Banking Sector Developments[1]

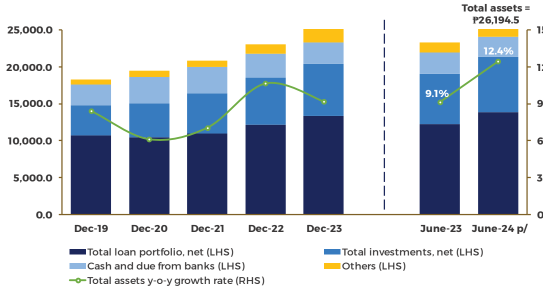
The Philippine banking system sustained its robust performance, enabling the continued delivery of financial services and products to the important economic sectors, including households. Growth in assets, loans, deposits, and earnings was supported by strong capital and liquidity positions, with key liquidity and capital ratios that are well above BSP and international standards.

Banks likewise maintained satisfactory loan quality, with low non-performing loan ratio and ample loan loss reserves.

- Total assets of the Philippine banking system (PBS) grew at a faster rate of 12.45 percent year-on-year (y-o-y) to ₱26.2 trillion in June 2024 (*Figure 1*) compared to the 9.1-percent growth recorded in June 2023. This expansion outpaced the 12.44-percent growth in the previous month, as well as the 11-percent pre-pandemic growth rate[2].[3] The asset growth, which was mainly funded by domestic deposits, was mostly channeled to lending and investing activities of banks.

- In terms of asset size, the universal and commercial bank (UKB) industry maintained its dominance among banking groups,

Figure 1
Total Assets of the PBS
as of end-period indicated; in billion PH pesos; growth rate in percent

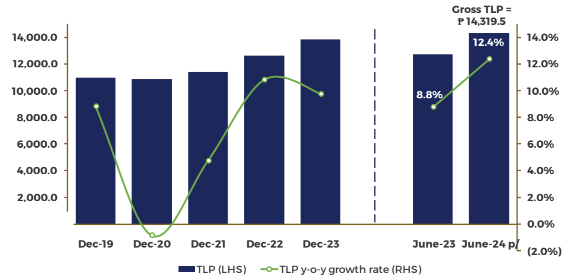


Source: Department of Supervisory Analytics (DSA)
p/ preliminary
RHS - right-hand side
LHS - left-hand side

accounting for 93.9 percent (₱24.6 trillion) of the banking system's total assets in June 2024. Thrift banks (TBs), rural and cooperative banks (RCBs), and digital banks (DGBs) held the remaining 4 percent (₱1.1 trillion), 1.7 percent (₱439.2 billion), and 0.4 percent (₱104.1 billion), respectively. All banking groups posted asset growth over the same reference period[4], indicating their robust performance and expanding operations despite challenges in the macroeconomic environment.

- Lending activity sustained its growth momentum with the continued expansion of total loan portfolio since August 2021. In June 2024, the 12.4-percent growth in TLP outpaced the 10.3 and 8.8 percent recorded in the previous month and in June 2023, respectively (*Figure 2*). This growth also continued to inch closer to the 13.8-percent pre-pandemic growth rate.

Figure 2
Gross Total Loan Portfolio (TLP) of the PBS
as of end-periods indicated; in billion PH pesos; growth rate in percent



Source: DSA
p/ preliminary

- Across banking groups, UKBs continued to provide the bulk of the financing requirements of the public, accounting for 92.5 percent (₱13.2 trillion) of the system's TLP. TBs, RCBs, and DGBs held the remaining shares at 5.4 percent (₱768.9 billion), 1.9 percent (₱272.6 billion), and 0.2 percent (₱28.3 billion), respectively.

- By economic activity, the real estate sector remained the largest borrower with 18.3 percent share (₱2.6 trillion). This was followed by households[5] (13.3 percent, or ₱1.9 trillion), wholesale and retail trade (10.5 percent, or ₱1.5 trillion), electricity, gas, steam, and air-conditioning supply (9.11 percent, or ₱1.305 trillion), and manufacturing (9.06 percent, or ₱1.297 trillion).

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[1] Data are preliminary. All growth rates, reference period and data pertain to y-o-y, as of June 2024 and the PBS, respectively. unless otherwise specified. Beginning in January 2024, RCB data exclude closed/merged RCBs during interim month.

[2] The pre-pandemic compounded annual growth rate (CAGR) is computed using December data from 2015 to 2019.

[3] The asset growth of the PBS in June 2024, June 2023, and June 2022 stood at 12.45, 9.1, and 7.8 percent, respectively.

[4] UKBs' total assets expanded by 12.4 percent while total assets of TBs and RCBs rose by 11.3 and 13.9 percent, respectively. Meanwhile, DGBs' total assets significantly rose by 35 percent over the same reference period.

[5] Loans for household consumption **excludes** residential real estate loans or RRELs. The share of loans for household consumption to gross TLP of the PBS has been increasing in the past few years, with shares of 13.3, 12.2, and 10.5 percent, in June 2024, June 2023, and June 2022, respectively.

- Lending to these five sectors grew in June 2024, with loans to households consistently recording the highest growth rate at 23.3 percent[6]. Loans to households, particularly from credit card receivables (CCRs, up by 28.8 percent, or ₱178.5 billion), motor vehicle loans (MVLs, up by 18.5 percent, or ₱87.8 billion), salary-based general-purpose consumption loans[7] (SBGPCLs, up by 15.6 percent, or ₱64.3 billion), and other consumer loans (OCLs, up by 70.2 percent, or ₱30.1 billion) drove the growth in TLP. The strong demand for consumer credit indicates the increased confidence and spending among households.

- The growth in household loans is consistent with the results of the latest consumer survey, which indicates that households finance their purchase of basic goods through bank loans.[8] Despite the more pessimistic consumer sentiment on buying big-ticket items, MVLs sustained 17 consecutive months of growth since February 2023 to reach ₱561.6 billion in June 2024, indicating that consumers are still actively availing loans to acquire motor vehicles.

- Loans to key productive sectors also contributed to TLP expansion, with real estate, wholesale and retail trade, manufacturing[9], transportation and storage, and electricity, gas, steam, and air-conditioning supply growing by 12.1 percent (₱283.3 billion), 9.6 percent (₱131.3 billion), 9 percent (₱107.5 billion), 25.2 percent (₱95.8 billion) and 5.6 percent (₱68.8 billion), respectively. These sectors, including households, collectively accounted for 63.7 percent (₱9.1 trillion) of the system's gross TLP in June 2024.

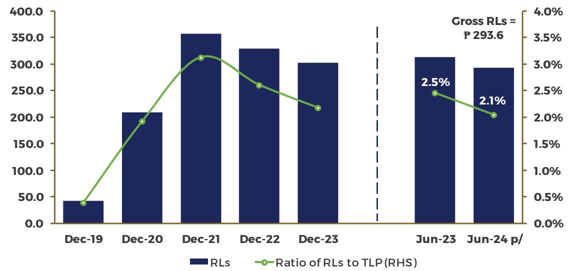
Table 1
New Loans Granted by UKBs *
for end-periods indicated; in billion PH pesos; share in percent

Type of loans	Dec 2023		Jun 2024 p/	
	Level	Share	Level	Share
Loans to government	10.8	*0.8%*	3.8	*0.4%*
Loans to private corporations	846.0	*60.7%*	604.3	*63.8%*
Contracts to sell	164.7	*11.8%*	2.4	*0.3%*
Agrarian reform and other agricultural loans	113.5	*8.1%*	56.9	*6.0%*
Small and medium enterprise loans	51.9	*3.7%*	40.4	*4.3%*
Microenterprise loans	7.5	*0.5%*	3.9	*0.4%*
Loans to individuals	199.8	*14.3%*	235.8	*24.9%*
Total	**1,394.3**		**947.5**	

*Excludes outlier data of several banks
Source: DSA
p/ preliminary

- Preliminary data indicate that the total amount of **new** loans granted[10] by UKBs for the month of June 2024 stood at ₱947.5 billion (*Table 1*) or 7.2 percent of the industry's gross TLP of ₱13.2 trillion.[11] By counterparty, private corporations held the largest share of new loans granted at 63.8 percent (₱604.3 billion), followed by individuals at 24.9 percent (₱235.8 billion). Agri-agra and MSMEs had shares of 6 percent (₱56.9 billion) and 4.7 percent (₱44.3 billion), respectively. Beginning January 2023, the share of new loans granted to individuals to total new loans granted has been relatively increasing due to higher loan demand from households driven by increasing household consumption and banks' attractive financing terms[12].

Figure 3
Gross Restructured Loans (RLs) of the PBS
as of end-periods indicated; in billion PH pesos; ratio in percent



Source: DSA
p/ preliminary

- *Figure 3* shows that the total restructured loans that Philippine banks extended to their eligible borrowers reached ₱293.6 billion in June 2024 This level, which accounted for 2.1 percent of

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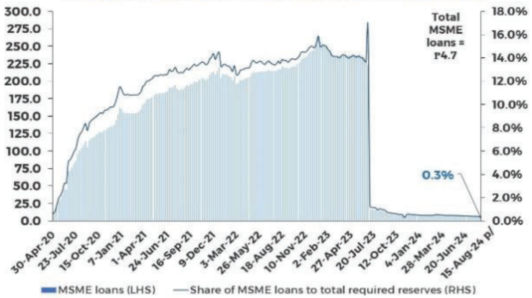
6 The growth rate of loans to households has been above 20 percent since December 2022.
7 SBGPCLs have been growing double-digit since April 2022.
8 Based on the Consumer Expectations Survey (CES) for Q2 2024, most household respondents used their loan proceeds in the last 12 months to purchase basic goods (53 percent of households), followed by business start-up/expansion (23.9 percent), education-related expenses (17.8 percent), health-related expenses (11.5 percent), and payment of other debts (8.1 percent).
9 Loans to the manufacturing sector gradually recovered from the four-month contraction recorded from July 2023 to October 2023. In June 2024, these loans expanded by 9 percent and marked eight consecutive months of growth since November 2023. This growth also outpaced the 0.4 percent in June 2023 but was slower than the 10.1 percent noted in May 2024. According to the Philippine Statistics Authority report, the value of production index (VaPI) for manufacturing registered an annual growth of 2.2 percent in June 2024, albeit at a slower pace than the 2.3 and 2.7 percent growth in May 2024 and June 2023, respectively. The slower annual increase in VaPI was mainly attributed to the faster y-o-y decline of manufacture of basic metals.
10 These exclude loan renewals and restructured loans, as well as outlier data of several banks.
11 This was lower than the ₱999.1 billion (7.2 percent of TLP) recorded for May 2024 and the ₱1,394.3 billion (10.1 percent of TLP) posted for December 2023. **New** loans granted by UKBs from 2021 to 2023 ranged from 6 to 10.8 percent of the industry's TLP for the reference month.
12 Based on the Q2 2024 Senior Bank Loan Officers' Survey (SLOS), the diffusion index (DI) method showed a higher net increase in loan demand driven by banks' more attractive financing terms as well as increasing household consumption and housing investment. Both the modal and DI methods revealed that surveyed banks maintained their credit standards to household loans due to stable profiles of borrowers and banks' unchanged risk tolerance.

the banking system's gross TLP, surpassed the pre-pandemic level of ₱45.0 billion in February 2020 but was lower than the ₱295.9 billion and ₱313.3 billion in May 2024 and June 2023, respectively.

- Banks' availment of the BSP's relief measure on the use of new or refinanced loans to MSMEs and eligible large enterprises (LEs) as alternative compliance with the reserve requirements (RR) declined in view of the lapse of the temporary relief measure on alternative RR compliance, particularly for UKBs effective 01 July 2023. Meanwhile, TBs and RCBs can still utilize their outstanding loans to MSMEs and LEs as of June 2023 as alternative compliance with the RR until such loans are fully paid, but not later than 31 December 2025, subject to certain conditions.[13]

Figure 4
MSME Loans as Alternative Compliance with RR
for end-reserve week indicated; in billion PH pesos; share in percent



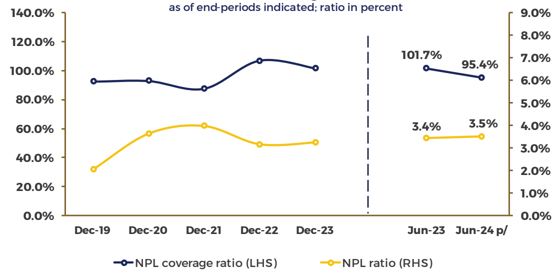
Source: DSA
p/ preliminary

- For the reserve week ending 15 August 2024, TBs and RCBs allocated an aggregate of ₱4.7 billion loans to MSMEs for compliance with the RRs. These accounted for 0.3 percent of total required reserves for the said reserve week (*Figure 4*).

- The banking system's non-performing loans (NPLs) reached ₱502.4 billion in June 2024 and surpassed the previous peak of ₱495.7 billion recorded in May 2024. NPLs grew at a faster rate of 14.8 percent compared to the 3.9-percent growth recorded in June 2023 and the 13.7 percent in the previous month. This also marked eight consecutive months of double-digit NPL growth since November 2023.[14] The continued increase in NPLs since May 2023 can be attributed to the impact of high interest rates on bank borrowers' paying capacity. As shown in *Figure 5*, the NPL ratio[15] was 3.5 percent, slightly higher than last year's ratio of 3.4 percent but lower than last month's 3.6 percent. Although this was lower than the peak of 4.51 percent recorded last August 2021, NPLs have been increasing for since May 2023.

  Amid the uptick in NPLs, Philippine banks continue to improve their credit risk management practices as well as utilize credit risk mitigants and beef up their loss reserves to manage the increasing risk in their portfolio. In June 2024, NPL coverage ratio[16] stood at 95.4 percent (*Figure 5*). This was, however, lower than the 101.7 percent recorded in June 2023 and the 95.8 percent recorded last month, as NPLs grew faster by 14.8 percent (or ₱64.8 billion) compared to 7.7-percent growth rate (or ₱34.4 billion) of allowance for credit losses in June 2024.

Figure 5
NPL Ratio and NPL Coverage Ratio of the PBS
as of end-periods indicated; ratio in percent



Source: DSA
p/ preliminary

- By banking group[17], UKBs', and DGBs' NPL ratio went up to 3.2 and 18.2 percent, respectively, in June 2024 from the previous year's 3.1 and 6.1 percent due to faster NPL growth against total loan growth.

- Meanwhile, TBs and RCBs recorded a lower NPL ratio of 6.7 and 7.5 percent, respectively, in June 2024 compared to the 7.2 and 8.3 percent in the previous year as these industries recorded higher growth in total loans vis-à-vis their NPLs.

- Except for RCBs, all banking groups recorded deterioration in their NPL coverage ratios. UKBs', TBs', and DGBs' NPL coverage ratios declined to 100.4, 63, and 79.9 percent,

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[13] The outstanding MSME and LE loans of TBs and RCBs as of June 2023 that become past due or non-performing or are extended, renewed, or restructured are no longer eligible as alternative compliance with the RR. Likewise, new MSME and LE loans granted by banks after 30 June 2023 are not eligible as alternative compliance with the RR.
[14] From November 2023 to June 2024, the growth rate of NPLs ranged from 11.3 percent (or ₱46.2 billion) to 14.8 percent (or ₱64.8 billion).
[15] This refers to the ratio of gross NPLs to gross TLP. The NPL ratio of the PBS ranged from 3.2 and 3.5 percent in 2023. Meanwhile, the PBS' NPL ratio, exclusive of reverse repurchase (RRP) with BSP, was computed at 3.7 percent in June 2024 while those of UKBs, TBs, and DGBs were at 3.3, 7.1, and 26.1 percent, respectively.
[16] This refers to the ratio of allowance for credit losses – gross TLP to gross NPLs.
[17] The NPL ratios per banking group are computed using TLP, inclusive of RRP with BSP.

respectively, in June 2024 from the 107.7, 63.4, and 93.1 percent in the previous year as NPL growth outpaced the increase in the banking groups' respective loan loss provision. Meanwhile, RCBs' NPL coverage ratio marginally improved to 78.5 percent in June 2024 from 78.2 percent posted in June 2023.

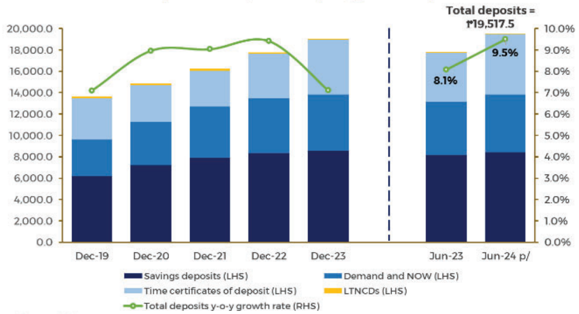
- The PBS' past due ratio[18] marginally decreased to 4.3 percent in June 2024 compared to the 4.4 percent posted in the prior month, while it increased compared to the 4.1 percent recorded in June 2023.

- Meanwhile, the ratio of the PBS' gross real and other properties acquired (ROPA)[19] to total assets remained minimal at 0.6 percent, with the PBS's ROPA reaching ₱148.4 billion in June 2024.[20]

- Investments in securities[21] rose by 10.6 percent to ₱7.3 trillion in June 2024, slightly lower than the 11.2-percent growth rate recorded in the previous month but outpaced the growth rate of 9.2 percent in June 2023. This growth was similar to the 10.6-percent pre-pandemic growth rate. Investments were largely composed of securities measured at amortized cost (AC) at ₱4.0 trillion (54.8 percent) and securities measured at fair value through other comprehensive income (FVOCI) at ₱2.8 trillion (37.8 percent). Notably, the relatively increasing share of FVOCI securities since July 2023 is consistent with market expectations following the BSP's decision to keep policy rates steady in the first semester of 2024.[22] Meanwhile, securities measured at fair value through profit or loss (FVTPL) had a minimal share of 7.4 percent (₱539.8 billion).

- Deposits further grew, providing banks with a stable source of funding. In June 2024, deposits represented 74.5 percent (₱19.5 trillion) of total assets, followed by capital at 12.1 percent (₱3.2 trillion).

Figure 6
Total Deposits of the PBS
as of end-period indicated; in billion PH pesos; growth rate in percent



Source: DSA
p/ preliminary

- The sustained public confidence supported the growing deposits of the PBS, which were primarily peso-denominated and sourced from resident individuals and private corporations. Deposits expanded by 9.5 percent in June 2024, faster than the growth rate recorded in May 2024 at 9 percent and June 2023 at 8.1 percent. This sustained upward trend points to strong and steady deposit accumulation *(Figure 6)*.

- By deposit type, savings accounts accounted for the largest share at 43.2 percent (₱8.4 trillion), followed by time deposits (TDs) and demand and NOW accounts, with shares of 28.8 percent (₱5.6 trillion) and 27.7 percent (₱5.4 trillion), respectively. The remaining share was in the form of long-term negotiable certificates of time deposits (LTNCDs, 0.3 percent, ₱49.0 billion). The growth in total deposits was largely due to the 23.9-percent increase in TDs, which have been increasing at a double-digit rate since August 2022. Except for UKBs, all banking groups recorded double-digit growth in their deposits. In particular, deposits of TBs, RCBs, and DGBs grew by 11.1, 12.1 and 32.8 percent, respectively, in June 2024 while UKBs grew by 9.3 percent over the same period.

- UKBs generated the largest share of deposits at 93.9 percent (₱18.3 trillion), followed by TBs at 4.1 percent (₱797.1 billion), RCBs at 1.6 percent (₱313.8 billion), and DGBs at 0.4 percent (₱82.4 billion).

- Other bank borrowings continued to be minimal. As of June 2024, bills payable rose by 40.1 percent to ₱937.6 billion, while bonds payable grew by 11.8 percent to ₱544.9 billion. These accounts comprised 4.1 and 2.4 percent, respectively, of the system's total liabilities.

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18 This refers to the ratio of past due loans to gross TLP. Meanwhile, the PBS' past due ratio, exclusive of RRP with BSP, was computed at 4.5 percent in June 2024 while those of UKBs, TBs, and DGBs were at 4, 9.9, and 31.5 percent, respectively.

19 These include non-current assets held for sale and sales contract receivables.

20 ROPA growth of the PBS as of June 2024, June 2023 and June 2022 stood at 6, 3.3, and 5.3 percent, respectively. ROPA has been growing at a faster rate since the pandemic started, compared to pre-pandemic growth rate of 0.6 percent.

21 The amount, which is gross of allowance for credit losses, if applicable, comprises investments in debt and equity securities and derivatives and excludes equity investments in subsidiaries/associates/joint ventures.

22 At its 15 August 2024 meeting, the Monetary Board cut the policy rate by 25 basis points, reducing the key policy rate to 6.25 percent. The BSP kept its policy rate at 6.5 percent since 27 October 2023 before the recent policy rate cut.

- The CARs of the PBS and the UKB industry, on a solo and consolidated basis, were well above the minimum thresholds set by the BSP (10 percent) and the Bank for International Settlements (8 percent). In March 2024, the PBS posted its solo and consolidated CARs of 16.3 and 16.7 percent, respectively. All banking groups remained well capitalized, with the UKB industry registering its solo and consolidated CARs at 16.1 and 16.6 percent, respectively. Subsidiary TBs, RCBs, and DGBs registered their CARs of 16.5, 13, and 21.1 percent, respectively, while stand-alone TBs, RCBs, and DGBs posted their CARs of 19.8, 21.6, and 36.6 percent, respectively, over the same period.

- Preliminary data as of June 2024 show that the solo CAR of UKBs remained high at 15.9 percent. Subsidiary banks of UKBs, particularly TBs, RBs and DGBs, reported CARs at 16.5, 13.9 and 17.5 percent, respectively. Meanwhile, stand-alone TBs, RCBs, and DGBs recorded their CARs at 19.6, 21.5, and 38.2 percent, respectively, over the same reference period.

- The UKB industry's Basel III leverage ratios (BLRs), which relate the level of a bank's Tier 1 capital against its total on- and off-balance sheet exposure were 9.1 percent on a solo basis and 9.6 percent on consolidated basis in June 2024. The banking system's BLR remained well above BSP and international thresholds.

- On liquidity buffers, banks maintained their liquidity ratios well above the minimum thresholds. In particular, as of June 2024, the UKB industry's liquidity coverage ratio (LCR) stood at 183.3 percent on a solo basis (*Figure 7*) and 184.2 percent on consolidated basis. Similarly, the minimum liquidity ratios of stand-alone TBs, RBs, and CBs registered at 30.8, 54.1, and 34.8 percent, respectively, in June 2024, surpassing the 20 percent minimum requirement.

Figure 7
LCR of the UKB Industry (Solo Basis)
as of end-periods indicated; ratio in percent

Source: DSA
p/ preliminary

- In addition, the net stable funding ratio (NSFR) of the UKB industry continued to be well above the BSP's 100 percent minimum requirement, at 137 and 137.2 percent, on a solo and consolidated basis, respectively, in June 2024.

- The high level of NSFR complements the LCR by promoting resiliency in banks over a one-year time horizon, ensuring that banks have stable sources of funding on an ongoing basis.

- Banks sustained their profitable operations, marked by continued growth in net earnings. For the period ending in June 2024, the banking system posted a 4.1-percent increase in net profit, reaching ₱190.3 billion. However, this growth was slower compared to the 27.7 percent recorded in June 2023 and the 14.3-percent pre-pandemic growth rate. The increase in net profit was primarily driven by higher interest income particularly from lending to private corporations and households[23] and investments in securities[24], denoting that core activities continued to drive banks' operations.

- Interest income expanded at a slower rate of 20 percent (₱121.4 billion) compared to June 2023's 48.4 percent. This growth was further tempered by the high funding and borrowing costs, with total interest expense increasing by 31.3 percent (₱53.0 billion) amid a high interest rate environment. Interest expense on deposits and bills payable both rose by 32.6 percent (₱45.1 billion) and 27.1 percent (₱4.1 billion). Fees and commissions income, likewise, increased by 10.8 percent (₱7.5 billion), contributing to banks' profitable operations. Higher fees and commissions income partly offset higher funding and operating costs from higher deposit rates and administrative costs, including expenses related to technology upgrades.[25] Banks' cost-to-income (CTI) was 56.6 percent as of end-June 2024, slightly lower than the 56.7 recorded in March 2024 but higher than the 55.5 percent posted in June 2023.

- The trading income for the period ending in June 2024 increased by 37.9 percent (₱3.9 billion), reaching ₱13.9 billion. This increase was largely due to the ₱11.1 billion unrealized mark-to-market gains from banks' trading portfolio,

[23] Bulk of the system's total interest income came from loans to private corporations and individuals, with shares of 34 percent (up by 10.1 percent to reach ₱247.6 billion) and 27.1 percent (up by 45.5 percent to reach ₱197.7 billion), respectively, in June 2024.
[24] Interest income from debt securities measured at AC accounted for 12.8 percent (up by 7.4 percent to reach ₱93.2 billion) of the system's total interest income.
[25] CTI, which refers to the ratio of annualized non-interest expenses to annualized total operating income, indicates operational efficiency. For the past years, CTI has been maintained below 60 percent.

reversing the ₱3.5 billion unrealized losses in June 2023. Meanwhile, realized losses from sales and/or redemption of trading securities stood at ₱0.6 billion, a reversal of the ₱6.8 billion realized gains in June 2023. Realized gains from FX transactions declined by 72.2 percent to ₱3.4 billion.

- Notably, income recognized by banks remained sufficient to offset impact on capital of net unrealized losses from FVOCI portfolio. In June 2024, the total net unrealized losses from FVOCI securities reached ₱70.6 billion, with debt securities recording net unrealized losses of ₱77.8 billion and equity securities registering net unrealized gains of ₱7.2 billion. The level of net unrealized losses was lower than the ₱78.4 billion in May 2024 and the ₱94.8 billion in June 2023.[26,27] Meanwhile, total realized gains from sale, redemption and/or derecognition of FVOCI and financial assets measured at AC reached ₱1.02 billion in June 2024, which was slightly higher than the ₱0.95 billion registered in March 2024 but lower compared to the ₱2.0 billion recorded in June 2023.

- The return on assets (RoA)[28] and the return on equity (RoE)[29] stood at 1.5 and 12.1 percent, respectively, generally the same as the 1.6 and the 12.8 percent posted a year ago.

- Amid the continued digital transformation, the banking system maintains a leaner and stronger banking landscape. The total bank network, which was comprised of 478 head offices and 12,886 other offices, reached 13,364 in June 2024 from 13,335[30] in June 2023. The growth in the total number of banking offices was on account of expansion in both the number of branches and branch-lite units.

- By banking groups, UKBs have the largest network with 7,167 total offices (i.e., 44 head offices and 7,123 other offices), followed by RCBs with 3,582 total offices (i.e., 386 head offices and 3,196 other offices).

Non-Bank Sector Developments[31]

Non-Bank Financial Institutions with Quasi-Banking Functions (NBQBs)

- As of June 2024, there were five NBQBs supervised by the BSP, composed of one investment house (IH), three financing companies (FCs), and one other NBQB. In terms of network, the three FCs have a total of 14 branches, while the IH and other NBQB are single head office units.

- NBQBs' total assets expanded by 10.4 percent to ₱170.9 billion in June 2024.[32] This was greater than the 6.5-percent increase in assets in June 2023. Most of the industry's assets were in the form of loans at 89 percent.

- Alongside the asset growth, the lending activity increased, rising by 13.1 percent to ₱152.0 billion over the same period. This credit expansion was accompanied by improvement in loan quality as non-performing loans (NPLs) declined by 16.6 percent (₱1.2 billion) to ₱6.1 billion and NPL ratio eased to 3.9 percent, better than the 5.3 percent recorded in June 2023. This easing was matched with improvement in NPL coverage ratio of 50.8 percent, higher than the 42.5 percent from a year ago.

- In terms of funding, bills payable remained the main source of NBQBs' funding, accounting for 80.7 percent (₱118.3 billion) of the industry's total liabilities in June 2024. Meanwhile, total capital of NBQBs rebounded, growing by 10.6 percent to ₱24.3 billion, faster than the 6.9-percent growth recorded in the same period a year ago.

- NBQBs sustained profitable operations. For the period ending in June 2024, net profit grew by 0.14 percent to ₱987.5 million from ₱986.1 million in the same period last year.

Non-Stock Savings and Loans Associations (NSSLAs)

- As of March 2024, there were 55 NSSLAs with 137 branches operating in the Philippines. The

[26] The PBS posted net unrealized gains from April 2020 to October 2021.
[27] Net unrealized fair value gains or losses from financial assets at FVOCI are recognized in Other Comprehensive Income. The cumulative fair value gain or loss is reclassified from equity to profit when the financial asset at FVOCI is derecognized, except for equity securities which have been irrevocably designated at FVOCI at initial recognition.
[28] This refers to the ratio of annualized net profit or loss to average assets.
[29] This refers to the ratio of annualized net profit or loss to average capital.
[30] In June 2023, total bank network of the PBS reached 13,335, which comprised of 490 head offices and 12,845 other offices.
[31] Data are preliminary. All growth rates pertain to y-o-y, unless otherwise specified.
[32] The pre-pandemic CAGR of NBQBs' total assets was 8 percent from 2015 to 2019, far from the contraction of 10.1, 12.8, and 30.9 percent in 2022, 2021, and 2020, respectively. The NBQB's total assets stood at ₱154.8 billion in June 2023.

industry recorded a 7-percent growth in total assets to ₱320.5 billion in March 2024[33], comprised mainly of members' loans at 78 percent of total assets.

- The industry's gross total loans expanded by 4.8 percent (₱12.4 billion) to ₱272.3 billion in March 2024. Alongside this credit growth, the level of non-performing loans (NPLs) increased by 13.9 percent (₱2.9 billion) to ₱23.9 billion. This translated to higher NPL ratio of 8.8 percent compared to the 8.1 percent recorded in the same period a year before, and lower NPL coverage of 92.4 percent vis-a-vis the previous year's 115.2 percent.

- The asset expansion was largely funded by members' capital of ₱213.6 billion (up by 8.3 percent) and deposits of ₱88.0 billion (up by 0.8 percent) as of March 2024.

- NSSLAs sustained profitable operations, with net profit rising by 6.1 percent (₱0.4 billion) to ₱7.0 billion for the period ending in March 2024.

Pawnshops and Money Service Businesses (MSBs)

- Pawnshops and MSBs remain as major financial service access points in the country particularly in providing immediate liquidity to borrowers, offering remittance services, performing money-changing and serving as cash-in and cash-out agents in the countryside. As of June 2024, there were a total of 16,219 pawnshop offices (1,169 head offices and 15,050 branches) while there were 7,556 MSB offices (718 head offices and 6,838 branches). This extensive market reach provides complementary and additional touchpoints to the banking system, thereby helping accelerate the financial inclusion agenda of the BSP.

- Most pawnshops and MSBs offer corollary remittance activities. In June 2024, there were 12,664 pawnshop offices (or 78.1 percent of the total pawnshop offices) operating under the type "C" license, which are authorized to engage in remittance activities. Meanwhile, MSBs were dominated by large-scale remittance operators with average monthly network volume of transactions of at least ₱75 million. These type "A" MSB operators maintained 5,398 offices (or 71.4 percent of the total MSB offices) as of the same reference period.

[33] The pre-pandemic CAGR of NSSLA's total assets averaged at 11.8 percent from 2015 to 2019, higher than the 5.6, 6.3, and 3-percent growth recorded in 2022, 2021 and 2020, respectively. The NSSLA's total assets stood at ₱299.4 billion in March 2023.