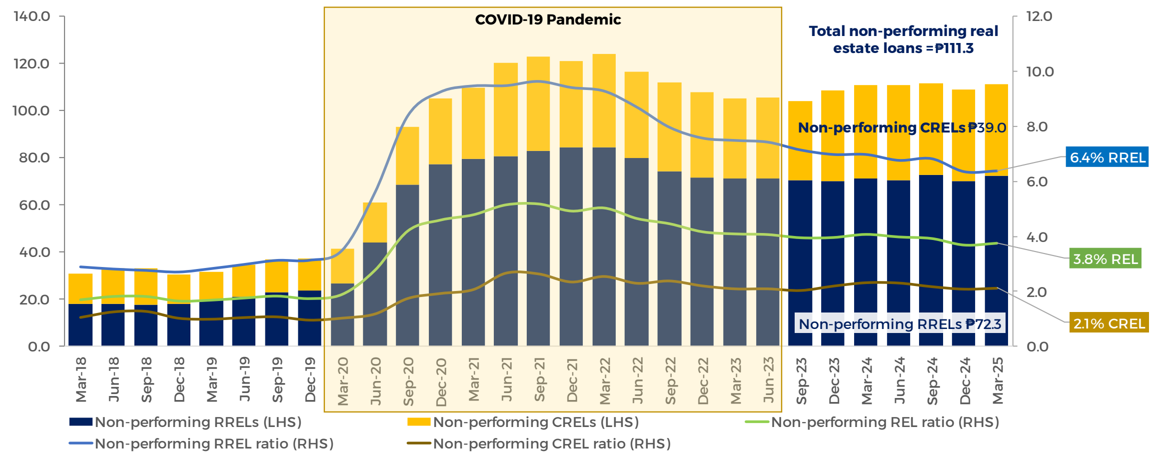
[34] Most CRELs were used to finance land development, acquisition, construction, and/or improvement of commercial real estate units (83.8 percent or ₱1.5 trillion), with a significant portion extended to land developers and construction companies (67.6 percent or ₱1.2 trillion). These loans were largely unsecured (82.8 percent) and had residual maturities of one to five years (44.6 percent).

[35] The majority of RRELs were for mid-end (47.5 percent or ₱539.4 billion) and low-cost housing (35.3 percent or ₱400.0 billion). High-end housing accounted for 16.9 percent (₱192.0 billion), and socialized housing had a minimal share of 0.3 percent (₱3.1 billion). RRELs were mostly secured (70.0 percent or ₱793.9 billion). In terms of tenor, more than half of RRELs (51.3 percent) had a residual maturity of over 10 years.

[36] Colliers Philippines' *Q1 2025 Property Market Report* indicates continued strong demand in the residential market outside Metro Manila. (Source: https://www.colliers.com/en-ph/research/colliers-quarterly-property-market-report-residential-q1-2025-philippines).

[37] Colliers Philippines' *Q1 2025 Property Market Report* highlights recovery in Metro Manila's office market, with transaction volumes improving q-o-q after a subdued performance in 2024. (Source: https://www.colliers.com/en-ph/research/colliers-quarterly-property-market-report-office-q1-2025-philippines)

Figure 14
Real Estate Loans: Non-Performing Loans and Non-Performing Loan Ratio
as of end-periods indicated; in billion pesos; ratio in percent



Source: Bangko Sentralng Pilipinas
RELs - real estate loans
RRELs - residential real estate loans
CRELs - commercial real estate loans
LHS - left-hand side
RHS - right-hand side

- These trends underscore the nuanced challenges within the REL portfolio: While commercial real estate benefits from stronger tenant demand and borrower capacity, residential lending faces short-term stress due to supply imbalances. Nonetheless, overall loan quality remained satisfactory, reflecting the banking sector's resilient credit management and the BSP's proactive regulatory initiatives—including prudent risk-based supervision, strict enforcement of the 25.0-percent REL exposure cap, and ongoing efforts to strengthen borrower protection. These measures helped maintain stability amid evolving market conditions.

Robust loan growth to underserved sectors—including micro, small, and medium enterprises and rural communities—reflects sustained focus on inclusive growth that benefits a wider segment of Filipinos.

Micro enterprises
₱87.7 billion

Small and medium enterprises
₱456.1 billion

Total agriculture, fisheries, and rural development compliance

₱2.2 trillion

- Financing to micro, small, and medium-sized enterprises (MSMEs) rose by 12.6 percent to ₱543.8 billion as of March 2025, accounting for 3.5 percent of the banking system's total loans. This growth affirms banks' continued commitment to supporting MSMEs.[38] Most of these loans were directed to the wholesale and retail trade sector (₱220.2 billion or 41.2 percent) and were primarily extended by UKBs (₱383.8 billion or 71.7 percent).

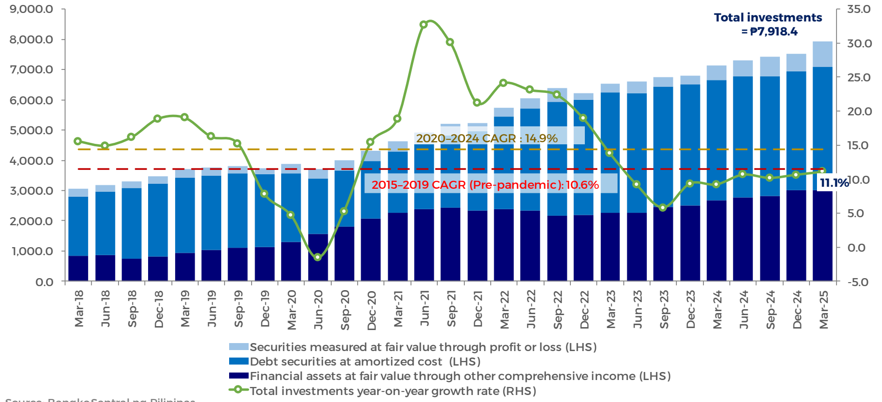
- Banks allocated ₱2.2 trillion of their loanable funds to agriculture, fisheries, and rural development, with a compliance rate of 113.3 percent as of March 2025. This rate significantly exceeds the 25.0 percent legal requirement due to a shorter reference cut-off period for computing total loanable funds—from 18 August 2023 to the March 2025 reporting date, and from 20 April 2010 to the June 2023 reporting date—and an expanded list of eligible activities.

[38] Based on the BSP's 2023 BSOS, most respondent banks will prioritize the expansion of their loan portfolio, focusing on the credit requirements of MSMEs.

Robust increase in trading and amortized cost securities fuels expansion in portfolio investments amid strong holdings of government securities.

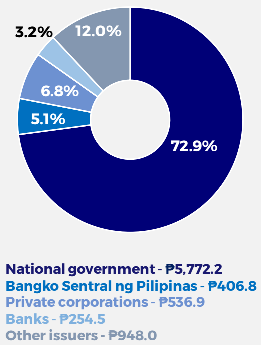
- Portfolio investments of the banking system rose by 11.1 percent y-o-y to ₱7.9 trillion as of March 2025 (*Figure 15*),[39] marking an increase from 9.2 percent in March 2024 and 10.6 percent in December 2024. The double-digit growth surpasses the pre-pandemic CAGR of 10.6 percent, though slightly below the 2020–2024 CAGR of 14.9 percent.

Figure 15
Gross Total Investments: Philippine Banking System
as of end-periods indicated; in billion pesos; growth rate in percent



Source: Bangko Sentral ng Pilipinas
CAGR - compounded annual growth rate
LHS - left-hand side
RHS - right-hand side

Figure 16
Total Investments by Counterparty
as of end-March 2025; in billion pesos; share in percent



Source: Bangko Sentral ng Pilipinas

- The sustained expansion in portfolio investments was mainly driven by increased liquidity resulting from the BSP's RRR cuts, which enabled banks to allocate more funds into investments. Additionally, the establishment of interest rate swap markets enhanced pricing efficiency and broadened investment opportunities.

- On a q-o-q basis, portfolio investments rose by 5.5 percent (₱410.5 billion) in March 2025. The growth was largely fueled by increases of ₱284.6 billion in securities measured at fair value through profit or loss (FVTPL) and ₱114.3 billion in securities measured at amortized cost (AC), collectively accounting for 97.2 percent of the increase. FVTPL securities demonstrated remarkable momentum, with solid growth of 78.5 percent y-o-y and 51.2 percent q-o-q to ₱840.8 billion. The surge raised the share of FVTPL securities in total portfolio investments to 10.6 percent, up from 6.6 percent in March 2024 and 7.4 percent in December 2024. This reflects banks' strategic shift toward more flexible, higher-yield instruments amid the BSP's continued policy easing.

- Conversely, holdings of securities in AC and in fair value through other comprehensive income (FVOCI) declined, reflecting cautious repositioning amid easing interest rates. The share of AC securities declined to 51.3 percent (₱4.1 trillion), down from 56.0 percent in March 2024 and 52.6 percent in December 2024, with modest growth rates of 2.9 percent q-o-q and 1.7 percent y-o-y. Similarly, the share of FVOCI securities declined from 40.0 percent in December 2024 to 38.1 percent (₱3.0 trillion) in March 2025, although this was slightly higher than 37.4 percent in March 2024.

- By counterparty, securities issued by the national government (NG) continued to dominate the investment portfolio landscape,[40] comprising 72.9 percent (₱5.8 trillion) of total investments (*Figure 16*). This largely reflects banks' preference for safety and liquidity.

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[39] These exclude equity investments in subsidiaries, associates, and joint ventures.

[40] As of March 2025, investments in NG-issued securities grew by 9.0 percent y-o-y and were composed of securities measured at AC (56.9 percent share), FVOCI (37.9 percent), and FVTPL (5.1 percent). By type, these consisted of treasury bonds (57.5 percent share), other securities (39.9 percent), treasury bills (2.6 percent), and derivatives with positive fair value (0.02 percent).

- The total notional amount of derivatives in the banking system reached ₱7.4 trillion as of March 2025,[41] increasing by 17.0 percent y-o-y, lower than the growth of 18.6 percent in March 2024 and 23.3 percent in December 2024. The majority of these were standalone derivatives, comprising 99.8 percent of the total, and were largely held by UKBs (99.99 percent). Embedded derivatives remained minimal, amounting to ₱15.6 billion or 0.2 percent of the total.

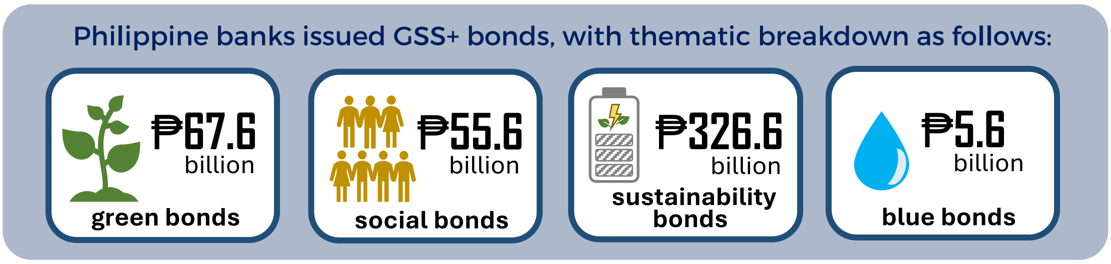
- By type, foreign exchange (FX) contracts comprised 82.2 percent of total derivatives, while interest rate contracts and credit derivatives accounted for 17.5 percent and 0.1 percent, respectively. In addition, off-balance sheet derivatives from both residents and non-residents represented 40.0 percent (₱7.8 trillion) of total contingent accounts (₱20.6 trillion).[42]

Sustainable bond issuance surges with strong bank participation, reinforcing the Philippines' position among top ASEAN issuers.

- The Philippines ranks among the top issuers of ASEAN-labelled green, social, sustainability, and sustainability-linked (GSS+) bonds, with a cumulative issuance of US$15.3 billion or 26.8 percent of the total US$57.0 billion issued across the region from 2017 to end-February 2025.[43]

- From 2017 to May 2025, nine Philippine banks have collectively issued around ₱455.4 billion in GSS+ bonds. These issuances have grown at a CAGR of 71.6 percent, reflecting the banking system's increasing commitment to sustainable finance.

- By bond type, cumulative issuances by Philippine banks comprised ₱67.6 billion in green bonds (14.8 percent), ₱55.6 billion in social bonds (12.3 percent), ₱326.6 billion in sustainability bonds (71.7 percent), and ₱5.6 billion in blue bonds (1.2 percent).[44]



- To further encourage thematic bond issuances, the BSP reduced the RRR from 3.0 percent to zero percent, effective 6 January 2025, as part of a phased two-year incentive program. This incentive is subject to review for possible extension.

- The BSP will conduct a survey in H2 2025 to evaluate the impact of the incentive, gather stakeholder feedback, and identify the most effective forms of support—particularly for MSMEs—within the BSP's policy framework.

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[41] As of March 2025, total FX derivatives in the banking system rose by 18.6 percent y-o-y to US$106.7 billion (₱6.1 trillion).

[42] As of March 2025, total off-balance sheet accounts rose by 21.1 percent y-o-y (₱3.6 trillion) to ₱20.6 trillion. The expansion was largely driven by double-digit increases in derivatives and commitments of residents, rising by 14.4 percent (₱1.0 trillion) and 32.6 percent (₱808.7 billion), respectively. The growth in derivatives was supported by the 12.7 percent (₱689.3 billion) y-o-y increase in the notional amount of FX contracts, while the growth in commitments was mainly due to the 41.6-percent (₱765.8 billion) y-o-y increase in credit card lines.

[43] Securities and Exchange Commission. (2025, May 2). *Sustainable finance market update: February 2025.* https://www.sec.gov.ph/cm-sustainable-2025/sustainable-finance-market-update-as-of-february-2025/#gsc.tab=0

[44] This is based on the BSP's Environment, Social, and Governance Supervision and Surveillance Group staff compilation.

Banks remain resilient amid adverse scenarios, supported by strong capital and liquidity buffers.

- The banking system continued to demonstrate resilience against potential shocks, as evidenced by the results of the BSP's multi-faceted stress testing exercises, which cover credit, market, and liquidity risks.[45] These tests assess the ability of banks to withstand a range of adverse macro-financial scenarios while maintaining prudential standards.

- Credit risk scenarios assume extreme shocks, including 20.0-percent and 50.0-percent impairments across both consumer and production segments.[46] The Real Estate Stress Test (REST) evaluates the impact of a 25.0-percent write-off in CRELs and REIs. Meanwhile, the market risk stress test assesses the impact of adverse interest rate movements in both domestic and United States (US) markets,[47] as well as FX rate shocks on banks' investment portfolios.[48] Even under these severe assumptions, the banking system—including all banking groups—maintained capital adequacy ratios (CARs) well above regulatory minimums, underscoring its capacity to absorb substantial losses without compromising solvency.

- In addition to regular stress tests, the BSP conducts ad hoc supervisory stress tests to assess banks' resilience under specific risk scenarios.[49] These include simulating standalone credit write-offs across consumer and economic segments to test the liquidity coverage ratio (LCR) of UKBs, which continue to reflect post-shock LCRs above the 100.0 percent minimum. The BSP also performs reverse stress testing to determine the breakeven NPL ratio—the point at which a bank's CAR would fall below regulatory thresholds. Results confirm that banks maintain sufficient capital buffers to absorb significant asset quality deterioration. To further enhance early risk detection, the BSP actively monitors forward-looking credit indicators, such as missed payments and restructured loans.

- These favorable stress test findings are anchored on the banking system's robust capital and liquidity positions. As of March 2025, system-wide CARs stood at 16.2 percent on a solo basis and 16.6 percent on a consolidated basis (*Figure 17*)—well above the BSP's 10.0 percent requirement and the 8.0 percent global benchmark set by the Bank for International Settlements. All banking groups reported CARs comfortably above the required thresholds, reflecting strong capitalization across the sector.[50]

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[45] The BSP conducts uniform stress tests on credit and market risks every semester, covering UKBs, TBs, and DGBs. Meanwhile, the BSP's REST is conducted quarterly and covers UKBs and TBs.

[46] The credit scenarios extend to large exposures, particularly the identified conglomerate groups (e.g., loans and investments).

[47] Assumed increases in domestic interest rates range from 300 bps to 500 bps, while increases in US interest rates range from 100 bps to 300 bps.

[48] Exchange rate shocks, particularly involving movements in the PHP/USD rate, range from 10.0 percent to 30.0 percent.

[49] Other ad hoc stress tests include estimating credit exposure to at-risk firms and measuring the impact of unrealized losses on portfolio investments.

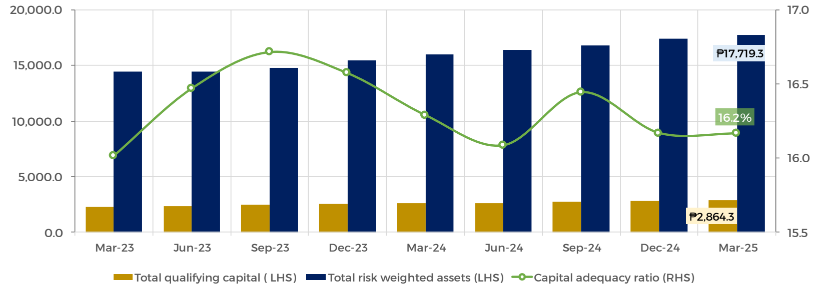
[50] As of March 2025, the UKB industry's solo and consolidated CARs were 16.0 percent and 16.5 percent, respectively. Subsidiary banks registered the following CARs: 16.1 percent for TBs, 13.8 percent for RCBs, and 22.7 percent for DGBs. For standalone TBs, RCBs, and DGBs, the reported CARs were 20.1 percent, 21.0 percent, and 18.2 percent, respectively.

Capital Adequacy Ratio

16.2%
Solo

16.6%
Consolidated

Figure 17
Risk-Based Capital: Philippine Banking System (Solo)
as of end-periods indicated; in billion pesos; ratio in percent



Source: Bangko Sentral ng Pilipinas
LHS - left-hand side
RHS - right-hand side

- On the liquidity front, banks maintained robust positions under the Basel III frameworks. Since the implementation of the Basel III LCR and net stable funding ratio (NSFR) in the Philippines, UKBs consistently maintained levels well above the 100.0-percent minimum, with an LCR of 175.3 percent (solo) and NSFR of 134.3 percent (solo) as of March 2025. Less complex banks also posted sound liquidity positions, with TBs, rural banks (RBs), and cooperative banks (CBs) exceeding the 20.0 percent minimum liquidity ratio (MLR) requirement.[51] These indicators collectively demonstrate the sector's ability to meet funding needs and absorb market shocks.

- Overall, the Philippine banking system remains fundamentally sound and resilient. The BSP's forward-looking, risk-based supervisory framework—which includes regular and ad hoc stress testing across credit, market, and liquidity scenarios—continues to play a central role in safeguarding financial system stability. Results from the stress tests affirm that the Philippine banking system is fundamentally sound, well-capitalized, and highly liquid, enabling it to withstand a range of adverse shocks while continuing to support the country's economic recovery. Cognizant of the need to proactively identify emerging trends and vulnerabilities, the BSP embedded continuous surveillance and stress testing exercises in its supervision framework to inform appropriate policy and supervisory responses.

[51] The MLR of standalone TBs, RBs, and CBs stood at 32.5 percent, 54.2 percent, and 39.4 percent, respectively, as of January 2025.