



Quarter Updates on the Banking System*



Sustained banking system resilience driven by continued growth, satisfactory asset quality, and solid profitability.

The banking system's assets grew at a moderated pace, driven by continued expansion of loans to households and key productive sectors. This measured growth reflects cautious approach, underpinned by prudent credit risk management amid a softer macroeconomic environment. Despite geopolitical uncertainties, trade tensions, and domestic governance challenges, robust capital positions and ample liquidity have sustained financing of core sectors. These factors reinforce the resilience of the banking system and its capacity to support economic activity.

PERFORMANCE HIGHLIGHTS



Total assets
₱28.8 T ↑7.6%



Loans, gross
₱16.3 T ↑9.2%



Investments
₱8.1 T ↑9.2%



Deposits
₱21.1 T ↑7.6%



Capital
₱3.6 T ↑7.8%



Net profit
₱302.6 B ↑4.3%

Robust consumer and sectoral loan growth,

with good loan quality.

Primary sector growth drivers

Household



Credit cards
₱1.1 T

↑30.0% (+₱253.9 B)

Motor vehicles



₱682.5 B

↑17.3% (+₱100.7 B)

Production



Energy
₱1.7 T

↑27.0% (+₱361.4 B)



Real estate
₱2.9 T

↑9.1% (+₱244.8 B)



3.3%
Non-performing
loan ratio



93.8%
Non-performing loan
coverage ratio

Prudent credit risk management and proactive provisioning support resilience.



Sufficient capital and liquidity buffers enable banks to take on more risk if needed.



181.3%
Universal and commercial banks

Liquidity coverage ratio



136.7%
(Solo)

Net stable funding ratio



16.1%
Solo

Capital adequacy ratio

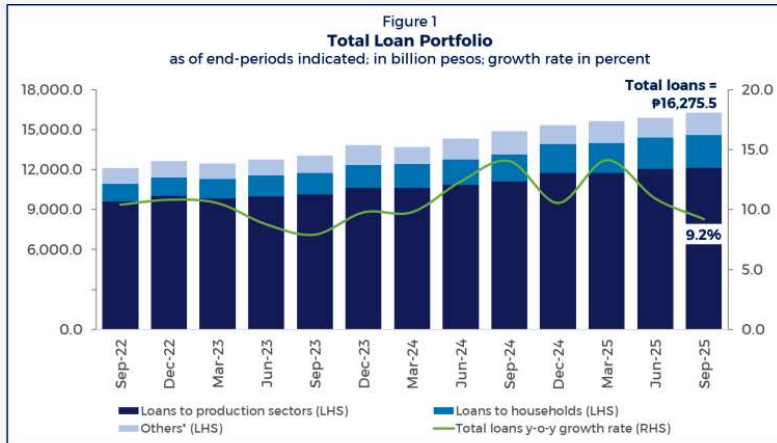


16.5%
Consolidated

Capital adequacy ratio

* This report was prepared by the Supervisory Policy and Research Department, Financial Supervision Sector of the Bangko Sentral ng Pilipinas (BSP). All growth rates and reporting period pertain to year-on-year (y-o-y) and as of September 2025, respectively, unless otherwise stated. The data presented were provided by the Department of Supervisory Analytics of the BSP.

Credit continues to grow, driven by demand from households and key sectors.



Source: Bangko Sentral ng Pilipinas
LHS - left-hand side
RHS - right-hand side
*These include reverse repurchase, interbank loans and loans to non-residents.

- Credit growth sustained but at moderated pace. BSP's accommodative monetary policy, domestic economic activity, and solid system liquidity reinforced this growth.
- Universal and commercial banks comprised 92.4 percent (₱15.0 trillion) of total loans, mainly to corporate and retail segments. Smaller banks mainly serve households and micro, small, and medium enterprises (MSMEs).

- BSP's Q3 2025 surveys indicated steady credit growth backed by improving consumer confidence, cautious optimism from firms, and banks' expectations for stable or higher loan demand.

Diversified sectoral lending supports households and priority sectors.





- Key sectors—real estate, households, wholesale and retail trade, electricity, manufacturing and financial and insurance services—account for 68.3 percent (₱11.1 trillion) of total loans.
- Loan growth was led by households, electricity, and real estate, driven by strong consumer spending, energy investments, and property demand.

Top borrowing sectors	Level	Share to total loans	year-on-year		quarter-on-quarter	
			Change	Growth	Change	Growth
Real estate	₱2.9 T	18.0%	+₱244.8 B	9.1%	+₱54.2 B	1.9%
Households	₱2.5 T	15.2%	+₱469.7 B	23.4%	+₱122.3 B	5.2%
Trade	₱1.7 T	10.45%	+₱138.2 B	8.8%	+₱45.6 B	2.8%
Electricity	₱1.69 T	10.44%	+₱361.4 B	27.0%	+₱15.9 B	0.9%
Manufacturing	₱1.2 T	7.3%	-₱133.1 B	-10.0%	-₱53.9 B	-4.3%
Financial and insurance	₱1.1 T	6.9%	+₱90.9 B	8.8%	+₱3.4 B	0.3%

- Lending to wholesale and retail trade slowed, while manufacturing contracted for the fifth consecutive month—reflecting weaker domestic demand, supply-chain issues, rising costs, adverse weather disruptions, and global uncertainties. These challenges affect related sectors and further strain manufacturing operations.
- Banks continued to expand inclusive financing, as MSME loans grew 8.8 percent to ₱541.6 billion. Meanwhile, ₱2.4 trillion was directed toward agriculture, fisheries, and rural development.

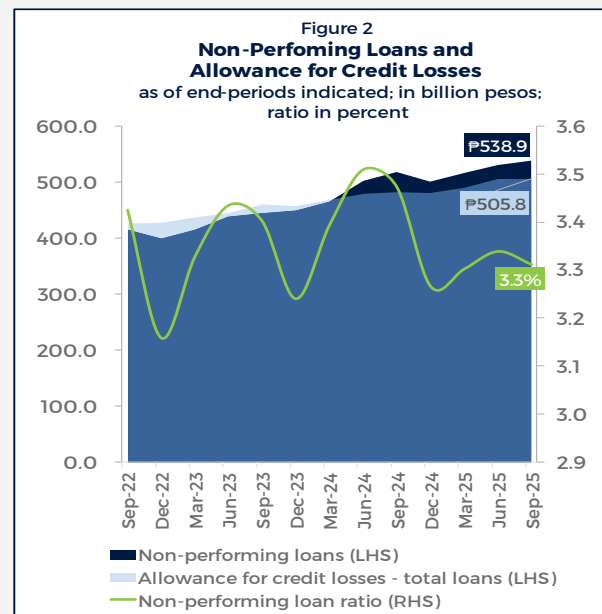
Prudent risk management and proactive provisioning practices safeguard asset quality against steady level of non-performing loans.

- System-wide non-performing loans (NPLs) rose at a slower pace. The easing helped banks maintain a low NPL ratio, aided by benign inflation and lower borrowing costs, which bolstered borrowers' repayment capacity,
- Certain sectors remain vulnerable and warrant close monitoring, particularly those driving NPL growth. Household NPLs—especially in credit cards—continued to rise as retail lending expanded. Real estate and construction delinquencies stemmed from oversupply, slower project turnover, and government-related infrastructure delays, among others.
- Slowdown in manufacturing activity could also heighten downside risks to corporate credit quality by constraining manufacturers' cash flows, affecting wholesale-related borrowers, and increasing pressure on overall corporate loan performance.^{1, 2}

Top contributors to non-performing loan increase	Level	Share to total non-performing loans	year-on-year		quarter-on-quarter	
			Change	Growth	Change	Growth
 Households	₱123.3 B	22.9%	+₱21.4 B	21.0%	+₱7.3 B	6.3%
 Real estate	₱102.0 B	18.9%	+₱3.2 B	3.2%	+₱1.9 B	1.9%
 Construction	₱59.9 B	11.1%	+₱14.2 B	31.0%	+₱12.5 B	26.3%
 Transportation	₱27.6 B	5.1%	+₱4.5 B	19.3%	-₱0.9 B	-3.2%

- Despite these pressures, banks maintained sound credit risk management through prudent underwriting, pro-active monitoring, prompt remedial actions, and forward-looking provisioning under prevailing accounting standards. These helped preserve asset quality and ensure adequate loss reserves.

- ✓ **Prudent controls:** enhanced underwriting standards and credit scoring
- ✓ **Active monitoring:** multi-channel customer engagement, improved collection and early-warning systems
- ✓ **Timely risk response:** regular policy review and targeted remedial actions to support asset recovery and assist qualified borrowers
- ✓ **Adequate loss coverage:** proactive problem loan recognition and provisioning, aligned with expected credit loss standards



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

- The steady NPL ratio was supported by a high NPL coverage ratio of 93.8 percent.
- The system's resilience was reinforced by the BSP stress test exercises that assume credit impairment across consumer finance segments and corporate sectors by economic activity. These assessments are complemented by forward-looking indicators, such as the break-even NPL ratios, which gauge the level of asset quality deterioration that banks can absorb while remaining adequately capitalized.

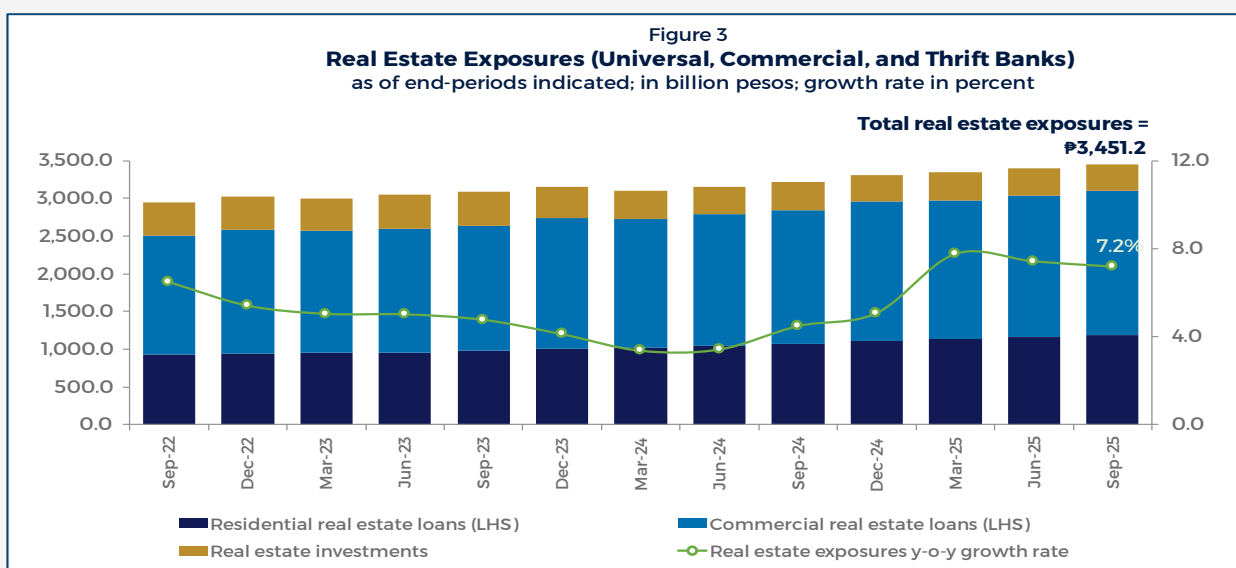
¹ Philippine Statistics Authority. *Factory output slows to a 3-month low in June.* BusinessWorld Online. August 8, 2025.

² S&P Global. *PH manufacturing contracts in September.* GMA News Online. October 1, 2025.

Real Estate Exposures September 2025

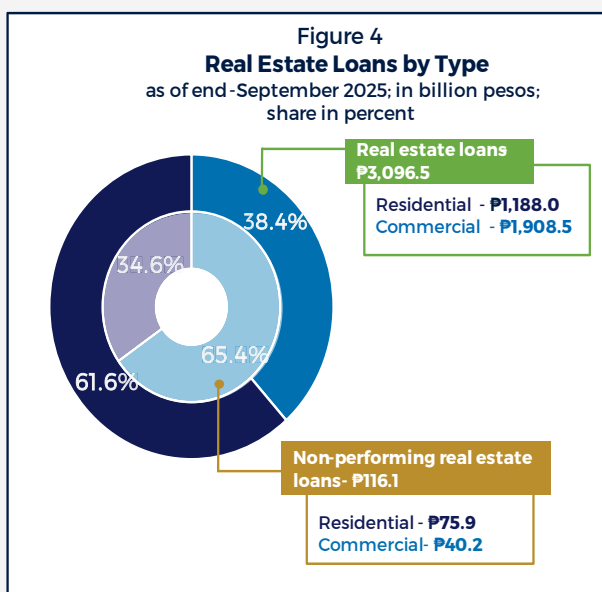
Prudent risk management and proactive provisioning practices shield banks' real estate exposures amid market pressures.

- Real estate exposures grew steadily, with residential loans rising 11.4 percent and commercial loans by 7.4 percent. Nearly two-thirds of these loans support commercial activities, while the rest finance mid- and low-cost housing, reflecting broad market participation.
- In Metro Manila's central business districts (CBDs), office demand remains resilient with stable take-up and modest rental growth; but non-prime areas face rising vacancy risks from new supply, hybrid work arrangements, selective IT-BPM rightsizing, and tenant exits (Philippine offshore gaming operator, or POGO).
- These market dynamics, along with broader economic uncertainty and cautious corporate expansion, may temper leasing momentum and moderate growth in non-prime office segments in the near term.



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

- Non-performing real estate loan ratio declined despite a modest rise in non-performing real estate loans, reflecting sound asset quality supported by stronger monitoring, collections, and provisioning.



Source: Bangko Sentral ng Pilipinas

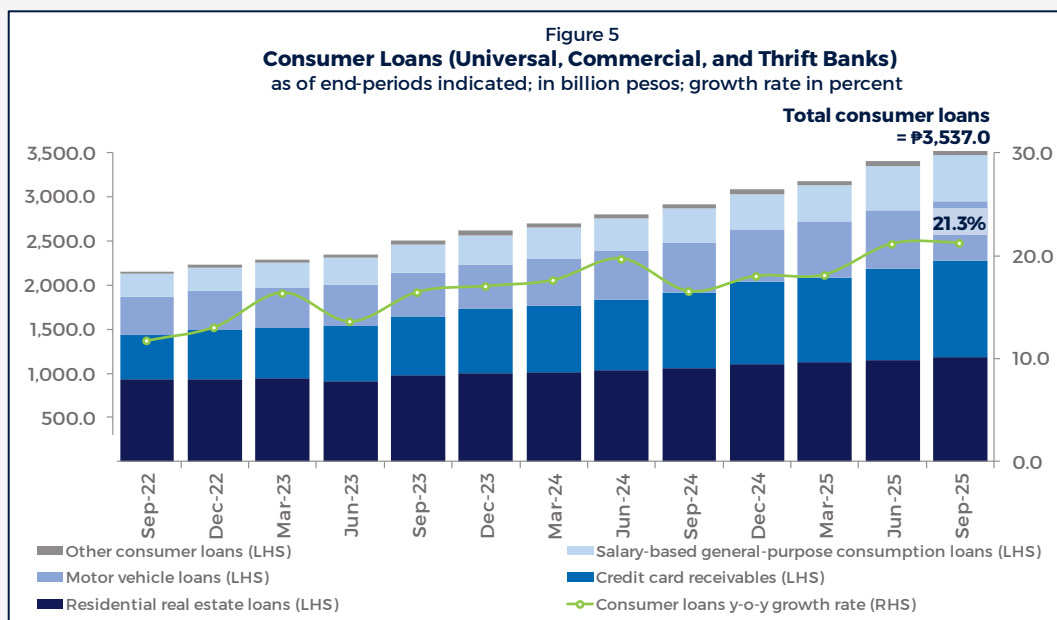
- Real estate exposure remain a key supervisory focus due to oversupply, segment-specific weaknesses, and potential demand pressures. Easing BSP policy, stable inflation, prudent risk management, and adequate buffers underpin a generally stable near-term outlook in this segment.

	Non-performing real estate loan ratio	3.7%
	Non-performing residential real estate loan ratio	6.4%
	Non-performing commercial real estate loan ratio	2.1%



Unsecured loans drive consumer finance growth amid strong demand.

- Consumer loans expanded with growth accelerating from the previous quarter and a year ago, indicating greater household credit intermediation.
- Favorable financing terms, banks' active marketing, use of digital platforms, and cross selling initiatives, among others, supported the rise in consumer lending amid strong retail demand and improving consumer sentiment.



Source: Bangko Sentral ng Pilipinas
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- Housing loans (33.3 percent share) and credit cards (30.9 percent) remained major components of consumer lending.

Housing loans **₱1.2 T**
↑ 10.9%

Credit card receivables **₱1.1 T**
↑ 29.5%

Salary loans **₱529.1 B**
↑ 37.3%

- Loan growth across unsecured and secured segments remains robust and is expected to persist, deepening consumer credit. This trend reflects -

- ✓ sustained household demand
- ✓ rising consumption
- ✓ favorable financing conditions, and a
- ✓ supportive macroeconomic and regulatory environment—driven by BSP easing, digital innovation, and expansion of Islamic finance, among others.

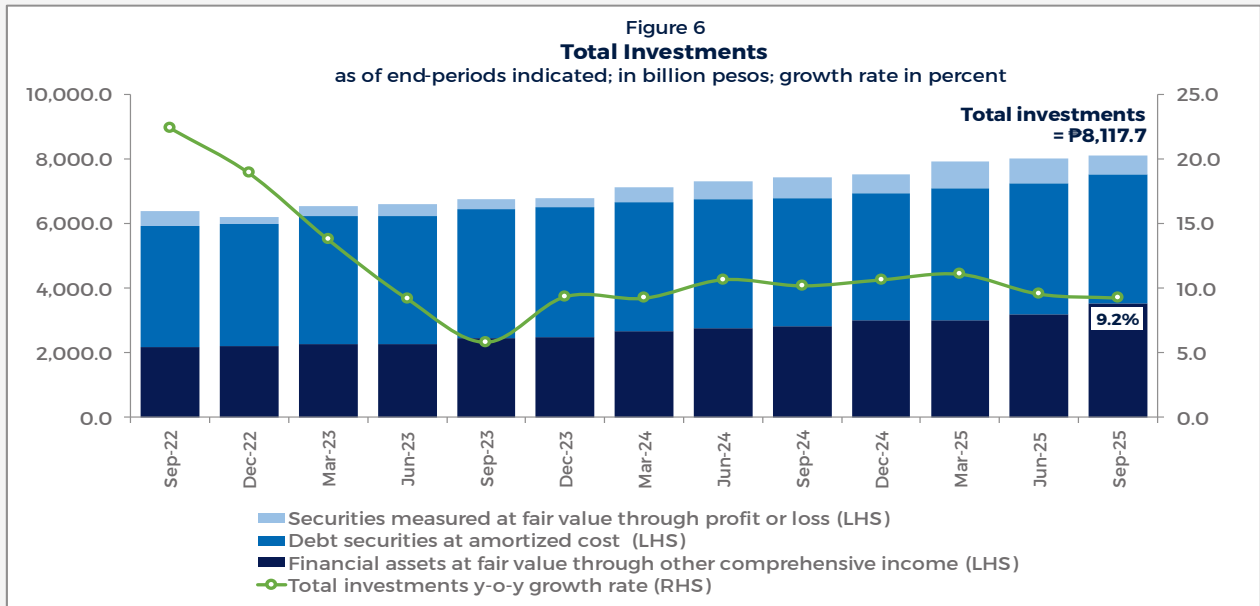
- Banks have strengthened credit risk management, particularly in unsecured consumer lending. Stress tests show resilience to assumed credit impairment, including across segments, with post-shock capital ratios remaining above 10.0 percent.
- Stable NPL levels and ratios across consumer loan segments reflect prudent lending standards and effective risk management.

Particulars	Non-performing loan	
	Ratio	Coverage ratio
Consumer loans	5.4%	60.4%
Housing	6.4%	29.0%
Credit card	4.8%	108.3%
Motor vehicle	4.9%	52.2%
Salary	4.6%	58.1%
Others	8.6%	93.5%

Investments Portfolio September 2025

Investment growth continues, driven by banks' increased holdings of government securities, supported by a favorable macroeconomic and regulatory environment.

- Continued monetary policy easing and stable macroeconomic conditions supported the expansion of bank investments, which rose further in Q3 2025 to 29.6 percent of system-wide assets, with growth expected to remain steady in the near term.
- Growth was driven mainly by increased holdings of fair value through other comprehensive income (FVOCI) securities—primarily government issuances—as banks positioned for long-term yields ahead of anticipated BSP rate cuts. FVOCI and amortized cost securities collectively accounted for 92.6 percent of total portfolio investments, underscoring banks' continued preference for lower-risk, longer-duration instruments.



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

- Banks have been adjusting their investment portfolio mix by reducing riskier, profit-sensitive holdings (fair value through profit or loss, or FVTPL) to manage market volatility while keeping returns steady. This trend is likely to continue as interest rates fall, helping banks maintain stable earnings and manage risk.

Amortized cost

₱4.0 T

↑ 0.6%

Fair value through other comprehensive income

₱3.5 T

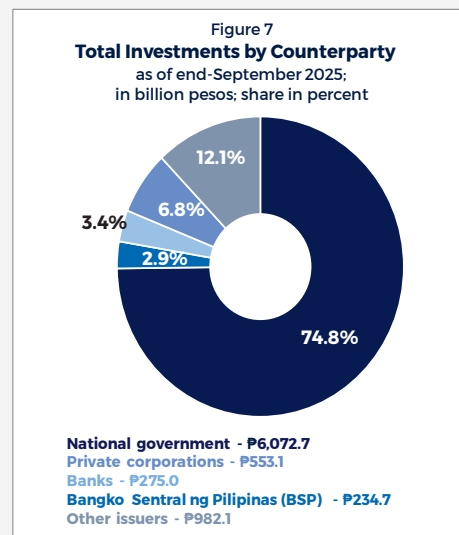
↑ 25.8%

Fair value through profit or loss

₱597.0 B

↓ 9.5%

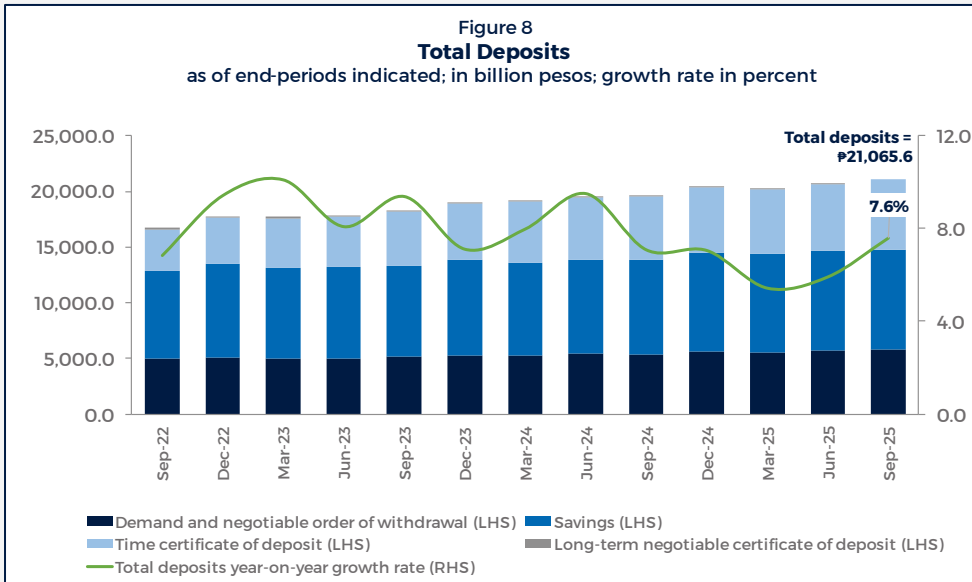
- Government-issued securities comprised a significant share of banks' portfolios, reinforcing their preference for sovereign-backed instruments as a stable anchor against a still uncertain market environment.



Source: Bangko Sentral ng Pilipinas

Domestic deposits provide reliable and stable funding, supporting bank operations.

- Deposit growth remained, supported by sustained increases across account types. The positive outlook is expected to persist, driven by robust household savings, rising digital banking adoption, and banks' active deposit generation strategies.



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

Savings deposits
₱9.0 T
+₱493.1 B
↑5.8%

Demand deposits
₱5.8 T
+₱388.2 B
↑7.2%

Time deposits
₱6.3 T
+₱640.1 B
↑11.3%

- Over half of the expansion came from low-cost deposits, while time deposits contributed nearly half,³ reflecting banks' preference for short-tenor funds that provide flexibility and higher yields amid easing monetary policy and ongoing economic uncertainty.
- Deposit mix continued to be predominantly peso-denominated (82.6 percent) and resident-based (99.1 percent), underscoring Filipinos' sustained trust in the banking system, which provided stable funding to support lending and investment activities.
- Loan-to-deposit ratio at 77.3 percent also reflects ample deposit funding to support banks' lending operations, maintain liquidity buffers, and fuel economic activity.

³ Time deposits are mostly short-term (89.5 percent) with original term of one year or less, and minimal medium-term (3.5 percent) and long-term (7.0 percent) deposits.

- Other funding sources (e.g., bond issuances) remained minimal, accounting for only 7.4 percent of total liabilities. This highlighted the continued reliance on deposits as the primary source of funds.



Bills payable
₱1.2 T
↓0.6%



Bonds payable
₱0.7 T
↑30.3%

- The reduction of the reserve requirement for green, social, sustainability and sustainability-linked (GSS+) bonds to zero percent (from 3.0 percent) boosted these types of issuances making more funds available for sustainable projects.
- As of July 2025, total GSS+ bond issuances reached about ₱645.1 billion, mostly in sustainability bonds.



Green bonds
₱89.8 B



Social bonds
₱35.8 B



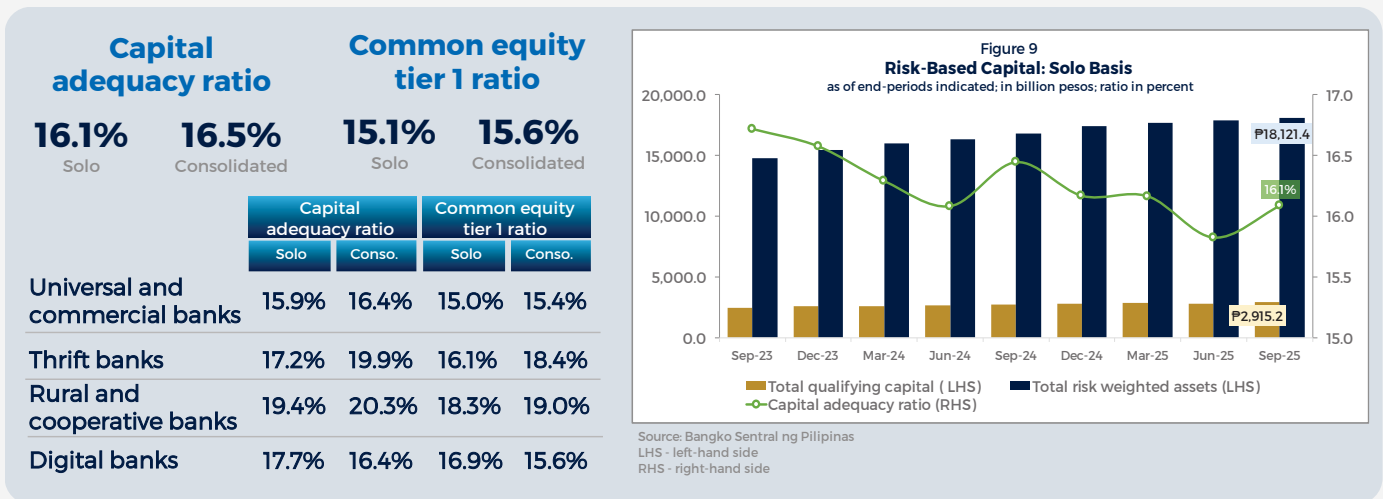
Sustainability bonds
₱513.7 B



Blue bonds
₱5.7 B

Strong capital and liquidity positions provide banks with solid foundation to support lending and other risk-taking activities.

- Recent BSP stress tests exercises showed that Philippine banks—at both system-wide and across banking groups—remained fundamentally sound and able to withstand severe credit, market, and liquidity shocks, while continuing to extend financing to households and corporations to support broader economic activity.
- Even under severe stress scenarios—including sector-specific credit impairments (consumer finance, economic sectors, and conglomerate groups), sharp interest rate or foreign exchange movements, and potential downturns in the property market—capital adequacy ratios, including Common Equity Tier 1 ratios continued to be well above regulatory minima. This demonstrates strong solvency and loss-absorbing capacity of banks.



- Banks continue to exhibit ample liquidity, with universal and commercial banks reporting liquidity coverage and net stable funding ratios above 100.0 percent and simple banks—particularly standalone thrift, rural, and cooperative banks—maintaining liquidity well above the 20.0 percent minimum.
- Ad hoc stress tests confirm the overall resilience of the banking system while highlighting relative vulnerabilities among digital banks, underscoring the need for ongoing monitoring and strong liquidity risk management.
- With strong capital and liquidity buffers and ongoing supervisory stress test, the banking system is expected to remain resilient even as the economy navigates uncertainties.



Strong core income and operational efficiency continue to support firm profitability and healthy returns.

- Profitability remained solid supported by sound asset quality and improving economic conditions.
- Earnings growth was driven by operational efficiency and strong intermediation for households and private corporations. Stable interest margin (4.5 percent) and robust fee-based revenues (up 13.7 percent) helped offset higher manpower and technology costs, improving the cost-to-income ratio to 55.8 percent.
- Returns remained strong, reflecting resilience and sustained value for stakeholders.

