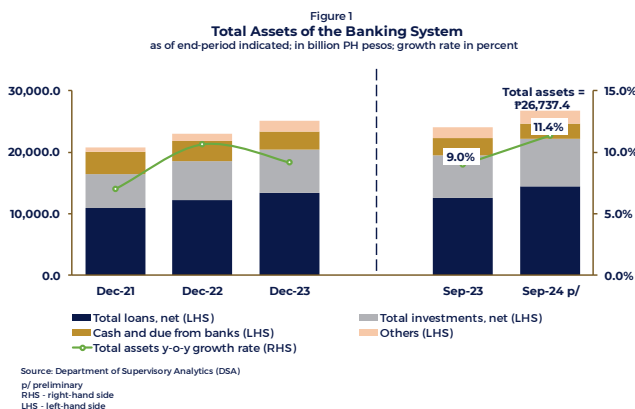


The Philippine banking system maintains its solid performance, recording continued growth in assets, loans, deposits, and earnings. This growth momentum was accompanied with robust capital and liquidity positions that exceed domestic and global standards, enabling banks to support their expanding operations and risk-taking activities.

1 Growth in bank assets remains largely channeled to loans and investments.

Figure 1 shows the continued expansion of the total assets of the Philippine banking system¹ which grew at 11.4 percent year-on-year (y-o-y) to ₱26.7 trillion in September 2024, higher than the growth rates of 9.0 percent in September 2023, 10.8 percent in the previous month, and the 11.0-percent pre-pandemic compounded annual growth rate² or CAGR.³ The asset growth, which remained largely funded by resident deposits, were mostly channeled to lending and investing activities. Most banking groups registered double-digit asset growth⁴, indicating their strong performance amid challenges in the macroeconomic environment.



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

¹ Based on data and information at the time of report preparation. All growth rates, reference period and data pertain to y-o-y, as of September 2024 and the banking system, respectively, unless otherwise specified. Data of rural and cooperative banks (RCBs) are as of September 2024. Moreover, beginning in January 2024, RCB data exclude closed/merged RCBs during interim month.

² The pre-pandemic CAGR is computed using December data from 2015 to 2019.

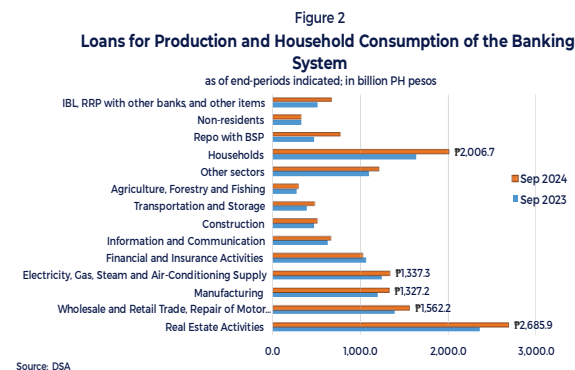
³ The asset growth of the banking system in December 2024, September 2023, and September 2022 stood at 11.4 percent, 9.0 percent, and 9.6 percent, respectively.

⁴ Universal and commercial banks (UKBs) industry continued to dominate the banking system, holding 93.9 percent (₱25.1 trillion) of the banking system's total assets as of September 2024. Thrift banks (TBs), rural and cooperative banks (RCBs), and digital banks (DGBs) held the

The growing operations of banks was supported by leaner and stronger physical network, ensuring accessibility of credits and other financial services to every Filipinos. As of September 2024, the total banking offices reached 13,395 (i.e., 477 head offices and 12,918 other offices), increasing from 13,311⁵ in September 2023 despite bank closures, mergers and acquisitions, and voluntary surrender of license⁶. By banking group, UKBs remained the industry leader, with 7,174 total banking offices (i.e., 44 head offices and 7,130 other offices), followed by RCBs with 3,589 total banking offices (i.e., 386 head offices and 3,203 other offices).⁷

2 Broad-based lending further expands and supports productive activities in the country.

Lending activity continued and remained broad-based. Total loan portfolio (TLP) has been increasing since August 2021, expanding further by 14.1 percent in September 2024, at a faster rate than the 7.9 percent and 10.3 percent growth recorded in the previous year and in



Source: DSA

remaining 4.0 percent (₱1.1 trillion), 1.7 percent (₱458.1 billion), and 0.4 percent (₱107.6 billion), respectively. Across banking groups, UKBs, RCBs, and DGBs posted double-digit asset growth of 11.4 percent, 15.8 percent, and 30.8 percent, respectively, whereas TBs had 7.4 percent.

⁵ In September 2023, the number of total banking offices of the banking system reached 13,311, comprised of 485 head offices and 12,826 other offices (i.e., branches and branch-lite units or BLUs).

⁶ These include two closures (i.e., all RBs), two voluntary surrenders of license (i.e., 1 TB and 1 RB), and four mergers (i.e., 3 mergers involving RBs and 1 merger involving UKBs).

⁷ As of September 2024, the number of total banking offices of TBs and DGBs reached 2,626 (i.e., 41 head offices and 2,585 other offices) and 6 head offices, respectively.

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August 2024, respectively, as well as the 13.8-percent pre-pandemic CAGR. As illustrated in *Figure 2*, the real estate sector continued to be the largest borrower (18.0 percent share, ₱2.7 trillion), followed by households⁸ (13.5 percent, or ₱2.0 trillion), wholesale and retail trade (10.5 percent, or ₱1.6 trillion), electricity, gas, steam, and air-conditioning supply (9.0 percent, or ₱1.34 trillion), and manufacturing (8.9 percent, or ₱1.33 trillion).

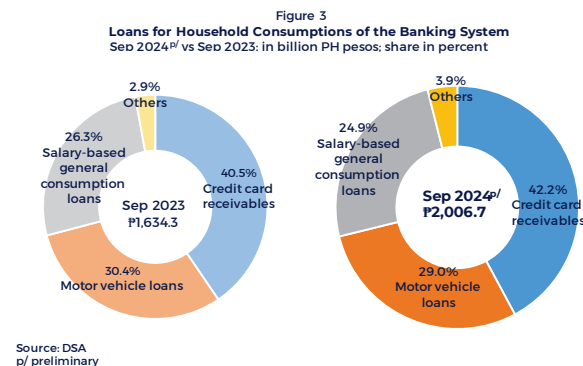
- The TLP of almost all the banking groups grew by double-digit in September 2024.⁹

3

Double-digit growth in household loans is in line with the improved economic conditions.

- Loans to households¹⁰, which have been growing double-digit since August 2022, rose by 22.8 percent (₱372.4 billion) in September 2024.¹¹ Double-digit growth was registered across all types of household loans.¹² The continued increase in household loans is consistent with the positive spending outlook of Filipinos and the results of the latest consumer survey, which show that households finance their purchase of basic goods through bank loans.¹³ Moreover, data show that households are still actively availing loans to acquire motor vehicles even though consumer buying sentiment on big-ticket items remained pessimistic.¹⁴ As of

September 2024, MVLs grew by 17.2 percent to ₱581.9 billion, sustaining 20 consecutive months of expansion since February 2023. *Figure 3* shows the distribution of loans for household consumption as of September 2024¹⁵ vis-à-vis September 2023.



- Loans to key productive sectors likewise contributed to the system's TLP expansion, with the real estate, wholesale and retail trade, manufacturing,¹⁶ transportation and storage, and electricity, gas, steam, and air-conditioning supply sectors, growing by 13.9 percent (₱327.8 billion), 12.3 percent (₱170.6 billion), 10.8 percent (₱129.1 billion), 23.6 percent (₱92.4 billion), and 7.4 percent (₱92.0 billion), respectively. These sectors, including households, collectively accounted for 63.1 percent (₱9.4 trillion) of the system's gross TLP in September 2024.

⁸ The share of loans for household consumption to gross TLP of the banking system has been increasing in the past few years, recording 13.5 percent, 12.5 percent, and 10.8 percent in September 2024, September 2023, and September 2022, respectively. Similarly, the results of the Q3 2024 Consumer Expectations Survey (CES) show improved consumer confidence for Q3 2024 on account of (a) higher income from wages/salaries, remittances, and other sources; (b) additional sources of income; (c) permanent employment and more available jobs; and (d) additional working family members. This view is also consistent with the results of the Q3 2024 Senior Loan Officers' Survey (SLOS), which showed a higher household loan demand in Q3 2024 compared to the previous quarter in view of more attractive financing terms of banks and higher household consumption.

⁹ TLP of UKBs, TBs, and RCBs grew double-digit by 14.0 percent, 14.7 percent, and 18.2 percent, respectively, in September 2024 while DGBs' TLP grew by only 1.2 percent. Moreover, UKBs remained the primary lender of the banking system, holding 92.7 percent (₱13.8 trillion) of the system's TLP in September 2024. Meanwhile, TBs, RCBs, and DGBs supplied the remaining proportion at 5.2 percent (₱780.7 billion), 1.9 percent (₱284.0 billion), and 0.2 percent (₱29.8 billion), respectively.

¹⁰ Loans for household consumption, which **exclude** residential real estate loans, are composed of credit card receivables (CCRs), motor vehicle loans (MVLs), salary-based general consumption loans (SBGCLs), and other consumption loans (OCLs).

¹¹ The growth rate of loans to households has been above 20.0 percent since December 2022.

¹² As of September 2024, CCRs, MVLs, SBGCLs, and OCLs, grew by 27.8 percent (₱183.9 billion), 17.2 percent (₱85.4 billion), 16.5 percent (₱70.8 billion), and 69.1 percent (₱32.3 billion), respectively.

¹³ Based on the Q3 2024 CES, most household respondents used their loan proceeds in the last 12 months to purchase basic goods (51.1 percent of households), followed by business start-up/expansion (27.3 percent), education-related expenses (19.1 percent), health-related expenses (13.1 percent), and payment of other debts (10.5 percent).

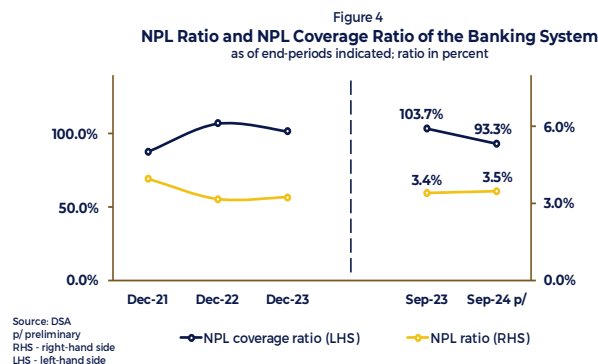
¹⁴ Based on the Q3 2024 CES.

¹⁵ As of September 2024, CCRs, MVLs, SBGCLs, and OCLs stood at ₱845.9 billion (42.2 percent of total household loans), ₱581.9 billion (29.0 percent), ₱500.0 billion (24.9 percent), and ₱79.0 billion (3.9 percent), respectively.

¹⁶ Loans to the manufacturing sector gradually recovered from the four-month contraction recorded from July 2023 to October 2023. In September 2024, these loans expanded by 10.8 percent and marked 11 consecutive months of growth since November 2023. According to the Philippine Statistics Authority report, the value of production index for manufacturing registered a decrease of 7.6 percent in September 2024, a reversal of the less than 0.05 percent and 9.2 percent growth in August 2024 and September 2023, respectively. The decrease was primarily driven by the decline in the manufacture of coke and refined petroleum products, and basic metals industries.

4 Loan quality remains satisfactory amid uptick in NPLs.

- The banking system's non-performing loans (NPLs) further inched up by 16.5 percent (₱73.1 billion) to ₱517.5 billion in September 2024¹⁷, surpassing the previous peak of ₱512.7 billion in August 2024, and grew faster compared to the 7.2-percent growth recorded in September 2023 and the 15.8-percent expansion in the previous month. The continued uptick in NPLs since May 2023 can be attributed to the impact of high interest rates and elevated inflation on businesses and consumers, affecting paying capacity of the borrowers. As shown in *Figure 4*, the NPL ratio¹⁸ of the banking system settled to 3.5 percent in September 2024. This was lower than the 3.6 percent posted in August 2024 and the peak of 4.5 percent in August 2021¹⁹ but marginally higher compared to 3.4 percent recorded in September 2023.



- Amid the increase in NPLs, credit standards of banks remained intact, supported by sound corporate governance including precautionary

measures and robust NPL management strategies to mitigate the increasing risk in their portfolio. As of September 2024, the NPL coverage ratio²⁰ stood at 93.3 percent, declining from 94.1 percent in August 2024 and 103.7 percent in September 2023 given the 16.5-percent expansion (₱73.1 billion) in NPLs vis-a-vis the 4.8-percent increase (₱22.0 billion) in the allowance for credit losses in September 2024.

- By banking group²¹, NPL ratios of UKBs and DGBs increased in September 2024 vis-à-vis September 2023 due to faster NPL growth against the expansion in their loan portfolios. In contrast, TBs and RCBs recorded lower NPL ratios in September 2024 vis-à-vis from a year ago on account of higher growth in total loans against NPLs. Meanwhile, on NPL coverage ratio, except for DGBs, all banking groups' ratio declined in September 2024 as NPL growth outpaced the increase in their respective loan loss provisions.²²
- The past due ratio²³ of the banking system improved to 4.25 percent in September 2024 vis-à-vis the 4.4 percent recorded in August 2024 but remained elevated compared to 4.21 percent in September 2023 due to faster growth rate of past due loans over TLP.²⁴
- Total restructured loans, which made up 2.0 percent of the banking system's gross TLP in September 2024, contracted by 4.1 percent to ₱294.5 billion from ₱307.2 billion in September 2023. Since August 2022, total restructured loans have been declining. Meanwhile, the banking system's gross real and other properties acquired (ROPA)²⁵ continued to be

¹⁷ NPLs have been growing double-digit since November 2023. From November 2023 to September 2024, the growth rate of NPLs ranged from 11.3 percent (₱46.2 billion) to 16.5 percent (₱73.1 billion).

¹⁸ This refers to the ratio of gross NPLs to gross TLP. The NPL ratio of the banking system ranged from 3.2 to 3.5 percent in 2023. Meanwhile, the banking system's NPL ratio, exclusive of reverse repurchase (RRP) with BSP, was computed at 3.7 percent in September 2024 while those of UKBs, TBs, and DGBs were at 3.4 percent, 7.2 percent, and 13.6 percent, respectively.

¹⁹ The highest NPL ratio of the banking system was recorded in March 2008 at 4.99 percent whereas during the pandemic the record high was in August 2021 at 4.51 percent.

²⁰ This refers to the ratio of allowance for credit losses - gross TLP to gross NPLs.

²¹ The NPL ratios per banking group are computed using TLP, inclusive of RRP with BSP. As of September 2024, NPL ratio of UKBs and DGBs rose to 3.2 percent and 11.2 percent, respectively, vis-à-vis 3.1 percent and 8.5 percent in September 2023. In contrast, NPL ratio of TBs and RCBs declined to 6.9 percent and 7.5 percent, respectively, from 7.1 percent and 7.9 percent recorded in September 2023.

²² UKBs', TBs', and RCBs' NPL coverage ratios declined to 98.4 percent, 58.9 percent, and 76.8 percent respectively, in September 2024 from 110.5 percent, 63.1 percent, and 79.8 percent in September 2023 as NPL growth outpaced the increase in the banking groups' respective loan loss provision. Meanwhile, DGBs' NPL coverage ratio increased to 90.3 percent in September 2024 from 63.2 percent in September 2023

²³ This refers to the ratio of past due loans to gross TLP. Meanwhile, the banking system's past due ratio, exclusive of RRP with BSP, was computed at 4.5 percent in August 2024 while those of UKBs, TBs, and DGBs were at 4.0 percent, 10.0 percent, and 23.6 percent, respectively.

²⁴ Past due loans of the banking system grew by 17.3 percent (₱93.2 billion) and 15.1 percent (₱82.9 billion) in August 2024 and September 2024, respectively, faster than the loan growth rate of 10.3 percent (₱1.3 trillion) and 14.1 percent (₱1.8 trillion) over the same period. Meanwhile, past due loans of the banking system in September 2023 grew by 12.5 percent, faster compared to the 7.9-percent growth recorded on TLP.

²⁵ These include non-current assets held for sale and sales contract receivables.

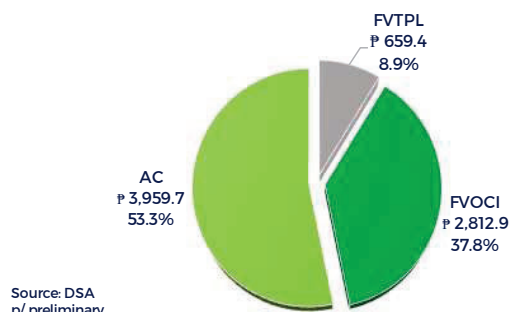
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minimal at ₱151.6 billion in September 2024, accounting for 0.6 percent of the banking system's total assets.²⁶

5 Investments continue to grow, driven by prospects of further monetary easing.

- Investments in securities²⁷ expanded by 10.2 percent to ₱7.4 trillion in September 2024, higher than 5.4 percent in August 2024 and 5.8 percent in September 2023 but lower compared to the 10.6-percent pre-pandemic CAGR. *Figure 5* shows that investments were mainly comprised of securities measured at amortized cost (AC) at ₱4.0 trillion (53.3 percent) and securities measured at fair value through other comprehensive income (FVOCI) at ₱2.8 trillion (37.8 percent). Notably, the increasing share of FVOCI securities since July 2023 is consistent with market expectations following BSP's decision to keep policy rates steady in the first half of 2024.²⁸ Meanwhile, securities measured at fair value through profit or loss (FVTPL) had a minimal share of 8.9 percent (₱659.4 billion).

Figure 5
Investment Portfolio of the Banking System
as of Sep 2024 p/; in billion PH pesos share in percent

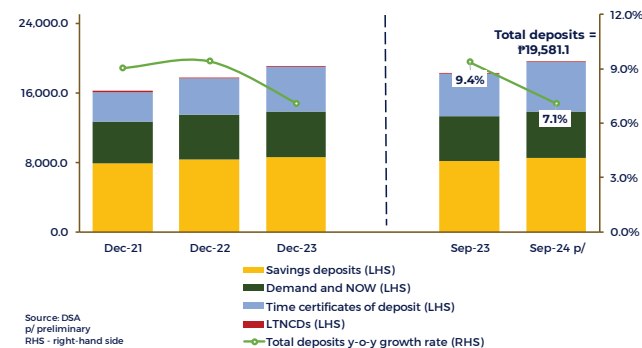


Source: DSA
p/ preliminary

6 Strong depositors' confidence generates stable funding for bank operations.

- Figure 6* shows that deposits further grew by 7.1 percent to ₱19.6 trillion in September 2024, decelerating from the growth rates of 9.4 percent a year ago and the 10.3 percent pre-pandemic CAGR, albeit improving from 6.9 percent in August 2024. Deposits continued to provide banks with stable source of funding, accounting for 73.2 percent and 83.6 percent, respectively, of the banking system's total assets and total liabilities. Most deposits were sourced from resident depositors and mainly denominated in peso. By type, savings deposits comprised nearly half of the total deposits (43.4 percent, ₱8.5 trillion), followed by time deposits (TD, 29.0 percent, ₱5.7 trillion), and demand and NOW accounts (27.5 percent, ₱5.4 trillion). Long-term certificates of time deposits (LTNCDs) remained minimal at 0.2 percent (or ₱37.0 billion).

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



Source: DSA
p/ preliminary
RHS - right-hand side
LHS - left-hand side

- The expansion in total deposits, which was also seen across all banking groups²⁹, was largely due to the 15.9-percent increase in TDs. Since August 2022, TDs have been increasing at a double-digit rate amid the high interest rate environment.

²⁶ Growth in ROPA of the system as of September 2024, September 2023, and September 2022 stood at 6.1 percent (₱8.8 billion), 3.7 percent (₱5.2 billion), and 6.9 percent (₱8.9 billion), respectively. The fastest ROPA expansion was recorded in December 2022 at 8.2 percent (₱10.7 billion).

²⁷ These exclude equity investments in subsidiaries/associates/joint ventures.

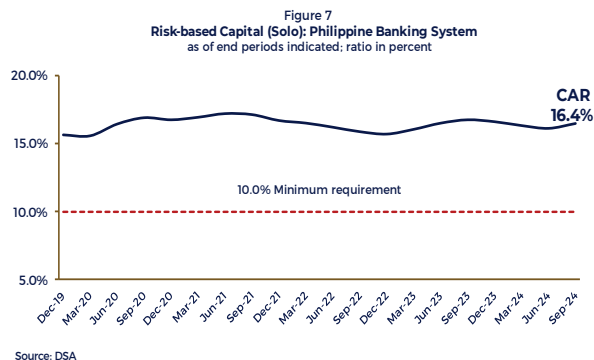
²⁸ At its 16 October 2024 meeting, the Monetary Board reduced the policy rate by another 25 basis points following the 25-basis point rate cut on its 15 August 2024 meeting, thereby reducing the target reverse repurchase rate to 6.0 percent.

²⁹ Deposits of UKBs, TBs, RCBs, and DGBs grew by 6.9 percent, 5.5 percent, 15.5 percent, and 34.1 percent, respectively, in September 2024. Among banking groups, UKBs generated the largest share of deposits at 93.8 percent (₱18.4 trillion) in September 2024 while TBs', RCBs', and DGBs' share stood at 4.1 percent (₱804.1 billion), 1.7 percent (₱327.3 billion), and 0.4 percent (₱87.4 billion), respectively.

7 Robust capital and liquidity positions support banks' risk-taking activities.

Capital base of banks went up by 12.1 percent to ₱3.3 trillion in September 2024, while other bank borrowings remain to be minimal, particularly bonds and bills payable, accounting for 2.3 percent (₱542.8 billion) and 5.0 percent (₱1.2 trillion), respectively, of the banking system's total liabilities.

Risk-based capital ratios of banks were maintained at levels higher than the domestic and global minima. The solo and consolidated capital adequacy ratios (CARs) of the banking system stood at 16.4 percent (Figure 7) and 16.9 percent, respectively, in September 2024, well above the minimum thresholds set by the BSP (10.0 percent) and the Bank for International Settlements (8.0 percent).

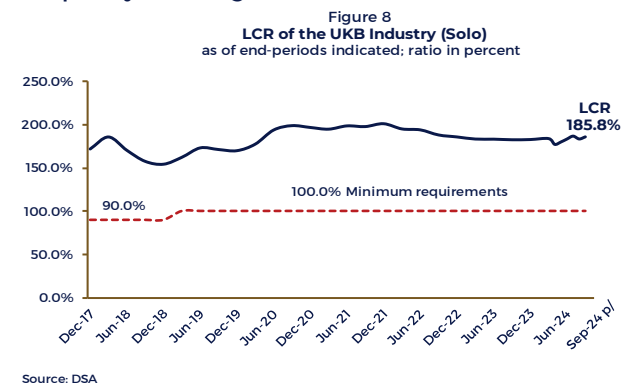


- All banking groups likewise remained well capitalized, reporting CARs above the minimum requirements as of the same period.³⁰
- In addition, the solo and consolidated Basel III leverage ratio³¹ (BLR) of the UKB industry remained well above BSP (5.0 percent) and international (3.0 percent) minima. As of September 2024, BLR stood at 9.4 percent on a solo basis and 9.8 percent on a consolidated basis.
- Banks likewise consistently registered high liquidity ratios, surpassing the 100.0 percent minimum thresholds. As of June 2024, the UKB industry's

³⁰ As of September 2024, the UKB industry's solo and consolidated CARs were 16.3 percent and 16.7 percent, respectively, while subsidiary banks such as TBs, RCBs, and DGBs registered their CARs at 16.5 percent, 14.1 percent, and 20.8 percent, respectively. For stand-alone TBs, RCBs, and DGBs,

solo and consolidated liquidity coverage ratios (LCRs) stood at 183.3 percent and 184.2 percent, respectively.

Figure 8 shows that the solo LCR of the UKB industry remained high at 185.8 percent based on preliminary data as of September 2024.



For stand-alone banks, the minimum liquidity ratios of TBs, RBs, and CBs in June 2024 were more than the 20.0 percent minimum requirement, at 30.8 percent, 54.1 percent, and 34.8 percent, respectively.

- In addition, the solo and consolidated net stable funding ratio (NSFR) of the UKB industry as of June 2024 continued to be well above the 100.0 percent minimum requirement at 137.0 percent on a solo basis and 137.2 percent on a consolidated basis. The high NSFR complements the LCR, promoting bank resiliency over a longer time horizon through stable

8 Banks sustain profitable operations, buoyed by robust interest earnings.

source of funding on an ongoing basis.

- Bank operations remained profitable, characterized by continued growth in net earnings. For the period ending in September 2024, the banking system posted 6.4-percent increase in net profit, reaching ₱290.1 billion. However, this growth was slower compared to the 11.3 percent recorded in September 2023 and the 14.3-percent pre-pandemic CAGR. The increase in net profit was primarily driven by higher interest income, particularly

the reported CARs were 19.8 percent, 20.3 percent, and 27.2 percent, respectively, over the same period.

³¹ This ratio relates the level of a bank's Tier 1 capital against its total on- and off-balance sheet exposure.

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from lending to private corporations and households³² and investments in securities³³, denoting that core activities continued to drive banks' operations.

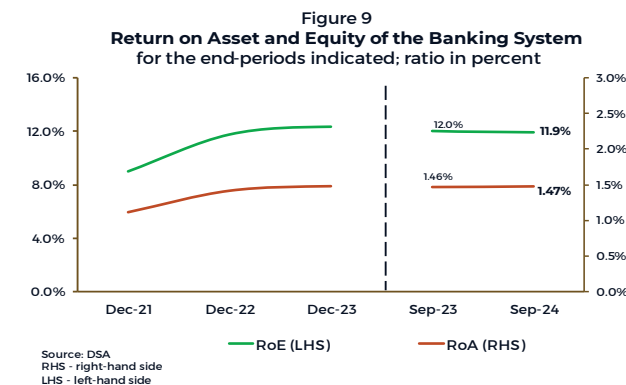
- Interest income expanded at a slower rate of 18.1 percent (₱170.1 billion) compared to 45.6 percent in September 2023. This growth was tempered by the high funding and borrowing costs, with total interest expense increasing by 28.1 percent (₱75.3 billion) amid the high interest rate environment. Interest expense on deposits and bills payable both rose by 26.3 percent (₱57.8 billion) and 35.4 percent (₱8.3 billion).
- Fees and commission income likewise contributed to banks' profitable operations, increasing by 12.6 percent (₱13.2 billion) over the same period. This enabled banks to partly offset their higher funding and operating costs from higher deposit rates and administrative costs, including expenses related to technology upgrades. Banks' cost-to-income (CTI) was 56.3 percent in September 2024, slightly lower than the 56.6 recorded in June 2024 and the 56.7 percent posted in September 2023.³⁴
- Similarly, trading income increased by 9.5 percent (₱1.6 billion), reaching ₱18.9 billion for the period ending in September 2024. The increase was on account of the ₱13.2 billion (up by 37.6 percent, or ₱3.6 billion) realized gains from sale and/or redemption of trading securities and the ₱1.5 billion unrealized mark-to-market gains (a reversal of the ₱1.8 billion losses from a year ago) from banks' trading portfolio.
- Moreover, net unrealized gains from FVOCI securities amounted to ₱6.3 billion, driven by the ₱15.9 billion net unrealized gains from equity securities thus, offsetting the ₱9.5 billion net unrealized losses from debt securities.^{35,36} Meanwhile, the total realized gains from sale, redemption and/or derecognition of FVOCI and AC securities reached ₱6.3 billion in September 2024, higher than the ₱1.0 billion registered in June 2024 and the ₱2.4 billion recorded in September 2023.

³² Bulk of the system's total interest income came from loans to private corporations and individuals, with shares of 32.5 percent (up by 7.6 percent to reach ₱360.5 billion) and 28.5 percent (up by 30.8 percent to reach ₱316.1 billion), respectively, in September 2024.

³³ Interest income from debt securities measured at AC accounted for 12.6 percent (up by 5.8 percent to reach ₱139.9 billion) of the system's total interest income.

³⁴ CTI, which refers to the ratio of annualized non-interest expenses to annualized total operating income, indicates operational efficiency. For the past years, CTI of the system has been maintained below 60.0 percent.

- Figure 9 presents other earnings metrics of the banking system. The return on assets (RoA)³⁷ improved to 1.47 percent in September 2024 from 1.46 percent in September 2023. In contrast, the return on equity (RoE)³⁸ declined to 11.9 percent from 12.0 percent over the same reference periods.



³⁵ The banking system posted net unrealized gains from April 2020 to October 2021.

³⁶ Net unrealized fair value gains or losses from FVOCI securities 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.

³⁷ This refers to the ratio of annualized net profit or loss to average assets.

³⁸ This refers to the ratio of annualized net profit or loss to average capital.