A Status Report on the Philippine Financial System

Second Semester 2008

Bangko Sentral ng Pilipinas
Manila, Philippines

This semestral report is prepared pursuant to Section 39(c), Article V of R.A. No. 7653 (The New Central Bank Act) by the Office of Supervisory Policy Development, Supervision and Examination Sector, Bangko Sentral ng Pilipinas. This semester's report incorporates the Report on the Implementation of R.A. No. 7721 (An Act Liberalizing the Entry and Scope of Operations of Foreign Banks and for Other Purposes) and the reports on BSP Rules and Regulations Promulgated, as well as Other Actuations in Connection with Thrift Banks /Rural Banks under Section 27 of R.A. No. 7906 (Thrift Banks Act of 1995) and Section 29 of R.A. No. 7353 (Rural Banks Act of 1992, respectively. A synopsis of the report is available online at http://www.bsp.gov.ph.

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Source: Office of Supervisory Policy Development, Supervision and Examination Sector

GLOSSARY

A. SELECTED ACCOUNTS

1. ***Financial Reporting Package (FRP)*** is a set of financial statements for prudential reporting purposes composed of the Balance Sheet, Income Statement and Supporting Schedules. The FRP is primarily designed to align the BSP reportorial requirements with the provisions of the Philippine Financial Reporting Standards (PFRS)/Philippine Accounting Standards (PAS) and Basel 2-based Capital Adequacy Framework. It is also designed to meet BSP statistical requirements.

2. ***Total Assets*** refer to the sum of all assets, adjusted to net of "Due from Head Office/Branches/Agencies" and "Due to Head Office/Branches/Agencies" of foreign bank branches.

3. ***Financial Assets (Other than Loans and Receivables)*** refer to the sum of all investments in financial assets net of equity investments. These include financial assets held for trading (HFT), designated at fair value through profit or loss (DFVPL), available-for-sale (AFS), held-to-maturity (HTM), unquoted debt securities classified as loans (UDSCL) and investments in non-marketable equity securities (INMES).

4. ***Equity Investments*** refer to equity investments in subsidiaries, associates and joint ventures.

5. For purposes of computing the average, one period covers 12 months.

   a. ***Average assets*** refer to the sum of total assets as of ends of two periods divided by 2.

   b. ***Average capital*** refers to the sum of total capital accounts as of ends of two periods divided by 2.

   c. ***Average earning assets*** refer to the sum of earning assets as of ends of two periods divided by 2

   d. ***Average interest-bearing liabilities*** refer to the sum of interest-bearing liabilities as of ends of two periods divided by 2.

6. ***Financial Liabilities Held for Trading*** refer to the sum of derivatives with negative fair value held for trading and liability for short position.

7. ***Financial Liabilities Designated at Fair Value Through Profit or Loss (DFVPL)*** refer to financial liabilities that upon initial recognition are designated by the bank at fair value through profit or loss.

8. ***Unsecured Subordinated Debt*** refers to the amortized cost of obligations arising from the issuance of unsecured subordinated debt which may be eligible as Tier 2 (supplementary) capital of the bank, subject to certain terms and conditions.

9. ***Redeemable Preferred Shares*** refer to preferred shares issued which provides for redemption on a specific date.

10. ***Total Capital*** refers to the sum of paid-in capital of locally incorporated banks, assigned capital and the allowable qualified capital component of the net “Due To/Due From Head Office/Branches/Agencies” accounts of branches of foreign banks, other equity instruments, retained earnings and undivided profits, other comprehensive income, and appraisal increment reserves.

11. ***Earning Assets*** refer to the sum of loans (net of allowance for probable losses) and other financial assets (net of allowance for credit losses and accumulated market gains or losses), net of equity investments.

12. ***Interest-Bearing Liabilities*** refer to the sum of deposit liabilities, bills payable, unsecured subordinated debt, bonds payable and redeemable preferred shares.

13. ***Liquid Assets*** refer to the sum of cash and due from banks and other financial assets (net of allowance for credit losses and accumulated market gains or losses), net of equity investments.

14. ***Total Operating Income*** refers to the sum of net interest income and non-interest income.

15. ***Net Interest Income*** refers to the difference between interest income, provisions for losses on accrued interest income from financial assets and interest expense.

16. ***Provision for Losses on Accrued Interest Income from Financial Assets*** refers to the impairment loss on accrued interest income from loans and other financial assets, net of equity securities, charged against current operations.

17. ***Non-Interest Income*** refers to the sum of dividend income, fee-based income (including income from fiduciary activities), trading income, foreign exchange profits, profits from sale/derecognition of non-trading financial assets and liabilities, profits from sale/derecognition of non-financial assets, profits on financial assets and liabilities DFVPL, profits on fair value adjustment in hedge accounting and other non-interest income.

18. ***Dividend Income*** refers to cash dividends earned on equity securities held as HFT, DFVPL, AFS and INMES.

19. ***Fee-Based Income*** refers to the sum of income from payment services, intermediation services, custodianship, underwriting and securities dealership, securitization activities, fiduciary activities and other fee-based incomes.

20. ***Trading Income*** refers to the sum of realized gains/(losses) from sale/redemption, and unrealized gains/(losses) from marking-to-market of HFT financial assets, and realized gains/(losses) from foreign exchange transactions.

21. ***Non-Interest Expenses*** refer to the sum of compensation and fringe benefits, taxes and licenses, other administrative expenses, depreciation and amortization, impairment losses and provisions.

22. ***Losses or Recoveries on Financial Assets*** refer to the sum of provision for credit losses on loans and receivables and other financial assets, bad debts written off and recovery on charged-off assets.

23. ***Income Tax Expense*** refers to provision for income tax.

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

24. ***Net Profit or Loss*** refers to the difference of total operating income and non-interest expenses, plus (less) the recoveries (losses) on financial assets, share in the profit (loss) of unconsolidated subsidiaries, associates, joint ventures and minority interest in profit (loss) of subsidiaries.

25. ***Non-Performing Loans (NPL)*** refer to past due loan accounts whose principal and/or interest is unpaid for thirty (30) days or more after due date (applicable to loans payable in lump sum and loans payable in quarterly, semi-annual or annual installments), including the outstanding balance of loans payable in monthly installments when three (3) or more installments are in arrears, the outstanding balance of loans payable daily, weekly or semi-monthly installments when the total amount of arrearages reaches ten percent (10%) of the total loan receivable balance, restructured loans which do not meet the requirements to be treated as performing loans under existing rules and regulations, including all items in litigation. Effective last September 2002, NPLs exclude loans classified as "Loss" in the latest BSP examination which are fully covered by allowance for probable losses and applicable to a bank with no unbooked valuation reserves and other capital adjustments required by the BSP (Circular No. 351).

26. ***Real and Other Properties Acquired (ROPA)*** refer to real and other properties, other than those used for banking purposes or held for investment, acquired by the bank in settlement of loans through foreclosure or *dacion* in payment and/or for other reasons, whose carrying amount will be recovered principally through a sale transaction.

27. ***Non-Performing Assets (NPA)*** refer to the sum of NPL and ROPA, gross. Effective March 2003, NPAs exclude performing sales contract receivables, which met certain requirements under Circular No. 380. Based on the new Financial Reporting Package (FRP) framework provided for under Circular No. 512 dated 03 February 2006 effective 31 December 2006, NPA also should include non-current assets held for sale.

28. ***Distressed Assets*** refer to the sum of NPLs, ROPA, gross, non-current assets held for sale, past due loans and receivables but not yet non-performing and current restructured loans. Effective end-July 2004, performing restructured loans replaced current restructured loans.

29. ***Gross Assets*** refer to total assets plus "Net of Due to Head Office/Branches/Agencies" of foreign bank branches, if any, plus allowance for credit losses on loans plus allowance for credit losses on sales contract receivables (SCR) plus allowance for losses on ROPA minus loans classified as loss fully covered by allowance for credit losses.

30. ***Allowance on NPAs*** refers to the sum of allowance for credit losses on loans, allowance for credit losses on SCR, allowance for losses on ROPA.

31. ***Non-Current Assets Held for Sale*** refer to ROPAs that are available for immediate sale in their present condition subject only to terms that are usual and customary for sales of such assets and the sale must be highly probable.

32. ***Sales Contract Receivable (SCR)*** refers to the amortized cost of assets acquired in settlement of loans through foreclosure or *dacion* in payment and subsequently sold on installment basis whereby the title to the said property is transferred to the buyers only upon full payment of the agreed selling price.

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

B. FINANCIAL AND OTHER RATIOS

1. ***Capital adequacy ratio (CAR)*** refers to the ratio of capital to risk weighted assets computed in accordance with the risk-based capital adequacy framework that took into account credit risks effective 1 July 2001 under BSP Circular No. 280 dated 29 March 2001. Under BSP Circular No. 360 dated 3 December 2002, which took effect on 1 July 2003, the computation of CAR for universal and commercial banks incorporates market risks in addition to credit risks. Under Circular No. 538 dated 4 August 2006, which took effect on 1 July 2007, universal/commercial banks incorporate operational risk in addition to credit and market risks.

2. ***Cost-to-Income ratio*** refers to the ratio of non-interest expenses to total operating income.

3. ***Density ratio*** refers to the ratio of the total number of domestic banking offices to the total number of cities/municipalities in the Philippines.

4. ***Distressed assets ratio*** refers to the ratio of distressed assets to total loans (gross of allowance for probable losses), inclusive of interbank loans, plus ROPA (gross of allowance for losses).

5. ***Earning asset yield*** refers to the ratio of interest income to average earning assets.

6. ***Funding cost*** refers to the ratio of interest expense to average interest-bearing liabilities.

7. ***Interest spread*** refers to the difference between earning asset yield and funding cost.

8. ***Liquid assets ratio*** refers to the ratio of liquid assets to total deposits.

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

10. ***NPA coverage ratio*** refers to the ratio of allowance on NPA to total NPA.

11. ***NPA ratio*** refers to the ratio of NPA to total assets, gross of allowance for probable losses.

12. ***NPL coverage ratio*** refers to the ratio of allowance for credit losses on loans to total NPL.

13. ***NPL ratio*** refers to the ratio of NPL to total loans (gross of allowance for credit losses), inclusive of interbank loans.

14. ***Population-to-banking offices ratio*** refers to the ratio of the total population to the total number of domestic banking offices.

15. ***Return on assets*** refers to the ratio of net profit or loss to average assets.

16. ***Return on equity*** refers to the ratio of net profit or loss to average capital.

PROLOGUE

The ***Status Report on the Philippine Financial System*** is a semestral report prepared by the Office of Supervisory Policy Development, Supervision and Examination Sector, Bangko Sentral ng Pilipinas (BSP), and is submitted by the Governor to the President and the Congress in compliance with Section 39 (c), Article V of Republic Act (R.A.) No. 7653 or The New Central Bank Act.

The Second Semester 2008 Status Report on the Philippine Financial System incorporates the following annual reports in compliance with their respective statutory provisions: Report on the Developments in the Implementation of R.A. No. 7721 under Section 13 of R.A. No. 7721 (An Act Liberalizing the Entry and Scope of Operations of Foreign Banks in the Philippines and for other Purposes), Report on the BSP Rules and Regulations Promulgated, as well as Other Actuations in Connection with Thrift Banks under Section 27 of R.A. No. 7906 (Thrift Banks Act of 1995) and Report on the BSP Rules and Regulations Promulgated, as well as Other Actuations in Connection with Rural Banks under Section 29 of R.A. No. 7353 (Rural Banks Act of 1992).

This report is basically culled from the various periodic reports submitted by BSP supervised/regulated institutions to the Supervisory Data Center, Supervision and Examination Sector. At end-December 2008, BSP supervised/regulated financial institutions consisted of 818 banks with 7,030 branches and other offices, 6,439 non-bank financial institutions (NBFIs) with 8,159 branches and 7 offshore banking units (OBUs). (Schedule 1)

Effective 3 July 1998, the supervision and regulation of the BSP over non-banking entities were turned over to the Securities and Exchange Commission (SEC) for corporations and partnerships, and to the Department of Trade and Industry (DTI) for single proprietorships, in accordance with Section 130 of R.A. No. 7653, except the following: non-banks with quasi-banking functions and/or with trust or Investment Management Activities (IMA) license, non-banks which are subsidiaries/affiliates of banks and quasi-banks, non-stock savings and loan associations including pawnshops. Likewise, the supervision and regulation over building and loan associations were transferred to the Home Guarantee Corporation (HGC) effective 7 February 2002, in accordance with Section 94 of R.A. No. 8791 (The General Banking Law of 2000).

Finally, pursuant to Circular No. 512 dated 3 February 2006 (as amended), and in line with the adoption of the Philippine Financial Reporting Standards (PFRS) and Philippine Accounting Standards (PAS), the BSP amends the Manual of Accounts and the BSP reportorial requirements consisting of the Consolidated Statement of Condition (CSOC), Consolidated Statement of Income and Expenses (CSIE) and their supporting schedules issued under Circular 108 dated 9 May 1996 (as amended) for universal and commercial banks, Circular No. 270 dated 19 December 2000 (as amended) for thrift banks, and Circular No. 249 dated 26 June 2000 (as amended) for rural and cooperative banks, through the issuance of the new Financial Reporting Package (FRP) for banks. The FRP is designed to align the Manual of Accounts and the BSP reportorial requirements with the provisions of the PFRS/PAS.

The Philippine Financial System: An Assessment

The Philippine financial system, banking on its strong hull of underlying fundamentals, managed to stay afloat in the midst of global financial storm brought about by the subprime crisis and subsequent recession in world's biggest economies. While the domestic financial sector remained resilient on sustained implementation of key structural reforms, the local economy likewise experienced the ripple effects of the crisis through the real sector: continued volatility in commodity and consumer prices, rising interest rates, depreciation of the peso against the US dollar, contraction in exports, foreign direct investments and hot money outflows as well as bearish stock market. Consequently, the domestic economy slowed down[1] to 4.6 percent from 7.2 percent in 2007.

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Within the context of such challenging environment, survival relies not solely on intrinsic soundness of the financial system but in its sustained resilience to sail through the turbulent waters with minimum damage.

So far, banks'[2] key performance indicators in 2008 showed sustained core balance sheet strength: steady asset expansion, double-digit credit growth, growing deposit[3] base, ample liquidity, continuing

1 Refers to the year-on-year growth of the country's gross domestic product (GDP). The GDP is a widely used metric for economic output and measures the market value of goods and services produced within the country.

2 As of end-December 2008, banks accounted for 81.1 percent of total resources of the financial system.

3 As part of overall enhancement of BSP's existing regulatory framework, the loans-to-deposits ratio (LDR) is now for statistical purpose only and amends the branch reportorial requirements (Circular No. 613 dated 18 June 2008). An individual bank's LDR is a measure of the extent of its lending activity vis-à-vis deposits generated within its area of operation. On an aggregate basis, the LDR of the banking system is an indicator of the level of bank deposits which have been transformed into investments within an area or region. The latter may be used as a benchmark by the banks in assessing their regional lending and deposit operations.

improvement in overall asset quality and above standard solvency ratios. Banks likewise managed to register positive net profits, albeit with notable slowdown in terms of year-on-year growth, due to lackluster treasury activities.

Other Bangko Sentral ng Pilipinas (BSP) supervised financial institutions (non-bank financial institutions) similarly exhibited sustained resilience against the prevailing difficult operating environment.

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The depth and magnitude of the global financial crisis remain largely undetermined at this point but one thing is clear: it has already taken its toll on the global financial system following increased financial integration and globalization in recent decades. The spillover effects of the crisis are now widely being felt in major economies particularly those with high foreign participation in the local equity markets, those with large short-term foreign currency funding and those with excessive external current account deficits. The current financial storm similarly provided a vivid reminder that relaxed monetary policy (low policy rates) and easy fiscal stance (increased treasury spending) against the backdrop of loosely regulated and complex financial sector can sink even the biggest ocean liners deeper into the abyss.

Fortunately, the 1997 Asian Financial Crisis already provided some hard and painful lessons for emerging economies, Philippines included, in East Asia. Such lessons firmly anchored the key structural reforms implemented in East Asian financial systems post crisis. As a result, banks in the region have: (1) very limited exposure to subprime and other structured and securitized products, (2) relatively stronger balance sheets and still profitable, (3) improved risk and liquidity management frameworks, (4) been supervised under strengthened supervisory and regulatory systems and (5) explored other profitable business lines such as consumer lending, which arrested the strong search for yields common among financial institutions in advanced economies[4].

4 Cf: Asian Economic Monitor (Asian Development Bank, December 2008)

On local shores, banks and other BSP supervised financial institutions largely weathered the ongoing crisis remarkably well on account of their inherent prudence in risk taking, domestic orientation and increased compliance with continuing structural reforms in the financial sector. While such good tidings are definitely welcomed news, it also provides a timely wakeup call for both market players and regulators alike to map out the lessons to be learned in line with the scope of work that needs to be done to address the new challenges confronting the financial sector.

What are the emerging lessons of the subprime crisis?

First, the form of the crisis may change but the essence is the same. Enhanced market and prudential surveillance remains the key in curbing the recurring problems of liquidity, leverage and contagion in a financial system. Increased capital flows in emerging economies led to abundant liquidity, rapid credit growth and volatility in asset prices, which were likewise common early warning signals of any impending crisis.

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In this area, the BSP has conducted a preliminary cabin work to mitigate any potential impact of the current crisis. On ensuring liquidity in the system, it has shortened its monetary tightening cycle, reduced the reserve requirement and opened the dollar repurchase window. As a result, the banking system's liquid assets-to-deposits ratio further moved up to 52.2 percent as of end-December 2008 from 51.9 percent in 2007. In terms of banks' dollar liquidity requirements, the country's gross international reserves (GIR) at $37.6 billion (sufficient to cover almost six months of imports and payments of goods and services), the steady stream of monthly remittances from migrant Filipinos of not less than $1 billion (since May 2006) and bright prospects ($6 billion revenues in 2008 and 20-25 percent growth projection for 2009) from outsourcing and offshoring (O&O) industry continue to cushion the domestic banking system from the global dollar crunch.

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

On leverage and contagion, regulatory standards have been tightened to prevent the double-leveraging of capital (in view of increasing horizontal cross ownership in the Philippines) and contagion within the financial system.

there is a delicate balance between financial innovation and prudential caution

Second, there is a delicate balance between financial innovation and prudential caution. On one hand, runaway financial innovation without adequate risk management will most likely resurrect the ghosts of Bear Stearns (forerunner of financial innovation in the securities market) and Northern Rock (top cruiser in innovative funding strategies). On the other hand, overemphasis on regulatory caution will hinder the growth of financial institutions and markets. Toward this end, the BSP enhanced its derivatives rules (Circular No. 594 dated 08 January 2008) by allowing banks to explore opportunities for financial risk management and investment diversification through prudent use of derivatives.

Third, credit standards need to be maintained at all times. The subprime crisis began from simple loans with inadequate credit underwriting standards but eventually morphed into a giant iceberg that sunk the global financial system into the current crisis of confidence and risk aversion. Fortunately, domestic banks have not moved into the originate-to-distribute model prevalent in advanced markets but the BSP nevertheless remained watchful of potential pitfalls from abundant liquidity and increasing credit growth (21.5 percent in 2008) in the country. It has tightened the credit underwriting standards of banks in view of the fast-growing consumer market particularly the boom in the real estate market in the Philippines by rationalizing the overall cap on real estate lending of universal and commercial banks to 20 percent (Circular No. 600 dated 04 February 2008) to minimize credit concentration particularly in the commercial real estate sector and prevent future systemic risk.

transparency is crucial to effective financial supervision and market discipline

Fourth, transparency is crucial to effective financial supervision and market discipline. The subprime crisis clearly illustrate that asymmetric information in a

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Box 1

Guidelines on Reclassification of Financial Assets

The Monetary Board has approved the guidelines allowing financial institutions (FIs) to reclassify financial assets from categories measured at fair value to those measured at amortized cost.

BSP Circular No. 628 dated 31 October 2008, which amends BSP Circular No. 626 dated 23 October 2008, contains more specific guidelines for the accounting treatment of transactions covered by the Amendments to International Accounting Standards (IAS) 39 and International Financial Reporting Standards (IFRS) 7 as adopted in BSP regulations. In addition, they provide alternative accounting treatment for purposes of regulatory compliance and reporting.

Under the guidelines, only non-derivative financial assets may be reclassified from Held for Trading (HFT) to Available for Sale (AFS), Held to Maturity (HTM) or Unquoted Debt Securities Classified as Loans (UDSCL) due to "rare circumstances" and change in intention (i.e., the financial asset is no longer held for the purpose of selling or repurchasing it in the near term). This excludes those financial assets that are Designated at Fair Value through Profit or Loss (DFVPL). Financial assets intended to be reclassified out of the HFT category have to be reclassified at their fair values on the effective date of reclassification "all at the same time".

Moreover, the guidelines also allow the reclassification of financial assets from the AFS category to HTM/UDSCL if there was a change in intention for holding the assets. In which case, unlike the transfers from the HFT category, reclassifications out of the AFS category may be done anytime, except for the reclassification of financial assets that are part of the tainted HTM portfolio, which should be done "all at the same time".

FIs that reclassified financial assets from the HFT/AFS categories on or before 14 November 2008 were allowed to "look back" or choose any date from 1 July 2008 to 14 November 2008 as their effective date of their reclassification In this regard, the initial carrying amount of the reclassified financial assets in their new categories shall be based on the fair values as of the chosen effective date of reclassification. This allowed FIs to reverse any gain or loss recognized after the effective date of reclassification. Reclassifications done after 14 November 2008, on the other hand, shall take effect only as of the date when the reclassification is made hence; any gain or loss already recognized shall not be reversed

As an additional one-time regulatory relief to FIs, Credit Linked Notes (CLNs) linked to foreign-currency denominated debt securities issued by the Republic of the Philippines (ROPs) were allowed to be reclassified out of the HFT/AFS categories to HTM /UDSCL without bifurcating the embedded derivatives from the host instrument. Moreover, debt instruments previously mandated to be lodged under AFS due to tainting may also be reclassified to HTM or UDSCL. Under both cases, FIs may "look back" and pick a date from 1 July 2008 to 14 November 2008 for the effective date of reclassification.

The guidelines also apply to trust institutions except for the following accounts:

(1) Unit Investment Trust Funds (UITFs); and
(2) Pre-need, escrow and other accounts whose investments are regulated by or require approval from other regulatory agencies.

In addition, prior to the reclassification, trust institutions must secure the client's written approval and reflect the change in the client's investment profile. In the case of managed retirement funds/employee benefit trust accounts, such reclassification shall be aligned with the liquidity requirements resulting from the latest actuarial valuation of the fund/ account.

This move to allow the reclassification of financial assets is consistent with the commitment of the BSP to align with the International Accounting Standards and is deemed to maintain overall confidence in the financial markets in the midst of the challenging circumstances in the global financial landscape.

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

complex financial system makes it difficult for market players and regulators to monitor, understand, measure and price risks inherent in financial products and transactions. Ordinary housing loans became major source of risk and uncertainty when securitized into complex, non-transparent structured products. Attuned to this concern, the BSP issued the new financial reporting package for trust institutions under Circular No. 609 dated 26 May 2008 in line with the country's adoption in 2005 of Philippine Accounting Standards and Philippine Financial Reporting Standards (PAS/PFRS). In the fourth quarter of 2008, regulatory forbearance on mark-to-market rules allowed BSP supervised institutions to reclassify their mark-to-market investments in debt and equity securities to amortized cost basis under Circular Nos. 626 dated 23 October 2008 and 628 dated 31 October 2008 (Box Article No.1). These issuances were consistent with internationally accepted disclosure and transparency requirements. Consequently, local banks were quick to disclose and provide the required loss provisioning on their exposure to Lehman and other distressed financial giants in September 2008, which effectively calmed market jitters.

financial linkages must be understood

Fifth, financial linkages must be understood. The subprime crisis highlighted the connectivity of financial products and markets. In response to this challenge, regulators and policy makers should devote adequate resources to financial surveillance, supervision and risk management without fear of litigation. The Legacy case (Box Article 2), which became one of the top local stories at the close of 2008, provided a clear reminder that BSP's supervisory capacity needs to be fine-tuned with the changing demands of the industry. Toward this end, the BSP seeks a legislative resolution for the passage of the long sought amendment to the BSP Charter.

the crisis creates an opportunity for a paradigm shift

Finally, the crisis creates an opportunity for a paradigm shift. Banks already began re-evaluating their asset and trading portfolios in favor of renewed lending

Box 2

The State of the Rural Banking Industry: Post Legacy and Other Bank Closures

The rural banking industry continues to perform its role as a primary catalyst of broad-based countryside development by providing access to financial services for expanded productivity of rural communities in the Philippines. The year 2008 proved to be challenging for the industry as it grappled with difficult operating environment and confidence issue in the final quarter of the year.

Overall Condition and Performance

The industry managed to sustain positive performance, albeit with notable softening of figures in terms of year-on-year growth, against the prevailing challenging environment. Rural banks remained profitable as the industry's net profits for 2008 matched last year's P2.8 billion. (Table 38)

Profitability metrics remained positive: return on equity (ROE) settled to 12.6 percent from 14.2 percent in 2007 and return on assets (ROA) to 1.9 percent from 2.0 percent. The industry's net interest margin (NIM) widened to 10.6 percent from last year's 9.4 percent as earning asset yield similarly rose to 15.7 percent from 15.4 percent.

As of end-2008, total resources stood at P145.1 billion, lower by 2.9 percent than last year's P149.5 billion. These resources remained primarily funded by deposit liabilities (68.6 percent) and channeled mostly to loans (66.7 percent). The industry accounted for only 2.6 percent of banking system's total assets (down from 2.8 percent in 2007).

To preempt possible spillover effect of economic slowdown, the industry maintained more than adequate liquidity buffer as liquid assets-to-deposits ratio rose to 33.1 percent from 32.1 percent in 2007. Likewise, the proportion of cash and due from banks to deposits increased to 26.0 percent from 25.3 percent.

The industry continued to provide for the credit needs of its niche market as total loan portfolio expanded by 3.4 percent to P96.8 billion from P93.6 billion in 2007. As of end-2008, NPL/NPA ratios stood at 10.7 percent and 12.6 percent (vs. 9.8 percent and 11.1 percent), respectively. (Table 46)

Capital adequacy ratio (CAR) was above the 10 percent regulatory and 8 percent international standards at 13.4 percent as of end-June 2008, maintaining the industry's solvent position.

Emerging Rural Banking Landscape

In terms of physical structure, rural banks accounted for 85.9 percent of total operating banks in the Philippines due to their unique social function and regional network distribution. As of end-2008, there were 658 operating rural banks with 1,362 branches all over the country. Of these, there were five microfinance banks with 27 branches.

Closed Rural Banking Offices
For the Year Ending-2008

Name of Bank	No. of Branches	Date Closed
1. RB of Lupon (Davao Oriental), Inc.	No branch	10 Jan 2008
2. Rural Bank of Silang Inc.	No branch	03 Apr 2008
3. People's RB of Binmaley (Pangasinan)	8	17 Apr 2008
4. G-7 Bank Inc (A RB) (RB Nabua Inc.)	6	31 Jul 2008
5. RB of Lambayong	No branch	29 Aug 2008
6. Bangko Sto. Niño (RB of Bamban Inc.)	No branch	29 Aug 2008
7. Polillo Islands Rural Bank Inc.	No branch	11 Sept 2008
8. New RB of Guimba Inc.	1	11 Sept 2008
9. RB of Parañaque Inc	4	9 Dec 2008
10. RB of Nueva Caceres	No branch	11 Dec 2008
11. RB of San Jose (Batangas) Inc	No branch	11 Dec 2008
12. Pilipino Rural Bank (Cebu) Inc	3	11 Dec 2008
13. RB of Bais (Negros Oriental) Inc	3	11 Dec 2008
14. Bank of East Asia(Banco de Bisayas)	2	12 Dec 2008
15. First Interstate Bank(RB Kananga)	5	12 Dec 2008
16. Phil Countryside RB Inc (RB Liloan)	6	12 Dec 2008
17. Dynamic Bank (Rural Bank of Calatagan)	6	16 Dec 2008
18. Nation Bank Inc (A RB)	4	19 Dec 2008
19. RB of DAR Beneficiaries Coop Inc	No branch	19 Dec 2008
20. The BDB Bank Inc (A RB)	1	19 Dec 2008
21. RB of Carmen (Cebu) Inc	No branch	19 Dec 2008
22. Commty RB of San Joaquin Inc	No branch	19 Dec 2008

During the year, there were three cases of mergers involving six rural banks: (1) Rural Bank of Katipunan of Zamboanga del Norte, Inc. and Plaza Rural Bank into Katipunan Bank, Inc. [surviving entity], (2) Rural Bank of San Mateo and Marikina Valley Rural Bank, Inc. into MVSM Bank [surviving entity] and (3) SME Bank and GM Bank, Inc. into GM Bank, Inc. [surviving entity].

Further, reducing the number of operating rural banks were the closures of 22 rural banks in 2008. Of the total closed banks, 12 belong to the controversial Legacy Group[1] that were closed by the BSP due to declaration of a bank holiday,

1 Linked through an intricate web of layered ownership structure

Box 2

The State of the Rural Banking Industry: Post Legacy and Other Bank Closures

suspension of payment of deposit liabilities continuously for more than 30 days, inability to pay liabilities as they fall due and/or insolvency: (1) Bank of East Asia (Banco de Bisayas), (2) Dynamic Bank (Rural Bank of Calatagan), (3) First Interstate Bank (RB Kananga), (4) Nation Bank, Inc. (A RB), (5) Philippine Countryside RB, Inc.(RB Lilo-an), (6) Pilipino Rural Bank, Inc., (7) RB of Carmen (Cebu), Inc., (8) RB of DAR Beneficiaries Cooperative, Inc., (9) RB of Parañaque, Inc. (Banco Parañaque), (10) RB of San Jose (Batangas), Inc., (11) Rural Bank of Bais, and (12) The BDB Bank, Inc. (A RB).

Moving forward, the BSP sees a more streamlined and dynamic rural banking landscape following continuous industry consolidation and financial sector restructuring.

Implications of Bank Closures

Looking at the specific proportion of these closed banks to major balance sheet accounts of the rural banking industry and the Philippine banking system, figures showed that these closed banks accounted for 14.3 percent of total rural banking industry's assets and only 0.4 percent of total system-wide assets. Likewise, their loans, deposit liabilities and capital accounts remained below 20 percent to that of the rural banking industry and less than 0.5 percent to that of total banking system.

While most of the Legacy bank closures occurred in December 2008 and appeared somewhat influenced by the global financial crisis, these banks operated on questionable business model (e.g. high interest rates and *Ponzi*-like 'double your money' deposit generation schemes and channeled to fictitious loans) from day one, which eventually led to a state of illiquidity and/or insolvency and in certain cases, the declaration of a bank holiday. These were grounds for the BSP to close these banks as part of good housekeeping. Further, the small percent shares of closed Legacy banks in terms of assets, loans, deposit liabilities and capital accounts were indicative of the minimal impact of these closures to the overall performance of the industry. Hence, there is no threat of contagion or systemic risk.

Closed Rural Banks to Rural Banking Industry and the Philippine Banking System
Amount and Percent Share to Assets, Loans, Deposits and Capital
As of end-December 2008

Closed Rural Banks	Total Assets (In P Billion)	% Share to Total RB Assets	% Share to Total Banking System Assets
Legacy Banks (12)	15.6	10.8	0.3
Non-Legacy Banks (10)	5.1	3.5	0.1
Total	**20.7**	**14.3**	**0.4**

Closed Rural Banks	Total Loans (In P Billion)	% Share to Total RB Loans	% Share to Total Banking System Loans
Legacy Banks (12)	7.2	7.5	0.3
Non-Legacy Banks (10)	4.2	4.3	0.2
Total	**11.4**	**11.8**	**0.5**

Closed Rural Banks	Total Deposits (In P Billion)	% Share to Total RB Deposits	% Share to Total Banking System Deposits
Legacy Banks (12)	13.9	13.9	0.3
Non-Legacy Banks (10)	4.1	4.1	0.1
Total	**18.0**	**18.0**	**0.4**

Closed Rural Banks	Total Capital Accounts (In P Billion)	% Share to Total RB Capital Accounts	% Share to Total Banking System Capital Accounts
Legacy Banks (12)	0.6	2.6	0.1
Non-Legacy Banks (10)	0.2	0.9	0.0**
Total	**0.8**	**3.5**	**0.1**

*Based on consolidated FRP data and published statement of condition (PSOC) of individual banks.
** 0.0 less than 0.05 percent

Moving forward, the BSP remains committed in implementing the necessary financial sector reforms to further strengthen the rural banking industry as an agent of economic growth in the countryside. The Legacy experience underscored the need for greater financial literacy and protection among depositors. There is also a bigger challenge for existing rural banks to institute further corporate governance reforms among their ranks in order to maintain confidence in the industry and further curb unsound banking practices. On the legislative front, a legislative resolution for the long overdue amendment the BSP Charter is necessary to further strengthen supervisory capacity of the BSP in line with the changing needs of the global financial services industry.

to productive but largely underserved sectors of the economy: agriculture and micro, small and medium enterprises (MSMEs). The Credit Information System Act (CISA), which was signed into law last 31 October 2008, is seen to centralize credit information and further boost lending[5]. Parallel to this, the BSP has issued guidelines on housing microfinance

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

product (Memorandum No. M-2008-015 dated 19 March 2008) to further encourage banks to actively pursue microfinance. The availability of more microfinance products together with the growing number of microfinance oriented lenders is indicative that microfinance[6] can also be a profitable venture and not just a corporate social responsibility. As of end-December 2008, a total of P6.2 billion microfinance loans from 220 microfinance-oriented banks effectively served the needs of 865,174 clients.

Summing up, the Philippine financial system may be one of smaller vessels in a sea of big ocean liners but it has proven its resilience against the hard blows of global financial storm. This has been largely due to the concerted effort between the BSP and its supervised financial institutions to institute the necessary reforms that would improve banks' underlying fundamentals, corporate governance frameworks and risk management systems. While thankfully it has yet to reach the perilous waters of complex structured products when the crisis broke, the voyage towards greater financial stability has begun and that ship already left the harbor.

5 The Securities and Exchange Commission (SEC) currently chairs the inter-agency technical working group that was created for the purpose of drafting the implementing rules and regulations (IRR) of the soon to be established centralized Credit Information Bureau in the Philippines.

6 Under Section 15 of the Magna Carta for Micro, Small and Medium Enterprises or MSME (Republic Act No. 9501), which was signed into law last 23 May 2008, banks are required to set aside at least eight percent for micro and small enterprises and at least two percent for medium enterprises of their total loan portfolio available for MSME credit. The law defines MSME as any business activity or enterprise engaged in industry, agri-business and/or services with the following assets: micro (not more than P3 million), small (more than P3 million to P15 million) and medium (more than P15 million to P100 million).

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

THE PHILIPPINE BANKING SYSTEM

The Philippine banking system's performance in 2008 is a story of sustained resilience against adversity

OVERVIEW

The Philippine banking system's performance in 2008 was a story of sustained resilience against adversity. Banks' balance sheet remained strong as key accounts continued to register growths beyond expectations as indicated by the double-digit asset, credit and deposit expansions. Further, asset quality, liquidity and solvency ratios were still more than ideal, if not above regulatory requirements and international standards.

Meanwhile, the system was able to sustain positive net profits despite bearish treasury operations last year amidst rising interest rates and heightened risk aversion. In hindsight, the positive performance benefited largely from earlier financial sector reforms and long bouts of sustained profitability. These, in turn, prepared local financial institutions well in advance for the potential spillover effects of the global financial storm.

The ongoing industry consolidation and continuing financial innovation both helped shape the emerging structure of the banking system: more streamlined, more technologically in-tuned and more diversified in client-defined service delivery channels to cater to changing needs of urban lifestyle. Primarily intended to extend banking hours during the holidays; Circular No. 634 dated 5 December 2008 allowed banks, at their discretion, to remain open in order to serve their clients beyond the six hours minimum or from 8:00 a.m. to 8:00 p.m. depending on their needs. Bank branches located at international airports or major fish ports, in particular, are even allowed to operate on flexible banking hours within a 24-hour period upon prior notice to the BSP. As of end-December 2008, there were 818 banks with 7,030 branches operating in the Philippines.

Total assets posted a double-digit growth of 10.5 percent with sustained growths in loans (21.5 percent) and financial assets other than loans (22.3 percent). Meanwhile, deposit liabilities (73.9 percent), capital accounts (10.6 percent) and other liabilities (6.5 percent) were still the three main sources of bank funding. With deposit liabilities as the banking system's primary funding source, there is heightened social expectation for banks to ascribe to the highest ideals of corporate governance after the subprime crisis and the Legacy controversy.

Credit growth reached an all-time high of 21.5 percent as banks were forced to re-evaluate their asset portfolios in line with the growing risk aversion at the onset of subprime

Credit growth reached an all-time high of 21.5 percent (since the 1997 Asian financial crisis) as banks were forced to re-evaluate their asset portfolios in line with the growing risk aversion at the onset of subprime credit crunch. Outside financial intermediation and the interbank market, 'Top 3' loan destinations were still the real estate, manufacturing and agriculture related sectors. During the review period, asset and loan quality improved much closer to their pre-crisis levels of around four percent.

Deposit liabilities posted a strong growth of 14.5 percent to P4,195.0 billion from last year's P3,664.8 billion. This was indicative of sustained depositor confidence in the banking system. The bulk of these deposits were still in peso demand and savings accounts.

Reeling from watching the bloodbath of reds in world trading indexes post subprime, banks' major investment accounts slowed down year-on-year.

There was also ample liquidity in the system as liquid assets-to-deposits ratio further improved to 52.2 percent from last year's 51.9 percent.

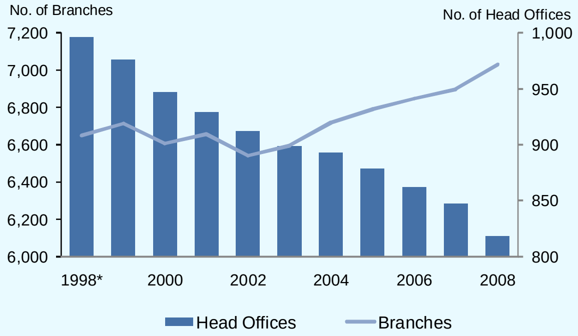
Finally, banks remained solvent as latest capital adequacy ratio (CAR) data showed that banks' solvency ratio on a consolidated basis was above regulatory and international standards at 15.5 percent.

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

On income accounts, banks were able to sustain positive earnings despite the slowdown in treasury gains as net profit stood at P41.4 billion. Consequently, there was a notable softening in major profitability ratios. Earning asset yield stood at 7.7 percent, 20 basis points lower than the 7.9 percent recorded in 2007. Other profitability ratios exhibited similar declines: interest spread at 4.5 percent (from 4.6 percent), return on assets at 0.8 percent (from 1.3 percent) and return on equity at 6.9 percent (from 10.8 percent).

OPERATING NETWORK

Philippine Banking System: Total Banking Units
For End-Periods Indicated



* BSP's merger and consolidation policy began in 1998 with the issuance of Circular No. 172 dated 03 September 1998

The ongoing industry consolidation and continuing financial sector reforms against the backdrop of rapidly evolving global financial services post subprime crisis all helped shape the emerging structure of the banking system: more streamlined, more technologically in-tuned and more diversified in client-defined service delivery channels to cater to changing needs of urban lifestyle.

As of end-December 2008, the banking system's physical network[1] expanded by 104 offices to 7,848 (818 head offices and 7,030 branches and other offices) from 7,744 (847 head offices and 6,897 branches and other offices) last year.

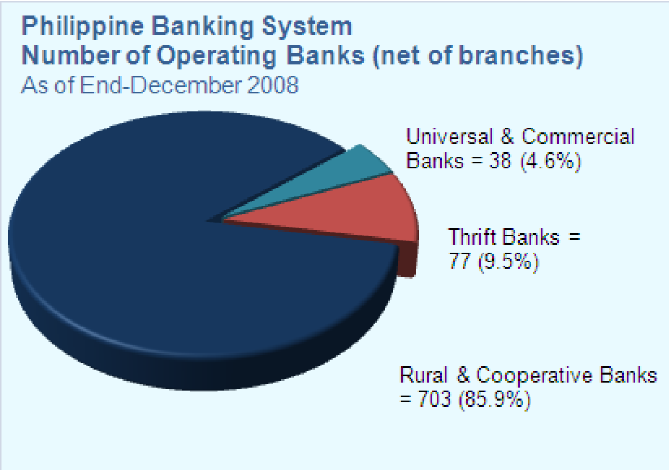
For the past decade, the decline in the total number of operating banks (head offices) became more evident on account of several cases of bank mergers, consolidations and closures. This was complemented by the pronounced expansion of bank branches and other offices, wherein some of these offices exist within shopping malls and other commercial complexes with heavy foot traffic (e.g., mass rail transport system (MRT) stations adjunct to shopping malls or universities). Year-on-year, the total number of head offices declined by 29 banking units while bank branches and other offices increased by 133 banking units. For the past decade, head offices declined at an average of 18 banking units while bank branches and other offices

1 Refers to the total number of head offices, branches and other offices

increased at an average of 26 banking units. At large, the emerging banking structure has been reflective of BSP's pivotal role of creating a working environment that would encourage banks, through market-based policies, to take advantage of opportunities to consolidate or expand as would suit their risk and profit appetite.

As of end-December 2008, major bank categories of the banking system consisted of the following: 38 universal and commercial banks with 4,366 branches (from 38 head offices and 4,237 branches in 2007), 77 thrift banks with 1,219 branches (from 82 head offices and 1,254 branches last year) and 703 rural and cooperative banks with 1,445 branches.

In terms of specific shares, rural and cooperative banks cornered the lion's share of total operating banks at 85.9 percent while the remaining shares went to thrift banks with 9.5 percent and universal and commercial banks with 4.6 percent.



Across banking categories, the universal and commercial banking system consisted of 17 universal banks with 3,899 branches (from 17 head offices and 3,784 branches in 2007) and 21 commercial banks with 467 branches (from 21 head offices and 453 branches). Universal banks (which may engage in underwriting activities and invest in the equities of non-allied undertakings) were composed of private domestic banks (11 operating banks with 3,475 branches or 89.0 percent), government banks (3 operating banks with 412 branches or 10.6 percent) and branches of foreign banks (3 operating banks with 12 branches or 0.4 percent).

Meanwhile, commercial banks consisted of private domestic banks (7 operating banks with 396 branches or 82.6 percent), subsidiaries of foreign banks (3 operating banks with 66 branches or 14.1 percent) and branches of foreign banks (11 head offices with 5 branches or 3.3 percent).

In terms of specific shares to total banking units within the universal and

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

This may be attributed to the current limitations in foreign participation for banking services in the Philippines under Republic Act No. 7721 (law on

commercial banking system, it was evident that private domestic banks continued to hold a substantial share compared to their foreign counterparts. This may be attributed to the current limitations in foreign participation for banking services in the Philippines under Republic Act No. 7721 or the law on foreign banks entry[2] and the inherent familiarity of domestic banks on possible branching opportunities in the country.

Meanwhile, the thrift banking system was composed of 15 financial institution-linked ("linked thrift banks") operating thrift banks with 559 branches (from 17 head offices with 597 branches in 2007) and 62 non-linked or stand alone ("non-linked thrift banks") thrift banks with 660 branches (from 63 operating thrift banks with 637 branches last year). Linked thrift banks, in particular, were either domestic bank controlled (10 operating banks with 478 branches or 84.7 percent), foreign bank controlled (four operating banks with 72 branches or 13.2 percent) and those controlled by non-bank financial institutions (one operating bank with nine branches or 1.7 percent).

In terms of specific shares, non-linked thrift banks held more than half of the total thrift banking units[3] at 55.7 percent (722 banking units) while linked thrift banks captured the remaining 44.3 percent (574 banking units). There were more domestic thrift banks than foreign controlled thrift banks operating in the Philippines .

2 Under Section 2 of Republic Act No. 7721, foreign banks may operate in the Philippines through the following modes of entry: (1) by establishing branches with full banking authority, (2) by investing in up to 60 percent of the voting stock of a new banking subsidiary, and (3) by investing in up to 60 percent of the voting stock of an existing domestic bank. However, the first two modes of entry have been closed. The ceiling for the establishment of 10 new foreign bank branches has been reached. Meanwhile, there is an existing moratorium in the establishment of new banks since 1999 (except for microfinance thrift and rural banks as provided for under Circular Letter dated 10 September 1999 and Circular No. 273 dated 27 February 2001) to facilitate industry consolidation.

3 Refers to head offices, branches and other offices.

As of end-December 2008, the rural and cooperative banking system consisted of 653 rural banks with 1,335 branches (from 677 rural banks with 1,312 branches in 2007), 45 cooperative banks with 83 branches (from 45 operating banks with 77 branches) and five microfinance-oriented rural banks with 27 branches (from five operating microfinance-oriented rural banks with 17 branches).

Rural banks still held the lion's share of the total number of rural and cooperative banking units at 92.6 percent (1,988 banking units) because of their unique social function as the government's conduit in countryside development and familiarity with the rural communities they serve. The remaining smaller shares went to cooperative banks at 6.0 percent (128 banking units) and microfinance-oriented rural banks at 1.5 percent (32 banking units).

The continued growth [4] in outsourcing and offshoring (O&O) sector, increased integration of the country's transport system with the linkage of the MRT/LRT commuter loop and nautical highway system (roll-on, roll-off or RORO ports and connecting highways) in 2008 and the emergence of other super regions[5] all helped to redefine modern banking needs: mobile, efficient and customer-defined.

In response to this challenge, the BSP amended existing rules and regulations on banking days and hours to improve on banks' basic delivery of banking services

In response to this challenge, the BSP amended existing rules and regulations on

4 In 2008, the Business Process Outsourcing Association (BPOA) reported that the industry grew by 35 percent, posted $6 billion revenues and created 372,000 new jobs. For 2009, BPOA projected a 20-25 percent growth and 80,000-90,000 new employment opportunities sans the crisis. The report also identified the 'next wave cities' to include Metro Cavite (Bacoor, Cavite City, Dasmariñas and Imus) and Metro Laguna (Cabuyao, Calamba City, Los Baños, San Pablo City and Sta. Rosa City).

5 Under the government's Medium-Term Development Plan (MTDP) for 2004-2010 (Online at: www.neda.gov.ph and www.ops.gov.ph), five potential super regions outside Mega Manila were identified as follows: (1) North Luzon Agribusiness Quadrangle (agribusiness), (2) Luzon Urban Beltway (logistics hub), (3) Central Philippines (tourism), (4) Agribusiness Mindanao (agribusiness) and (5) Cyber Corridor (ICT hub and knowledge economy).

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Some top tier bank branches began extending their regular banking hours to meet their client servicing requirements

banking days and hours to improve on banks' basic delivery of banking services particularly during the holiday season (Circular No. 634 dated 5 December 2008). Banks, at their discretion, can remain open to serve their clients beyond the six hours minimum or from 8:00 a.m. to 8:00 p.m. depending on their needs. Bank branches located at international airports or major fish ports, in particular, are even allowed to operate on flexible banking hours within a 24-hour period upon prior notice to the BSP.

Some top tier bank branches began extending their regular banking hours to meet their client servicing requirements. These were notable in bank branches located in major shopping malls, servicing units of government agencies or establishments, kiosks located in university belts, commercial districts and mass rail transport system stations. Overall, this is a good indication of banks' financial soundness, market sophistication and commitment to service not to mention, broadly in step with international best practices.

Other developments on the banking system's physical structure in 2008 include the closure of 25 banking units (composed of two thrift banks, 22 rural banks[6] and one cooperative bank), conversion of one thrift bank into a rural bank (Vizcaya Rural Bank, Inc.) on 18 February 2008, four cases of mergers involving nine banks and one investment house[7] and the establishment of one cooperative bank (Negros Cooperative Bank).

6 Inclusive of 12 rural banks that belong to the controversial Legacy Group that were placed under receivership by the BSP in 2008 (Box Article 2).

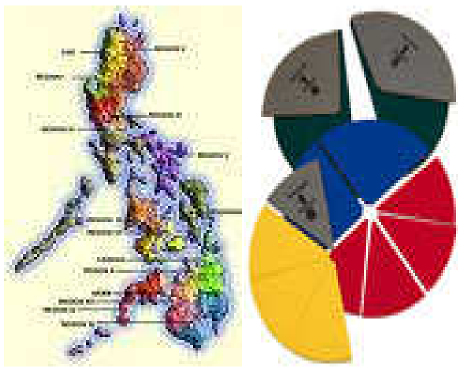
7 Refers to the merger of (1) Rural Bank of San Mateo Rizal and Marikina Valley Rural Bank into MVSM Bank (A Rural Bank since 1953), Inc. on 31 March 2008, (2) RB of Katipunan (Zamboanga del Norte),Inc. and Plaza Rural Bank into Katipunan Bank, Inc. "A Rural Bank" on 01 May 2008, (3) SME Bank (A Rural Bank) and GM Bank, Inc. (A Rural Bank) into GM Bank, Inc. (A Rural Bank) on 01 August 2008 and (4) BDO Elite Savings Bank, Inc., Equitable Savings Bank, Inc. and PCI Capital Corporation into BDO Unibank on 30 October 2008.

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

The emerging banking terrain has been shaped by modern banking standards, continuing reforms in the financial system and increased competition, which paved the way for the exit of weaker players. The closure of rural banks, in particular, gained public scrutiny in 2008 on account of the Legacy Group controversy. Many public fora, however, failed to emphasize that these closed banks (inclusive of the 12 Legacy banks) only accounted for 0.4 percent of total system-wide assets, loans and deposit liabilities as well as 0.1 percent of total capital accounts of the banking system. While the timing of these closures appeared somewhat influenced by the global financial crisis (cf: Box Article 2), the positive performance indicators of the rural banking industry post closures bespeak of minimal impact of said closures to the overall performance of the industry and the banking system at large. This dilutes any threats of contagion or systemic effects to the banking system.

The emerging banking terrain has been shaped by modern banking standards, continuing reforms in the financial system and increased competition, which paved the way for the exit of weaker players

On a geographical basis, banking offices were located mostly within the country at 99.5 percent (7,806 banking units vs. 7,703 banking units in 2007) as against the 0.5 percent (42 bank branches vs. 41 overseas branches) share of banking offices overseas and remained concentrated in highly urbanized areas. The National Capital Region (NCR) still had the highest, albeit lower, share of banking offices at 34.2 percent (2,669 banking units) from last year's 34.5 percent (2,659 offices). Other regions with significant shares of banking offices included the CALABARZON (Region IV-A) at 15.0 percent (1,169 offices), which was slightly lower than last year's share of 15.1 percent (1,164 offices), and Central Luzon (Region III) at 10.9 percent (848 offices) from 10.6 percent (816 offices). Combined, these three leading regions accounted for 60.0 percent of the total banking offices nationwide.



Meanwhile, overseas offices were located mostly in the Asia-Pacific region (57.1 percent or 24 bank offices), Europe (21.4 percent or nine bank offices) and North America (14.3 percent or six bank offices).

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

The concentration of overseas bank offices in these regions reflected similar concentration of Overseas Filipinos (OF) in these areas, which were the main market of these overseas bank offices.

As of end-December 2008, the country's bank density ratio remained at five banking offices per city/municipality. Incidentally, customer ratio[8] rose by 0.6 percent to 11,588 persons served from 11,516 persons in 2007. This occurred as the population growth rate of 2.0 percent[9] was faster than the 1.3 percent expansion of the banking system's overall physical network nationwide.

On a regional basis, highly urbanized NCR posted a bank density ratio of 157 banks per city/municipality with each banking office serving 4,216 persons as of end-December 2008 from 156 banks per city/municipality with each banking office serving 4,174 persons last year. A far second was CALABARZON (Region IV-A) with eight banking offices per city/municipality (same as last year) with each banking office catering to 9,754 persons (up from 9,581 persons) and Central Luzon (Region III) with seven banking offices per city/municipality (up from six banking offices per city/municipality) with each banking office serving 11,521 persons (down from 11,736 persons).

On the other hand, the Autonomous Region of Muslim Mindanao or ARMM continued to post the lowest bank density ratio of less than one banking office per city/municipality and the highest customer ratio of 141,496 persons per bank (up from 138,358 persons per bank in 2007). These bleak density ratios in the ARMM may be attributed to the long-standing peace and order situation in the area. (Table 4)

These bleak density ratios in the ARMM may be attributed to the long-standing peace and order situation in the area

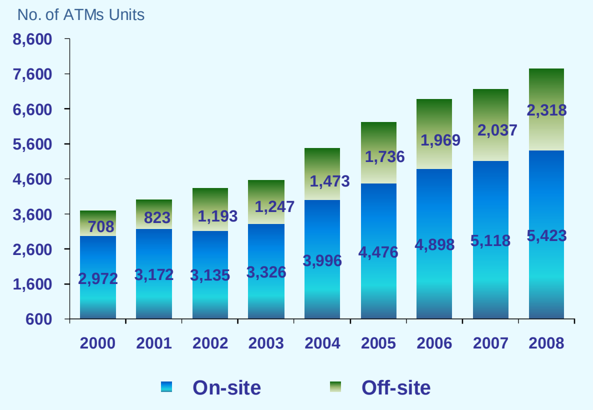
The banking system's low bank density ratio on a nationwide basis has been

8 Refers to the number of persons served by each banking unit.

9 Source: 2000 Census of Population and Housing, National Report, National Statistics Office

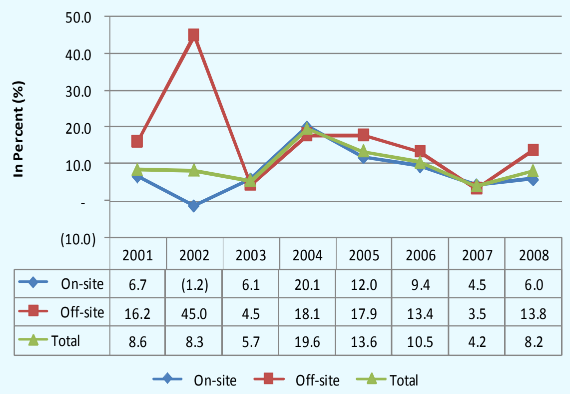
complemented by the expansion of banks' non-traditional service delivery channels such as automated teller machines (ATMs) and electronic or e-banking. As of end-December 2008, the banking system's ATM network further expanded with the addition of 586 ATMs for a total of 7,741 units. The bulk of these ATMs were onsite or within bank premises at 70.1 percent (5,423 units) while the rest were stand-alone ATMs at 29.9 percent (2,318 units). These stand-alone ATMs were normally located along transport terminals, convenience stores, shopping malls, university compounds, gasoline stations and other public places that require the presence of these ATMs for convenience. For the last eight years, stand-alone ATMs outpaced the annual average growth rate of onsite ATMs at 16.5 percent (vs. 7.8 percent of the latter).

Philippine Banking System: Number of ATM Units



Increased visibility of ATM machines in public places with heavy foot traffic, continuing innovations in ATM services (i.e., bills payment, money transfers and e-loading services) and the interconnection of major ATM networks[10] in the country all supported the steady expansion of the banking system's nationwide ATM network for the last eight years. During this period, ATMs grew at an average of 9.8 percent. The number of banks with ATM network, however, slightly declined to 63 operating banks (composed of 54 domestic banks and nine foreign banks) from 64 banks (composed of 55 domestic banks and nine foreign banks) last year due to a merger.

Philippine Banking System:
Comparative ATM Network Growth
As of End-Years Indicated



	2001	2002	2003	2004	2005	2006	2007	2008
On-site	6.7	(1.2)	6.1	20.1	12.0	9.4	4.5	6.0
Off-site	16.2	45.0	4.5	18.1	17.9	13.4	3.5	13.8
Total	8.6	8.3	5.7	19.6	13.6	10.5	4.2	8.2

10 Refers to BancNet and MegaLink, which interconnected in 2006. The interconnection provided greater access to ATM cardholders and paved the way for the establishment of two other independent ATM networks, Nationlink and Encash Network Services, in the Philippines. Moving forward, the ATM and cash dispensing technology in the Asia Pacific region (Australia, China, Hong Kong, India, Indonesia, Malaysia, Philippines, Singapore, Taiwan, Thailand and Vietnam) is expected to steadily grow by nine percent annually due to the growing sophistication of retail financial services industry (The Asian Banker Research, July 2008. *The ATMs, Cash Dispensing and Retail Payments Report 2008*).

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Higher connectivity through cellular phones as well as through personal/laptop computers among Filipinos provided an additional impetus for further development of e-banking and mobile banking

In terms of regional distribution, the NCR still held the most number of ATM units at 46.7 percent (3,617 units), 218 units higher than last year's 3,399 units. Other regions in the Top 3 were the CALABARZON (Region IV-A) region at 13.4 percent (1,039 units) and Central Luzon (Region III) region at 7.5 percent (579 units).

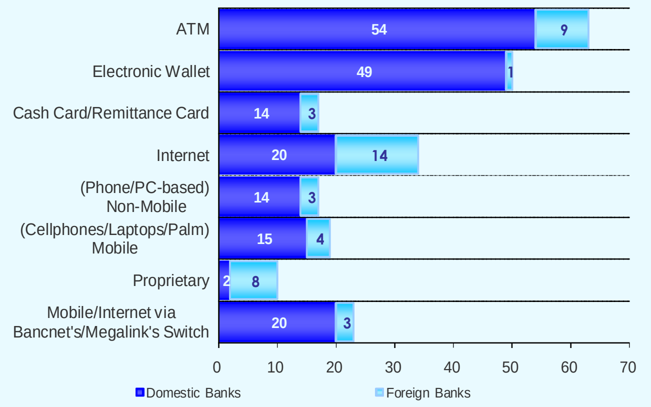
Consistently, ARMM had the least number of ATMs at 0.3 percent (22 units), two ATMs higher than last year's 20 units. Other regions in the bottom included MIMAROPA (Region IV-B) at 0.7 percent (53 units) and CARAGA (Region XIII) at 0.9 percent (68 units). (Table 5)

Higher connectivity through cellular phones as well as through personal/laptop computers among Filipinos provided an additional impetus for further development of e-banking and mobile banking. Client servicing requirements gradually redefined technology-enabled convenience for bank clients to access their accounts 24/7 and receive accurate information on financial transactions in real time anywhere in the country. At present, 24/7 banking in the Philippines means unlimited access to phone, online and mobile banking services.

Specifically, mobile banking has been instrumental in the efficient delivery of financial services in rural communities. According to the Rural Banking Association of the Philippines (RBAP or www.rbap.org) report, there were 43 rural banks accredited and registered to offer mobile phone banking in the Philippines under its Microfinance Access to Banking Services (MABS) Program. It has already served a total of 70,000 clients in rural communities through various mobile banking products such as text-a-payment, text-a-deposit, text-a-withdrawal and text-a-*sweldo* (salary).

As of end-December 2008, there were 50 banks (up from 46 banks in 2007) offering electronic wallet, 17 banks (up from 14 banks) with cash/remittance card products, 34 banks (up from 33 banks) with internet banking, 17 banks (down from 18

Philippine Banking System
Number of Domestic & Foreign Banks Engaged in Non-Traditional Banking Services
As of End-December 2008

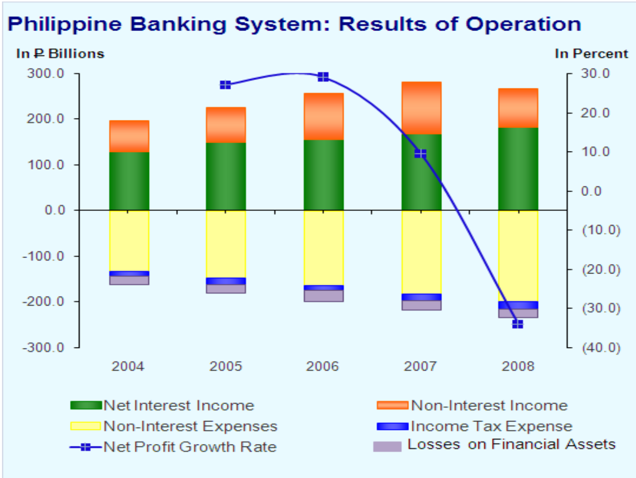


Source: Office of Supervisory Policy Development, Supervision and Examination Sector

banks) offering phone banking (computer-based, non-mobile), 19 banks (unchanged) engaged in mobile banking, 10 banks (down from 11 banks) with proprietary services and 23 banks (unchanged) with hybrid mobile/internet via Bancnet-Megalink switch banking services. The decline of some of the e-banking platforms (e.g., phone/mobile banking) was attributed to consolidation activities for existing structures in merged entities.

RESULTS OF OPERATION

Notwithstanding the prevailing difficult operating environment in 2008, banks managed to register a positive net profit of P41.4 billion. This was 34.1 percent lower than the P62.9 billion net profit recorded last year due to significant contraction in non-interest income particularly on foreign exchange transaction losses of banks (143.9 percent or P6.3 billion), financial assets and liabilities designated at fair value through profit or loss[11] (P1.1 billion) and on foregone dividend income[12] (89.5 percent or P0.4 billion).



Total operating income stood at P268.0 billion, 4.7 percent lower than last year's P281.2 billion. The modest growth of 9.0 percent (P15.2 billion) in net interest income was insufficient to outweigh the significant drop in non-interest income of 25.1 percent (P28.4 billion).

In terms of specific revenue streams, the bulk of bank's total operating income was still net interest income at 68.4 percent (P183.4 billion), 8.6 percentage points higher than last year's 59.8 percent share (P168.2

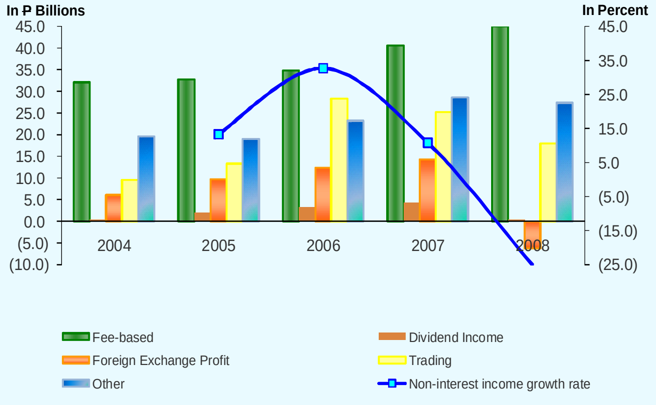
11 New accounting entry under the Financial Reporting Package (FRP). Hence, no comparative figure for 2007.

12 Refers to cash dividends earned and/or actually collected on equity securities held under Held for Trading (HFT), Financial Assets Designated at Fair Value through Profit or Loss (DFVPL), Available for Sale (AFS) and Investments in Non-Marketable Equity Securities (INMES).

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

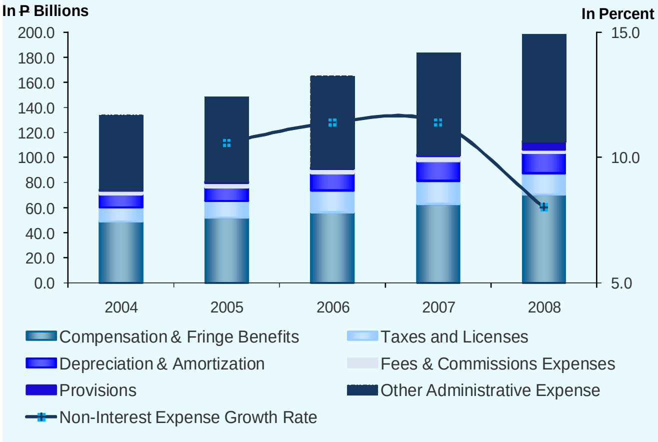
billion) and reflective of the double-digit credit expansion and further improvement in loan quality during the year. Interest income consisted primarily of interest on loans and discounts[13] (48.9 percent), interest on available for sale (AFS) financial assets (13.4 percent) and interest on held-to-maturity (HTM) financial assets (6.9 percent). Meanwhile, majority of interest expenses were interest on deposit liabilities (77.4 percent) and interest on borrowed funds[14] (10.5 percent). The larger proportion of interest based revenues is indicative of banks' re-evaluation of their asset portfolio to pick up the slack in trading gains during the year.

Philippine Banking System: Non-Interest Income



Meanwhile, non-interest income accounted for the remaining 31.6 percent (P84.6 billion) which was lower than the 40.2 percent (P113.0 billion) posted in 2007. The reduced share was on account of bearish treasury activities particularly on huge losses borne by the banks from their foreign exchange transactions (P6.3 billion) as well as losses on financial assets other than loans and liabilities designated at fair value through profit or loss (P1.1 billion) and on fair value adjustment in hedge accounting (P0.1 billion).

Philippine Banking System: Non-Interest Expense Structure



Banks were able to rein in their non-interest expenses in 2008 as overall growth decelerated to 8.4 percent from 11.4 percent in 2007. Total non-interest expenses stood at P199.0 billion from P183.5 billion last year. The proportion of management-related expenses in relation to total operating income, however, increased to 74.2 percent from last year's 65.2 percent. Since the ratio of non-interest expenses to total operating income is a

13 Includes loans to government, small and medium enterprises, private corporations, individuals for housing purposes, consumption and other purposes, central bank, public sector entities and contracts to sell (CTS).

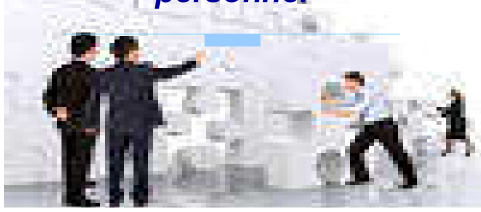
14 Refers to interest on interbank loan payables and interest on bills payable to BSP, domestic banks, foreign banks and deposit substitutes.

metric for management soundness, the increasing year-on-year share provided a glimpse on the prevailing housekeeping challenge for bank managers to keep operating costs reasonable, if not prudent.

Looking at the specific non-interest expense structure, other administrative expenses captured the lion's share of overall management expenses at 42.7 percent (P84.6 billion). These included bank spending on other expenses[15](33.4 percent), insurance expenses (4.0 percent), litigation expenses (2.2 percent) and fines, penalties and other bank charges (0.5 percent). A distant second was expenditures on compensation and fringe benefits of employees at 33.8 percent (P70.6 billion). The bulk went to salaries and wages of employees (19.9 percent) while the fringe benefits of directors, officers and employees (6.6 percent) and contributions to provident and/or retirement fund (3.2 percent) captured the remaining share of bank expenses on compensation and fringe benefits. Rounding up the Top 3 non-interest expenses was bank spending on taxes and licenses at 9.2 percent (P17.1 billion).

The higher proportion of salaries and wages, in particular, was reflective of the 5.8 percent increase in total manpower complement of banks. As of end-December 2008, bank personnel totaled to 81,635 from 77,178 personnel in 2007[16]. Broadly, this indicates that bank employees were least affected by recent bank closures and the global financial turmoil as steady branch expansion

Broadly, this indicates that bank employees were least affected by recent bank closures and the global financial turmoil as steady branch expansion creates continuing demand for competent bank personnel



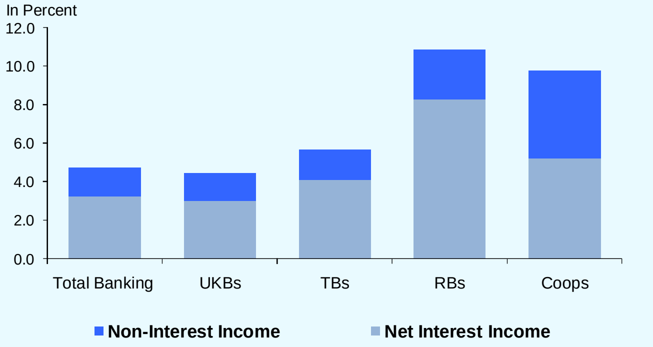
15 Includes rental expenses; utilities expenses; information technology expenses; fuel and lubricant expenses; travelling expenses; repairs and maintenance expenses; security, clerical, messengerial and janitorial expenses, office supply expenses; publication expenses; advertising and publicity expenses; representation and entertainment expenses; membership fees and dues; donations and charitable contributions and miscellaneous expenses.

16 Based on a one-off survey conducted by the BSP on 38 universal and commercial banks (representative of total banks in terms of assets and banking network) to determine the impact of the global financial crisis and recent bank closures on bank personnel in 2008.

creates continuing demand for competent bank personnel.

The highly publicized outrage of American taxpayers on exorbitant bonuses paid to key officers of the ailing insurer, American International Group (AIG), after receiving close to $180 billion bailout money from the Federal Reserve provided a timely wakeup call for local regulators and policymakers alike to keep a close watch on the fringe benefits and bonuses paid to directors and key officers of BSP supervised institutions. This is particularly significant for banks operating in the Philippines wherein 73.9 percent of their operations were funded by deposit liabilities generally sourced from the public. Fortunately, the share of banks' fringe benefits including director's fees to total non-interest expenses remained manageable at 6.7 percent (P13.4 billion) during the year.

Philippine Banking System
Ratio of Sources of Revenue to Total Assets
As of End-December 2008



Across banking subgroups, interest-based revenues were still the major source of revenues. Government banks (82.5 percent), rural banks (72.3 percent) and thrift banks (73.4 percent) were specific banking groups with the highest proportion of net interest income in relation to their total operating incomes. Cooperative banks, which normally have high administrative costs (higher fee-based income) due to their exposures to uncollateralized small-scale lending activities (i.e., micro-credit) had the least share (53.4 percent) of net interest income compared to other banking groups.

Incidentally, cooperative banks (46.6 percent) and foreign bank branches (46.6 percent) were the two subgroups which had the highest proportion of non-interest income in relation to their total operating incomes. Majority of cooperative banks' non-interest income were fee-based income[17] while their more sophisticated foreign counterparts' main sources of non-interest income came from trading and other off-balance sheet transactions.

17 Fee-based income of cooperative banks consisted of intermediation service fees (P386 million) and payment service fees (P24 million) in 2008.

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Reduced net income for 2008 influenced the softening of earning asset yield to 7.7 percent from 7.9 percent in 2007. Funding costs similarly declined to 3.2 percent from 3.4 percent. Hence, the spread between earning asset yield and funding cost narrowed to 450 basis points from 454 basis points in 2007. With the narrowing of the earning asset yield and funding cost, interest spread started to plateau at 4.5 percent while net interest margin dipped to 4.3 percent from last year's 4.4 percent although both were still above the industry's average of 4.2 percent for the last six years.

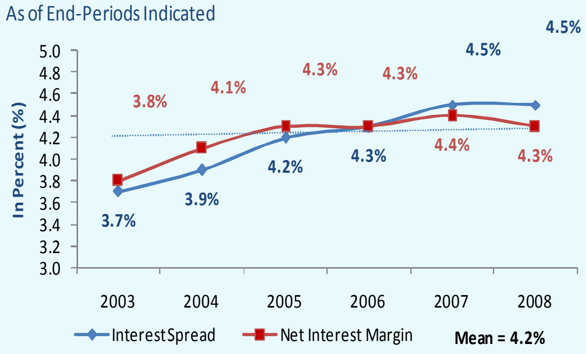
Meanwhile, the bellwether 91-day Treasury bills (T-bills) rate rose to 5.4 percent from 3.4 percent in 2007 on account of rising inflation and reduced issuance of government securities, which propped up benchmark interest rates. Accordingly, the spread between the earning asset yield and the T-bills rate narrowed to 230 basis points from 452 basis points in 2007. Whereas, the spread between funding cost and T-bills rate widened to 220 basis points from two basis points spread last year. Given subdued risk appetite and ample liquidity, banks were able to offer lower interest rates to depositors and creditors thereby, widening the gap over the benchmark T-bill rate.

The general contraction in bank revenues and continued growth, albeit moderate, in net operating expenses pulled the cost-to-income (CTI) ratio up to 73.9 percent from 65.2 percent in 2007.

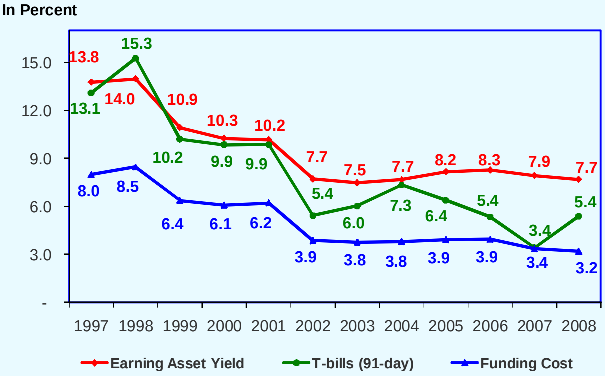
Comparative profitability indicators across various banking subgroups are summarized in the adjacent table.

Based on their comparative profitability indicators, rural banks had the widest interest spread at 10.7 percent while foreign bank branches had the least at 3.8 percent. Rural banks also led the rest of the banking groups in terms of net interest margin at 10.6 while at the bottom were private domestic universal banks at 3.8 percent. Surprisingly, rural banks were more cost-efficient than private domestic commercial banks with a CTI ratio of 70.1

Philippine Banking System: Interest Spread vs. Net Interest Margin
As of End-Periods Indicated



Philippine Banking System
Selected Ratios vs. 91-day Treasury Bill Rate
In Percent



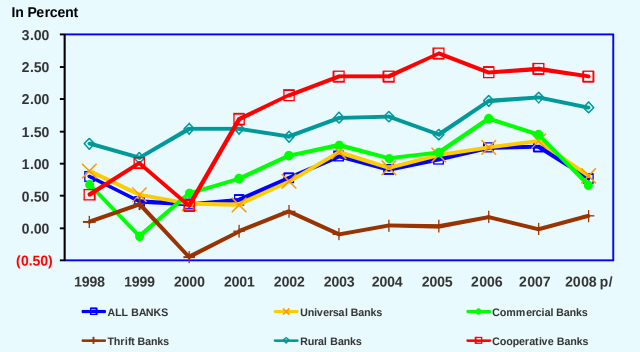
Philippine Banking System: Profitability Component Indicators
For End-December 2008
In Percent

	Earning Asset Yield	Funding Cost	Interest Spread	Net Interest Margin	Cost-to-Income Ratio
All Banks [p/]	**7.7**	**3.2**	**4.5**	**4.4**	**74.0**
Domestic Banks [p/]	**7.6**	**3.1**	**4.6**	**4.3**	**75.2**
Private Domestic UBs	7.0	2.9	4.1	3.8	74.2
Private Domestic KBs	8.9	4.1	4.9	4.4	93.9
Government Banks	6.9	2.4	4.6	4.5	65.8
Thrift Banks	9.6	4.4	5.2	5.0	84.7
Rural Banks [p/]	15.7	5.0	10.7	10.6	70.1
Cooperative Banks [p/]	13.8	6.9	6.9	7.0	71.6
Foreign Bank Branches/ Subsidiaries	**8.1**	**4.2**	**3.9**	**4.8**	**68.3**
Foreign Bank Branches	8.0	4.2	3.8	4.7	64.8
Foreign Bank Subsidiaries	8.7	3.9	4.9	5.3	94.6

p/ Preliminary

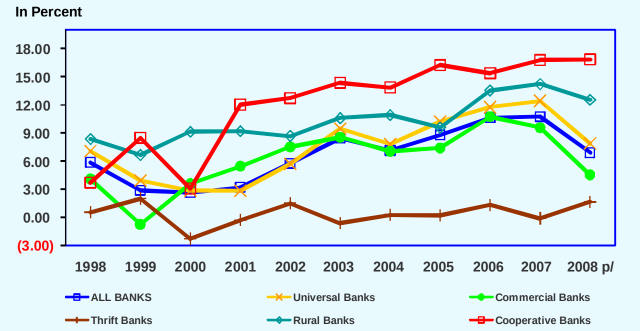
Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Philippine Banking System: Return on Assets (ROA)



p/ *Preliminary*

Philippine Banking System: Return on Equity (ROE)



p/ *Preliminary*

percent compared to the latter's 93.9 percent. Foreign bank branches still posted the best cost-efficiency ratio of 64.8 percent.

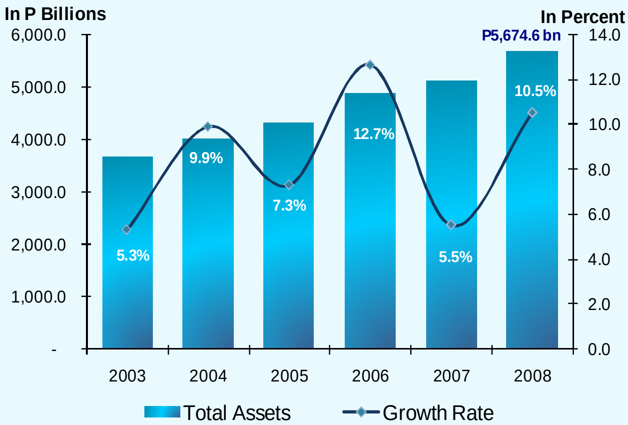
With reduced bank earnings, return to shareholders experienced similar contractions as return on assets (ROA) dropped to 0.8 percent from 1.3 percent in 2007. Across banking groups, cooperative banks posted the highest ROA at 2.4 percent (down from 2.5 percent) while thrift banks remained below the system average at 0.2 percent but still a positive recovery from the negative ROA ratio recorded last year. The low ROA ratio of thrift banks may be attributed to high cost-efficiency ratio (84.7 percent vs. banking system average of 74.0 percent).

Likewise, the banking system's return on equity (ROE) slid to 6.9 percent from 10.8 percent in 2007. Across banking groups, cooperative banks still led all banks in posting the highest ROE ratio of 16.9 percent (up from 16.8 percent in 2007) while thrift banks provided the least return to shareholder's equity at 1.7 percent (up from negative 0.1 percent last year).

MAJOR BALANCE SHEET TRENDS

ASSETS

Philippine Banking System: Asset Growth
For End-Periods Indicated



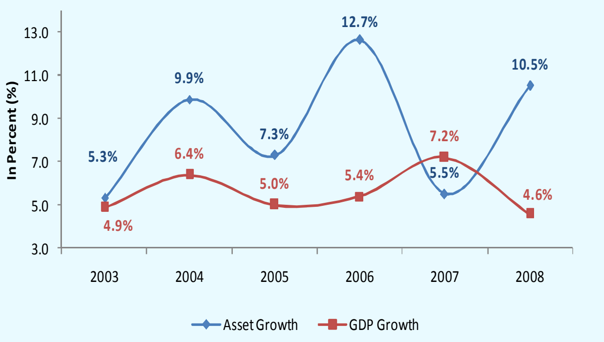
As of end-December 2008, total resources reached P5,674.6 billion, 10.5 percent (P540.5 billion) higher than last year's P5,134.1 billion. Substantial expansion in lending (21.5 percent or P473.8 billion) and bank investments in financial assets other than loans[18] (22.3 percent or P253.1 billion) were main channels of growth.

Further, the banking system's resources have been growing steadily at an annual average of 8.4 percent since 2003 and the growth has been fairly stable with standard deviation of 2.7 (0.05 level of significance).

18 Refers to investments in debt and other securities

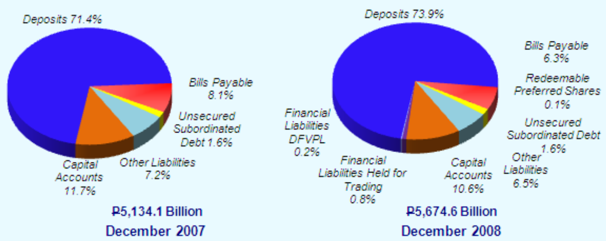
Looking at the spread between the respective growths of banking system's assets and the country's economic output --- it was evident that except for 2007, asset growth continued to outperform the growth of gross domestic product (GDP). The spread even widened to 590 basis points from last year's 170 basis points which was highly indicative of the inherent soundness of the banking system.

Philippine Banking System: Asset Growth vs. GDP Growth
As of End-Years Indicated



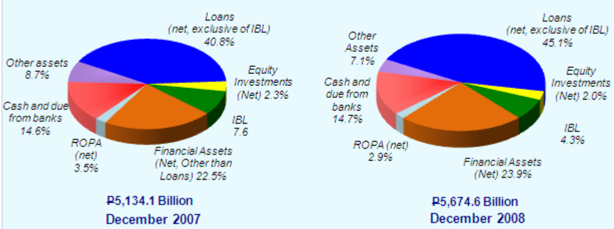
As of end-December 2008, the share of deposit liabilities expanded to 73.9 percent (P4,195.0 billion) from last year's 71.4 percent (P3,664.8 billion). Other significant sources of funds were capital accounts at 10.6 percent (P599.1 billion) and other liabilities at 6.5 percent (P370.1 billion). The latter two funding sources both reported contractions in their respective shares: capital accounts (down from 11.7 percent or P601.8 billion) and other liabilities (down from 7.2 percent or P370.9 billion). The increasing share of deposit liabilities compared to other funding sources highlights the greater responsibility expected on banks to remain fundamentally sound and stable.

Philippine Banking System: Funding Mix



These resources were channeled mostly to loans[19] at 45.1 percent (P2,559.1 billion), up from 40.8 percent (P2,092.5 billion) in 2007. Other major uses of funds include bank investments in other financial assets other than loans, net[20] at 23.9 percent (P1,357.0 billion), up from last year's 22.5 percent (P1,152.8 billion). Lastly, the proportion of cash and due from banks to total assets slightly rose to 14.7 percent (P834.5 billion) from 14.6 percent (P750.3 billion) in 2007 to shore up liquidity. This is indicative of the apparent shift in favor of traditional sources of income (e.g., lending and fixed-income securities) due to rising interest rates and heightened risk aversion at the onset of global financial meltdown.

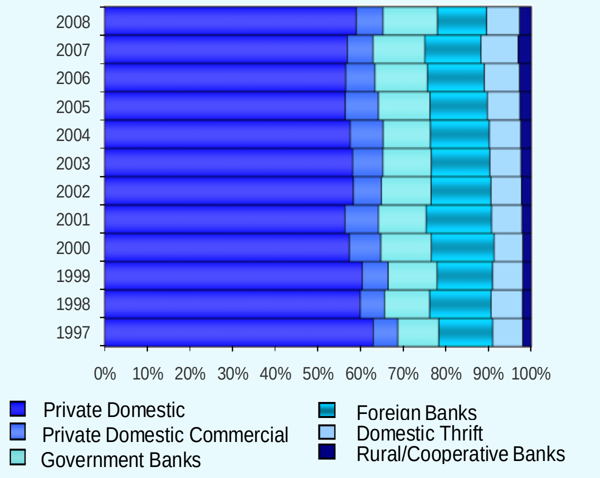
Philippine Banking System: Asset Mix



19 Loans, net (exclusive of IBL)
20 Includes financial assets held for trading (HFT); designated at fair value through profit or loss (DFVPL); available-for-sale (AFS), net of equity securities; held to maturity (HTM) and unquoted debt securities classified as loans (UDSCL).

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Philippine Banking System: Distribution of Assets



Market distribution of total resources barely changed. Private domestic universal banks still held the largest share at 58.9 percent (up from 56.9 percent in 2007). The balance, in descending order, was held by the following banking groups: government banks at 12.8 percent (slightly up from last year's 12.1 percent), foreign banks (branches and subsidiaries) at 11.5 percent (down from 13.2 percent), domestic thrift banks at 7.7 percent (down from 8.7 percent), private domestic commercial banks at 6.3 percent (up from 6.0 percent) and rural and cooperative banks at 2.8 percent (down from 3.1 percent).

During the year, the percent share of foreign banks (branches and subsidiaries) to the total assets of the banking system remained less than half of the 30 percent statutory limit under Section 3 of R.A. No. 7721 (An Act Liberalizing the Entry and Scope of Operations of Foreign Banks in the Philippines). The share even shrunk to 11.5 percent from 13.2 percent last year as this particular subgroup was heavily into trading activities and off-balance sheet transactions. Foreign bank branches in the Philippines were also affected by massive asset revaluations of parent companies in the United States and Europe.

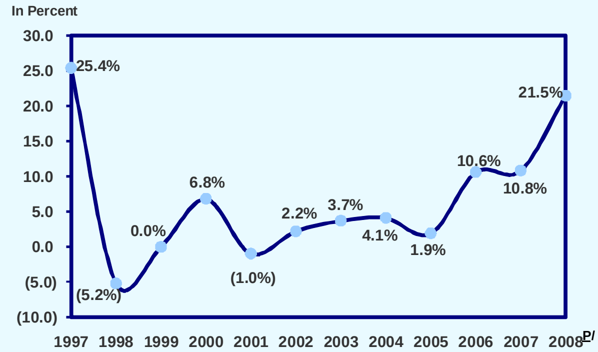
LOANS

Subdued opportunities for treasury-related earnings proved favorable for lending. As of end-December 2008, total loans outstanding (net of IBL) posted a double-digit growth of 21.5 percent to P2,682.2 billion from P2,208.4 in 2007. This was the highest credit expansion since the 1997 Asian financial crisis and only 3.9 percentage points away from its pre-crisis growth rate of 25.4 percent.

Philippine Banking System

Total Loans Outstanding (exclusive of IBL)

Annual Growth



P/ Preliminary

In terms of loans to economic sector, the real estate, construction, renting and business activities sector (15.1 percent or P441.0 billion), the manufacturing sector (14.3 percent or P418.0 billion) and agriculture, fishery, hunting and forestry sector (11.8 percent or P344.3 billion) cornered the Top 3 biggest allocation of bank credit outside financial intermediation (21.1 percent or

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

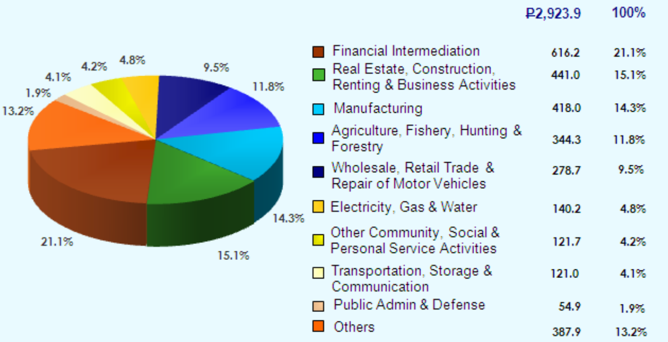
P616.2 billion) and other loans (13.3 percent or P387.8 billion). Combined, these three sectors accounted for 41.2 percent or P1,203.3 billion of the total loan portfolio. Meanwhile, the public administration and defense sector received the least share of the overall loan pie at 1.9 percent (P54.9 billion).

Year-on-year, substantial growths were observed in the following sectors: agriculture, fishery, hunting and forestry (P199.6 billion or 137.9 percent), real estate, construction, renting and business activities (P114.8 billion or 35.2 percent) and the manufacturing sector (P26.4 billion or 6.7 percent). In particular, volatility in food prices due to the tightening of supply (i.e., rice) and adjustments in world food prices affecting domestic demand in the first half of 2008 as well as government's policy initiatives to pump prime the sector led to substantial growth in agricultural-related lending. The increased share of the real estate related lending may be attributed to the boom in the local property sector and increased public spending on infrastructure related projects in 2008 (www.neda.gov.ph and www.dbm.gov.ph).

On the other hand, financial intermediation[21] (P180.5 billion or 22.7 percent), private households with employed persons (P131.3 billion or 75.4 percent) and other community, social and personal activities sector (P51.1 billion or 29.6 percent) posted the highest contractions during the year. Higher inflation against the backdrop of reported layoffs in some industrial sectors, rising interest rates and continued risk aversion were some of the factors behind the declines in loans allocated to the aforementioned sectors.

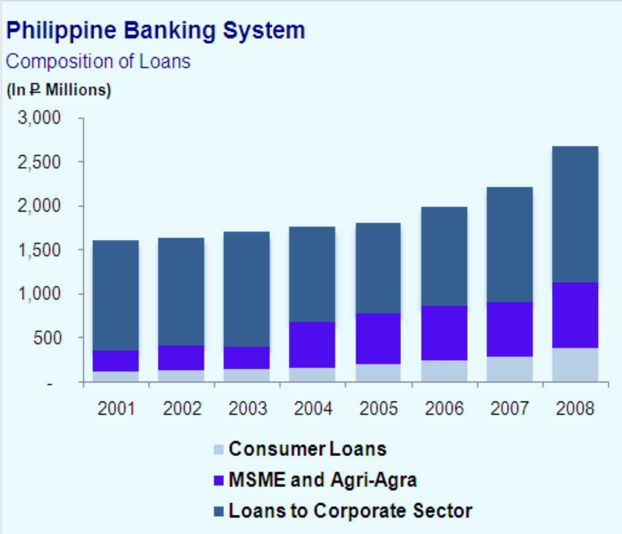
As of end-December 2008, corporate loans still accounted for more than half of the banking system's total loan portfolio at 57.9 percent (P1,553.0 billion) but slightly down from last year's 59.3 percent (P1,309.3 billion). The remaining shares went to MSME lending at 27.9 percent (P748.8 billion) from

Philippine Banking System: Loan Portfolio Structure By Industry Sector
Amount in P Billion
As of End-December 2008



The increased share of the real estate related lending may be attributed to the boom in the local property sector and increased public spending on infrastructure related projects in 2008

21 Includes interbank loans



27.6 percent (P609.5 billion) and consumer finance at 14.2 percent (P380.3 billion) from 13.1 percent (P289.6 billion) in 2007.

Of these three main types of lending, however, consumer finance (auto loans, credit card receivables and residential real estate loans) was steadily growing at an average rate of 19.3 percent for the last seven years. This was attributed to growing financial literacy on various consumer finance products and attractive rates offered by banks on consumer-related loans to augment limited corporate credit demand. These loans were generally current (89.9 percent or P341.4 billion) with low delinquency ratio (non-performing consumer loans to total consumer loan portfolio) of 1.3 percent, albeit slightly up from 1.1 percent in 2007, and generally in line with the improvement of banks' credit underwriting standards.

This was attributed to growing financial literacy of consumers on various consumer finance products and attractive rates offered by banks on consumer -related loans to augment the existing limited corporate demand

Across major banking groups, universal banks now held the top spot of the consumer finance pie at 45.5 percent (P172.9 billion) from last year's 39.2 percent (P113.6 billion). In prior years, consumer lending was the turf of thrift banks. Now, thrift banks slid to second place at 39.9 percent (P151.7 billion) and down from 43.6 percent (P126.3 billion) in 2007. In 2008, universal banks substantially surpassed thrift banks in lending to residential real estate and credit card receivables. Meanwhile, the remaining portion of the pie went to commercial banks at 14.7 percent (P55.8 billion) from 17.2 percent (P49.8 billion).

Domestic banks held the lion's share of the overall consumer loan pie at 78.0 percent (P296.6 billion) from 77.0 percent (P223.1 billion) in 2007 while foreign bank branches and subsidiaries made up the balance of 22.0 percent (P83.8 billion) from 23.0 percent (P66.5 billion) last year.

In terms of specific market composition, the bulk of consumer loans at 40.6 percent (P154.2 billion) from 36.3 percent (P105.0 billion) as of end-December 2008 were residential real estate loans

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

(REL). Year-on-year, residential RELs posted a strong growth of 46.9 percent (P49.2 billion) largely driven by strong demand for residential real estate properties. Further, more than a quarter or 25.5 percent of these residential RELs were socialized/low-cost housing in step with the PABAHAY (housing) program of the government. The quality of residential RELs during the year likewise remained desirable as the non-performing residential RELs ratio further improved to 6.5 percent from 8.2 percent.

Across banking groups, more than half of residential RELs were serviced by thrift banks at 53.4 percent (P82.3 billion) from last year's 63.6 percent (P66.8 billion). This was followed by universal banks at 42.1 percent (P64.9 billion) from 30.6 percent (P32.1 billion) share recorded in 2007 and commercial banks at 4.6 percent (P7.1 billion) from 5.8 percent (P6.1 billion) share.

Wider public acceptance and intense market competition on the use of 'plastic currency' for regular consumption[22] supported the continued expansion in credit card receivables (CCR). As of end-December 2008, CCRs accounted for 29.1 percent (P110.6 billion) of the total consumer loans from 34.0 percent (P98.4 billion) in 2007. Annually, CCRs increased by 12.3 percent (P12.2 billion) and was highly reflective of the increased usage of credit cards for household and personal consumption. Prior enhancements in prudential regulations on credit card operations started to bear fruit as non-performing CCRs ratio eased to 10.7 percent from 12.8 percent last year.

Wider public acceptance and intense market competition on use of 'plastic currency' for regular consumption supported the continued expansion in credit card receivables

Credit card operations remained the niche market of bigger universal banks

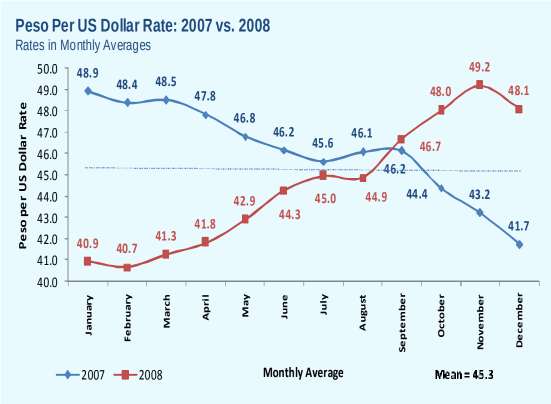
22 Some credit card companies even have links to hospitals including medical enterprises apart from regular merchant establishments and have started launching SMS-based credit card services. Based on the latest ICT statistics of the International Telecommunications Union (ITU) for 2008, there were 53 million mobile phone subscribers in the Philippines sending an average of 800 million text messages per day (http://www.itu.int/net/home/index.aspx).

Motorists temporarily shelved plans to upgrade their existing vehicles and resorted to car pooling and mass transport

particularly foreign banks (branches and subsidiaries), which captured close to two-thirds of the overall CCR pie at 62.6 percent (P69.2 billion) from 56.6 percent (P55.7 billion) in 2007. Commercial banks with 32.8 percent (P36.3 billion) from 37.9 percent (P37.3 billion) and thrift banks with 4.6 percent (P5.1 billion) from 5.6 percent (P5.5 billion) rounded up the remaining shares of the CCR pie.

Volatility in world oil prices and higher inflation resulted to adverse swings on local pump prices in the first half of 2008. Combined with reduced consumer purchasing power due to setbacks on wage adjustments in key industry sectors, the uptick in local prices led to dampened demand for auto loans (AL). Motorists temporarily shelved plans to upgrade their existing vehicles and resorted to car pooling and mass transport. Accordingly, the proportion of ALs to total consumer loans declined to 20.6 percent (P78.5 billion) from 29.8 percent (P86.2 billion) in 2007. Year-on-year, the level similarly contracted by 8.9 percent (P7.7 billion) on account of prevailing challenging environment for the automobile industry. Fortunately, the quality of ALs continued to improve as non-performing ALs ratio eased to 4.9 percent from 5.1 percent in 2007.

Thrift banks held more than half of the banking system's auto loans at 54.6 percent (P42.9 billion) from 62.6 percent (P54.0 billion) in 2007. Other banking subgroups had the following market shares: universal banks at 37.4 percent (P29.4 billion) from 29.9 percent (P25.7 billion) and commercial banks at 8.0 percent (P6.2 billion) from 7.5 percent (P6.4 billion) share.



Against the backdrop of the general weakening of the local currency over the US Dollar following the collapse of the Lehman Brothers in September 2008, foreign currency deposit unit (FCDU) loans (net of interbank loans) expanded by 41.1 percent to P310.3 billion ($6.5 billion) from P220.0 billion ($5.3 billion) last year. Inclusive of interbank loans, FCDU lending modestly grew by 1.7 percent to P516.7 billion ($10.9 billion) from P508.0 billion ($12.3 billion) in 2007.

Across banking groups, universal banks still held the bulk of FCDU loans (net of IBL) at 77.3 percent (P239.4 billion or $5.0 billion) from last year's 74.2 percent (P163.2 billion or $3.9 billion). The rest of the subgroup had the following shares: commercial banks at 22.7 percent (P70.4 billion or $1.5 billion) from 25.8 percent (P56.6 billion or $1.4 billion) and thrift banks at 0.2 percent (P0.5 billion or $10.0 million from 0.1 percent (P0.2 billion or $4.0 million).

In terms of banks' exposure to micro, small and medium enterprises (MSME) and agri-agra credit (socialized loans), banks still had no difficulty lending to the MSME sector but struggled to meet the agri-agra mandatory credit ratios. As of end-September 2008, a total of 804 banks (composed of 38 universal and commercial banks, 80 thrift banks, 643 rural banks and 43 cooperative banks) were able to set aside a total of P162.3 billion for micro and small enterprises and P146.8 billion for medium enterprises thereby, amounting to a total of P309.1 billion.

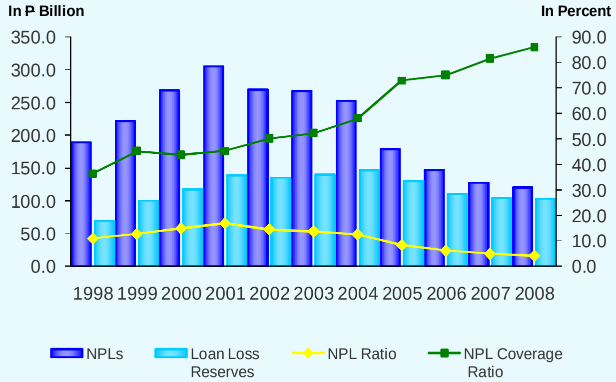
banks still had no difficulty lending to the MSME sector but struggled to meet the agri-agra mandatory credit ratios

As of end-September 2008, a total of 675 banks[23] (composed of 20 universal and commercial banks, 49 thrift banks, 564 rural banks and 42 cooperative banks) set aside a total of P191.3 billion or 9.7 percent ratio (0.3 percentage point short of the mandatory 10 percent) for agrarian reform credit and an overall ratio of 22.3 percent (2.7 percentage points short of the minimum 25 percent requirement).

The general improvement in credit risk management of banks led to continued improvement in the banking system's loan quality. As of end-December 2008, non-performing loans dropped by 5.7 percent (P7.3 billion) to P120.6 billion from P128.0 billion last year on the back of sustained credit expansion and subdued loan defaults. Consequently, the NPL ratio eased to 4.2 percent from the 5.0 percent ratio recorded in 2007. This was the lowest post-crisis ratio and

Philippine Banking System

NPLs and NPL Coverage Ratio

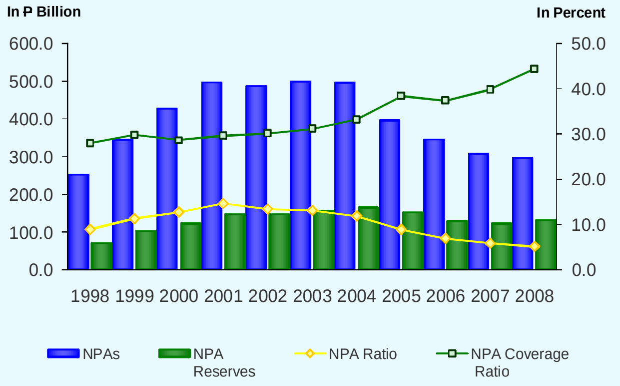


Source: Office of Supervisory Policy Development, Supervision and Examination Sector

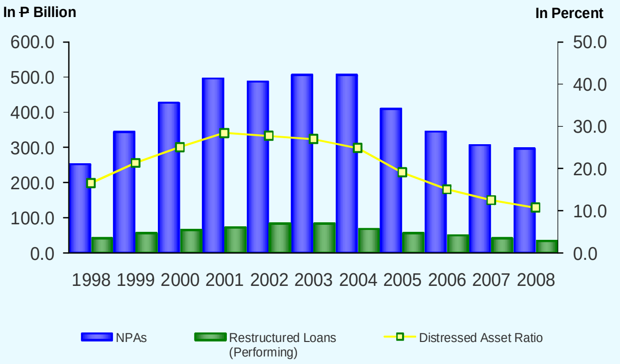
a significant 12.7 percentage points reduction from a high of 16.9 percent posted in 2001.

During the year, banks continued to provide higher provisioning for impaired loans as the NPL coverage ratio further widened to 86.0 percent from 81.5 percent in 2007. Likewise, the spread between the NPL ratio and loss provisioning ratio widened to 819 basis points from last year's 766 basis points.

Philippine Banking System
NPAs and NPA Coverage Ratio



Philippine Banking System
Distressed Assets Level/Ratio



In step with improving loan quality coupled with disposals of foreclosed properties, non-performing assets (NPA) shrunk by 3.5 percent (P10.6 billion) to P296.8 billion from P307.5 billion in 2007. Accordingly, the banking system's NPA ratio eased to 5.1 percent from 5.9 percent last year. This was also the lowest post crisis ratio and 9.5 percentage points lower than the peak of 14.6 percent NPA ratio recorded in 2001. Loss provisioning similarly improved as NPA coverage ratio was better at 44.4 percent from 39.8 percent in 2007. Hence, the spread between NPA and NPA coverage ratios widened to 393 basis points from 339 basis points.

With the general improvement in asset quality, the distressed asset ratio (broadest measure of asset quality) sustained its downtrend. As of end-December 2008, the distressed asset ratio improved to 10.7 percent from 12.5 percent in 2007 on account of reductions in NPAs and performing restructured loans against the backdrop of strong credit growth.

OTHER FINANCIAL ASSETS

The banking system's total financial assets other than loans, gross (net of amortization) stood at P1,388.7 billion as of end-December 2008. Debt securities accounted for 91.4 percent (P1,269.7 billion) of the aggregate financial assets whereas equity securities constituted the balance of 8.6 percent (P119.0 billion).

23 The balance refers to 108 under complying banks, 26 non-reporting banks and five banks with no agri-agra credit facility.

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

As to specific instruments, debt securities were mostly placed in held-to-maturity (HTM) financial assets, net of allowance for credit losses at 35.7 percent (P487.3 billion) share. Available-for-sale (AFS) financial assets, net followed closely at 34.9 percent (P476.0 billion). Likewise, financial assets held for trading (HFT) and unquoted debt securities classified as loans, net had double-digit shares of 15.2 percent (P207.8 billion) and 13.3 percent (P180.8 billion), respectively. The negligible balance of 0.9 percent (P12.1 billion) were financial assets designated at fair value through profit or loss (DFVPL).

In order to mitigate the impact of abnormal market rates at the height of the crisis in September 2008 on the values of banks' financial assets other than loans, the BSP allowed its supervised financial institutions (FI) to reclassify their financial assets from categories measured at fair value such as HFT and AFS to categories measured at amortized cost such as HTM and unquoted debt securities classified as loans (UDSCL), as well as to AFS (for reclassified HFT financial assets) pursuant to Circular Nos. 626 and 628 (Box Article 1). These FIs were given up to 14 November 2008 to avail of the look-back provision wherein the transfer of financial assets may be value dated as of any date between 1 July 2008 to 14 November 2008. The regulatory relief was implemented to mitigate the extraordinary impact of marking -to-market on banks' trading books under a crisis scenario. Further, this was broadly in line with the amendments to the International Accounting Standards 39 (IAS 39) on Financial Instruments Recognition and Measurement and International Financial Reporting Standards 7 (IFRS 7) on financial instruments disclosures.

In order to mitigate the impact of abnormal market rates on the values of banks' financial assets, the BSP allowed its supervised financial institutions (FI) to reclassify their financial assets

On the other hand, 95.7 percent (P102.5 percent) of equity securities was lodged under equity investments in subsidiaries, associates and joint ventures, net. Investments in non-marketable equity securities (INMES), net made up the remaining 4.3 percent (P4.6 billion) share.

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

The regulatory relief was implemented to mitigate the extraordinary impact of marking-to-market on banks' trading books under a crisis scenario

Counterparties of banks as to debt securities were mostly residents at 80.6 percent (P1,022.8 billion). This was followed by non-residents and multilateral agencies with shares of 19.1 percent (P242.6 billion) and 0.3 percent (P4.3 billion), in that order.

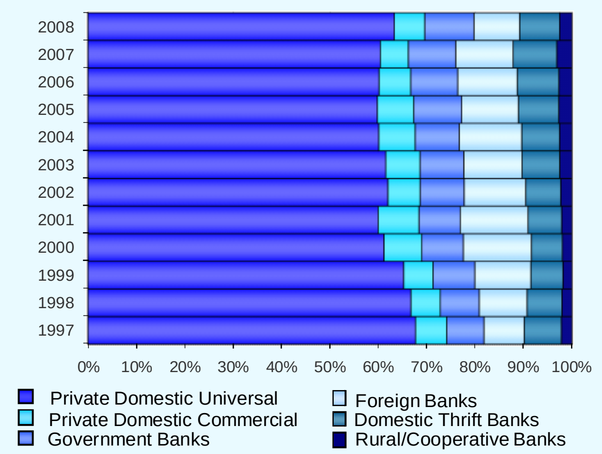
The current underdevelopment of the local capital market led to a debt market that is crowded by government papers as government securities captured the lion's share of resident-issued debt papers at 90.2 percent or P922.9 billion. Private issues came a far second at 6.1 percent or P62.4 billion while the balance went to issuances of banks at 1.8 percent or P18.9 billion and the BSP at 1.8 percent or P18.7 billion.

As to equity securities, counterparties of banks were largely resident issuers at 92.1 percent (P109.5 billion). Of which, 71.6 percent was accounted for by private corporations, 25.5 percent by banks and 2.9 percent by government owned and/or controlled corporations (GOCCs). Meantime, non-residents held the remaining 7.9 percent (P9.4 billion) of total equity securities.

DEPOSIT LIABILITIES

Deposit liabilities stood at P4,195.0 billion as of end-December 2008,14.5 percent (P530.1 billion) higher than last year's level of P3,664.8 billion. The growth was indicative of sustained confidence in the banking system.

Philippine Banking System: Distribution of Deposits



In terms of specific market shares, private domestic universal banks held the bulk of deposit liabilities at 63.3 percent (P2,655.2 billion) from last year's 60.5 percent (P2,213.9 billion). Rural and cooperative banks, because of their distance from highly populated urban areas, captured the least share of 2.6 percent (P107.2 billion) from 3.1 percent (P114.7 billion) in 2007.

As of end-December 2008, peso deposit liabilities still accounted for the bulk of the banking system's deposit liabilities at 76.7 percent (P3,217.2 billion) from 77.9 percent (P2,856.6 billion) in 2007. The remaining share went to foreign currency deposit liabilities at 23.3 percent (P977.7 billion) from 22.1 percent (P808.3 billion).

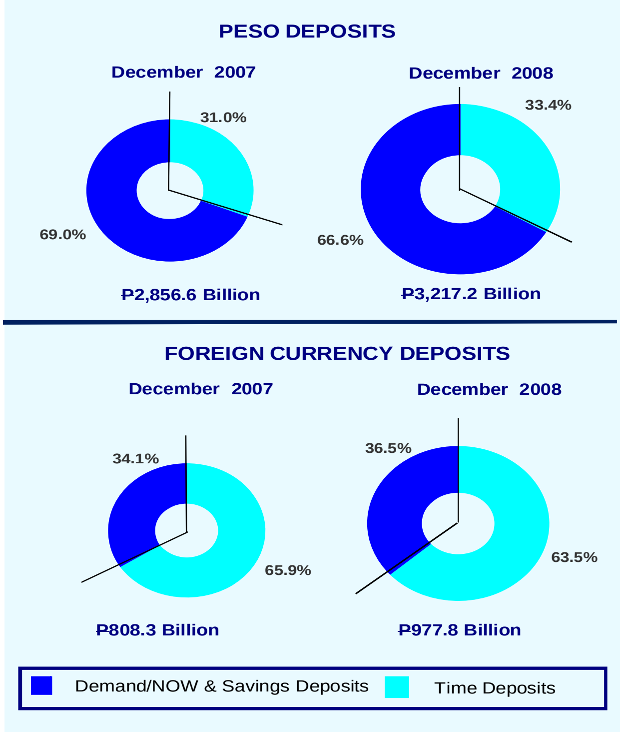
Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Year-on-year, peso deposit liabilities grew by 12.6 percent while foreign currency deposit liabilities posted a 21.0 percent growth on account of the general weakening of the local currency against the US dollar in 2008.

In terms of specific placements, peso deposit liabilities were mostly in shorter-term demand, negotiable orders of withdrawal (NOW) and savings deposits at 66.6 percent or P2,142.7 billion (down from 69.0 percent but up from P1,972.0 billion in 2007). On the other hand, the bulk of foreign currency deposit liabilities were placed in interest-sensitive time deposit accounts at 63.5 percent or P977.7 billion (down from 65.9 percent but up from P808.3 billion).

Further, more than two-thirds of these deposit liabilities were channeled to loans. As of end-December 2008, the banking system's loans-to-deposit ratio stood at 69.7 percent, 1.2 percentage points lower than last year's 70.9 percent as banks shore up liquidity to brace for the looming second round effects of the prevailing global financial crisis. Parallel to this, there were legislative moves to increase the deposit insurance coverage[24] from the current P250,000 to P500,000 to effectively cover about 97.2 percent of the 31 million deposit accounts of the banking system. As of

Philippine Banking System: Deposit Mix



24 Local policymakers believe that increasing the deposit insurance coverage will encourage depositors to keep their money in banks since the government safeguards confidence in the banking system. Across the globe, similar initiatives were implemented by various governments in response to the crisis. In the United States, the Federal Deposit Insurance Corporation (FDIC) increased the deposit insurance coverage to $250,000 from $100,000 until 2009. In Europe, the governments of Belgium, Spain, Sweden and the Netherlands have raised the deposit guarantees to 100,000 euros from 20,000 euros while the governments of Austria, Denmark, France, Germany and Ireland have provided blanket guarantee of bank deposits. In the United Kingdom, deposit guarantees were likewise increased to 50,000 pounds from 35,000 pounds. In Asia, Hong Kong, Malaysia and Singapore announced the sovereign guarantee of all deposits until 2010. Indonesia increased its deposit insurance coverage to $182,000 from $9,000 while Kazakhstan's deposit insurance coverage was increased to $42,000 from $6,000.

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

press time, the approved bill is currently pending for signature of the President.

CAPITALIZATION

Philippine Banking System: Capital Adequacy Ratio (CAR)

	Solo				Consolidated			
	End-December			End-Sept	End-December			End-Sept
	2005	2006	2007	2008	2005	2006	2007	2008
(In P Billion)								
Tier 1	404.5	419.0	467.2	501.4	401.5	415.4	463.9	476.4
Tier 2	73.4	94.4	102.0	123.8	75.8	98.5	105.5	123.0
Deductions	75.3	79.6	91.4	91.6	15.6	8.9	13.8	14.6
Qualifying Capital	402.5	433.8	477.8	533.6	461.7	505.0	555.5	584.8
Risk Weighted Assets (RWA) - net	2,457.9	2,575.1	3,247.7	3,662.4	2,616.6	2,785.0	3,523.3	3,784.7
(In Percent)								
Capital Adequacy Ratio	16.4	16.9	14.7	14.6	17.6	18.1	15.7	15.5

The phased implementation of Basel II-capital requirement has started to pay off as local banks remained stronger and better prepared to weather the ongoing financial storm. The banking system's capital adequacy ratio (CAR) as of end-September 2008 stood at 15.5 percent on a consolidated basis, way above the BSP regulatory requirement of 10 percent and the Bank for International Settlements (BIS) standard of 8 percent. On a solo basis, CAR was still above both the minimum regulatory requirement and the BIS standard at 14.6 percent.

The decline in the banking system's solvency ratio was on account of slower expansion of total qualifying capital (0.6 percent) compared to the growth in risk-weighted assets (4.0 percent). Meanwhile, Tier 1 to risk weighted assets (RWA) ratio was still adequate at 13.7 percent (down from 14.5 percent at end-September 2007).

Total capital accounts stood at P599.1 billion as of end-December 2008, 0.4 percent lower than last year's P601.8 billion on account of reduced profitability during the year in review. In terms of specific capital mix, paid-up capital still accounted for the biggest proportion of total capital accounts at 47.2 percent (P282.8 billion) from 45.4 percent (P273.0 billion) in 2007. Plowed back capital cornered the second biggest share at 33.7 percent (P202.0 billion) from 41.5 percent (P249.9 billion). Assigned capital (3.7 percent or P22.0 billion vs. 3.2 percent or P19.0 billion in 2007) and net due to head office/branches/agencies of local branches of foreign banks (12.6 percent or P75.6 billion vs. 10.0 percent or P60.0 billion last year) as well as other equity investments (2.8 percent or P16.7 billion) rounded up the remaining smaller shares.

Banks' compliance with the prescribed minimum amount of capital as of end-December 2008 slid to 81.7 percent (668 banks) from 82.2 percent (696 banks) last year. Except for rural and cooperative banks which posted a reduced compliance ratio of 81.8 percent (575 banks) from last year's 83.4 percent (606 banks), all banking groups had improving compliance ratios led by universal and commercial banks at 94.7 percent (36 banks), up from 92.1 percent (35 banks) last year. Thrift banks came second at 74.0 percent (57 banks), up from 67.1 percent (55 banks) in 2007 although the industry still had the lowest compliance ratio compared to other subgroups.

Philippine Banking System
Status of Banks' Compliance with Prescribed Minimum Amount of Capital

	2004	2005	2006	2007	2008
A. Number of Operating Banks	**893**	**879**	**862**	**847**	**818**
Universal and Commercial Banks	42	41	39	38	38
Thrift Banks	87	84	84	82	77
Rural/Cooperative Banks	764	754	739	727	703
B. Banks with Capital Equal to or in Excess of the Minimum Amount Required	**706**	**684**	**690**	**696**	**668**
Universal and Commercial Banks	33	32	38	35	36
Thrift Banks	56	54	54	55	57
Rural/Cooperative Banks	617	598	598	606	575

SELECTED CONTINGENT ACCOUNTS

TRADE-RELATED CONTINGENT ACCOUNTS

Total trade-related contingent accounts amounted to P44.7 billion, lower by 4.6 percent (P2.1 billion) than last year's P46.9 billion. The year-on-year contraction stemmed from the decline in export letters of credit (LC) by 47.0 percent (P1.8 billion) to P2.0 billion. In addition, unused imports commercial LCs fell by 0.8 percent (P0.4 billion) to P42.7 billion. This broadly reflects the slump in the international trade of goods during the year in review.

Unused commercial LCs (foreign) held the bulk of total trade-related contingent accounts at 68.3 percent (P30.6 billion). Unused commercial LCs (domestic) was a far second at 27.2 percent (P12.2 billion) share. Export LCs held the balance of 4.5 percent (P2.0 billion).

In terms of industry composition, domestic banks accounted for the bulk of trade-related contingent accounts at 78.6 percent (down from 90.9 percent last year). Foreign banks (branches and subsidiaries) held the remaining 21.4 percent (up from 9.1 percent).

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

BANK GUARANTEES

As of end-year 2008, the banking system's outstanding bank guarantees reached P88.2 billion, up by 9.1 percent (or P7.4 billion) from P80.8 billion last year. The expansion was fueled by the 32.7 percent (P4.0 billion) growth in outstanding guarantees issued. Stand-by LCs also contributed to the increase as the account rose by 4.9 percent (P3.3 billion).

Stand-by LCs accounted for a larger share of the total bank guarantees at 81.5 percent or P71.8 billion (down from 84.8 percent but up from P68.5 billion last year). On the other hand, outstanding guarantees issued held the remaining 18.5 percent or P16.3 billion (up from 15.2 percent or P12.3 billion).

domestic banks accounted for the largest slice of the industry's total bank guarantees

By main banking group, domestic universal and commercial banks accounted for the largest slice of the industry's total bank guarantees at 70.7 percent share (down from 78.3 percent last year). Foreign universal and commercial banks (branches and subsidiaries) came second at 29.2 percent (up from 21.0 percent). Thrift banks, on the other hand, accounted for a meager 0.1 percent (down from 0.7 percent).

DERIVATIVES

During the year, the BSP enhanced its rules and regulations governing the derivatives transactions of banks (Circular No. 594 dated 08 January 2008). The new regulation expanded the range of available derivative products for investment diversification and expanded opportunities for financial risk management arising from changes in interest rate, foreign exchange rate and other financial variables.

Despite the liberalization in the derivatives rules, the industry's notional value of derivatives instruments still declined from last year's level.

As of end-year 2008, derivatives transactions amounted to P1,812.6 billion, down by 27.8 percent or P697.6 billion from P2,510.3 billion last year. The substantial year-on-year decline took place as banks became more reluctant to take on additional risks from these types of instruments in the midst of the current financial market turmoil and the highly publicized burnout from structured products in advanced markets.

Majority of the banking industry's derivatives instruments were held by foreign banks (branches and subsidiaries) at 67.9 percent (up from 65.5 percent last year). The remaining 32.1 percent (down from 34.5 percent) was transacted by domestic banks. Both domestic and foreign banks exhibited reductions in derivative activities by 32.9 percent or P285.4 billion and by 25.1 percent or P412.3 billion, respectively.

Derivative transactions were largely composed of currency forwards at 63.4 percent or P1,149.7 billion (down from 84.4 percent or P2,118.5 billion last year). By main group, foreign banks captured the bulk of currency forwards at 63.0 percent share (up from 62.7 percent last year). Domestic banks' portion stood at 37.0 percent (down from 37.3 percent).

Interest rate swaps captured the second largest share at 24.2 percent or P438.0 billion (up from 13.3 percent or P334.8 billion last year). By main group, foreign banks captured majority of the total interest rate swaps at 82.9 percent (up from 77.5 percent) share. Domestic banks held the balance of 17.1 percent (down from 22.5 percent).

Meanwhile, financial options' share widened to 3.0 percent from 2.3 percent, albeit there was a decline in notional value by 4.8 percent to P54.2 billion from P57.0 billion.

The new regulation expanded the range of available derivative products

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Currency swaps and credit derivatives accounted for the remaining shares of 8.4 percent (P153.1 billion) and 1.0 percent (P17.6 billion), respectively.

Currency swaps and credit derivatives accounted for the remaining shares

UNIVERSAL AND COMMERCIAL BANKS

OVERVIEW

The universal and commercial banking industry capped the year 2008 with positive bottom line, stronger asset base, improved asset quality, ample liquidity and adequate capital. The industry was able to pull these through amid hostile operating environment plagued by inflation pressures brought about by rising oil and food prices, and heightened international risk aversion persisted throughout the year due to the global economic and financial crisis. Such resilience gave credence to earlier reforms implemented by the BSP particularly on overall risk management of banks and the much-needed cushion provided by banks' sustained profitability in the past.

The universal and commercial banking industry capped the year 2008 with positive bottom line, stronger asset base, improved asset quality, ample liquidity and adequate capital

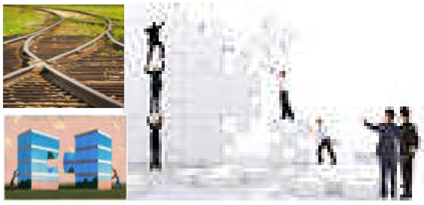
International risk aversion stemming from the global credit crunch dampened income prospects from financial assets other than loans sending a 37.4 percent deceleration of the industry's net profit over the prior-year period. Nonetheless, the still positive bottom line was supported by net gains from fee-based income (13.3 percent) and net interest income (10.2 percent).

Meanwhile, the banks' migration from the old report format – consolidated statement of condition (CSOC) and consolidated statement of income and expenses (CSIE) – to the new financial reporting package (FRP) prompted the restatement of foreclosed real estate properties, and corresponding depreciation and provisions (for non-credit risks) based on the Philippine Accounting Standards (PAS). As a result, total non-interest expenses for the year 2008 increased by 10.4 percent to P163.3 billion from P148.0 billion in the prior-year period. The industry's measure of operational efficiency– the cost-to-income ratio (CTI) – in turn climbed to 72.7 percent from 62.1 percent.

International risk aversion stemming from the global credit crunch dampened income prospects from financial assets other than loans

The implementation of Basel 2 not only forced banks to reduce their risk assets but also compelled them to consider alternative

Source: Office of Supervisory Policy Development, Supervision and Examination Sector



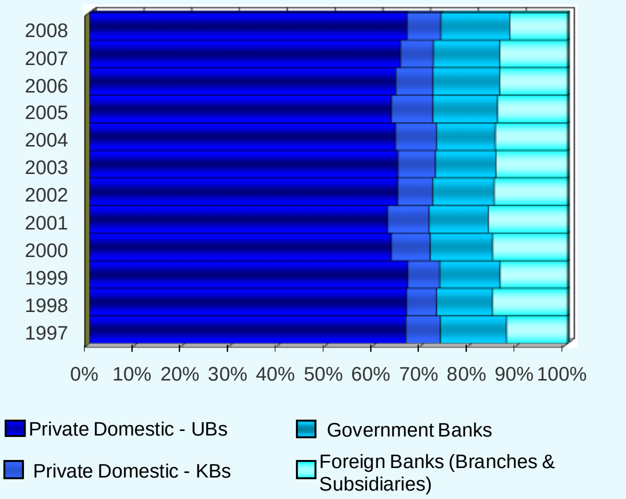
strategies in fortifying capital and meet the requirements set by the BSP. In doing so, banks have the option to infuse fresh equity, issue unsecured subordinated debt (USD) qualifying as hybrid Tier 1 or Tier 2 (supplementary) capital, or consolidate. During the period, Tier 2 capital rose by 20.9 percent to P117.6 billion. On the other hand, the market leadership and expansive client reach enjoyed by Banco de Oro Unibank, Inc. (BDO) still served as a clear signal for contenders to consider the option to merge/consolidate.

The industry remained committed as well on improving asset quality either through other alternative modes of asset disposal such as write-offs, public auctions and/or joint venture agreements. These measures further set off a 9.7 percent decline in NPLs to P88.2 billion from P97.6 billion last year. This brought down the industry's NPL ratio to its eleven-year low of 3.5 percent. The combination of lower NPLs and real and other properties acquired (ROPA) reduced the level of non-performing assets (NPAs) by 4.5 percent to P229.0 billion from P239.7 billion. Thus, the industry's NPA ratio further eased to 4.4 percent from 5.2 percent. With the general contraction in the stock of bad debts and foreclosed properties, coverage ratios for NPLs and NPAs remained at comfortable levels of 100.0 percent and 49.5 percent, respectively.

The industry's total assets expanded by 12.2 percent to P5,035.0 billion from last year's P4,488.3 billion. (Table 13) The growth in the industry's resources was backed by substantial increments on key funding sources: deposit liabilities (16.2 percent) and unsecured subordinated debt (11.9 percent).

By analytical groups, private domestic universal banks consistently held the bulk of the industry's total assets at 66.4 percent (up from last year's 65.0 percent). Government banks accounted for the second biggest share at 14.4 percent (up from 13.9 percent). Foreign banks (branches and subsidiaries) and private domestic commercial banks mustered the remaining shares of 12.1 percent (down from

Universal and Commercial Banking System
Market Structure of Assets



14.2 percent) and 7.1 percent (up from 6.9 percent), respectively.

The resilient macroeconomy supported bank lending growth and activity. Loans (exclusive of interbank lending) chalked a double-digit growth of 23.6 percent to reach P2,295.1 billion from P1,1857.5 billion. Among the real sectors, manufacturing kept the largest share of the industry's loan extension at 16.0 percent and it even picked up by 7.3 percent amidst a slowdown in the world economy and heightened competition from China. Main contributor to growth came from those producing essentials such as food, pharmaceuticals and telecommunications. Meanwhile, the steady inflow of remittances buoyed household demand for consumer financing, which recorded a hefty expansion of 40.0 percent.

Main contributor to growth came from those producing essentials such as food, pharmaceuticals and telecommunications

Financial assets other than loans, gross, on the other hand, reached P1,306.5 billion as of end-December 2008. Debt securities constituted 91.0 percent of the industry's total financial assets other than loans whereas equity securities represented the balance of 9.0 percent.

Illiquidity was a non-issue but excess liquidity was. Banks managed this 'problem of plenty' with mixed results. Cash and due from banks-to-deposits ratio slid to 20.5 percent (from 21.0 percent last year) while liquid assets-to-deposits ratio advanced to 54.8 percent (from 54.5 percent). On the other hand, loans, gross-to-deposits ratio was pared to 68.0 percent from 69.0 percent as deposit liabilities grew faster than loans.

Illiquidity was a non-issue but excess liquidity was

As of end-September 2008, the industry maintained a solid capital base with capital adequacy ratio (CAR) on a solo and consolidated basis of 14.6 percent and 15.7 percent, respectively. Both CARs were well above the 10 percent minimum set by the BSP and 8 percent prescribed by the Basel Accord.

Based on the published statement of condition as of 31 December 2008, BDO kept its lead in terms of total assets, deposit liabilities and loans (gross), while Metrobank was the consistent runner-up in the same categories. On the other hand, BPI – the overall third placer – emerged as the bank with the highest capitalization. Landbank was a solid fourth placer in all bases. DBP, by and large, ranked fifth except in deposit liabilities, which was captured by PNB.

All in all, the share of the Top 5 universal and commercial banks to the industry's total assets, deposit liabilities, and loans, gross widened to 53.3 percent (from 49.3 percent based on published statements as of end-December 2007), 57.1 percent (from 53.4 percent), and 52.9 percent (from 46.6 percent), respectively. Meanwhile, the Top 5 banks' share to industry's total capital accounts slid to 44.8 percent from 48.7 percent last year.

Top Five Universal and Commercial Banks
Based on Published Balance Sheet as of 31 December 2008
Amounts in P Billion

Assets

Rank	Name of Bank	Amount
1	BDO	770.8
2	Metrobank	634.7
3	BPI	551.4
4	Landbank	434.0
5	DBP	290.3
	Total	**2,681.3**
	% Share	**53.3**

Loans

Rank	Name of Bank	Amount
1	BDO	440.3
2	Metrobank	287.7
3	BPI	258.3
4	Landbank	209.0
5	DBP	137.5
	Total	**1,332.8**
	% Share	**52.9**

Deposit Liabilities

Rank	Name of Bank	Amount
1	BDO	610.3
2	Metrobank	527.9
3	BPI	441.2
4	Landbank	333.6
5	PNB	202.0
	Total	**2,115.0**
	% Share	**57.1**

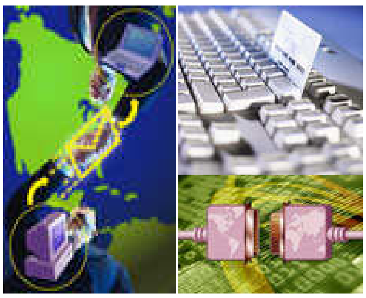
Capital Accounts

Rank	Name of Bank	Amount
1	BPI	61.1
2	BDO	55.7
3	Metrobank	55.2
4	Landbank	35.6
5	DBP	34.9
	Total	**242.5**
	% Share	**46.5**

OPERATING NETWORK

As of end-December 2008, the number of operating banks (head offices) did not change from last year's count of 38. On the other hand, the industry's network of branches/other offices went up by 129 to 4,366 from 4,237 at end-year 2007. Notably, the move of BDO to absorb its thrift bank subsidiaries, BDO Elite Savings Bank, Inc. and Equitable Savings Bank, Inc., together with their 40 branches altered the industry landscape. Hence, the number of banking offices increased by 129 to 4,404 from 4,275. This brought up the industry's share in the overall operating network of the banking system to 56.1 percent from 55.2 percent at end-year 2007.

The industry still consisted of 17 universal banks and 21 commercial banks. Universal banks included 11 private domestic banks, three government banks and three branches of foreign banks. On the other hand, commercial banks consisted of 11 branches of foreign banks, seven private domestic banks and three subsidiaries of foreign banks. (Schedule 1)

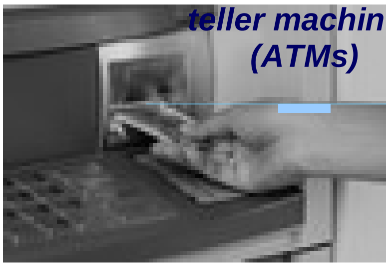


Meanwhile, the number of overseas branches/offices of seven private domestic universal banks went up to 42 from 41 at year end-2007. These branches were situated in country destinations of overseas Filipinos: 24 in the Asia-Pacific, nine in Europe, six in North America and three in the Middle East.

As to regional distribution, the configuration hardly changed as 37 out of the 38 head offices together with their 2,026 branches were located in the National Capital Region (NCR), representing 46.8 percent of the total number of domestic banking offices. Other regions with significant network shares were: Region IV-A (CALABARZON) at 10.5 percent or 464 banking offices, Region III (Central Luzon) at 7.9 percent or 348 offices, Region VII (Central Visayas) at 6.5 percent or 284 offices, and Region VI (Western Visayas) at 5.1 percent or 224 offices. The balance of 23.2 percent or 1,021 offices were distributed among the rest of the regions.

Meantime, the industry's service delivery system continued to expand its reach via automated teller machines (ATMs). The industry's ATM network rose by 420 units to 6,803 at end-December 2008 from 6,383 last year. Of the total, 68.3 percent or 4,645 units (up from 4,470 units) were installed within bank premises whereas 31.7 percent or 2,158 units (up from 1,913 units) were installed off-site, mostly in shopping malls.

Meantime, the industry's service delivery system continued to expand its reach via automated teller machines (ATMs)



Similar to the geographical distribution of banking offices, ATMs were mostly concentrated in the NCR at 46.3 percent (3,151 units). This was followed by the ATM network in the regional growth centers of CALABARZON, Central Luzon, Central Visayas and Western Visayas with respective shares of 13.6 percent (924 units), 7.6 percent (514 units), 7.3 percent (494 units) and 5.0 percent (337 units). (Table 12)

Meanwhile, the number of banks engaged in electronic banking services (e.g., fund transfers, loan and credit applications, bills payment, check orders, cash card and e-wallet) stood at 32 as of end-December 2008. Out of the total, there were 26 banks which operated their own mobile, non-mobile and internet banking facilities. On the other hand, there were 16 banks which were authorized to offer internet/mobile banking operations through tie-ups with BancNet's Multi-Channel Payment Gateway (MCPG) or MegaLink's ATM Switch networks. In addition, there were 13 banks with cash card operations. Lastly, there were 10 banks which participated in the Bureau of Internal Revenue's Electronic Filing and Payment System (EFPS). (Table 13)

RESULTS OF OPERATIONS

For the year 2008, the universal and commercial banking industry chalked net profit of P37.5 billion

For the year 2008, the universal and commercial banking industry posted a net profit of P37.5 billion, shrinking by 37.4 percent (or P22.4 billion) from P59.9 billion in 2007. The net profit slowdown was a complete reversal of last year's expansion of 10.5 percent as prospective income from financial assets other than loans was dampened by international risk aversion stemming from the global economic and financial crisis.

Total operating income posted a slowdown of 6.1 percent (P14.4 billion) to P223.7 billion from P238.1 billion. This was attributed to the sharp 28.1 percent (P28.5 billion) decline in non-interest income, easily muting the 10.2 percent (P14.1 billion) pickup in net interest income.

Non-interest income went down to P72.7 billion from P101.2 billion. The reductions stemmed from trading income (P16.3 billion or 43.3 percent), other income (P12.9 billion or 50.8 percent), and dividend income (P3.8 billion or 89.4 percent) and was partly offset by the rise in fee-based income of P4.5 billion or 13.3 percent.

Meantime, net interest income advanced to P151.0 billion from P136.9 billion. The general improvement of interest earning assets, both in levels and quality, pulled interest income up by 7.9 percent. On the other hand, the growing level of interest sensitive time deposits plus issuances of unsecured subordinated debts raised funding cost by 4.8 percent. The faster interest income growth enabled the industry to clinch yet again a higher net interest income.

The share of net interest income to total operating income widened to 67.5 percent from 57.5 percent. On the contrary, the share of non-interest income to total operating income shrunk to 32.5 percent from 42.5 percent. In recent years, as fundamental economic forces and greater competition undercut banks' profitability in the loans market, the industry had been gradually shifting to non-traditional activities that yield higher returns. The global economic and financial crisis, however, cast a gloom on treasury operations and international trade transactions in 2008. Hence, non-interest income growth was tied to a few fee-based activities such as fiduciary (trust), underwriting, custodianship and others.

The industry's non-interest expenses went up by 10.4 percent (P15.3 billion) to P163.3 billion from P148.0 billion. The banks migration from the old report format – consolidated statement of condition (CSOC) and consolidated statement of income and expense (CSIE) – to the new financial reporting package (FRP) prompted a thorough revaluation of assets. As a result, provisions (for non-credit risks) and depreciation/ amortization jacked up by 535.3 percent (P5.1 billion) and 20.1 percent (P2.4 billion), respectively. The combined increments from these two expense accounts alone explained the 48.9 percent (P7.5 billion) aggregate increase in non-interest expenses. Moreover, enhancement of service delivery channels through additional banking offices, ATMs and e-banking raised the two largest components of non-interest expenses: compensation/fringe benefits by 8.4 percent (P4.3 billion) and other administrative expenses by 5.7 percent (P3.8 billion).

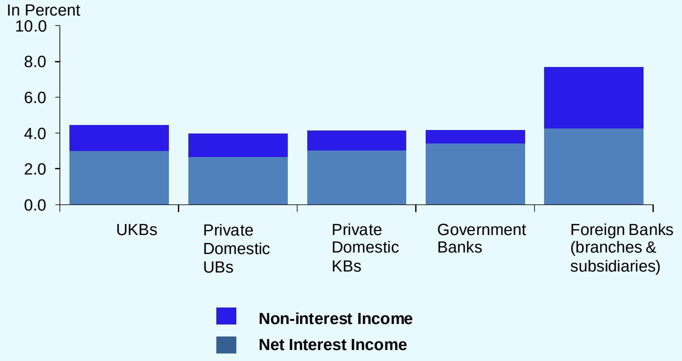
Moreover, enhancement of service delivery channels through additional banking offices, ATMs and e-banking raised the two largest components of non-interest expenses

Provision for credit losses (on loans and receivables and other financial assets), and bad debts written off slid by 5.5 percent (P1.1 billion) to P18.5 billion from P19.6 billion while recovery on charged-off assets rose by 24.7 percent to P2.3 billion from P1.9 billion. These resulted in total profits before tax of P51.1 billion, down by 29.0 percent (P20.9 billion) from P72.4 billion. Income tax expense in turn, posted a substantial increase of 11.7

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

percent to P13.9 billion, leaving the industry's bottom line 37.4 percent lower than the prior-year period.

Universal and Commercial Banking System
Ratio of Sources of Revenue to Total Assets
As of End-December 2008



Among the four analytical subgroups, foreign banks (branches and subsidiaries) outperformed the others in drawing the largest return from core lending, posting a net interest income-to-total assets ratio of 4.2 percent. Moreover, foreign banks kept their lead in off-balance-sheet activities with a non-interest income-to-total assets ratio of 3.4 percent. This is reflective of the subgroup's competitive edge in non-traditional markets such as securitization, derivatives, bank guarantees, brokering, dealership, remittances and fund management. Overall, the asset base of the universal and commercial banking industry was still focused mainly on conventional bank lending and investments in securities.

A closer look on the specific sources of bank revenues revealed that interest income from loans remained a large and stable fraction of total interest income, consistently accounting for more than half of the industry's total interest income at 61.8 percent or P165.7 billion (up from 60.0 percent share or P149.8 billion). Securities trading held the second biggest contribution to income at 28.7 percent or P76.8 billion. This was followed by interest income from special deposit accounts (SDA) with BSP at 5.6 percent or P15.0 billion.

The general rise in domestic interest rates pushed total interest expenses up by 4.8 percent to P116.9 billion from P111.5 billion

The general rise in domestic interest rates pushed total interest expenses up by 4.8 percent to P116.9 billion from P111.5 billion. Interest paid on deposits still held the biggest slice of total interest expenses at 75.1 percent or P87.9 billion.

All non-interest income accounts lost momentum except for fee-based income, which clinched a 13.3 percent (P4.5 billion) expansion to P38.4 billion. Intermediation services remained the biggest source of fee-based revenues at 45.9 percent (P17.6 billion) though leaner by 13.5 percent. Meanwhile, payment services component took the biggest plunge of 52.5 percent (P3.1

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

billion) as a dynamic effect of inflation shocks to private consumption. Income from trust services recorded a robust growth of 40.9 percent (P1.6 billion) while other sources of fees scaled up by 216.6 percent (P7.8 billion), pulling off a double-digit growth for fee-based income.

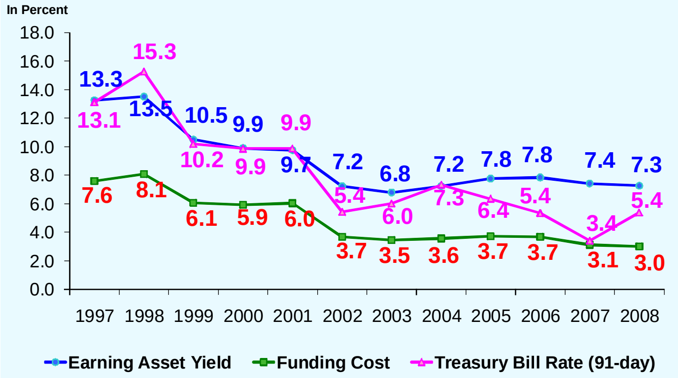
Trading income, on the other hand, fell by 43.3 percent (P16.3 billion) to P21.3 billion. Revaluation of foreign currency denominated accounts recorded unrealized foreign exchange losses of P6.7 billion in 2008; a reversal of 146.5 percent (P21.1 billion) from last year's unrealized foreign exchange profits of P14.4 billion. In addition, unrealized gains from mark-to-market financial derivatives, government securities (GS), and private securities/commercial papers (CPs)/equity securities nosedived by 95.6 percent (P17.1 billion) to P0.8 billion from P17.9 billion. These setbacks were reflective of heightened international risk aversion stemming from the global economic and financial crisis. On a positive note, realized gains from sale/redemption of GS, private securities/CPs/equity securities, and financial derivatives reached P16.9 billion (up by 220.0 percent from P5.3 billion). Profits were also realized from sale/de-recognition of non-financial assets (P7.9 billion), sale/redemption/de-recognition of non-trading financial assets and liabilities (P3.6 billion) and on foreign exchange trading transactions (P41 million).

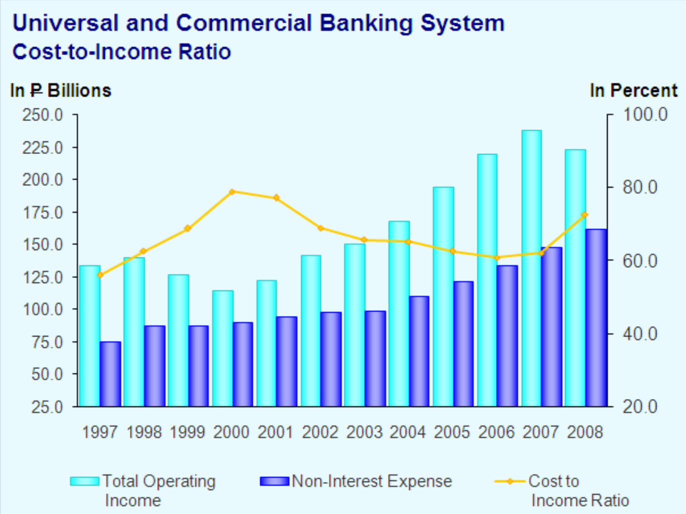
These setbacks were reflective of heightened international risk aversion stemming from the global economic and financial crisis

The industry's dividend income receded by 89.4 percent (P3.8 billion) to P0.4 billion from P4.2 billion last year. Also, other income – mainly attributed to rental income from safe deposit boxes and bank premises, and miscellaneous income – aggravated the downtrend in non-interest income with a plunge of 50.8 percent (P12.9 billion) to P12.5 billion from P25.4 billion.

The industry's earning asset yield stood at 7.3 percent, lower than last year's 7.4 percent. The gap between the earning asset yield and the average 91-day T-bill rate narrowed to 186 basis points from 401 basis points in 2007, as benchmark yield trekked up

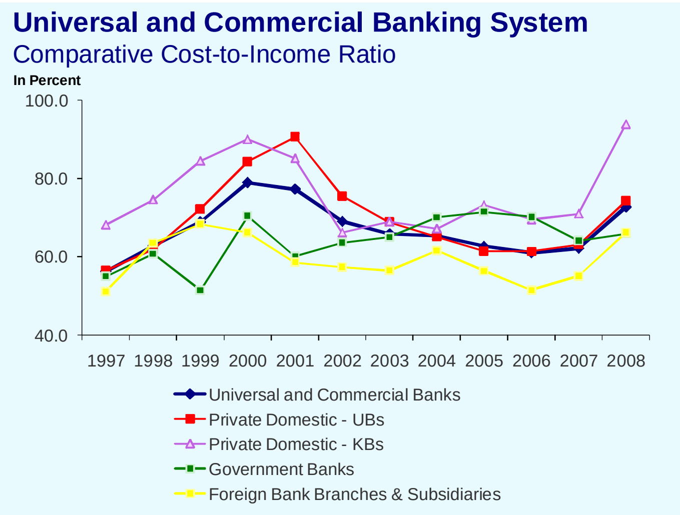
Universal and Commercial Banking System
Selected Ratios vs. 91-day Treasury Bill Rate





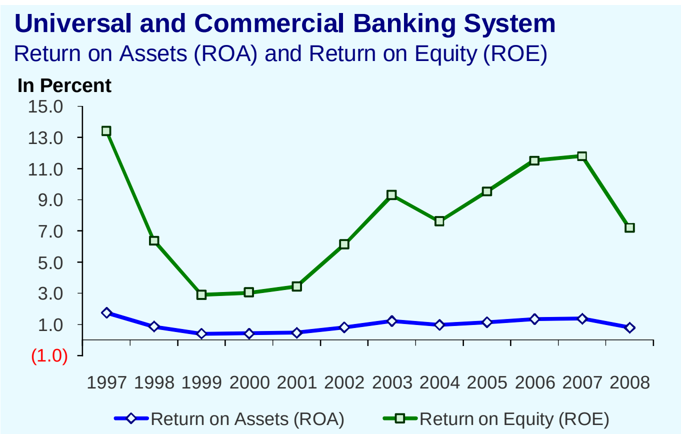
by 2.0 percentage points amid a double-digit inflation stemming from the pass-through of rising oil (cost-push factor) and food (demand-pull factor) prices.

Meanwhile, cost of funds slid to 3.0 percent from 3.1 percent in 2007. The gap between the 91-day T-bill rate and funding cost widened to 238 basis points from 29 basis points in 2007. The enlarging of the gap between funding cost and the benchmark T-bill rate was attributed to the highly liquid state of the universal and commercial banking industry as risk aversion pervaded. Nonetheless, the industry managed to maintain last year's net interest spread of 4.1 percent.



For the year ended 31 December 2008, the industry posted a higher cost-to-income (CTI) ratio of 72.7 percent from 62.1 percent last year. This resulted as the 10.4 percent growth in non-interest expenses came with the 6.1 percent drop in operating income.

The comparative CTI ratio among analytical subgroups showed government banks being the most cost-efficient at 65.8 percent (up from 64.1 percent last year). Foreign banks, which used to lead in terms of cost effectiveness, experienced a rising CTI ratio of 66.2 percent from 55.1 percent. The rest posted CTI ratios above the industry average with private domestic commercial banks having the highest at 93.9 percent (up from 71.0 percent) and private domestic universal banks followed at 74.2 percent (from 63.1 percent).



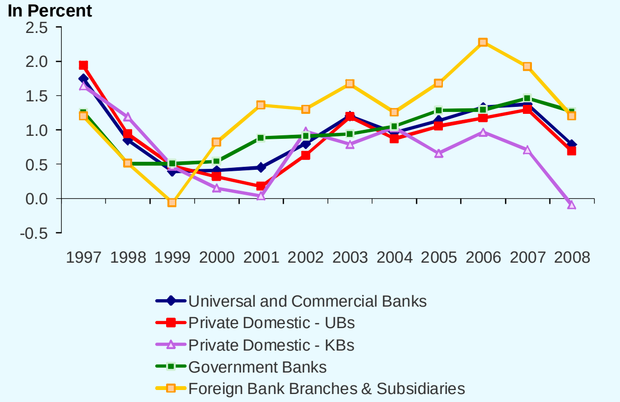
Return on assets (ROA) recoiled to 0.8 percent from 1.4 percent last year, whereas, return on equity (ROE) receded by 4.6 percentage points to 7.2 percent from 11.8 percent. By and large, the industry has yet to exceed the ROE of 13.4 percent and ROA of 1.8 percent posted in 1997. The gap between ROE and ROA trend lines narrowed to 6.4 percentage points from last year's 10.4 percentage points as average assets grew by 8.5 percent, faster than the 2.8 percent buildup in average capital.

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Among the subgroups, government banks emerged as the most profitable, performing better than the industry with an ROA of 1.3 percent (down from 1.5 percent last year). Foreign banks likewise continued to hover above the industry average with an ROA of 1.2 percent, down from 1.9 percent. Quite the opposite, private domestic universal banks performed below the industry with an ROA ratio of 0.7 percent (down from 1.3 percent). Meanwhile, private domestic commercial banks were hit the hardest by the global economic and financial crisis as they recorded an ROA ratio of negative 0.1 percent (down from 0.7 percent).

Universal and Commercial Banking System

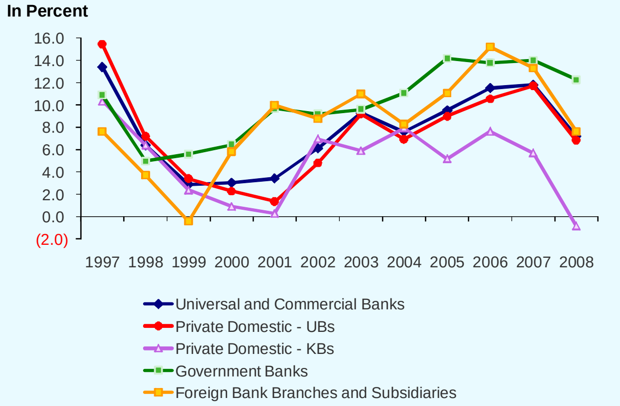
Comparative Return on Assets (ROA)



A comparison of ROE ratios among the subgroups showed that government banks and foreign banks outperformed the industry at 12.3 percent (down from 14.0 percent) and 7.6 percent (down from 13.3 percent), correspondingly. On the other hand, the ROE ratios of private domestic universal banks and private domestic commercial banks settled below the industry average at 6.8 percent (down from 11.7 percent) and negative 0.9 percent (down from 5.7 percent), in that order.

Universal and Commercial Banking System

Comparative Return on Equity (ROE)



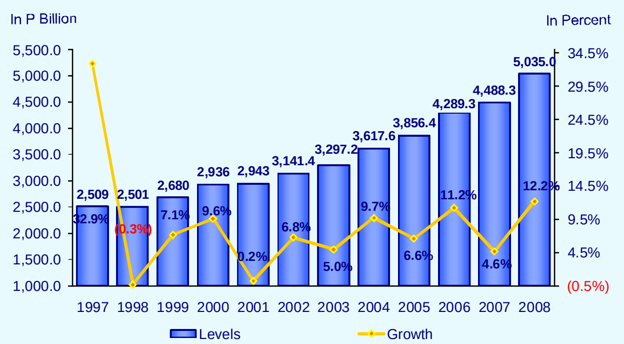
MAJOR BALANCE SHEET TRENDS

ASSETS

As of end-December 2008, the industry's total assets stood at P5,035.0 billion, expanding by 12.2 percent from last year's P4,488.3 billion.

Except for foreign banks (branches and subsidiaries) which declined by 4.2 percent (P26.7 billion) to P609.9 billion, all subgroups were aligned with the industry's year-on-year expansion. Private domestic universal banks led the subgroups with an asset base growing by 14.6 percent or P425.7 billion to P3,344.7 billion from end-2007's P2,919.0 billion. Government banks and private domestic commercial banks supported the uptrend by posting 16.3 percent growth to P724.4 billion and 14.9 percent to P356.0 billion, respectively.

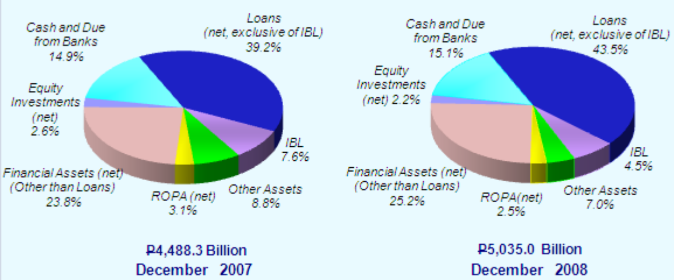
Universal and Commercial Banking System: Asset Growth



Universal and Commercial Banking System
Balance Sheet Structure

Major Accounts	End-December 2004	2005	2006	2007	2008
Total Assets	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Cash and Due from Banks	7.6 %	8.7 %	13.0 %	14.9 %	15.1 %
Interbank Loans Receivable (IBL)	7.0 %	8.8 %	9.4 %	7.6 %	4.5 %
Loans, net	38.4 %	36.6 %	36.6 %	39.2 %	43.5 %
Financial Assets, net (Other than Loans)	30.2 %	29.0 %	25.8 %	23.8 %	25.2 %
Equity Investments, net	2.7 %	2.6 %	2.4 %	2.6 %	2.2 %
ROPA, net	5.4 %	4.5 %	3.6 %	3.1 %	2.5 %
Other Assets	8.7 %	9.8 %	9.2 %	8.8 %	7.0 %
Total Liabilities and Capital	100.0%	100.0%	100.0%	100.0%	100.0%
Financial Liabilities Held for Trading					0.9 %
Financial Liabilities Designated at Fair Value through Profit or Loss					0.2 %
Deposits	68.3 %	68.2 %	71.6 %	71.0 %	73.5 %
Bills Payable	9.7 %	11.2 %	7.9 %	8.0 %	6.4 %
Special Financing	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Other Liabilities	8.1 %	7.7 %	7.2 %	7.5 %	6.8 %
Unsecured Subordinated Debt	1.4 %	1.3 %	1.8 %	1.8 %	1.8 %
Redeemable Preferred Shares					0.1 %
Capital Accounts	12.5 %	11.6 %	11.5 %	11.7 %	10.3 %

Universal and Commercial Banking System: Asset Mix



Loans, gross (exclusive of interbank loans) posted a hefty growth rate of 24.6 percent or P432.2 billion drawing on the strength of the agriculture sector. Likewise, financial assets, net and cash and due from banks expanded by 18.8 percent (P200.7 billion) and 13.8 percent (P91.9 billion), respectively. Meanwhile, contractions in IBL (34.2 percent), other assets (11.4 percent), real and other properties acquired or ROPA, net (8.4 percent), and equity investments, net (3.6 percent) partly reduced the uptrend.

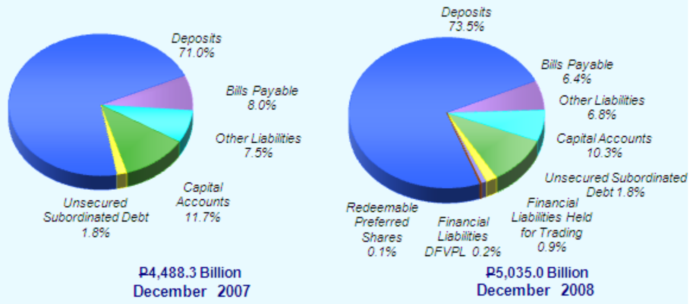
In terms of asset composition, loans, net (exclusive of IBL) and financial assets other than loans, net captured larger shares of the industry's total assets at 43.5 percent (up from 39.2 percent in the prior-year) and 25.2 percent (up from 23.8 percent), respectively. Other portions of the industry's assets were in cash and due from banks at 15.1 percent (up from 14.9 percent), other assets at 7.0 percent (down from 8.8 percent), IBL at 4.5 percent (down from 7.6 percent), ROPA, net at 2.5 percent (down from 3.1 percent) and equity investments, net at 2.2 percent (down from 2.6 percent).

The growth in resources primarily came from incremental deposit liabilities of P517.4 billion or 16.2 percent to reach P3,702.9 billion. Similarly, unsecured subordinated debt and other liabilities pulled off increases of P9.7 billion (11.9 percent) and P1.3 billion (0.4 percent), respectively. The issuance of unsecured subordinated debt by a number of universal banks reached P90.7 billion at end-December 2008 as banks further built up hybrid Tier 1 and Tier 2 (supplementary) capital. On the other hand, contractions in bills payable (P39.5 billion or 10.9 percent) and capital accounts (P2.3 billion or 0.4 percent) partly reduced the uptrend in the industry's sources of funds.

Meanwhile, the industry's funding mix barely changed as deposit liabilities consistently held the biggest share at 73.5 percent (up from last year's 71.0 percent), followed by capital accounts at 10.3 percent (down from 11.7 percent). The remaining shares came from other liabilities at 6.8

percent (down from 7.5 percent), bills payable at 6.4 percent (down from 8.0 percent), unsecured subordinated debt at 1.8 percent (as in the previous year), and three liability accounts under the new FRP: financial liabilities held for trading at 0.9 percent, financial liabilities designated at fair value through profit or loss (DFVPL) at 0.2 percent, and redeemable preferred shares at 0.1 percent.

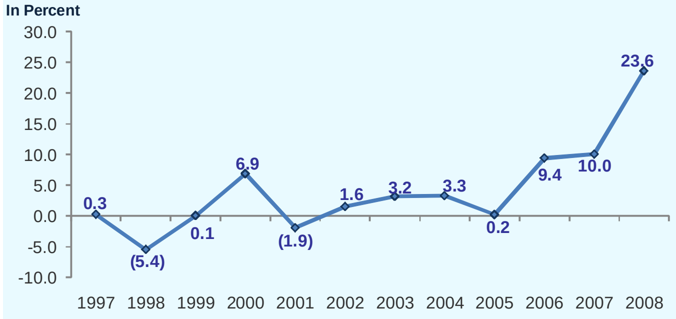
Universal and Commercial Banking System: Funding Mix



LOANS

The industry's total loan portfolio, gross expanded by 14.3 percent to P2,502.3 billion from P2,189.9 billion last year. Isolating the effects of interbank loans, however, strengthened the loan growth figure to 23.6 percent, reaching P2,277.8 billion from P1,848.5 billion. On the other hand, foreign currency deposit unit (FCDU) loans (inclusive of IBL) contracted by 12.1 percent to $10.7 billion from $12.2 billion. Exclusive of IBL, FCDU loans rose by 22.8 percent to $6.5 billion from $5.3 billion.

Universal and Commercial Banking System
Total Loans Outstanding (exclusive of IBL)
Annual Growth



As to analytical subgroups, private domestic universal banks consistently accounted for bulk of the industry's total loan portfolio (inclusive of IBL) at 64.7 percent (up from last year's 64.5 percent). Smaller portions went to foreign banks (branches and subsidiaries) at 15.1 percent (down from 15.6 percent), government banks at 14.5 percent (up from 13.7 percent), and private domestic commercial banks at 5.7 percent (down from 6.1 percent).

The expansion in core lending was broad based as all analytical subgroups factored in double-digit growth rates: private domestic universal banks at 25.3 percent (P307.5 billion), government banks at 19.3 percent (P54.1 billion), foreign banks at 17.9 percent (P43.1 billion) and private domestic commercial banks at 22.2 percent (P24.7 billion).

Financial intermediation remained a leading yet unstable fraction of the loans market as its share significantly dropped to

23.2 percent from 33.3 percent last year. The pronounced P147.8 billion or 20.2 percent contraction in financial intermediation was attributed to the heightened international risk aversion brought about by the global financial and economic crisis.

Meanwhile, lending to the manufacturing sector picked up by 7.3 percent (P27.6 billion) to hold on to the second biggest slice of the pie at 16.0 percent (down from 17.0 percent). The real estate, construction, renting and business activities sector ranked third at 12.6 percent (up from 11.0 percent), followed by the agriculture, fishing, hunting and forestry sector at 11.3 percent (significantly up from 4.2 percent).

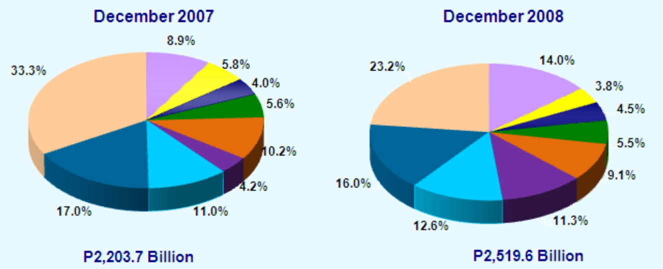
Aside from manufacturing, a roundup of the production side (i.e., agriculture, industry and services) of the economy revealed the following contributors to loan expansions in these sectors:

1. Agriculture, fishing, hunting & forestry – P194.2 billion or 211.8 percent;
2. Real estate, renting and business activities – P73.4 billion or 30.2 percent;
3. Transportation, storage and communication – P24.9 billion or 28.4 percent;
4. Electricity, gas and water – P16.2 billion or 13.2 percent;
5. Wholesale, retail trade, & repair of motor vehicles – P3.1 billion or 1.4 percent;
6. Others, specifically:
   - Public administration and defense, compulsory social securities – P16.3 billion or 43.0 percent;
   - Hotels and restaurants – P6.7 billion or 45.9 percent;
   - Health and social work – P1.9 billion or 26.6 percent; and,
   - Education – P1.5 billion or 16.1 percent.

Meantime, apart from financial intermediation, the following sectors experienced loan contractions:

1. Other community, social and personal service activities – P32.3 billion or 25.3 percent;

Universal and Commercial Banking System
Loan Portfolio Structure
By Industry Sector



	December 2007	December 2008
Financial Intermediation	33.3%	23.2%
Manufacturing	17.0%	16.0%
Real Estate, Construction, Renting & Business Activities	11.0%	12.6%
Agriculture, Fishery, Hunting & Forestry	4.2%	11.3%
Wholesale, Retail Trade & Repair	10.2%	9.1%
Electricity, Gas & Water	5.6%	5.5%
Transportation, Storage & Communication	4.0%	4.5%
Other Community, Social & Personal Activities	5.8%	3.8%
Others	8.9%	14.0%

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

2. Others, specifically:
   - Undifferentiated production activities of private households – P79.7 billion or 67.8 percent; and,
   - Mining and quarrying – P1.2 billion or 11.2 percent.

The industry's real estate loans (RELs) rose sharply by 30.5 percent (P58.6 billion) to P250.7 billion from P192.1 billion last year. By purpose, majority of the industry's RELs was extended for the acquisition and development of commercial properties at 71.3 percent (P178.7 billion) while the remaining 28.7 percent (P72.0 billion) was granted for the acquisition of residential units by individual homeowners/borrowers.

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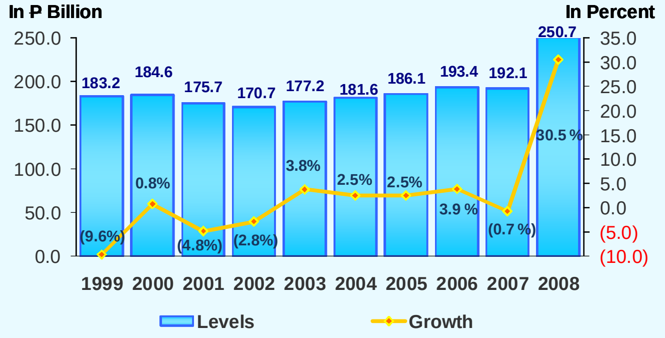
Non-performing RELs amounting to P15.2 billion went up by 2.8 percent (P0.4 billion) from P14.8 billion last year. Nonetheless, the ratio of past due RELs got better to 6.1 percent from 7.7 percent. On the whole, the proportion of RELs to total loans (exclusive of IBL) clinched to 10.9 percent from 10.3 percent.

By analytical group, domestic banks accounted for the lion's share of the industry's total RELs at 95.4 percent (slightly down from 95.7 percent last year) while foreign banks held the remaining 4.6 percent share (slightly up from 4.3 percent). Both subgroups sustained double-digit expansions in RELs: domestic banks posted a growth rate of 30.1 percent (P55.3 billion) to P239.1 billion from P183.8 billion, whereas foreign banks' RELs rose by 39.2 percent (P3.3 billion) to P11.6 billion from P8.3 billion.

The industry's total credit card receivables (CCRs) stood at P105.5 billion as of end-December 2008, posting a double-digit growth of 13.5 percent (P12.5 billion) from P93.0 billion at end-December 2007. This was due to the industry's aggressive marketing efforts and growing public acceptance of "plastic money" in the Philippines. Yet, the share of CCRs to total loans (exclusive of IBL) slid to 4.6 percent from 5.0 percent as loans base grew at a

Universal and Commercial Banking System
Real Estate Loans



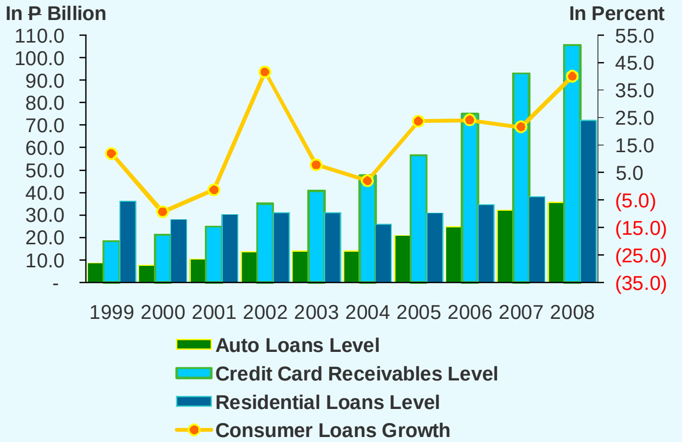
quicker pace. Nonetheless, non-performing CCRs ratio got better to 10.9 percent from 13.2 percent, which was reflective of continuous efforts of the industry to monitor and improve credit collection procedures.

Meanwhile, the credit card business remained the turf of foreign banks

Meanwhile, the credit card business remained the turf of foreign banks, cornering 55.2 percent (P58.2 billion) of the industry's total CCRs (from last year's 61.4 percent or P57.1 billion). However, domestic banks were starting to capture a bigger slice of the market at 44.8 percent (P47.2 billion) from 38.6 percent (P35.8 billion).

Automobile loans (ALs) sustained an uptrend of 10.6 percent or P3.4 billion to arrive at P35.6 billion from P32.2 billion last year. This translated to a meager 1.6 percent of the industry's total loans (exclusive of IBL), down from last year's 1.7 percent. As the double-digit growth in ALs negated the 1.9 percent buildup in non-performing ALs, the industry's non-performing ALs ratio eased to 5.7 percent from 6.2 percent. Domestic banks consistently held bulk of the industry's total loans at 92.3 percent or P32.9 billion (up from 91.4 percent or P29.4 billion). Meanwhile, foreign banks cornered the remaining 7.7 percent share or P2.7 billion (down from 8.6 percent or P2.8 billion).

Universal and Commercial Banking System
Consumer Loans and Components



On the whole, the steady flow of overseas Filipino (OF) remittances buoyed household income, stretching borrowing power on big ticket items perceived as household investments (e.g., a residential unit, a piece of land, an automobile, or a piece of equipment). As of end-December 2008, consumer loans (i.e., the sum of auto loans, credit card receivables, residential real estate loans and other loans to individual for consumption purposes) grew by 40.0 percent or P65.3 billion to P228.7 billion from last year's P163.3 billion. The share of consumer loans to the industry's total loan portfolio (exclusive of IBL) advanced to 10.0 percent from 8.8 percent. In addition, the industry's overall non-performing ratio for consumer loans eased to 8.9 percent from 10.3 percent.

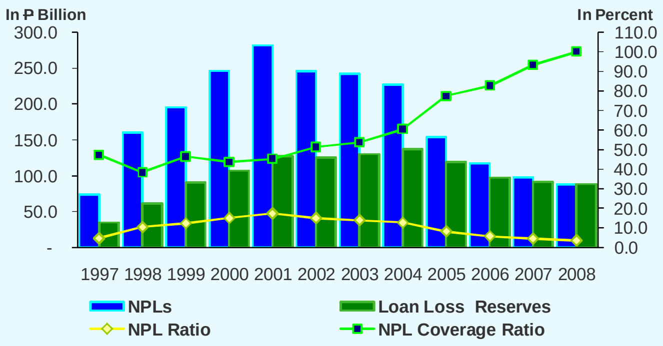
Source: Office of Supervisory Policy Development, Supervision and Examination Sector

As of 30 September 2008, the industry loaned out P86.2 billion or 6.2 percent of the total portfolio to small enterprises. Similarly, funds released to medium enterprises amounted to P111.6 billion or 8.1 percent. Overall, actual credit extended to SMEs totaled P197.8 billion or 14.3 percent of loans.

The corporate nature of its clientele, however, makes it difficult for the industry to meet the minimum 10 percent fund allocation for agrarian reform under P.D. No. 717. In fact, the industry was able to reach only 8.5 percent or P137.2 billion fund extension based on preliminary data as of end-September 2008. Likewise, compliance ratio for agricultural loans in general fell short of the required 25 percent at 20.8 percent or P337.0 billion.

As of end-December 2008, the industry's NPL ratio stood at 3.5 percent, easing further by 1.0 percentage point from 4.5 percent last year. The improvement is attributed to a host of factors: improved credit risk management systems, bulk sale of NPLs worth P3.7 billion under the second phase of implementation of the Special Purpose Vehicle Law (SPV II), restructuring, foreclosure, amortization update, debt write-offs and increase in loan levels. This reduced the industry's NPL by 9.7 percent or P9.4 billion to P88.2 billion from P97.6 billion a year ago. (Table 15)

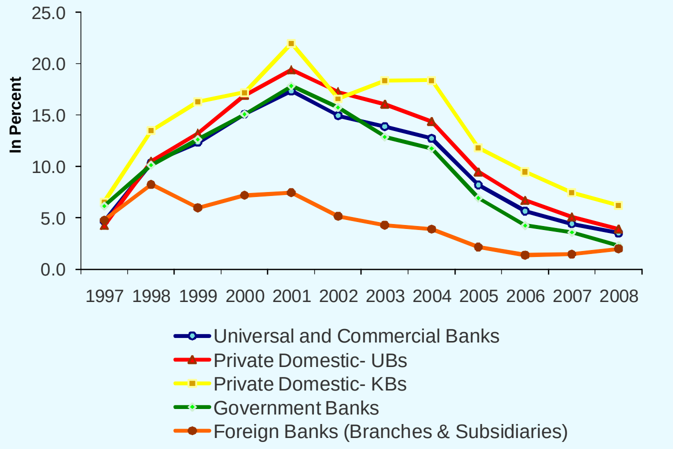
Universal and Commercial Banking System
NPLs and NPL Coverage Ratio



The industry posted its strongest ever NPL coverage ratio at 100.0 percent even as banks cutback on loan loss reserves by 3.3 percent (P2.9 billion) to P88.2 billion from last year's P91.1 billion. The continuing improvement in loan quality allowed banks to allot lower loan loss provisions without impairing the NPL coverage ratio, which even surpassed last year's 93.3 percent.

All three domestic bank subgroups were able to reduce their portfolio of bad debts while foreign banks failed to do so. Nonetheless, foreign banks recorded the best loan quality at NPL ratio of 2.0 percent, higher than last year's 1.5 percent ratio. Meantime, government banks' NPL ratio improved by 1.3

Universal and Commercial Banking System
Comparative NPL Ratio
By Industry Subgroup



Commercial Banking System
Comparative NPL Ratio of Selected ASEAN Countries

Country	NPL Ratio	(as of dates indicated)
Thailand	5.3%	December 2008
Philippines	3.5%	December 2008
Indonesia	3.2%	December 2008
Malaysia	1.7%	December 2008
Singapore	1.4%	September 2008

Source: Official National Website

percentage points to 2.3 percent from 3.6 percent and, together with that of foreign banks, was kept below industry average of 3.5 percent.

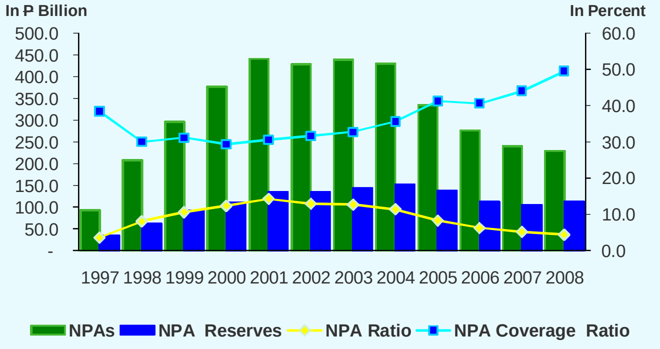
On the other hand, private domestic commercial banks posted the highest NPL ratio at 6.2 percent, yet an improvement of 1.3 percentage points from last year's 7.5 percent as NPLs dropped by 11.1 percent (P1.1 billion). Private domestic universal banks followed with an NPL ratio of 3.9 percent, getting better by 1.2 percentage points from 5.1 percent as the subgroup recorded a significant P8.2 billion (11.4 percent) cut in NPLs. However, the NPL ratios of both subgroups remained above the industry average in the last 11 years.

Universal and commercial banks' 3.5 percent NPL ratio, though relatively higher than most ASEAN 5 economies, was a feat on itself. The industry was able to bring down delinquency rate below its pre-crisis level of about 4.0 percent without recourse to government bailout but solely on private initiative. Nonetheless, it poses as a challenge for Philippine banks to further tame the NPL ratio down to the 1.5 to 3.0 percent range and achieve relative convergence with banks in other ASEAN 5 economies.

ROPA, gross shrank by 0.7 percent (P1.1 billion) to P152.3 billion from year ago's P153.3 billion. The marginal decline was attributed to the disposal through public auctions, sale of P9.4 billion worth of foreclosed properties of five banks under SPV, and the P3 million worth of foreclosed properties of one bank entered through joint venture agreement (JVA) with a real estate developer to convert said foreclosed real estate properties into income-generating assets pursuant to Circular No. 518 on 09 March 2006. These disposals were partly offset by foreclosures in 2008. Meanwhile, restructured loans, gross slipped by 15.1 percent to P55.5 billion from P65.4 billion.

The collective decline in the industry's stock of bad debts and foreclosed properties set off a modest 4.5 percent (P10.7 billion) contraction in non-performing assets (NPAs) to P229.0 billion from last year's P239.7 billion. The corresponding 12.1 percent expansion in gross assets to P5,148.2 billion from P4,593.9 billion complemented the industry's improving asset quality. The NPA ratio then eased to 4.4 percent, the industry's lowest in eleven years.

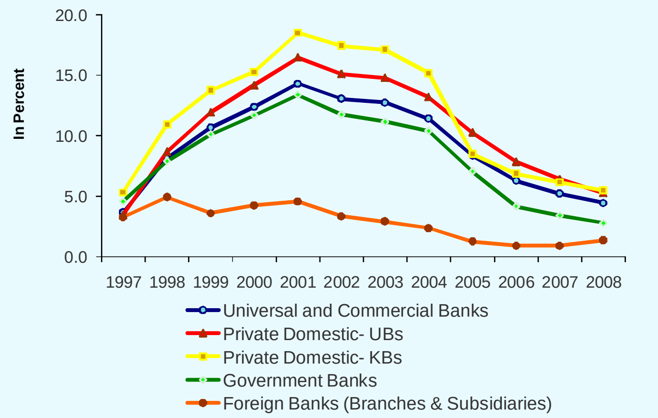
Universal and Commercial Banking System
NPAs and NPA Coverage Ratio



The lower stock of NPAs matched the industry's move to reinforce allowance for probable losses on NPAs by 7.3 percent to P113.3 billion from last year's P105.6 billion. Thus, the NPA coverage ratio widened to 49.5 percent from 44.0 percent.

The NPA ratio of government banks got better by 0.6 percentage point to 2.8 percent from 3.4 percent. Foreign banks continued to score the best NPA ratio at 1.4 percent (up from 0.9 percent last year). The NPA ratios of these two subgroups remained below the industry average of 4.4 percent.

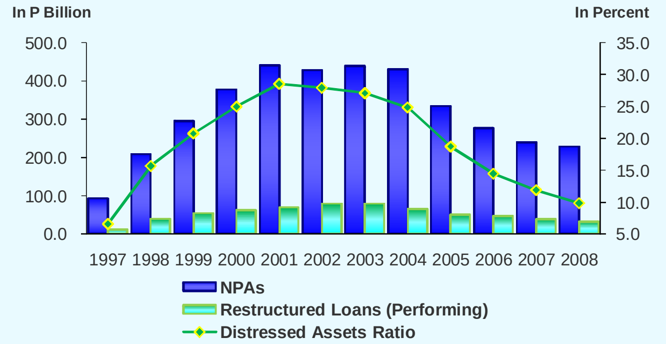
Universal and Commercial Banking System
Comparative NPA Ratio
By Industry Subgroup



On the contrary, private domestic universal and commercial banks continued to hover above the industry average since end-1998. Private domestic commercial banks recorded the highest NPA ratio at 5.5 percent, yet better by 0.7 percentage point than last year's 6.2 percent. Private domestic universal banks followed at 5.3 percent, an improvement of 1.1 percentage points from 6.4 percent.

The distressed assets ratio, as a broader measure of asset quality, reflected the industry's progress in cleaning up its books. As of end-December 2008, the distressed assets ratio dropped to 10.3 percent – the lowest since end-1997's 6.6 percent – from 12.3 percent last year. In the same vein, the stock of distressed assets declined by 6.0 percent (P16.7 billion) to P261.2 billion from last year's P277.9 billion.

Universal and Commercial Banking System
Distressed Assets Ratio



OTHER FINANCIAL ASSETS

The industry's total financial assets other than loans, gross of allowance for credit losses reached P1,306.5 billion as of end-December 2008. Debt securities constituted 91.0 percent (P1,189.0 billion) of the aggregate financial assets whereas equity securities represented the balance of 9.0 percent (P117.5 billion).

Private domestic universal banks held the lion's share of total financial assets

Private domestic universal banks held the lion's share of total financial assets at 69.8 percent (P912.5 billion). Government banks were a distant second at 14.4 percent (P188.4 billion), followed by private domestic commercial banks at 8.9 percent (P115.7 billion). The remaining share of 6.9 percent (P90.0 billion) was captured by foreign banks.

As to specific instruments, debt securities were mostly placed in held-to-maturity (HTM) financial assets, net of allowance for credit losses at 35.3 percent (P450.9 billion) share. Available for sale (AFS) financial assets, net tailed closely at 34.0 percent (P434.1 billion). Financial assets held for trading (HFT) came third at 16.1 percent (P205.6 billion). Likewise, unquoted debt securities classified as loans, net had a double-digit share of 13.6 percent (P173.9 billion). The negligible balance of 0.9 percent (P11.6 billion) was held by financial assets designated at fair value through profit or loss (DFVPL).

On the other hand, 95.8 percent (P101.7 billion) of equity securities was lodged under equity investment in subsidiaries, associates and joint ventures (net of allowance for credit losses). Investments in non-marketable equity securities (INMES), net made up the 4.2 percent (P4.5 billion) remainder.

Counterparties of universal and commercial banks as to debt securities were mostly residents at 79.9 percent (P949.8 billion). This was followed by non-residents and multilateral agencies with shares of 19.8 percent and 0.3 percent, respectively.

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

The bulk or 72.8 percent (P866.0 billion) of the industry's placements in debt securities was in government securities.

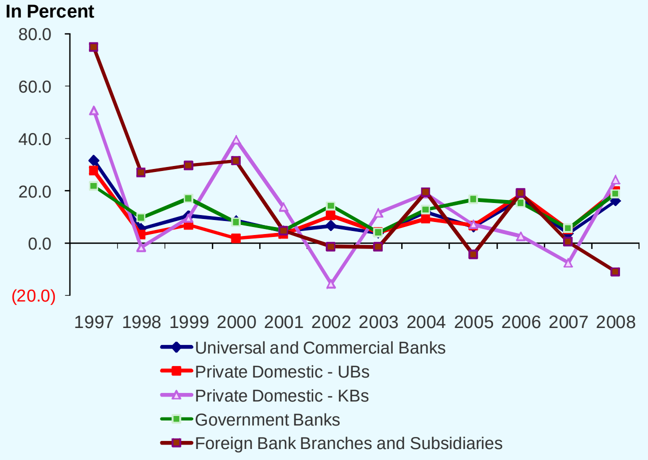
As to equity securities, counterparties of universal and commercial banks were largely resident issuers at 92.0 percent (P108.1 billion), of which 65.7 percent was accounted for by other private corporations, 23.7 percent by other banks and 2.7 percent by government owned and controlled corporations (GOCCs). Meantime, non-residents accounted for the balance of 8.0 percent (P9.4 billion).

DEPOSIT LIABILITIES

As of end-December 2008, total deposit liabilities sustained a double-digit expansion of 16.2 percent (P517.4 billion) to reach P3,702.9 billion from P3,185.5 billion last year.

Private domestic commercial banks recorded the fastest deposit growth rate of 24.3 percent, which was equivalent to a P51.4 billion increase. Meanwhile, private domestic universal banks posted a sizeable deposit increment of 19.9 percent (P441.3 billion), contributing 85.3 percent of the industry's growth figure. Likewise, government banks experienced increasing deposit base of 19.0 percent or P68.1 billion. Foreign banks, however, ran against the current with a 10.8 percent (P43.4 billion) deposit contraction.

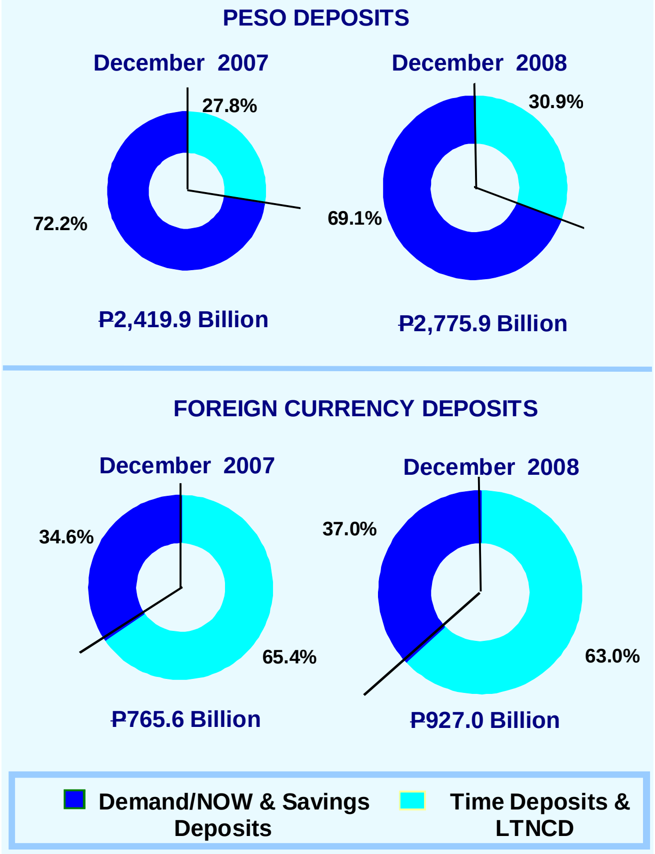
Universal and Commercial Banking System
Comparative Deposits Growth Rate



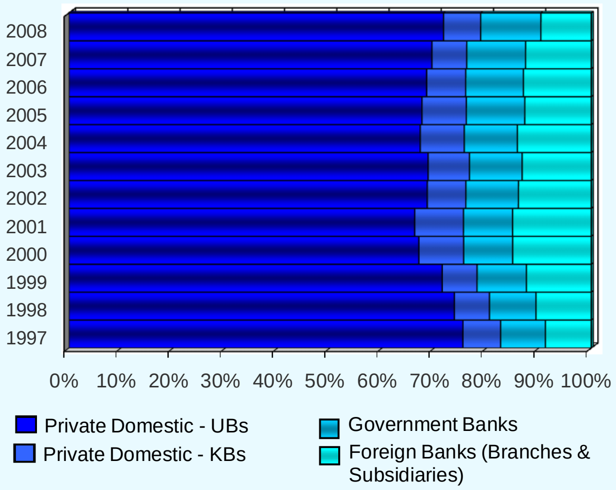
The generous 23.9 percent or P160.9 billion expansion in peso time deposits to P833.9 billion accounted for 31.1 percent of the growth in the industry's deposit base. The 19.8 percent or P103.6 billion growth in peso demand and negotiable order of withdrawal (NOW), meantime, made up 20.0 percent of the increase in total deposit base. Low-cost peso savings deposits posted an ample growth of 5.4 percent (P66.6 billion), contributing 12.9 percent to total deposit expansion. In the same manner, foreign currency-denominated deposits sustained a robust 21.1 percent (P161.4 billion) ascent, accounting for 31.2 percent of the total industry growth figure.

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Universal and Commercial Banking System
Deposit Mix



Universal and Commercial Banking System
Distribution of Deposits



Accordingly, the share of peso deposits to total deposit liabilities slid to 75.0 percent from 76.0 percent last year. On the other hand, the share of foreign currency deposits advanced to 25.0 percent from 24.0 percent. The apparent shift in their respective shares on the industry's total deposit base was attributed to the general weakening of the local currency against the US dollar during the period in review.

Among the peso deposit accounts, demand, NOW and savings accounts made up the biggest component at 69.1 percent (down from last year's 72.2 percent). The remaining 30.9 percent (up from 27.8 percent) went to relatively high cost and interest-sensitive time deposits.

On the contrary, foreign currency deposits were mostly lodged in long-term time deposits at 63.0 percent (down from 65.4 percent last year). Foreign currency demand and savings accounts held the balance of 37.0 percent (up from 34.6 percent).

Private domestic universal banks still held the lion's share of the industry's total deposit liabilities at 71.7 percent or P2,655.2 billion (up from last year's 69.5 percent or P2,213.9 billion). Government banks cornered the second largest share at 11.5 percent or P426.7 billion (up from 11.3 percent or P358.6 billion). Meanwhile, smaller portions were captured by foreign banks at 9.7 percent or P357.6 billion (down from 12.6 percent or P401.0 billion) and private domestic commercial banks at 7.1 percent or P263.4 billion (from 6.7 percent or P212.0 billion).

In terms of efficiency in deposit generation, foreign banks still had the highest average volume of deposits per banking office of P3.6 billion (from last year's P4.0 billion). Meanwhile, local banks reported improving efficiency in deposit generation with their average volume of deposits rising by 16.6 percent to P0.8 billion from P0.7 billion. All local banks contributed to efficiency gains in deposit generation: government banks beefed up their average volume of deposits per banking office to P1.0 billion; private domestic universal banks reached P0.8 billion; and private domestic commercial banks registered an average of P0.7 billion deposits per banking unit.

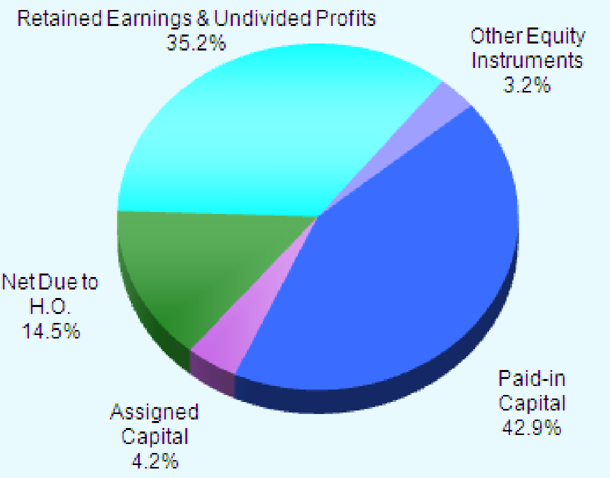
As a highly leveraged industry, deposit liabilities remained the principal source of funds at 73.5 percent (from 71.0 percent last year) of total resources.

CAPITALIZATION

As of end-December 2008, the combined capital accounts of universal and commercial banks slid by 0.4 percent (or P2.3 billion) to P521.0 billion from last year's P523.2 billion (Table 10). The slide was tipped by the 20.7 percent (P47.9 billion) decline in retained earnings and undivided profits to P183.1 billion from P231.0 billion. All other capital accounts recorded net expansions though inadequate to change the overall direction: local branches of foreign banks' net due to head office by 26.0 percent (P15.6 billion) to P75.6 billion; assigned capital grew by 16.1 percent (P3.0 billion) to P22.0 billion; and paid-in capital by 4.8 percent (P10.3 billion) to P223.5 billion. Meanwhile, P16.7 billion worth was reclassified to other equity instruments including hybrid Tier 1 capital.

Universal and Commercial Banking System Breakdown of Total Capital Accounts

Total ₱521.0 Billion



By specific component shares, paid-in capital stock held the biggest slice of the industry's total capital accounts at 42.9 percent (up from 40.8 percent last year). Retained earnings and undivided profits was a close second at 35.2 percent (down from 44.2 percent). This was followed by minority interest in subsidiaries and foreign bank's assigned capital at 14.5 percent (up from 11.5 percent) and 4.2 percent (up from 3.6 percent), respectively. The remaining shares were accounted for by other equity instruments at 3.2 percent.

By analytical subgroups, private domestic universal banks consistently held the biggest and growing share of the industry's paid-in capital stock at 73.2 percent (up from 71.6 percent last year). Quite the opposite, private domestic commercial banks clung to the second largest yet declining share at 11.4 percent (from 12.4 percent), whereas, government banks' and foreign banks' shares narrowed to 11.0 percent (from 11.5 percent) and 4.5 percent (from 4.6 percent), respectively.

The same analytical subgroups backed the industry's retained earnings and undivided profits with private domestic universal banks leading at 74.1 percent share, lower than last year's 75.5 percent share. On the other hand, government banks' share advanced to 21.5 percent from 19.6 percent while the rest of the subgroups reported declining shares: private domestic commercial banks at 4.3 percent (from 4.6 percent) and foreign banks at less than 0.1 percent deficit (from 0.3 percent).

Meanwhile, the ratio of total capital accounts to total assets went down to 10.4 percent from 11.7 percent last year. The development was attributed to the combined effects of the shrinkage in total capital accounts (0.4 percent) and the growth in total assets (12.2 percent).

The industry's compliance ratio with the prescribed minimum amount of capital base got better to 94.7 percent (36 out of 38 banks) from 92.1 percent (35 out of 38 banks) last year. By specific banking category, commercial banks with 100.0 percent compliance ratio (21 out of 21 banks) outperformed the universal banks with 88.2 percent (15 out of 17 banks).

As of end-September 2008, capital adequacy ratios (CAR) on a solo basis at 14.6 percent and on a consolidated basis at 15.7 percent were still well above the minimum BSP regulatory standard of 10 percent and the international benchmark of 8 percent.

Tier 1 capital which reached P446.0 billion, grew by 9.0 percent from P409.2 billion at end-December 2007. Similarly, the

Universal and Commercial Banking System
Status of Banks' Compliance with the Minimum Amount of Capital

	2004	2005	2006	2007	2008
A. Number of Operating Universal and Commercial Banks	**42**	**41**	**39**	**38**	**38**
Universal	18	17	17	16	17
Commercial	24	24	22	22	21
B. UBs and KBs with Capital Equal to or In Excess of the Minimum Amount Required	**33**	**32**	**38**	**35**	**36**
Universal (K ≥ ₱4.95 billion)	15	11	16	13	15
Commercial (K ≥ ₱2.40 billion)	18	21	22	22	21

Universal and Commercial Banking System
Comparative Capital Adequacy Ratio (CAR)

	Solo				Consolidated			
	End-December			End-Sept	End-December			End-Sept
	2005	2006	2007	2008	2005	2006	2007	2008
(In ₱ Billion)								
Tier 1	357.0	370.6	412.6	442.4	354.0	366.9	409.2	446.0
Tier 2	67.5	86.1	93.8	114.5	69.9	90.1	97.3	117.6
Deductions	75.2	79.5	90.9	91.2	15.5	8.8	13.4	14.5
Qualifying Capital	**349.3**	**377.1**	**415.4**	**465.7**	**408.4**	**448.3**	**493.1**	**549.2**
Risk Weighted Assets (RWA) - net	**2,142.0**	**2,212.6**	**2,819.3**	**3,188.3**	**2,300.6**	**2,422.5**	**3,095.0**	**3,497.0**
(In Percent)								
Capital Adequacy Ratio (CAR)	**16.3**	**17.0**	**14.7**	**14.6**	**17.8**	**18.5**	**15.9**	**15.7**

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

issuance of Tier 2 unsecured subordinated debt picked up by 20.9 percent to P117.6 billion from P97.3 billion. The combined growth of Tier 1 and Tier 2 capital translated into higher qualifying capital by 11.4 percent to settle at P549.2 billion from P493.1 billion.

Conversely, the higher level of risk weighted assets (net) at P3,497.0 billion pushed the industry to sustain cutbacks on its CAR, both on a solo and consolidated basis, by 0.1 percentage point and 0.2 percentage point, respectively.

The Philippine universal and commercial banks' solvency ratio rests at the middle of the CAR regional comparative table. Indonesia held the top spot at 16.8 percent as of end-December 2008. The other ASEAN economies posted CAR ranging from 12 percent to 14 percent. On the whole, banks in the ASEAN 5 countries were adequately capitalized with CARs well above the prescribed minimum of 8 percent as set by the Basel accord.

Commercial Banking System

Comparative CAR of Selected ASEAN Countries

Country	CAR (as of dates indicated)	
Indonesia	16.8%	December 2008
Philippines	14.6%	September 2008
Singapore	14.3%	September 2008
Thailand	14.1%	December 2008
Malaysia	12.2%	December 2008

Source: Official National Website

SELECTED CONTINGENT ACCOUNTS

TRADE-RELATED CONTINGENT ACCONTS

The industry's total trade-related contingent accounts dropped by 4.6 percent (or P2.1 billion) to P44.8 billion from P46.9 billion last year. The decline was fueled by the 29.0 percent (P12.5 billion) contraction of unused commercial letters of credit (LCs) (issued in favor of foreign beneficiaries) to P30.6 billion and the 47.0 percent (P1.8 billion) sharp decline of export LCs to P2.0 billion. These were partly offset by new bookings of unused commercial LCs (issued in favor of domestic beneficiaries) amounting to P12.2 billion. Consequently, the shares of unused commercial LCs (foreign) and export LCs to total trade-related contingent accounts fell to 68.3 percent (from 91.9 percent last year) and 4.5 percent (from 8.1 percent), in that order. Unused commercial LCs (domestic) captured the remaining 27.2 percent share.

All analytical groups, except government banks, experienced declining unused commercial LCs (foreign) with private domestic universal banks sustaining the biggest slash of P11.3 billion (34.9 percent). Quite the opposite, private domestic universal banks and foreign banks chalked substantial new issues of unused commercial LCs (domestic) of P6.2 billion and P4.8 billion, respectively. As to export LCs, the generous 240.6 percent or P1.1 billion issuances of foreign banks were no match for the 88.0 percent or P2.9 billion cutbacks of private domestic universal banks.

Private domestic universal banks consistently cornered the bulk of the industry's total trade-related contingent accounts at 61.9 percent (down from 76.3 percent last year). The rest was divided among foreign banks at 21.4 percent (up from 9.1 percent), government banks at 11.4 percent (up from 8.8 percent), and private domestic commercial banks at 5.3 percent (down from 5.8 percent).

BANK GUARANTEES

By movers and shakers, foreign banks' stock of outstanding guarantees issued rose sharply by 79.8 percent or P3.3 billion as foreign debt activities picked up

Outstanding bank guarantees stood at P88.1 billion as of end-December 2008, higher by 9.9 percent (or P7.9 billion) from P80.2 billion at end-December 2007. The increase from last year was propelled by the hefty 32.7 percent (P4.0 billion) expansion in outstanding guarantees issued, which was complemented by the 5.7 percent (P3.9 billion) rise in the issuance of stand-by LCs. Stand-by LCs totaled to P71.8 billion and accounted for 81.5 percent (down from 84.6 percent) of the industry's total bank guarantees. Meanwhile, outstanding guarantees issued settled at P16.3 billion or 18.5 percent share (up from 15.4 percent).

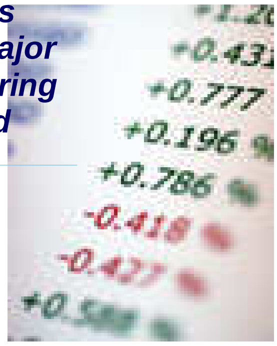
By movers and shakers, foreign banks' stock of outstanding guarantees issued rose sharply by 79.8 percent or P3.3 billion as foreign debt activities picked up. Government banks also sustained a hefty increase in outstanding guarantees issued of 41.7 percent or P0.6 billion.

Meanwhile, the sustained government stimulus in infrastructure projects – though mostly foreign-funded – sent ripples of gains in the banking sector's off-balance-sheet activities. Accordingly, foreign banks' stand-by LCs grew by 43.0 percent or P5.5 billion. Private domestic commercial banks also realized a substantial increase in stand-by LCs of 48.3 percent or P0.9 billion.

DERIVATIVES

The industry's notional value of derivatives instruments winded down by 27.8 percent or P697.7 billion to P1,812.6 billion from P2,510.3 billion at end-December 2007. More sophisticated banking subgroups sustained major reversals during the period: private domestic universal banks at 37.6 percent or P290.6 billion and foreign banks at 25.1 percent or P412.2 billion. Likewise, private domestic commercial banks reported a double-digit decline of 33.4 percent or P14.5 billion during the year. As an exception, government banks clinched a double-digit growth of 39.0 percent or P19.6 billion.

More sophisticated banking subgroups sustained major reversals during the period



Foreign banks consistently held the bulk of the industry's total notional value of derivatives at 67.9 percent (up from last year's 65.5 percent). The balance was apportioned to private domestic universal banks at 26.6 percent (down from 30.8 percent), government banks at 3.8 percent (up from 2.0 percent) and private domestic commercial banks at 1.6 percent (down from 1.7 percent).

Currency forwards were the most preferred derivatives contracts in all subgroups, though their share to the industry's notional value of derivatives trading slid to 63.4 percent (P1,149.7 billion) from 84.4 percent (P2,118.5 billion) last year. In contrast, the share of interest rate swaps widened to 24.2 percent from 13.3 percent as their notional value rose by 30.8 percent to P438.0 billion from P334.8 billon. Meanwhile, the relative position of financial options improved to 3.0 percent from 2.3 percent, albeit their notional value slipped by 4.9 percent to P54.2 billion from P57.0 billion. Currency swaps and credit derivatives accounted for the remaining shares of 8.4 percent (P153.1 billion) and 1.0 percent (P17.6 billion), respectively.

THRIFT BANKS

OVERVIEW

The thrift banking system reported sound financial results in 2008

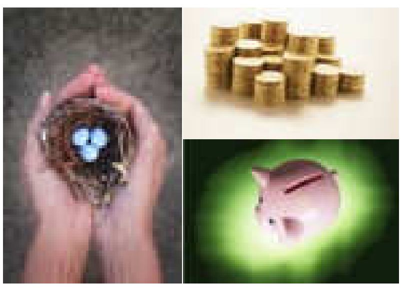
The thrift banking system reported sound financial results in 2008 amid a tough and volatile financial environment. The industry's performance was highlighted by positive earnings, modest loan expansion, steady deposit intake and adequate liquidity and capitalization.

The number of operating thrift banks fell to 77 as of end-December 2008 from 82 last year, reflecting continued consolidation of banks as well as the exit of weaker players.

Total assets of the industry amounted to P481.8 billion, down by 0.3 percent from last semester's P483.1 billion and by 0.8 percent from last year's P485.6 billion. These assets were channeled mostly to loans and to financial assets other than loans.

As a highly leveraged industry, funding principally came from deposit liabilities which accounted for 79.9 percent (up from 75.1 percent last year) of total resources. Other major sources of funds were capital accounts and bills payable which contributed 11.1 percent and 4.0 percent, respectively, to total resources.

Public confidence in thrift banks remained strong as deposit liabilities reached P384.8 billion, up by 5.5 percent from last year. In terms of specific deposit account, peso time deposit accounts comprised nearly half of total deposits at 47.7 percent share. Meantime, deposit mix consisted of 86.8 percent (down from 88.3 percent last year) peso deposits and 13.2 percent (up from 11.7 percent) foreign currency deposits.



Liquidity was kept at a comfortable level despite the drop in liquid assets-to-deposits ratio to 33.0 percent from last year's 35.6 percent. Cash and due from banks-to-deposits ratio also went down to 12.2 percent from 14.6 percent. On the other hand, loans-to-deposits ratio fell to 77.5 percent from 81.4 percent as loans, gross expanded at a slower pace than deposit liabilities.

Lending activity of thrift banks remained healthy amid the ongoing global credit strains. Total loan portfolio (TLP), gross reached P298.2 billion, up by 0.4 percent from last semester and by 0.5 percent from last year. The Real Estate, Renting, Business Activities and Construction sector remained as the industry's biggest loan recipient as it accounted for 37.7 percent of TLP, gross. Loans to individuals for consumption purposes took the second spot at 23.3 percent. The steady inflow of remittances buoyed household demand for acquisition of residential property and consumer financing.

The industry's loan and asset quality ratios were sustained at single-digit levels. As of end-year 2008, the industry's non-performing loans (NPL) ratio stood at 7.2 percent (up from 6.9 percent last year). On the other hand, the non-performing assets (NPA) ratio settled at 9.6 percent (down from 9.9 percent). Meanwhile, the NPL coverage ratio widened to 51.2 percent from last year's 47.3 percent. The NPA coverage also strengthened to 28.0 percent from 25.5 percent. The increase in coverage ratios mirrored the industry's provisioning efforts for possible losses.

Thrift banks registered positive earnings in 2008 on the back of sustained lending activities and more cost-efficient operations. Net profit stood at P0.9 billion, up by 1,536.4 percent from last year's net loss of P0.1 billion. Higher non-interest income (6.3 percent) coupled with lower non-interest expenses (1.9 percent) pulled up the industry's bottomline. The reduction in impairment losses on financial assets by 29.4 percent also contributed to thrift banks' profitable operations. Consequently, return on assets (ROA) and return on equity (ROE) ratios were beefed up to 0.2 percent and 1.7 percent, respectively, from last year's negative ratios of less than 0.1 percent and 0.1 percent.

Thrift banks registered positive earnings in 2008 on the back of sustained lending activities and more cost-efficient operations

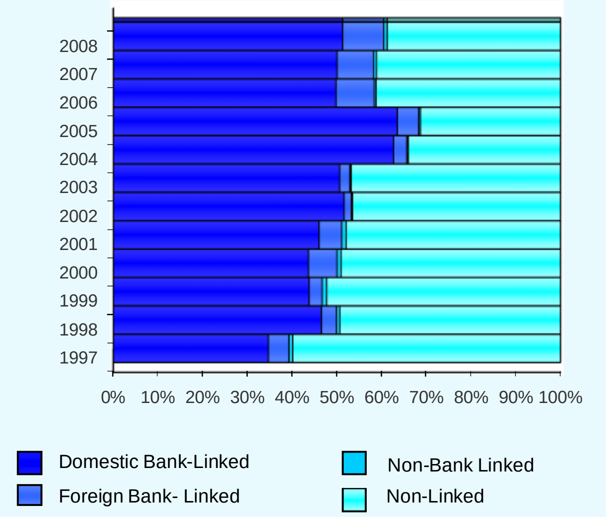
Despite stricter alignment with international standards, the industry remained adequately capitalized. Capital adequacy ratio (CAR) was kept well above the 10 percent regulatory requirement of the BSP and the 8 percent international standard at 14.6 percent (on both solo and consolidated bases) as of end-September 2008. Meanwhile, total capital accounts stood at P53.5 billion, down by 4.8 percent from P56.2 billion last year. The reduction in capital was due to lower capital stock by 1.9 percent and lower retained earnings and undivided profits by 15.0 percent.

The number of operating thrift banks stood at 77 as of end-year 2008. Of the total industry participants, 16 banks were linked to a domestic bank, foreign bank or a non-bank financial institution. The remaining 61 banks were non-linked thrift banks.

Linked thrift banks represented 20.8 percent of the total number of thrift banks and held 61.2 percent (P294.9 billion) of total assets. On the other hand, non-linked thrift banks, which made up 79.2 percent of the total industry players, accounted for only 38.8 percent (P186.9 billion) of total assets. By subgroup, domestic bank-linked thrift banks held more than half of the industry's total assets at P246.9 billion or 51.3 percent share.

Thrift Banking System

Market Structure of Assets



Top Five Thrift Banks
Based on Published Balance Sheet as of 31 December 2008
Amounts in P Billion

Assets			Loans		
Rank	Name of Bank	Amount	Rank	Name of Bank	Amount
1	BPI Family Savings Bank	106.2	1	BPI Family Savings Bank	75.5
2	Philippine Savings Bank	74.3	2	Philippine Savings Bank	40.3
3	RCBC Savings Bank	46.6	3	RCBC Savings Bank	33.1
4	Planters Development Bank	44.6	4	Planters Development Bank	25.4
5	HSBC Savings Bank	22.1	5	HSBC Savings Bank	10.0
	Total	**293.9**		**Total**	**184.2**
	% Share	**61.0**		**% Share**	**61.8**

Deposit Liabilities			Capital Accounts		
Rank	Name of Bank	Amount	Rank	Name of Bank	Amount
1	BPI Family Savings Bank	95.8	1	Philippine Savings Bank	7.9
2	Philippine Savings Bank	61.7	2	BPI Family Savings Bank	7.8
3	RCBC Savings Bank	39.0	3	RCBC Savings Bank	5.9
4	Planters Development Bank	34.7	4	Planters Development Bank	3.5
5	HSBC Savings Bank	20.0	5	Robinsons Savings Bank	1.8
	Total	**251.2**		**Total**	**26.9**
	% Share	**65.3**		**% Share**	**50.3**

Linked thrift banks dominated the list of Top 5 thrift banks. BPI Family Bank, a subsidiary of Bank of the Philippine Islands (a universal bank), retained its position as the country's biggest thrift bank in terms of assets, loans and deposit liabilities. Meanwhile, Philippine Savings Bank, a subsidiary of Metropolitan Bank and Trust Company (a universal bank) captured the Top 2 spot and surpassed BPI Family in terms of capital share. The Top 5 thrift banks held 61.0 percent of the industry's total assets, 61.8 percent of total loans, 65.3 percent of total deposit liabilities and 50.3 percent of total capital accounts.

OPERATING NETWORK

The continued efforts of BSP to establish a more robust financial system encouraged greater consolidation in the banking industry. As of end-year 2008, the number of operating thrift banks stood at 77, down by five from 82 at end-year 2007. The reduction in the number of industry players stemmed from the following:

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

1. closure of Bankwise, Inc. (effective 07 February 2008);
2. conversion of Vizcaya SLA, Inc. to a rural bank (effective 18 February 2008);
3. merger of BDO Elite Savings Bank and Equitable Savings Bank (2 absorbed entities) with Banco de Oro Unibank (effective 30 October 2008); and the
4. closure of San Pablo City Development Bank (effective 16 December 2008)

As of end-year 2008, the number of operating thrift banks stood at 77, down by five from 82 at end-year 2007

Similarly, the total number of branches/other offices fell by 35 to 1,219 from 1,254 last year. This transpired as the 70 bank branches that opened/reopened were outpaced by the 105 bank branches that closed or transferred to other bank category as a result of conversion or merger during the year. Hence, the industry's overall physical network (total number of head offices, branches and other offices) went down by 40 to 1,296 from 1,336.

On a geographical basis, the National Capital Region (NCR) had the highest number of thrift banking offices (head offices and branches) at 544 offices or 42.0 percent share of the total. The second highest concentration of offices was in Region IV-A (CALABARZON) at 246 offices or 19.0 percent share. (Table 18)

To compensate for the leaner branch network, thrift banks expanded their non-traditional service delivery channels (i.e., ATMs and e-banking) to widen their client reach and lower transaction costs. As of end-year 2008, the number of ATMs reached 825 units, up by 62 units from 763 units last semester and by 136 units from 689 units last year. The bigger block (82.8 percent) or 683 units (up from 577 units last year) was deployed within bank premises. The remaining 17.2 percent or 142 units (up from 112 units last year) were put up at other accessible locations outside the bank. (Table 19)

By main group, linked thrift banks cornered a slightly bigger share of the total ATMs at 436 units or 52.8 percent. Non-linked thrift banks accounted for the balance of 389 units or 47.2 percent share. By region, the NCR reported the most number of ATMs at 463 units or 56.1 percent share of the total. The CALABARZON

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

cluster came second at 113 units or 13.7 percent share. The ARMM, on the other hand, reported no ATM.

The industry also enhanced its service delivery through electronic banking, albeit at a cautious pace

The industry also enhanced its service delivery through electronic banking, albeit at a cautious pace. As of end-year 2008, there were 15 thrift banks (vs. 13 at end-year 2007) engaged in a wide range of alternative banking services. Of these 15 banks, there were 10 banks (vs. 8 last year) providing electronic banking services via mobile/non-mobile phones and/or internet. In addition, there were seven banks (same as last year) which offered Internet and Mobile Banking Services via BancNet/MegaLink Switch. Moreover, there were four banks (vs. two at end-year 2007) engaged in cash card/remittance card operations. Two (2) of these four banks participated in the Bureau of Internal Revenue's Electronic Filing and Payment System that provides taxpayers with a convenient way to file tax returns and pay taxes. (Table 20)

RESULTS OF OPERATIONS

For the year ended 31 December 2008, the thrift banking industry registered a net profit of P0.9 billion, up by 1,536.4 percent or P1.0 billion from a net loss of P0.1 billion in 2007. Higher operating income by 0.4 percent (P0.1 billion) in tandem with lower non-interest expenses by 1.9 percent (P0.4 billion) bolstered the industry's bottomline.

Increased earnings provided better returns for the banks' shareholders

Increased earnings provided better returns for the banks' shareholders as ROA and ROE ratios stood higher at 0.2 percent and 1.7 percent, respectively, as against last year's negative ratios of less than 0.1 percent and 0.1 percent.

By main group, linked thrift banks recorded a net profit of P2.1 billion (down from P3.3 billion last year). This positive income, however, was partly offset by non-linked thrift banks' negative return of P1.2 billion (up from a net loss of P3.3 billion).

Total operating income amounted to P27.3 billion, up by 0.4 percent (P0.1 billion) from P27.2 billion last year. The rise in operating income stemmed from the growth in non-interest income by 6.3 percent which compensated for the drop in net interest income by 1.7 percent.

Total operating income amounted to P27.3 billion, up by 0.4 percent (or P0.1 billion) from P27.2 billion last year

The year-on-year decline in net interest income took place as the 1.0 percent fall in interest income to P37.3 billion was faster than the 0.3 percent reduction in interest expenses to P17.6 billion. As a result, the net interest margin narrowed to 5.0 percent from 5.4 percent last year.

Interest on loans, including IBL, was the major contributor to the P37.3 billion interest income at 82.1 percent (P30.6 billion) share. Interest on investments in available for sale financial assets was a far second at 6.4 percent (or P2.4 billion).

Interest paid to depositors comprised the largest slice of the total P17.6 billion interest expenses at 87.4 percent (P15.4 billion), of which 72.3 percent (P11.1 billion) was paid to depositors of time deposit accounts. Interest paid on borrowed funds came second at 10.8 percent (P1.9 billion).

Meantime, higher non-interest income stemmed from the growth in fee based-income and other income by 5.3 percent and 27.2 percent, respectively. Fee-based income (e.g., intermediation services, payment services) and trading income (e.g., realized gains from securities, and foreign exchange profit) accounted for the bulk of the total P7.6 billion non-interest income at 53.0 percent (P4.0 billion) and 24.1 percent (P1.8 billion), respectively.

Meantime, higher non-interest income stemmed from the growth in fee-based income and other income

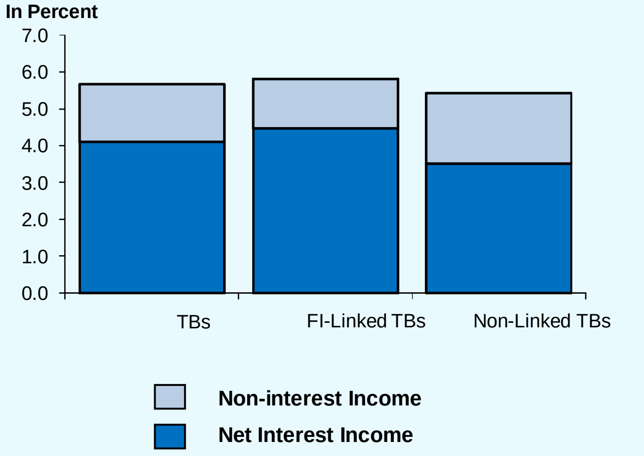
Impairment losses on financial assets were trimmed down by 29.4 percent to P1.7 billion as against a bigger loss of P2.4 billion posted last year. Linked thrift banks registered a higher impairment loss on financial assets of P1.0 billion as against non-linked thrift banks' loss of P0.7 billion.

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Thrift Banking System

Ratio of Sources of Revenue to Total Assets

As of End-December 2008

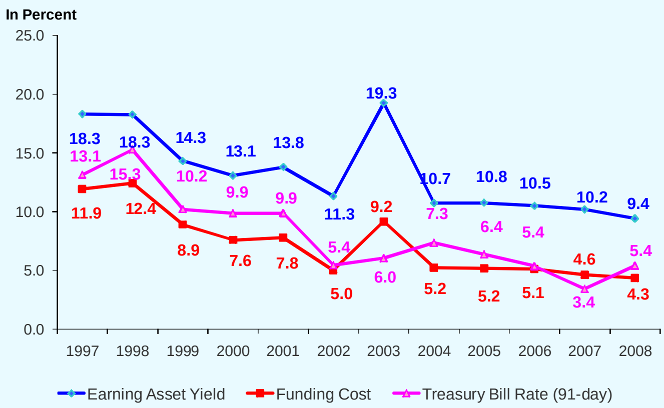


The decomposition of operating income indicates that the industry primarily derived its revenues from the usual lending and investment transactions. As in the previous periods, net interest income comprised the bigger block of total operating income at 72.3 percent or P19.7 billion. Non-interest income accounted for the balance of 27.7 percent or P7.6 billion. Non-interest income was generally tied up to fee-based revenues and trading of securities as thrift banks sought non-traditional forms of banking activities to augment profits.

By main group, non-linked thrift banks derived a relatively bigger portion of their revenues from non-lending and non-investment activities (35.4 percent of total operating income) as against linked thrift banks (23.2 percent of total operating income). Moreover, non-linked thrift banks had more off-balance sheet activities (e.g., bank guarantees and letters of credit). Nonetheless, both linked and non-linked thrift banks remained chiefly dependent on traditional interest bearing loans and investments.

Thrift Banking System

Selected Ratios vs. 91-day Treasury Bill Rate



Earning asset yield went down to 9.4 percent from 10.2 percent in 2007 amidst the relatively higher interest rate environment. The gap between the earning asset yield and the average 91-day T-bill rate narrowed to 400 basis points from 680 basis points due to the steeper rise in the benchmark interest rate. On the other hand, funding cost went down to 4.3 percent from last year's 4.6 percent ratio. Funding cost stood lower than the 91-day T-bill rate of 5.4 percent. This indicates thrift banks' less competitive pricing as against risk-free government securities.

The larger decline in earning asset yield as against the drop in funding cost resulted in a lower interest spread (the difference between earning asset yield and funding cost) of 5.1 percent as against the 5.6 percent ratio recorded last year.

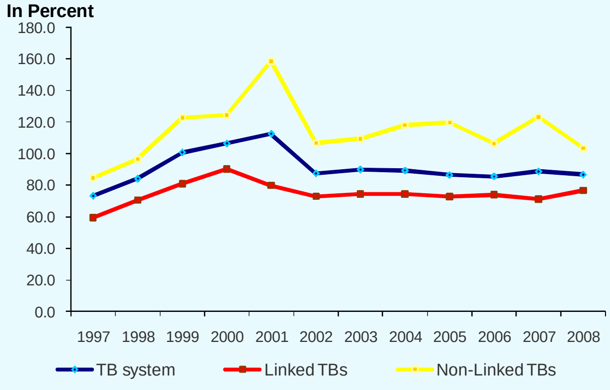
Non-interest expenses were cut down by 1.9 percent (P0.4 billion) to P23.7 billion from P24.1 billion last year. Other administrative expenses and compensation/ fringe benefits accounted for the bulk of the

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

total non-interest expenses at 45.7 percent (P10.8 billion) and 33.1 percent (P7.8 billion), respectively. On the other hand, depreciation/ amortization and fees and commissions expenses posted the biggest year-on-year reductions of 43.7 percent (P1.3 billion) and 93.0 percent (P0.6 billion), respectively.

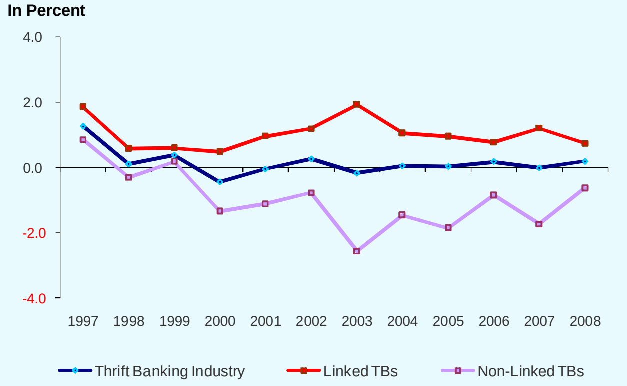
The decline in expenses coupled with the growth in operating income favorably pulled down cost-to-income ratio to 86.7 percent from 88.7 percent last year. By main group, linked thrift banks remained more efficient with a lower cost-to-income ratio of 76.8 percent (up from 71.2 percent last year) as against non-linked thrift banks' 103.3 percent (down from 123.2 percent).

Thrift Banking System
Cost-to-Income Ratio



In general, linked thrift banks posted better profitability ratios compared to non-linked thrift banks. Linked thrift banks had higher ROA and ROE ratios of 0.7 percent and 6.7 percent, respectively, as against non-linked thrift banks' negative ratios of 0.6 percent and 5.4 percent. Linked thrift banks also posted a higher net interest margin of 5.2 percent as against non-linked thrift banks' 4.6 percent. In addition, linked thrift banks had lower funding cost of 4.0 percent as against the non-linked thrift banks' 4.8 percent ratio. Non-linked thrift banks, on the other hand, registered a higher earning asset yield and interest spread of 10.0 percent and 5.2 percent, respectively, as against linked thrift banks' 9.1 percent and 5.1 percent.

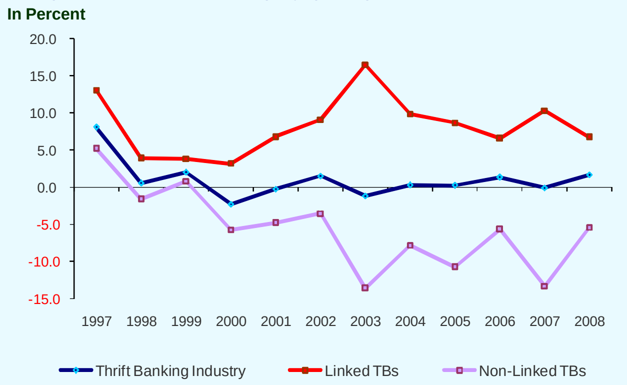
Thrift Banking System
Comparative Return on Assets (ROA)



The industry's ROA ratio turned to a positive ratio of 0.2 percent from a negative ratio of less than 0.1 percent in 2007. By main group, linked thrift bank posted a positive ROA of 0.7 percent (down from 1.2 percent last year). In contrast, non-linked thrift banks reported a negative ratio of 0.6 percent (up from negative 1.7 percent).

The industry's ROE ratio also improved to positive 1.7 percent from a negative ratio of 0.1 percent in 2007. By main group, linked thrift banks reported a positive ROE ratio of 6.7 percent (down from 10.3 percent last year). On the other hand, non-linked thrift banks reported a negative ratio of 5.4 percent (up from negative 13.3 percent).

Thrift Banking System
Comparative Return on Equity (ROE)



Source: Office of Supervisory Policy Development, Supervision and Examination Sector

MAJOR BALANCE SHEET TRENDS

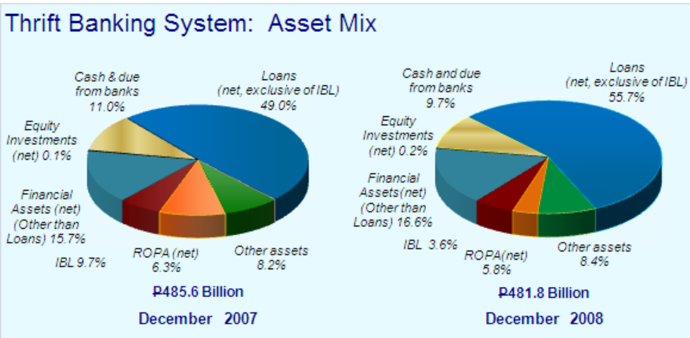
ASSETS

Thrift Banking System
Balance Sheet Structure

Major Accounts	End-December 2004	2005	2006	2007	2008
Total Assets	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**
Cash and Due from Banks	8.9 %	9.1 %	11.8 %	11.0 %	9.7 %
Interbank Loans Receivable (IBL)	2.0 %	2.7 %	6.7 %	9.7 %	3.6 %
Loans, net	51.2 %	50.8 %	47.5 %	49.0 %	55.7 %
Financial Assets, net (Other than Loans)	17.9 %	19.4 %	17.2 %	15.7 %	16.6 %
Equity Investments, net	0.1 %	0.1 %	0.1 %	0.1 %	0.2 %
ROPA, net	10.8 %	8.6 %	7.4 %	6.3 %	5.8 %
Other Assets	9.1 %	9.4 %	9.3 %	8.2 %	8.4 %
Total Liabilities and Capital	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**
Deposits	73.2 %	75.5 %	75.3 %	75.1 %	79.9 %
Bills Payable	8.5 %	6.8 %	6.9 %	8.6 %	4.0 %
Other Liabilities	5.3 %	4.6 %	4.9 %	4.7 %	4.4 %
Unsecured Subordinated Debt					0.6 %
Capital Accounts	13.0 %	13.1 %	12.9 %	11.6 %	11.1 %

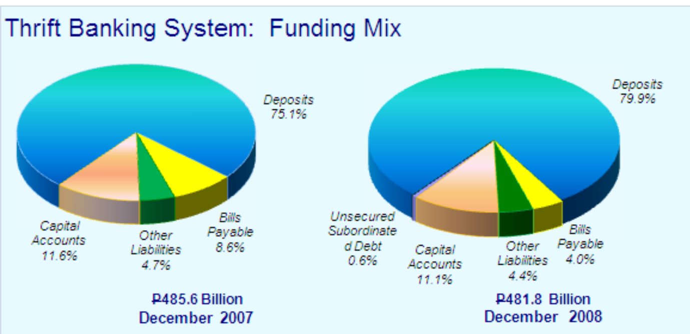
Total assets stood at P481.8 billion, down by 0.3 percent from last semester's P483.1 billion and by 0.8 percent from last year's P485.6 billion. The year-on-year decline in assets could be partly traced to the reduction in the number of industry players via closure, conversion and merger during the period.

By main group, linked thrift banks' assets grew by 3.2 percent (P9.2 billion) to P294.9 billion from last year. In contrast, non-linked thrift banks' assets contracted by 6.5 percent (P13.0 billion) to P186.9 billion.



Thrift banks' resources were mostly lent out or invested in financial assets other than loans. Loans, net accounted for the bulk of total assets at 55.7 percent or P268.2 billion (up from 49.0 percent or P238.1 billion last year). Other financial assets, net followed at 16.6 percent or P80.0 billion (up from 15.7 percent or P76.4 billion). Cash and due from banks came third at 9.7 percent or P46.9 billion (down from 11.0 percent or P53.3 billion).

Other asset accounts posted the following shares: other assets at 8.4 percent or P40.2 billion (up from 8.2 percent or P39.7 billion last year); ROPA at 5.8 percent or P28.2 billion (down from 6.3 percent or P30.4 billion); IBL at 3.6 percent or P17.2 billion (down from 9.7 percent or P47.0 billion); and equity investments, net at 0.2 percent or P1.1 billion (up from 0.1 percent or P0.7 billion).



On the funding side, deposit liabilities remained the industry's main source of funding accounting for 79.9 percent or P384.8 billion (up from 75.1 percent or P364.6 billion last year) of total resources. Capital accounts was a distant second at 11.1 percent or P53.5 billion (down from 11.6 percent or P56.2 billion).

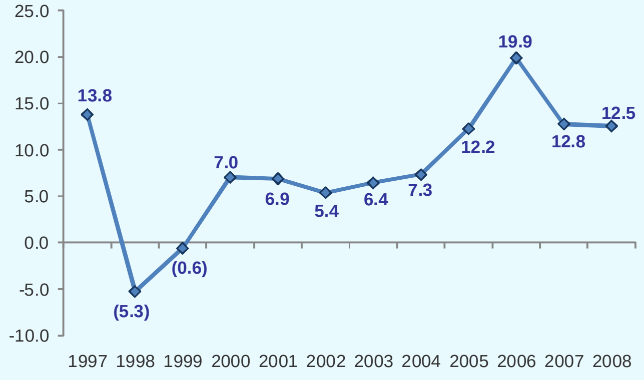
Source: Office of Supervisory Policy Development, Supervision and Examination Sector

The other sources of funds posted the following shares: other liabilities at 4.4 percent or P21.2 billion (down from 4.7 percent or P23.3 billion); bills payable at 4.0 percent or P19.3 billion (down from 8.6 percent or P41.5 billion). Meanwhile, the share of unsecured subordinated debt stood at 0.6 percent or P2.9 billion. The industry reported no unsecured subordinated debt last year.

LOANS

Total loan portfolio (TLP) continued to exhibit a general upward trend amid current tight conditions in global financial markets. As of end-year 2008, TLP, gross reached P298.2 billion, up by 0.4 percent from last semester's P297.2 billion and by 0.5 percent from last year's P296.7 billion.

Thrift Banking System
Total Loans Outstanding (exclusive of IBL)
Annual Growth
In Percent



Interbank loans (IBL) settled at P17.2 billion, down by 19.4 percent from last semester's P21.3 billion and by 63.4 percent from last year's P47.0 billion. Excluding IBL, the industry posted a higher year-on-year loan expansion of 12.5 percent to P281.0 billion as against the 0.5 percent modest growth in loans, inclusive of IBL.

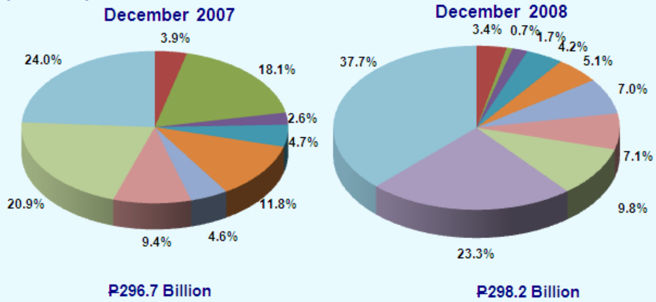
By main group, linked thrift banks accounted for a bigger portion of total loans (exclusive of IBL) at 66.4 percent (P186.6 billion). Non-linked thrift banks cornered the remaining share of 33.6 percent (P94.4 billion).

Meanwhile, FCDU loans (inclusive of IBL) went up by 90.3 percent (P3.4 billion) to P7.1 billion from P3.7 billion last year. Linked thrift banks accounted for 89.7 percent (P6.4 billion) of the total FCDU loans, of which 91.8 percent was held by foreign bank-linked thrift banks. Non-linked thrift banks accounted for the remaining share of 10.3 percent (P0.7 billion).

By economic activity, the industry's biggest loan allocation went to the following: Real estate, renting, business

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Thrift Banking System
Loan Portfolio Structure
By Industry Sector



	December 2007	December 2008
Real Estate, Renting, Business Activities & Construction	24.0%	37.7%
Loans to Individuals for Consumption Purposes	0.0%	23.3%
Financial Intermediation	20.9%	9.8%
Wholesale, Retail Trade & Repair	9.4%	7.1%
Agriculture, Fishery, Hunting & Forestry	4.6%	7.0%
Other Community, Social & Personal Activities	11.8%	5.1%
Manufacturing	4.7%	4.2%
Transportation, Storage & Communication	2.6%	1.7%
Private Households with Employed Persons	18.1%	0.7%
Others	3.9%	3.4%

activities and construction sector – 37.7 percent or P112.3 billion; Loans to individuals for consumption purposes at 23.3 percent or P69.4 billion; and Financial intermediation at 9.8 percent or P29.2 billion. These 3 sectors accounted for a hefty 70.7 percent of the industry's TLP.

The modest year-on-year expansion in bank lending was driven by the hike in loans in the following sectors:

1. Real estate, renting, business activities and construction sector – P41.1 billion or 57.7 percent;
2. Agriculture, fishery, hunting and forestry – P 7.2 billion or 52.7 percent;

The rest of major economic sectors reported contractions from the previous year. Private households with employed persons sector had the largest reduction by P51.6 billion or 96.3 percent. This substantial movement, however, stemmed from the change in financial reporting under the new Financial Reporting Package (FRP). A portion of the loans previously categorized under the Private households with employed persons sector was reclassified and transferred to the new loans to individuals for consumption purposes account.

Total real estate loans (RELs) amounted to P99.2 billion, up by 6.4 percent from last semester and by 18.3 percent from last year. The ratio of RELs to TLP, exclusive of IBL, similarly rose to 35.3 percent from last semester's 33.8 percent and last year's 33.6 percent ratios. Linked thrift banks accounted for a bigger slice of total RELs at 80.4 percent (P79.8 billion). Non-linked thrift banks held the balance of 19.6 percent (P19.4 billion).

In terms of loan quality, the ratio of non-performing RELs to total RELs improved to 7.7 percent from last semester's 8.7 percent and last year's 9.3 percent ratios. The favorable year-on-year movement took place as the 2.6 percent reduction in non-performing RELs came with the 18.3 percent growth in total RELs. Similarly, the ratio of non-performing RELs to TLP (exclusive of

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

IBL) eased to 2.7 percent from last semester's 2.9 percent and last year's 3.1 percent ratios.

Majority of the industry's total RELs was extended for the acquisition of residential property at 83.0 percent (P82.3 billion) share. The remaining 17.0 percent (P16.9 billion) was granted to land developers/construction companies and/or borrowers for commercial purposes. As to specific purpose of commercial RELs, loans to land developers/construction companies for construction of residential units accounted for the largest slice of total commercial RELs at 35.2 percent (P5.9 billion). The non-performing ratio of residential RELs stood slightly higher at 7.7 percent than commercial RELs' 7.6 percent ratio.

The auto loans (ALs) market remained the niche of thrift banks, despite a lesser share of 54.6 percent (vs. 58.9 percent last semester and 62.6 percent last year) of the total P78.5 billion ALs of the banking system. The industry's ALs stood at P42.9 billion, down by 6.5 percent from last semester and by 20.5 percent from last year. The substantial decline in ALs from last year was mainly due to the change in financial reporting of ALs from ALs granted to individuals and corporate accounts to ALs granted only to individuals for consumption purposes under the FRP.

The auto loans (ALs) market remained the niche of thrift banks

Likewise, the ratio of total ALs to TLP (exclusive of IBL) dropped to 15.3 percent from last semester's 16.6 percent and last year's 21.6 percent ratios. By main group, linked thrift banks took the lion's share of total ALs at 85.9 percent (P36.9 billion). Non-linked thrift banks held the balance of 14.1 percent (P6.0 billion).

In terms of loan quality, the non-performing ALs-to-total ALs ratio eased to 4.2 percent from last semester's 4.7 percent and last year's 4.4 percent ratios. The improvement from last year occurred as the 25.0 percent drop in non-performing ALs was faster than the decline in ALs. The non-performing ALs to TLP (exclusive of IBL) ratio also improved to 0.6 percent from last semester's 0.8 percent and last year's 1.0 percent ratios.

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Credit card receivables (CCRs) amounted to P5.1 billion, up by 1.0 percent from last semester but down by 6.6 percent from last year. Meantime, the ratio of total CCRs to TLP (exclusive of IBL) was maintained at 1.8 percent from last semester but dropped from last year's 2.2 percent ratio. By main group, non-linked thrift banks accounted for the bulk of total CCRs at 95.5 percent (P4.9 billion). Linked thrift banks held the remaining 4.5 percent (P0.2 billion).

As to loan quality of CCRs, the non-performing CCRs-to-total CCRs ratio climbed to 5.4 percent from last semester's 4.9 percent but eased from last year's 5.5 percent ratio. The improvement in the ratio from last year transpired as the 8.1 percent reduction in non-performing CCRs outpaced the 6.6 percent decline in total CCRs. On the other hand, the ratio of non-performing CCRs to TLP (exclusive of IBL) was sustained at 0.1 percent in the three comparative periods.

Consumer finance remained a growing endeavor for thrift banks

Consumer finance remained a growing endeavor for thrift banks. As of end-year 2008, total consumer loans (CLs) reached P151.7 billion, up by 6.0 percent from last semester and by 20.1 percent from last year. Likewise, the ratio of CLs to TLP (exclusive of IBL) climbed to 55.0 percent from last semester's 51.9 percent and last year' 50.6 percent ratios. The uptrend in CLs is a reflection of heightened consumer spending as well as banks' enhanced marketing and promotional strategies for consumer finance related products and services.

By main group, linked thrift banks accounted for the majority of total CLs at 79.2 percent (P120.2 billion) share. Non-linked thrift banks held the balance of 20.8 percent (P31.5 billion).

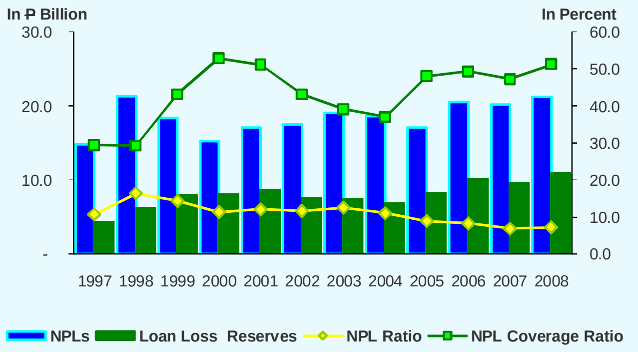
The ratio of non-performing CLs to total CLs eased to 8.1 percent from last semester's 8.3 percent but went up from last year's 4.3 percent ratio. The substantial increase in the ratio from last year stemmed from the change in financial reporting of CLs under the FRP. Beginning end-March 2008 reports, CLs have been redefined to include Other CLs, which refer to loans granted to individuals to finance other personal and household needs such as purchase of household appliances, furniture and fixtures and/or to pay taxes, hospital and educational bills. Thrift banks' relatively high non-performing other CLs-to-total other CLs ratio at 18.0 percent as against other types of CLs pulled up overall non-performing CLs-to-total CLs ratio at end-year 2008. Meantime, the ratio of non-performing CLs to TLP (exclusive of IBL) rose to 4.4 percent from last semester's 4.3 percent and last year's 2.2 percent ratios.

The industry's exposure to small and medium enterprises (SME) as of end-September 2008 reached P65.2 billion. A total of P39.1 billion (18.2 percent share of the total loan portfolio) was directed to small enterprises while P26.1 billion or 12.2 percent was channeled to medium enterprises.

Data on compliance with the agri-agra requirement as of end-September 2008 showed that the industry surpassed the minimum 10 percent mandatory allocation for agrarian reform credit at 15.6 percent. However, it failed to meet the minimum 25 percent allocation for agricultural loans in general with an overall compliance ratio of 24.4 percent, falling short by 0.6 percentage point.

In terms of overall loan and asset quality, the industry's NPL ratio stood at 7.2 percent (up from 6.6 percent last semester and 6.9 percent last year). The increase in the ratio from last year transpired as the 4.9 percent hike in NPLs outpaced the 0.5 percent growth in loans. Meantime, the NPA ratio settled at 9.6 percent (up from 9.4 percent last semester but eased from 9.9 percent last year). The favorable decline in the NPA ratio from last year occurred as the 3.3 percent reduction in NPAs outweighed the 0.6 percent decline in gross assets. (Table 22)

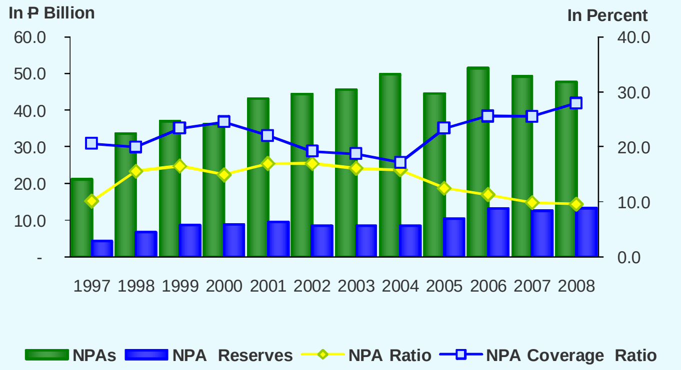
Thrift Banking System
NPLs and NPL Coverage Ratio



In terms of provisioning for bad loans, the NPL coverage ratio strengthened to 51.2 percent from last semester's 49.3 percent and last year's 47.3 percent ratios. Similarly, the NPA coverage ratio widened to 28.0 percent from last semester's 26.9 percent and last year's 25.5 percent.

Meanwhile, real and other properties acquired (ROPA), gross stood at P30.8 billion, down by 2.1 percent from last semester and by 8.0 percent from last year. Likewise, total restructured loans (RLs) settled at P4.2 billion, down by 10.2 percent from last semester and by 14.1 percent from last year.

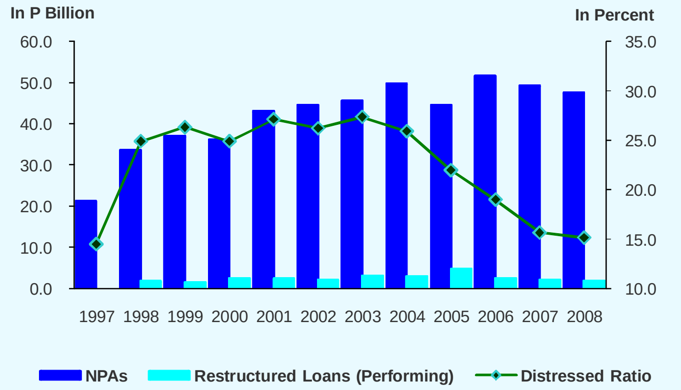
Thrift Banking System
NPAs and NPA Coverage Ratio



After hovering around the double-digit range from end-year 1997 to end-year 2004, the NPL ratio favorably dropped to single-digit figure of 8.9 percent at end-year 2005. The NPL ratio eased further to 6.9 percent at end-year 2007. The NPL ratio, however, slightly rose to 7.2 percent at end-year 2008. Meantime, the NPL coverage ratio exhibited no clear trend. After dropping to 37.0 percent at end-year 2004, the ratio rose to a high of 49.3 percent at end-year 2006. The ratio narrowed to 47.3 percent at end-year 2007 and then went up again to 51.2 percent at end -year 2008.

The industry's NPA ratio displayed a steady downward trend from a high of 17.0 percent at end-year 2002 to a low of 9.9 percent at end-year 2007. The NPA ratio eased further to 9.6 percent at end-year 2008. In contrast, the NPA coverage ratio exhibited no evident trend. From a low of 17.2 percent at end-year 2004, the ratio went up to 23.4 percent at end-year 2005 and rose further to 25.6 percent at end-year 2006. The ratio slid to 25.5 percent at end-year 2007 and then went up again to 28.0 percent at end-year 2008.

Thrift Banking System
Distressed Assets Ratio



The distressed assets ratio, a broader measure of asset quality, sustained a downward trend from 25.9 percent at end-year 2004 to a low of 15.2 percent at end-year 2008. The steady decline in the ratio reflects thrift banks' improving asset quality over the years.

By main group, linked thrift banks had better loan and asset quality ratios than non-linked thrift banks. Linked thrift banks registered an NPL ratio of 5.0 percent (up from 4.8 percent last year) and an NPA ratio of 6.6 percent (same as last year). On the other hand, non-linked thrift banks posted higher NPL and NPA ratios of 11.1 percent (up from 10.0 percent) and 14.4 percent (down from 14.6 percent), respectively. Non-linked thrift banks' relatively higher NPL and NPA ratios drove up the industry average.

Non-linked thrift banks accounted for a bigger slice of total NPLs and NPAs at 54.4 percent and 58.1 percent, respectively. In contrast, linked thrift banks accounted for a smaller share at 45.6 percent of total NPLs and 41.9 percent of total NPAs.

In terms of provisioning for bad loans, linked thrift banks registered stronger NPL and NPA coverage ratios of 70.6 percent and 41.4 percent, respectively, as against non-linked thrift banks' 34.9 percent and 18.3 percent.

OTHER FINANCIAL ASSETS

As of end-year 2008, other financial assets, net reached P81.1 billion, up by 14.1 percent (P10.0 billion from last semester's P71.1 billion. Debt securities comprised a hefty 98.6 percent (P80.0 billion) of the total investments of the industry. Equity securities, net represented the balance of 1.4 percent (P1.1 billion).

By main group, linked thrift banks held the majority of other financial assets at 69.2 percent (P56.1 billion) while non-linked thrift banks accounted for the balance of 30.8 percent (P25.0 billion) share.

The industry's investments were mostly placed in available for sale debt securities at 51.2 percent or P41.6 billion share (down from 56.5 percent but up from P40.1 billion last semester). This was followed by held-to-maturity financial assets at 35.5 percent or P28.8 billion (up from 30.4 percent or P21.6 billion). Unquoted debt securities classified as loans came third at 8.5 percent or P6.9 billion (down from 9.4 percent but up from P6.6 billion).

Meantime, counterparties of thrift banks as to debt securities were mostly residents at 90.4 percent share. This was followed by

Thrift Banking System
Comparative NPL, NPA and Coverage Ratios
As of End-December 2008
In Percent

By Analytical Group	NPL Ratio	NPL Coverage Ratio	NPA Ratio	NPA Coverage Ratio
TOTAL THRIFT BANKS	**7.2**	**51.2**	**9.6**	**28.0**
Linked Thrift Banks	5.0	70.6	6.6	41.4
Non-Linked Thrift Banks	11.1	34.9	14.4	18.3

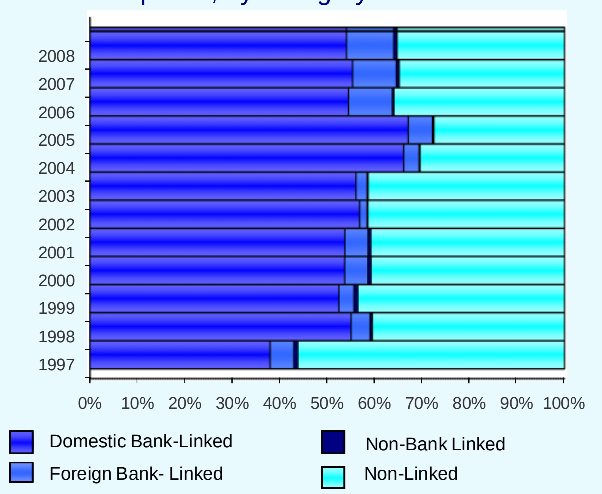
Source: Office of Supervisory Policy Development, Supervision and Examination Sector

non-residents and multilateral agencies with shares of 9.0 percent and 0.6 percent, respectively. Majority or 70.4 percent (up from 65.1 percent last semester) of the industry's investments in debt securities was in government securities.

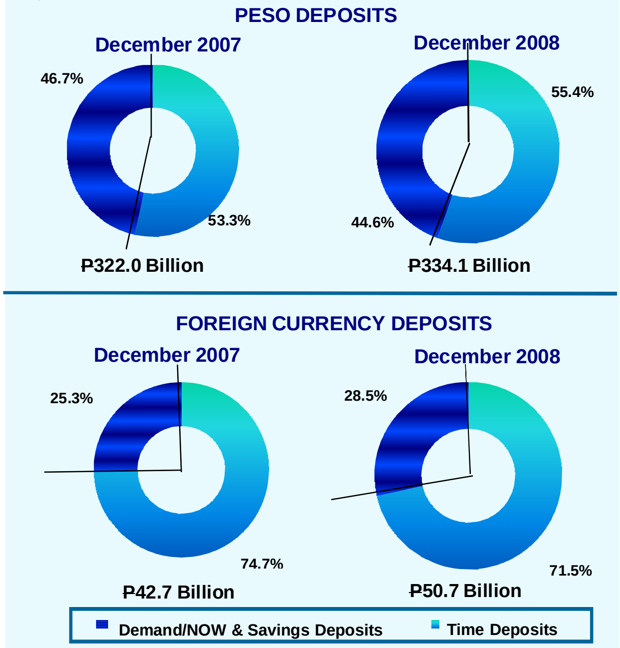
On the other hand, counterparties of thrift banks as to equity securities were all resident issuers, mostly consisting of other private corporations at 86.6 percent share. This was followed by other banks at 9.6 percent and government owned or controlled corporations (GOCCs) at 3.8 percent.

DEPOSIT LIABILITIES

Thrift Banking System
Share of Deposits, by Category



Thrift Banking System
Deposit Mix



Deposit liabilities amounted to P384.8 billion, higher by 5.5 percent than last year's P364.6 billion. Banks' aggressive marketing efforts as well as the growing national consciousness on savings sustained the growth of bank deposits.

By main group, linked thrift banks accounted for a bigger slice of the industry's total deposits at 64.7 percent or P249.0 billion. Of which, domestic bank-linked thrift banks accounted for 83.6 percent. Non-linked thrift banks held the balance of 35.3 percent or P135.8 billion.

Thrift banks' currency mix was composed of 86.8 percent (P334.1 billion) peso deposits and 13.2 percent (P50.7 billion) foreign currency deposits. Both peso and foreign currency deposits registered year-on-year expansion. Peso deposit liabilities expanded by 3.8 percent while foreign currency deposit liabilities went up by 18.9 percent.

Thrift bank depositors showed preference for high yielding placements. The interest sensitive time deposits and long-term negotiable certificates of time deposit (LTNCD) cornered a slightly bigger slice of total peso deposit liabilities at 55.4 percent (up from 53.3 percent last year). Readily withdrawable demand/NOW and savings accounts held the balance of 44.6 percent (down from 46.7 percent).

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Time deposits and LTNCD also accounted for the bulk of the industry's foreign currency deposits at 71.5 percent (down from 74.7 percent). Demand/NOW and savings accounts accounted for only 28.5 percent (up from 25.3 percent) share.

CAPITALIZATION

Total capital accounts amounted to P53.5 billion, down by 6.4 percent from last semester's P57.1 billion and by 4.8 percent from last year's P56.2 billion. Similarly, the ratio of capital accounts to total assets dropped to 11.1 percent from last semester's 11.8 percent and last year's 11.6 percent ratios.

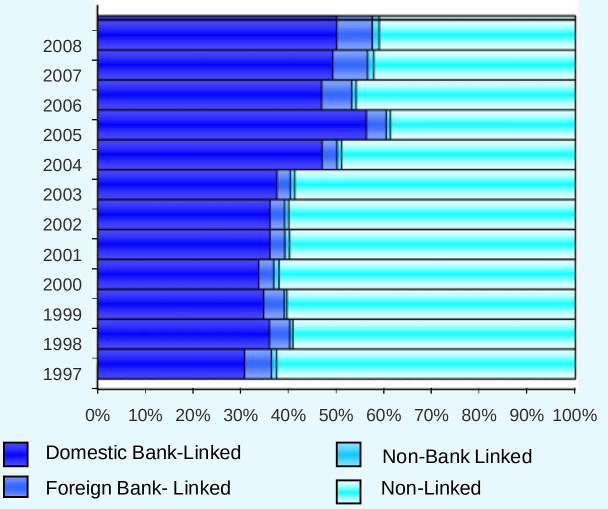
Lower capitalization during the year was fueled by the drop in retained earnings by 15.0 percent to P10.6 billion, which in turn, resulted from the unprofitable operations of a few thrift banks. In addition, capital stock was reduced by 1.9 percent to P42.8 billion.

In terms of capital structure, capital stock comprised 80.1 percent of total capital accounts. Retained earnings and undivided profits accounted for the balance of 19.9 percent.

By main group, linked thrift banks accounted for a larger share of the total capital base at 58.9 percent (P31.5 billion). Of which, domestic bank-linked thrift banks accounted for 84.9 percent (26.7 billion). In contrast, non-linked thrift banks held a smaller share at 41.1 percent (P21.9 billion). Linked thrift banks consistently held the bigger slice of total capital since end-year 2004.

Thrift banks remained adequately capitalized as the industry's CAR continued to be well above both the 10 percent prudential norm required by the BSP and the 8 percent international standard under the Basel Accord. CAR ratios (on both solo and

Thrift Banking System
Distribution of Capital, by Analytical Category



Thrift Banking System
Comparative Capital Adequacy Ratio (CAR) Under Circular No. 280

	Solo				Consolidated			
	End- December			End-Sept	End- December			End-Sept
	2005	2006	2007	2008	2005	2006	2007	2008
(In P Billion)								
Tier 1	32.0	33.3	37.0	40.3	32.0	33.3	37.0	40.3
Tier 2	4.5	6.7	6.4	6.6	4.5	6.7	6.4	6.6
Deductions	0.1	0.1	0.4	0.4	0.1	0.1	0.4	0.4
Qualifying Capital	**36.4**	**39.9**	**43.0**	**46.4**	**36.4**	**39.9**	**43.0**	**46.4**
Risk Weighted Assets (RWA) - net	**210.4**	**246.0**	**284.0**	**318.1**	**210.4**	**246.0**	**284.0**	**318.1**
(In Percent)								
Capital Adequacy Ratio (CAR)	**17.3**	**16.2**	**15.1**	**14.6**	**17.3**	**16.2**	**15.1**	**14.6**

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

consolidated bases) stood at 14.6 percent as of end-September 2008, down from 15.1 at end-year 2007. The decline in the ratio took place as the 8.0 percent growth in qualifying capital to P46.4 billion was outweighed by the 12.0 percent hike in risk weighted assets to P318.1 billion.

By main group, linked thrift banks posted a substantially higher CAR (both solo and consolidated) of 17.7 percent (up from 17.4 percent at end-year 2007) compared to non-linked thrift banks' 8.8 percent (down from 10.1 percent). The impact of the adoption of Basel 2 framework on subsidiary thrift banks of universal and commercial banks partly caused the decline in the industry's CAR.

Thrift Banking System

Status of Banks' Compliance with the Minimum Amount of Capital

	2004	2005	2006	2007	2008
A. Number of Operating Thrift Banks (TBs)	**87**	**84**	**84**	**82**	**77**
Based Within Metro Manila	41	39	37	37	35
Based Outside Metro Manila	46	45	47	45	42
B. TBs with Capital Equal to or in Excess of the Minimum Required	**56**	**54**	**54**	**55**	**57**
Based Within Metro Manila (K≥ ₱325M)	29	25	25	27	27
Based Outside Metro Manila (K≥ ₱52M)	27	29	29	28	30

Meantime, thrift banks' compliance with the minimum amount of capital showed that 57 banks or 74.0 percent (up from 55 banks or 67.1 percent last year) met the required minimum amount of capital. Non-compliant banks are encouraged to merge with a stronger bank or increase capitalization.

SELECTED CONTINGENT ACCOUNTS

As of end-year 2008, the industry's bank guarantees through the issuance of stand-by letters of credit stood at P55 million. Non-linked thrift banks were the leading issuers of bank guarantees with an 89.7 percent (or P50 million) share. On the other hand, the industry's derivatives instruments, particularly financial options amounted to P46 million. Linked thrift banks accounted for these financial options.

Trust department accounts reached P49.9 billion, up by 3.1 percent from last semester and by 4.5 percent from last year. Non-linked thrift banks accounted for the larger slice of the total trust department accounts at 67.9 percent (or P33.9 billion) share. Linked thrift banks accounted for the balance of 32.1 percent (or P16.0 billion) share.

RURAL BANKS

OVERVIEW

The rural banking industry is among the vital segments of the Philippine banking system having a key role in providing banking access to rural masses and in catalyzing broad-based development in the countryside. In 2008, the industry was confronted with unfavorable situations such as the inflationary environment brought about by the stressed global macro-economic conditions and the controversial closure of the 12 rural banks under the Legacy Group of Companies [1].

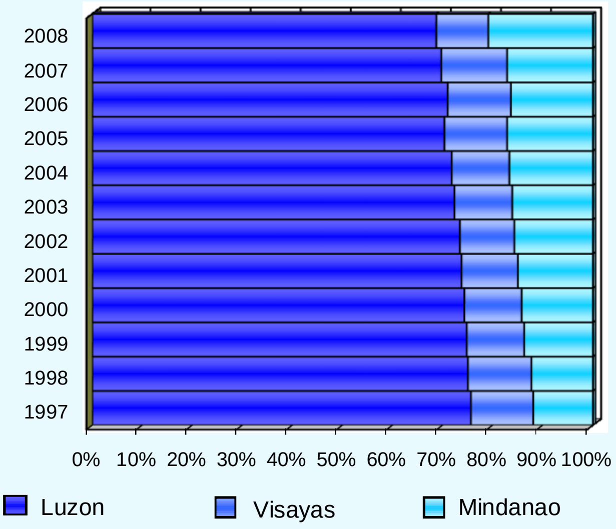
The rural banking industry is among the vital segments of the Philippine banking system having a key role in providing banking access to rural masses and catalyzing broad-based development in the countryside

Nonetheless, the industry remained well-placed to withstand more trying times ahead having endured this challenging operating environment. This was manifested by the following key financial indicators: continuous profitability; improved cost efficiency; upbeat lending; adequate liquidity and sufficient capitalization. Likewise, the industry continued to address the growing credit needs of the micro, small and medium enterprises as part of BSP's greater advocacy towards financial inclusiveness.

For the year 2008, profitability of rural banks remained positive. Net profit, registered at P2.8 billion (same as in 2007), was still better than any other profits earned by the industry in the previous years. Both the return on assets and equity (ROA and ROE) ratios, however, declined to 1.9 percent and 12.6 percent from last year's 2.0 percent and 14.2 percent, respectively.

1 In December 2008, the BSP placed under receivership 12 banks under the Legacy Group of Companies. These banks are: Rural Bank of Paranaque, Inc.; Rural Bank of San Jose (Batangas), Inc.; Rural Bank of Bais (Negros Oriental), Inc.; Pilipino Rural Bank (Cebu), Inc.; Philippine Countryside Rural Bank (Cebu), Inc.; First Interstate Bank (Rural Bank of Kananga, Leyte) Inc.; Bank of East Asia (Banco Rural de Bisayas [Minglanilla, Cebu], Inc.); Dynamic Bank (Rural Bank of Calatagan), Inc.; Nation Bank, Inc. (A Rural Bank); Rural Bank of Carmen (Cebu), Inc.; Rural Bank of DARBCI (Polomolok, South Cot), Inc. and BDB Bank, Inc., A Rural Bank

Rural Banking System
Market Structure of Assets



A total of 22 rural banks closed down during the period. With fewer industry participants, total assets slightly declined to P145.1 billion or by 2.9 percent from last year's P149.5 billion. Luzon based rural banks accounted for the biggest asset share at P99.7 billion or 68.7 percent, followed by Mindanao-based rural banks at P30.3 billion or 20.9 percent. Visayas-based rural banks lagged behind at P15.1 billion or 10.4 percent.

The growth in loans, gross by 3.4 percent was accompanied by rising incidents of problem accounts. Non-performing loans (NPLs) ratio rose to 10.7 percent from 9.8 percent at end-year 2007. Similarly, non-performing asset (NPA) ratio moved up to at 12.6 percent from 11.1 percent.

Liquidity remained adequate. Liquid assets fell by 5.1 percent but deposit liabilties declined even faster by 7.9 percent bringing the ratio of liquid assets to deposit liabilities to 33.1 percent, up from last year's 32.1 percent. The industry preferred to lend more given the higher ratio of loans, gross to deposits at 97.2 percent from 86.6 percent.

The industry remained well–capitalized with capital adequacy retio (CAR) as of end-September 2008 of 13.7 percent well above the minimum 10 percent requirement. As of end-December 2008, Total capital accounts reached P23.0 billion, an increment of P2.2 billion from last year's P20.8 billion.

Consistently, rural banks situated in the CALABARZON (Region IV-A) still led in terms of the highest assets, loan portfolio, deposit liabilities and capital accounts. The CALABARZON is an area of industrialized estates and housing zone and has been an economic model with effective combination of cutting-edge manufacturing hub, highly productive agricultural sector and fast growing small and medium enterprises.

Top Five Regions of Rural Banks
Based on Consolidated Statement of Condition as of End-December 2008 p/
Amounts in P Billion

Assets			Loans		
Rank	**Region**	**Amount**	**Rank**	**Region**	**Amount**
1	CALABARZON (Region IV-A)	29.9	1	National Capital Region	18.4
2	National Capital Region	24.7	2	CALABARZON (Region IV-A)	17.3
3	Central Luzon (Region III)	19.7	3	Central Luzon (Region III)	12.6
4	Davao Region (Region XI)	11.4	4	Davao Region (Region XI)	7.7
5	Ilocos (Region I)	9.4	5	Ilocos (Region I)	6.4
	Total	**95.1**		**Total**	**62.4**
	% Share	**65.5**		**% Share**	**64.4**

Deposit Liabilities			Capital Accounts		
Rank	**Region**	**Amount**	**Rank**	**Region**	**Amount**
1	CALABARZON (Region IV-A)	22.8	1	CALABARZON (Region IV-A)	4.2
2	National Capital Region	16.0	2	National Capital Region	4.1
3	Central Luzon (Region III)	13.8	3	Central Luzon (Region III)	3.2
4	Davao Region (Region XI)	7.7	4	Davao Region (Region XI)	1.6
5	Ilocos (Region I)	7.0	5	Ilocos (Region I)	1.4
	Total	**67.3**		**Total**	**14.6**
	% Share	**67.6**		**% Share**	**63.4**

p/ Preliminary

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

OPERATING NETWORK

The branching guideline under Circular No. 505 was issued on 22 December 2005 to enable existing banks to further widen their outreach and maximize the delivery of financial services especially in the underserved areas. This branching guideline was amended by Circular No. 624 dated 13 October 2008 rationalizing existing regulations on the establishment of banking offices to further improve the delivery of efficient banking services. The benefit of this policy to the rural banking industry was manifested in the increase in the number of offices to 2,020 at end-December 2008 from last year's 2,011. While the number of operating banks decreased by 24, the number of branches and other offices increased by 33 from end-December 2007. This is reflective of industry consolidation where stronger and more viable rural banks are expanding their outreach. Meantime, the number of operating rural banks of end-December 2008 declined to 658 from 682 offices as of end-December 2007, following the closure of several rural banks in 2008 (including the closure of 12 rural banks under the Legacy Group of Companies in December 2008).

Rural Banking Offices
As of End-December 2008

	Total	Head Offices	Branches/ Other Offices
Rural Banks	**2,020**	**658**	**1,362**
Of which :			
Microfinance Rural Banks	32	5	27

The BSP has taken steps to create an enabling policy and regulatory environment for sustainable microfinance in order to easily identify and fully address the capacity development needs of microfinance players in the banking sector. With this initiative of the BSP, the rural banking sector has been able to directly contribute to the growth of sustainable and viable microfinance institutions. As of end-December 2008, the number of branches of the five microfinance oriented rural banks increased to 27 (vs. 17 the previous year). In addition, there were 167 branches of other rural banks dedicated to microfinance activities.

With this initiative of the BSP, the rural banking sector has been able to directly contribute to the growth of sustainable and viable microfinance institutions

During the year, there was only one case of conversion that took effect on 18 February 2008. Vizcaya Savings and Loan Association, Inc. converted to Vizcaya Bank, a Rural Bank, Inc.

Further, a total of three mergers were completed: (1) Philippine Rural Bank of San Mateo (Rizal) absorbed Marikina Valley Rural Bank, Inc. effective 31 March 2008; (2) RB of

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

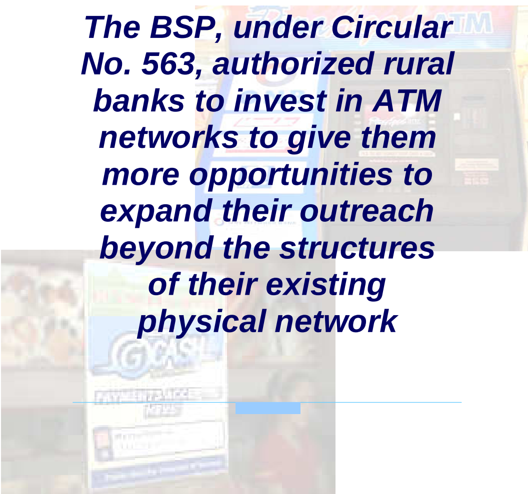
Katipunan (Zamboanga Del Norte), Inc. absorbed Plaza Rural Bank on 1 May 2008 and (3) the merger between SME Bank (A Rural Bank) and GM Bank Inc. (A RB) was consummated on 1 August 2008 with the latter as the surviving bank.

Meanwhile, there were 22 rural banks that ceased to operate during the year, namely: (1) RB of Lupon (Davao Oriental), Inc.; (2) Rural bank of Silang, Inc.; (3) People's RB of Binmaley (Pangasinan); (4) G-7 Bank, Inc (A RB); (5) RB of Lambayong; (6) Bangko Sto. Niño; (7) Polilio Islands Rural Bank, Inc.; (8) New RB of Guimba, Inc.; (9) RB of Parañaque; (10) RB of Nueva Caceres; (11) RB of San Jose; 12) Pilipino Rural Bank; (13) RB of Bais; (14) Bank of East Asia; (15) First Interstate Bank; (16) Philippine Countryside RB; (17) Dynamic Bank; (18) Nation Bank, Inc; (19) RB of DAR Beneficiaries Coop, Inc.; (20) The BDB Bank, Inc.; (21) RB of Carmen (Cebu), Inc. and (22) Community RB of San Joaquin.

Closed Rural Banking Offices
1 January to 31 December 2008

Name of Bank	No. of Branches	Date Closed
1. RB of Lupon (Davao Oriental), Inc.	No branch	10 Jan 2008
2. Rural Bank of Silang Inc.	No branch	03 Apr 2008
3. People's RB of Binmaley (Pangasinan)	8	17 Apr 2008
4. G-7 Bank Inc (A RB) (RB Nabua Inc.)	6	31 Jul 2008
5. RB of Lambayong	No branch	29 Aug 2008
6. Bangko Sto. Niño (RB of Bamban Inc.)	No branch	29 Aug 2008
7. Polillo Islands Rural Bank Inc.	No branch	11 Sept 2008
8. New RB of Guimba Inc.	1	11 Sept 2008
9. RB of Parañaque Inc	4	09 Dec 2008
10. RB of Nueva Caceres	No branch	11 Dec 2008
11. RB of San Jose (Batangas) Inc	No branch	11 Dec 2008
12. Pilipino Rural Bank (Cebu) Inc	3	11 Dec 2008
13. RB of Bais (Negros Oriental) Inc	3	11 Dec 2008
14. Bank of East Asia(Banco de Bisayas)	2	12 Dec 2008
15. First Interstate Bank(RB Kananga)	5	12 Dec 2008
16. Phil Countryside RB Inc (RB Liloan)	6	12 Dec 2008
17. Dynamic Bank (Rural Bank of Calatagan)	6	16 Dec 2008
18. Nation Bank Inc (A RB)	4	19 Dec 2008
19. RB of DAR Beneficiaries Coop Inc	No branch	19 Dec 2008
20. The BDB Bank Inc (A RB)	1	19 Dec 2008
21. RB of Carmen (Cebu) Inc	No branch	19 Dec 2008
22. Commty RB of San Joaquin Inc	No branch	19 Dec 2008

Majority of rural bank offices were located in the National Capital Region (NCR) and the adjacent regions of the CALABARZON (Region IV -A) and Central Luzon (Region III) with 837 offices or 41.4 percent of the total rural bank offices in the country. The Northern Luzon area (Region I, Region II and CAR), which had 377 rural bank offices, took up the second biggest share at 18.7 percent. While 298 rural banks were found in the Visayas region, comprising 15.1 percent of the total rural banks nationwide. The remaining 508 offices were located in and around the areas of Bicol, MIMAROPA and Mindanao.



The BSP, under Circular No. 563, authorized rural banks to invest in ATM networks to give them more opportunities to expand their outreach beyond the structures of their existing physical network

The BSP, under Circular No. 563, authorized rural banks to invest in ATM networks to give them more opportunities to expand their outreach beyond the structures of their existing physical network (head offices and branches). As of end-2008, the number of rural banks with ATMs reached 113 (95 on-site and 18 off-site) from 83 units (71 on-site and 12 off-site) in 2007 and just five ATMs in 2005.

Across the three main geographical regions, Mindanao had the most number of ATMs with 87 units or 77.0 percent of the total, followed by Luzon (including NCR) with 15 units or 13.3

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

percent and Visayas with 11 units or 9.7 percent.

In addition, rural banks may provide electronic banking services, particularly mobile phone banking. As a result, a number of rural banks have already ventured into electronic banking to beef up their delivery of financial services. As of end-2008, a total of 47 rural banks started offering e-banking services such as cash card and mobile banking. In 2006, through Circular No. 522, rural banks (with prior approval from the Monetary Board) were authorized to operate FCDUs given their competitive edge in the remittance business by virtue of their close contact with countryside customers. As of end-December 2008, a total of eight rural banks were issued their FCDU licenses.

In addition, rural banks may provide electronic banking services, particularly mobile phone banking

Rural banks were further allowed to engage in limited trust activities under Circular No. 583 dated 24 September 2007 and to participate in selected derivatives transactions based on Circular No. 594 dated 8 January 2008. Rural banks, however, refrained from engaging in these special authorities/activities as of end-December 2008.

The approval of the technologies and methodologies of microfinance such as the Micro-Agri Product[2] and the Housing Microfinance Product (Memorandum No. M-2008-015 dated 19 March 2008) allows rural banks with microfinance operations to expand the range of services they can provide to their clients and to further diversify portfolios while reducing the risk in lending to these microfinance products. Further, rural banks can grant the same privilege given to microfinance oriented clients such as; (1) no collateral requirement or the acceptance of collateral substitute, (2) cash flow and character based lending, (3) small and frequent amortizations as well as (4) simple documentary requirements.

2 The BSP on 19 January 2006, allowed rural banks to classify the Micro-Agri Loan Product of the Rural Bankers Association of the Philippines-Microenterprise Access to Banking Services (RBAP-MABS) as microfinance loans, subject to certain conditions.

RESULTS OF OPERATIONS

For the year ended 31 December 2008, the rural banking industry realized the same bottom line figures of last year at P2.8 billion. This was still better than the profits posted in earlier periods, i.e., P1.6 billion in 2004; P1.5 billion in 2005 and P2.3 billion in 2006.

Year-on-year growth in total operating income of P1.0 billion matched the combined increment in non-interest expenses and provisioning for credit losses.

Total operating income at P15.8 billion was the highest ever posted by the industry. Total operating income growth of 6.6 percent in 2008 was 10.9 percentage points lower than the 17.5 percent hike in 2007 and was the lowest increment recorded.

Further breakdown showed that operating income in 2008 was influenced by the hike in net interest income

Further breakdown showed that operating income in 2008 was influenced by the hike in net interest income. Net interest income rose by P1.4 billion or 13.5 percent to P12.0 billion from P10.6 billion last year and comprised 76.3 percent of total operating income. The slower increment in net interest income compared to previous year's 24.3 percent, however, manifested the slight weakening of the industry's loan and asset quality. Nevertheless, net interest margin widened to 10.6 compared to last year's 9.4 percent brought on by higher interest rates in 2008.

Non-interest income accounted for nearly a fourth of total operating income. Non-interest income declined by P0.5 billion or 10.7 percent from the previous year. Fee-based income, which accounted for 60.0 percent of non-interest income, dropped significantly by 12.0 percent or P0.3 billion. Fee-based income were mostly derived from service charges/fees and bank commissions.

Non-interest expenses climbed by P0.5 billion or 4.6 percent reaching P11.1 billion from P10.6 billion last year. Compensation and fringe benefits and other administrative expenses were the major non-interest expenses for the rural banking industry accounting for 63.4 percent and 36.6 percent, respectively.

In spite of the continuous growth in non-operating costs, the rural banking industry generated higher total operating income to more than effectively cover for non-operating expenses. Thus, the industry consistently yielded a positive net profit.

In spite of the continuous growth in non-operating costs, the rural banking industry always generated higher total operating income to more than cover for non-operating expenses

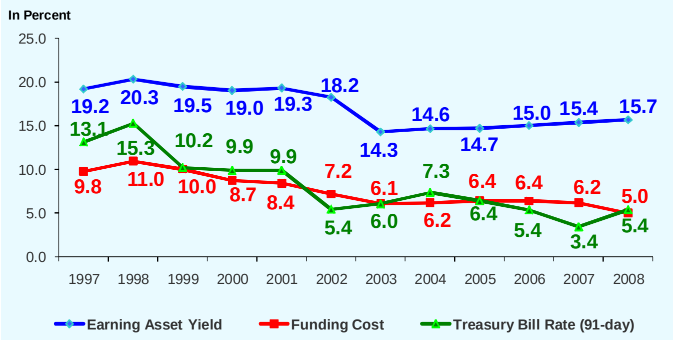
By region, most profitable rural banks were situated in highly urbanized National Capital Region (NCR) with a net profit of P651 million, followed by rural banks in CALABARZON (Region IV-A) with P385 million, Central Luzon (Region III) with P325 million, Davao Region (Region XI) with P292 million and Northern Mindanao (Region X) with P203 million. In contrast, rural banks in the ARMM[3] posted a net loss of less than half a million pesos.

In terms of the three main geographic regions, rural banks located in Luzon were the most profitable with a net profit of P1.8 billion (64.2 percent of the total industry net profits) while rural banks in Visayas posted the least net profit of P0.3 billion (10.7 percent). Rural banks in Mindanao earned a moderate P0.7 billion (25.1 percent).

The benchmark 91-day T-bill rate, which trended down to 3.4 percent in 2007 from 6.4 percent in 2004, rose in 2008 to 5.4 percent

The average funding cost tracked down the benchmark 91-day T-bill rate from 1997 to 2001 and again in 2004. A sudden shift occurred in 2002 and 2003 where funding cost outpaced the T-bill rate by 180 basis points and 10 basis points, respectively. After leveling off in 2005 and 2006 at 6.4 percent, funds generated by rural banks were at a premium over the 91-day T-bill rate by 100 basis points

Rural Banking System: Selected Ratios vs. 91-day Treasury Bill Rate



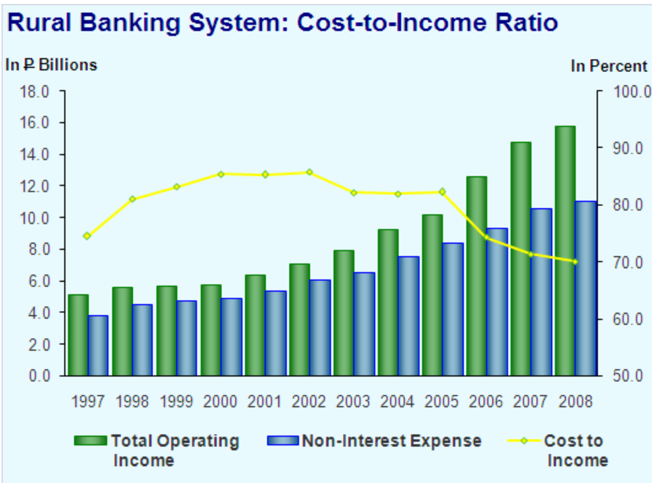
3 The ARMM is currently composed of six provinces: Sulu, Tawi-Tawi, Lanao del Sur, Maguindanao, Basilan and Shariff Kabunsuan. Maguindanao is considered among the top corn and fish producers of the country. It is also among the provinces with the highest inventory of carabaos and goats. Likewise, Lanao del Sur is also among the top corn producing provinces, while Tawi-Tawi and Sulu are top fish producers. However, the region has always been a hotbed of communist and Muslim insurgents thus, the performance of the banks in the region adversely suffered.

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

in 2006 and by 280 basis points in 2007. In 2008, funding cost settled to 5.0 percent slightly lower by 40 basis points than the T-bill rate. Nevertheless, the industry's pricing of funds remains competitive compared to universal banks and thrift banks with funding cost of 3.0 percent and 4.3 percent, respectively.

Earning asset yield rose to 15.7 percent or by 30 basis points from 15.4 percent in 2007. The year's earning asset yield was lower by 460 basis points from its highest at 20.3 percent in 1998. The spread between the industry's earning asset yield ratio and the 91-day T-bill rate widened from 500 basis points in 1998 to as high as 1,280 basis points in 2002 and settled to 1,030 basis points in 2008. This indicates the high cost of borrowing funds from rural banks, which are mostly located in the countryside.

Incidentally, interest spread rose to 10.7 percent from last year's 9.2 percent. Similarly, net interest margin increased to 10.6 percent from 9.4 percent in 2007. This broadly indicates the vital role that rural banks play in credit rationing.



The industry sustained slight improvement in operating efficiency as cost-to-income ratio declined anew to 70.1 percent from 73.6 percent in 2007. This marked the industry's three consecutive years of sustained performance as operational efficiency improved from the pronounced uptick of 82.2 percent in 2005. This even outperformed the pre-crisis CTI ratio of 74.5 percent recorded in 1997.

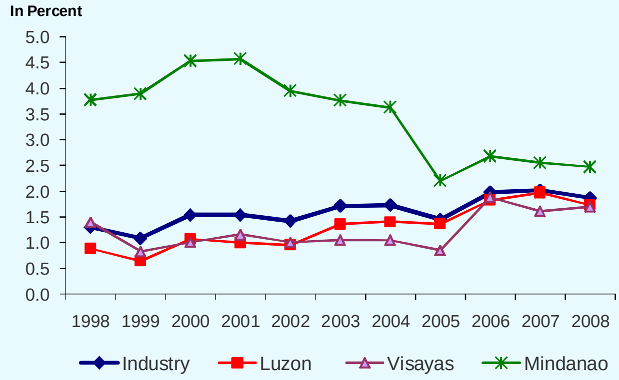
By regional subgroup, rural banks in four regions posted CTI ratios better than the industry average. These were: NCR at 52.0 percent, Davao (Region XI) at 62.0 percent, Northern Mindanao (Region X) at 62.3 percent, and MIMAROPA (Region IV-B) at 66.7 percent. On the other hand, rural banks in the following regions were least efficient: ARMM at 103.1 percent, Ilocos (Region I) at 81.2 percent, Western Visayas (Region VI) at 80.9 percent, Soccsksargen (Region XII) at 80.5 percent, and CARAGA (Region XVI) at 80.5 percent. Notably, the industry's cost efficiency ratio was adversely affected by the least efficient regions, which happened to be the regions with the biggest market share. (Table 51)

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Key profitability indicators declined although remained at comfortable levels. ROA slightly declined to 1.9 percent from last year's 2.0 percent ratio while ROE dropped to 12.6 percent from 14.2 percent. Both were above the system average of 0.8 percent and 6.9 percent, respectively.

Rural banks located in the following regions had the best ROA: Northern Mindanao (Region X) at 3.1percent; MIMAROPA (Region IV-B) at 3.0 percent; Davao (Region XI) at 2.9 percent; NCR at 2.5 percent; Eastern Visayas (Region VIII) at 2.4 percent; and CARAGA (Region XVI) at 2.0 percent. Excluding rural banks in the ARMM which posted a negative ROA, banks in Ilocos Region (Region I) had the least ROA at 1.1 percent.

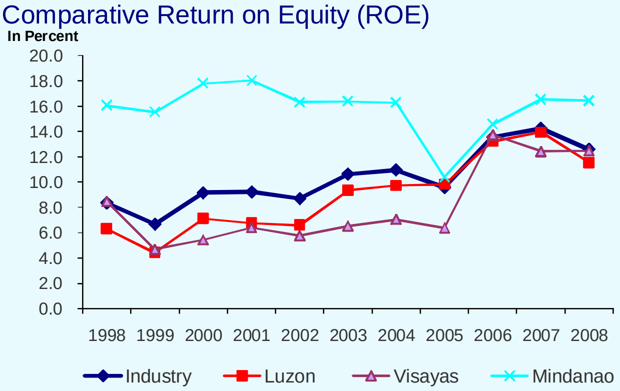
Rural Banking System
Comparative Return on Assets (ROA)



Meanwhile, rural banks in the Northern Mindanao (Region X) had the greatest ROE at 19.9 percent. This was followed by profitable rural banks in Davao (Region XI) at 19.2 percent, NCR at 17.0 percent, Eastern Visayas (Region VIII) at 16.6 percent and CARAGA (Region XVI) at 14.6 percent.

The ROA and ROE of rural banks in Mindanao were consistently better than those in Luzon and Visayas. Profitability indicators for this region were notably above the industry average at 1.9 percent and 12.6 percent, respectively.

Rural Banking System
Comparative Return on Equity (ROE)



MAJOR BALANCE SHEET TRENDS

ASSETS

As of end-December 2008, total assets of the rural banking industry declined by P4.4 billion or 2.9 percent to P145.1 billion from P149.5 billion following the closure of 22 rural banks during year. These 22 rural banks accounted for 13.6 percent of the total assets of the industry at end-year 2007. On a regional basis, six regions exhibited asset contraction as 16 of the 22 rural banks that were closed during 2008 were located in these regions.

Rural Banking System: Assets by Region

	Total Assets (In Billion Pesos)		Year-on-Year		Number of banks that closed in the Region in 2008	Asset Share of closed banks at end- 2007
	Dec 2007	Dec 2008	Levels (In Billion Pesos)	Percent Change		
Central Visayas (Region VII)	11.7	7.2	-4.4	-38.2%	5	42.7%
Bicol Region (Region V)	7.4	3.1	-4.3	-58.2%	3	63.5%
CALABARZON (Region IV-A)	32	29.9	-2.1	-6.5%	4	10.9%
National Capital Region (NCR)	26.5	24.7	-1.8	-6.9%	1	19.9%
Region XII (Soccsksargen)	3	2.5	-0.5	-15.8%	2	24.4%
Region VIII (Eastern Visayas)	1.9	1.6	-0.3	-14.5%	1	19.1%

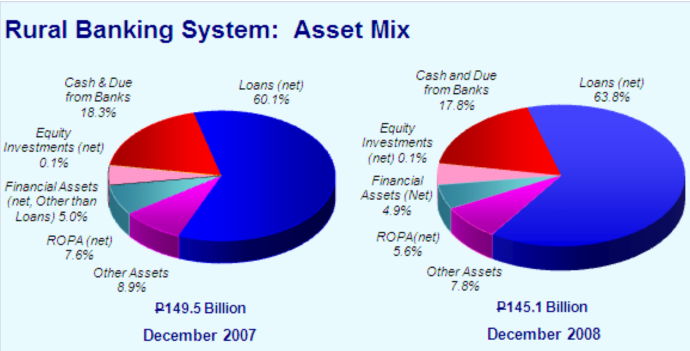
Rural banks located in Central Visayas (Region VII) posted the steepest decline of P4.4 billion or 38.2 percent, followed by rural banks situated in: Bicol (Region V) with P4.3 billion or

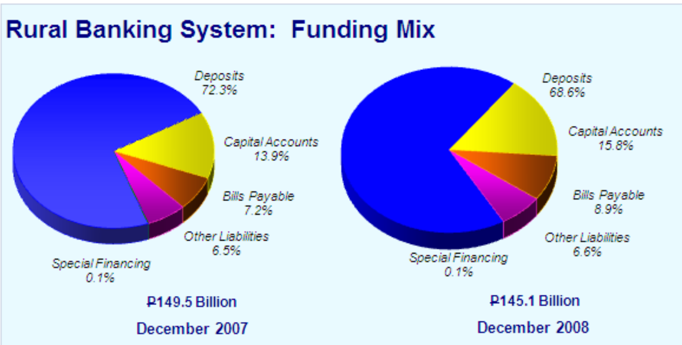
Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Rural Banking System: Balance Sheet Structure

Major Accounts	End-December 2004	2005	2006	2007	2008p/
Total Assets	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Cash and Due from Banks	18.5 %	17.7 %	18.2 %	18.3 %	17.8 %
Financial Assets, net (Other than Loans)	5.9 %	5.6 %	5.1 %	5.0 %	4.9 %
Loans, net	59.4 %	59.5 %	58.2 %	60.1 %	63.8 %
Equity Investments, net	0.1 %	0.1 %	0.1 %	0.1 %	0.1 %
ROPA, net	8.2 %	7.4 %	8.4 %	7.6 %	5.6 %
Other Assets	7.9 %	9.7 %	10.0 %	8.9 %	7.8 %
Total Liabilities and Capital	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Deposits	70.9 %	70.3 %	70.3 %	72.3 %	68.6 %
Bills Payable	7.8 %	7.9 %	7.4 %	7.2 %	8.9 %
Special Financing	0.2 %	0.1 %	0.1 %	0.1 %	0.1 %
Other Liabilities	5.4 %	7.1 %	7.6 %	6.5 %	6.6 %
Capital Accounts	15.7 %	14.6 %	14.6 %	13.9 %	15.8 %

p/ Preliminary





58.2 percent, CALABARZON (Region IV-A) with P2.1 billion or 6.5 percent, NCR with P1.8 billion or 6.9 percent, Soccsksargen (Region XII) with P0.5 billion or 15.8 percent and Eastern Visayas (Region VIII) with P0.3 billion or 14.5 percent.

Based on the three main geographical regions, the industry's assets were still concentrated in Luzon, capturing 68.7 percent (P99.7 billion) of total assets. Rural banks situated in Mindanao accounted for 20.9 percent (P30.3 billion) share while those banks in Visayas region had the least share of 10.4 percent (P15.1 billion).

In 2008, bank lending continued to drive the industry. Loans, net, which increased by P2.7 billion or 3.1 percent, accounted for the biggest share of 63.8 percent or P92.5 billion of total assets, up from 60.1 percent (P89.8 billion) share last year. Cash and due from banks followed at 17.8 (P25.9 billion) share, down from 18.3 percent (P27.3 billion) share. The rest of the asset accounts were distributed as follows: other assets at 7.8 percent or P11.5 billion (down from 8.9 percent or P13.5 billion); real and other properties acquired (ROPA), net at 5.6 percent or P8.1 billion (down from 7.6 percent or P11.4 billion); financial assets at 4.9 percent or P7.2 billion (down from 5.0 percent or P7.5 billion) and equity investments, net at 0.1 percent or P0.1 billion (same the previous year).

Major source of funds continued to be deposit liabilities at P99.6 billion, representing 68.6 percent of total liabilities and capital accounts (down from 72.3 percent or P108.1 billion last year). The decline in deposit liabilities was due to the closure of 22 rural banks during the year. Total deposit liabilities of these banks as of end-December 2007 stood at P17.7 billion and accounted for 16.4 percent of the industry's total deposit liabilities as of end-2007. Meantime, capital accounts accounted for 15.8 percent or P23.0 billion (up from 13.9 percent or P20.8 billion). The rest of the funding mix were bills payable at 8.9 percent or P12.9 billion (up from 7.2 percent or P10.8 billion); other liabilities at 6.6 percent or P9.6 billion (up from 6.5 percent or P9.7 billion) and special financing at 0.1 percent or P0.1 billion (same with the previous year).

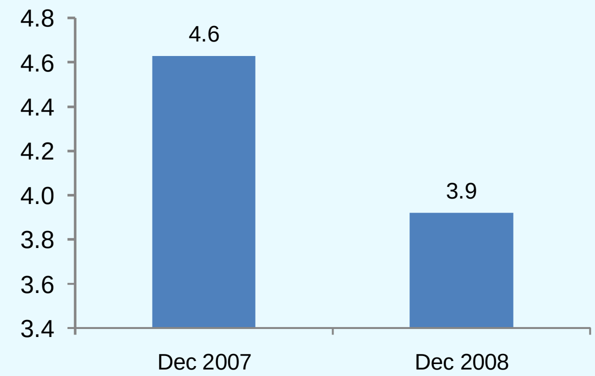
Source: Office of Supervisory Policy Development, Supervision and Examination Sector

LOANS

Lendings slowed down to a single-digit 3.4 percent growth in 2008 compared to the double-digit growth for the last two years. Nonetheless, loans, gross of P96.8 billion was so far the highest by the industry.

Loan expansion cut across 12 out of the 17 regions with the following four regions having loan increment exceeded P1 billion each, namely: NCR with P3.1 billion or 20.0 percent growth; Davao (Region XI) with P1.6 billion or 25.8 percent; Central Luzon (Region III) with P1.4 billion or 12.1 percent and Northern Mindanao (Region X) with P1.2 billion or 29.0 percent. Meanwhile, the remaining eight regions contributed an aggregate of P2.7 billion of additional loans.

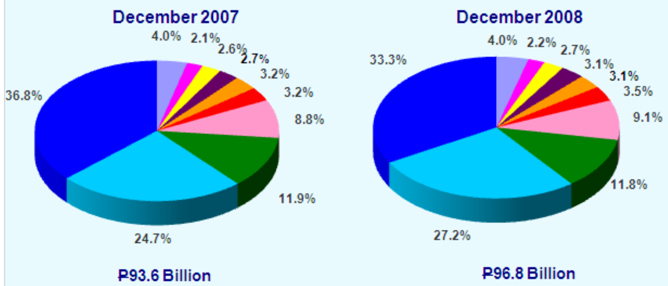
Rural Banking System
Growth Rate of Agriculture
In Percent



Since the BSP took up the advocacy on microfinance, rural banks were able to directly contribute to the growth of viable microfinance institutions though intensified lending programs. The five microfinance-oriented rural banks together with the 167 rural banks with some level of microfinance operations have so far provided a total of P4.8 billion microfinance loans to about 700,000 microborrowers as of end-December 2008.

The agriculture sector managed to grow by 3.9 percent[4] in 2008 (down from 4.6 percent in 2007) as the rural banking industry continued to be one of the major industry players in raising agricultural output. In fact, credit to the agricultural sector still comprised the bulk of loans at P32.2 billion or 33.3 percent as of end-December 2008 (down from last year's 36.8 percent). On account of slower growth of the agricultural sector in 2008, loans granted by the industry to the agricultural sector declined by P2.3 billion or 6.5 percent

Rural Banking System
Loan Portfolio Structure
By Industry Sector



	December 2007	December 2008
Agriculture, Hunting & Forestry	36.8 %	33.3 %
Wholesale, Retail Trade & Repair	24.7 %	27.2 %
Real Estate, Construction, Renting & Business Activities	11.9 %	11.8 %
Other Community, Social & Personal Activities	8.8 %	9.1 %
Education	3.2 %	3.5 %
Private Households with Employed Persons	3.2 %	3.1 %
Transportation, Storage & Communication	2.7 %	3.1 %
Fishery	2.6 %	2.7 %
Manufacturing	2.1 %	2.2 %
Others	4.0 %	4.0 %

Loans granted to all other sectors posted similar expansion of more than P0.3 billion: (1) Wholesale & retail trade, repair of motor vehicles – P3.2 billion or 13.9 percent; (2) Transportation, storage and

4 Source: Bureau of Agricultural Statistics

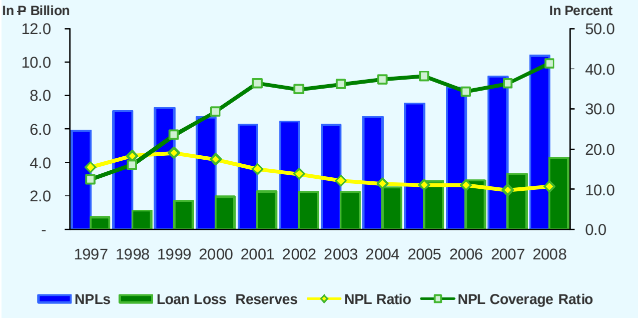
communication – P0.5 billion or 21.4 percent; (3) Other community, social and personal service activities – P0.5 billion or 6.0 percent and (4) Education – P0.3 billion or 11.1 percent.

As of end-September 2008, the industry surpassed the minimum 10 percent mandatory credit allocation for agrarian reform at 15.0 percent. The industry also exceeded the overall 25 percent prescribed agri-agra credit, representing a compliance ratio of 40.8 percent or P40.0 billion worth of allocated funds.

The industry's exposure to micro, small and medium enterprises (MSME) as of end-September 2008 remained more than ideal. Loans to micro and small enterprises amounted to P34.7 billion or 55.5 percent of total loanable funds while credit extended to medium enterprises at P7.9 billion was 12.6 percent of total loanable funds.

Rural Banking System

NPLs and NPL Coverage Ratio



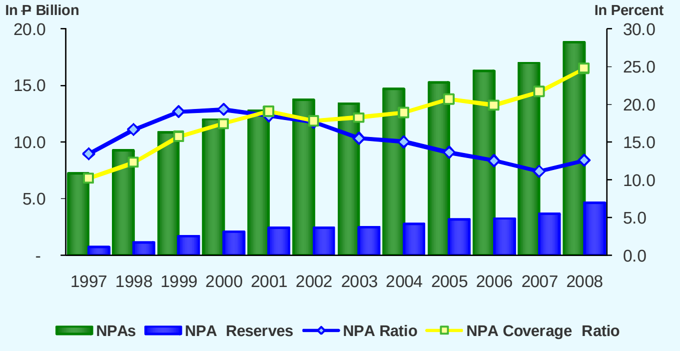
The industry's exposure in typhoon-prone areas with high incidence of loan defaults proved to be quite a challenge as the industry struggled to trim down the level of delinquent loans since 2003. Accordingly, the industry's NPL ratio rose to 10.7 percent in 2008 from previous year's 9.8 percent. The present ratio, however, was still better than the ratios posted in earlier years: 19.1 percent in 1999, 17.5 percent in 2000, 15.0 percent in 2001, 13.9 percent in 2002, 12.1 percent in 2003, 11.4 percent in 2004 and 11.1 percent in 2005 and 2006.

On a regional basis, rural banks in the following regions exceeded the industry average ratio of 10.7 percent: ARMM at 19.0 percent; Soccsksargen (Region XII) at 16.5 percent; MIMAROPA (Region IV-B) at 16.1 percent; Western Visayas (Region VI) at 15.7 percent; Eastern Visayas (Region VIII) at 13.5 percent; CALABARZON (Region IV-A) at 13.2 percent; Cagayan Valley (Region II) at 13.1 percent; Ilocos (Region I) at 11.4 percent; Bicol (Region V) at 11.2 percent and Central Luzon (Region III) at 11.0 percent.

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

On account of higher stock of NPLs, non-performing assets (NPA) rose to P18.8 billion from P17.0 billion in 2007. This represents a 10.7 percent growth from last year's 4.4 percent. Consequently, the industry's NPA ratio increased to 12.6 percent from 11.1 percent in 2007. Loss provisioning, however, improved to 24.7 percent from 21.7 percent in 2007.

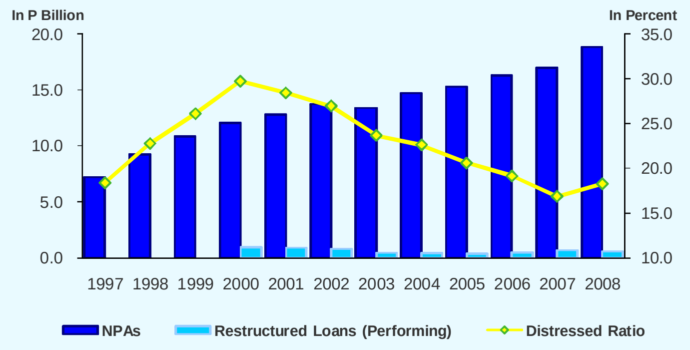
Rural Banking System
NPAs and NPA Coverage Ratio



Regional rankings for NPA ratio showed that rural banks in CALABARZON (Region IV-A) posted the highest NPA ratio of 17.0 percent. These were followed by rural banks in seven other regions with above industry average of 12.6 percent, namely: Soccsksargen (Region XII) at 15.2 percent, Cagayan Valley (Region II) at 14.8 percent; Ilocos (Region I) at 14.1 percent, Central Luzon (Region III) at 13.9 percent; ARMM and Western Visayas (Region VI) at 13.2 percent and MIMAROPA (Region IV-B) at 13.1 percent.

Meantime, ROPA, gross declined by 28.0 percent to P8.4 billion from P11.7 billion last year. Rural banks were able to disposed their bad assets under the second phase of implementation of the SPV Law of 2002 amounting to P0.2 billion. Likewise, restructured loans posted a 37.0 percent contraction to P0.6 billion from P0.9 billion.

Rural Banking System
Distressed Assets Ratio

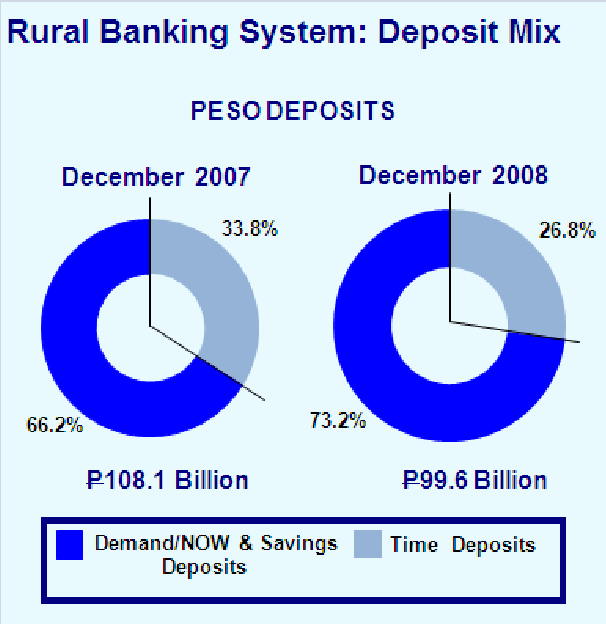


Using an even broader indicator of asset quality, the distressed assets ratio rose to 18.3 percent from 16.9 percent last year. This uptrend was consistent with the other asset quality measures, i.e., the NPL and NPA ratios.

DEPOSIT LIABILITIES

The industry's resources continued to be funded mainly by deposit liabilities, which as of end-December 2008 stood at P99.6 billion, down by 7.9 percent from previous year's P108.1 billion. The decline in deposit liabilities was brought on by the closure of 22 rural banks in 2008 which represented 16.4

Source: Office of Supervisory Policy Development, Supervision and Examination Sector



percent share of the total deposit liabilities of the industry at end-2007. Time deposits accounted for the reduction as this declined by P9.8 billion or 26.9 percent, surpassing the P1.3 billion or 1.9 percent expansion in core deposits (Demands, NOW and Savings).

Meantime, core deposits (Demands, NOW and Savings) still made up the bulk of deposit liabilities at 73.2 percent (up from 66.2 percent a year ago) share while time deposits held the remaining 26.8 percent (down from 33.8 percent) share.

On a regional basis, rural banks in the CALABARZON (Region IV-A), a highly progressive economic zone, accounted for 22.9 percent or P22.8 billion of the total deposit liabilities of the industry. Rural banks operating in the NCR, being the most populated and the center of business in the country, followed with P16.0 billion or 16.1 percent share, while those in Central Luzon (Region III) or the "Rice Granary of the Philippines" (being the producer of one-third of the country's total rice production) came in third with P13.8 billion or 13.9 percent share. In contrast, the ARMM region had the smallest share with less than half of P0.1 billion or less than 0.1 percent share.

CAPITALIZATION

The industry's total capital accounts at P23.0 billion registered a P2.2 billion or 10.2 percent growth from P20.8 billion last year. This came about as both paid-in capital and retained earnings increased by P0.3 billion or 1.9 percent and P1.8 billion or 31.8 percent, respectively.

The rise in total capital accounts resulted to a higher ratio of total capital accounts to total assets of 15.8 percent at end-year 2008 from 13.9 percent the previous year. The ratio since the peak of 17.0 percent at end-year 2000 exhibited a downtrend to 16.0 percent at end-year 2003 and reaching 13.9 percent at end-2007. This trend ensued as the increment in total assets surpassed the increase in total capital accounts. On the contrary, asset contraction recorded in 2008 was mainly on account of bank closures.

Rural banks situated in the CALABARZON (Region IV-A) still held the biggest share at P4.2 billion or 18.5 percent of total capital accounts, followed by those in the NCR at P4.1 billion or 17.9 percent, Central Luzon (Region III) at P3.2 billion or 13.9 percent, Davao (Region XI) at P1.6 billion or 7.3 percent, Ilocos (Region I) at P1.4 billion or 6.3 percent, Central Visayas (Region VII) at P1.3 billion or 5.5 percent and Northern Mindanao (Region X) and Cagayan Valley (Region II) both at P1.2 billion or 4.9 percent. The remaining P4.8 billion or 20.8 percent was held by the other rural banks in nine regions, of which those in the ARMM had the lowest capital at less than 0.01 percent of total capital accounts.

As of end-September 2008, the capital adequacy ratio (CAR) of the rural banking industry stood at 13.7 percent, slightly higher than the 13.5 percent ratio as of end-year 2007 and was well above the minimum 10 percent requirement.

Even with a relatively high capital adequacy ratio, there were only 535 (or 81.3 percent) out of 658 rural banks (vs. 565 or 82.8 percent out of 682 rural banks at end-year 2007), which were able to comply with the required minimum amount of capital. Non-compliant banks are encouraged to consolidate or merge with stronger banks or increase capitalization.

Rural Banking System
Comparative CAR Under Circular No. 280

	Solo			
	End-December			End-Sept
	2005	2006	2007	2008
(In P Billion)				
Tier 1	14.6	15.0	16.6	17.5
Tier 2	1.1	1.4	1.6	2.3
Deductions	. . .	. . .	. . .	. . .
Qualifying Capital	**15.7**	**16.4**	**18.1**	**19.8**
Risk Weighted Assets (RWA) - net	**98.4**	**109.1**	**134.4**	**144.7**
(In Percent)				
Capital Adequacy Ratio (CAR)	**16.0**	**15.0**	**13.5**	**13.7**

. . . *Less than P50 million*

Rural Banking System
Status of Banks' Compliance with the Minimum Amount of Capital
As of End-December 2008

A. Number of Operating Banks	**658**
Rural Banks	
- Within Metro Manila	7
- With Nationwide Branching	8
- Within the cities of Davao & Cebu	3
- 1st to 3rd cities and 1st class municipalities	262
- 4th to 6th class cities and 2nd to 4th class municipalities	331
- 5th to 6th class municipalities	47
B. Banks with Capital (K) Equal to or in Excess of the Minimum Required	**535**
Rural Banks	
- Within Metro Manila (K ≥ P26.0M)	7
- With Nationwide Branching (K ≥ P20.0M)	8
- Within the cities of Davao & Cebu (K ≥ P13.0M)	3
- 1st to 3rd cities and 1st class municipalities (K ≥ P6.5M)	234
- 4th to 6th class cities and 2nd to 4th class municipalities (K ≥ P3.9M)	251
- 5th to 6th class municipalities (K ≥ P2.6M)	32

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

COOPERATIVE BANKING INDUSTRY

OVERVIEW

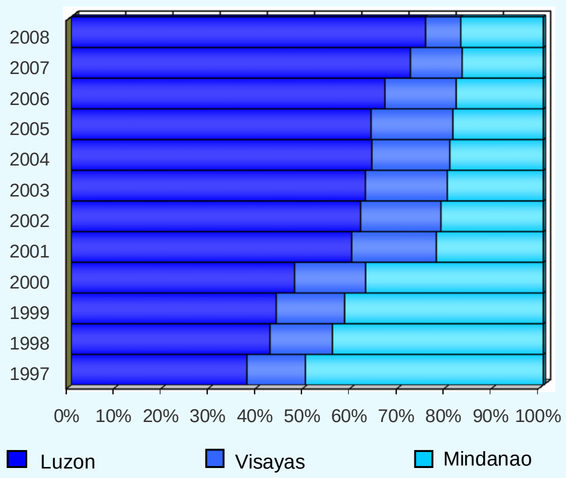
The resilience of the cooperative banking industry remains preserved despite the challenging economic environment

The resilience of the cooperative banking industry remains preserved despite the challenging economic environment. This was reflected by the positive developments recorded in its underlying fundamentals: higher levels of assets, lending, deposit liabilities and capital accounts and marked improvement in earnings. The industry stayed not only liquid and solvent but similarly improved in its loan and asset quality.

Cooperative banks posted higher profits for the year 2008. Net profits rose by 13.8 percent to P276 million from P243 million last year. With faster expansion in total assets, however, return on assets (ROA) at 2.4 percent declined from 2.5 percent the previous year. On the other hand, return on equity (ROE) rose to 16.9 percent from last year's 16.8 percent.

Cooperative Banking System

Market Structure of Assets



Total assets of the industry was at an all-time high of P12.7 billion, up by 18.2 percent from last year's P10.8 billion. Across the three main regions in the country, cooperative banks located in Luzon had the biggest share of assets at 75.1 percent. The remainder was held by cooperative banks in Mindanao and in Visayas at 17.5 percent and 7.4 percent, respectively. This was a reverse scenario recorded in 1997 and 1998 when cooperative banks situated in Mindanao held most of the industry's assets until the lead started to shift to cooperative banks located in Luzon starting 1999.

The total loan portfolio, gross rose by 21.0 percent to P9.2 billion from P7.6 billion last year. The expanded lending activities of cooperative banks were complemented by the improvement in the industry's loan and asset quality as both the NPL and NPA ratios at 9.3 percent and 10.0 percent were better than previous year's 13.1 percent and 12.6 percent, respectively.

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Deposit liabilities surged by 15.3 percent to P7.6 billion from last year's P6.6 billion and accounted for 59.7 percent of total resources. Ample liquidity within the industry as liquid assets-to-deposits ratio remained high at 34.5 percent.

The industry remained well–capitalized, with total capital accounts expanding to P1.7 billion, an increment of P0.2 billion from last year's P1.5 billion. This is the highest capital recorded so far. Likewise, capital adequacy ratio at 15.1 percent as of end-September 2008 was kept above the minimum 10 percent regulatory floor.

On a regional basis, cooperative banks situated in Central Luzon (Region III) continued to lead in terms of assets, loan portfolio, deposit liabilities and capital accounts as the region also held the most number of cooperative banks.

Top Five Regions of Cooperative Banks
Based on Consolidated Statement of Condition as of End-December 2008 p/
Amounts in P Billion

Assets			Loans		
Rank	Region	Amount	Rank	Region	Amount
1	Central Luzon (Region III)	4.5	1	Central Luzon (Region III)	3.3
2	Cagayan Valley (Region II)	1.4	2	Northern Mindanao (Region X)	0.9
3	Northern Mindanao (Region X)	1.2	3	Cagayan Valley (Region II)	0.9
4	CALABARZON (Region IV-A)	1.0	4	CALABARZON (Region IV-A)	0.8
5	National Capital Region	0.9	5	Central Visayas (Region VII)	0.5
	Total	**9.0**		**Total**	**6.4**
	% Share	**70.5**		**% Share**	**69.5**

Deposits			Capital Accounts		
Rank	Region	Amount	Rank	Region	Amount
1	Central Luzon (Region III)	2.3	1	Central Luzon (Region III)	0.4
2	Cagayan Valley (Region II)	0.9	2	Cagayan Valley (Region II)	0.2
3	National Capital Region	0.7	3	Central Visayas (Region VII)	0.2
4	CALABARZON (Region IV-A)	0.7	4	Northern Mindanao (Region X)	0.2
5	Cordillera Administrative Region	0.5	5	National Capital Region	0.2
	Total	**5.1**		**Total**	**1.2**
	% Share	**66.7**		**% Share**	**67.0**

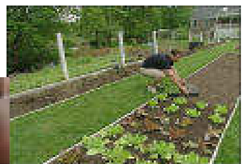
p/ *Preliminary*

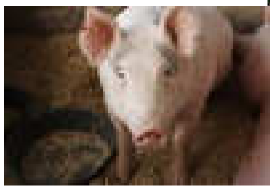
OPERATING NETWORK

Negros Cooperative Bank was established in Bacolod City on 5 March 2008. The number of operating cooperative banks remained at 45 as Cooperative RB of Aklan in Western Visayas ceased to operate effective 30 January 2008.

The cooperative banking industry still had the least share among all the banking subgroups in terms of number of branches. Throughout the year, only six new offices were added leading to a total of 128 (composed of 45 head offices and 83 branches) from last year's 122 (composed of 45 head offices and 77 branches).

Since 2000, the BSP has been proactive in the development of microfinance, and the cooperative banking industry has been able to directly contribute to the growth of sustainable and viable microfinance institutions. As of end-December 2008, there were 25 cooperative banks engaged in microlending activities





Source: Office of Supervisory Policy Development, Supervision and Examination Sector

A greater number of cooperative banks were located in Central Luzon (Region III) with 31 banking offices (seven head offices and 24 other offices). Northern Mindanao (Region X) had 19 banking offices (five head offices and 14 other offices) while Cagayan (Region II) had 14 banking offices (three head offices and 11 other offices). Meantime, CALABARZON (Region IV-A) had 13 banking offices (three head offices and 10 other offices) while both Ilocos (Region I) and Central Visayas (Region VII) had 10 banking offices (three and four head offices and seven and six other offices, respectively). The remaining regions had less than 10 banking offices each.

RESULTS OF OPERATIONS

Cooperative banks recorded good profit performance in 2008

Cooperative banks recorded good profit performance in 2008. Net profit amounted to P276 million, 13.8 percent higher than the P243 million posted last year. The strong growth in profits was driven mainly by the P168 million (15.6 percent) increase in total operating income, which outpaced the P85 million (10.6 percent) rise in non-interest expenses.

Losses on financial assets rose significantly by 170.2 percent, mainly due to the growth in provisions for credit losses on loans and receivables and other financial assets. Accordingly, this cut profits by P78 million.

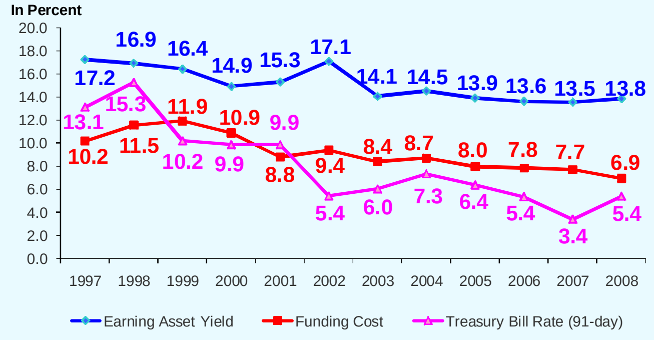
Total operating income amounted to P1.2 billion, up from P0.2 billion last year. The increment was attained on account of higher net interest income by 16.4 percent reaching P0.7 billion from P0.6 billion. The boost in interest income came from the stronger lending activities of the industry and the improvement in the industry's loan and asset quality. As a result, net interest margin rose to 7.0 percent from previous year's 6.6 percent

Non-interest income increased by 14.7 percent, contributing 44.3 percent (P74 million) of the increment in total operating income. This came mainly from fee-based income, which stood at P410 million, up by 24.4 percent from P329 million last year. Fee-based income consisted of intermediation service (P386 million) and payment services (P24 million).

Meanwhile, non-interest expenses stood at P891 million, up by 10.6 percent from last year's P806 million. Almost all of the additional non-interest expenses were compensation/fringe benefits.

Tracked against the 91-day Treasury bill (T-bill rate), the funding cost exhibited fluctuating trend from years 1997 to 2001. In years 1997, 1998 and 2001, funding cost was lower than the 91-day T-bill rate. This, however changed in 1999, 2000 and in 2002 up to 2008, when the cost of funds had a premium over the 91-day T-bill rate from as high as 429 basis points in 2007 to as low as 99 basis points in 2000. Despite a narrower premium of 153 basis points in 2008, the industry still provided better yield on deposits vis-à-vis the benchmark T-bill rate.

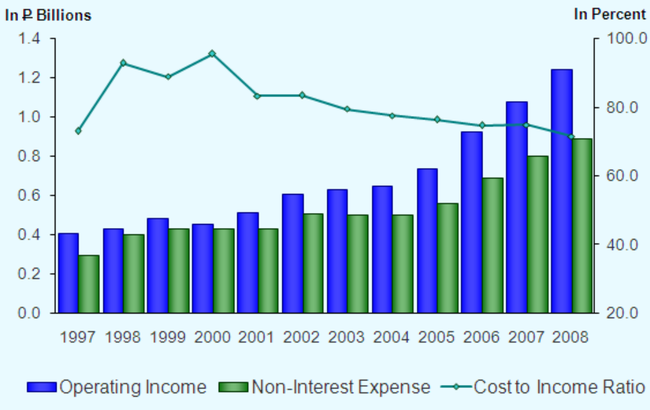
Cooperative Banking System
Selected Ratios vs. 91-day Treasury Bill Rate



The industry's earning asset yield ratio was consistently above the 91-day T-bill rate with the interest rate differentials ranging from a low of 165 basis points in 1998 to a high of 1,165 basis points in 2002 before settling to 845 basis points in 2008. Notably, the earning asset yield had been hovering at a high level as the industry continued to play an important intermediation role in ensuring continued access to lending by the marginalized sector of the economy, rather than park funds in risk-free government securities.

Moreover, cooperative banks continued to gain on interest spread since year 2001 as exhibited by the widening gap between the earning asset yield and funding cost. From a low of 4.1 percent in 2000, it steadily increased to 6.5 percent in 2001 and 7.7 percent in 2002 as both loan and asset quality began to improve since 2001. In 2007, it settled to 5.8 percent and again increased to 6.9 percent in 2008. Hence, interest spread widened to 6.9 percent from 5.8 percent in 2007.

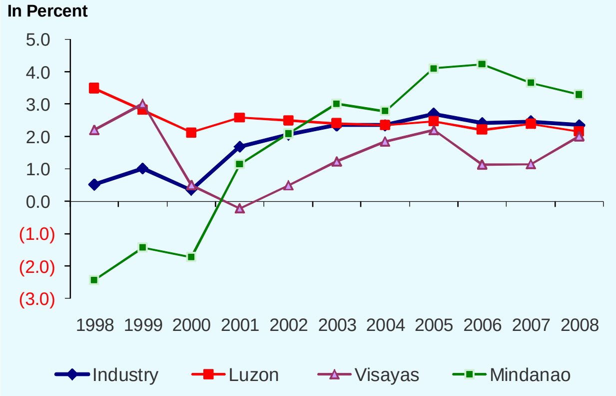
Cooperative Banking System: Cost-to-Income Ratio



Since 2000, the cost efficiency of the industry consistently improved as the cost-to-income (CTI) ratio declined to 71.6 percent in

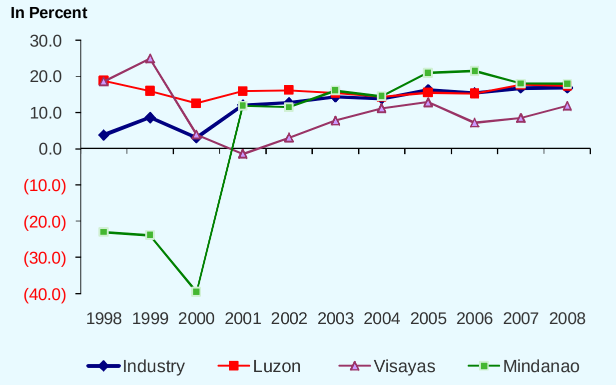
Cooperative Banking System

Comparative Return on Assets (ROA)



Cooperative Banking System

Comparative Return on Equity (ROE)



2008 from 95.5 percent last year. This has been the lowest CTI ratio recorded since 1997. Cooperative banks in Mindanao posted better than the industry average CTI ratios at 69.5 percent. Meanwhile, cooperative banks in Luzon and in Visayas continued to exceed the industry average at 71.9 percent and 74.3 percent, respectively.

The expansion in net profits was outmatched by the increase in total assets. As a result, ROA ratio declined from last year's 2.5 percent. On a regional basis, cooperative banks in Mindanao consistently held the best ROA ratio at 3.3 percent. Cooperative banks in Luzon and in Visayas held lower than industry average ROA ratio at 2.2 percent and 2.0 percent, respectively.

Meantime, the industry's ROE ratio slightly improved to 16.9 percent from 16.8 percent in 2007. Mindanao-based cooperative banks still got the best return with an ROE ratio of 17.9 percent. This was followed by cooperative banks in Luzon, which posted an ROE ratio of 17.4 percent. Finally, cooperative banks in Visayas consistently held the lowest ROE at 11.8 percent.

Cooperative Banking System: Balance Sheet Structure

Major Accounts	End-December				
	2004	2005	2006	2007	2008p/
Total Assets	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**
Cash and Due from Banks	14.6 %	15.3 %	18.8 %	18.6 %	17.0 %
Loans, net	70.7 %	68.1 %	65.6 %	66.6 %	68.6 %
Financial Assets, net (Other than Loans)	3.4 %	3.2 %	2.6 %	2.7 %	3.6 %
Equity Investments, net	0.2 %	0.1 %	0.2 %	0.1 %	0.2 %
ROPA, net	4.3 %	4.9 %	4.3 %	4.1 %	3.6 %
Other Assets	6.8 %	8.4 %	8.5 %	7.9 %	7.0 %
Total Liabilities and Capital	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**
Deposits	58.1 %	58.3 %	60.0 %	61.2 %	59.7 %
Bills Payable	19.5 %	18.6 %	19.1 %	18.7 %	21.9 %
Special Financing	0.6 %	0.6 %	0.4 %	0.4 %	0.2 %
Other Liabilities	4.7 %	6.2 %	5.3 %	5.4 %	4.6 %
Capital Accounts	17.1 %	16.3 %	15.2 %	14.3 %	13.6 %

p/ *Preliminary*

MAJOR BALANCE SHEET TRENDS

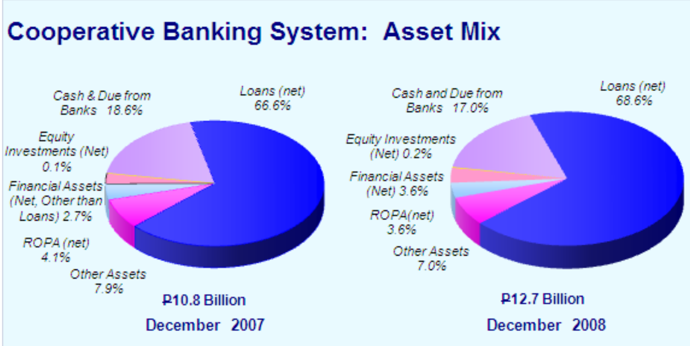
ASSETS

Cooperative banks posted an 18.2 percent or P2.0 billion growth in total assets to P12.7 billion from P10.8 billion last year. Majority of the asset increases were from cooperative banks in Luzon that grew by P1.8 billion. Banks in the Mindanao area likewise contributed with total resources expanding by P0.4 billion. On the other hand, the total assets of cooperative banks in Visayas declined by 19.5 percent to P1.0 billion.

The decline was due to the closure of Cooperative RB of Aklan in January 2008 located in Western Visayas (Region VI). The bank, at end-December 2007, accounted for 73.9 percent of the total assets of all the cooperative banks situated in said region.

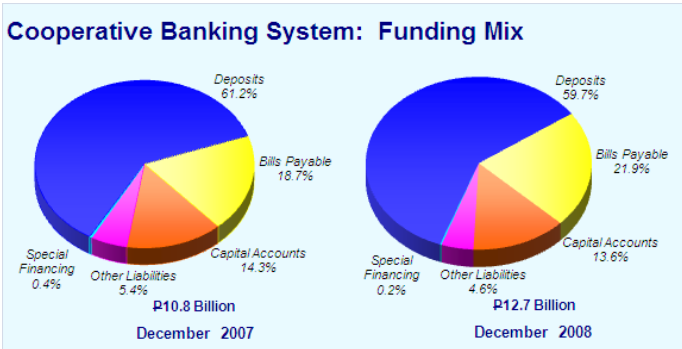
Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Meanwhile, cooperative banks in Luzon still held the biggest share of cooperative banks' total assets at 75.1 percent, up from 71.9 percent last year. This was followed by the cooperative banks in Mindanao with a share of 17.5 percent (up from 17.2 percent at end-year 2007) and those in Visayas at 7.4 percent (down from 11.0 percent).



Loans, net comprised the biggest share of total assets at 68.6 percent, up from last year's 66.6 percent. Loans, net (which at end-2008 stood at P8.7 billion) was 21.7 percent higher than last year's P7.2 billion. Cash and due from banks accounted for 17.0 percent of total assets, down from previous year's 18.6 percent. This totaled to P2.2 billion, or a 7.8 percent year-on-year growth. The rest of the asset mix were: other assets at 7.0 percent or P0.9 billion (down from 7.9 percent); real and other properties acquired (ROPA), net at 3.6 percent or P0.5 billion (down from 4.1 percent); other financial assets, net at 3.6 percent or P0.5 billion (up from 2.7 percent) and equity investment, net at 0.2 percent (up from 0.1 percent).

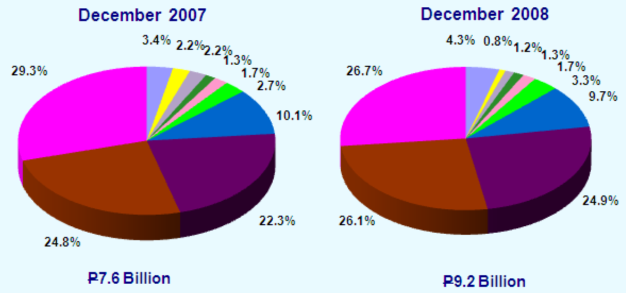
Deposit liabilities remained the main source of funds accounting for 59.7 percent (P7.6 billion) share of total resources. The rest of the mix were shared by: bills payable at 21.9 percent (up from 18.7 percent), capital accounts at 13.6 percent (down from 14.3 percent) and special financing/other liabilities at 4.8 percent (down from 5.8 percent).



LOANS

The industry continued to extend credit to rural communities. As of end-December 2008, total loan portfolio (TLP), gross stood at P9.2 billion, up by 21.0 percent from previous year's P7.6 billion. This has been the second most significant growth next to the 23.0 percent in 2007. Cooperative banks located in Luzon granted additional loans of P1.5 billion or 28.7 percent. Likewise, those in Mindanao region extended loans amounting to P0.3 billion or 19.9

Cooperative Banking System
Loan Portfolio Structure
By Industry Sector



	December 2007	December 2008
Agriculture, Hunting & Forestry	29.3%	26.7%
Wholesale, Retail Trade & Repair	24.8%	26.1%
Other Community, Social & Personal Activities	22.3%	24.9%
Real Estate, Construction, Renting & Business Activitie	10.1%	9.7%
Fishery	2.7%	3.3%
Private Households with Employed Persons	1.7%	1.7%
Education	1.3%	1.3%
Transportation, Storage & Communication	2.2%	1.2%
Manufacturing	2.2%	0.8%
Others	3.4%	4.3%

percent. On the other hand, cooperative banks in Visayas posted a P0.2 billion or 21.6 percent decline, again due to the closure of Cooperative RB of Aklan.

Cooperative banks in Luzon had the biggest loan portfolio among the three regions amounting to P6.8 billion or 73.7 percent) of the industry's total loan portfolio. Meanwhile, cooperative banks in Mindanao accounted for 18.4 percent (P1.7 billion) while cooperative banks in the Visayas had the least share of 7.9 percent (P0.7 billion).

The agriculture, hunting & forestry sector was the biggest recipient of credit, accounting for 26.7 percent (or P2.5 billion) of outstanding loans. This was followed by the wholesale & retail trade, repair of motor vehicles sector at 26.1 percent share (or P2.4 billion) and other community, social and personal services sector at 24.9 percent share (or P2.3 billion).

Meanwhile, increments in lending primarily went to the other community, social and personal activities sector with P590 million (or 34.8 percent) increase. This was followed by the wholesale, retail trade and repair sector with P510 million (or 27.0 percent) loan growth. All other industry sectors posted higher loan balances with the exception of the transportation, storage and communication sector and the manufacturing sector, which posted a decline of 35.4 percent or P59 million and 55.5 percent or P93 million, respectively.

Cooperative banks continued to provide credit access to micro-borrowers, small and medium enterprises (SMEs), agrarian reform beneficiaries and agricultural cooperatives

Cooperative banks continued to provide credit access to micro-borrowers, small and medium enterprises (MSMEs), agrarian reform beneficiaries and agricultural cooperatives. As of end-December 2008, the 25 microfinance engaged cooperative banks provided a total of P913 million worth of microfinance loans to about 88 thousand micro-borrowers.

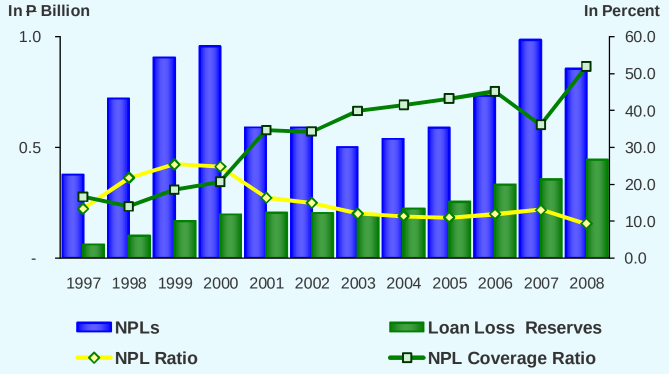
Likewise, as of end-September 2008, the industry extended loans to the small and medium enterprises (SME) at P2.3 billion for small enterprises and at P1.2 billion for medium enterprises.

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

These represented 36.8 percent (micro and small enterprises) and 19.0 percent (medium enterprises), respectively, of total loanable funds.

Industry compliance with the 25 percent agricultural and 10 percent agrarian reform credit allocation requirements were met. As of end-September 2008, a total of P1.9 billion worth of funds or 23.0 percent of total loanable funds were allocated to agricultural loans while P1.2 billion (14.2 percent of total loanable funds) were lent to in agrarian reform beneficiaries.

Cooperative Banking System
NPLs and NPL Coverage Ratio

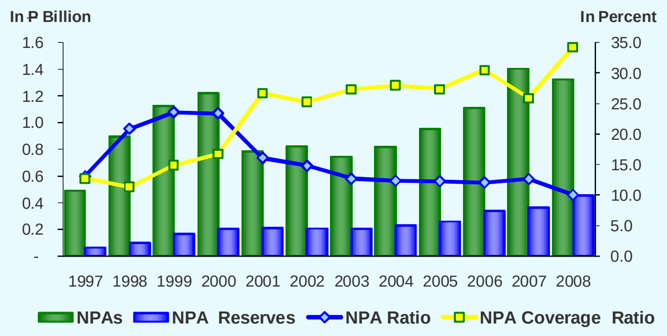


From P0.6 billion in 2001 and 2002, NPLs dropped to P0.5 billion in 2003 and 2004 and again moved up to P0.6 billion in 2005. NPLs, however, started to exhibit a larger uptrend from P0.7 billion in 2006 to P1.0 billion in 2007. This uptrend reversed in 2008 as NPLs declined to P0.9 billion.

After two consecutive years of uptrend, the NPL ratio dropped to 9.3 percent at end-2008 from 13.1 percent the previous year. This was far better from its peak of 25.4 percent in 1999 and the lowest recorded since 1997. The improvement in loan quality was brought on by the decline of delinquent loans complemented by aggressive expansion in loans during the period.

Geographically, cooperative banks in Mindanao consistently registered the highest NPL ratio at 16.7 percent (down from 21.6 percent last year), trailed by those in Visayas at 9.4 percent (down from 27.7 percent). Only the cooperative banks in Luzon posted below industry NPL ratio at 7.4 percent (down from 8.3 percent). Notably, the significant improvement in the NPL ratio of cooperative banks in the Visayas region was brought on by the closure of Coop RB of Aklan.

Cooperative Banking System
NPAs and NPA Coverage Ratio



The industry intensified foreclosure proceedings as real and other properties acquired (ROPA), gross increased by 3.9 percent to P471 million from P453 million last year. Meanwhile, restructuring activities continued with an 8.5 percent expansion to

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

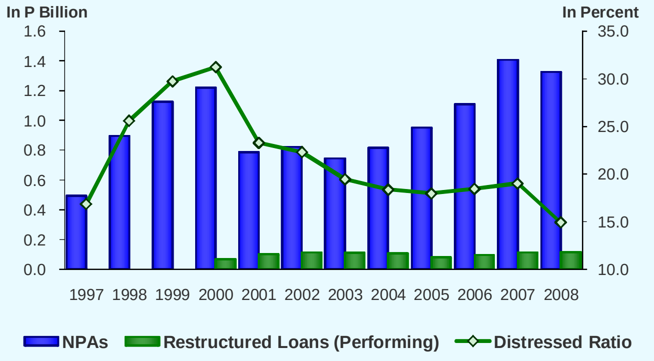
P171 million from previous year's P158 million.

From a steady level of P0.8 billion in 2001 and 2002, NPAs declined to P0.7 billion in 2003, again increased to P0.8 billion in 2004 and settling to P1.0 billion in 2005. Since then, NPAs have been slowly increasing before reaching P1.4 billion at end-2007. Meantime, the decline in delinquent loans despite the slight expansion in ROPA resulted to a lower level of nonperforming assets (NPA) at P1.3 billion in 2008. Consequently, the NPA ratio improved from the peak ratio of 23.6 percent in 1999 to a low of 10.0 percent at end-2008. This has been, so far, the lowest ratio recorded since year 1997.

On a geographical basis, cooperative banks in Mindanao reported the highest NPA ratio at 16.1 percent. Likewise, cooperative banks in Visayas also reported above industry NPA ratio, averaging by 12.5 percent. Finally, those in Luzon posted better single-digit NPA ratio of 8.4 percent.

The industry managed to enhance loss provisioning in 2008. Both the NPL and NPA coverage ratios rose to 51.9 percent and 34.3 from last year's 36.0 percent and 25.9 percent, respectively. Both NPL and NPA coverage ratios at year-end 2008 were the peak ratios since end-year 1997.

Cooperative Banking System
Distressed Assets Ratio



Meanwhile, using a broader indicator of asset quality, the distressed assets also improved to 14.9 percent from 19.0 percent last year. Cooperative banks in Mindanao registered the highest distressed assets ratio at 22.2 percent while those in Visayas and in Luzon reported better ratios at 16.4 percent and 12.9 percent, respectively.

DEPOSIT LIABILITIES

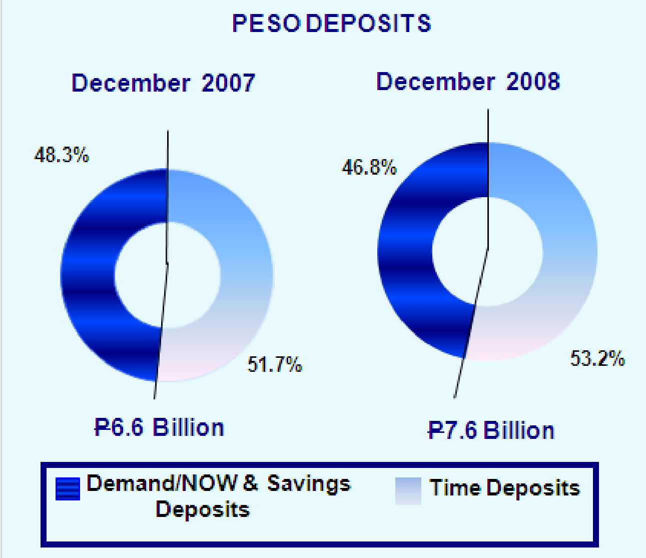
Funding of the industry largely came from deposit liabilities which increased further by 15.3 percent to P7.6 billion from P6.6 billion last year. The P1.0 billion increment in total deposit liabilities came from the P0.6

billion growth in time dposits while savings deposits provided P0.3 billion. Likewise, demand and NOW and foreign currency deposits[1] contributed P28 million and P5 million, respectively.

Most of deposit liabilities were interest rate sensitive time deposits at 53.2 percent (up from last year's 51.7 percent). The remaining 46.8 percent (down from 48.3 percent) consisted of demand, NOW and savings deposits.

Cooperative banks in Luzon generated the bulk of the industry's total deposit liabilities, accounting for 77.0 percent share at P5.9 billion. This was followed by deposits generated by cooperative banks in Mindanao with a share of 14.6 percent (P1.1 billion) and those in Visayas with 8.4 percent share (P0.6 billion).

Cooperative Banking System: Deposit Mix



CAPITALIZATION

Total capital accounts of the industry rose by 12.1 percent to P1.7 billion from last year's P1.5 billion. Both components of capital supported the expansion, led consistently by paid-in capital which increased by 6.2 percent to P1.1 billion. This accounted for 63.9 percent of the industry's total capital accounts, lower than last year's 67.4 percent share. Likewise, retained earnings and undivided profits picked up by 24.3 percent to P0.6 billion (36.1 percent share of the industry's total capital accounts).

The ratio of total capital accounts and total assets slid to 13.6 percent from last year's 15.2 percent. This developed as total assets grew at a faster pace of 18.2 percent compared with the 12.1 percent expansion in total capital accounts.

Regional distribution of the industry's capital accounts barely changed. Consistently,

Cooperative Banking System
Comparative CAR Under Circular No. 280

	Solo			
	End-December			End-Sept
	2005	2006	2007	2008
(In P Billion)				
Tier 1	0.9	0.8	1.1	1.3
Tier 2	0.2	0.2	0.3	0.4
Deductions	. . .	. . .	. . .	. . .
Qualifying Capital	**1.1**	**1.0**	**1.4**	**1.7**
Risk Weighted Assets (RWA) - net	**7.1**	**8.4**	**9.9**	**11.3**
(In Percent)				
Capital Adequacy Ratio (CAR)	**15.5**	**12.1**	**14.1**	**15.1**

. . . Less than P50 million

1 The BSP, under Circular No. 522 dated 23 March 2006, approved the grant of Foreign Currency Deposit Unit (FCDU) license to Rural Banks (RBs) and Cooperative Banks (CBs) subject to prior MB approval and pre-qualification requirements.

Cooperative Banking System

Status of Banks' Compliance with the Minimum Amount of Capital

As of End-December 2008

A. Number of Operating Banks	**45**
Cooperative Banks	
- National Cooperative Bank	
- Within Metro Manila	1
- Cities of Davao and Cebu	2
- Other Cities	
- 1st Cooperative bank in province located in a city	42
- Others	-
B. Banks with Capital (K) Equal to or in Excess of the Minimum Required	**40**
Cooperative Banks	
- National Cooperative Bank (K ≥ ₱200.0M)	
- Within Metro Manila (K ≥ ₱20.0M)	2
- Cities of Davao and Cebu (K ≥ ₱10.0M)	0
- Other Cities	
- 1st Cooperative bank in province located in a city (K ≥ ₱1.25M)	38
- Others	-

cooperative banks in Luzon accounted for majority of the industry's capital at 66.0 percent or P1.2 billion. Cooperative banks in Mindanao and in Visayas held smaller portions of 21.8 percent or P0.4 billion and 11.8 percent or P0.2 billion, respectively.

The capital adequacy framework, implemented under BSP Circular No. 280, as amended, requires capital charge on bank's credit risks. The shift to risk-based supervision requires cooperative banks to prudently manage their risks. The industry was able to comply with the 10 percent minimum requirement with a capital adequacy ratio (CAR) of 15.1 percent as of end-September 2008, reflecting a better capital base than the 14.1 percent ratio posted at end-December 2007.

Meanwhile, compliance of the cooperative banking industry with the minimum amount of capital was relatively satisfactory at 88.9 percent (40 out of 45 banks). The five other banks (11.1 percent of the total cooperative banks), which failed to meet the prescribed 10 percent capital adequacy ratio, were encouraged to merge/consolidate or increase capitalization to stay viable over the medium term.

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

NON-BANKS WITH QUASI-BANKING FUNCTIONS (NBQBs)

OVERVIEW

Amidst global financial crisis and slowdown in the domestic economy in 2008, the industry was able to boost its assets, lendings and borrowings while sustaining adequate liquidity and solvency. Meanwhile, there was an uptick in the stock of bad assets and a softened bottomline figures.

Amidst global financial crisis and slowdown in the domestic economy in 2008, the industry was able to boost its assets, lendings and borrowings while sustaining adequate liquidity and solvency

The NBQB industry expanded its resources by 42.6 percent to P90.3 billion from P63.3 billion last year. The growth primarily came from the entry of two (2) newly licensed financing companies (FCs) with quasi-banking function (QB) in 2008. The combined resources of these two FCs with QB accounted for 30.6 percent of the NBQB's resources as of end-2008. Excluding them, the NBQB industry would have shown a negative growth of 1.0 percent to P62.7 billion.

There was a notable shift in the asset shares of the two (2) sub-groups of the industry. Investment houses (IHs) with quasi banking function (QB), which consistently held more than three-fourths of NBQBs' resources for the past six (6) years, accounted for 60.6 percent (P54.7 billion) of total assets from 89.2 percent last year. On the other hand, the share FCs with QB increased to 39.4 percent (or P35.6 billion) from 10.8 percent, the highest in 13 years.

Majority of the industry's resources were funneled towards investment and lending activities. Despite falling by 1.3 percent (P0.5 billion) to P36.2 billion this year, investments, net continued to hold the bulk of total assets at 40.1 percent (down from 57.9 percent last year) share. On the other hand, loans, net jumped to P33.7 billion from P12.6 billion and held 37.3 percent (up from 19.8 percent) share of total assets. During the year in review, more efforts must be exerted to improve on loan and asset quality as both the non-performing loans (NPL) and non-performing assets (NPA) ratios rose to 5.1 percent and 3.5 percent from 3.7 percent and 3.1 percent, respectively.

In terms of funding sources, NBQBs still relied on bills payable which made up 71.1 percent of total resources from last year's 65.0 percent share. Quite the opposite, the contribution of total capital accounts continued to decelerate to 22.1 percent (from a high of 57.7 percent at end-2003) share of total resources.

With relatively faster pace of growth in bills payable, the cash and due from banks to bills payable ratio and the liquid assets to bills payable ratio fell to 20.2 percent (from 21.8 percent last year) and 65.6 percent (from 99.9 percent), respectively. This developed as the year-on-year increments in cash and due from banks (at 44.6 percent) and liquid assets (at 11.8 percent) were slower than the 55.9 percent surge in bills payable. Nonetheless, the industry still kept an adequate liquid position.

The industry's total capital accounts barely moved from last year's P20.0 billion while at the same time, total assets broadened by 42.6 percent. These resulted to lower ratio of total capital accounts to total assets at 22.1 percent from 31.6 percent last year, still considered as sufficiently solvent.

There was a shift in revenue source in 2008

There was a shift in revenue source in 2008. Net interest income shot up by 163.8 percent to P4.7 billion from P1.8 billion in 2007 and accounted for 65.7 percent (up from 40.5 percent) of total operating income. Conversely, non-interest income declined by 6.3 percent to P2.5 billion from P2.6 billion and accounted for 34.3 percent (down from 59.5 percent) of total operating income. These transpired with the two new FCs with QB contributing 78.1 percent of the P4.7 billion net interest income while IHs with QB incurred a 65.4 percent reduction in non-interest income due to trading and mark-to-market losses of securities.

Total operating income rose by 62.6 percent to P7.2 billion from P4.4 billion in 2007. Total operating expenses, however, surged faster by 220.6 percent to P5.4 billion from P1.7 billion. Net operating income shrank by 35.5 percent to P1.8 billion from P2.7 billion last year. Meantime, provisions for income tax slightly surpassed other extraordinary credits for a net profit of P1.6 billion, which was 48.7 percent lower than the P3.2 billion posted in 2007. Consequently, return on assets (ROA) ratio and return on equity (ROE) ratio slid to 2.1 percent (from 5.4 percent last year) and 8.2 percent (from 16.8 percent), respectively.

By sub-groups, FCs with QB outperformed IHs with QB this period in terms of profitability as the entry of two (2) FCs with QB this year bolstered the earnings of the former, which more than compensated for the deceleration in the revenue stream of the latter. FCs with QB reported a 427.6 percent rise in net profit to P1.2 billion from P0.2 billion last year on the back of higher financing/leasing income this year. Conversely, the net profit of IHs with QB shed 86.8 percent to P0.4 billion from P3.0 billion mainly due to substantial losses from trading and mark-to-market of securities.

Operating Network

As of end-December 2008, the total number of operating NBQBs stood at 13 (i.e., six (6) IHs, six (6) FCs and one (1) non-bank with QB), up from 12 entities last year. There were two (2) new entrants under the FCs with QB subgroup, namely: Orix Metro Leasing and Finance Corporation and Metrobank Card Corporation, which started to engage in quasi-banking on 1 January 2008 and 1 July 2008, respectively. The quasi-banking license of one (1) FC with QB (i.e., Pentacapital Finance Corporation) was revoked/cancelled by the Monetary Board on 30 October 2008. Meantime, the total number of NBQB offices now stands at 36 (inclusive of 23 branches/other offices). (Schedule 1)

Results of Operations

The industry's bottom line figures for 2008 at P1.6 billion narrowed by 48.7 percent from P3.2 billion in 2007. Two (2) major factors accounted for this trend: trading losses of P0.5 billion, a negative growth of P1.6 billion (139.9 percent) from trading gains of P1.1 billion in 2007 and the upswing of P1.4 billion (2,736.9 percent) to P1.5 billion from P0.1 billion last year of the industry provisions for probable losses.

The industry's bottom line figures for 2008 at P1.6 billion narrowed by 48.7 percent from P3.2 billion in 2007

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

The contribution of FCs with QB in 2008 grew more than tenfold to 76.1 percent (P1.2 billion) share in net profit from a marginal 7.4 percent (or P0.2 billion) in 2007. On the other hand, IHs with QB provided the residual 23.9 percent (P0.4 billion) share, a substantial cutback from 92.6 percent (P3.0 billion).

The surge in interest income led to the rise in the industry's total operating income

The surge in net interest income led to the rise in the industry's total operating income. Interest income stood at P7.9 billion, 143.1 percent higher than the P3.3 billion in 2007. This increment was buoyed by the substantial 1,160.1 percent (P4.9 billion) spike in financing/leasing income, outweighing the marginal 8.3 percent (P0.2 billion) contraction in interest earnings from loans and investments. Meantime, interest expenses broadened by 117.8 percent to P3.2 billion from P1.5 billion. With the faster paced expansion in interest income relative to the rise in interest expenses, net interest income expanded by 163.8 percent to P4.7 billion from P1.8 billion. This growth in net interest income outpacing the 33.1 percent expansion in earning assets boosted net interest margin by 4.3 percentage points to 8.6 percent from 4.3 percent ratio.

Meanwhile, non-interest income declined by 6.3 percent to P2.5 billion from P2.6 billion in 2007. This developed as IHs with QB incurred sizeable trading losses of P0.5 billion, P1.6 billion lower than the P1.1 billion trading income reported last year. The combined P1.4 billion year-on-year hike in fee-based and other income fell short of the substantial losses incurred on securities.

The major source of income of NBQBs notably reversed for the period. For the year 2008, more than half of NBQBs' income came from net interest income at 65.7 percent (P4.7 billion), a turnaround from previous year's share of 40.5 percent (P1.8 billion). On the other hand, non-interest income held the residual share of 34.3 percent (P2.5 billion), down from 59.5 percent (P2.6 billion).

The significant shift in each sub-group's share to net profit was also apparent in the contribution to the industry's total operating income. IHs with QB's share dropped more than four (4) times to 20.7 percent of net profit from 86.4 percent in 2007. On the contrary, FCs with QB raised their share by nearly six (6) times to 79.3 percent from 13.6 percent. IHs with QB generated most of their revenue from interests earned on lending and investment activities while FCs with QB revenue sources primarily came from leasing and receivable discounting activities.

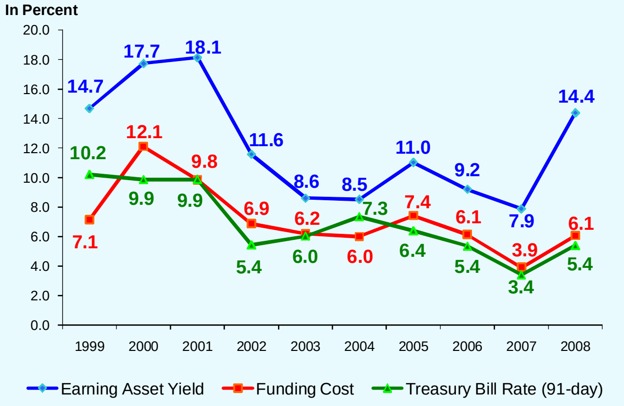
Total operating expenses significantly grew by 220.6 percent (P3.7 billion) to P5.4 billion from P1.7 billion in 2007. This transpired as all expense accounts expanded, led by the enormous 2,736.9 percent (P1.4 billion) jump in provisions for probable losses, followed by the 110.1 percent (P1.3 billion) rise in overhead costs and 219.7 percent (P1.0 billion) increase in other expenses. All these increments were largely attributed to the entry of the two (2) FCs with QB in 2008.

Meanwhile, extraordinary credit slid by 26.0 percent to P0.7 billion from P0.9 billion in 2007, mainly due to higher losses incurred from assets sold/exchanged (up by P0.4 billion) partially trimmed by the P0.2 billion rise in recovery on charged-off assets. Adding downward pressure to the industry's net income was the bigger provisioning on income tax, which was up by 77.6 percent to P0.8 billion from P0.4 billion.

The substantial contraction of net profits coupled with the growth in total assets and near static capital accounts tapered return on asset (ROA) ratio to 2.1 percent (from 5.4 percent in 2007) and return on equity (ROE) ratio to 8.2 percent (from 16.8 percent).

The earning asset yield almost doubled to 14.4 percent from 7.9 percent in 2007 as the 143.1 percent (P4.7 billion) hike in interest income surpassed the 33.1 percent (P13.7 billion) expansion in average earning assets. The earning asset yield for the year was the highest in seven (7) years after reaching a peak in 2001 at 18.1 percent. The dramatic lift was due to a new FC with QB entrant engaged in credit card financing. Meanwhile, the 2.0 percentage points rise in the 91-day T-bill rate to 5.4 percent paled in comparison with the 6.5 percentage points increment in earning asset yield, resulting to a higher spread of 900 basis points (vs. 450 basis points last year).

Non-Banks with Quasi-Banking Functions (NBQBs)
Selected Ratios vs. 91-day Treasury Bill Rate

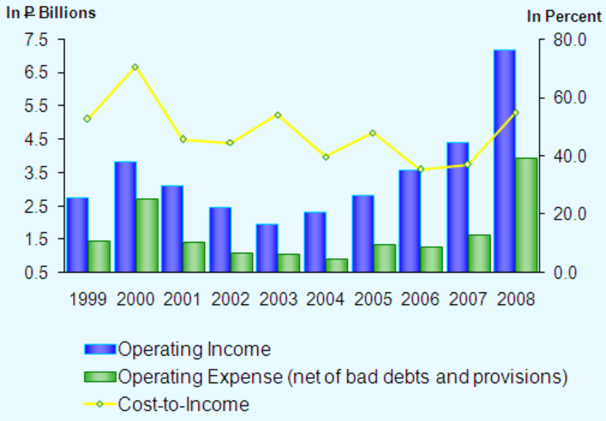


Source: Office of Supervisory Policy Development, Supervision and Examination Sector

The industry's funding cost went up by 2.2 percentage points to 6.1 percent from 3.9 percent, prompted by the sizeable 117.8 percent rise in interest expenses, which outpaced the 38.2 percent increment in average interest bearing liabilities. With faster growth in earning asset yield relative to the uptrend in funding cost, interest spread widened to 8.3 percent from 4.0 percent last year. This was attributable to the higher yield credit card business of a new FC with QB entrant.

The industry's cost of borrowed funds retained for the past four (4) years its premium over the 91-day T-bill rate as interest spread broadened to 70 basis points from 50 basis points in 2007 but lower than the 100 basis points in 2005. This bodes well for lenders/investors seeking better returns over benchmark government securities.

Non-Banks with Quasi-Banking Functions (NBQBs)
Cost-to-Income Ratio



The cost-to-income (CTI) ratio stood at 54.7 percent, up by 17.6 percentage points from 37.1 percent in 2007. This occurred as the 139.7 percent jump in operating expenses, net of bad debt provisions, outstripped the 62.6 percent expansion in operating income. The industry was less cost effective this year than in 2007. By sub-group, FCs with QB were more efficient in 2008 at 47.1 percent (down from 60.2 percent in 2007). On the other hand, IHs with QB became less efficient with a CTI ratio of 83.8 percent (up from 33.5 percent).

MAJOR BALANCE SHEET TRENDS

ASSETS

Total assets of NBQBs posted a solid 42.6 percent (P27.0 billion) expansion to P90.3 billion from P63.3 billion at end-year 2007. This was the fifth consecutive year of asset growth and the highest growth rate for the last five (5) years (from a previous low of 12.9 percent in 2007 to a high of 32.4 percent in 2005). A significant portion of the rise in total resources was directed toward lending activities as loans, net surged by 168.2 percent (P21.1 billion) to P33.7 billion. This was followed by the P4.0 billion (44.6 percent) increment in cash and due from banks to P13.0 billion and the P2.3 billion (60.5 percent) hike in other assets to P6.0 billion. On the other hand, only investments, net posted a negative growth of P0.5 billion (1.3 percent) to P36.2 billion on account of mark-to-market losses on securities held against the backdrop of a bearish equity market and a volatile bond market.

Non-Banks with Quasi-Banking Functions (NBQBs)
Balance Sheet Structure

Major Accounts	End-December 2004	2005	2006	2007	2008
Total Assets	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**
Cash and Due from Banks	4.5 %	10.6 %	14.4 %	14.2 %	14.4 %
Interbank Loans Receivable (IBL)	12.1 %	0.8 %	1.9 %	0.2 %	0.1 %
Loans, net	26.0 %	27.8 %	17.9 %	19.8 %	37.3 %
Investments, net	40.3 %	49.0 %	56.2 %	57.9 %	40.1 %
ROPA, net	4.1 %	3.1 %	2.4 %	2.0 %	1.5 %
Other Assets	13.0 %	8.7 %	7.2 %	5.9 %	6.6 %
Total Liabilities and Capital	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Liabilities	**51.6 %**	**65.5 %**	**67.8 %**	**68.4 %**	**77.9 %**
Bills Payable	45.0 %	61.0 %	62.5 %	65.0 %	71.1 %
Deposit Substitutes	33.3 %	50.9 %	60.2 %	58.4 %	57.7 %
Others	11.7 %	10.1 %	2.2 %	6.6 %	13.4 %
Other Liabilities	6.6 %	4.5 %	5.3 %	3.3 %	6.8 %
Total Capital Accounts	**48.4 %**	**34.5 %**	**32.2 %**	**31.6 %**	**22.1 %**
Capital Stock	26.7 %	22.0 %	18.4 %	17.9 %	15.4 %
Surplus, Surplus Reserves & Undivided Profits	21.7 %	12.5 %	13.8 %	13.7 %	6.8 %

Figures may not add up due to rounding-off

On a sub-group basis, the total assets of FCs with QB soared by 418.7 percent to P35.6 billion from P6.9 billion last year mainly with the entry of the two (2) newly licensed quasi-banks in 2008. By end-2008, the combined assets of these two entrants accounted for 77.6 percent of the total assets of FCs with QB. Conversely, the total assets of IHs with QB declined by 3.1 percent to P54.7 billion from P56.5 billion last year primarily on account of lower market values of both equity and debt instruments held. Roughly two-thirds of the total assets of IHs with QB were in investments.

Despite contracting this year, investments, net still held the biggest piece of the asset pie at 40.1 percent (vs. 57.9 percent last year) share. Fast closing in was loans, net with a larger share at 37.3 percent (vs. 19.8 percent). On third was cash and due from banks with a 14.4 percent (vs. 14.2 percent) share. These three (3) major accounts comprised 91.8 percent of total assets. The remaining balance of 8.2 percent was divided among other assets with a 6.6 percent (vs. 5.9 percent) share, ROPA, net with a 1.5 percent (vs. 2.0 percent) share and IBL with a 0.1 percent (vs. 0.2 percent) share.

As the main driver in the development of the domestic capital market, a large chunk of IHs with QB's asset portfolio expectedly flowed towards investments

As the main driver in the development of the domestic capital market, a large chunk of IHs with QB's asset portfolio expectedly flowed towards investments, accounting for a substantial 63.8 percent share (P34.9 billion), up from last year's 63.2 percent share (P35.7 billion). Cash and due from banks was a far second with a share of 14.9 percent (P8.2 billion) from 14.7 percent share (P8.3 billion) last year. Loans, net slid to third from second, dropping to 14.4 percent share (P7.9 billion) from 15.6 percent share (P8.8 billion). The residual of 6.9 percent consisted of other assets (4.7 percent share or P2.6 billion from 4.6

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

percent or P2.6 billion), ROPA, net (2.0 percent or P1.1 billion from 1.9 percent or P1.1 billion) and IBL (unchanged at 0.2 percent or P0.1 billion).

For the year, almost three-fourth of the asset portfolio of FCs with QB was concentrated to loans, net at 72.4 percent share (P25.8 billion), up by a significant 17.4 percentage points from 55.0 percent share (P3.8 billion) last year. The sudden increase was attributed to the entry of the two (2) new FCs with QB, which accounted for 78.8 percent of total loans of the sub-group at end-2008. Cash and due from banks was a far second with a 13.5 percent share (P4.8 billion) from 10.1 percent share (P0.7 billion) last year. All remaining major asset accounts reduced their share, as follows: other assets - 9.6 percent (P3.4 billion) from 16.8 percent (P1.2 billion) last year; investments, net - 3.7 percent (P1.3 billion) from 14.7 percent (P1.0 billion); and ROPA, net – 0.7 percent (P0.3 billion) from 3.4 percent (P0.2 billion).

Even with reduced ratios, the industry still remained adequately liquid

Cash and due from banks-to-bills payable ratio and liquid assets-to-bills payable ratio settled to 20.2 percent and 65.6 percent from 21.8 percent and 99.9 percent, respectively. Even with reduced ratios, the industry still remained adequately liquid.

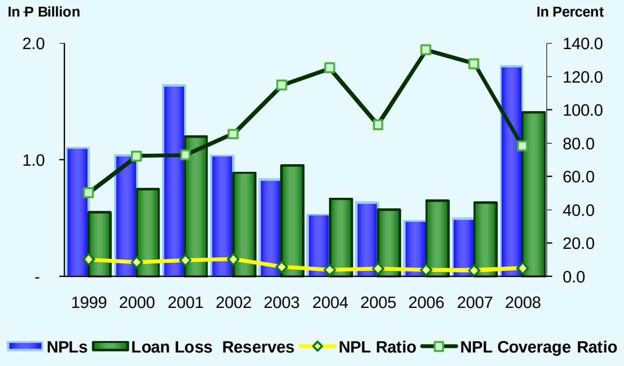
LOANS

As of end-2008, the NPL ratio went up by 1.4 percentage points to 5.1 percent from 3.7 percent last year. This developed from the faster 262.7 percent (P1.3 billion) hike in NPLs to P1.8 billion over the 164.9 percent (P21.9 billion) expansion in TLP to P35.2 billion.

Meanwhile, the NPL ratio (exclusive of IBL) stood at 5.1 percent from 3.8 percent last year as the rise in NPLs surpassed the 166.0 percent increment in regular loans.

Loan loss reserves broadened by 122.2 percent to P1.4 billion from P0.6 billion last year. However, this was outweighed by the 262.7 percent hike in NPLs resulting to lower NPL coverage ratio by 49.4 percentage points to 78.2 percent from 127.6 percent.

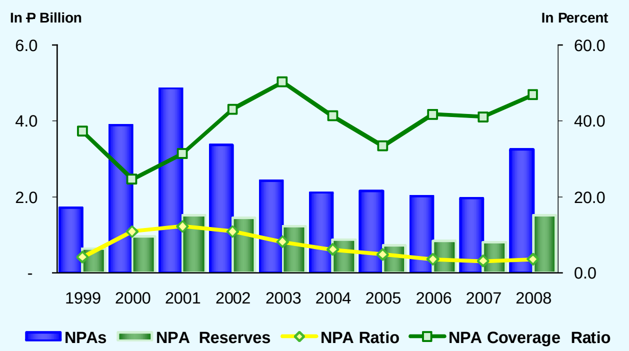
Non-Banks with Quasi-Banking Functions (NBQBs)
NPLs and NPL Coverage Ratio



Source: Office of Supervisory Policy Development, Supervision and Examination Sector

The NPL ratio of IHs with QB was three times much better than that of FCs with QB. Nonetheless, the two sub-groups reported improving loan quality for the year. The NPL ratio of IHs with QB improved to 2.0 percent from 2.3 percent last year resulting from the larger contraction in NPLs compared to the drop in TLP. Similarly, the NPL ratio of FCs with QB got better to 6.1 percent from 7.2 percent on account of the faster paced growth in TLP relative to the rise in NPLs. In terms of coverage ratio, IHs with QB also had a four times better NPL coverage ratio at 249.1 percent (up from 221.5 percent last year) compared to the 60.8 percent (up from 58.5 percent) ratio posted by FCs with QB.

Non-Banks with Quasi-Banking Functions (NBQBs)
NPAs and NPA Coverage Ratio



The level of NPAs for the year rose by 65.0 percent to P3.2 billion from P2.0 billion, spurred by the hike in NPLs which diluted the 1.7 percent reduction in ROPA, gross to P1.4 billion from P1.5 billion last year. The expansion in NPAs outmatched the 43.2 percent growth in gross assets, resulting to a higher NPA ratio at 3.5 percent from 3.1 percent last year.

The industry raised its provisioning for bad assets by 88.2 percent (P0.7 billion) to P1.5 billion from P0.8 billion. This widened the NPA coverage ratio by 5.7 percentage point to 46.8 percent from 41.1 percent

By sub-groups, IHs with QB maintained their NPA ratio at 2.4 percent while FCs with QB brought down their NPA ratio by 2.8 percentage points to 5.2 percent from 8.0 percent last year. The latter's improving ratio came about as the 417.5 percent growth in gross assets surpassed the 237.4 percent rise in NPAs. Meantime, FCs with QB topped IHs with QB in terms of loss provisioning for the year. FCs with QB reported an NPA coverage ratio of 53.6 percent, better by 15.9 percentage points from 37.7 percent last year, on account of the faster paced 379.4 percent increment in NPA cover relative to the increase in NPAs. On the other hand, the NPA coverage ratio of IHs with QB shed 5.4 percentage points to 37.0 percent from 42.4 percent, driven by the 17.5 percent cut in allowance for probable losses on NPAs.

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

LIABILITIES

The industry posted a significant 62.4 percent rise in liabilities to P70.3 billion from P43.3 billion last year. This expansion came primarily from bills payable, rising by P23.0 billion (by 55.9 percent) to P64.2 billion. Other liabilities followed, hiking by P4.0 billion (by 189.8 percent) to P6.1 billion. Meanwhile, the simultaneous surge in both deposit substitutes (by 40.7 percent or P15.1 billion to P52.1 billion) and other bills payable (by 190.1 percent or P7.9 billion to P12.1 billion) supported the hike in bills payable.

Bills payable still accounted fro the majority of liabilities with a 91.3 percent share from 95.1 percent last year. The balance of 8.7 percent from 4.9 percent share was generated by other liabilities. Bills payable was predominantly deposit substitutes with an 81.1 percent (from 89.8 percent last year) share. This was followed by other bills payable with a 13.8 percent (from 3.6 percent) share and interbank borrowings with a 5.1 percent (from 6.5 percent) share.

CAPITAL ACCOUNTS

The total capital accounts of the industry barely moved from last year's P20.0 billion

The total capital accounts of the industry barely moved from last year's P20.0 billion. The marginal reduction in capital accounts came about as the 29.9 percent (P2.6 billion) reduction in surplus, surplus reserves and undivided profits to P6.1 billion was matched by the 22.7 percent (P2.6 billion) rise in capital stock to P13.9 billion. Meantime, the net unrealized losses on available for sale securities by IHs with QB led to lower surplus, surplus reserves and undivided profits while the entry of two (2) new FCs with QB brought about the hike in capital stock.

The bulk of the industry's capital base came from paid-in capital at 69.5 percent (up from 56.5 percent last year) share while the remaining 30.5 percent (down from 43.5 percent) came from surplus, surplus reserves and undivided profits.

The decline in NBQBs' capital base stemmed from the 18.8 percent (P3.3 billion) easing in the total capital accounts of IHs with QB to P14.2 billion which outpaced the 125.4 percent (P3.2 billion) climb in the equity of FCs with QB to P5.8 billion. Meanwhile, the 54.0 percent contraction of surplus, surplus reserves and undivided profits of IHs with QB triggered the cut in the sub-group's total capital accounts. On the other hand, the simultaneous expansion in paid-in capital by 107.9 percent and surplus, surplus reserves and undivided profits by 152.4 percent buoyed the build up in the total capital accounts of FCs with QB.

The ratio of total capital accounts to total assets dropped by 9.5 percentage points to 22.1 percent from 31.6 percent arising from the 0.2 percent cut in total capital accounts coupled with the 42.6 percent rise in total assets. By sub-group, IHs with QB reported a better ratio at 25.9 percent (down from 30.9 percent last year) than FCs with QB with a ratio of 16.4 percent (down from 37.7 percent). Although lower this year, these ratios still suggest a solvent industry even by sub-groups.

NON STOCK SAVINGS AND LOAN ASSOCIATIONS (NSSLAS)

Amidst the financial and economic turmoil, the NSSLA industry remained steadfast in sustaining momentum gained in the first half of the year

OVERVIEW

Amidst the financial and economic turmoil, the NSSLA industry remained steadfast in sustaining momentum gained in the first half of the year. Full-year report card showed moderate growths in total assets, cash and due from banks, loan portfolio, deposit liabilities and capital accounts. Such improvements have aided the industry in defending its strong solvent and liquid position despite a slight dent in loans and asset quality condition.

Total resources of the NSSLA industry rose to P80.4 billion from P74.0 billion in 2007. The 8.7 percent growth in total resources was propelled by a double-digit hike in deposit liabilities and modest build-up in capital accounts. Deposit liabilities stood at P12.4 billion, a 16.8 percent increase from P10.6 billion last year. Meanwhile, capital accounts rose by 6.2 percent to P63.5 billion, a turnaround following last year's 1.6 percent contraction.

Preference for liquid assets particularly cash and due from banks continued. This trend, which started in 2002, posted a 34.7 percent expansion in 2008 to P21.2 billion. Consequently, cash and due from banks-to-deposits ratio spiked up by 171.3 percent from 148.4 percent last year. Meantime, liquid assets to deposits ratio remained more than adequate at 216.0 percent, down from 218.5 percent.

Meanwhile, there was little or no progress in loan and asset quality. The non-performing loans (NPL) ratio was the same as last year's 21.6 percent while the non-performing assets (NPA) ratio slightly eased to 14.3 percent (from 14.7 percent). NPLs rose during the year by 5.6 percent but was matched by the 5.7 percent expansion in total loans portfolio. NPAs also rose by 5.7 percent but such increase was eclipsed by the 8.3 percent growth in gross assets. The NPL and NPA coverage ratios were both down to 61.6 percent and 61.3 percent, respectively, from last year's 62.1 percent and 61.9 percent.

Indeed, more efforts by the industry are needed to clean up its stock of bad assets. The NSSLA industry's NPL and NPA ratios remained way above the banking industry's 4.2 percent and 5.1 percent, respectively.

The industry stayed solvent in spite of continued downtrend by capital adequacy indicators in the last five consecutive years. Total capital accounts-to-total assets ratio inched down to 79.0 percent from last year's 80.9 percent on the back of the faster expansion of total assets compared with the growth in total capital accounts.

OPERATING NETWORK

As of end-December 2008, there were 77 (same number last year) NSSLAs. Operating network stood at 144 offices, inclusive of the 67 satellite offices. (Schedule 1)

MAJOR BALANCE SHEET TRENDS

ASSETS

Total assets of the NSSLA industry reached P80.4 billion at end-December 2008. This was 8.7 percent higher than last year's P74.0 billion. The sustained uptrend in total assets was achieved in spite of the slowdown in the economy. The year-on-year expansion primarily went to cash and due from banks, which rose by 34.7 percent to P21.2 billion from P15.7 billion last year. This was followed by loans, net which increased by 5.9 percent to P50.6 billion from P47.8 billion. On the other hand, the industry reduced its holdings of securities as investments, net declined by 25.4 percent to P5.5 billion from P7.4 billion. The industry opted to stay liquid as the ratio of cash and due from banks to deposits climbed to 171.3 percent from 148.4 percent.

Non Stock Savings and Loan Associations (NSSLAs)
Balance Sheet Structure

Major Accounts	End-December				
	2004	2005	2006	2007	2008
Total Assets	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**
Cash and Due from Banks	8.1 %	9.3 %	17.5 %	21.3 %	26.4 %
Loans, net	79.6 %	76.4 %	70.5 %	64.6 %	62.9 %
Investments, net	6.4 %	8.8 %	7.3 %	10.0 %	6.9 %
ROPA, net	0.4 %	0.5 %	0.0 %	0.1 %	0.1 %
Other Assets	5.5 %	5.0 %	4.6 %	4.1 %	3.8 %
Total Liabilities and Capital	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Liabilities	**11.8 %**	**12.5 %**	**13.9 %**	**19.1 %**	**21.0 %**
Deposits	7.2 %	8.1 %	9.8 %	14.3 %	15.4 %
Bills Payable	0.6 %	0.7 %	0.8 %	0.7 %	0.8 %
Other Liabilities	4.0 %	3.7 %	3.3 %	4.1 %	4.8 %
Capital Accounts	**88.2 %**	**87.5 %**	**86.1 %**	**80.9 %**	**79.0 %**
Paid-In Capital	80.5 %	80.9 %	77.2 %	71.1 %	69.3 %
Surplus, Surplus Reserves and Undivided Profits	7.6 %	6.6 %	8.9 %	9.8 %	9.7 %

Figures may not add up due to rounding-off

Majority of the industry's asset portfolio consisted mainly of loans, which accounted for 62.9 percent of total assets, albeit tracking a persistent downtrend from 79.6 percent at end-2004 and 81.1 percent at end-1999. This was followed by cash and due from banks, which held an increasing share to total assets of 26.4 percent from 21.3 percent last year and 6.0 percent at end-2002. Investments, net held the third biggest portion of the industry's total resources, trimming to 6.9 percent from 10.0

percent. Similarly, the share of other assets to total assets further dwindled to 3.8 percent from 4.1 percent. Finally, ROPA, net held the lowest stake, accounting for only 0.1 percent (same as last year) of the industry's total assets.

Major funding sources of the industry still came from total capital accounts at 79.0 percent of total resources. This share continued to shrink after peaking at 89.0 percent at end-year 2003. Conversely, the share of total liabilities to total resources over the same period rose to 21.0 percent from 11.0 percent.

As of end-December 2008, the capital contribution of association members stood at 69.3 percent of the industry's funding mix. This ratio was on a downtrend from a high of 80.9 percent at end-year 2005. Meanwhile, deposit liabilities steadily grew to 15.4 percent from merely 6.4 percent at end-year 2003. Likewise, surplus, surplus reserves and undivided profits kept rising to 9.7 percent from 6.6 percent at end-year 2005.

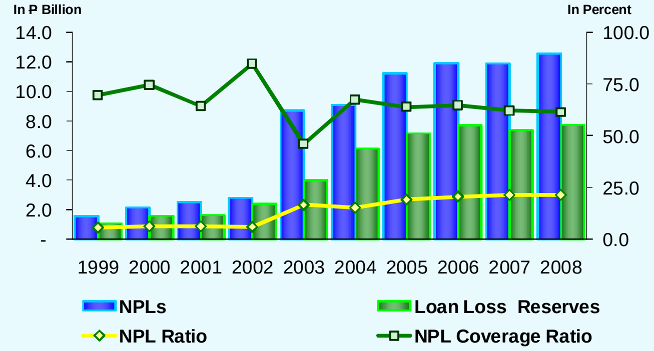
LOANS

During the year in review, the NSSLAs reported higher bad loans. NPLs rose by 5.6 percent to P12.6 billion from P11.9 billion last year. This was almost matched by the 5.7 percent expansion in total loan portfolio to P58.3 billion from P55.2 billion. Hence, the NPL ratio remained the same as last year's 21.6 percent ratio.

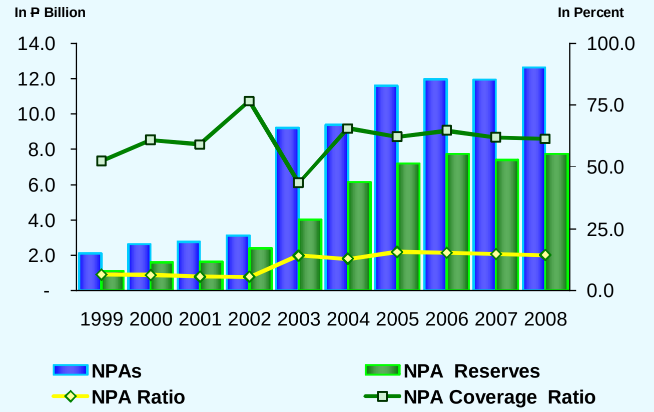
Similarly, the NPA level grew by 5.7 percent to P12.6 billion from P11.9 billion last year on the back of higher NPLs and stock of foreclosed properties. Nonetheless, this growth rate was surpassed by the 8.3 percent expansion in gross assets to P88.2 billion from P81.4 billion, resulting to an easing of the NPA ratio to 14.3 percent from last year's 14.7 percent.

The industry raised loan loss reserves to P7.7 billion from P7.4 billion last year. The 4.6 percent increase in loan loss reserves was unable to cover the 5.6 percent rise in NPLs, setting off a lower NPL coverage ratio of 61.6 percent as against last year's 62.1 percent. Similarly, the NPA coverage ratio settled to 61.3 percent from 61.9 percent as the 5.7 percent expansion in NPAs outpaced the 4.6 percent growth in loss provisioning on NPAs to P7.7 billion.

Non Stock Savings and Loan Associations (NSSLAs)
NPLs and NPL Coverage Ratio



Non Stock Savings and Loan Associations (NSSLAs)
NPAs and NPA Coverage Ratio



Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Deposit Liabilities

Deposit liabilities as of end-December 2008 stood at P12.4 billion, an expansion of 16.8 percent from end-December 2007's P10.6 billion. This growth was slower compared to the two preceding years, i.e., 53.6 percent in 2007 and 26.7 percent in 2006. This was expected given the slowdown of the economy during the year.

Savings deposits accounted for the bulk of the industry's deposit base at 89.2 percent (down from last year's 90.1 percent). Meanwhile, time deposits advanced over the years to 10.8 percent (up from 9.9 percent) of total deposit liabilities, more than twice the 5.0 percent share posted at end-2001.

Finally, the proportion of deposit liabilities to the industry's total resources sustained an uptrend to 15.4 percent from 14.3 percent last year and 6.4 percent in 2003.

Capitalization

The NSSLAs beefed up total capital accounts to P63.5 billion from P59.8 billion at end-December 2007. The 6.2 percent year-on-year increment was a reversal from last year's 1.6 percent contraction, indicative of the industry's efforts to fortify capital.

The industry consistently relied on members' equity contribution for funding source. Total capital accounts accounted for majority of the industry's funding mix at 79.0 percent, slightly down from last year's 80.9 percent. Member's paid-in contributions continued to hold the bulk of total capital accounts at 87.7 percent (slightly down from 87.9 percent last year) while surplus, surplus reserves and undivided profits accounted for the remaining 12.3 percent (up from 12.1 percent).

The industry consistently relied on members' equity contribution for funding source

Although total capital accounts-to-total assets ratio declined to 79.0 percent from 80.9 percent last year and 88.2 percent four years ago, the industry's capital adequacy ratios remained sound.

OFFSHORE BANKING SYSTEM

OVERVIEW

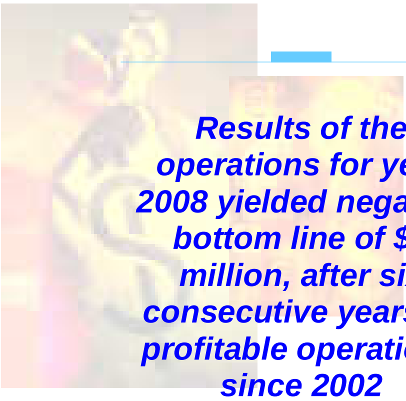
Dragged down by the global financial crisis, total resources of the offshore banking system substantially shrank. At end-December 2008, total assets (net of due from head office/branches-abroad) of the system aggregated to $1.3 billion, representing a 65.2 percent ($2.4 billion) decline from last year's $3.7 billion.

The sharp decline in resources translated to steep losses for OBUs. Results of operations yielded negative bottom line of $2 million, a reversal of the $11 million net profit recorded in 2007. (Table 63)

The number of OBUs operating in the country was reduced by one from last year's seven as a result of the closure of a European OBU in July. Its name will be excluded from the roster of OBUs upon completion of the requirements for closure. The remaining OBUs consisted of three originating from Europe, two from America and one from Asia.

RESULTS OF OPERATIONS

Results of the operations for year 2008 yielded negative bottom line of $2 million, after six consecutive years of profitable operations since 2002. This was a stark contrast to the $11 million net profit reported in 2007.



Results of the operations for year 2008 yielded negative bottom line of $2 million, after six consecutive years of profitable operations since 2002

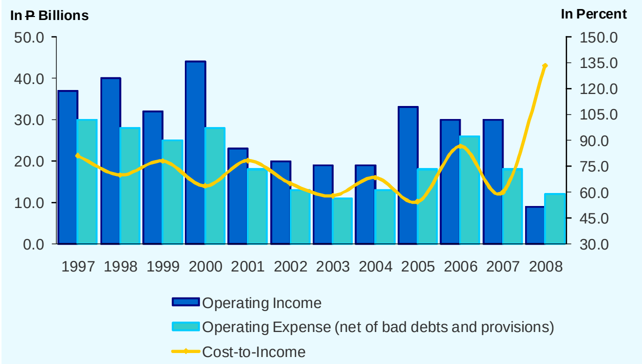
Operating income steeply fell by 70.0 percent to $9 million from $30 million last year brought on primarily by the 126.7 percent or $19 million drop in non-interest income, coupled with a 13.3 percent or $2 million decrease in net interest income.

Discount and interest from all sources, except on bonds and other instruments, fell sharply. Interest on bonds jumped by 117.1 percent ($35 million) partially offsetting declines in income from trade and other bills (100.0 percent), deposits (73.7 percent) and loans and advances (39.9 percent) for a net decline in interest income of 32.9 percent ($94 million).

Meanwhile, substantial reduction of borrowings accordingly slashed interest paid/payable by 33.9 percent ($92 million), softening the decline in net interest income. The $19 million drop in non-interest income from loss incurred in the disposal and marking -to-market of investments, however, led to negative bottom line despite an ample reduction in operating expenses of 33.3 percent ($6 million).

With a faster decline in operating income than that of operating expenses, OBUs were less cost effective in 2008. Cost-to-income ratio more than doubled to 133.3 percent from 60.0 percent last year. Meanwhile, return on assets slipped to negative 0.1 percent from last year's positive 0.3 percent.

Offshore Banking System: Cost-to-Income Ratio



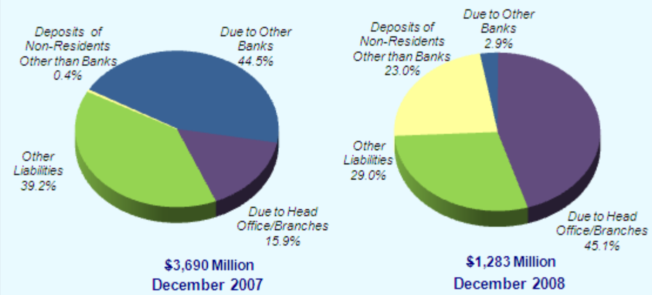
MAJOR BALANCE SHEET TRENDS

More than half of OBU assets were liquefied to pay off liabilities. The remaining assets which amounted to $1.3 billion were in loans at 61.3 percent ($0.8 billion), investment in bonds and other debt instruments at 23.2 percent ($0.3 billion), due from other banks at 11.3 percent ($0.1 billion) and other assets at 4.2 percent (half of $0.1 billion).

On the funding side, there were marked shifts in the main funding sources as OBUs settled nearly all of their due to other banks and about three quarters of their other liabilities, both of which were mostly outside the Philippines. Due to other banks plummeted by 97.7 percent to less than half of $0.1 billion from $1.6 billion last year while other liabilities slid by 74.3 percent to $0.4 billion from $1.4 billion.

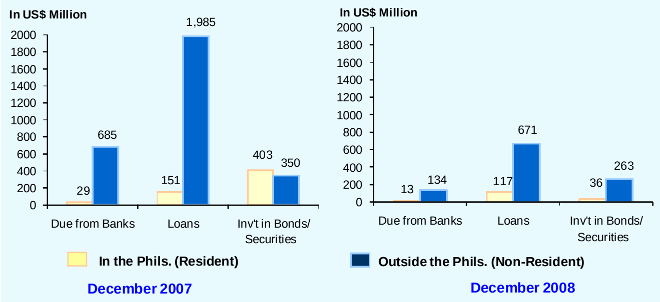
At end-2008, net due to head office/branches was the biggest provider of funds at 45.1 percent ($0.6 billion) of total liabilities. Due to banks, which was the

Offshore Banking System: Funding Mix



Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Offshore Banking System: Selected Asset Accounts



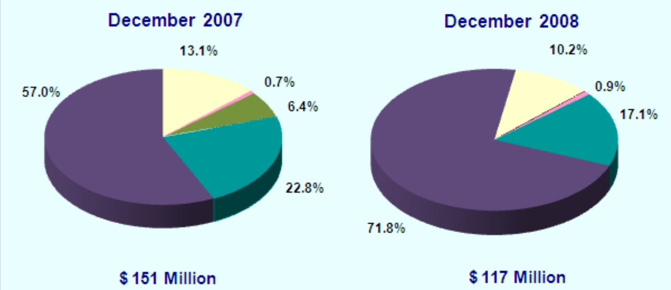
biggest provider of funds in 2007 with a share of 44.5 percent, contributed the least funds in 2008 at 2.9 percent share. Other liabilities remained the second biggest generator of funds at 29.0 percent (down from 39.2 percent last year) of total liabilities. The third was held by deposits of non-residents other than banks at 23.0 percent (up from 0.4 percent) of total liabilities as these surged by 1,743.8 percent to $0.3 billion from less than a quarter of $0.1 billion last year.

OBU funds channeled to non-residents were 86.9 percent or $1.1 billion (up from last year's 84.1 percent but down from $3.1 billion) of gross assets. The remaining 13.1 percent ($0.2 billion) of gross assets, down from 15.9 percent and $0.6 billion, were exposures to residents of the Philippines.

Some 85.2 percent ($0.7 billion) of total loan portfolio was granted to non-residents, down from last year's share of 92.9 percent ($2.0 billion). On the other hand, the share of residents to total loans went up to 14.8 percent ($0.1 billion) from 7.1 percent ($0.2 billion).

Likewise, there was more placement in instruments issued by non-residents at 87.9 percent ($263 million), up from last year's share of 46.5 percent ($350 million). The share of investment in instruments issued by residents significantly dropped to 12.1 percent ($36 million) from 53.5 percent ($403 million).

Offshore Banking System
Loan Portfolio Structure (Residents)
By Industry Sector



	December 2007	December 2008
Manufacturing	57.0%	71.8%
Transportation, Storage & Communication	22.8%	17.1%
Electricity, Gas & Water	6.4%	0.0%
Mining & Quarrying	0.7%	0.9%
Others	13.1%	10.2%

Meanwhile, a significant portion of due from banks was also kept in non-resident banks. Due from non-resident banks amounted to $134 million and comprised 91.2 percent of total due from banks. In contrast, due from resident banks was at $13 million or 8.8 percent.

Majority of the loans to residents were granted to the manufacturing sector at 71.8 percent share or $84 million (vs. 57.0 percent or $86 million in 2007). The transportation, storage and communications sector was a far second at 17.1 percent or $20 million (vs. 22.8 percent or $34 million). Loans to the mining and quarrying sector were maintained at $1 million or 0.9 percent. The remaining 10.2 percent ($12 million) was lent to the other industry sectors. The credit exposure to the electricity, gas and water sector, which held a 6.4 percent share in 2007, was fully settled in 2008.

The bulk or 78.0 percent of loans to residents had medium-term duration (maturity of more than a year to 5 years). Long-term (maturity of more than 5 years) and short-term (up to 1 year maturity) lendings accounted for 12.8 percent and 9.2 percent of total loans, respectively.

FOREIGN BANK BRANCHES AND SUBSIDIARIES

Foreign banks in the Philippines remained resilient given the hostile financial and economic environment here and abroad

OVERVIEW

Foreign banks in the Philippines remained resilient amid the hostile financial and economic environment here and abroad.

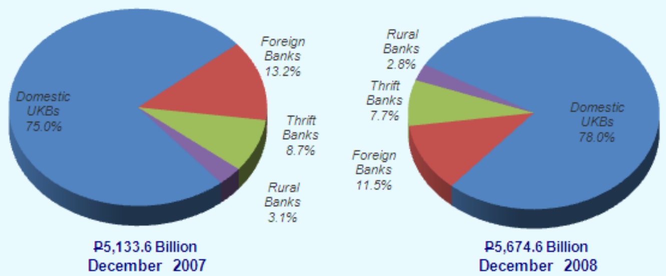
The losses stemming from the international financial crisis have so far been limited. Both foreign banks' profitability and financial strength were still sound. At the same time, loan and asset quality remained manageable while liquidity and solvency were adequately maintained.

Foreign banks posted positive earnings as net profit stood at P6.6 billion in 2008. Although lower by 40.3 percent from the P11.1 billion last year, this was still higher than the profits earned in the years prior to 2005. Consequently, returns on foreign banks' assets/shareholders were slightly lower with ROA/ROE ratios at 1.0 (from 1.7 percent in 2007) and 6.5 percent (from 11.9 percent), respectively.

Total resources at P654.2 billion was down by 3.3 percent compared to the P676.2 billion posted last year. This was a result of the slowdown in investment activities particularly on financial assets other than loans due to bearish securities market. As a result, the share of foreign banks in the total assets of the Philippine banking system as of end-December 2008 slipped to 11.5 percent from 13.2 percent in 2007. Their share remained well below the 30 percent ceiling set under Section 3 of Republic Act (R.A.) No. 7721. Although said law liberalizes the entry of foreign banks in the Philippines, it provides that at least 70 percent of the total assets of the Philippine banking system remain with Filipino-owned domestic banks.

Assets were mainly backed up by deposit liabilities and were principally channeled to loans. Consequently, loans-to-deposits ratio rose to 102.5 percent from 83.5 percent in 2007. On the other

Foreign Bank Branches and Subsidiaries
Share in the Total Assets of the Philippine Banking System



Source: Office of Supervisory Policy Development, Supervision and Examination Sector

hand, cash and due from banks-to-deposits ratio slid to 27.9 percent from 29.1 percent as foreign banks opted to lend more rather than place funds in cash and due from banks. By industry subgroup, existing foreign bank branches still held the lion's share of the industry's total resources at 56.1 percent (down from 62.9 percent in 2007). New foreign bank branches and foreign bank subsidiaries held the remaining 28.9 percent (up from 24.5 percent) and 15.0 percent (up from 12.6 percent), respectively.

The resilient macroeconomy supported bank lending growth and activity. Loans (exclusive of interbank lending) posted a double-digit growth of 20.2 percent to reach P305.2 billion from P253.9 billion last year. Among the real sectors, manufacturing cornered the largest share of the industry's loan extension at 17.9 percent and it even picked up by 7.0 percent amidst a slowdown in the world economy and heightened competition from China.

The encouraging trend in lending was supported by low levels of NPL/NPA ratios at 2.5 percent and 1.7 percent, respectively. With BSP's implementation of Basel II last 1 July 2007, foreign banks' capital became more risk-sensitive in line with international standards and remained well above the minimum BSP regulatory requirement of 10 percent and the international benchmark of 8 percent.

The encouraging trend in lending was supported by low levels of NPL/NPA ratios at 2.5 percent and 1.7 percent, respectively

In terms of operating network the number of foreign bank offices decreased by seven at 177 banking offices from 184 banking offices in 2007. (Annex A) Four foreign banks consolidated their operations and reduced their banking offices namely: Maybank Phil., Inc by one banking unit, Citibank Savings by five, GE Money Bank by three and American Express Bank by two.

Foreign banks continued to rely on automated teller machines (ATMs) to broaden service delivery. As of end-December 2008, there were eight foreign banks (three bank branches and five subsidiaries) with ATM facilities catering to their client's convenience.

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Likewise, foreign banks also expanded e-banking operations in response to customers' growing need for more innovative and more efficient delivery channels. There were 16 foreign banks (11 bank branches and five bank subsidiaries) engaged in alternative banking services as of end-year 2008.

Foreign banks remained steadfast in their efforts to support the policy objectives provided under Section 1 of R.A. No. 7721 (Appendix 3), salient features of which include:

Attract foreign investments and serve as channels for the flow of funds and investments into the economy to promote industrialization

Foreign banks facilitated the establishment, expansion and/or continuous operation of various companies in the Philippines through inflows in the capital markets. In 2008, total direct and portfolio investments coursed through foreign banks amounted to US$3.17 million and US$1.82 million, respectively.

Likewise, export proceeds and import payments coursed through foreign bank branches and subsidiaries amounted to US$15.47 million and US$29.13 million, respectively.

To attract additional investments as well as strengthen ties with other countries, foreign banks sponsored/participated in various economic and trade activities where business potentials of the country were showcased and disseminated. Moreover, guidebooks on investment and business opportunities in the Philippines were published and made available to a wide stratification of clients. These undertakings certainly provided an opportunity for the country to be internationally recognized.

To attract additional investments as well as strengthen ties with other countries, foreign banks sponsored/participated in various economic and trade activities where business potentials of the country were showcased and disseminated

Encourage, promote and maintain a stable, competitive, efficient and dynamic banking and financial system

Foreign banks continued to capitalize on the utilization of banking/financial technology and support systems to enhance service

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

delivery and ensure customer satisfaction. Since 2007, foreign banks have been introducing various systems for their front and backroom operations. Included among these were systems to support their credit and lending activities, payment and remittance, fund transfer, clearing and settlement, treasury operations, accounting and financial reporting, and information storage/retrieval. This motivated and challenged domestic banks to double their efforts in improving the quality and availability of their banking services to be at par with counterpart foreign banks.

Contribute to the alleviation of unemployment in the country

Foreign banks continued to invest considerably in human resources to support their operations in the country, thereby contributing to the alleviation of unemployment. As of end-2008, the total workforce of the 17 banks out of the 21 foreign bank branches and subsidiaries operating in the country totaled to 6,864 with Filipino personnel numbering at 6,793 or 98.97 percent of the total workforce.

Filipino officers and employees of the 17 banks out of 21 foreign bank branches and subsidiaries operating in the country attended a total of 1,403 courses/seminars/trainings, of which 1,161 were held in the country and were mostly conducted by local organizations. The remaining 242 trainings/seminars were held abroad which were mostly about current trends/development on banking operations and new banking services and products.

Provide a wider variety of financial services to Philippine Enterprises, households and individuals

Foreign banks continued to support the financing needs of local residents and companies and the Philippine government. In 2008, five foreign bank branches and subsidiaries committed to finance project loans to local residents and companies in the aggregate amount of P18.8 billion. Likewise, three foreign bank branches committed to

Foreign banks continued to support the financing needs of local residents and companies and the Philippine government

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

arrange project loans in the aggregate amount of P31.9 billion. The bulk of these loans benefited major local corporations.

Strengthen linkages with global financial centers

The presence of Philippine banks overseas sustained the country's linkages with global financial centers. Under reciprocity arrangements, the presence of Philippine banks abroad had increased from 38 offices at end-year 1994 to 41 at end-year 2007 and to 42 at end-year 2008. These offices overseas were spread out in the four major continents shown below.

Foreign Bank Branches and Subsidiaries
Regions

	1994	2007	2008
Asia-Pacific	13	23	24
Europe	16	9	9
North America	9	6	6
Africa	0	3	3
Total Foreign Banks	**38**	**41**	**42**

RESULTS OF OPERATIONS

Foreign bank branches and subsidiaries in the Philippines have so far withstood the severe test of the global financial crisis, although faced with slowdown in earnings. In 2008, foreign banks registered net profit of P6.6 billion, lower by 40.3 percent (P4.4 billion) than last year's P11.1 billion but was still better than the profits earned in the years prior to 2005. Both the return on assets and equity (ROA and ROE) ratios, consequently, declined to 1.0 percent and 6.5 percent from last year's 1.7 percent and 11.9 percent, respectively.

Foreign Bank Branches and Subsidiaries
Comparative Net Profit

The slowdown in net profit resulted from risk aversion stemming from the global financial turmoil that dampened prospective income from investment activities. By subgroup, net profit of the four existing foreign bank branches decelerated fastest by 52.9 percent (or P5.1 billion) to P4.5 billion. This more than offset the 23.5 percent (P0.5 billion) increment posted by new foreign bank branches. Meanwhile, foreign bank subsidiaries continued to report losses of P0.8 billion, 11.6 percent (P0.1 billion) lower than the P0.9 billion losses posted last year.

The four original foreign bank branches bested their peers, with net profit of P4.6 billion, equivalent to 68.8 percent of the total earnings of all foreign banks in the Philippines. The net profit of these four original foreign bank branches, however, was slashed by 52.9 percent or P5.1 billion. This more than offset the 23.5 percent or P0.5 billion incremental profits of new foreign bank branches. Meanwhile, foreign bank subsidiaries lowered their losses by 11.6 percent to P0.8 billion.

Operating income expanded by 2.5 percent (P1.2 billion), driven primarily by net interest income which grew by 5.9 percent (P1.5 billion). Interest income declined by 3.6 percent (P1.7 billion) but was more than offset by the 14.8 percent (P3.3 billion) reduction in interest expenses brought about by lower level of deposit liabilities.

Total operating income at P49.4 billion was the highest ever posted by the industry. Though total operating income growth of 2.5 percent in 2008 was higher by 0.5 percentage point than the 2.0 percent hike in 2007, this fell short by 16.5 percentage points from the 19.0 percent hike during the pre-subprime crisis year of 2006.

Compensation and fringe benefits and other administrative expenses were the major non-interest expenses

Non-interest expenses went up by 19.7 percent (P5.5 billion) to P33.8 billion from P28.2 billion. Compensation and fringe benefits and other administrative expenses were the major non-interest expenses accounting for 29.9 percent and 47.1 percent, respectively.

From a growth of 18.9 percent in 2007, non-interest income retreated by 1.5 percent (P0.3 billion) in 2008 brought on by the 57.8 percent (P1.6 billion) and 19.2 percent (P1.3 billion) drop, respectively, in trading income and foreign exchange income.

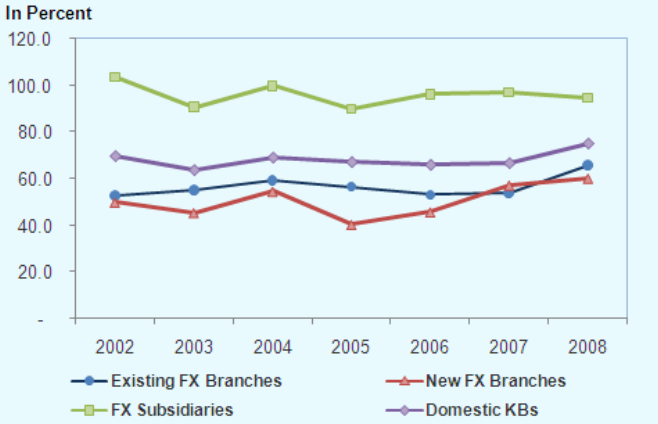
This reflect continuous investments in infrastructure and human capital improvement to further strengthen and diversify sources of income (e.g., attracting the right people, retraining, computerization/automation, development of new business capabilities).

Moreover, foreign banks always generated higher total operating income to more than cover for non-interest expenses.

Thus, the industry consistently yielded a net profit.

With the faster growth in non-interest expenses, foreign banks posted a higher cost-to-income ratio (CTI) at 68.3 percent from 58.5 percent in 2007.

Foreign Bank Branches and Subsidiaries
Cost-to-Income Ratio



Across foreign banking groups, the new foreign bank branches outperformed the original foreign bank branches in terms of efficiency with a CTI ratio of 60.3 percent (up from 57.2 percent in 2007). New foreign bank branches was consistently the most efficient in their operations since 1998 (except in year 2000 and 2007). The four original foreign bank branches had to settle for second place with CTI ratio of 66.0 percent (up from 52.1 percent) as operating income fell by 1.7 percent, matched by the sharp increase in non-interest expenses. On the other hand, only foreign bank subsidiaries exhibited an improved cost-efficiency but still with the highest CTI ratio at 94.6 percent (down from 102.3 percent) among foreign subgroups.

MAJOR ASSET AND LIABILITY TRENDS

ASSETS

Against the backdrop of instability in the global financial system, total assets of foreign bank branches and subsidiaries declined by 3.3 percent (P22.0 billion) to P654.2 billion from last year's P676.2 billion.

Foreign Bank Branches and Subsidiaries
Comparative Asset Growth Rate
In Percent

	End-December		
	2006	2007	2008
Existing Branches	5.5	5.4	(13.8)
New Branches	14.4	10.5	14.1
Subsidiaries	40.3	(9.5)	15.4
Total Foreign Banks	11.5	4.4	(3.3)

Notably, only the four existing foreign bank branches were aligned with the year-on-year decline in resources. The 13.8 percent (P58.5 billion) decline was brought on by the slump in almost all major balance sheet accounts, most specifically investments in financial assets other than loans by 22.9 percent (P22.1 billion). All other subgroups maintained asset growth: new foreign bank branches by 14.1 percent (P23.3 billion and foreign subsidiaries by 15.4 percent (P13.2 billion)

The four original foreign bank branches still held the bulk of these assets (56.1 percent, down from 62.9 percent at end-2007). New foreign bank branches followed with 28.9 percent, up from 24.5 percent. Foreign bank subsidiaries held the remaining 15.0 percent (up from 12.6 percent).

Nearly all asset components declined: cash and due from banks, investments in financial assets other than loans and in equity, interbank loans, and real and other properties acquired (ROPA).

Loans, net [inclusive of interbank loans (IBL)] were still the main recipient of funds, at 44.3 percent, higher by 8.8 percent from last year's share of 35.5 percent. Foreign banks, resumed lending activities, resulting in the 20.8 percent (P50.0 billion expansion in loans, net (exclusive of IBL).

Funds directed to financial assets other than loans were 19.7 percent (down from 21.1 percent) of total assets and declined by 9.4 percent (P13.4 billion) settling to P129.1 billion. Foreign banks shied away from a bearish securities market.

Meanwhile, cash and due from banks slipped by 12.7 percent (P16.0 billion) as foreign banks maximized utilization of assets in favor of the higher margin loans. Thus, the ratio of cash and due from banks to total assets slid to 16.9 percent from 18.7 percent.

Major source of funds continued to be deposit liabilities at P395.9 billion, representing 60.5 percent of total liabilities and capital accounts, lower than the 64.3 percent or P434.7 billion last year. The four existing foreign bank branches influenced the decline in deposit liabilities posting P48.5 billion cutbacks completely offsetting the P9.7 billion additional deposit liabilities posted

Foreign Bank Branches and Subsidiaries

Comparative Market Share

Share to Total Assets; In Percent

	End-December		
	2006	**2007**	**2008**
Existing Branches	62.3	62.9	56.1
New Branches	23.1	24.5	28.9
Subsidiaries	14.5	12.6	15.0
Total	100.0	100.0	100.0

Foreign Bank Branches and Subsidiaries

Balance Sheet Structure

Major Accounts	2004 r/	2005 r/	2006 r/	2007 r/	2008
Total Assets	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**
Cash and Due from Banks	11.5 %	15.9 %	20.2 %	18.7 %	16.9 %
Interbank Loans Receivable (IBL)	10.4 %	10.1 %	17.3 %	16.1 %	15.4 %
Loans, net	37.9 %	36.3 %	35.3 %	35.5 %	44.3 %
Financial Assets, net (Other than Loans)	35.2 %	32.3 %	22.1 %	21.1 %	19.7 %
Equity Investments, net	0.3 %	0.2 %	0.1 %	0.2 %	0.2 %
ROPA, net	0.4 %	0.2 %	0.2 %	0.1 %	0.1 %
Other Assets	4.3 %	5.0 %	4.8 %	8.3 %	3.4 %
Total Liabilities and Capital	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Financial Liabilities Held for Trading					4.9 %
Financial Liabilities Designated at Fair Value through Profit or Loss					0.7 %
Deposits	64.3 %	60.0 %	66.4 %	64.3 %	60.5 %
Bills Payable	3.9 %	10.2 %	6.6 %	7.1 %	5.4 %
Special Financing	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Other Liabilities	9.8 %	10.4 %	8.2 %	12.8 %	7.8 %
Net Due to Head Office/Other Offices	6.8 %	4.4 %	4.3 %	2.0 %	3.6 %
Capital Accounts	15.2 %	15.0 %	14.5 %	13.8 %	17.1 %

r/ *Based on the revised Financial Reporting Package (FRP) data* by new foreign bank branches and subsidiaries of foreign banks.

Funds sourced from capital accounts exhibited an uptrend to 17.1 percent from 13.8 percent of total resources. Both existing and new foreign bank branches boosted capital by 12.0 percent (P5.7 billion) and 41.2 percent (P12.9 billion), respectively.

LOANS

The loan portfolio, net reached a record high

The loan portfolio, net reached a record high of P390.7 billion, increasing by P41.7 billion or 12.0 percent from P349.0 billion in 2007.

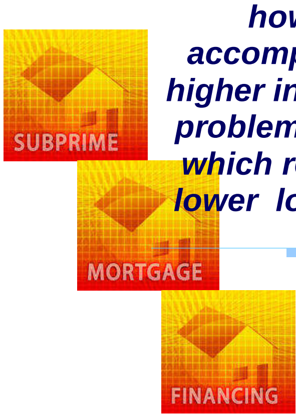
As of end-December 2008, total loan portfolio (inclusive of interbank loans) stood at P405.8 billion, up from previous year's P362.8 billion. So far, this has been the most significant growth posted by foreign banks.

By specific economic activity, the financial intermediation sector (inclusive of IBL) was still the main beneficiary of foreign banks' loans at 40.4 or P164.0 billion (down from 48.7 percent in 2007) of total loan portfolio. The manufacturing sector was in second place at 16.6 percent or P67.4 billion (up from 10.9 percent or P39.7 billion). Agricultural, fishery, hunting and forestry came in third place at 7.5 percent or P30.4 billion (up from 3.1 percent or P11.3 billion). These sectors comprised 64.5 percent of total loans (gross).

The growth of foreign banks' consumer lending settled at 25.9 percent (up from 13.9 percent in 2007). Their share to total consumer loans of the banking industry (automobile loans, credit card receivables and residential real estate loans) slid further to 22.0 percent from 23.0 percent in 2007. While foreign banks continued to dominate the credit card business, their share of the banking system's credit card receivables fell anew to 52.9 percent from 58.7 percent in 2007.

The expansion in loan portfolio, however, was accompanied by higher incidence of problem accounts which resulted to lower loan quality. Non-performing loans (NPL) ratio rose to 2.5 percent from 1.7 percent at end-2007. This transpired as the expansion in NPL by 65.3 percent to P10.2 billion outpaced the 11.7 percent increment in loan portfolio to P404.2 billion. Likewise, non-performing assets (NPA) ratio moved up to 1.7 percent from last year's 1.0 percent. Despite the uptick of the industry's delinquent loans, foreign banks (branches and subsidiaries) still had the best loan quality and below the system average of 4.2 percent.

The expansion in loan portfolio was however accompanied by higher incidence of problem accounts which resulted to lower loan quality



With rising non-performing loans, foreign banks provided aggressively for loan loss reserves (LLRs). LLRs were up by 5.9 percent (or P0.8 billion). The NPL coverage ratio (LLRs to NPLs) declined to 133.3 percent from 208.2 percent on account of larger stock of bad loans during the year. Similarly, NPA coverage ratio also declined to 124.3 percent from 180.1 percent last year. Nevertheless, provisioning of foreign banks were more than adequate to cover for the levels of non-performing loans and assets.

DEPOSITS

Deposit liabilities remained the major source of funding with a 60.5 percent share in total resources (down from 64.3 percent last year). Deposit-taking activities were sluggish. Deposit liabilities dropped by 8.9 percent (P38.8 billion). Peso deposit liabilities declined by 6.0 percent (P13.8 billion), influenced by peso savings at 18.1 percent or (P7.3 billion) and peso time at 7.5 percent (P9.0 billion). Likewise, foreign currency-denominated deposit liabilities dropped by 12.2 percent (P25.2 billion).

With limited funds generated from deposits, foreign banks augmented resources through additional capital.

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Meantime, bills payable dropped by 26.7 percent (P12.8 billion) to P35.0 billion from P47.8 billion. Consequently its proportion to liabilities and capital declined to 5.4 percent from 7.1 percent in 2007.

Meanwhile, the rest of the funding mix were: capital accounts at 17.1 percent (up from 13.8 percent); other liabilities at 7.8 percent (down from 12.8 percent), net due to Head Office/Other Offices at 3.6 percent (up from 2.0 percent) and two liability accounts classification under the new FRP – financial liabilities held for trading at 4.7 percent and financial liabilities designated at fair value through profit or loss (DFVPL) at 0.7 percent.

CAPITALIZATION

As of end-December 2008, total capital accounts of foreign branches and subsidiaries escalated by 19.4 percent (P18.1 billion) to P111.6 billion, a turnaround from the 0.1 decline posted at end-December 2007.

Foreign bank's sustained losses widened the negative balance of surplus, surplus reserves and undivided profits by 39.2 percent (P1.1 billion), nevertheless, all major components of the capital base exhibited an uptrend, the largest increment posted was funds from H.O./other offices increasing by 26.0 percent (P15.6 billion) to P75.6 billion. Likewise, assigned capital rose by 16.1 percent (P3.0 billion) to P22.0 billion. With the growth in capital accounts, matched with the decline in assets, the ratio of total capital to total assets increased to 17.1 percent from last year's 13.8 percent

Foreign banks remained solvent and compliant with the prescribed capital requirements

Foreign banks remained solvent and compliant with the prescribed capital requirements (both in terms of the minimum amount and the capital adequacy ratio). With the introduction of operational risk in the new capital adequacy framework effective 01 July 2007, the overall capital adequacy ratio of foreign banks as of end-September 2008 on a solo basis fell to 23.0 percent from 25.9

percent ratio at end-December 2007. Nonetheless, the CAR of foreign banks was way above the minimum industry benchmark of 10 percent and the BIS-prescribed 8 percent.

As of end-September 2008, the foreign banks maintained a solid capital base with capital adequacy ratio (CAR) on a solo and consolidated basis at 23.0 percent and 22.9 percent, respectively, which were well above the 10 percent minimum set by the BSP and 8 percent prescribed by the Basel accord.

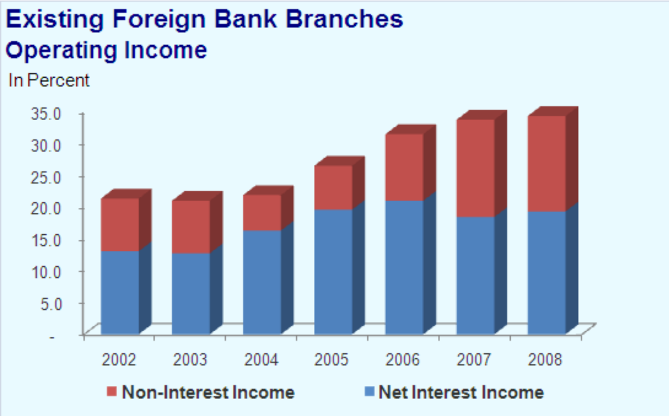
the foreign banks maintained a solid capital base

BY SUBGROUPS

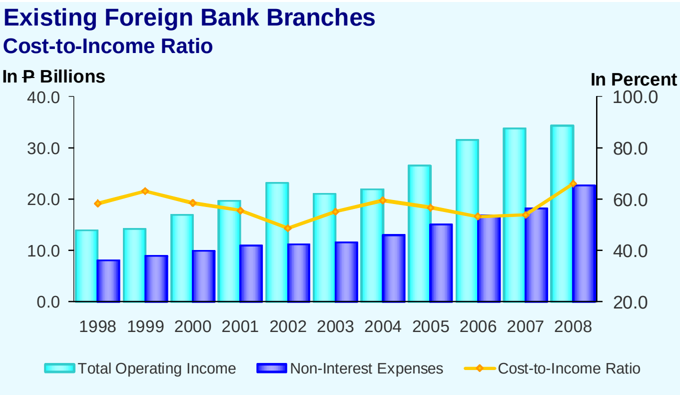
EXISTING FOREIGN BANK BRANCHES

The four existing foreign bank branches were hit the hardest by the global economic and financial crisis as they posted a net profit of P4.6 billion in 2008, down significantly by 52.9 percent (P5.1 billion) from P9.7 billion in 2007.

The slowdown was attributed to the 1.7 percent decline in operating income which in previous years posted growth rates that surpassed increments in non-interest expenses. Operating income settled at P34.3 billion, down from P34.9 billion in 2007. Slower lending activities factored into the sluggish movement as net interest income meagerly rose by 4.7 percent to P19.3 billion as a result of interest income dropping by 7.0 percent to P29.0 billion notwithstanding the 24.1 percent decline in interest expenses to P9.7 billion.



Moreover, non-interest income slashed P1.5 billion from operating income with a sharp decline in foreign exchange income by 29.7 percent (P1.1 billion) and trading income by 22.6 percent (P0.7 billion) given volatile exchange rates and a bearish securities market. Non-interest income growth was tied to a few fee-based activities such as fiduciary (trust), underwriting, custodianship and others. Fee-based income stood at P8.2 billion, 8.1 percent or P0.6 billion rise from last year's P7.6 billion. Consequently, this curbed the share of non-interest income to the subgroup's total operating income at 43.7 percent from last year's 47.2 percent.

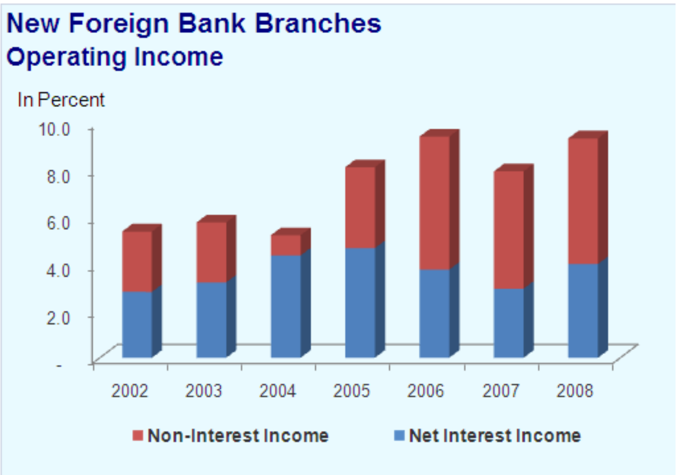


The non-interest expenses of the four existing foreign banks widened by 24.6 percent (P4.5 billion) to reach P22.7 billion from P18.2 billion last year. This contributed further to lower profits for the subgroup.

The significant growth in non-interest expenses caused a decline in the operating efficiency of the subgroup. Cost-to-income ratio stepped up to 66.0 percent from 52.1 percent last year.

With lower profits, ROA and ROE declined to 1.1 percent and 9.0 percent from 2.3 percent and 19.4 percent, respectively.

NEW FOREIGN BANK BRANCHES



For the year ended 31 December 2008, new foreign bank branches recorded good profit performance with net profit amounting to P2.8 billion, 23.5 percent higher than the P2.3 billion posted last year. The strong growth in profits was driven mainly by the P1.4 billion (17.1 percent) increase in total operating income, which outpaced the P1.1 billion (23.7 percent) rise in non-interest expenses.

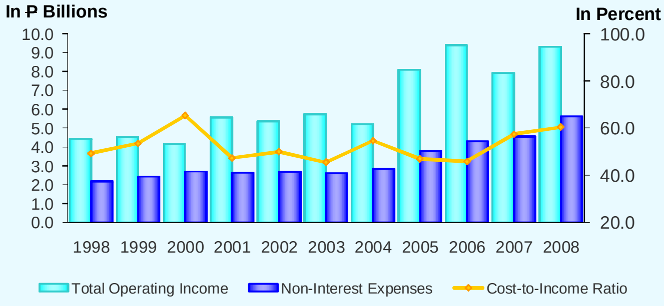
Total operating income amounted to P9.3 billion, up from P8.0 billion last year. The increment was attained on account of higher net interest income by 35.6 percent reaching P4.0 billion from P2.9 billion. The boost in interest income came from the stronger lending activities and the outstanding quality of the subgroup's loan and asset quality.

Non-interest income increased by 6.4 percent, contributing P0.3 billion or 23.4 percent of the increment in total operating income. This came mainly from fee-based income, which stood at P2.6 billion, up by 43.4 percent from P1.8 billion last year. Meantime, the subgroup incurred additional trading loss of P0.3 billion and reported lower foreign exchange income by P0.6 billion from last year.

Despite the marginal contribution to total operating income, non-interest income still represented the bigger block of total operating income at 57.3 percent (P5.3 billion) share. Net interest income accounted for the remaining 42.7percent (P4.0 billion).

Meanwhile, non-interest expenses rose by 23.7 percent to P5.6 billion from last year's P4.5 billion. Thus, with the additional P1.1 billion non-interest costs, the subgroup's CTI ratio rose to 60.3 percent from 57.2 percent in 2007

New Foreign Bank Branches
Cost-to-Income Ratio



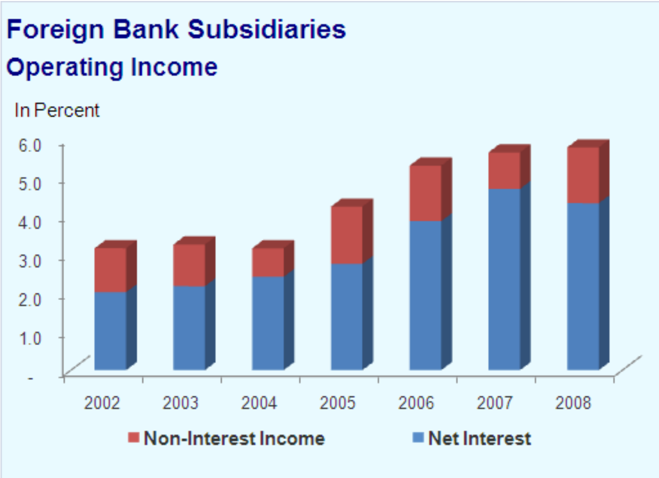
Profitability indicators remained at comfortable levels. ROA inched up to 1.6 percent from 1.5 percent in 2007. Meanwhile, ROE declined to 7.5 percent from 7.8 percent in 2007.

FOREIGN BANK SUBSIDIARIES

Foreign bank subsidiaries ended the year 2008 with a lower net loss of P0.8 billion from P0.9 billion in 2007. Operating income rose by 7.9 percent or P0.4 billion to P5.8 billion from P5.4 billion, driven by the 121.7 percent surge in non-interest income to P1.4 billion from P0.7 billion.

However, the 7.9 percent or P0.4 billion drop in net interest income to P4.3 billion dragged down on operating income despite the gains in non-interest income. Interest income declined by P0.6 billion or 8.2 percent, surpassing the P0.3 billion or 9.0 percent drop in interest expenses.

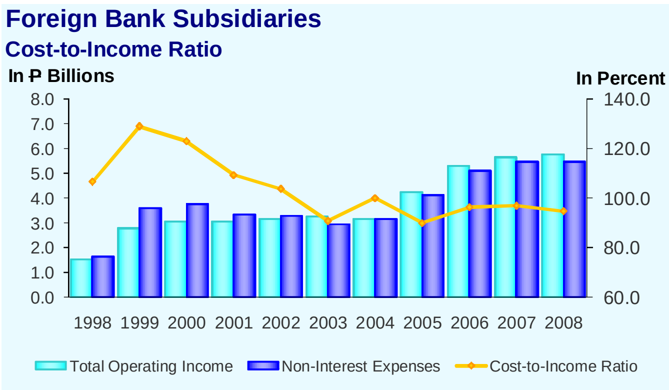
Source: Office of Supervisory Policy Development, Supervision and Examination Sector



Like the other foreign subgroups, the repressed economic condition took a toll on foreign subsidiaries trading activities. The subgroup incurred a trading loss of 0.5 billion from a trading income of P0.2 billion in 2007. However, this was compensated by the P0.5 billion additional income from foreign exchange transactions.

At P4.3 billion, the share of net interest income to total operating income dropped to 74.9 percent (from 87.8 percent in 2007) while non-interest income at P1.4 billion raised its share to 25.1 percent (from 12.2 percent).

Operating expenses posted a downtrend by 0.2 percent or P11 million to P5.5 billion. Nonetheless, efficiency was still a major concern of foreign bank subsidiaries as cost-to-income ratio remained exceedingly high at 94.6 percent in 2008. As shown in the chart, the higher cost of doing business, which ate away profits, dates as far back as year 1999.



The subgroup consistently posted negative ROA and ROE, settling at 0.8 percent and 5.4 percent, respectively.

OFF-BALANCE SHEET TRANSACTIONS

Off-balance sheet accounts slid by 19.0 percent to P2,270.1 billion, following the 7.3 percent growth to P2,803.8 billion in 2007. The decline was fueled by the 23.4 percent or P399.4 billion and 22.7 percent or P208.2 billion reduction in derivatives instruments and other contingent accounts, respectively.

Despite the decline, derivatives instruments still comprised the bulk at 57.7 percent (P1,308.4 billion) of total contingent accounts. Currency forwards were the most preferred derivatives contracts accounting for 55.3 percent (P723.9 billion). Interest rate swaps and currency swap were the next widely issued derivatives instruments at 27.7 percent (P362.9 billion) and 5.9 percent (P110.8 billion), respectively.

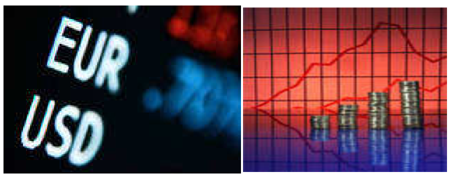
Trust department accounts, the second largest component of contingent account rose by 42.2 percent (P65.4 billion) to P220.4 billion. Noticeably, trust department accounts grew at an accelerated pace in contrast to deposit liabilities which declined by 8.9 percent (P38.8 billion). Investors shifted their funds from deposit liabilities to trust department accounts that were placed in the higher-yielding special deposit accounts.

Investors shifted their funds from deposits to trust department accounts that were placed in the higher-yielding special deposit accounts

Trade-related accounts, on the other hand, declined by 2.6 percent (P0.1 billion) to P4.8 billion driven by unused letters of credit (LCs) which dropped by 28.6 percent (P1.3 billion) partially offset by the 240.5 percent (P1.2 billion) rise in export LCs.

Bank guarantees issued by foreign bank branches and subsidiaries rose by 51.9 percent (P8.8 billion) to 25.8 billion. The increase from last year was propelled by the 42.8 percent (P5.5 billion) expansion in issuance of stand-by LCs, which was complemented by the 79.8 percent (P3.3 billion) rise in the outstanding guarantees issued.

The four original foreign bank branches held the biggest proportion of off-balance sheet accounts at 64.7 percent or P1,468.6 billion (down from 68.2 percent or P1,911.5 billion). The ten new foreign bank branches was a far second at 34.7 percent share or P788.3 billion (up from 29.3 percent or P821.2 billion. Contingent accounts of subsidiaries of foreign banks held the least share at 0.6 percent or P13.2 billion (down from 2.5 percent or P71.1 billion).



Source: Office of Supervisory Policy Development, Supervision and Examination Sector

TRUST OPERATIONS

OVERVIEW

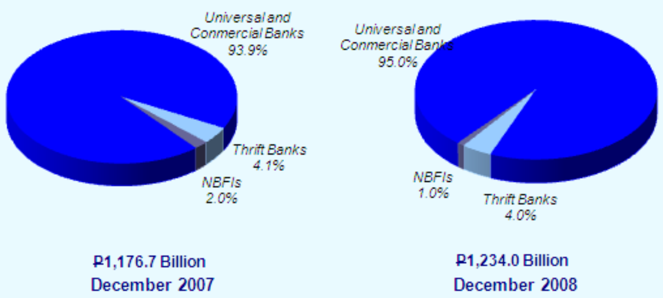
The trust industry remained buoyant despite the difficult operating environment as a result of the global economic downturn

The trust industry remained buoyant, growing by 4.9 percent as of end-December 2008, despite the difficult operating environment as a result of the global economic downturn. The growth was tepid compared to the 34.9 percent robust expansion at end-December 2007 as the volatility in the markets deflected investors' preference to safer investments that would not erode both principal and yield. The industry remained profitable although operating income of P3.7 billion for the year was thinner by 11.8 percent than last year's P4.2 billion.

Total managed funds hit a new high of P1,234.0 billion at end-December 2008 and represented 21.7 percent of total assets of the Philippine financial system.

Trust and other fiduciary accounts (TOFA) were the largest component of trust accounts at 58.3 percent (P719.3 billion), up from 53.3 percent (P627.4 billion) in 2007. Investment management accounts (IMA) were the second largest component at 34.2 percent (P422.2 billion), slightly higher than the 33.8 percentage share (P397.2 billion) in 2007. Meanwhile, common trust funds/unit investment trust funds (CTFs/UITFs) held the least share at 7.5 percent (P92.5 billion), down from 12.9 percent (P152.1 billion) in 2007. (Schedule IVa)

Trust System: Market Structure of Assets



By industry segment, universal and commercial banks continued to dominate the trust industry with a lion's share of 95.0 percent (P1,172.3 billion), up by 6.0 percent from P1,105.5 billion assets last year. Meanwhile, thrift banks held 4.0 percent of assets (P50.0 billion) higher by 4.5 percent than last year's P47.7 billion. Investment houses held the remaining 1.0 percent (P11.8 billion), significantly lower by 49.8 percent than last year's assets of P23.5 billion. (Schedule 4)

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

The largest slice of the asset pie was still in government securities at 35.2 percent, though lower by 5.1 percentage points than the 40.3 percent share at end-December 2007. Cash and due from banks came in a close second at 32.2 percent share, up by 5.9 percentage points as more funds were placed in the higher yielding special deposit account with the Bangko Sentral ng Pilipinas. Meanwhile, trust entities still refrained from the more volatile corporate issued financial instruments and shares of stock whose proportion dropped to 17.6 percent from 19.0 percent last year.

Peso-denominated trust accounts were 87.8 percent (P1,082.9 billion) of total trust accountabilities, lower by 1.0 percentage point from last year's share of 88.8 percent (P1,046.1 billion). The remaining 12.2 percent (P151.2 billion), up from 11.2 percent (P132.1 billion) was foreign-currency denominated.

OPERATING NETWORK

As of end-December 2008, there were 55 financial institutions (29 universal and commercial banks, 17 thrift banks and nine investment houses) authorized to engage in trust operations. Of the 55, however, only 46 (28 universal and commercial banks, 12 thrift banks and six investment houses) reported outstanding trust assets/accountabilities.

ASSETS

Total assets reached a new high of P1,234.0 billion at end-December 2008, fueled by the expansion of IMA and TOFA accounts as CTF/UITF accounts continued to fall. New fund placements and proceeds from matured investments were channeled to cash and due from banks as well as loans. Hence, their percentage share to total assets increased to 32.2 percent (from 26.3 percent) and 8.6 percent (from 4.0 percent), respectively. Lending was brisk, increasing by 121.5 percent (P58.0 billion) compared to the austere 7.6 percent growth in 2007. Likewise, the industry stashed 28.0 percent (P86.8 billion) more in cash and due from banks albeit moderate in contrast to the sharp 164.7 percent (P192.9 billion) spike last year.

New fund placements and proceeds from matured investments were channeled to cash and due from banks and loans

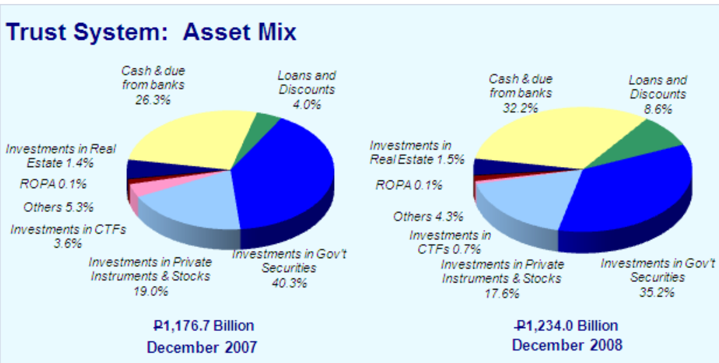
Source: Office of Supervisory Policy Development, Supervision and Examination Sector

While bulk of the assets were still in government securities at 35.2 percent share, the volume fell by 8.57 percent (P40.5 billion) from P474.3 billion last year. Although these assets were practically risk-free, the need to maximize earnings shifted funds to higher-yielding loans.

Meantime, total investments fell by 10.5 percent (or P79.2 billion) as all major placements declined, as follows: CTFs/UITFs at 79.2 percent (or P33.9 billion), government securities at 8.5 percent (P40.5 billion) and private instruments and shares of stock at 2.9 percent (P6.6 billion).

The industry remained highly liquid. Cash and due from banks-to-total accountabilities ratio was at 32.2 percent (up from 26.4 percent in 2007) while liquid assets to total accountabilities ratio was at 56.9 percent (down from 85.6 percent). The ratio of loans, gross-to-total accountabilities more than doubled to 8.2 as loans swelled by 121.5 percent compared with the 4.9 increase in total accountabilities.

The industry remained very liquid



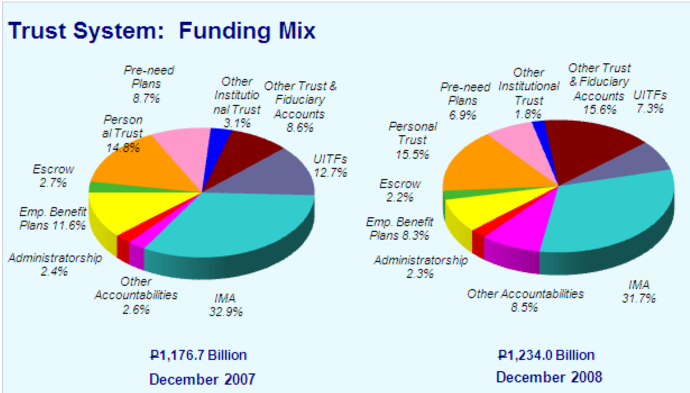
The TOFA fund category placed more funds in government securities followed by cash and due from banks and private instruments and shares of stock. Cash and due from banks, government securities and loans was the order of preference for IMA funds while for CTF/UITF fund category, it was cash and due from banks, private instruments and shares of stock, and government securities. With a liquid assets-to-total accountabilities ratio of 92.6 percent, the CTF/UITF fund category was the most liquid followed by IMA and TOFA with ratios of 67.9 percent and 51.6 percent, respectively.

Overall asset quality of the industry improved. Non-performing loans (NPL) ratio remained single digit at 6.2 percent, although up from last year's 4.4 percent ratio. On the other hand, the non-performing assets (NPA) ratio got better to 0.2 percent from 0.3 percent as a tight lid was placed on bad assets.

In terms of loss provisioning, soured loans were more than adequately covered with the NPL coverage ratio at 146.2 percent, higher than last year's 114.5 percent ratio. Similarly, the NPA coverage ratio widened to 112.4 percent from 98.8 percent.

ACCOUNTABILITIES

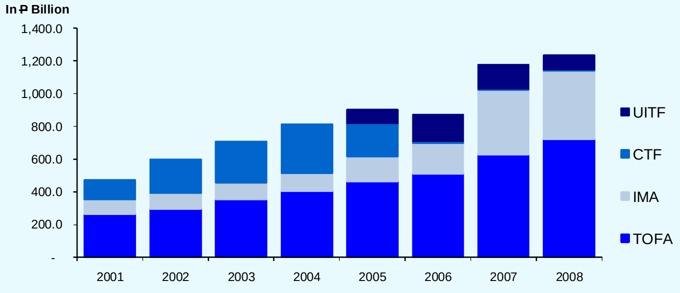
TOFA remained the clients' choice of trust service. TOFA further raised its proportion to total accountabilities to 58.3 percent (P719.3 billion), up from 53.3 percent (P627.4 billion) last year. IMA and CTF/UITF contributed 34.2 percent (P422.2 billion) and 7.5 percent (P92.5 billion), respectively. While both TOFA and IMA accounts were rising, CTF/UITF accounts continued to fall. Declining net asset value per unit of most UITFs shifted investor preference to TOFA or IMA and other deposit or deposit substitute products, as shown by the 14.7 percent and 6.3 percent rise in TOFA and IMA accounts, respectively, in contrast to the substantial 39.2 percent decline in UITFs. (Schedule IVa)



Majority of the TOFA accountabilities declined. The 90.0 percent (P91.0 billion) surge in other TOFA accountabilities alone more than countered the 23.0 percent (P70.6 billion) decrease in the other TOFA accountabilities. Personal trust and administratorship also grew by 9.3 percent (P16.3 billion) and 1.1 percent (P0.3 billion), respectively, while the rest of TOFA accountabilities decreased. The TOFA accounts and their corresponding shares to total accountabilities were as follows: other trust and fiduciary accounts – 15.6 percent (P192.1 billion), personal trust – 15.5 percent (P191.0 billion), employee benefit plans under trust – 8.3 percent (P102.1 billion), pre-need plans – 6.9 percent (P84.7 billion), administratorship – 2.3 percent (P28.1 billion), escrow – 2.2 percent (P27.5 billion) and other institutional trust – 1.8 percent (P21.7 billion).

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Trust System: IMA, CTF/UITF and TOFA Distribution



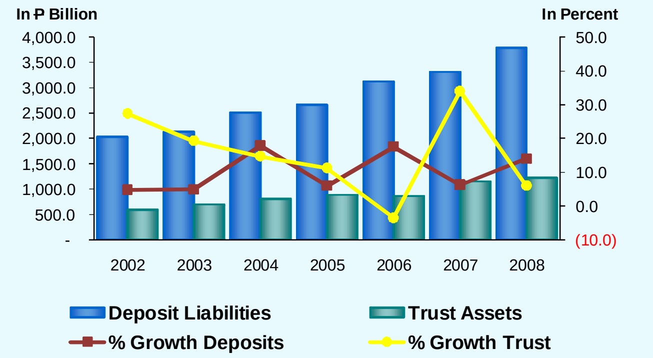
Note: BSP Circular No. 447 dated 3 Sept. 2004 created UITFs and phased out CTFs within a period of two years which ended 1 October 2006, except tax-exempt, long-term CTFs which shall be completely phased out on 1 October 2009

Meantime, CTF/UITF accountabilities continued to fall. Set off by the lackluster performance of UITFs, investors account shifted to higher-yielding special deposit-directed IMA accounts and other deposit products. As of end-December 2008, CTF/UITFs held by 28 trust-licensed entities (18 universal/commercial banks, seven thrift banks and three investment houses) continued to decline by 39.3 percent (P59.5 billion) to P92.5 billion from P151.3 billion in 2007.

COMPARATIVE GROWTH TRENDS

Trust assets of trust-licensed banks amounted to P1,222.2 billion as of end-December 2008. This amount was 32.3 percent of these banks' total domestic deposit liabilities (net of trust deposits of trust-licensed entities), which stood at P3,785.6 billion as of end-December 2008. For the period 2002 to 2007, the average ratio of trust assets to domestic deposit liabilities of trust-licensed banks was at 31.6 percent. This period's ratio at 32.3 percent was lower by 2.5 percentage points than last year's ratio of 34.7 percent as a result of the slower growth of trust assets relative to domestic deposit liabilities.

Domestic Deposit Liabilities (Net of Trust Deposits) of Banks with Trust Functions Vs. Trust Assets



As shown in the chart, levels of both domestic deposit liabilities of trust-licensed banks and trust assets had steady year-on-year growths from 2002 to 2008, except in 2006 when growth in trust assets took a downturn on account of the UITF meltdown. Thereafter, withdrawals from the UITF shifted back to domestic deposit liabilities as shown by the spike to 17.5 percent from 6.0 percent in 2005. In 2007, trust assets picked up anew as high net worth clients opted for IMA placements which delivered better yield. In 2008, investors were more discerning in their investment choices given the prevailing difficult macroeconomic environment. Trust assets growth slowed down to 6.0 percent from 34.0 percent in 2007 as investors opted for safer placements that would preserve capital even for less returns. Clients moved to domestic deposit liabilities as shown by the 14.0 percent hike in 2008 from 6.2 percent in 2007.

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

LIST OF TABLES

THE PHILIPPINE BANKING SYSTEM

UNIVERSAL AND COMMERCIAL BANKING INDUSTRY

THRIFT BANKING INDUSTRY

RURAL BANKING INDUSTRY

Table 1. Philippine Banking System: Financial Highlights

Levels (P Billion)	2004	2005	2006	2007	2008 p/
Income Statement					
Total Operating Income	196.3	225.7	257.4	281.2	268.0
Net Interest Income	128.4	148.8	155.4	168.2	183.4
Non-interest Income	67.9	76.9	102.0	113.0	84.6
Non-Interest Expenses	133.7	147.8	164.7	183.5	199.0
Losses/Recoveries on Financial Assets	(17.1)	(20.1)	(25.0)	(20.9)	(19.1)
Bad Debts/Provisions for Credit Losses	18.5	21.3	26.5	23.1	21.8
Recovery on Charged-Off Assets	1.4	1.2	1.4	2.2	2.7
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	45.5	57.7	67.7	76.9	50.0
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	-	-	-	-	7.4
Total Profit/Loss Before Tax and Before Minority Interest	45.5	57.7	67.7	76.9	57.3
Income Tax Expense	10.4	13.2	10.3	14.0	15.9
Total Profit/Loss After Tax and Before Minority Interest	35.1	44.5	57.4	62.9	41.4
Minority Interest in Profit/(Loss) of Subsidiaries	-	-	-	-	-
Net Profit or Loss	35.1	44.5	57.4	62.9	41.4
Balance Sheet					
Total Assets 1/	4,024.4	4,319.1	4,865.6	5,134.1	5,674.6
Cash and Due from Banks	320.3	385.8	633.1	750.3	834.5
Financial Assets, gross (Other than Loans)	1,160.9	1,184.2	1,163.0	1,134.6	1,387.7
Allowance for Credit Losses	5.5	4.4	4.8	5.9	16.4
Accumulated Market Gains/Losses	(2.2)	10.8	31.4	24.0	(14.4)
Financial Assets, net (Other than Loans)	1,153.1	1,190.6	1,189.6	1,152.8	1,357.0
Interbank Loans Receivable (IBL)	260.9	349.2	432.5	388.4	241.7
Loans, gross (exclusive of IBL)	1,767.7	1,801.1	1,992.7	2,208.4	2,682.2
Allowance for Probable Losses	160.9	144.9	133.1	116.0	123.1
Loans, net (exclusive of IBL)	1,606.8	1,656.2	1,859.6	2,092.5	2,559.1
Equity Investments, net	98.6	102.5	102.9	117.9	114.1
ROPA, net	235.9	209.7	198.7	181.1	163.9
Other Assets, net	348.7	425.1	449.2	451.2	404.4
Total Liabilities	3,521.8	3,807.9	4,296.6	4,532.3	5,075.4
Financial Liabilities Held for Trading	-	-	-	-	46.7
Financial Liabilities DFVPL	-	-	-	-	11.0
Deposits	2,767.1	2,970.8	3,497.6	3,664.8	4,195.0
Bills Payable	386.8	464.6	379.8	415.4	356.7
Special Financing	0.7	0.2	0.2	0.1	0.1
Other Liabilities	315.9	321.5	343.5	370.9	370.1
Unsecured Subordinated Debt	51.4	50.8	75.6	81.0	93.6
Redeemable Preferred Shares	-	-	-	-	2.4
Total Capital Accounts 2/	502.6	511.2	569.0	601.8	599.1

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

2/ *Inclusive of the portion of the "Net Due to Head Office" which qualified as capital*

p/ *Preliminary*

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 2. Philippine Banking System: Reconciliation of Financial Highlights

Levels (P Billion)	End-December 2007 Pre-FRP	End-December 2007 FRP	Remarks	End-December 2008 FRP
Income Statement				
Total Operating Income	267.0	281.2	a	268.0
Net Interest Income	168.2	168.2		183.4
Non-interest Income	98.8	113.0	b	84.6
Non-Interest Expenses		183.5	c	199.0
Losses/Recoveries on Financial Assets		(20.9)	d	(19.1)
Bad Debts/Provisions for Credit Losses	24.1	23.1	e	21.8
Recovery on Charged-Off Assets	-	2.2	f	2.7
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures		76.9	g	50.0
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures		-	h	7.4
Total Profit/Loss Before Tax and Before Minority Interest		76.9	i	57.3
Income Tax Expense	14.0	14.0		15.9
Total Profit/Loss After Tax and Before Minority Interest		62.9	j	41.4
Minority Interest in Profit/(Loss) of Subsidiaries		-	k	-
Net Profit or Loss	62.9	62.9		41.4
Balance Sheet				
Total Assets	5,134.1	5,134.1		5,674.6
Cash and Due from Banks	750.3	750.3		834.5
Financial Assets, gross (Other than Loans)		1,134.6	l	1,387.7
Allowance for Credit Losses		5.9		16.4
Accumulated Market Gains/Losses		24.0		(14.4)
Financial Assets, net (Other than Loans)		1,152.8		1,357.0
Interbank Loans Receivable (IBL)	388.4	388.4		241.7
Loans, gross (exclusive of IBL)	2,213.3	2,208.4		2,682.2
Allowance for Probable Losses	116.0	116.0		123.1
Loans, net (exclusive of IBL)	2,097.3	2,092.5	m	2,559.1
Equity Investments, net		117.9		114.1
Investments, net	1,265.8		n	-
ROPA, net	181.1	181.1		163.9
Other Assets, net	451.2	451.2		404.4
Total Liabilities	4,532.3	4,532.3		5,075.4
Financial Liabilities Held for Trading		-	o	46.7
Financial Liabilities DFVPL		-	p	11.0
Deposits	3,664.8	3,664.8	q	4,195.0
Bills Payable	415.4	415.4		356.7
Special Financing	0.1	0.1		0.1
Other Liabilities	370.9	370.9	r	370.1
Unsecured Subordinated Debt	81.0	81.0		93.6
Redeemable Preferred Shares		-	s	2.4
Total Capital Accounts	601.8	601.8	t	599.1

a / *Difference in value resulted from the inclusion of Dividends Income and Other Income in Non-Interest Income per Financial Reporting Package (FRP).*
b / *Difference in value resulted from the inclusion of Dividends Income and Other Income in Non-Interest Income per FRP.*
c / *Previously labelled as Operating Expenses (Net of Dad Debts and Provisions).*
d / *New line item, no corresponding account in the old Consolidated Statement of Condition (CSOC) and Consolidated Statement of Income and Expense (CSIE) format.*
e / *Difference in value resulted from the transfer of Provision for Expenses from Provisions for Credit Losses to Non-Interest Expenses.*
f / *Used to be a part of Extraordinary Credits in the old CSOC/CSIE format.*
g / *New line item, no corresponding account in the old CSOC/CSIE format.*
h / *New line item, no corresponding account in the old CSOC/CSIE format.*
i / *New line item, no corresponding account in the old CSOC/CSIE format.*
j / *New line item, no corresponding account in the old CSOC/CSIE format.*
k / *New line item, no corresponding account in the old CSOC/CSIE format.*
l / *New line item; previously investments in debt instruments.*
m / *Difference in value resulted from the transfer of Trading Account Securities Loans to Financial Assets*
n / *Taken out of FRP; Broken down into Equity Investments and Financial Assets.*
o / *Used to be a part of Other Liabilities in the old CSOC/CSIE format.*
p / *Used to be a part of Other Liabilities in the old CSOC/CSIE format.*
q / *Added up Long Term Negotiable Certificates of Deposits.*
r / *Difference in value resulted from the exclusion of Financial Liabilities Held for Trading and Financial Liabilities DFVPL.*
s / *Used to be a part of Total Capital Accounts in the old CSOC/CSIE format.*
t / *Excludes Redeemable Preferred Shares.*

Table 3. Philippine Banking System: Growth Rates

Growth Rates	2004	2005	2006	2007	2008 p/
Income Statement					
Total Operating Income	2.3 %	15.0 %	14.1 %	9.2 %	(4.7 %)
Net Interest Income	24.8 %	15.9 %	4.4 %	8.2 %	9.0 %
Non-interest Income	(23.8 %)	13.3 %	32.7 %	10.8 %	(25.1 %)
Non-Interest Expenses	11.3 %	10.6 %	11.4 %	11.4 %	8.4 %
Losses/Recoveries on Financial Assets	(23.1 %)	17.4 %	24.6 %	(16.7 %)	(8.3 %)
Bad Debts/Provisions for Credit Losses	(21.8 %)	15.3 %	24.1 %	(12.9 %)	(5.4 %)
Recovery on Charged-Off Assets	(2.2 %)	(10.0 %)	16.1 %	52.5 %	22.6 %
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	(8.3 %)	27.0 %	17.3 %	13.6 %	(35.0 %)
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures					
Total Profit/Loss Before Tax and Before Minority Interest	(8.3 %)	27.0 %	17.3 %	13.6 %	(25.5 %)
Income Tax Expense	7.4 %	27.1 %	(22.1 %)	36.1 %	13.5 %
Total Profit/Loss After Tax and Before Minority Interest	(12.1 %)	27.0 %	29.0 %	9.5 %	(34.1 %)
Minority Interest in Profit/(Loss) of Subsidiaries					
Net Profit or Loss	(12.1 %)	27.0 %	29.0 %	9.5 %	(34.1 %)
Balance Sheet					
Total Assets 1/	9.9 %	7.3 %	12.7 %	5.5 %	10.5 %
Cash and Due from Banks	12.3 %	20.5 %	64.1 %	18.5 %	11.2 %
Financial Assets, gross (Other than Loans)	28.2 %	2.0 %	(1.8 %)	(2.4 %)	22.3 %
Allowance for Credit Losses	0.9 %	(20.3 %)	9.7 %	22.5 %	176.7 %
Accumulated Market Gains/Losses	112.5 %	(587.7 %)	190.0 %	(23.5 %)	(159.7 %)
Financial Assets, net (Other than Loans)	28.3 %	3.2 %	(0.1 %)	(3.1 %)	17.7 %
Interbank Loans Receivable (IBL)	(6.8 %)	33.8 %	23.9 %	(10.2 %)	(37.8 %)
Loans, gross (exclusive of IBL)	4.1 %	1.9 %	10.6 %	10.8 %	21.5 %
Allowance for Probable Losses	0.0 %	(10.0 %)	(8.1 %)	(12.9 %)	6.2 %
Loans, net (exclusive of IBL)	4.5 %	3.1 %	12.3 %	12.5 %	22.3 %
Equity Investments, net	4.6 %	3.9 %	0.3 %	14.6 %	(3.2 %)
ROPA, net	5.6 %	(11.1 %)	(5.2 %)	(8.9 %)	(9.5 %)
Other Assets, net	2.2 %	21.9 %	5.7 %	0.5 %	(10.4 %)
Total Liabilities	10.7 %	8.1 %	12.8 %	5.5 %	12.0 %
Financial Liabilities Held for Trading					
Financial Liabilities DFVPL					
Deposits	12.1 %	7.4 %	17.7 %	4.8 %	14.5 %
Bills Payable	1.5 %	20.1 %	(18.3 %)	9.4 %	(14.1 %)
Special Financing	(33.1 %)	(69.0 %)	(15.3 %)	(13.0 %)	(27.1 %)
Other Liabilities	6.9 %	1.8 %	6.8 %	8.0 %	(0.2 %)
Unsecured Subordinated Debt	46.2 %	(1.1 %)	48.9 %	7.1 %	15.5 %
Redeemable Preferred Shares					
Total Capital Accounts 2/	4.8 %	1.7 %	11.3 %	5.8 %	(0.4 %)

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

2/ *Inclusive of the portion of the "Net Due to Head Office" which qualified as capital*

p/ *Preliminary*

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 4. Philippine Banking System: Selected Performance Indicators

Selected Ratios	2004	2005	2006	2007	2008 p/
Profitability					
Earning Asset Yield 1/	7.7 %	8.2 %	8.3 %	7.9 %	7.7 %
Funding Cost 2/	3.8 %	3.9 %	3.9 %	3.4 %	3.2 %
Interest Spread 3/	3.9 %	4.2 %	4.3 %	4.6 %	4.5 %
Net Interest Margin 4/	4.1 %	4.3 %	4.3 %	4.4 %	4.4 %
Non-interest Income to Total Operating Income 5/	34.6 %	34.1 %	39.6 %	40.2 %	31.6 %
Cost-to-Income 6/	68.1 %	65.5 %	64.0 %	65.2 %	74.0 %
Return on Assets (ROA) 7/	0.9 %	1.1 %	1.3 %	1.3 %	0.8 %
Return on Equity (ROE) 7/	7.1 %	8.8 %	10.6 %	10.8 %	6.9 %
Liquidity					
Cash and Due from Banks to Deposits	11.6 %	13.0 %	18.1 %	20.5 %	19.9 %
Liquid Assets to Deposits 8/	53.3 %	53.1 %	52.1 %	51.9 %	52.2 %
Loans, gross to Deposits	73.3 %	72.4 %	69.3 %	70.9 %	69.7 %
Asset quality					
Restructured Loans to Total Loan Portfolio	6.4 %	5.0 %	3.6 %	2.8 %	2.1 %
Allowance for Credit Losses on Loans to TLP	7.3 %	6.1 %	4.6 %	4.0 %	3.6 %
Non-performing Loans (NPL)	12.6 %	8.4 %	6.1 %	5.0 %	4.2 %
NPL, exclusive of IBL	14.4 %	10.0 %	7.5 %	5.8 %	4.5 %
NPL Coverage	58.0 %	72.9 %	75.0 %	81.5 %	86.0 %
Non-performing Assets (NPA) to Gross Assets	11.8 %	8.8 %	6.9 %	5.9 %	5.1 %
NPA Coverage	33.2 %	38.4 %	37.3 %	39.8 %	44.4 %
Distressed Assets	24.9 %	19.1 %	15.1 %	12.5 %	10.7 %
Capital Adequacy					
Total Capital Accounts to Total Assets 9/	12.5 %	11.8 %	11.7 %	11.7 %	10.6 %
Capital Adequacy Ratio (Solo) 10/	17.4 %	16.4 %	16.9 %	14.7 %	14.6 % a/

1/ *Earning Asset Yield refers to the ratio of interest income to average earning assets*
2/ *Funding Cost refers to the ratio of interest expenses to average interest-bearing liabilities*
3/ *Interest Spread refers to the difference between earning asset yield and funding cost*
4/ *Net Interest Margin refers to the ratio of net interest income to average earning assets*
5/ *Non-interest income now includes dividends income*
6/ *Cost-to-Income Ratio refers to the ratio of non-interest expenses to total operating income*
7/ *ROA and ROE refers to the ratio of annualized net profit to average assets and capital, respectively.*
8/ *Liquid Assets refers to Cash and Due from Banks plus Financial Assets, net of amortization (net of financial assets in equity securities).*
9/ *Total capital accounts includes redeemable preferred shares*
10/ *Based on the new framework provided for under Circular No. 280 dated 29 March 2001, formally adopted 1 July 2001; Under Circular No. 360 dated 3 December 2002, adopted 1 July 2003, Universal/Commercial Banks are to incorporate market risks in addition to credit risks; Under Circular No. 538 dated 4 August 2006, effective 1 July 2007, U/KBs are to incorporate operational risk in addition to credit and market risks.*
p/ *Preliminary*
a/ *Data as of 30 September 2008*

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 5. Philippine Banking System: Reconciliation of Selected Performance Indicators

Selected Ratios	End-December 2007 Pre-FRP	End-December 2007 FRP	Remarks	End-December 2008 FRP
Profitability				
Earning Asset Yield	8.3 %	7.9 %	a	7.7 %
Funding Cost	3.4 %	3.4 %	b	3.2 %
Interest Spread	5.0 %	4.6 %	c	4.5 %
Net Interest Margin	4.6 %	4.4 %	d	4.4 %
Non-interest Income to Total Operating Income	37.0 %	40.2 %	e	31.6 %
Cost-to-Income	68.3 %	65.2 %	f	74.0 %
Return on Assets (ROA)	1.3 %	1.3 %	g	0.8 %
Return on Equity (ROE)	10.8 %	10.8 %	h	6.9 %
Liquidity				
Cash and Due from Banks to Deposits	20.5 %	20.5 %		19.9 %
Liquid Assets to Deposits	51.8 %	51.9 %	i	52.2 %
Loans, gross to Deposits	71.0 %	70.9 %	j	69.7 %
Asset quality				
Restructured Loans to Total Loan Portfolio	2.8 %	2.8 %		2.1 %
Allowance for Credit Losses on Loans to TLP	4.0 %	4.0 %		3.6 %
Non-performing Loans (NPL)	4.9 %	5.0 %		4.2 %
NPL, exclusive of IBL	5.8 %	5.8 %		4.5 %
NPL Coverage	81.5 %	81.5 %		86.0 %
Non-performing Assets (NPA) to Gross Assets	5.9 %	5.9 %		5.1 %
NPA Coverage	39.8 %	39.8 %		44.4 %
Distressed Assets	13.2 %	12.5 %	k	10.7 %
Capital Adequacy				
Total Capital Accounts to Total Assets	11.4 %	11.7 %	l	10.6 %
Capital Adequacy Ratio (Solo)	14.7 %	14.7 %		14.6 %

a/ *Earning Asset Yield refers to the ratio of interest income to average earning assets. The new FRP format now includes Due from Other Banks as part of Earning Assets. This is in addition to total loan portfolio, gross (net of amortization) and financial assets, net of amortization (net of financial assets in equity securities) which originally comprised Earning Assets per the old CSOC/CSIE format.*

b/ *Funding Cost refers to the ratio of interest expenses to average interest-bearing liabilities. The new FRP format now includes Bonds Payable,net and Redeemable Preferred Shares as part of Interest Bearing Liabilities. Per the old CSOC/CSIE format, Interest Bearing Liabilities is the sum of Deposit Liabilities, Bills Payable and Unsecured Subordinated Debt.*

c/ *Interest Spread refers to the difference between earning asset yield and funding cost*

d/ *Net Interest Margin refers to the ratio of net interest income to average earning assets. Net interest income now includes provision for losses on accrued interest income from financial assets. While due from other banks is added up in the computation of earning assets.*

e/ *Non-interest income now includes dividends income*

f/ *Cost-to-Income Ratio refers to the ratio of non-interest expenses to total operating income. Non-interest expenses comprised what used to be operating expenses (net of bad debts and provisions for probable losses) in the old CSOC/CSIE format. However, the following were added up in the computation of non-interest expenses: 1. provisions for expenses; and 2. impairment losses on a. investments in subsidiaries, associates and joint ventures, b. bank premises, furniture, fixture, and equipment, c. ROPA, d. goodwill, e. other intangible assets, and f. other assets. Meanwhile, total operating income now includes provisions for losses on accrued interest income from financial assets in net interest income and dividends income in non-interest income.*

g/ *ROA refers to the ratio of annualized net profit to average assets*

h/ *ROE refers to the ratio of annualized net profit to average capital*

i/ *Liquid Assets refers to Cash and Due from Banks plus Financial Assets, net of amortization (net of financial assets in equity securities).*

j/ *Loans, gross now excludes Trading Account Securities loans*

k/ *Revised figure excludes performing sales contract receivables per Circular No. 380 dated 28 March 2003*

l/ *Ratio includes redeemable preferred shares as part of total capital accounts*

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 6. Philippine Banking Offices: Regional Profile

	End-December 2007	End-December 2008		
		Total	Head Offices	Branches/ Other Offices
TOTAL	**7,744**	**7,848**	**818**	**7,030**
Nationwide	**7,703**	**7,806**	**818**	**6,988**
National Capital Region (NCR)	**2,659**	**2,669**	**97**	**2,572**
Luzon	**3,041**	**3,101**	**441**	**2,660**
Region I - Ilocos	369	384	61	323
Region II - Cagayan	239	242	37	205
Region III - Central Luzon	816	848	107	741
Region IV-A - CALABARZON	1,164	1,169	147	1,022
Region IV-B - MIMAROPA	118	122	26	96
Region V - Bicol	222	219	42	177
Cordillera Administrative Region (CAR)	113	117	21	96
Visayas	**1,061**	**1,067**	**156**	**911**
Region VI - Western Visayas	413	417	76	341
Region VII - Central Visayas	515	519	55	464
Region VIII - Eastern Visayas	133	131	25	106
Mindanao	**942**	**969**	**124**	**845**
Region IX - Zamboanga Peninsula	128	133	17	116
Region X - Northern Mindanao	253	260	47	213
Region XI - Davao Region	253	266	20	246
Region XII - Soccsksargen [1/]	169	169	19	150
ARMM	24	24	2	22
CARAGA	115	117	19	98
Overseas	**41**	**42**		**42**
Asia-Pacific	23	24		24
Europe	9	9		9
North America	6	6		6
Middle East	3	3		3

1/ Composed of the provinces of North Cotabato, South Cotabato, Sultan Kudarat and Sarangani, and the cities of General Santos, Koronadal, Tacurong and Kidapawan.

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 7. Philippine Banking System: Density Ratio

	End-December 2007		End-December 2008	
	Banking Offices per City/ Municipality	No. of persons served by each Banking Office 1/	Banking Offices per City/ Municipality	No. of persons served by each Banking Office 1/
Nationwide	**5**	**11,516**	**5**	**11,588**
National Capital Region (NCR)	**156**	**4,174**	**157**	**4,216**
Luzon	**4**	**12,376**	**4**	**12,701**
Region I - Ilocos	3	13,212	3	12,953
Region II - Cagayan	3	13,366	3	13,430
Region III - Central Luzon	6	11,736	7	11,521
Region IV-A - CALABARZON	8	9,581	8	9,754
Region IV-B - MIMAROPA	2	15,697	2	23,490
Region V - Bicol	2	24,290	2	25,101
Cordillera Administrative Region	1	14,092	2	13,894
Visayas	**3**	**17,810**	**3**	**17,167**
Region VI - Western Visayas	3	19,588	3	17,482
Region VII - Central Visayas	4	12,854	4	13,014
Region VIII - Eastern Visayas	1	31,481	1	32,618
Mindanao	**2**	**22,371**	**2**	**22,190**
Region IX - Zamboanga Peninsula	2	25,661	2	25,198
Region X - Northern Mindanao	3	16,093	3	16,054
Region XI - Davao Region	5	16,485	6	15,875
Region XII - Soccsksargen 2/	3	22,591	3	23,099
ARMM	0	138,358	0	141,496
CARAGA	2	20,943	2	20,974

1/ Philippine population based on National Statistics Office (NSO) data

2/ Composed of the provinces of North Cotabato, South Cotabato, Sultan Kudarat and Sarangani, and the cities of General Santos, Koronadal, Tacurong and Kidapawan.

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 8. Philippine Banking System: Automated Teller Machines (ATMs)

As of end-periods indicated

	On-site		Off-site		Total	
	Dec '07	Dec '08	Dec '07	Dec '08	Dec '07	Dec '08
NATIONWIDE	**5,118**	**5,423**	**2,037**	**2,318**	**7,155**	**7,741**
National Capital Region (NCR)	**2,294**	**2,386**	**1,105**	**1,231**	**3,399**	**3,617**
Luzon	**1,497**	**1,616**	**547**	**631**	**2,044**	**2,247**
Region I - Ilocos	164	180	23	36	187	216
Region II - Cagayan	81	86	8	10	89	96
Region III - Central Luzon	396	438	120	141	516	579
Region IV-A - CALABARZON	620	659	341	380	961	1,039
Region IV-B - MIMAROPA	36	41	10	12	46	53
Region V - Bicol	125	134	17	22	142	156
Cordillera Administrative Region	75	78	28	30	103	108
Visayas	**691**	**742**	**241**	**284**	**932**	**1,026**
Region VI - Western Visayas	270	286	78	84	348	370
Region VII - Central Visayas	333	361	153	187	486	548
Region VIII - Eastern Visayas	88	95	10	13	98	108
Mindanao	**636**	**679**	**144**	**172**	**780**	**851**
Region IX - Zamboanga Peninsula	88	95	17	27	105	122
Region X - Northern Mindanao	150	160	45	53	195	213
Region XI - Davao Region	200	218	46	55	246	273
Region XII - Soccsksargen [1/]	119	124	28	29	147	153
ARMM	20	22			20	22
CARAGA	59	60	8	8	67	68

1/ Composed of the provinces of North Cotabato, South Cotabato, Sultan Kudarat and Sarangani, and the cities of General Santos, Koronadal, Tacurong and Kidapawan.

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 9. Philippine Banking System: Profitability Indicators

Levels (P Billion)	**2004**	**2005**	**2006**	**2007**	**2008p/**
Total Operating Income	196.3	225.7	257.4	281.2	268.0
Net Interest Income	128.4	148.8	155.4	168.2	183.4
Interest Income	243.3	279.7	301.3	304.7	324.6
Provision for Lossses on Accrued Interest Income from Financial Assets	0.0	0.0	0.0	0.0	0.2
Interest Expenses	114.9	130.9	145.9	136.5	141.0
Non-interest Income	67.9	76.9	102.0	113.0	84.6
Dividend Income	0.4	2.1	3.2	4.3	0.4
Fee-based Income	32.1	32.8	34.8	40.6	45.1
Trading Income	9.6	13.3	28.3	25.2	29.4
FX Profits/Loss	6.1	9.7	12.4	14.3	(6.3)
Profit/(Loss) from Sale/Redemption/Derecognition of Non-Trading Financial Assets and Liabilities					3.9
Profit/(Loss) from Sale/Derecognition of Non-Financial Assets					8.8
Profit/(Loss) on Financial Assets and Liabilities Designated at Fair Value through Profit or Loss					(1.1)
Profit/(Loss) on Fair Value Adjustment in Hedge Accounting					(0.1)
Other Income	19.7	19.0	23.2	28.6	15.9
Non-Interest Expenses	133.7	147.8	164.7	183.5	199.0
Losses/Recoveries on Financial Assets	(17.1)	(20.1)	(25.0)	(20.9)	(19.1)
Bad Debts/Provisions for Credit Losses	18.5	21.3	26.5	23.1	21.8
Recovery on Charged-Off Assets	1.4	1.2	1.4	2.2	2.7
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	45.5	57.7	67.7	76.9	50.0
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures					7.4
Total Profit/Loss Before Tax and Before Minority Interest	45.5	57.7	67.7	76.9	57.3
Income Tax Expense	10.4	13.2	10.3	14.0	15.9
Total Profit/Loss After Tax and Before Minority Interest	35.1	44.5	57.4	62.9	41.4
Minority Interest in Profit/(Loss) of Subsidiaries					
Net Profit or Loss	35.1	44.5	57.4	62.9	41.4
Growth Rates					
Total Operating Income	2.3 %	15.0 %	14.1 %	9.2 %	(4.7 %)
Net Interest Income	24.8 %	15.9 %	4.4 %	8.2 %	9.0 %
Interest Income	18.9 %	15.0 %	7.7 %	1.1 %	6.5 %
Provision for Lossses on Accrued Interest Income from Financial Assets					
Interest Expenses	13.0 %	13.9 %	11.5 %	(6.4 %)	3.3 %
Non-interest Income	(23.8 %)	13.3 %	32.7 %	10.8 %	(25.1 %)
Dividend Income	(83.9 %)	426.8 %	53.8 %	33.5 %	(89.5 %)
Fee-based Income	11.8 %	2.1 %	6.3 %	16.6 %	11.0 %
Trading Income	(63.6 %)	38.5 %	112.8 %	(11.0 %)	16.8 %
FX Profits/Loss	(6.4 %)	59.3 %	28.3 %	15.1 %	(143.9 %)
Profit/(Loss) from Sale/Redemption/Derecognition of Non-Trading Financial Assets and Liabilities					
Profit/(Loss) from Sale/Derecognition of Non-Financial Assets					
Profit/(Loss) on Financial Assets and Liabilities Designated at Fair Value through Profit or Loss					
Profit/(Loss) on Fair Value Adjustment in Hedge Accounting					
Other Income	(21.1 %)	(3.3 %)	22.3 %	23.1 %	(44.4 %)
Non-Interest Expenses	11.3 %	10.6 %	11.4 %	11.4 %	8.4 %
Losses/Recoveries on Financial Assets	(23.1 %)	17.4 %	24.6 %	(16.7 %)	(8.3 %)
Bad Debts/Provisions for Credit Losses	(21.8 %)	15.3 %	24.1 %	(12.9 %)	(5.4 %)
Recovery on Charged-Off Assets	(2.2 %)	(10.0 %)	16.1 %	52.5 %	22.6 %
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	(8.3 %)	27.0 %	17.3 %	13.6 %	(35.0 %)
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures					
Total Profit/Loss Before Tax and Before Minority Interest	(8.3 %)	27.0 %	17.3 %	13.6 %	(25.5 %)
Income Tax Expense	7.4 %	27.1 %	(22.1 %)	36.1 %	13.5 %
Total Profit/Loss After Tax and Before Minority Interest	(12.1 %)	27.0 %	29.0 %	9.5 %	(34.1 %)
Minority Interest in Profit/(Loss) of Subsidiaries					
Net Profit or Loss	(12.1 %)	27.0 %	29.0 %	9.5 %	(34.1 %)

p/ *Preliminary*

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 10. Philippine Banking System: Reconciliation of Profitability Indicators

Levels (P Billion)	2007 Pre-FRP	2007 FRP	Remarks	2008 FRP
Total Operating Income	267.0	281.2	a	268.0
Net Interest Income	168.2	168.2		183.4
Interest Income	304.7	304.7		324.6
Provision for Lossses on Accrued Interest Income from Financial Assets		0.0	b	. . .
Interest Expenses	136.5	136.5		141.0
Non-interest Income	98.8	113.0	c	84.6
Dividend Income	0.0	4.3	d	0.4
Fee-based Income	36.5	40.6	e	45.1
Trading Income	39.5	25.2	f	29.4
FX Profits/Loss	0.0	14.3	g	(6.3)
Profit/(Loss) from Sale/Redemption/Derecognition of Non-Trading Financial Assets and Liabilities		0.0	h	3.9
Profit/(Loss) from Sale/Derecognition of Non-Financial Assets		0.0	i	8.8
Profit/(Loss) on Financial Assets and Liabilities Designated at Fair Value through Profit or Loss		0.0	j	(1.1)
Profit/(Loss) on Fair Value Adjustment in Hedge Accounting		0.0	k	. . .
Trust Department Income	4.1		l	
Other Income	18.7	28.6	m	15.9
Non-Interest Expenses		183.5	n	199.0
Losses/Recoveries on Financial Assets		(20.9)	o	(19.1)
Bad Debts/Provisions for Credit Losses	24.1	23.1	p	21.8
Recovery on Charged-Off Assets	0.0	2.2	q	2.7
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures		76.9	r	50.0
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures		0.0	s	7.4
Total Profit/Loss Before Tax and Before Minority Interest		76.9	t	57.3
Income Tax Expense	14.0	14.0	u	15.9
Total Profit/Loss After Tax and Before Minority Interest		62.9	v	41.4
Minority Interest in Profit/(Loss) of Subsidiaries		0.0	w	0.0
Net Profit or Loss	62.9	62.9	x	41.4

a / *Difference in value resulted from the inclusion of Dividends Income and Other Income in Non-Interest Income per Financial Reporting Package (FRP).*
b / *New line item, no corresponding account in the old CSOC/CSIE format.*
c / *Under the new FRP format, dividends income is added up to non-interest income.*
d / *Used to be a part of Extraordinary Credits in the old CSOC/CSIE format.*
e / *Difference in value resulted from the inclusion of Income from Fiduciary Activities (Trust Department Income), Securitization Activities and Underwriting and Securities Dealership.*
f / *Under the new FRP format, foreign exchange profits/losses is extracted from trading income.*
g / *Used to be a part of Trading Income in the old CSOC/CSIE format.*
h / *New line item, no corresponding account in the old CSOC/CSIE format.*
i / *New line item, no corresponding account in the old CSOC/CSIE format.*
j / *New line item, no corresponding account in the old CSOC/CSIE format.*
k / *New line item, no corresponding account in the old CSOC/CSIE format.*
l / *Moved to Fee-based Income*
m / *Difference in value resulted from the inclusion of portions of Extraordinary Credits.*
n / *Non-interest expenses comprised what used to be operating expenses (net of bad debts and provisions for probable losses) in the old CSOC/CSIE format. However, the following were added up in the computation of non-interest expenses: 1. provisions for expenses; and 2. impairment losses on a. investments in subsidiaries, associates and joint ventures, b. bank premises, furniture, fixture, and equipment, c. ROPA, d. goodwill, e. other intangible assets, and f. other assets.*
o / *New line item, no corresponding account in the old CSOC/CSIE format.*
p / *Used to be a part of Extraordinary Credits in the old CSOC/CSIE format. Difference in value resulted from the transfer of Provision for Expenses from Provisions for Credit Losses to Non-Interest Expenses.*
q / *Used to be a part of Extraordinary Credits in the old CSOC/CSIE format.*
r / *New line item, no corresponding account in the old CSOC/CSIE format.*
s / *New line item, no corresponding account in the old CSOC/CSIE format.*
t / *New line item, no corresponding account in the old CSOC/CSIE format.*
u / *Previously labelled as Provisions for Income Tax.*
v / *New line item, no corresponding account in the old CSOC/CSIE format.*
w / *New line item, no corresponding account in the old CSOC/CSIE format.*
x / *Previously labelled as Net Income/Loss After Tax.*

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 11. Philippine Banking System: Composition of Operating Income

	2004	2005	2006	2007	2008p/
Total Operating Income	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Net Interest Income					
All Banks	**65.4%**	**65.9%**	**60.4%**	**59.8%**	**68.4%**
Domestic Banks	**63.7%**	**65.5%**	**60.3%**	**61.0%**	**71.3%**
Private Domestic UBs	58.0%	61.4%	55.4%	56.7%	67.7%
Private Domestic KBs	69.1%	65.9%	56.6%	65.2%	73.1%
Government Banks	77.6%	77.8%	75.5%	65.5%	82.5%
Thrift Banks	71.2%	72.7%	68.8%	73.8%	73.4%
Rural Banks	67.2%	67.9%	67.8%	71.7%	76.3%
Cooperative Banks	50.2%	50.7%	52.7%	53.0%	53.4%
Foreign Bank Branches/ Subsidiaries	**74.7%**	**68.1%**	**60.6%**	**54.1%**	**55.9%**
Foreign Bank Branches	74.7%	68.9%	59.0%	49.9%	53.4%
Foreign Bank Subsidiaries	75.0%	61.9%	72.8%	87.8%	74.9%
Non-Interest Income					
All Banks	**34.6%**	**34.1%**	**39.6%**	**40.2%**	**31.6%**
Domestic Banks	**36.3%**	**34.5%**	**39.7%**	**39.0%**	**28.7%**
Private Domestic UBs	42.1%	38.6%	44.6%	43.3%	32.4%
Private Domestic KBs	30.9%	34.1%	43.4%	34.8%	27.0%
Government Banks	22.4%	22.2%	24.5%	34.5%	17.5%
Thrift Banks	28.8%	27.3%	31.2%	26.2%	26.6%
Rural Banks	32.8%	32.1%	32.3%	28.3%	23.7%
Cooperative Banks	49.8%	49.3%	47.3%	47.0%	46.6%
Foreign Bank Branches/ Subsidiaries	**25.3%**	**31.9%**	**39.4%**	**45.9%**	**44.1%**
Foreign Bank Branches	25.3%	31.1%	41.0%	50.1%	46.6%
Foreign Bank Subsidiaries	25.0%	38.1%	27.2%	12.2%	25.1%

p/ *Preliminary*

Table 12. Philippine Banking System: Asset Quality Indicators [1/]

Levels (P Billion)	**2004**	**2005**	**2006**	**2007**	**2008** [p/]
Total Assets	4,024.4	4,319.1	4,865.6	5,134.1	5,674.6
Gross Assets [2/]	4,189.0	4,470.8	4,994.6	5,256.3	5,806.3
Total Loan Portfolio (TLP) [3/]	2,014.4	2,135.8	2,402.6	2,585.2	2,904.6
Interbank Loans Receivable (IBL)	260.9	349.2	432.5	388.4	241.7
TLP, exclusive of IBL [3/]	1,753.5	1,786.6	1,970.0	2,196.8	2,662.9
TLP, net (exclusive of IBL) [3/]	1,606.8	1,656.2	1,859.6	2,092.5	2,559.1
Non-performing Loans (NPL) [4/]	252.9	178.9	147.2	128.0	120.6
Allowance for Credit Losses on Loans	146.7	130.4	110.4	104.4	103.8
ROPA, gross	253.8	230.9	217.2	198.9	191.9
Allowance for ROPA	17.9	21.3	18.6	17.9	27.9
Restructured Loans (RL), gross	128.5	106.0	86.4	71.4	60.5
RL, performing	68.5	56.0	50.5	41.1	34.6
Distressed Assets [5/]	564.2	451.4	396.0	348.5	331.5
Non-performing Assets (NPAs) [6/]	495.7	395.4	345.5	307.5	296.8
Allowance on NPAs [7/]	164.6	151.7	129.0	122.2	131.7
Performing Sales Contract Receivables	11.0	14.5	18.9	19.5	16.5
Growth Rates					
Total Assets	9.9 %	7.3 %	12.7 %	5.5 %	10.5 %
Gross Assets [2/]	9.8 %	6.7 %	11.7 %	5.2 %	10.5 %
TLP [3/]	2.9 %	6.0 %	12.5 %	7.6 %	12.4 %
IBL	(6.8 %)	33.8 %	23.9 %	(10.2 %)	(37.8 %)
TLP (exclusive of IBL) [3/]	4.5 %	1.9 %	10.3 %	11.5 %	21.2 %
TLP, net (exclusive of IBL) [3/]	4.5 %	3.1 %	12.3 %	12.5 %	22.3 %
NPL [4/]	(5.6 %)	(29.2 %)	(17.7 %)	(13.0 %)	(5.7 %)
Allowance for Credit Losses on Loans	4.9 %	(11.1 %)	(15.3 %)	(5.5 %)	(0.5 %)
ROPA, gross	6.3 %	(9.0 %)	(5.9 %)	(8.4 %)	(3.5 %)
Allowance for ROPA	16.8 %	19.2 %	(12.8 %)	(3.7 %)	56.2 %
RL, gross	(7.5 %)	(17.5 %)	(18.5 %)	(17.4 %)	(15.2 %)
RL, performing	(18.0 %)	(18.2 %)	(10.0 %)	(18.6 %)	(15.7 %)
Distressed Assets [5/]	(5.0 %)	(20.0 %)	(12.3 %)	(12.0 %)	(4.9 %)
NPAs [6/]	(0.6 %)	(20.2 %)	(12.6 %)	(11.0 %)	(3.5 %)
Allowance on NPAs [7/]	6.1 %	(7.8 %)	(15.0 %)	(5.2 %)	7.7 %
Performing SCR	35.8 %	32.0 %	30.6 %	2.9 %	(15.4 %)

1/ *Asset Quality Indicators defined per BSP Circular No. 351 dated 19 September 2002*

2/ *Gross Assets refers to Total Assets, Net of Due to Head Office/Branches/Agencies plus Allowance for Credit Losses on Loans plus Allowance for Credit Losses on Sales Contract Receivable (SCR) plus Allowance for Losses on ROPA plus Accumulated Depreciation on ROPA minus Loans Classified as Loss Fully Covered by Allowance for Credit Losses*

3/ *Revised figures excludes Trading Account Securities Loans per the new FRP framework*

4/ *NPL refers to Loans Classified as Past Due and Already Non-Performing plus Items in Litigation minus Loans Classified as Loss Fully Covered by Allowance for Credit Losses*

5/ *Distressed Assets refers to NPAs plus performing RLs. Revised figure excludes performing sales contract receivables per Circular No. 380 dated 28 March 2003*

6/ *NPA refers to NPLs plus ROPA, gross excluding performing sales contracts receivable per BSP Circular No. 380 dated 28 March 2003. Based on the new Financial Reporting Package (FRP) framework provided for under Circular No. 512 dated 03 February 2006 effective 31 December 2006, NPA should include non-current assets held for sale.*

7/ *Allowance on NPAs refers to Allowance for Credit Losses on Loans plus Allowance for Credit Losses on SCR plus Allowance for Losses on ROPA plus Accumulated Depreciation on ROPA.*

p/ *Preliminary*

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 13. Universal and Commercial Banking System: Financial Highlights

Levels (P Billion)	2004	2005	2006	2007	2008
Income Statement					
Total Operating Income	168.7	194.8	220.4	238.1	223.7
Net Interest Income	109.3	127.1	130.2	136.9	151.0
Non-interest Income	59.4	67.7	90.2	101.2	72.7
Non-Interest Expenses	110.3	122.1	134.5	148.0	163.3
Losses/Recoveries on Financial Assets	(15.7)	(17.1)	(22.5)	(17.8)	(16.2)
Bad Debts/Provisions for Credit Losses	16.9	18.1	23.6	19.6	18.5
Recovery on Charged-Off Assets	1.2	1.0	1.0	1.9	2.3
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	42.7	55.6	63.3	72.4	44.2
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	-	-	-	-	7.3
Total Profit/Loss Before Tax and Before Minority Interest	42.7	55.6	63.3	72.4	51.5
Income Tax Expense	9.5	12.9	9.1	12.5	13.9
Total Profit/Loss After Tax and Before Minority Interest	33.3	42.7	54.2	59.9	37.5
Minority Interest in Profit/(Loss) of Subsidiaries	-	-	-	-	-
Net Profit or Loss	33.3	42.7	54.2	59.9	37.5
Balance Sheet					
Total Assets 1/	3,617.6	3,856.4	4,289.3	4,488.3	5,035.0
Cash and Due from Banks	274.5	334.0	556.3	667.7	759.6
Financial Assets, gross (Other than Loans)	1,100.1	1,111.3	1,083.0	1,050.9	1,299.2
Allowance for Credit Losses	5.3	4.1	4.8	5.6	16.1
Accumulated Market Gains/Losses	(2.2)	9.8	29.0	23.4	(13.8)
Financial Assets, net (Other than Loans)	1,092.6	1,117.1	1,107.2	1,068.7	1,269.4
Interbank Loans Receivable (IBL)	254.8	340.0	403.1	341.4	224.5
Loans, gross (exclusive of IBL)	1,538.9	1,542.6	1,688.0	1,857.5	2,295.1
Allowance for Probable Losses	149.4	132.3	117.5	100.1	105.5
Loans, net (exclusive of IBL)	1,389.5	1,410.3	1,570.5	1,757.4	2,189.6
Equity Investments, net	98.2	102.0	102.3	117.1	112.9
ROPA, net	194.9	171.6	155.2	138.9	127.2
Other Assets, net	313.0	381.3	394.7	397.1	351.8
Total Liabilities	3,170.7	3,407.7	3,796.9	3,965.0	4,514.0
Financial Liabilities Held for Trading	-	-	-	-	46.7
Financial Liabilities DFVPL	-	-	-	-	11.0
Deposits	2,472.3	2,628.4	3,071.1	3,185.5	3,702.9
Bills Payable	352.2	431.1	338.3	361.1	321.7
Special Financing	0.2	0.0	0.0	0.0	0.0
Other Liabilities	294.6	297.4	311.9	337.4	338.7
Unsecured Subordinated Debt	51.4	50.8	75.6	81.0	90.7
Redeemable Preferred Shares	-	-	-	-	2.4
Total Capital Accounts 2/	446.9	448.8	492.4	523.2	521.0

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

2/ *Inclusive of the portion of the "Net Due to Head Office" which qualified as capital*

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 14. Universal and Commercial Banking System: Reconciliation of Financial Highlights

Levels (P Billion)	End-December 2007 Pre-FRP	End-December 2007 FRP	Remarks	End-December 2008 FRP
Income Statement				
Total Operating Income	224.8	238.1	a	223.7
Net Interest Income	136.9	136.9		151.0
Non-interest Income	87.8	101.2	b	72.7
Non-Interest Expenses		148.0	c	163.3
Losses/Recoveries on Financial Assets		(17.8)	d	(16.2)
Bad Debts/Provisions for Credit Losses	20.6	19.6	e	18.5
Recovery on Charged-Off Assets	-	1.9	f	2.3
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures		72.4	g	44.2
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures		-	h	7.3
Total Profit/Loss Before Tax and Before Minority Interest		72.4	i	51.5
Income Tax Expense	12.5	12.5		13.9
Total Profit/Loss After Tax and Before Minority Interest		59.9	j	37.5
Minority Interest in Profit/(Loss) of Subsidiaries		-	k	-
Net Profit or Loss	60.0	59.9		37.5
Balance Sheet				
Total Assets	4,488.3	4,488.3		5,035.0
Cash and Due from Banks	667.7	667.7		759.6
Financial Assets, gross (Other than Loans)		1,050.9	l	1,299.2
Allowance for Credit Losses		5.6		16.1
Accumulated Market Gains/Losses		23.4		(13.8)
Financial Assets, net (Other than Loans)		1,068.7		1,269.4
Interbank Loans Receivable (IBL)	341.4	341.4		224.5
Loans, gross (exclusive of IBL)	1,862.3	1,857.5		2,295.1
Allowance for Probable Losses	100.1	100.1		105.5
Loans, net (exclusive of IBL)	1,762.3	1,757.4	m	2,189.6
Equity Investments, net		117.1		112.9
Investments, net	1,180.9		n	
ROPA, net	138.9	138.9		127.2
Other Assets, net	397.1	397.1		351.8
Total Liabilities	3,965.0	3,965.0		4,514.0
Financial Liabilities Held for Trading		-	o	46.7
Financial Liabilities DFVPL		-	p	11.0
Deposits	3,185.5	3,185.5	q	3,702.9
Bills Payable	361.1	361.1		321.7
Special Financing	0.0	0.0		0.0
Other Liabilities	337.4	337.4	r	338.7
Unsecured Subordinated Debt	81.0	81.0		90.7
Redeemable Preferred Shares		-	s	2.4
Total Capital Accounts	523.2	523.2	t	521.0

a / *Difference in value resulted from the inclusion of Dividends Income and Other Income in Non-Interest Income per Financial Reporting Package (FRP).*

b / *Difference in value resulted from the inclusion of Dividends Income and Other Income in Non-Interest Income per FRP.*

c / *Previously labelled as Operating Expenses (Net of Dad Debts and Provisions).*

d / *New line item, no corresponding account in the old Consolidated Statement of Condition (CSOC) and Consolidated Statement of Income and Expense (CSIE) format.*

e / *Difference in value resulted from the transfer of Provision for Expenses from Provisions for Credit Losses to Non-Interest Expenses.*

f / *Used to be a part of Extraordinary Credits in the old CSOC/CSIE format.*

g / *New line item, no corresponding account in the old CSOC/CSIE format.*

h / *New line item, no corresponding account in the old CSOC/CSIE format.*

i / *New line item, no corresponding account in the old CSOC/CSIE format.*

j / *New line item, no corresponding account in the old CSOC/CSIE format.*

k / *New line item, no corresponding account in the old CSOC/CSIE format.*

l / *New line item; previously investments in debt instruments.*

m / *Difference in value resulted from the transfer of Trading Account Securities Loans to Financial Assets*

n / *Taken out of FRP; Broken down into Equity Investments and Financial Assets.*

o / *Used to be a part of Other Liabilities in the old CSOC/CSIE format.*

p / *Used to be a part of Other Liabilities in the old CSOC/CSIE format.*

q / *Added up Long Term Negotiable Certificates of Deposits.*

r / *Difference in value resulted from the exclusion of Financial Liabilities Held for Trading and Financial Liabilities DFVPL.*

s / *Used to be a part of Total Capital Accounts in the old CSOC/CSIE format.*

t / *Excludes Redeemable Preferred Shares.*

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 15. Universal and Commercial Banking System: Growth Rates

Growth Rates	2004	2005	2006	2007	2008
Income Statement					
Total Operating Income	0.5 %	15.5 %	13.1 %	8.1 %	(6.1 %)
Net Interest Income	26.6 %	16.2 %	2.4 %	5.2 %	10.2 %
Non-interest Income	(27.1 %)	14.1 %	33.2 %	12.2 %	(28.1 %)
Non-Interest Expenses	10.8 %	10.7 %	10.1 %	10.0 %	10.4 %
Losses/Recoveries on Financial Assets	(23.9 %)	9.1 %	31.7 %	(21.2 %)	(8.7 %)
Bad Debts/Provisions for Credit Losses	(22.9 %)	7.5 %	29.9 %	(16.8 %)	(5.5 %)
Recovery on Charged-Off Assets	(6.7 %)	(12.8 %)	0.7 %	77.9 %	24.7 %
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	(10.4 %)	30.0 %	14.0 %	14.3 %	(39.0 %)
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures					
Total Profit/Loss Before Tax and Before Minority Interest	(10.4 %)	30.0 %	14.0 %	14.3 %	(29.0 %)
Income Tax Expense	4.5 %	35.6 %	(29.1 %)	37.0 %	11.7 %
Total Profit/Loss After Tax and Before Minority Interest	(13.9 %)	28.4 %	27.0 %	10.5 %	(37.4 %)
Minority Interest in Profit/(Loss) of Subsidiaries					
Net Profit or Loss	(13.9 %)	28.4 %	27.0 %	10.5 %	(37.4 %)
Balance Sheet					
Total Assets 1/	9.7 %	6.6 %	11.2 %	4.6 %	12.2 %
Cash and Due from Banks	12.7 %	21.7 %	66.5 %	20.0 %	13.8 %
Financial Assets, gross (Other than Loans)	28.2 %	1.0 %	(2.6 %)	(3.0 %)	23.6 %
Allowance for Credit Losses	(0.2 %)	(23.1 %)	17.0 %	18.1 %	185.2 %
Accumulated Market Gains/Losses	(107.4 %)	(552.7 %)	194.8 %	(19.1 %)	(158.7 %)
Financial Assets, net (Other than Loans)	28.3 %	2.2 %	(0.9 %)	(3.5 %)	18.8 %
Interbank Loans Receivable (IBL)	(7.0 %)	33.4 %	18.6 %	(15.3 %)	(34.2 %)
Loans, gross (exclusive of IBL)	3.3 %	0.2 %	9.4 %	10.0 %	23.6 %
Allowance for Probable Losses	(0.2 %)	(11.5 %)	(11.2 %)	(14.8 %)	5.4 %
Loans, net (exclusive of IBL)	3.7 %	1.5 %	11.4 %	11.9 %	24.6 %
Equity Investments, net	4.7 %	3.9 %	0.3 %	14.4 %	(3.6 %)
ROPA, net	3.5 %	(12.0 %)	(9.6 %)	(10.5 %)	(8.4 %)
Other Assets, net	2.3 %	21.8 %	3.5 %	0.6 %	(11.4 %)
Total Liabilities	10.3 %	7.5 %	11.4 %	4.4 %	13.8 %
Financial Liabilities Held for Trading					
Financial Liabilities DFVPL					
Deposits	11.9 %	6.3 %	16.8 %	3.7 %	16.2 %
Bills Payable	0.4 %	22.4 %	(21.5 %)	6.7 %	(10.9 %)
Special Financing	(65.9 %)	(85.3 %)	(61.4 %)	(15.4 %)	(20.1 %)
Other Liabilities	6.3 %	0.9 %	4.9 %	8.2 %	0.4 %
Unsecured Subordinated Debt	46.2 %	(1.1 %)	48.9 %	7.1 %	11.9 %
Redeemable Preferred Shares					
Total Capital Accounts 2/	5.5 %	0.4 %	9.7 %	6.3 %	(0.4 %)

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

2/ Inclusive of the portion of the "Net Due to Head Office" which qualified as capital

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 16. Universal and Commercial Banking System: Selected Performance Indicators

Selected Ratios	2004	2005	2006	2007	2008
Profitability					
Earning Asset Yield 1/	7.2 %	7.8 %	7.8 %	7.4 %	7.3 %
Funding Cost 2/	3.6 %	3.7 %	3.7 %	3.1 %	3.0 %
Interest Spread 3/	3.7 %	4.1 %	4.1 %	4.3 %	4.2 %
Net Interest Margin 4/	3.8 %	4.1 %	4.0 %	4.1 %	4.1 %
Non-interest Income to Total Operating Income 5/	35.2 %	34.8 %	40.9 %	42.5 %	32.5 %
Cost-to-Income 6/	65.4 %	62.7 %	61.0 %	62.1 %	72.7 %
Return on Assets (ROA) 7/	1.0 %	1.1 %	1.3 %	1.4 %	0.8 %
Return on Equity (ROE) 7/	7.6 %	9.5 %	11.5 %	11.8 %	7.2 %
Liquidity					
Cash and Due from Banks to Deposits	11.1 %	12.7 %	18.1 %	21.0 %	20.5 %
Liquid Assets to Deposits 8/	55.3 %	55.2 %	54.2 %	54.5 %	54.8 %
Loans, gross to Deposits	72.6 %	71.6 %	68.1 %	69.0 %	68.0 %
Asset quality					
Restructured Loans to Total Loan Portfolio	6.9 %	5.3 %	3.9 %	3.0 %	2.2 %
Allowance for Credit Losses on Loans to TLP	7.7 %	6.4 %	4.7 %	4.2 %	3.5 %
Non-performing Loans (NPL)	12.7 %	8.2 %	5.7 %	4.5 %	3.5 %
NPL, exclusive of IBL	14.9 %	10.0 %	7.0 %	5.3 %	3.9 %
NPL Coverage	60.4 %	77.5 %	82.6 %	93.3 %	100.0 %
Non-performing Assets (NPA) to Gross Assets	11.4 %	8.4 %	6.3 %	5.2 %	4.5 %
NPA Coverage	35.6 %	41.2 %	40.6 %	44.0 %	49.5 %
Distressed Assets	24.9 %	18.7 %	14.5 %	11.9 %	9.8 %
Capital Adequacy					
Total Capital Accounts to Total Assets 9/	12.4 %	11.6 %	11.5 %	11.7 %	10.4 %
Capital Adequacy Ratio (Solo) 10/	17.6 %	16.3 %	17.0 %	14.7 %	14.6 % a/

1/ *Earning Asset Yield refers to the ratio of interest income to average earning assets*
2/ *Funding Cost refers to the ratio of interest expenses to average interest-bearing liabilities*
3/ *Interest Spread refers to the difference between earning asset yield and funding cost*
4/ *Net Interest Margin refers to the ratio of net interest income to average earning assets*
5/ *Non-interest income now includes dividends income*
6/ *Cost-to-Income Ratio refers to the ratio of non-interest expenses to total operating income*
7/ *ROA and ROE refers to the ratio of net profit to average assets and capital, respectively.*
8/ *Liquid Assets refers to Cash and Due from Banks plus Financial Assets, net of amortization (net of financial assets in equity securities).*
9/ *Total capital accounts includes redeemable preferred shares*
10/ *Based on the new framework provided for under Circular No. 280 dated 29 March 2001, formally adopted 1 July 2001; Under Circular No. 360 dated 3 December 2002, adopted 1 July 2003, Universal/Commercial Banks are to incorporate market risks in addition to credit risks; Under Circular No. 538 dated 4 August 2006, effective 1 July 2007, U/KBs are to incorporate operational risk in addition to credit and market risks.*
a/ *Data as of 30 September 2008*

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 17. Universal and Commercial Banking System: Reconciliation of Selected Performance Indicators

Selected Ratios	End-December 2007 Pre-FRP	End-December 2007 FRP	Remarks	End-December 2008 FRP
Profitability				
Earning Asset Yield	7.7 %	7.4 %	a	7.3 %
Funding Cost	3.1 %	3.1 %	b	3.0 %
Interest Spread	4.6 %	4.3 %	c	4.2 %
Net Interest Margin	4.3 %	4.1 %	d	4.1 %
Non-interest Income to Total Operating Income	39.1 %	42.5 %	e	32.5 %
Cost-to-Income	65.4 %	62.1 %	f	72.7 %
Return on Assets (ROA)	1.4 %	1.4 %	g	0.8 %
Return on Equity (ROE)	11.8 %	11.8 %	h	7.2 %
Liquidity				
Cash and Due from Banks to Deposits	21.0 %	21.0 %		20.5 %
Liquid Assets to Deposits	54.4 %	54.5 %	i	54.8 %
Loans, gross to Deposits	69.2 %	69.0 %	j	68.0 %
Asset quality				
Restructured Loans to Total Loan Portfolio	3.0 %	3.0 %	k	2.2 %
Allowance for Credit Losses on Loans to TLP	4.2 %	4.2 %		3.5 %
Non-performing Loans (NPL)	4.5 %	4.5 %		3.5 %
NPL, exclusive of IBL	5.3 %	5.3 %		3.9 %
NPL Coverage	93.3 %	93.3 %		100.0 %
Non-performing Assets (NPA) to Gross Assets	5.2 %	5.2 %		4.5 %
NPA Coverage	44.0 %	44.0 %		49.5 %
Distressed Assets	12.3 %	11.9 %	l	9.8 %
Capital Adequacy				
Total Capital Accounts to Total Assets	11.7 %	11.7 %		10.4 %
Capital Adequacy Ratio (Solo)	14.7 %	14.7 %		14.6 %

a/ *Earning Asset Yield refers to the ratio of interest income to average earning assets. The new FRP format now includes Due from Other Banks as part of Earning Assets. This is in addition to total loan portfolio, gross (net of amortization) and financial assets, net of amortization (net of financial assets in equity securities) which originally comprised Earning Assets per the old CSOC/CSIE format.*

b/ *Funding Cost refers to the ratio of interest expenses to average interest-bearing liabilities. The new FRP format now includes Bonds Payable,net and Redeemable Preferred Shares as part of Interest Bearing Liabilities. Per the old CSOC/CSIE format, Interest Bearing Liabilities is the sum of Deposit Liabilities, Bills Payable and Unsecured Subordinated Debt.*

c/ *Interest Spread refers to the difference between earning asset yield and funding cost*

d/ *Net Interest Margin refers to the ratio of net interest income to average earning assets. Net interest income now includes provision for losses on accrued interest income from financial assets. While due from other banks is added up in the computation of earning assets.*

e/ *Non-interest income now includes dividends income*

f/ *Cost-to-Income Ratio refers to the ratio of non-interest expenses to total operating income. Non-interest expenses comprised what used to be operating expenses (net of bad debts and provisions for probable losses) in the old CSOC/CSIE format. However, the following were added up in the computation of non-interest expenses: 1. provisions for expenses; and 2. impairment losses on a. investments in subsidiaries, associates and joint ventures, b. bank premises, furniture, fixture, and equipment, c. ROPA, d. goodwill, e. other intangible assets, and f. other assets. Meanwhile, total operating income now includes provisions for losses on accrued interest income from financial assets in net interest income and dividends income in non-interest income.*

g/ *ROA refers to the ratio of net profit to average assets*

h/ *ROE refers to the ratio of net profit to average capital*

i/ *Liquid Assets refers to Cash and Due from Banks plus Financial Assets, net of amortization (net of financial assets in equity securities).*

j/ *Loans, gross now excludes Trading Account Securities loans.*

k/ *Total Loan Portfolio now excludes Trading Account Securities Loans*

l/ *Revised figure excludes performing sales contract receivables per Circular No. 380 dated 28 March 2003*

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 18. Universal and Commercial Banking System: Regional Profile

	End-December 2007	End-December 2008		
		Total	Head Offices	Branches/ Other Offices
TOTAL	**4,275**	**4,404**	**38**	**4,366**
Nationwide	**4,234**	**4,362**	**38**	**4,324**
National Capital Region (NCR)	**2,011**	**2,063**	**37**	**2,026**
Luzon	**1,184**	**1,232**	**0**	**1,232**
Region I - Ilocos	138	150		150
Region II - Cagayan	73	76		76
Region III - Central Luzon	333	348		348
Region IV-A - CALABARZON	450	464		464
Region IV-B - MIMAROPA	39	40		40
Region V - Bicol	96	98		98
Cordillera Administrative Region (CAR)	55	56		56
Visayas	**563**	**578**	**0**	**578**
Region VI - Western Visayas	222	224		224
Region VII - Central Visayas	271	284		284
Region VIII - Eastern Visayas	70	70		70
Mindanao	**476**	**489**	**1**	**488**
Region IX - Zamboanga Peninsula	75	77	1	76
Region X - Northern Mindanao	113	116		116
Region XI - Davao Region	138	146		146
Region XII - Soccsksargen [1/]	92	92		92
ARMM	21	21		21
CARAGA	37	37		37
Overseas	**41**	**42**	**0**	**42**
Asia-Pacific	23	24		24
Europe	9	9		9
North America	6	6		6
Africa	3	3		3

1/ Composed of the provinces of North Cotabato, South Cotabato, Sultan Kudarat and Sarangani, and the cities of General Santos, Koronadal, Tacurong and Kidapawan.

Table 19. Universal and Commercial Banking System
Automated Teller Machines (ATMs)
As of Periods Indicated

		On-Site		Off-Site		Total	
		Dec '07	Dec '08	Dec '07	Dec '08	Dec '07	Dec '08
NATIONWIDE		**4,470**	**4,645**	**1,913**	**2,158**	**6,383**	**6,803**
National Capital Region (NCR)		**1,960**	**2,011**	**1,034**	**1,140**	**2,994**	**3,151**
Luzon		**1,325**	**1,403**	**524**	**603**	**1,849**	**2,006**
Region I	- Ilocos	141	152	21	32	162	184
Region II	- Cagayan	75	79	8	10	83	89
Region III	- Central Luzon	347	379	113	135	460	514
Region IV-A	- CALABARZON	540	561	328	363	868	924
Region IV-B	- MIMAROPA	36	39	10	12	46	51
Region V	- Bicol	117	121	17	22	134	143
Cordillera Administrative Region		69	72	27	29	96	101
Visayas		**638**	**664**	**227**	**268**	**865**	**932**
Region VI	- Western Visayas	252	259	72	78	324	337
Region VII	- Central Visayas	301	317	145	177	446	494
Region VIII	- Eastern Visayas	85	88	10	13	95	101
Mindanao		**547**	**567**	**128**	**147**	**675**	**714**
Region IX	- Zamboanga Peninsula	79	82	15	24	94	106
Region X	- Northern Mindanao	133	138	40	46	173	184
Region XI	- Davao Region	162	171	40	43	202	214
Region XII	- Soccsksargen 1/	107	108	26	27	133	135
ARMM		19	21		-	19	21
CARAGA		47	47	7	7	54	54

1/ Composed of the provinces of North Cotabato, South Cotabato, Sultan Kudarat and Sarangani, and the cities of General Santos, Koronadal, Tacurong and Kidapawan.

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 20. Universal and Commercial Banks Authorized to
Engage in E-Banking Operations
As of End-December 2008

	Name of Bank	Mobile	Non-Mobile	Internet	Proprietary	Mobile/ Internet thru Bancnet's & Megalink's Switch	Cash Card
Domestic Banks							
1	Allied Banking Corporation			■		■	■
2	Asia United Bank Corporation		■	■		■	■
3	Banco de Oro Universal Bank	■	■	■			■
4	Bank of Commerce					■	
5	Bank of the Philippines Islands	■	■	■			■
6	China Bank	■	■	■		■	■
7	Development Bank of the Philippines 1/					■	
8	East West Banking Corporation	■	■	■			
9	Export and Industry Bank	■		■			
10	Land Bank of the Philippines		■	■			■
11	Metropolitan Bank and Trust Company	■	■	■		■	■
12	Philippine Bank of Communications					■	
13	Philippine National Bank	■	■	■		■	■
14	Philippine Trust Company					■	
15	Rizal Commercial Banking Corporation		■	■	■	■	■
16	Security Bank Corporation	■	■	■	■	■	■
17	Union Bank of the Philippines	■		■		■	■
18	United Coconut Planters Bank			■		■	
Subsidiary of a Foreign Bank							
19	ABN AMRO Bank			■	■		
20	Maybank					■	
21	Chinatrust Bank			■		■	■
Branches of Foreign Banks							
22	ANZ Banking Group, Ltd.				■		
23	Bank of America, N.A.			■	■		
24	Citibank, N.A. (Phils.)	■		■			■
25	Deutsche Bank AG			■	■		
26	JP Morgan Chase Bank			■	■		
27	Korea Exchange Bank			■			
28	Mega International (former ICBC)			■			
29	Mizuho Bank (formerly Fuji Bank, Ltd.)			■			
30	Standard Chartered Bank	■	■	■	■	■	
31	The Bank of Tokyo-Mitsubishi, Ltd.			■	■		
32	The Hongkong & Shanghai Banking Corp. Ltd.	■	■	■	■		

1/ *Internet operation has efinancing for small and medium enterprises.*

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 21. Universal and Commercial Banking System: Profitability Indicators

Levels (P Billion)	2004	2005	2006	2007	2008
Total Operating Income	168.7	194.8	220.4	238.1	223.7
Net Interest Income	109.3	127.1	130.2	136.9	151.0
Interest Income	207.3	238.6	253.2	248.5	268.1
Provision for Lossses on Accrued Interest Income from Financial Assets	0.0	0.0	0.0	0.0	0.2
Interest Expenses	97.9	111.6	123.0	111.5	116.9
Non-interest Income	59.4	67.7	90.2	101.2	72.7
Dividend Income	0.4	2.1	3.2	4.2	0.4
Fee-based Income	27.3	27.6	29.0	33.9	38.4
Trading Income	9.3	12.7	26.6	23.2	28.0
FX Profits/Loss	6.0	9.7	12.4	14.4	(6.7)
Profit/(Loss) from Sale/Redemption/Derecognition of Non-Trading Financial Assets and Liabilities	0.0	0.0	0.0	0.0	3.6
Profit/(Loss) from Sale/Derecognition of Non-Financial Assets	0.0	0.0	0.0	0.0	7.9
Profit/(Loss) on Financial Assets and Liabilities Designated at Fair Value through Profit or Loss	0.0	0.0	0.0	0.0	(1.1)
Profit/(Loss) on Fair Value Adjustment in Hedge Accounting	0.0	0.0	0.0	0.0	(0.1)
Other Income	16.4	15.7	19.1	25.4	12.5
Non-Interest Expenses	110.3	122.1	134.5	148.0	163.3
Losses/Recoveries on Financial Assets	(15.7)	(17.1)	(22.5)	(17.8)	(16.2)
Bad Debts/Provisions for Credit Losses	16.9	18.1	23.6	19.6	18.5
Recovery on Charged-Off Assets	1.2	1.0	1.0	1.9	2.3
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	42.7	55.6	63.3	72.4	44.2
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	0.0	0.0	0.0	0.0	7.3
Total Profit/Loss Before Tax and Before Minority Interest	42.7	55.6	63.3	72.4	51.5
Income Tax Expense	9.5	12.9	9.1	12.5	13.9
Total Profit/Loss After Tax and Before Minority Interest	33.3	42.7	54.2	59.9	37.5
Minority Interest in Profit/(Loss) of Subsidiaries	0.0	0.0	0.0	0.0	0.0
Net Profit or Loss	33.3	42.7	54.2	59.9	37.5
Growth Rates					
Total Operating Income	0.5 %	15.5 %	13.1 %	8.1 %	(6.1 %)
Net Interest Income	26.6 %	16.2 %	2.4 %	5.2 %	10.2 %
Interest Income	19.2 %	15.1 %	6.1 %	(1.9 %)	7.9 %
Provision for Lossses on Accrued Interest Income from Financial Assets					
Interest Expenses	11.9 %	13.9 %	10.3 %	(9.3 %)	4.8 %
Non-interest Income	(27.1 %)	14.1 %	33.2 %	12.2 %	(28.1 %)
Dividend Income	(83.8 %)	426.1 %	52.3 %	33.5 %	(89.4 %)
Fee-based Income	11.3 %	0.9 %	5.0 %	17.2 %	13.3 %
Trading Income	(63.8 %)	36.9 %	109.4 %	(12.7 %)	20.8 %
FX Profits/Loss	(6.4 %)	61.8 %	27.6 %	16.4 %	(146.5 %)
Profit/(Loss) from Sale/Redemption/Derecognition of Non-Trading Financial Assets and Liabilities					
Profit/(Loss) from Sale/Derecognition of Non-Financial Assets					
Profit/(Loss) on Financial Assets and Liabilities Designated at Fair Value through Profit or Loss					
Profit/(Loss) on Fair Value Adjustment in Hedge Accounting					
Other Income	(27.0 %)	(4.3 %)	21.9 %	33.1 %	(50.8 %)
Non-Interest Expenses	10.8 %	10.7 %	10.1 %	10.0 %	10.4 %
Losses/Recoveries on Financial Assets	(23.9 %)	9.1 %	31.7 %	(21.2 %)	(8.7 %)
Bad Debts/Provisions for Credit Losses	(22.9 %)	7.5 %	29.9 %	(16.8 %)	(5.5 %)
Recovery on Charged-Off Assets	(6.7 %)	(12.8 %)	0.7 %	77.9 %	24.7 %
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	(10.4 %)	30.0 %	14.0 %	14.3 %	(39.0 %)
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures					
Total Profit/Loss Before Tax and Before Minority Interest	(10.4 %)	30.0 %	14.0 %	14.3 %	(29.0 %)
Income Tax Expense	4.5 %	35.6 %	(29.1 %)	37.0 %	11.7 %
Total Profit/Loss After Tax and Before Minority Interest	(13.9 %)	28.4 %	27.0 %	10.5 %	(37.4 %)
Minority Interest in Profit/(Loss) of Subsidiaries					
Net Profit or Loss	(13.9 %)	28.4 %	27.0 %	10.5 %	(37.4 %)

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 22. Universal and Commercial Banking System: Reconciliation of Profitability Indicators

Levels (P Billion)	2007 Pre-FRP	2007 FRP	Remarks	2008 FRP
Total Operating Income	224.8	238.1	a	223.7
Net Interest Income	136.9	136.9		151.0
Interest Income	248.5	248.5		268.1
Provision for Lossses on Accrued Interest Income from Financial Assets		0.0	b	0.2
Interest Expenses	111.5	111.5		116.9
Non-interest Income	87.8	101.2	c	72.7
Dividend Income	4.2	4.2	d	0.4
Fee-based Income	29.9	33.9	e	38.4
Trading Income	37.6	23.2	f	28.0
FX Profits/Loss	3.0	14.4	g	(6.7)
Profit/(Loss) from Sale/Redemption/Derecognition of Non-Trading Financial Assets and Liabilities		0.0	h	3.6
Profit/(Loss) from Sale/Derecognition of Non-Financial Assets		0.0	i	7.9
Profit/(Loss) on Financial Assets and Liabilities Designated at Fair Value through Profit or Loss		0.0	j	(1.1)
Profit/(Loss) on Fair Value Adjustment in Hedge		0.0	k	(0.1)
Trust Department Income	4.0		l	
Other Income	16.3	25.4	m	12.5
Non-Interest Expenses		148.0	n	163.3
Losses/Recoveries on Financial Assets		(17.8)	o	(16.2)
Bad Debts/Provisions for Credit Losses	20.6	19.6	p	18.5
Recovery on Charged-Off Assets	1.9	1.9	q	2.3
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures		72.4	r	44.2
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures		0.0	s	7.3
Total Profit/Loss Before Tax and Before Minority Interest		72.4	t	51.5
Income Tax Expense	12.5	12.5	u	13.9
Total Profit/Loss After Tax and Before Minority Interest		59.9	v	37.5
Minority Interest in Profit/(Loss) of Subsidiaries		0.0	w	0.0
Net Profit or Loss	59.9	59.9	x	37.5

a / *Difference in value resulted from the inclusion of Dividends Income and Other Income in Non-Interest Income per Financial Reporting Package (FRP).*
b / *New line item, no corresponding account in the old CSOC/CSIE format.*
c / *Under the new FRP format, dividends income is added up to non-interest income.*
d / *Used to be a part of Extraordinary Credits in the old CSOC/CSIE format.*
e / *Difference in value resulted from the inclusion of Income from Fiduciary Activities (Trust Department Income), Securitization Activities and Underwriting and Securities Dealership.*
f / *Under the new FRP format, foreign exchange profits/losses is extracted from trading income.*
g / *Used to be a part of Trading Income in the old CSOC/CSIE format.*
h / *New line item, no corresponding account in the old CSOC/CSIE format.*
i / *New line item, no corresponding account in the old CSOC/CSIE format.*
j / *New line item, no corresponding account in the old CSOC/CSIE format.*
k / *New line item, no corresponding account in the old CSOC/CSIE format.*
l / *Moved to Fee-based Income*
m / *Difference in value resulted from the inclusion of portions of Extraordinary Credits.*
n / *Non-interest expenses comprised what used to be operating expenses (net of bad debts and provisions for probable losses) in the old CSOC/CSIE format. However, the following were added up in the computation of non-interest expenses: 1. provisions for expenses; and 2. impairment losses on a. investments in subsidiaries, associates and joint ventures, b. bank premises, furniture, fixture, and equipment, c. ROPA, d. goodwill, e. other intangible assets, and f. other assets.*
o / *New line item, no corresponding account in the old CSOC/CSIE format.*
p / *Used to be a part of Extraordinary Credits in the old CSOC/CSIE format. Difference in value resulted from the transfer of Provision for Expenses from Provisions for Credit Losses to Non-Interest Expenses.*
q / *Used to be a part of Extraordinary Credits in the old CSOC/CSIE format.*
r / *New line item, no corresponding account in the old CSOC/CSIE format.*
s / *New line item, no corresponding account in the old CSOC/CSIE format.*
t / *New line item, no corresponding account in the old CSOC/CSIE format.*
u / *Previously labelled as Provisions for Income Tax.*
v / *New line item, no corresponding account in the old CSOC/CSIE format.*
w / *New line item, no corresponding account in the old CSOC/CSIE format.*
x / *Previously labelled as Net Income/Loss After Tax.*

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 23. Universal and Commercial Banking System: Asset Quality Indicators [1/]

Levels (P Billion)	**2004**	**2005**	**2006**	**2007**	**2008**
Total Assets	3,617.6	3,856.4	4,289.3	4,488.3	5,035.0
Gross Assets [2/]	3,770.6	3,994.2	4,401.5	4,593.9	5,148.2
Total Loan Portfolio (TLP) [3/]	1,781.5	1,869.4	2,070.6	2,189.9	2,502.3
Interbank Loans Receivable (IBL)	254.8	340.0	403.1	341.4	224.5
TLP, exclusive of IBL [3/]	1,526.6	1,529.4	1,667.5	1,848.5	2,277.8
TLP, net (exclusive of IBL) [3/]	1,388.9	1,410.3	1,570.5	1,757.4	2,189.6
Non-performing Loans (NPL) [4/]	227.0	153.7	117.4	97.6	88.2
Allowance for Credit Losses on Loans	137.1	119.1	97.0	91.1	88.2
ROPA, gross	210.8	190.3	170.3	153.3	152.3
Allowance for ROPA	15.9	18.7	15.2	14.5	25.1
Restructured Loans (RL), gross	123.5	99.0	79.9	65.4	55.5
RL, performing	64.9	50.8	47.4	38.1	32.2
Distressed Assets [5/]	495.3	385.2	323.9	277.9	261.2
Non-performing Assets (NPAs) [6/]	430.4	334.5	276.5	239.7	229.0
Allowance on NPAs [7/]	153.0	137.8	112.2	105.6	113.3
Performing Sales Contract Receivables	7.5	9.6	11.2	11.2	11.4
Growth Rates					
Total Assets	9.7 %	6.6 %	11.2 %	4.6 %	12.2 %
Gross Assets [2/]	9.6 %	5.9 %	10.2 %	4.4 %	12.1 %
TLP [3/]	2.2 %	4.9 %	10.8 %	5.8 %	14.3 %
IBL	(7.0 %)	33.4 %	18.6 %	(15.3 %)	(34.2 %)
TLP (exclusive of IBL) [3/]	3.9 %	0.2 %	9.0 %	10.9 %	23.2 %
TLP, net (exclusive of IBL) [3/]	3.7 %	1.5 %	11.4 %	11.9 %	24.6 %
NPL [4/]	(6.2 %)	(32.3 %)	(23.6 %)	(16.8 %)	(9.7 %)
Allowance for Credit Losses on Loans	5.5 %	(13.2 %)	(18.5 %)	(6.1 %)	(3.2 %)
ROPA, gross	4.2 %	(9.7 %)	(10.5 %)	(10.0 %)	(0.7 %)
Allowance for ROPA	13.7 %	17.7 %	(19.0 %)	(4.6 %)	73.2 %
RL, gross	(8.0 %)	(19.9 %)	(19.2 %)	(18.2 %)	(15.1 %)
RL, performing	(18.7 %)	(21.8 %)	(6.7 %)	(19.5 %)	(15.6 %)
Distressed Assets [5/]	(6.1 %)	(22.2 %)	(15.9 %)	(14.2 %)	(6.0 %)
NPAs [6/]	(1.9 %)	(22.3 %)	(17.3 %)	(13.3 %)	(4.5 %)
Allowance on NPAs [7/]	6.3 %	(10.0 %)	(18.6 %)	(5.9 %)	7.3 %
Performing SCR	34.9 %	27.9 %	17.5 %	0.2 %	1.6 %

1/ *Asset Quality Indicators defined per BSP Circular No. 351 dated 19 September 2002*

2/ *Gross Assets refers to Total Assets, Net of Due to Head Office/Branches/Agencies plus Allowance for Credit Losses on Loans plus Allowance for Credit Losses on Sales Contract Receivable (SCR) plus Allowance for Losses on ROPA plus Accumulated Depreciation on ROPA minus Loans Classified as Loss Fully Covered by Allowance for Credit Losses*

3/ *Revised figures excludes Trading Account Securities Loans per the new FRP framework*

4/ *NPL refers to Loans Classified as Past Due and Already Non-Performing plus Items in Litigation minus Loans Classified as Loss Fully Covered by Allowance for Credit Losses*

5/ *Distressed Assets refers to NPAs plus performing RLs. Revised figure excludes performing sales contract receivables per Circular No. 380 dated 28 March 2003*

6/ *NPA refers to NPLs plus ROPA, gross excluding performing sales contracts receivable per BSP Circular No. 380 dated 28 March 2003. Based on the new FRP framework provided for under Circular No. 512 dated 03 February 2006 effective 31 December 2006, NPA should include non-current assets held for sale.*

7/ *Allowance on NPAs refers to Allowance for Credit Losses on Loans plus Allowance for Credit Losses on SCR plus Allowance for Losses on ROPA plus Accumulated Depreciation on ROPA.*

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 24. Thrift Banking System: Financial Highlights

Levels (P Billion)	2004	2005	2006	2007	2008
Income Statement					
Total Operating Income	17.1	19.3	23.5	27.2	27.3
Net Interest Income	12.2	14.0	16.2	20.1	19.7
Non-interest Income	4.9	5.3	7.3	7.1	7.6
Non-Interest Expenses	15.3	16.7	20.1	24.1	23.7
Losses/Recoveries on Financial Assets	(1.1)	(2.5)	(2.1)	(2.4)	(1.7)
Bad Debts/Provisions for Credit Losses	1.3	2.7	2.5	2.8	2.1
Recovery on Charged-Off Assets	0.2	0.2	0.4	0.3	0.4
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	0.7	0.1	1.3	0.6	1.9
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	-	-	-	-	0.1
Total Profit/Loss Before Tax and Before Minority Interest	0.7	0.1	1.3	0.6	2.0
Income Tax Expense	0.6	0.0	0.6	0.7	1.1
Total Profit/Loss After Tax and Before Minority Interest	0.1	0.1	0.7	(0.1)	0.9
Minority Interest in Profit/(Loss) of Subsidiaries	-	-	-	-	-
Net Profit or Loss	0.1	0.1	0.7	(0.1)	0.9
Balance Sheet					
Total Assets	305.4	346.0	440.9	485.6	481.8
Cash and Due from Banks	27.2	31.3	52.1	53.3	46.9
Financial Assets, gross (Other than Loans)	55.0	66.4	73.4	76.0	80.8
Allowance for Credit Losses	0.2	0.2	0.0	0.2	0.2
Accumulated Market Gains/Losses	(0.1)	1.0	2.5	0.6	(0.6)
Financial Assets, net (Other than Loans)	54.8	67.2	75.8	76.4	80.0
Interbank Loans Receivable (IBL)	6.1	9.2	29.4	47.0	17.2
Loans, gross (exclusive of IBL)	164.6	184.8	221.5	249.7	281.0
Allowance for Probable Losses	8.3	8.9	11.9	11.6	12.9
Loans, net (exclusive of IBL)	156.3	175.8	209.6	238.1	268.2
Equity Investments, net	0.3	0.4	0.5	0.7	1.1
ROPA, net	33.0	29.6	32.5	30.4	28.2
Other Assets, net	27.8	32.5	40.9	39.7	40.2
Total Liabilities	265.8	300.7	384.0	429.4	428.3
Financial Liabilities Held for Trading	-	-	-	-	-
Financial Liabilities DFVPL	-	-	-	-	-
Deposits	223.7	261.3	332.1	364.6	384.8
Bills Payable	25.9	23.5	30.4	41.5	19.3
Special Financing	0.3	...	...	...	...
Other Liabilities	15.8	15.9	21.5	23.3	21.2
Unsecured Subordinated Debt	-	-	-	-	2.9
Redeemable Preferred Shares	-	-	-	-	0.0
Total Capital Accounts	39.7	45.3	56.9	56.2	53.5

... *Less than P0.05 billion*

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 25. Thrift Banking System: Reconciliation of Financial Highlights

Levels (P Billion)	End-December 2007 Pre-FRP	End-December 2007 FRP	Remarks	End-December 2008 FRP
Income Statement				
Total Operating Income	26.8	27.2	a	27.3
Net Interest Income	20.1	20.1		19.7
Non-interest Income	6.8	7.1	b	7.6
Non-Interest Expenses		24.1	c	23.7
Losses/Recoveries on Financial Assets		(2.4)	d	(1.7)
Bad Debts/Provisions for Credit Losses	2.9	2.8	e	2.1
Recovery on Charged-Off Assets	0.3	0.3	f	0.4
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures		0.6	g	1.9
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures		-	h	0.1
Total Profit/Loss Before Tax and Before Minority Interest		0.6	i	2.0
Income Tax Expense	0.7	0.7		1.1
Total Profit/Loss After Tax and Before Minority Interest		(0.1)	j	0.9
Minority Interest in Profit/(Loss) of Subsidiaries		-	k	-
Net Profit or Loss	(0.1)	(0.1)		0.9
Balance Sheet				
Total Assets	485.6	485.6		481.8
Cash and Due from Banks	53.3	53.3		46.9
Financial Assets, gross (Other than Loans)		76.0	l	80.8
Allowance for Credit Losses		0.2		0.2
Accumulated Market Gains/Losses		0.6		(0.6)
Financial Assets, net (Other than Loans)		76.4		80.0
Interbank Loans Receivable (IBL)	47.0	47.0		17.2
Loans, gross (exclusive of IBL)	249.7	249.7		281.0
Allowance for Probable Losses	11.6	11.6		12.9
Loans, net (exclusive of IBL)	238.1	238.1		268.2
Equity Investments, net		0.7		1.1
Investments, net	77.1		m	-
ROPA, net	30.4	30.4		28.2
Other Assets, net	39.7	39.7		40.2
Total Liabilities	429.4	429.4		428.3
Financial Liabilities Held for Trading		-	n	-
Financial Liabilities DFVPL		-	o	-
Deposits	364.6	364.6	p	384.8
Bills Payable	41.5	41.5		19.3
Special Financing	-	. . .		. . .
Other Liabilities	23.3	23.3	q	21.2
Unsecured Subordinated Debt	-	-		2.9
Redeemable Preferred Shares		-	r	0.0
Total Capital Accounts	56.2	56.2	s	53.5

a / *Difference in value resulted from the inclusion of Dividends Income and Other Income in Non-Interest Income per Financial Reporting Package (FRP).*
b / *Difference in value resulted from the inclusion of Dividends Income and Other Income in the FRP.*
c / *Previously labelled as Operating Expenses (Net of Dad Debts and Provisions).*
d / *New line item, no corresponding account in the old Consolidated Statement of Condition (CSOC) and Consolidated Statement of Income and Expense (CSIE) format.*
e / *Provision for Expenses taken out of Provisions for Credit Losses and moved to Non-Interest Expenses.*
f / *Used to be a part of Extraordinary Credits in the old CSOC/CSIE format.*
g / *New line item, no corresponding account in the old CSOC/CSIE format.*
h / *New line item, no corresponding account in the old CSOC/CSIE format.*
i / *New line item, no corresponding account in the old CSOC/CSIE format.*
j / *New line item, no corresponding account in the old CSOC/CSIE format.*
k / *New line item, no corresponding account in the old CSOC/CSIE format.*
l / *New line item; previously investments in debt instruments.*
m / *Taken out of FRP; Broken down into Equity Investments and Financial Assets.*
n / *Used to be a part of Other Liabilities in the old CSOC/CSIE format.*
o / *Used to be a part of Other Liabilities in the old CSOC/CSIE format.*
p / *Added up Long Term Negotiable Certificates of Deposits.*
q / *Difference in value resulted from the exclusion of Financial Liabilities Held for Trading and Financial Liabilities DFVPL.*
r / *Used to be a part of Total Capital Accounts in the old CSOC/CSIE format.*
s / *Now excludes Redeemable Preferred Shares.*

Table 26. Thrift Banking System: Growth Rates

Growth Rates	2004	2005	2006	2007	2008
Income Statement					
Total Operating Income	14.1 %	13.0 %	21.7 %	15.7 %	0.4 %
Net Interest Income	14.7 %	15.3 %	15.2 %	24.2 %	(1.7 %)
Non-interest Income	12.5 %	7.1 %	39.1 %	(2.9 %)	6.3 %
Non-Interest Expenses	13.4 %	9.3 %	20.5 %	20.0 %	(1.9 %)
Losses/Recoveries on Financial Assets	(22.1 %)	127.0 %	(16.4 %)	15.4 %	(29.4 %)
Bad Debts/Provisions for Credit Losses	(17.2 %)	111.1 %	(8.1 %)	10.8 %	(24.6 %)
Recovery on Charged-Off Assets	37.6 %	9.3 %	102.7 %	(14.2 %)	10.6 %
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	615.4 %	(85.1 %)	1,110.9 %	(50.4 %)	198.9 %
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures					
Total Profit/Loss Before Tax and Before Minority Interest	615.4 %	(85.1 %)	1,110.9 %	(50.4 %)	207.1 %
Income Tax Expense	73.0 %	(98.5 %)	6,653.5 %	14.0 %	51.5 %
Total Profit/Loss After Tax and Before Minority Interest	147.9 %	(17.4 %)	591.4 %	(109.3 %)	1,536.4 %
Minority Interest in Profit/(Loss) of Subsidiaries					
Net Profit or Loss	147.9 %	(17.4 %)	591.4 %	(109.3 %)	1,536.4 %
Balance Sheet					
Total Assets	11.4 %	13.3 %	27.4 %	10.1 %	(0.8 %)
Cash and Due from Banks	14.8 %	15.0 %	66.4 %	2.2 %	(12.0 %)
Financial Assets, gross (Other than Loans)	28.0 %	20.8 %	10.4 %	3.6 %	6.3 %
Allowance for Credit Losses	0.1 %	28.2 %	(96.5 %)	2,874.0 %	(27.6 %)
Accumulated Market Gains/Losses	(7,212.1 %)	(2,055.9 %)	143.4 %	(74.5 %)	(197.0 %)
Financial Assets, net (Other than Loans)	28.0 %	22.7 %	12.8 %	0.7 %	4.8 %
Interbank Loans Receivable (IBL)	2.2 %	51.3 %	220.3 %	59.8 %	(63.4 %)
Loans, gross (exclusive of IBL)	7.3 %	12.2 %	19.9 %	12.8 %	12.5 %
Allowance for Probable Losses	(0.9 %)	7.8 %	32.5 %	(2.0 %)	10.7 %
Loans, net (exclusive of IBL)	7.8 %	12.5 %	19.2 %	13.6 %	12.6 %
Equity Investments, net	(14.0 %)	48.8 %	21.6 %	52.4 %	60.6 %
ROPA, net	17.9 %	(10.1 %)	9.7 %	(6.5 %)	(7.3 %)
Other Assets, net	(2.6 %)	16.7 %	26.1 %	(2.9 %)	1.2 %
Total Liabilities	14.0 %	13.2 %	27.7 %	11.8 %	(0.3 %)
Financial Liabilities Held for Trading					
Financial Liabilities DFVPL					
Deposits	13.5 %	16.8 %	27.1 %	9.8 %	5.5 %
Bills Payable	16.7 %	(9.3 %)	29.2 %	36.7 %	(53.5 %)
Special Financing	(0.4 %)	(100.0 %)			0.0 %
Other Liabilities	18.5 %	0.3 %	35.3 %	8.3 %	(8.8 %)
Unsecured Subordinated Debt					
Redeemable Preferred Shares					
Total Capital Accounts	(3.8 %)	14.1 %	25.6 %	(1.3 %)	(4.8 %)

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 27 . Thrift Banking System: Selected Performance Indicators

Selected Ratios	2004	2005	2006	2007	2008
Profitability					
Earning Asset Yield [1/]	10.7 %	10.8 %	10.5 %	10.2 %	9.4 %
Funding Cost [2/]	5.2 %	5.2 %	5.1 %	4.6 %	4.3 %
Interest Spread [3/]	5.5 %	5.6 %	5.4 %	5.6 %	5.1 %
Net Interest Margin [4/]	5.4 %	5.4 %	5.2 %	5.4 %	5.0 %
Non-interest Income to Total Operating Income [5/]	28.8 %	27.3 %	31.2 %	26.2 %	27.7 %
Cost-to-Income [6/]	89.3 %	86.4 %	85.5 %	88.7 %	86.7 %
Return on Assets (ROA) [7/]	0.0 %	0.0 %	0.2 %	(0.0 %)	0.2 %
Return on Equity (ROE) [7/]	0.3 %	0.2 %	1.3 %	(0.1 %)	1.7 %
Liquidity					
Cash and Due from Banks to Deposits	12.2 %	12.0 %	15.7 %	14.6 %	12.2 %
Liquid Assets to Deposits [8/]	36.7 %	37.7 %	38.5 %	35.6 %	33.0 %
Loans, gross to Deposits	76.3 %	74.2 %	75.5 %	81.4 %	77.5 %
Asset quality					
Restructured Loans to Total Loan Portfolio	2.5 %	3.2 %	2.3 %	1.7 %	1.4 %
Allowance for Credit Losses on Loans to TLP	4.1 %	4.2 %	4.1 %	3.2 %	3.7 %
Non-performing Loans (NPL)	11.0 %	8.9 %	8.3 %	6.9 %	7.2 %
NPL, exclusive of IBL	11.4 %	9.3 %	9.4 %	8.2 %	7.6 %
NPL Coverage	37.0 %	47.9 %	49.3 %	47.3 %	51.2 %
Non-performing Assets (NPA) to Gross Assets	15.9 %	12.5 %	11.4 %	9.9 %	9.6 %
NPA Coverage	17.2 %	23.4 %	25.6 %	25.5 %	28.0 %
Distressed Assets	25.9 %	22.0 %	19.0 %	15.7 %	15.2 %
Capital Adequacy					
Total Capital Accounts to Total Assets [9/]	13.0 %	13.1 %	12.9 %	11.6 %	11.1 %
Capital Adequacy Ratio (Solo) [10/]	16.2 %	17.3 %	16.0 %	15.1 %	14.6 % [a/]

1/ *Earning Asset Yield refers to the ratio of interest income to average earning assets*

2/ *Funding Cost refers to the ratio of interest expenses to average interest-bearing liabilities*

3/ *Interest Spread refers to the difference between earning asset yield and funding cost*

4/ *Net Interest Margin refers to the ratio of net interest income to average earning assets*

5/ *Non-interest income now includes dividends income*

6/ *Cost-to-Income Ratio refers to the ratio of non-interest expenses to total operating income*

7/ *ROA and ROE refers to the ratio of net profit to average assets and capital, respectively.*

8/ *Liquid Assets refers to Cash and Due from Banks plus Financial Assets, net of amortization (net of financial assets in equity*

9/ *Total capital accounts includes redeemable preferred shares*

10/ *Based on the new framework provided for under Circular No. 280 dated 29 March 2001, formally adopted 1 July 2001; Under Circular No. 360 dated 3 December 2002, adopted 1 July 2003, Universal/Commercial Banks are to incorporate market risks in addition to credit risks; Under Circular No. 538 dated 4 August 2006, effective 1 July 2007, U/KBs are to incorporate operational risk in addition to credit and market risks.*

a/ *Data as of 30 September 2008*

Table 28 . Thrift Banking System: Reconciliation of Selected Performance Indicators

Selected Ratios	End-December 2007 Pre-FRP	End-December 2007 FRP	Remarks	End-December 2008 FRP
Profitability				
Earning Asset Yield	10.8 %	10.2 %	a	9.4 %
Funding Cost	4.6 %	4.6 %	b	4.3 %
Interest Spread	6.2 %	5.6 %	c	5.1 %
Net Interest Margin	5.8 %	5.4 %	d	5.0 %
Non-interest Income to Total Operating Income	25.2 %	26.2 %	e	27.7 %
Cost-to-Income	89.4 %	88.7 %	f	86.7 %
Return on Assets (ROA)	(0.0 %)	(0.0 %)	g	0.2 %
Return on Equity (ROE)	(0.1 %)	(0.1 %)	h	1.7 %
Liquidity				
Cash and Due from Banks to Deposits	14.6 %	14.6 %		12.2 %
Liquid Assets to Deposits	35.6 %	35.6 %	i	33.0 %
Loans, gross to Deposits	81.4 %	81.4 %	j	77.5 %
Asset quality				
Restructured Loans to Total Loan Portfolio	1.6 %	1.7 %	k	1.4 %
Allowance for Credit Losses on Loans to TLP	3.2 %	3.2 %		3.7 %
Non-performing Loans (NPL)	6.9 %	6.9 %		7.2 %
NPL, exclusive of IBL	8.2 %	8.2 %		7.6 %
NPL Coverage	47.3 %	47.3 %		51.2 %
Non-performing Assets (NPA) to Gross Assets	9.9 %	9.9 %		9.6 %
NPA Coverage	25.5 %	25.5 %		28.0 %
Distressed Assets	17.0 %	15.7 %	l	15.2 %
Capital Adequacy				
Total Capital Accounts to Total Assets	11.6 %	11.6 %		11.1 %
Capital Adequacy Ratio (Solo)	15.1 %	15.1 %		14.6 %

a/ *Earning Asset Yield refers to the ratio of interest income to average earning assets. The new FRP format now includes Due from Other Banks as part of Earning Assets. This is in addition to total loan portfolio, gross (net of amortization) and financial assets, net of amortization (net of financial assets in equity securities) which originally comprised Earning Assets per the old CSOC/CSIE format.*

b/ *Funding Cost refers to the ratio of interest expenses to average interest-bearing liabilities. The new FRP format now includes Bonds Payable,net and Redeemable Preferred Shares as part of Interest Bearing Liabilities. Per the old CSOC/CSIE format, Interest Bearing Liabilities is the sum of Deposit Liabilities, Bills Payable and Unsecured Subordinated Debt.*

c/ *Interest Spread refers to the difference between earning asset yield and funding cost*

d/ *Net Interest Margin refers to the ratio of net interest income to average earning assets. Net interest income now includes provision for losses on accrued interest income from financial assets. While due from other banks is added up in the computation of earning assets.*

e/ *Non-interest income now includes dividends income*

f/ *Cost-to-Income Ratio refers to the ratio of non-interest expenses to total operating income. Non-interest expenses comprised what used to be operating expenses (net of bad debts and provisions for probable losses) in the old CSOC/CSIE format. However, the following were added up in the computation of non-interest expenses: 1. provisions for expenses; and 2. impairment losses on a. investments in subsidiaries, associates and joint ventures, b. bank premises, furniture, fixture, and equipment, c. ROPA, d. goodwill, e. other intangible assets, and f. other assets. Meanwhile, total operating income now includes provisions for losses on accrued interest income from financial assets in net interest income and dividends income in non-interest income.*

g/ *ROA refers to the ratio of net profit to average assets*

h/ *ROE refers to the ratio of net profit to average capital*

i/ *Liquid Assets refers to Cash and Due from Banks plus Financial Assets, net of amortization (net of financial assets in equity securities).*

j/ *Loans, gross now excludes Trading Account Securities loans*

k/ *Total Loan Portfolio now excludes Trading Account Securities Loans*

l/ *Revised figure excludes performing sales contract receivables per Circular No. 380 dated 28 March 2003*

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 29. Thrift Banking Offices: Regional Profile

	End-December 2007	End-December 2008		
		Total	Head Offices	Branches/ Other Offices
Nationwide	**1,336**	**1,296**	**77**	**1,219**
National Capital Region (NCR)	**580**	**544**	**35**	**509**
Luzon	**505**	**498**	**30**	**468**
Region I - Ilocos	39	38	1	37
Region II - Cagayan	11	9	1	8
Region III - Central Luzon	138	139	11	128
Region IV-A - CALABARZON	251	246	12	234
Region IV-B - MIMAROPA	25	24	2	22
Region V - Bicol	32	33	2	31
Cordillera Administrative Region (CAR)	9	9	1	8
Visayas	**170**	**176**	**12**	**164**
Region VI - Western Visayas	56	59	5	54
Region VII - Central Visayas	103	103	7	96
Region VIII - Eastern Visayas	11	14		14
Mindanao	**81**	**78**		**78**
Region IX - Zamboanga Peninsula	10	10		10
Region X - Northern Mindanao	31	27		27
Region XI - Davao Region	25	27		27
Region XII - Soccsksargen 1/	8	7		7
ARMM	1	1		1
CARAGA	6	6		6

1/ Composed of the provinces of North Cotabato, South Cotabato, Sultan Kudarat and Sarangani, and the cities of General Santos, Koronadal, Tacurong and Kidapawan.

Table 30. Thrift Banking System: Automated Teller Machines (ATMs)

As of periods indicated

	On-site		Off-site		Total	
	Dec '07	Dec '08	Dec '07	Dec '08	Dec '07	Dec '08
Nationwide	**577**	**683**	**112**	**142**	**689**	**825**
National Capital Region (NCR)	**331**	**372**	**71**	**91**	**402**	**463**
Luzon	**161**	**201**	**23**	**28**	**184**	**229**
Region I - Ilocos	21	26	2	4	23	30
Region II - Cagayan	5	6			5	6
Region III - Central Luzon	43	53	7	6	50	59
Region IV-A - CALABARZON	78	96	13	17	91	113
Region IV-B - MIMAROPA		2				2
Region V - Bicol	8	12			8	12
Cordillera Administrative Region (CAR)	6	6	1	1	7	7
Visayas	**53**	**67**	**14**	**16**	**67**	**83**
Region VI - Western Visayas	18	23	6	6	24	29
Region VII - Central Visayas	32	40	8	10	40	50
Region VIII - Eastern Visayas	3	4			3	4
Mindanao	**32**	**43**	**4**	**7**	**36**	**50**
Region IX - Zamboanga Peninsula	6	7			6	7
Region X - Northern Mindanao	10	11	2	4	12	15
Region XI - Davao Region	13	20	1	2	14	22
Region XII - Soccsksargen [1/]	3	4	1	1	4	5
ARMM						
CARAGA		1				1

1/ Composed of the provinces of North Cotabato, South Cotabato, Sultan Kudarat and Sarangani, and the cities of General Santos, Koronadal, Tacurong and Kidapawan.

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 31. Thrift Banks Authorized to Engage in E-Banking Operations

As of End-December 2008

Name of Bank	Mobile	Non-Mobile	Internet	Proprietary	Mobile/ Internet via Bancnet or Megalink Switch	Cash Card
Financial Institution-Linked Thrift Banks						
1. BPI Direct	■	■	■			■
2. BPI-Family Bank	■	■	■			■
3. Citibank Savings, Inc.			■			■
4. HSBC Savings Bank	■	■	■			
5. RCBC Savings Bank					■	
Non-Linked Thrift Banks						
6. Citystate Savings Bank					■	
7. Premiere Development Bank	■	■				
8. Robinsons Savings Bank	■	■	■		■	
9. The Manila Bank					■	
10. Asiatrust Development Bank					■	
11. Insular Life Savings Bank					■	
12. GE Money/Keppel Bank			■		■	
13. Philippine Savings Bank			■			
14. Planters Development Bank			■			
15. Equicom Savings Bank	■					■

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 32. Thrift Banking System: Profitability Indicators

Levels (P Billion)	**2004**	**2005**	**2006**	**2007**	**2008**
Total Operating Income	17.1	19.3	23.5	27.2	27.3
Net Interest Income	12.2	14.0	16.2	20.1	19.7
Interest Income	24.4	27.8	32.7	37.7	37.3
Provision for Lossses on Accrued Interest Income from Financial Assets	0.0	0.0	0.0	0.0	0.0
Interest Expenses	12.2	13.8	16.5	17.7	17.6
Non-interest Income	4.9	5.3	7.3	7.1	7.6
Dividend Income	0.0	0.0	0.0	0.0	0.0
Fee-based Income	2.6	2.7	3.3	3.8	4.0
Trading Income	0.3	0.6	1.7	2.0	1.4
FX Profits/Loss	0.1	(0.0)	0.0	(0.1)	0.4
Profit/(Loss) from Sale/Redemption/Derecognition of Non-Trading Financial Assets and Liabilities	0.0	0.0	0.0	0.0	0.3
Profit/(Loss) from Sale/Derecognition of Non-Financial Assets	0.0	0.0	0.0	0.0	0.9
Profit/(Loss) on Financial Assets and Liabilities Designated at Fair Value through Profit or Loss	0.0	0.0	0.0	0.0	0.0
Profit/(Loss) on Fair Value Adjustment in Hedge Accounting	0.0	0.0	0.0	0.0	0.0
Other Income	2.0	2.0	2.3	1.4	1.7
Non-Interest Expenses	15.3	16.7	20.1	24.1	23.7
Losses/Recoveries on Financial Assets	(1.1)	(2.5)	(2.1)	(2.4)	(1.7)
Bad Debts/Provisions for Credit Losses	1.3	2.7	2.5	2.8	2.1
Recovery on Charged-Off Assets	0.2	0.2	0.4	0.3	0.4
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	0.7	0.1	1.3	0.6	1.9
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	0.0	0.0	0.0	0.0	0.1
Total Profit/Loss Before Tax and Before Minority Interest	0.7	0.1	1.3	0.6	2.0
Income Tax Expense	0.6	0.0	0.6	0.7	1.1
Total Profit/Loss After Tax and Before Minority Interest	0.1	0.1	0.7	(0.1)	0.9
Minority Interest in Profit/(Loss) of Subsidiaries	0.0	0.0	0.0	0.0	0.0
Net Profit or Loss	0.1	0.1	0.7	(0.1)	0.9
Growth Rates					
Total Operating Income	14.1 %	13.0 %	21.7 %	15.7 %	0.4 %
Net Interest Income	14.7 %	15.3 %	15.2 %	24.2 %	(1.7 %)
Interest Income	18.3 %	14.1 %	17.5 %	15.4 %	(1.0 %)
Provision for Lossses on Accrued Interest Income from Financial Assets					
Interest Expenses	22.0 %	12.8 %	19.8 %	6.7 %	(0.3 %)
Non-interest Income	12.5 %	7.1 %	39.1 %	(2.9 %)	6.3 %
Dividend Income	180.8 %	(62.5 %)	5,262.1 %	36.3 %	(97.4 %)
Fee-based Income	20.8 %	6.1 %	19.7 %	16.5 %	5.3 %
Trading Income	(57.9 %)	88.2 %	188.2 %	16.3 %	(29.6 %)
FX Profits/Loss	(12.7 %)	(126.9 %)	(329.4 %)	(318.8 %)	504.4 %
Profit/(Loss) from Sale/Redemption/Derecognition of Non-Trading Financial Assets and Liabilities					
Profit/(Loss) from Sale/Derecognition of Non-Financial Assets					
Profit/(Loss) on Financial Assets and Liabilities Designated at Fair Value through Profit or Loss					
Profit/(Loss) on Fair Value Adjustment in Hedge Accounting					
Other Income	39.2 %	0.4 %	15.1 %	(39.8 %)	27.2 %
Non-Interest Expenses	13.4 %	9.3 %	20.5 %	20.0 %	(1.9 %)
Losses/Recoveries on Financial Assets	(22.1 %)	127.0 %	(16.4 %)	15.4 %	(29.4 %)
Bad Debts/Provisions for Credit Losses	(17.2 %)	111.1 %	(8.1 %)	10.8 %	(24.6 %)
Recovery on Charged-Off Assets	37.6 %	9.3 %	102.7 %	(14.2 %)	10.6 %
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	615.4 %	(85.1 %)	1,110.9 %	(50.4 %)	198.9 %
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures					
Total Profit/Loss Before Tax and Before Minority Interest	615.4 %	(85.1 %)	1,110.9 %	(50.4 %)	207.1 %
Income Tax Expense	73.0 %	(98.5 %)	6,653.5 %	14.0 %	51.5 %
Total Profit/Loss After Tax and Before Minority Interest	147.9 %	(17.4 %)	591.4 %	(109.3 %)	1,536.4 %
Minority Interest in Profit/(Loss) of Subsidiaries					
Net Profit or Loss	147.9 %	(17.4 %)	591.4 %	(109.3 %)	1,536.4 %

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 33. Thrift Banking System: Reconciliation of Profitability Indicators

Levels (P Billion)	2007 Pre-FRP	2007 FRP	Remarks	2008 r/ FRP
Total Operating Income	26.8	27.2	a	27.3
Net Interest Income	20.1	20.1		19.7
Interest Income	37.7	37.7		37.3
Provision for Lossses on Accrued Interest Income from Financial Assets		0.0	b	0.0
Interest Expenses	17.7	17.7		17.6
Non-interest Income	6.8	7.1	c	7.6
Dividend Income	0.0	0.0	d	0.0
Fee-based Income	3.7	3.8	e	4.0
Trading Income	1.9	2.0	f	1.4
FX Profits/Loss	0.0	(0.1)	g	0.4
Profit/(Loss) from Sale/Redemption/Derecognition of Non-Trading Financial Assets and Liabilities		0.0	h	0.3
Profit/(Loss) from Sale/Derecognition of Non-Financial Assets		0.0	i	0.9
Profit/(Loss) on Financial Assets and Liabilities Designated at Fair Value through Profit or Loss		0.0	j	0.0
Profit/(Loss) on Fair Value Adjustment in Hedge Accounting		0.0	k	0.0
Trust Department Income	0.1		l	
Other Income	1.1	1.4	m	1.7
Non-Interest Expenses		24.1	n	23.7
Losses/Recoveries on Financial Assets		(2.4)	o	(1.7)
Bad Debts/Provisions for Credit Losses	2.9	2.8	p	2.1
Recovery on Charged-Off Assets	0.3	0.3	q	0.4
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures		0.6	r	1.9
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures		0.0	s	0.1
Total Profit/Loss Before Tax and Before Minority Interest		0.6	t	2.0
Income Tax Expense	0.7	0.7	u	1.1
Total Profit/Loss After Tax and Before Minority Interest		(0.1)	v	0.9
Minority Interest in Profit/(Loss) of Subsidiaries		0.0	w	0.0
Net Profit or Loss	(0.1)	(0.1)	x	0.9

a / *Difference in value resulted from the inclusion of Dividends Income and Other Income in Non-Interest Income per Financial Reporting Package*
b / *New line item, no corresponding account in the old CSOC/CSIE format.*
c / *Under the new FRP format, dividends income is added up to non-interest income.*
d / *Used to be a part of Extraordinary Credits in the old CSOC/CSIE format.*
e / *Difference in value resulted from the inclusion of Income from Fiduciary Activities (Trust Department Income), Securitization Activities and Underwriting and Securities Dealership.*
f / *Under the new FRP format, foreign exchange profits/losses is extracted from trading income.*
g / *Used to be a part of Trading Income in the old CSOC/CSIE format.*
h / *New line item, no corresponding account in the old CSOC/CSIE format.*
i / *New line item, no corresponding account in the old CSOC/CSIE format.*
j / *New line item, no corresponding account in the old CSOC/CSIE format.*
k / *New line item, no corresponding account in the old CSOC/CSIE format.*
l / *Moved to Fee-based Income*
m / *Difference in value resulted from the inclusion of portions of Extraordinary Credits.*
n / *Non-interest expenses comprised what used to be operating expenses (net of bad debts and provisions for probable losses) in the old CSOC/CSIE format. However, the following were added up in the computation of non-interest expenses: 1. provisions for expenses; and 2. impairment losses on a. investments in subsidiaries, associates and joint ventures, b. bank premises, furniture, fixture, and equipment, c. ROPA, d. goodwill, e. other intangible assets, and f. other assets.*
o / *New line item, no corresponding account in the old CSOC/CSIE format.*
p / *Used to be a part of Extraordinary Credits in the old CSOC/CSIE format. Difference in value resulted from the transfer of Provision for Expenses from Provisions for Credit Losses to Non-Interest Expenses.*
q / *Used to be a part of Extraordinary Credits in the old CSOC/CSIE format.*
r / *New line item, no corresponding account in the old CSOC/CSIE format.*
s / *New line item, no corresponding account in the old CSOC/CSIE format.*
t / *New line item, no corresponding account in the old CSOC/CSIE format.*
u / *Previously labelled as Provisions for Income Tax.*
v / *New line item, no corresponding account in the old CSOC/CSIE format.*
w / *New line item, no corresponding account in the old CSOC/CSIE format.*
x / *Previously labelled as Net Income/Loss After Tax.*

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 34. Thrift Banking System: Asset Quality Indicators [1/]

Levels (P Billion)	2004	2005	2006	2007	2008 p/
Total Assets	305.4	346.0	440.9	485.6	481.8
Gross Assets [2/]	314.0	356.5	454.1	498.2	495.1
Total Loan Portfolio (TLP) [3/]	169.3	193.2	249.2	294.7	296.2
Interbank Loans Receivable (IBL)	6.1	9.2	29.4	47.0	17.2
TLP, exclusive of IBL [3/]	163.2	184.0	219.8	247.7	279.0
TLP, net (exclusive of IBL) [3/]	156.3	175.8	209.6	238.1	268.2
Non-performing Loans (NPL) [4/]	18.6	17.1	20.6	20.2	21.2
Allowance for Credit Losses on Loans	6.9	8.2	10.1	9.6	10.9
ROPA, gross	34.7	31.9	35.6	33.4	30.8
Allowance for ROPA	1.7	2.3	3.1	3.0	2.5
Restructured Loans (RL), gross	4.3	6.2	5.6	4.9	4.2
RL, performing	3.1	4.8	2.5	2.1	1.9
Distressed Assets [5/]	52.8	49.5	54.1	51.5	49.6
Non-performing Assets (NPAs) [6/]	49.8	44.7	51.6	49.3	47.7
Allowance on NPAs [7/]	8.6	10.5	13.2	12.6	13.3
Performing Sales Contract Receivables	3.4	4.3	4.5	4.3	4.3
Growth Rates					
Total Assets	11.4 %	13.3 %	27.4 %	10.1 %	(0.8 %)
Gross Assets [2/]	11.0 %	13.5 %	27.4 %	9.7 %	(0.6 %)
TLP [3/]	6.9 %	14.1 %	29.0 %	18.3 %	0.5 %
IBL	2.2 %	51.3 %	220.3 %	59.8 %	(63.4 %)
TLP (exclusive of IBL) [3/]	7.0 %	12.8 %	19.4 %	12.7 %	12.7 %
TLP, net (exclusive of IBL) [3/]	7.8 %	12.5 %	19.2 %	13.6 %	12.6 %
NPL [4/]	(2.5 %)	(7.8 %)	20.1 %	(1.6 %)	4.9 %
Allowance for Credit Losses on Loans	(7.6 %)	19.3 %	23.7 %	(5.7 %)	13.6 %
ROPA, gross	19.2 %	(8.0 %)	11.6 %	(6.0 %)	(8.0 %)
Allowance for ROPA	52.5 %	34.2 %	36.2 %	(1.4 %)	(18.5 %)
RL, gross	9.7 %	44.8 %	(9.3 %)	(13.1 %)	(14.1 %)
RL, performing	(1.8 %)	57.0 %	(47.9 %)	(14.6 %)	(9.8 %)
Distressed Assets [5/]	2.9 %	(6.4 %)	9.4 %	(4.8 %)	(3.6 %)
NPAs [6/]	9.2 %	(10.3 %)	15.5 %	(4.4 %)	(3.3 %)
Allowance on NPAs [7/]	0.2 %	22.2 %	26.4 %	(4.7 %)	5.9 %
Performing SCR	35.5 %	26.2 %	4.6 %	(4.8 %)	(1.0 %)

1/ *Asset Quality Indicators defined per BSP Circular No. 351 dated 19 September 2002*

2/ *Gross Assets refers to Total Assets, Net of Due to Head Office/Branches/Agencies plus Allowance for Credit Losses on Loans plus Allowance for Credit Losses on Sales Contract Receivable (SCR) plus Allowance for Losses on ROPA plus Accumulated Depreciation on ROPA minus Loans Classified as Loss Fully Covered by Allowance for Credit Losses*

3/ *Revised figures excludes Trading Account Securities Loans per the new FRP framework*

4/ *NPL refers to Loans Classified as Past Due and Already Non-Performing plus Items in Litigation minus Loans Classified as Loss Fully Covered by Allowance for Credit Losses*

5/ *Distressed Assets refers to NPAs plus performing RLs. Revised figure excludes performing sales contract receivables per Circular No. 380 dated 28 March 2003*

6/ *NPA refers to NPLs plus ROPA, gross excluding performing sales contracts receivable per BSP Circular No. 380 dated 28 March 2003. Based on the new Financial Reporting Package (FRP) framework provided for under Circular No. 512 dated 03 February 2006 effective 31 December 2006, NPA should include non-current assets held for sale.*

7/ *Allowance on NPAs refers to Allowance for Credit Losses on Loans plus Allowance for Credit Losses on SCR plus Allowance for Losses on ROPA plus Accumulated Depreciation on ROPA.*

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 35. Rural Banking System: Financial Highlights

Levels (P Billion)	2004	2005	2006	2007	2008p/
Income Statement					
Total Operating Income	9.7	10.7	12.6	14.8	15.8
Net Interest Income	6.5	7.3	8.5	10.6	12.0
Non-interest Income	3.2	3.4	4.1	4.2	3.7
Non-Interest Expenses	7.6	8.4	9.4	10.6	11.1
Losses/Recoveries on Financial Assets	(0.3)	(0.4)	(0.4)	(0.7)	(1.1)
Bad Debts/Provisions for Credit Losses	0.3	0.4	0.4	0.7	1.1
Recovery on Charged-Off Assets	...	...	...	...	...
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	1.8	1.9	2.9	3.6	3.6
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures					
Total Profit/Loss Before Tax and Before Minority Interest	1.8	1.9	2.9	3.6	3.6
Income Tax Expense	0.3	0.4	0.5	0.8	0.8
Total Profit/Loss After Tax and Before Minority Interest	1.6	1.5	2.3	2.8	2.8
Minority Interest in Profit/(Loss) of Subsidiaries					
Net Profit or Loss	1.6	1.5	2.3	2.8	2.8
Balance Sheet					
Total Assets	94.9	109.1	126.6	149.5	145.1
Cash and Due from Banks	17.5	19.3	23.1	27.3	25.9
Financial Assets, gross (Other than Loans)	5.6	6.2	6.5	7.5	7.2
Allowance for Credit Losses	0.1	0.1	0.1	0.1	0.2
Accumulated Market Gains/Losses					
Financial Assets, net (Other than Loans)	5.6	6.1	6.4	7.4	7.1
Loans, gross	59.3	68.3	77.1	93.6	96.8
Allowance for Probable Losses	2.9	3.3	3.4	3.9	4.3
Loans, net	56.4	65.0	73.7	89.8	92.5
Equity Investments, net	0.1	0.1	0.1	0.1	0.1
ROPA, net	7.7	8.0	10.6	11.4	8.1
Other Assets	7.5	10.7	12.7	13.5	11.5
Total Liabilities	80.0	93.2	108.2	128.6	122.1
Financial Liabilities Held for Trading					
Financial Liabilities DFVPL					
Deposits	67.3	76.7	89.0	108.1	99.6
Bills Payable	7.4	8.6	9.4	10.8	12.9
Special Financing	0.2	0.1	0.1	0.1	0.1
Other Liabilities	5.2	7.8	9.7	9.7	9.6
Unsecured Subordinated Debt					
Redeemable Preferred Shares					
Total Capital Accounts	14.9	15.9	18.4	20.8	23.0

... *Less than P0.05 billion*
p/ *Preliminary*

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 36. Rural Banking System: Reconciliation of Financial Highlights

Levels (P Billion)	End-December 2007 Pre-FRP	End-December 2007 FRP	Remarks	End-December 2008 FRP
Income Statement				
Total Operating Income	14.4	14.8	a	15.8
Net Interest Income	10.6	10.6		12.0
Non-interest Income	3.8	4.2	b	3.7
Non-Interest Expenses		10.6	c	11.1
Losses/Recoveries on Financial Assets		(0.7)	d	(1.1)
Bad Debts/Provisions for Credit Losses	0.7	0.7	e	1.1
Recovery on Charged-Off Assets	. . .	. . .	f	. . .
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures		3.6	g	3.6
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures		-	h	-
Total Profit/Loss Before Tax and Before Minority Interest		3.6	i	3.6
Income Tax Expense	0.8	0.8		0.8
Total Profit/Loss After Tax and Before Minority Interest		2.8	j	2.8
Minority Interest in Profit/(Loss) of Subsidiaries		-	k	-
Net Profit or Loss	2.8	2.8		2.8
Balance Sheet				
Total Assets	149.5	149.5		145.1
Cash and Due from Banks	27.3	27.3		25.9
Financial Assets, gross (Other than Loans)		7.5	l	7.2
Allowance for Credit Losses		0.1		0.2
Accumulated Market Gains/Losses		0.0		-
Financial Assets, net (Other than Loans)		7.4		7.1
Loans, gross (exclusive of IBL)	93.6	93.6		96.8
Allowance for Probable Losses	3.9	3.9		4.3
Loans, net (exclusive of IBL)	89.8	89.8		92.5
Equity Investments, net		0.1		0.1
Investments, net	7.5		m	-
ROPA, net	11.4	11.4		8.1
Other Assets, net	13.5	13.5		11.5
Total Liabilities	128.6	128.6		122.1
Financial Liabilities Held for Trading		0.0	n	-
Financial Liabilities DFVPL		0.0	o	-
Deposits	108.1	108.1	p	99.6
Bills Payable	10.8	10.8		12.9
Special Financing	0.1	0.1		0.1
Other Liabilities	9.7	9.7	q	9.6
Unsecured Subordinated Debt	0.0	0.0		-
Redeemable Preferred Shares		0.0	r	-
Total Capital Accounts	20.8	20.8	s	23.0

a / *Difference in value resulted from the inclusion of Dividends Income and Other Income in Non-Interest Income per Financial Reporting Package (FRP).*
b / *Difference in value resulted from the inclusion of Dividends Income and Other Income in Non-Interest Income per FRP.*
c / *Previously labelled as Operating Expenses (Net of Dad Debts and Provisions).*
d / *New line item, no corresponding account in the old Consolidated Statement of Condition (CSOC) and Consolidated Statement of Income and Expense (CSIE) format.*
e / *Small difference in value resulted from the transfer of Provision for Expenses from Provisions for Credit Losses to Non-Interest Expenses.*
f / *Used to be a part of Extraordinary Credits in the old CSOC/CSIE format.*
g / *New line item, no corresponding account in the old CSOC/CSIE format.*
h / *New line item, no corresponding account in the old CSOC/CSIE format.*
i / *New line item, no corresponding account in the old CSOC/CSIE format.*
j / *New line item, no corresponding account in the old CSOC/CSIE format.*
k / *New line item, no corresponding account in the old CSOC/CSIE format.*
l / *New line item; previously investments in debt instruments.*
m / *Taken out of FRP; Broken down into Equity Investments and Financial Assets.*
n / *Used to be a part of Other Liabilities in the old CSOC/CSIE format.*
o / *Used to be a part of Other Liabilities in the old CSOC/CSIE format.*
p / *Added up Long Term Negotiable Certificates of Deposits.*
q / *Difference in value resulted from the exclusion of Financial Liabilities Held for Trading and Financial Liabilities DFVPL.*
r / *Used to be a part of Total Capital Accounts in the old CSOC/CSIE format.*
s / *Excludes Redeemable Preferred Shares.*

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 37. Rural Banking System: Growth Rates

Growth Rates	2004	2005	2006	2007	2008 p/
Income Statement					
Total Operating Income	16.1 %	10.2 %	17.6 %	17.5 %	6.6 %
Net Interest Income	17.5 %	11.4 %	17.4 %	24.3 %	13.5 %
Non-interest Income	13.2 %	7.9 %	18.0 %	3.1 %	(10.7 %)
Non-Interest Expenses	15.6 %	11.0 %	11.4 %	12.9 %	4.6 %
Losses/Recoveries on Financial Assets	42.2 %	48.6 %	(15.3 %)	76.0 %	73.3 %
Bad Debts/Provisions for Credit Losses	43.7 %	45.3 %	(15.4 %)	73.5 %	72.6 %
Recovery on Charged-Off Assets	78.7 %	(17.6 %)	(17.0 %)	(14.7 %)	24.4 %
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	14.8 %	1.1 %	53.5 %	25.0 %	0.4 %
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures					
Total Profit/Loss Before Tax and Before Minority Interest	14.8 %	1.1 %	53.5 %	25.0 %	0.4 %
Income Tax Expense	21.8 %	30.7 %	38.0 %	46.6 %	7.3 %
Total Profit/Loss After Tax and Before Minority Interest	13.5 %	(4.6 %)	57.5 %	20.0 %	(1.5 %)
Minority Interest in Profit/(Loss) of Subsidiaries					
Net Profit or Loss	13.5 %	(4.6 %)	57.5 %	20.0 %	(1.5 %)
Balance Sheet					
Total Assets	13.0 %	15.0 %	16.0 %	18.1 %	(2.9 %)
Cash and Due from Banks	3.6 %	9.9 %	19.7 %	18.4 %	(5.4 %)
Financial Assets, gross (Other than Loans)	32.1 %	9.4 %	4.9 %	15.2 %	(2.7 %)
Allowance for Credit Losses	3,594.9 %	81.2 %	(43.3 %)	(9.1 %)	191.4 %
Accumulated Market Gains/Losses					
Financial Assets, net (Other than Loans)	30.7 %	8.6 %	5.8 %	15.4 %	(4.2 %)
Loans, gross	14.5 %	15.1 %	12.9 %	21.5 %	3.4 %
Allowance for Probable Losses	16.0 %	14.5 %	1.7 %	13.7 %	11.1 %
Loans, net	14.4 %	15.2 %	13.5 %	21.8 %	3.1 %
Equity Investments, net	11.7 %	(14.7 %)	(43.4 %)	12.1 %	(3.3 %)
ROPA, net	11.1 %	3.8 %	31.9 %	7.0 %	(28.9 %)
Other Assets	17.1 %	42.2 %	19.4 %	6.2 %	(15.2 %)
Total Liabilities	13.3 %	16.5 %	16.1 %	18.9 %	(5.0 %)
Financial Liabilities Held for Trading					
Financial Liabilities DFVPL					
Deposits	14.2 %	14.0 %	16.1 %	21.5 %	(7.9 %)
Bills Payable	8.1 %	15.9 %	9.1 %	14.6 %	19.8 %
Special Financing	21.5 %	(13.4 %)	(7.8 %)	(17.8 %)	(26.2 %)
Other Liabilities	9.2 %	50.7 %	24.3 %	(0.1 %)	(0.9 %)
Unsecured Subordinated Debt					
Redeemable Preferred Shares					
Total Capital Accounts	11.2 %	6.9 %	15.6 %	13.1 %	10.2 %

p/ *Preliminary*

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 38. Rural Banking System: Selected Performance Indicators

Selected Ratios	2004	2005	2006	2007	2008 p/
Profitability					
Earning Asset Yield 1/	14.6 %	14.7 %	15.0 %	15.4 %	15.7 %
Funding Cost 2/	6.2 %	6.4 %	6.4 %	6.2 %	5.0 %
Interest Spread 3/	8.5 %	8.3 %	8.6 %	9.2 %	10.7 %
Net Interest Margin 4/	8.8 %	8.6 %	8.9 %	9.4 %	10.6 %
Non-interest Income to Total Operating Income 5/	32.8 %	32.1 %	32.3 %	28.3 %	23.7 %
Cost-to-Income 6/	78.0 %	78.5 %	74.3 %	71.4 %	70.1 %
Return on Assets (ROA) 7/	1.7 %	1.5 %	2.0 %	2.0 %	1.9 %
Return on Equity (ROE) 7/	10.9 %	9.6 %	13.6 %	14.2 %	12.6 %
Liquidity					
Cash and Due from Banks to Deposits	26.1 %	25.2 %	25.9 %	25.3 %	26.0 %
Liquid Assets to Deposits 8/	34.4 %	33.1 %	33.1 %	32.1 %	33.1 %
Loans, gross to Deposits	88.2 %	89.1 %	86.6 %	86.6 %	97.2 %
Asset quality					
Restructured Loans to Total Loan Portfolio	1.1 %	1.1 %	1.0 %	1.0 %	0.6 %
Allowance for Credit Losses on Loans to TLP	4.3 %	4.2 %	3.8 %	3.6 %	4.4 %
Non-performing Loans (NPL)	11.4 %	11.1 %	11.1 %	9.8 %	10.7 %
NPL Coverage	37.3 %	38.2 %	34.4 %	36.3 %	41.3 %
Non-performing Assets (NPA) to Gross Assets	15.0 %	13.6 %	12.5 %	11.1 %	12.6 %
NPA Coverage	18.9 %	20.7 %	19.9 %	21.7 %	24.7 %
Distressed Assets	22.6 %	20.6 %	19.2 %	16.9 %	18.3 %
Capital Adequacy					
Total Capital Accounts to Total Assets 9/	15.7 %	14.6 %	14.6 %	13.9 %	15.8 %
Capital Adequacy Ratio (Solo) 10/	16.7 %	16.0 %	15.0 %	13.5 %	13.7 % a/

1/ *Earning Asset Yield refers to the ratio of interest income to average earning assets*

2/ *Funding Cost refers to the ratio of interest expenses to average interest-bearing liabilities*

3/ *Interest Spread refers to the difference between earning asset yield and funding cost*

4/ *Net Interest Margin refers to the ratio of net interest income to average earning assets*

5/ *Non-interest income now includes dividends income*

6/ *Cost-to-Income Ratio refers to the ratio of non-interest expenses to total operating income*

7/ *ROA and ROE refers to the ratio of annualized net profit to average assets and capital, respectively.*

8/ *Liquid Assets refers to Cash and Due from Banks plus Financial Assets, net of amortization (net of financial assets in equity securities).*

9/ *Total capital accounts includes redeemable preferred shares*

10/ *Based on the new framework provided for under Circular No. 280 dated 29 March 2001, formally adopted 1 July 2001; Under Circular No. 360 dated 3 December 2002, adopted 1 July 2003, Universal/Commercial Banks are to incorporate market risks in addition to credit risks; Under Circular No. 538 dated 4 August 2006, effective 1 July 2007, U/KBs are to incorporate operational risk in addition to credit and market risks.*

p/ *Preliminary*

a/ *Data as of 30 September 2008*

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 39. Rural Banking System: Reconciliation of Selected Performance Indicators

Selected Ratios	End-December 2007 Pre-FRP	End-December 2007 FRP	Remarks	End-December 2008 FRP
Profitability				
Earning Asset Yield	18.8 %	15.4 %	a	15.7 %
Funding Cost	6.2 %	6.2 %	b	5.0 %
Interest Spread	12.6 %	9.2 %	c	10.7 %
Net Interest Margin	11.5 %	9.4 %	d	10.6 %
Non-interest Income to Total Operating Income	26.2 %	28.3 %	e	23.7 %
Cost-to-Income	73.6 %	71.4 %	f	70.1 %
Return on Assets (ROA)	2.0 %	2.0 %	g	1.9 %
Return on Equity (ROE)	14.2 %	14.2 %	h	12.6 %
Liquidity				
Cash and Due from Banks to Deposits	25.3 %	25.3 %		26.0 %
Liquid Assets to Deposits	32.1 %	32.1 %	i	33.1 %
Loans, gross to Deposits	86.6 %	86.6 %	j	97.2 %
Asset quality				
Restructured Loans to Total Loan Portfolio	1.0 %	1.0 %	k	0.6 %
Allowance for Credit Losses on Loans to TLP	3.6 %	3.6 %		4.4 %
Non-performing Loans (NPL)	9.8 %	9.8 %		10.7 %
NPL Coverage	36.3 %	36.3 %		41.3 %
Non-performing Assets (NPA) to Gross Assets	11.1 %	11.1 %		12.6 %
NPA Coverage	21.7 %	21.7 %		24.7 %
Distressed Assets	20.6 %	16.9 %	l	18.3 %
Capital Adequacy				
Total Capital Accounts to Total Assets	13.9 %	13.9 %		15.8 %
Capital Adequacy Ratio (Solo)	13.5 %	13.5 %		13.7 %

a/ *Earning Asset Yield refers to the ratio of interest income to average earning assets. The new FRP format now includes Due from Other Banks as part of Earning Assets. This is in addition to total loan portfolio, gross (net of amortization) and financial assets, net of amortization (net of financial assets in equity securities) which originally comprised Earning Assets per the old CSOC/CSIE format.*

b/ *Funding Cost refers to the ratio of interest expenses to average interest-bearing liabilities. The new FRP format now includes Bonds Payable,net and Redeemable Preferred Shares as part of Interest Bearing Liabilities. Per the old CSOC/CSIE format, Interest Bearing Liabilities is the sum of Deposit Liabilities, Bills Payable and Unsecured Subordinated Debt.*

c/ *Interest Spread refers to the difference between earning asset yield and funding cost*

d/ *Net Interest Margin refers to the ratio of net interest income to average earning assets. Net interest income now includes provision for losses on accrued interest income from financial assets. While due from other banks is added up in the computation of earning assets.*

e/ *Non-interest income now includes dividends income*

f/ *Cost-to-Income Ratio refers to the ratio of non-interest expenses to total operating income. Non-interest expenses comprised what used to be operating expenses (net of bad debts and provisions for probable losses) in the old CSOC/CSIE format. However, the following were added up in the computation of non-interest expenses: 1. provisions for expenses; and 2. impairment losses on a. investments in subsidiaries, associates and joint ventures, b. bank premises, furniture, fixture, and equipment, c. ROPA, d. goodwill, e. other intangible assets, and f. other assets. Meanwhile, total operating income now includes provisions for losses on accrued interest income from financial assets in net interest income and dividends income in non-interest income.*

g/ *ROA refers to the ratio of annualized net profit to average assets*

h/ *ROE refers to the ratio of annualized net profit to average capital*

i/ *Liquid Assets refers to Cash and Due from Banks plus Financial Assets, net of amortization (net of financial assets in equity securities).*

j/ *Loans, gross now excludes Trading Account Securities loans*

k/ *Total Loan Portfolio now excludes Trading Account Securities Loans*

l/ *Revised figure excludes performing sales contract receivables per Circular No. 380 dated 28 March 2003*

Table 40. Rural Banking Offices: Regional Profile

	End-December 2007	End-December 2008		
		Total	Head Offices	Branches/ Other Offices
Nationwide	**2,011**	**2,020**	**658**	**1,362**
National Capital Region (NCR)	**67**	**61**	**24**	**37**
Luzon	**1,281**	**1,289**	**388**	**901**
Region I - Ilocos	183	186	57	129
Region II - Cagayan	142	143	33	110
Region III - Central Luzon	317	330	89	241
Region IV-A - CALABARZON	450	446	132	314
Region IV-B - MIMAROPA	53	53	22	31
Region V - Bicol	89	83	37	46
Cordillera Administrative Region (CAR)	47	48	18	30
Visayas	**305**	**298**	**135**	**163**
Region VI - Western Visayas	124	131	68	63
Region VII - Central Visayas	131	122	44	78
Region VIII - Eastern Visayas	50	45	23	22
Mindanao	**358**	**372**	**111**	**261**
Region IX - Zamboanga Peninsula	41	44	14	30
Region X - Northern Mindanao	93	98	42	56
Region XI - Davao Region	89	92	19	73
Region XII - Soccsksargen [1/]	64	65	18	47
ARMM	2	2	2	-
CARAGA	69	71	16	55

1/ Composed of the provinces of North Cotabato, South Cotabato, Sultan Kudarat and Sarangani, and the cities of General Santos, Koronadal, Tacurong and Kidapawan.

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 41. Rural Banking System: Automated Teller Machines (ATMs)

As of periods indicated

	On-site		Off-site		Total	
	Dec '07	Dec '08	Dec '07	Dec '08	Dec '07	Dec '08
Nationwide	**71**	**95**	**12**	**18**	**83**	**113**
National Capital Region (NCR)	**3**	**3**			**3**	**3**
Luzon	**11**	**12**	**-**	**-**	**11**	**12**
Region I - Ilocos	2	2			2	2
Region II - Cagayan	1	1			1	1
Region III - Central Luzon	6	6			6	6
Region IV-A - CALABARZON	2	2			2	2
Region IV-B - MIMAROPA						
Region V - Bicol		1				1
Cordillera Administrative Region (CAR)						
Visayas	**-**	**11**	**-**	**-**	**-**	**11**
Region VI - Western Visayas		4				4
Region VII - Central Visayas		4				4
Region VIII - Eastern Visayas		3				3
Mindanao	**57**	**69**	**12**	**18**	**69**	**87**
Region IX - Zamboanga Peninsula	3	6	2	3	5	9
Region X - Northern Mindanao	7	11	3	3	10	14
Region XI - Davao Region	25	27	5	10	30	37
Region XII - Soccsksargen [1/]	9	12	1	1	10	13
ARMM	1	1			1	1
CARAGA	12	12	1	1	13	13

1/ Composed of the provinces of North Cotabato, South Cotabato, Sultan Kudarat and Sarangani, and the cities of General Santos, Koronadal, Tacurong and Kidapawan.

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 42. Rural Banks Authorized to Engage in E-Banking Operations

As of End-December 2008

Name of Bank	Mobile	Non-Mobile	Internet	Proprietary	Mobile/ Internet via Bancnet or Megalink Switch	Cash Card
Domestic Banks						
1. Agribusiness Rural Bank, Inc.						■
2. Cantilan Bank						■
3. Rural Bank of Abucay, Inc.						■
4. Rural Bank of Cauayan, Inc.						■
5. Bangko Luzon, Inc.						■
6. Bank of Florida						■
7. GM Bank, Inc.						■
8. Green Bank						■
9. Philippine Rural Banking Corp.						■
10. Rural Bank of Jaen, Inc.						■
11. New Rural Bank of Victorias, Inc.						■
12. Bangko Mabuhay (RB of Tanza)						■
13. Unity Bank	■					
14. Rang-ay Bank, Inc.						■
15. First Isabela Cooperative Bank						■
16. Zambales Rural Bank, Inc.						■
17. First Community Bank, Inc.						■
18. 1st Valley Bank, Inc.						■
19. Bangko Kabayan-Ibaan Rural Bank						■
20. Upland Rural Bank of Dalaguete						■
21. Rural Bank of San Enrique (Iloilo)						■
22. Gateway Rural Bank, Inc.						■
23. Sarangani Rural Bank, Inc.						■
24. First Macro Bank (RB of Pateros)						■
25. Rural Bank of Cotabato, Inc.						■
26. Cooperative Bank of Misamis Oriental						■
27. Rural Bank of Cainta, Inc.						■
28. Rural Bank of Jimenez (Mis. Occ) Inc.						■
29. Community Rural Bank of Clarin (Mis. Occ) Inc.						■
30. Rural Bank of Pagbilao, Inc.						■
31. Asian Hills Bank Inc.						■
32. Rural Bank of Bogo (Cebu), Inc.						■
33. Rural Bank of Katipunan (ZN), Inc.						■
34. Rural Bank of Labason (ZN), Inc.						■
35. Rural Bank of Dulag (Leyte), Inc.						■
36. Ormon Bank (Bay, Laguna)						■
37. Rural Bank of Tiaong (Quezon)						■
38. Quezon Capital Rural Bank,Inc.						■
39. Rural Bank of Placer, Inc.						■
40. Bank of Makati (A Rural Bank)						■
41. Rural Bank of Lebak (Sultan Kudarat)						■
42. Classic Rural Bank, Inc.						■
43. Enterprise Bank, Inc.						■
44. Rural Bank of Camalig (Albay), Inc.						■
45. Rural Bank of Santiago de Libon, Inc.						■
46. One Network Rural Bank, Inc.						■
47. Filipino Savers Bank, Inc.						■

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 43. Rural Banking System: Profitability Indicators

Levels (P Billion)	2004	2005	2006	2007	2008 p/
Total Operating Income	9.7	10.7	12.6	14.8	15.8
Net Interest Income	6.5	7.3	8.5	10.6	12.0
Interest Income	10.9	12.4	14.4	17.3	17.8
Provision for Lossses on Accrued Interest Income from Financial Assets	0.0	0.0	0.0	0.0	0.0
Interest Expenses	4.4	5.1	5.9	6.7	5.8
Non-interest Income	3.2	3.4	4.1	4.2	3.7
Dividend Income	. . .	. . .	. . .	. . .	. . .
Fee-based Income	2.0	2.2	2.3	2.6	2.2
Trading Income	. . .	. . .	. . .	. . .	. . .
FX Profits/Loss	. . .	. . .	. . .	. . .	. . .
Profit/(Loss) from Sale/Redemption/Derecognition of Non-Trading Financial Assets and Liabilities	0.0	0.0	0.0	0.0	0.0
Profit/(Loss) from Sale/Derecognition of Non-Financial Assets	0.0	0.0	0.0	0.0	0.0
Profit/(Loss) on Financial Assets and Liabilities Designated at Fair Value through Profit or Loss	0.0	0.0	0.0	0.0	0.0
Profit/(Loss) on Fair Value Adjustment in Hedge Accounting	0.0	0.0	0.0	0.0	0.0
Other Income	1.2	1.2	1.7	1.6	1.5
Non-Interest Expenses	7.6	8.4	9.4	10.6	11.1
Losses/Recoveries on Financial Assets	(0.3)	(0.4)	(0.4)	(0.7)	(1.1)
Bad Debts/Provisions for Credit Losses	0.3	0.4	0.4	0.7	1.1
Recovery on Charged-Off Assets	. . .	. . .	. . .	. . .	. . .
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	1.8	1.9	2.9	3.6	3.6
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	0.0	0.0	0.0	0.0	0.0
Total Profit/Loss Before Tax and Before Minority Interest	1.8	1.9	2.9	3.6	3.6
Income Tax Expense	0.3	0.4	0.5	0.8	0.8
Total Profit/Loss After Tax and Before Minority Interest	1.6	1.5	2.3	2.8	2.8
Minority Interest in Profit/(Loss) of Subsidiaries	0.0	0.0	0.0	0.0	0.0
Net Profit or Loss	1.6	1.5	2.3	2.8	2.8
Growth Rates					
Total Operating Income	16.1 %	10.2 %	17.6 %	17.5 %	6.6 %
Net Interest Income	17.5 %	11.4 %	17.4 %	24.3 %	13.5 %
Interest Income	16.2 %	14.0 %	16.2 %	20.2 %	2.8 %
Provision for Lossses on Accrued Interest Income from Financial Assets					
Interest Expenses	14.3 %	17.9 %	14.5 %	14.3 %	(14.0 %)
Non-interest Income	13.2 %	7.9 %	18.0 %	3.1 %	(10.7 %)
Dividend Income	(132.0 %)	(179.6 %)	(107.2 %)	(257.0 %)	(108.3 %)
Fee-based Income	8.3 %	12.4 %	5.7 %	9.3 %	(11.9 %)
Trading Income	(32.9 %)	(29.3 %)	(21.0 %)	(38.9 %)	97.3 %
FX Profits/Loss	71.0 %	(47.9 %)	100.1 %	(69.3 %)	214.5 %
Profit/(Loss) from Sale/Redemption/Derecognition of Non-Trading Financial Assets and Liabilities					
Profit/(Loss) from Sale/Derecognition of Non-Financial Assets					
Profit/(Loss) on Financial Assets and Liabilities Designated at Fair Value through Profit or Loss					
Profit/(Loss) on Fair Value Adjustment in Hedge Accounting					
Other Income	24.3 %	1.4 %	40.6 %	(4.6 %)	(9.6 %)
Non-Interest Expenses	15.6 %	11.0 %	11.4 %	12.9 %	4.6 %
Losses/Recoveries on Financial Assets	42.2 %	48.6 %	(15.3 %)	76.0 %	73.3 %
Bad Debts/Provisions for Credit Losses	43.7 %	45.3 %	(15.4 %)	73.5 %	72.6 %
Recovery on Charged-Off Assets	78.7 %	(17.6 %)	(17.0 %)	(14.7 %)	24.4 %
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	14.8 %	1.1 %	53.5 %	25.0 %	0.4 %
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures					
Total Profit/Loss Before Tax and Before Minority Interest	14.8 %	1.1 %	53.5 %	25.0 %	0.4 %
Income Tax Expense	21.8 %	30.7 %	38.0 %	46.6 %	7.3 %
Total Profit/Loss After Tax and Before Minority Interest	13.5 %	(4.6 %)	57.5 %	20.0 %	(1.5 %)
Minority Interest in Profit/(Loss) of Subsidiaries					
Net Profit or Loss	13.5 %	(4.6 %)	57.5 %	20.0 %	(1.5 %)

p/ Preliminary
. . . Less than P0.05 billion

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 44. Rural Banking System: Reconciliation of Profitability Indicators

Levels (P Billion)	2007 Pre-FRP	2007 FRP	Remarks	2008 FRP
Total Operating Income	14.4	14.8	a	15.8
Net Interest Income	10.6	10.6		12.0
Interest Income	17.3	17.3		17.8
Provision for Lossses on Accrued Interest Income from Financial Assets		0.0	b	0.0
Interest Expenses	6.7	6.7		5.8
Non-interest Income	3.8	4.2	c	3.7
Dividend Income	. . .	. . .	d	. . .
Fee-based Income	2.6	2.6	e	2.2
Trading Income	. . .	. . .	f	. . .
FX Profits/Loss	. . .	. . .	g	. . .
Profit/(Loss) from Sale/Redemption/Derecognition of Non-Trading Financial Assets and Liabilities		0.0	h	0.0
Profit/(Loss) from Sale/Derecognition of Non-Financial Assets		0.0	i	0.0
Profit/(Loss) on Financial Assets and Liabilities Designated at Fair Value through Profit or Loss		0.0	j	0.0
Profit/(Loss) on Fair Value Adjustment in Hedge Accounting		0.0	k	0.0
Trust Department Income	. . .		l	
Other Income	1.2	1.6	m	1.5
Non-Interest Expenses		10.6	n	11.1
Losses/Recoveries on Financial Assets		(0.7)	o	(1.1)
Bad Debts/Provisions for Credit Losses	0.7	0.7	p	1.1
Recovery on Charged-Off Assets	. . .	. . .	q	. . .
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures		3.6	r	3.6
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures		0.0	s	0.0
Total Profit/Loss Before Tax and Before Minority Interest		3.6	t	3.6
Income Tax Expense	0.8	0.8	u	0.8
Total Profit/Loss After Tax and Before Minority Interest		2.8	v	2.8
Minority Interest in Profit/(Loss) of Subsidiaries		0.0	w	0.0
Net Profit or Loss	2.8	2.8	x	2.8

a / *Difference in value resulted from the inclusion of Dividends Income and Other Income in Non-Interest Income per Financial Reporting Package (FRP).*
b / *New line item, no corresponding account in the old CSOC/CSIE format.*
c / *Under the new FRP format, dividends income is added up to non-interest income.*
d / *Used to be a part of Extraordinary Credits in the old CSOC/CSIE format.*
e / *Difference in value resulted from the inclusion of Income from Fiduciary Activities (Trust Department Income), Securitization Activities and Underwriting and Securities Dealership.*
f / *Under the new FRP format, foreign exchange profits/losses is extracted from trading income.*
g / *Used to be a part of Trading Income in the old CSOC/CSIE format.*
h / *New line item, no corresponding account in the old CSOC/CSIE format.*
i / *New line item, no corresponding account in the old CSOC/CSIE format.*
j / *New line item, no corresponding account in the old CSOC/CSIE format.*
k / *New line item, no corresponding account in the old CSOC/CSIE format.*
l / *Moved to Fee-based Income*
m / *Difference in value resulted from the inclusion of portions of Extraordinary Credits.*
n / *Non-interest expenses comprised what used to be operating expenses (net of bad debts and provisions for probable losses) in the old CSOC/CSIE format. However, the following were added up in the computation of non-interest expenses: 1. provisions for expenses; and 2. impairment losses on a. investments in subsidiaries, associates and joint ventures, b. bank premises, furniture, fixture, and equipment, c. ROPA, d. goodwill, e. other intangible assets, and f. other assets.*
o / *New line item, no corresponding account in the old CSOC/CSIE format.*
p / *Used to be a part of Extraordinary Credits in the old CSOC/CSIE format. Difference in value resulted from the transfer of Provision for Expenses from Provisions for Credit Losses to Non-Interest Expenses.*
q / *Used to be a part of Extraordinary Credits in the old CSOC/CSIE format.*
r / *New line item, no corresponding account in the old CSOC/CSIE format.*
s / *New line item, no corresponding account in the old CSOC/CSIE format.*
t / *New line item, no corresponding account in the old CSOC/CSIE format.*
u / *Previously labelled as Provisions for Income Tax.*
v / *New line item, no corresponding account in the old CSOC/CSIE format.*
w / *New line item, no corresponding account in the old CSOC/CSIE format.*
x / *Previously labelled as Net Income/Loss After Tax.*
. . . *Less than P0.05 billion*

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 45. Rural Banking System: Regional Profitability Indicators

Region	End- December 2008 p/						
	Earning Asset Yield	Funding Cost	Interest Spread	Net Interest Margin	Cost to Income	Return on Asset (ROA)	Return on Equity (ROE)
Industry	**15.7 %**	**5.0 %**	**10.7 %**	**10.6 %**	**70.1 %**	**1.9 %**	**12.6 %**
NCR	19.7 %	7.4 %	12.3 %	13.1 %	52.0 %	2.5 %	17.0 %
Region 1	10.3 %	4.4 %	5.9 %	6.1 %	81.2 %	1.1 %	7.6 %
Region 2	15.6 %	6.4 %	9.2 %	10.0 %	75.3 %	1.7 %	12.1 %
Region 3	11.7 %	4.5 %	7.1 %	7.4 %	74.0 %	1.7 %	10.6 %
CALABARZON	12.7 %	4.0 %	8.7 %	8.6 %	80.2 %	1.3 %	9.0 %
MIMAROPA	12.1 %	4.4 %	7.7 %	8.5 %	66.7 %	3.0 %	13.0 %
Region 5	9.4 %	3.2 %	6.2 %	6.6 %	72.7 %	1.3 %	8.5 %
Region 6	13.7 %	4.6 %	9.1 %	9.4 %	80.9 %	1.4 %	10.8 %
Region 7	12.7 %	4.2 %	8.5 %	8.7 %	71.3 %	1.7 %	12.7 %
Region 8	12.4 %	3.4 %	8.9 %	9.6 %	72.1 %	2.4 %	16.6 %
Region 9	13.3 %	3.6 %	9.7 %	10.5 %	78.5 %	1.7 %	8.1 %
Region 10	18.6 %	8.5 %	10.2 %	11.1 %	62.3 %	3.1 %	19.9 %
Region 11	16.3 %	3.6 %	12.8 %	12.8 %	62.0 %	2.9 %	19.2 %
Region 12	12.3 %	2.7 %	9.6 %	9.8 %	80.5 %	1.4 %	10.1 %
CAR	11.3 %	3.0 %	8.3 %	8.6 %	74.7 %	1.5 %	8.9 %
ARMM	16.7 %	2.5 %	14.2 %	14.1 %	103.1 %	(0.5 %)	(3.9 %)
CARAGA	19.0 %	6.4 %	12.6 %	13.0 %	80.5 %	2.0 %	14.6 %

p/ *Preliminary*

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 46. Rural Banking System: Asset Quality Indicators [1/]

Levels (P Billion)	2004	2005	2006	2007	2008 [p/]
Total Assets	94.9	109.1	126.6	149.5	145.1
Gross Assets [2/]	97.7	112.3	129.8	153.1	149.8
Total Loan Portfolio (TLP)	58.9	67.8	76.6	93.1	96.8
Non-performing Loans (NPL) [3/]	6.7	7.5	8.5	9.1	10.4
Allowance for Credit Losses on Loans	2.5	2.9	2.9	3.3	4.3
ROPA, gross	8.0	8.3	10.9	11.7	8.4
Allowance for ROPA	0.3	0.3	0.3	0.4	0.4
Restructured Loans (RL), gross	0.6	0.7	0.7	0.9	0.6
RL, performing	0.4	0.4	0.5	0.7	0.4
Distressed Assets [4/]	15.1	15.7	16.8	17.7	19.2
Non-performing Assets (NPAs) [5/]	14.7	15.3	16.3	17.0	18.8
Allowance on NPAs [6/]	2.8	3.2	3.2	3.7	4.7
Performing Sales Contract Receivables	0.1	0.6	3.1	3.9	0.7
Growth Rates					
Total Assets	13.0 %	15.0 %	16.0 %	18.1 %	(2.9 %)
Gross Assets [2/]	13.0 %	14.9 %	15.6 %	18.0 %	(2.2 %)
TLP	14.3 %	15.1 %	13.0 %	21.5 %	4.0 %
NPL [3/]	7.9 %	11.9 %	12.7 %	7.7 %	13.5 %
Allowance for Credit Losses on Loans	11.6 %	14.4 %	1.6 %	13.9 %	29.1 %
ROPA, gross	11.8 %	4.0 %	31.1 %	7.2 %	(28.0 %)
Allowance for ROPA	33.6 %	11.2 %	9.6 %	12.9 %	2.8 %
RL, gross	(2.3 %)	17.6 %	(0.4 %)	25.4 %	(37.0 %)
RL, performing	(10.3 %)	(8.0 %)	22.6 %	41.0 %	(41.1 %)
Distressed Assets [4/]	8.9 %	3.8 %	6.9 %	5.4 %	8.7 %
NPAs [5/]	9.6 %	4.1 %	6.5 %	4.4 %	10.7 %
Allowance on NPAs [6/]	13.3 %	14.1 %	2.3 %	13.8 %	26.5 %
Performing SCR	300.0 %	948.1 %	446.8 %	23.1 %	(81.1 %)

1/ *Asset Quality Indicators defined per BSP Circular No.202 dated 27 May 1999 amended by BSP Circular No. 351 dated 19 September 2002*

2/ *Gross Assets refers to Total Assets, Net of Due to Head Office/Branches/Agencies plus Allowance for Credit Losses on Loans plus Allowance for Credit Losses on Sales Contract Receivable (SCR) plus Allowance for Losses on ROPA plus Accumulated Depreciation on ROPA minus Loans Classified as Loss Fully Covered by Allowance for Credit Losses*

3/ *NPL refers to Loans Classified as Past Due and Already Non-Performing plus Items in Litigation minus Loans Classified as Loss Fully Covered by Allowance for Credit Losses*

4/ *Distressed Assets refers to NPAs plus performing RLs. Revised figure excludes performing sales contract receivables per Circular No. 380 dated 28 March 2003*

5/ *NPA refers to NPLs plus ROPA, gross excluding performing sales contracts receivable per BSP Circular No. 380 dated 28 March 2003. Based on the new Financial Reporting Package (FRP) framework provided for under Circular No. 512 dated 03 February 2006 effective 31 December 2006, NPA should include non-current assets held for sale.*

6/ *Allowance on NPAs refers to Allowance for Credit Losses on Loans plus Allowance for Credit Losses on SCR plus Allowance for Losses on ROPA plus Accumulated Depreciation on ROPA.*

p/ *Preliminary*

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 47. Cooperative Banking System: Financial Highlights

Levels (P Billion)	2004	2005	2006	2007	2008 p/
Income Statement					
Total Operating Income	0.7	0.8	0.9	1.1	1.2
Net Interest Income	0.4	0.4	0.5	0.6	0.7
Non-interest Income	0.4	0.4	0.4	0.5	0.6
Non-Interest Expenses	0.6	0.6	0.7	0.8	0.9
Losses/Recoveries on Financial Assets	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)
Bad Debts/Provisions for Credit Losses	. . .	. . .	. . .	. . .	0.1
Recovery on Charged-Off Assets	. . .	. . .	. . .	. . .	. . .
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	0.1	0.2	0.2	0.2	0.3
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	-	-	-	-	-
Total Profit/Loss Before Tax and Before Minority Interest	0.1	0.2	0.2	0.2	0.3
Income Tax Expense	. . .	. . .	. . .	. . .	. . .
Total Profit/Loss After Tax and Before Minority Interest	0.1	0.2	0.2	0.2	0.3
Minority Interest in Profit/(Loss) of Subsidiaries	-	-	-	-	-
Net Profit or Loss	0.1	0.2	0.2	0.2	0.3
Balance Sheet					
Total Assets	6.4	7.5	8.9	10.8	12.7
Cash and Due from Banks	0.9	1.2	1.7	2.0	2.2
Financial Assets, gross (Other than Loans)	0.2	0.2	0.2	0.3	0.5
Allowance for Credit Losses	-	-	-	-	. . .
Accumulated Market Gains/Losses	-	-	-	-	-
Financial Assets, net (Other than Loans)	0.2	0.2	0.2	0.3	0.5
Loans, gross (exclusive of IBL)	4.8	5.4	6.2	7.6	9.2
Allowance for Probable Losses	0.3	0.3	0.4	0.4	0.4
Loans, net (exclusive of IBL)	4.5	5.1	5.8	7.2	8.7
Equity Investments, net	. . .	. . .	. . .	. . .	. . .
ROPA, net	0.3	0.4	0.4	0.4	0.5
Other Assets, net	0.4	0.6	0.8	0.8	0.9
Total Liabilities	5.3	6.3	7.5	9.2	11.0
Financial Liabilities Held for Trading	-	-	-	-	-
Financial Liabilities DFVPL	-	-	-	-	-
Deposits	3.7	4.4	5.3	6.6	7.6
Bills Payable	1.3	1.4	1.7	2.0	2.8
Special Financing	. . .	. . .	. . .	. . .	. . .
Other Liabilities	0.3	0.5	0.5	0.6	0.6
Unsecured Subordinated Debt	-	-	-	-	-
Redeemable Preferred Shares					
Total Capital Accounts	1.1	1.2	1.3	1.5	1.7

. . . *Less than P0.05 billion*
p/ *Preliminary*

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 48. Cooperative Banking System: Reconciliation of Financial Highlights

Levels (P Billion)	End-December 2007 Pre-FRP	End-December 2007 FRP	Remarks	End-December 2008 FRP
Income Statement				
Total Operating Income	1.1	1.1	a	1.2
Net Interest Income	0.6	0.6		0.7
Non-interest Income	0.5	0.5	b	0.6
Non-Interest Expenses		0.8	c	0.9
Losses/Recoveries on Financial Assets		(0.0)	d	(0.1)
Bad Debts/Provisions for Credit Losses	. . .	. . .	e	0.1
Recovery on Charged-Off Assets	. . .	. . .	f	. . .
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures		0.2	g	0.3
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures		-	h	-
Total Profit/Loss Before Tax and Before Minority Interest		0.2	i	0.3
Income Tax Expense	. . .	. . .		. . .
Total Profit/Loss After Tax and Before Minority Interest		0.2	j	0.3
Minority Interest in Profit/(Loss) of Subsidiaries		-	k	-
Net Profit or Loss	0.2	0.2		0.3
Balance Sheet				
Total Assets	10.8	10.8		12.7
Cash and Due from Banks	2.0	2.0		2.2
Financial Assets, gross (Other than Loans)		0.3	l	0.5
Allowance for Credit Losses		-		. . .
Accumulated Market Gains/Losses		-		-
Financial Assets, net (Other than Loans)		0.3		0.5
Loans, gross (exclusive of IBL)	7.6	7.6		9.2
Allowance for Probable Losses	0.4	0.4		0.4
Loans, net (exclusive of IBL)	7.2	7.2	m	8.7
Equity Investments, net		. . .		. . .
Investments, net	0.3	-	n	-
ROPA, net	0.4	0.4		0.5
Other Assets, net	0.8	0.8		0.9
Total Liabilities	9.2	9.2		11.0
Financial Liabilities Held for Trading		-	o	-
Financial Liabilities DFVPL		-	p	-
Deposits	6.6	6.6	q	7.6
Bills Payable	2.0	2.0		2.8
Special Financing	. . .	. . .		. . .
Other Liabilities	0.6	0.6	r	0.6
Unsecured Subordinated Debt	-	-		-
Redeemable Preferred Shares		-	s	-
Total Capital Accounts	1.5	1.5	t	1.7

a / *Difference in value resulted from the inclusion of Dividends Income and Other Income in Non-Interest Income per Financial Reporting Package (FRP).*

b / *Difference in value resulted from the inclusion of Dividends Income and Other Income in Non-Interest Income per FRP.*

c / *Previously labelled as Operating Expenses (Net of Dad Debts and Provisions).*

d / *New line item, no corresponding account in the old Consolidated Statement of Condition (CSOC) and Consolidated Statement of Income and Expense (CSIE) format.*

e / *Difference in value resulted from the transfer of Provision for Expenses from Provisions for Credit Losses to Non-Interest Expenses.*

f / *Used to be a part of Extraordinary Credits in the old CSOC/CSIE format.*

g / *New line item, no corresponding account in the old CSOC/CSIE format.*

h / *New line item, no corresponding account in the old CSOC/CSIE format.*

i / *New line item, no corresponding account in the old CSOC/CSIE format.*

j / *New line item, no corresponding account in the old CSOC/CSIE format.*

k / *New line item, no corresponding account in the old CSOC/CSIE format.*

l / *New line item; previously investments in debt instruments.*

m / *Difference in value resulted from the transfer of Trading Account Securities Loans to Financial Assets*

n / *Taken out of FRP; Broken down into Equity Investments and Financial Assets.*

o / *Used to be a part of Other Liabilities in the old CSOC/CSIE format.*

p / *Used to be a part of Other Liabilities in the old CSOC/CSIE format.*

q / *Added up Long Term Negotiable Certificates of Deposits.*

r / *Difference in value resulted from the exclusion of Financial Liabilities Held for Trading and Financial Liabilities DFVPL.*

s / *Used to be a part of Total Capital Accounts in the old CSOC/CSIE format.*

t / *Excludes Redeemable Preferred Shares.*

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 49. Cooperative Banking System: Growth Rates

Growth Rates	2004	2005	2006 p/	2007	2008 r/
Income Statement					
Total Operating Income	13.1 %	14.1 %	10.4 %	16.4 %	15.6 %
Net Interest Income	9.8 %	15.1 %	14.8 %	17.1 %	16.4 %
Non-interest Income	16.7 %	13.1 %	5.8 %	15.6 %	14.7 %
Non-Interest Expenses	11.4 %	10.2 %	11.5 %	16.7 %	10.6 %
Losses/Recoveries on Financial Assets	(95.9 %)	0.4 %	(11.9 %)	17.5 %	170.2 %
Bad Debts/Provisions for Credit Losses	94.9 %	1.9 %	10.6 %	(16.9 %)	165.8 %
Recovery on Charged-Off Assets	52.8 %	127.7 %	(21.1 %)	4.9 %	48.4 %
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	9.7 %	32.7 %	6.3 %	21.0 %	13.9 %
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures					
Total Profit/Loss Before Tax and Before Minority Interest	9.7 %	32.7 %	6.3 %	21.0 %	13.9 %
Income Tax Expense	(42.8 %)	53.2 %	486.2 %	(99.7 %)	3,312.5 %
Total Profit/Loss After Tax and Before Minority Interest	9.9 %	32.6 %	5.1 %	22.7 %	13.8 %
Minority Interest in Profit/(Loss) of Subsidiaries					
Net Profit or Loss	9.9 %	32.6 %	5.1 %	22.7 %	13.8 %
Balance Sheet					
Total Assets	13.2 %	17.1 %	18.3 %	21.5 %	18.2 %
Cash and Due from Banks	11.7 %	23.2 %	45.1 %	20.5 %	7.8 %
Financial Assets, gross (Other than Loans)	10.7 %	10.0 %	(4.0 %)	28.2 %	58.3 %
Allowance for Credit Losses					
Accumulated Market Gains/Losses					
Financial Assets, net (Other than Loans)	10.7 %	10.0 %	(4.0 %)	28.2 %	57.0 %
Loans, gross (exclusive of IBL)	14.9 %	12.9 %	13.9 %	23.0 %	21.0 %
Allowance for Probable Losses	21.8 %	16.3 %	12.7 %	15.1 %	7.4 %
Loans, net (exclusive of IBL)	14.5 %	12.7 %	14.0 %	23.4 %	21.7 %
Equity Investments, net	(17.2 %)	(19.0 %)	38.3 %	14.5 %	52.0 %
ROPA, net	13.7 %	34.7 %	3.5 %	16.5 %	3.5 %
Other Assets, net	5.2 %	42.3 %	21.0 %	9.5 %	6.2 %
Total Liabilities	13.0 %	18.1 %	20.0 %	22.7 %	19.2 % a
Financial Liabilities Held for Trading					
Financial Liabilities DFVPL					
Deposits	13.5 %	17.6 %	21.7 %	24.0 %	15.3 %
Bills Payable	15.7 %	11.2 %	21.6 %	19.4 %	38.0 %
Special Financing	(0.3 %)	1.4 %	(10.1 %)	3.4 %	(30.8 %)
Other Liabilities	0.0 %	55.0 %	1.3 %	22.0 %	1.1 %
Unsecured Subordinated Debt					
Redeemable Preferred Shares					
Total Capital Accounts	14.1 %	12.1 %	9.9 %	14.7 %	12.1 %

p/ *Preliminary*

Table 50. Cooperative Banking System: Selected Performance Indicators

Selected Ratios	2004	2005	2006	2007 p/	2008
Profitability					
Earning Asset Yield [1/]	14.5 %	13.9 %	13.6 %	13.5 %	13.8 %
Funding Cost [2/]	8.7 %	8.0 %	7.8 %	7.7 %	6.9 %
Interest Spread [3/]	5.8 %	6.0 %	5.8 %	5.8 %	6.9 %
Net Interest Margin [4/]	6.9 %	6.9 %	6.7 %	6.6 %	7.0 %
Non-interest Income to Total Operating Income [5/]	49.8 %	49.3 %	47.3 %	47.0 %	46.6 %
Cost-to-Income [6/]	76.4 %	73.8 %	74.6 %	74.8 %	71.6 %
Return on Assets (ROA) [7/]	2.4 %	2.7 %	2.4 %	2.5 %	2.4 %
Return on Equity (ROE) [7/]	13.9 %	16.3 %	15.4 %	16.8 %	16.9 %
Liquidity					
Cash and Due from Banks to Deposits	25.1 %	26.3 %	31.3 %	30.5 %	28.5 %
Liquid Assets to Deposits [8/]	30.9 %	31.7 %	35.6 %	34.9 %	34.5 %
Loans, gross to Deposits	129.1 %	124.0 %	116.1 %	115.1 %	120.8 %
Asset quality					
Restructured Loans to Total Loan Portfolio	2.7 %	2.4 %	1.9 %	2.1 %	1.9 %
Allowance for Credit Losses on Loans to TLP	4.7 %	4.8 %	5.4 %	4.7 %	4.8 %
Non-performing Loans (NPL)	11.3 %	11.0 %	11.9 %	13.1 %	9.3 %
NPL Coverage	41.5 %	43.1 %	45.1 %	36.0 %	51.9 %
Non-performing Assets (NPA) to Gross Assets	12.3 %	12.3 %	12.0 %	12.6 %	10.0 %
NPA Coverage	28.0 %	27.4 %	30.5 %	25.9 %	34.3 %
Distressed Assets	18.3 %	18.0 %	18.4 %	19.0 % a/	14.9 %
Capital Adequacy					
Total Capital Accounts to Total Assets [9/]	17.1 %	16.3 %	15.2 %	14.3 %	13.6 %
Capital Adequacy Ratio (Solo) [10/]	14.0 %	15.5 %	12.1 %	14.1 %	15.1 %

1/ *Earning Asset Yield refers to the ratio of interest income to average earning assets*
2/ *Funding Cost refers to the ratio of interest expenses to average interest-bearing liabilities*
3/ *Interest Spread refers to the difference between earning asset yield and funding cost*
4/ *Net Interest Margin refers to the ratio of net interest income to average earning assets*
5/ *Non-interest income now includes dividends income*
6/ *Cost-to-Income Ratio refers to the ratio of non-interest expenses to total operating income*
7/ *ROA and ROE refers to the ratio of annualized net profit to average assets and capital, respectively.*
8/ *Liquid Assets refers to Cash and Due from Banks plus Financial Assets, net of amortization (net of financial assets in equity securities).*
9/ *Total capital accounts includes redeemable preferred shares*
10/ *Based on the new framework provided for under Circular No. 280 dated 29 March 2001, formally adopted 1 July 2001; Under Circular No. 360 dated 3 December 2002, adopted 1 July 2003, Universal/Commercial Banks are to incorporate market risks in addition to credit risks; Under Circular No. 538 dated 4 August 2006, effective 1 July 2007, U/KBs are to incorporate operational risk in addition to credit and market risks.*
p/ *Preliminary*
a/ *Data as of 30 September 2008*

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 51. Cooperative Banking System: Reconciliation of Selected Performance Indicators

Selected Ratios	End-December 2007 Pre-FRP	End-December 2007 FRP	Remarks	End-December 2008 FRP
Profitability				
Earning Asset Yield	16.4 %	13.5 %	a	13.8 %
Funding Cost	7.7 %	7.7 %	b	6.9 %
Interest Spread	8.7 %	5.8 %	c	6.9 %
Net Interest Margin	8.0 %	6.6 %	d	7.0 %
Non-interest Income to Total Operating Income	45.7 %	47.0 %	e	46.6 %
Cost-to-Income	76.6 %	74.8 %	f	71.6 %
Return on Assets (ROA)	2.5 %	2.5 %	g	2.4 %
Return on Equity (ROE)	16.8 %	16.8 %	h	16.9 %
Liquidity				
Cash and Due from Banks to Deposits	30.5 %	30.5%		28.5 %
Liquid Assets to Deposits	34.9 %	34.9%	i	34.5 %
Loans, gross to Deposits	115.1 %	115.1%		120.8 %
Asset quality				
Restructured Loans to Total Loan Portfolio	2.1 %	2.1%		1.9 %
Allowance for Credit Losses on Loans to TLP	4.7 %	4.7%		4.8 %
Non-performing Loans (NPL)	13.1 %	13.1%		9.3 %
NPL Coverage	36.0 %	36.0%		51.9 %
Non-performing Assets (NPA) to Gross Assets	12.6 %	12.6%		10.0 %
NPA Coverage	25.9 %	25.9%		34.3 %
Distressed Assets	19.4 %	19.0%	j	14.9 %
Capital Adequacy				
Total Capital Accounts to Total Assets	14.3 %	14.3%		13.6 %
Capital Adequacy Ratio (Solo)	14.1 %	14.1%		15.1 %

a/ *Earning Asset Yield refers to the ratio of interest income to average earning assets. The new FRP format now includes Due from Other Banks as part of Earning Assets. This is in addition to total loan portfolio, gross (net of amortization) and financial assets, net of amortization (net of financial assets in equity securities) which originally comprised Earning Assets per the old CSOC/CSIE format.*

b/ *Funding Cost refers to the ratio of interest expenses to average interest-bearing liabilities. The new FRP format now includes Bonds Payable,net and Redeemable Preferred Shares as part of Interest Bearing Liabilities. Per the old CSOC/CSIE format, Interest Bearing Liabilities is the sum of Deposit Liabilities, Bills Payable and Unsecured Subordinated Debt.*

c/ *Interest Spread refers to the difference between earning asset yield and funding cost*

d/ *Net Interest Margin refers to the ratio of net interest income to average earning assets. Net interest income now includes provision for losses on accrued interest income from financial assets. While due from other banks is added up in the computation of earning assets.*

e/ *Non-interest income now includes dividends income*

f/ *Cost-to-Income Ratio refers to the ratio of non-interest expenses to total operating income. Non-interest expenses comprised what used to be operating expenses (net of bad debts and provisions for probable losses) in the old CSOC/CSIE format. However, the following were added up in the computation of non-interest expenses: 1. provisions for expenses; and 2. impairment losses on a. investments in subsidiaries, associates and joint ventures, b. bank premises, furniture, fixture, and equipment, c. ROPA, d. goodwill, e. other intangible assets, and f. other assets. Meanwhile, total operating income now includes provisions for losses on accrued interest income from financial assets in net interest income and dividends income in non-interest income.*

g/ *ROA refers to the ratio of annualized net profit to average assets*

h/ *ROE refers to the ratio of annualized net profit to average capital*

i/ *Liquid Assets refers to Cash and Due from Banks plus Financial Assets, net of amortization (net of financial assets in equity securities).*

j/ *Revised figure excludes performing sales contract receivables per Circular No. 380 dated 28 March 2003*

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 52. Cooperative Banking Offices: Regional Profile

	End-December 2007	End-December 2008		
		Total	Head Offices	Branches/ Other Offices
Nationwide	**122**	**128**	**45**	**83**
National Capital Region (NCR)	**1**	**1**	**1**	**-**
Luzon	**71**	**82**	**23**	**59**
Region I - Ilocos	9	10	3	7
Region II - Cagayan	13	14	3	11
Region III - Central Luzon	28	31	7	24
Region IV-A - CALABARZON	13	13	3	10
Region IV-B - MIMAROPA	1	5	2	3
Region V - Bicol	5	5	3	2
Cordillera Administrative Region (CAR)	2	4	2	2
Visayas	**23**	**15**	**9**	**6**
Region VI - Western Visayas	11	3	3	-
Region VII - Central Visayas	10	10	4	6
Region VIII - Eastern Visayas	2	2	2	-
Mindanao	**27**	**30**	**12**	**18**
Region IX - Zamboanga Peninsula	2	2	2	-
Region X - Northern Mindanao	16	19	5	14
Region XI - Davao Region	1	1	1	-
Region XII - Soccsksargen	5	5	1	4
Autonomous Region of Muslim	-	-	-	-
CARAGA	3	3	3	-

1/ Composed of the provinces of North Cotabato, South Cotabato, Sultan Kudarat and Sarangani, and the cities of General Santos, Koronadal, Tacurong and Kidapawan.

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 53. Cooperative Banking System: Profitability Indicators

Levels (P Billion)	**2004**	**2005**	**2006**	**2007**	**2008 p/**
Total Operating Income	0.7	0.8	0.9	1.1	1.2
Net Interest Income	0.4	0.4	0.5	0.6	0.7
Interest Income	0.8	0.9	1.0	1.2	1.3
Provision for Lossses on Accrued Interest Income from Financial Assets	0.0	0.0	0.0	0.0	0.0
Interest Expenses	0.4	0.4	0.5	0.6	0.7
Non-interest Income	0.4	0.4	0.4	0.5	0.6
Dividend Income	. . .	. . .	. . .	. . .	. . .
Fee-based Income	0.3	0.3	0.3	0.3	0.4
Trading Income	. . .	. . .	. . .	. . .	. . .
FX Profits/Loss	. . .	. . .	. . .	. . .	. . .
Profit/(Loss) from Sale/Redemption/Derecognition of Non-Trading Financial Assets and Liabilities	0.0	0.0	0.0	0.0	0.0
Profit/(Loss) from Sale/Derecognition of Non-Financial Assets	0.0	0.0	0.0	0.0	0.0
Profit/(Loss) on Financial Assets and Liabilities Designated at Fair Value through Profit or Loss	0.0	0.0	0.0	0.0	0.0
Profit/(Loss) on Fair Value Adjustment in Hedge Accounting	0.0	0.0	0.0	0.0	0.0
Other Income	0.1	0.1	0.1	0.2	0.2
Non-Interest Expenses	0.6	0.6	0.7	0.8	0.9
Losses/Recoveries on Financial Assets	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)
Bad Debts/Provisions for Credit Losses	. . .	. . .	. . .	. . .	0.1
Recovery on Charged-Off Assets	. . .	. . .	. . .	. . .	. . .
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	0.1	0.2	0.2	0.2	0.3
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	0.0	0.0	0.0	0.0	0.0
Total Profit/Loss Before Tax and Before Minority Interest	0.1	0.2	0.2	0.2	0.3
Income Tax Expense	. . .	. . .	. . .	. . .	. . .
Total Profit/Loss After Tax and Before Minority Interest	0.1	0.2	0.2	0.2	0.3
Minority Interest in Profit/(Loss) of Subsidiaries	0.0	0.0	0.0	0.0	0.0
Net Profit or Loss	0.1	0.2	0.2	0.2	0.3
Growth Rates					
Total Operating Income	13.1 %	14.1 %	10.4 %	16.4 %	15.6 %
Net Interest Income	9.8 %	15.1 %	14.8 %	17.1 %	16.4 %
Interest Income	12.1 %	10.0 %	16.0 %	18.7 %	12.7 %
Provision for Lossses on Accrued Interest Income from Financial Assets					
Interest Expenses	14.3 %	5.4 %	17.1 %	20.3 %	9.2 %
Non-interest Income	16.7 %	13.1 %	5.8 %	15.6 %	14.7 %
Dividend Income	300.0 %	(100.0 %)		181.5 %	(27.6 %)
Fee-based Income	11.0 %	3.3 %	8.8 %	14.1 %	24.4 %
Trading Income					
FX Profits/Loss	37,828.6 %	198.6 %	(100.0 %)	50.0 %	(100.0 %)
Profit/(Loss) from Sale/Redemption/Derecognition of Non-Trading Financial Assets and Liabilities					
Profit/(Loss) from Sale/Derecognition of Non-Financial Assets					
Profit/(Loss) on Financial Assets and Liabilities Designated at Fair Value through Profit or Loss					
Profit/(Loss) on Fair Value Adjustment in Hedge Accounting					
Other Income	32.0 %	32.0 %	6.0 %	18.1 %	(3.4 %)
Non-Interest Expenses	11.4 %	10.2 %	11.5 %	16.7 %	10.6 %
Losses/Recoveries on Financial Assets	(95.9 %)	0.4 %	(11.9 %)	17.5 %	(170.2 %)
Bad Debts/Provisions for Credit Losses	94.9 %	1.9 %	10.6 %	(16.9 %)	165.8 %
Recovery on Charged-Off Assets	52.8 %	127.7 %	(21.1 %)	4.9 %	48.4 %
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	9.7 %	32.7 %	6.3 %	21.0 %	13.9 %
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures					
Total Profit/Loss Before Tax and Before Minority Interest	9.7 %	32.7 %	6.3 %	21.0 %	13.9 %
Income Tax Expense	(42.8 %)	53.2 %	486.2 %	(99.7 %)	3,312.5 %
Total Profit/Loss After Tax and Before Minority Interest	9.9 %	32.6 %	5.1 %	22.7 %	13.8 %
Minority Interest in Profit/(Loss) of Subsidiaries					
Net Profit or Loss	9.9 %	32.6 %	5.1 %	22.7 %	13.8 %

. . . Less than P0.05 billion
p/ Preliminary

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 54. Cooperative Banking System: Reconciliation of Profitability Indicators

	2007		Remarks	2008
Levels (P Billion)	**Pre-FRP**	**FRP**		**FRP**
Total Operating Income	1.1	1.1	a	1.2
Net Interest Income	0.6	0.6		0.7
Interest Income	1.2	1.2		1.3
Provision for Lossses on Accrued Interest Income from Financial Assets		0.0	b	0.0
Interest Expenses	0.6	0.6		0.7
Non-interest Income	0.5	0.5	c	0.6
Dividend Income	. . .	. . .	d	. . .
Fee-based Income	0.3	0.3	e	0.4
Trading Income	. . .	. . .	f	. . .
FX Profits/Loss	. . .	. . .	g	. . .
Profit/(Loss) from Sale/Redemption/Derecognition of Non-Trading Financial Assets and Liabilities		0.0	h	0.0
Profit/(Loss) from Sale/Derecognition of Non-Financial Assets		0.0	i	0.0
Profit/(Loss) on Financial Assets and Liabilities Designated at Fair Value through Profit or Loss		0.0	j	0.0
Profit/(Loss) on Fair Value Adjustment in Hedge Accounting		0.0	k	0.0
Trust Department Income	0.0		l	
Other Income	0.2	0.2	m	0.2
Non-Interest Expenses		0.8	n	0.9
Losses/Recoveries on Financial Assets		(0.0)	o	(0.1)
Bad Debts/Provisions for Credit Losses	. . .	. . .	p	0.1
Recovery on Charged-Off Assets	. . .	. . .	q	. . .
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures		0.2	r	0.3
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures		0.0	s	0.0
Total Profit/Loss Before Tax and Before Minority Interest		0.2	t	0.3
Income Tax Expense	. . .	. . .	u	. . .
Total Profit/Loss After Tax and Before Minority Interest		0.2	v	0.3
Minority Interest in Profit/(Loss) of Subsidiaries		0.0	w	0.0
Net Profit or Loss	0.2	0.2	x	0.3

a / *Difference in value resulted from the inclusion of Dividends Income and Other Income in Non-Interest Income per Financial Reporting Package (FRP).*
b / *New line item, no corresponding account in the old CSOC/CSIE format.*
c / *Under the new FRP format, dividends income is added up to non-interest income.*
d / *Used to be a part of Extraordinary Credits in the old CSOC/CSIE format.*
e / *Difference in value resulted from the inclusion of Income from Fiduciary Activities (Trust Department Income), Securitization Activities and Underwriting and Securities Dealership.*
f / *Under the new FRP format, foreign exchange profits/losses is extracted from trading income.*
g / *Used to be a part of Trading Income in the old CSOC/CSIE format.*
h / *New line item, no corresponding account in the old CSOC/CSIE format.*
i / *New line item, no corresponding account in the old CSOC/CSIE format.*
j / *New line item, no corresponding account in the old CSOC/CSIE format.*
k / *New line item, no corresponding account in the old CSOC/CSIE format.*
l / *Moved to Fee-based Income*
m / *Difference in value resulted from the inclusion of portions of Extraordinary Credits.*
n / *Non-interest expenses comprised what used to be operating expenses (net of bad debts and provisions for probable losses) in the old CSOC/CSIE format. However, the following were added up in the computation of non-interest expenses: 1. provisions for expenses; and 2. impairment losses on a. investments in subsidiaries, associates and joint ventures, b. bank premises, furniture, fixture, and equipment, c. ROPA, d. goodwill, e. other intangible assets, and f. other assets.*
o / *New line item, no corresponding account in the old CSOC/CSIE format.*
p / *Used to be a part of Extraordinary Credits in the old CSOC/CSIE format. Difference in value resulted from the transfer of Provision for Expenses from Provisions for Credit Losses to Non-Interest Expenses.*
q / *Used to be a part of Extraordinary Credits in the old CSOC/CSIE format.*
r / *New line item, no corresponding account in the old CSOC/CSIE format.*
s / *New line item, no corresponding account in the old CSOC/CSIE format.*
t / *New line item, no corresponding account in the old CSOC/CSIE format.*
u / *Previously labelled as Provisions for Income Tax.*
v / *New line item, no corresponding account in the old CSOC/CSIE format.*
w / *New line item, no corresponding account in the old CSOC/CSIE format.*
x / *Previously labelled as Net Income/Loss After Tax.*
. . . *Less than P0.05 billion*

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 55. Cooperative Banking System: Regional Profitability Indicators

	End- December 2008 p/						
Region	Earning Asset Yield	Funding Cost	Interest Spread	Net Interest Margin	Cost to Income	Return on Asset (ROA)	Return on Equity (ROE)
Industry	**13.8%**	**6.9%**	**6.9%**	**7.0%**	**71.6%**	**2.4%**	**16.9%**
NCR	8.9 %	4.8 %	4.1 %	4.3 %	66.8 %	0.9 %	5.4 %
Region 1	14.9 %	6.5 %	8.4 %	9.3 %	69.2 %	3.0 %	27.5 %
Region 2	14.6 %	5.8 %	8.9 %	9.6 %	71.6 %	3.6 %	20.4 %
Region 3	10.6 %	8.3 %	2.2 %	2.5 %	68.6 %	2.5 %	25.8 %
CALABARZON	12.0 %	4.9 %	7.0 %	7.5 %	76.6 %	2.3 %	18.2 %
MIMAROPA	17.7 %	6.7 %	11.0 %	11.8 %	76.6 %	3.0 %	17.3 %
Region 5	12.2 %	9.9 %	2.3 %	4.2 %	119.9 %	(13.3 %)	(181.3 %)
Region 6	5.7 %	3.9 %	1.8 %	1.6 %	93.1 %	0.2 %	(12.9 %)
Region 7	15.0 %	8.1 %	6.9 %	8.4 %	69.7 %	3.0 %	12.1 %
Region 8	18.3 %	7.2 %	11.1 %	12.2 %	86.3 %	0.9 %	3.8 %
Region 9	10.2 %	9.7 %	0.4 %	1.6 %	116.1 %	(1.7 %)	(14.4 %)
Region 10	14.3 %	5.8 %	8.5 %	9.3 %	71.5 %	3.3 %	20.6 %
Region 11	22.3 %	10.5 %	11.7 %	12.8 %	33.8 %	5.6 %	55.6 %
Region 12	19.5 %	6.2 %	13.2 %	15.1 %	62.4 %	6.6 %	22.8 %
CAR	13.1 %	6.3 %	6.8 %	7.4 %	73.4 %	2.3 %	18.4 %
ARMM	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
CARAGA	15.3 %	6.6 %	8.7 %	9.6 %	88.2 %	1.1 %	5.2 %

p/ *Preliminary*

Table 56. Cooperative Banking System: Asset Quality Indicators [1/]

Levels (P Billion)	2004	2005	2006	2007	2008 p/
Total Assets	6.4	7.5	8.9	10.8	12.7
Gross Assets [2/]	6.6	7.8	9.2	11.1	13.2
Total Loan Portfolio (TLP)	4.8	5.4	6.2	7.5	9.2
Non-performing Loans (NPL) [3/]	0.5	0.6	0.7	1.0	0.9
Allowance for Credit Losses on Loans	0.2	0.3	0.3	0.4	0.4
ROPA, gross	0.3	0.4	0.4	0.5	0.5
Allowance for ROPA	...	...	...	...	...
Restructured Loans (RL), gross	0.1	0.1	0.1	0.2	0.2
RL, performing	0.1	0.1	0.1	0.1	0.1
Distressed Assets [4/]	0.9	1.0	1.2	1.5	1.4
Non-performing Assets (NPAs) [5/]	0.8	1.0	1.1	1.4	1.3
Allowance on NPAs [6/]	0.2	0.3	0.3	0.4	0.5
Performing Sales Contract Receivables	...	...	...	...	...
Growth Rates					
Total Assets	13.2 %	17.1 %	18.3 %	21.5 %	18.2 %
Gross Assets [2/]	13.2 %	17.0 %	18.7 %	21.0 %	18.4 %
TLP	14.4 %	12.8 %	14.8 %	22.6 %	21.9 %
NPL [3/]	7.8 %	9.4 %	24.2 %	34.5 %	(13.3 %)
Allowance for Credit Losses on Loans	12.3 %	13.8 %	30.0 %	7.3 %	24.9 %
ROPA, gross	13.6 %	34.8 %	3.9 %	16.4 %	3.9 %
Allowance for ROPA	9.1 %	35.9 %	24.8 %	11.5 %	22.2 %
RL, gross	2.9 %	(0.6 %)	(5.9 %)	31.9 %	8.5 %
RL, performing	(2.6 %)	(27.7 %)	23.8 %	17.4 %	1.1 %
Distressed Assets [4/]	7.9 %	11.6 %	17.1 %	26.0 %	(5.3 %)
NPAs [5/]	9.4 %	16.8 %	16.5 %	26.8 %	(5.8 %)
Allowance on NPAs [6/]	12.2 %	14.2 %	29.9 %	7.4 %	24.8 %
Performing SCR	300.0 %	465.9 %	1.2 %	156.6 %	(7.0 %)

1/ *Asset Quality Indicators defined per BSP Circular No. 351 dated 19 September 2002*

2/ *Gross Assets refers to Total Assets, Net of Due to Head Office/Branches/Agencies plus Allowance for Credit Losses on Loans plus Allowance for Credit Losses on Sales Contract Receivable (SCR) plus Allowance for Losses on ROPA plus Accumulated Depreciation on ROPA minus Loans Classified as Loss Fully Covered by Allowance for Credit Losses*

3/ *NPL refers to Loans Classified as Past Due and Already Non-Performing plus Items in Litigation minus Loans Classified as Loss Fully Covered by Allowance for Credit Losses*

4/ *Distressed Assets refers to NPAs plus performing RLs. Revised figure excludes performing sales contract receivables per Circular No. 380 dated 28 March 2003.*

5/ *NPA refers to NPLs plus ROPA, gross excluding performing sales contracts receivable per BSP Circular No. 380 dated 28 March 2003. Based on the new Financial Reporting Package (FRP) framework provided for under Circular No. 512 dated 03 February 2006 effective 31 December 2006, NPA should include non-current assets held for sale.*

6/ *Allowance on NPAs refers to Allowance for Credit Losses on Loans plus Allowance for Credit Losses on SCR plus Allowance for Losses on ROPA plus Accumulated Depreciation on ROPA.*

p/ *Preliminary*

... *Less than P0.05 billion*

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 57. Non-Banks with Quasi-Banking Functions (NBQBs)

Financial Highlights

Levels (P Billion)	2004	2005	2006	2007	2008
Income Statement					
Total Operating Income	2.3	2.8	3.6	4.4	7.2
Net Interest Income	1.0	1.4	1.3	1.8	4.7
Non-interest Income	1.3	1.4	2.3	2.6	2.5
Operating Expenses	1.0	1.5	1.5	1.7	5.4
Bad Debts/Provisions for Probable Losses	0.1	0.2	0.3	0.1	1.5
Other Operating Expenses	0.9	1.4	1.3	1.6	3.9
Net Operating Income	1.3	1.3	2.1	2.7	1.8
Extraordinary Credits/(Charges)	0.4	0.6	0.2	0.9	0.7
Net Income Before Tax	1.7	1.9	2.3	3.6	2.4
Provisions for Income Tax	0.5	0.3	0.3	0.4	0.8
Net Income After Tax (NIAT)	1.2	1.6	2.0	3.2	1.6
Balance Sheet					
Total Assets	33.5	44.3	56.1	63.3	90.3
Cash and Due from Banks	1.5	4.7	8.1	9.0	13.0
Interbank Loans Receivable (IBL)	4.1	0.4	1.1	0.1	0.1
Loans, gross (exclusive of IBL)	9.4	12.9	10.7	13.2	35.1
Allowance for Probable Losses	0.7	0.6	0.7	0.6	1.4
Loans, net (exclusive of IBL)	8.7	12.3	10.1	12.6	33.7
Investments, net	13.5	21.7	31.5	36.7	36.2
ROPA, net	1.4	1.4	1.3	1.3	1.3
Other Assets	4.4	3.9	4.1	3.7	6.0
Total Liabilities	17.3	29.0	38.0	43.3	70.3
Bills Payable	15.1	27.0	35.1	41.2	64.2
Other Liabilities	2.2	2.0	3.0	2.1	6.1
Total Capital Accounts	16.2	15.3	18.1	20.0	20.0

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 58. Non-Banks with Quasi-Banking Functions (NBQBs)

Selected Performance Indicators

Growth Rates	2004	2005	2006	2007	2008
Income Statement					
Total Operating Income	17.9 %	20.4 %	27.3 %	23.3 %	62.6 %
Net Interest Income	24.4 %	42.7 %	(10.9 %)	40.0 %	163.8 %
Non-interest Income	13.3 %	3.7 %	67.1 %	14.0 %	(6.3 %)
Operating Expenses	(9.2 %)	51.8 %	0.3 %	11.4 %	220.6 %
Bad Debts/Provisions for Probable Losses	199.8 %	138.0 %	50.4 %	(78.9 %)	2,736.9 %
Other Operating Expenses	(13.7 %)	45.4 %	(5.9 %)	29.2 %	139.7 %
Net Operating Income	51.4 %	(2.9 %)	58.9 %	32.0 %	(35.5 %)
Extraordinary Credits/(Charges)	(34.2 %)	54.7 %	(63.3 %)	335.7 %	(26.0 %)
Net Income Before Tax	18.3 %	9.5 %	21.7 %	59.9 %	(33.1 %)
Provisions for Income Tax	233.5 %	(34.9 %)	(2.5 %)	44.6 %	77.6 %
Net Income After Tax (NIAT)	(6.0 %)	27.2 %	26.7 %	62.3 %	(48.7 %)
Balance Sheet					
Total Assets	16.5 %	32.4 %	26.6 %	12.9 %	42.6 %
Cash and due from Banks	(20.6 %)	213.7 %	71.9 %	11.3 %	44.6 %
Interbank Loans Receivable (IBL)	161.3 %	(91.2 %)	197.8 %	(90.8 %)	22.8 %
Loans, gross (exclusive of IBL)	(26.2 %)	37.5 %	(16.8 %)	23.1 %	166.0 %
Allowance for Probable Losses	(30.0 %)	(13.8 %)	13.1 %	(2.6 %)	122.2 %
Loans, net (exclusive of IBL)	(25.9 %)	41.4 %	(18.2 %)	24.8 %	168.2 %
Investments, net	77.7 %	61.2 %	45.1 %	16.3 %	(1.3 %)
ROPA, net	2.6 %	1.1 %	(2.7 %)	(3.7 %)	2.9 %
Other Assets	(5.3 %)	(11.9 %)	4.7 %	(7.9 %)	60.5 %
Total Liabilities	42.0 %	68.0 %	31.1 %	13.8 %	62.4 %
Bills Payable	45.0 %	79.6 %	29.6 %	17.5 %	55.9 %
Other Liabilities	24.6 %	(10.8 %)	51.3 %	(29.4 %)	189.8 %
Total Capital Accounts	(2.2 %)	(5.6 %)	18.1 %	10.8 %	(0.2 %)
Selected Ratios					
Profitability					
Cost-to-Income [1/]	39.7 %	47.9 %	35.4 %	37.1 %	54.7 %
Return on Assets (ROA)	3.9 %	4.0 %	3.9 %	5.4 %	2.1 %
Return on Equity (ROE)	7.5 %	9.9 %	11.8 %	16.8 %	8.2 %
Liquidity					
Cash and Due from Banks to Bills	9.9 %	17.3 %	23.0 %	21.8 %	20.2 %
Liquid Assets to Bills Payable [2/]	76.8 %	84.3 %	106.4 %	99.9 %	65.6 %
Loans, gross to Bills Payable	89.1 %	48.9 %	33.6 %	32.3 %	54.9 %
Asset Quality					
Non-performing Loans (NPL)	4.0 %	4.8 %	4.1 %	3.7 %	5.1 %
NPL Coverage	124.8 %	91.0 %	135.9 %	127.6 %	78.2 %
Non-performing Assets (NPA) to Gross Assets	6.1 %	4.8 %	3.5 %	3.1 %	3.5 %
NPA Coverage	41.4 %	33.4 %	41.7 %	41.1 %	46.8 %
Capital Adequacy					
Total Capital Accounts to Total Assets	48.4 %	34.5 %	32.2 %	31.6 %	22.1 %
Paid-in Capital to Total Capital Accounts	55.1 %	63.8 %	57.3 %	56.5 %	69.5 %
Business Mix					
Total Investments (gross) to Total Assets	40.5 %	49.4 %	52.7 %	55.4 %	42.4 %
Total Loans (gross) to Total Assets	40.1 %	29.9 %	21.0 %	21.0 %	39.0 %

1/ *Cost-to-Income Ratio refers to operating expenses, exclusive of bad debts and provisions to total operating income*

2/ *Liquid Assets refers to Cash and Due from Banks plus Investments,net (less equity investments,net)*

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 59. Non-Banks with Quasi-Banking Functions (NBQBs)

Profitability Indicators

Levels (P Billion)	**2004**	**2005**	**2006**	**2007**	**2008**
Total Operating Income	2.3	2.8	3.6	4.4	7.2
Net Interest Income	1.0	1.4	1.3	1.8	4.7
Interest Income	1.8	3.0	3.2	3.3	7.9
Interest Expenses	0.8	1.6	1.9	1.5	3.2
Non-interest Income	1.3	1.4	2.3	2.6	2.5
Fee-based Income	0.7	0.7	0.6	0.7	1.9
Trading Income	0.6	0.7	1.5	1.1	(0.5)
Other Income	0.1	0.1	0.3	0.8	1.0
Operating Expenses	1.0	1.5	1.5	1.7	5.4
Bad Debts/Provisions for Probable Losses	0.1	0.2	0.3	0.1	1.5
Other Operating Expenses	0.9	1.4	1.3	1.6	3.9
Net Operating Income	1.3	1.3	2.1	2.7	1.8
Extraordinary Credits/(Charges)	0.4	0.6	0.2	0.9	0.7
Net Income Before Tax	1.7	1.9	2.3	3.6	2.4
Provisions for Income Tax	0.5	0.3	0.3	0.4	0.8
Net Income After Tax (NIAT)	1.2	1.6	2.0	3.2	1.6
Growth Rates					
Total Operating Income	17.9 %	20.4 %	27.3 %	23.3 %	62.6 %
Net Interest Income	24.4 %	42.7 %	(10.9 %)	40.0 %	163.8 %
Interest Income	27.4 %	69.4 %	6.2 %	2.4 %	143.1 %
Interest Expenses	31.5 %	104.6 %	21.8 %	(22.9 %)	117.8 %
Non-interest Income	13.3 %	3.7 %	67.1 %	14.0 %	(6.3 %)
Fee-based Income	24.9 %	(0.0 %)	(13.8 %)	18.1 %	176.0 %
Trading Income	36.5 %	13.6 %	125.1 %	(22.7 %)	(139.9 %)
Other Income	(60.1 %)	(33.7 %)	357.1 %	209.5 %	26.0 %
Operating Expenses	(9.2 %)	51.8 %	0.3 %	11.4 %	220.6 %
Bad Debts/Provisions for Probable Losses	199.8 %	138.0 %	50.4 %	(78.9 %)	2,736.9 %
Other Operating Expenses	(13.7 %)	45.4 %	(5.9 %)	29.2 %	139.7 %
Net Operating Income	51.4 %	(2.9 %)	58.9 %	32.0 %	(35.5 %)
Extraordinary Credits/(Charges)	(34.2 %)	54.7 %	(63.3 %)	335.7 %	(26.0 %)
Net Income Before Tax	18.3 %	9.5 %	21.7 %	59.9 %	(33.1 %)
Provisions for Income Tax	233.5 %	(34.9 %)	(2.5 %)	44.6 %	77.6 %
Net Income After Tax (NIAT)	(6.0 %)	27.2 %	26.7 %	62.3 %	(48.7 %)
Selected Ratios					
Earning Asset Yield 1/	8.5 %	11.0 %	9.2 %	7.9 %	14.4 %
Funding Cost 2/	6.0 %	7.4 %	6.1 %	3.9 %	6.1 %
Interest Spread 3/	2.5 %	3.5 %	3.1 %	4.0 %	8.3 %
Net Interest Margin 4/	4.8 %	5.3 %	3.7 %	4.3 %	8.6 %
Non-interest Income to Total Operating Income	57.0 %	49.0 %	64.3 %	59.5 %	34.3 %
Cost-to-Income 5/	39.7 %	47.9 %	35.4 %	37.1 %	54.7 %
Return on Assets (ROA) 6/	3.9 %	4.0 %	3.9 %	5.4 %	2.1 %
Return on Equity (ROE) 6/	7.5 %	9.9 %	11.8 %	16.8 %	8.2 %

1/ *Earning Asset Yield refers to the ratio of interest income to average earning assets*
2/ *Funding Cost refers to the ratio of interest expenses to average interest-bearing liabilities*
3/ *Interest Spread refers to the difference between earning asset yield and funding cost*
4/ *Net Interest Margin refers to the ratio of net interest income to average earning assets*
5/ *Cost-to-Income Ratio refers to operating expenses, exclusive of bad debts and provisions to total operating income*
6/ *ROA and ROE refers to the ratio of annualized NIAT to average assets and capital, respectively.*

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 60. Non-Banks with Quasi-Banking Functions (NBQBs)

Asset Quality Indicators [1/]

Levels (P Billion)	2004	2005	2006	2007	2008
Total Assets	33.5	44.3	56.1	63.3	90.3
Gross Assets [2/]	34.4	45.1	57.0	64.1	91.9
Total Loan Portfolio (TLP)	13.4	13.2	11.8	13.3	35.2
Interbank Loans Receivable (IBL)	4.1	0.4	1.1	0.1	0.1
TLP, (exclusive of IBL)	9.4	12.9	10.7	13.2	35.1
TLP, net (exclusive of IBL)	8.7	12.3	10.1	12.6	33.7
Non-performing Loans (NPL)	0.5	0.6	0.5	0.5	1.8
Loan Loss Reserves (LLR)	0.7	0.6	0.7	0.6	1.4
ROPA, gross	1.6	1.5	1.5	1.5	1.4
Allowance for ROPA	0.2	0.1	0.2	0.2	0.1
Restructured Loans (RL), gross	0.4	0.3	0.2	0.1	0.2
RL, current	0.2	0.2	0.1	. . .	0.1
Non-performing Assets (NPAs) [3/]	2.1	2.2	2.0	2.0	3.2
Allowance for Probable Losses on NPAs	0.9	0.7	0.8	0.8	1.5
Growth Rates					
Total Assets	16.5 %	32.4 %	26.6 %	12.9 %	42.6 %
Gross Assets [2/]	14.7 %	31.1 %	26.4 %	12.6 %	43.2 %
TLP	(5.8 %)	(1.4 %)	(11.0 %)	12.9 %	164.9 %
IBL	161.3 %	(91.2 %)	197.8 %	(90.8 %)	22.8 %
TLP (exclusive of IBL)	(26.2 %)	37.5 %	(16.8 %)	23.1 %	166.0 %
TLP, net (exclusive of IBL)	(25.9 %)	41.4 %	(18.2 %)	24.8 %	168.2 %
NPL	(35.7 %)	18.2 %	(24.2 %)	3.7 %	262.7 %
LLR	(30.0 %)	(13.8 %)	13.1 %	(2.6 %)	122.2 %
ROPA, gross	(1.7 %)	(2.7 %)	0.5 %	(4.4 %)	(1.7 %)
Allowance for ROPA	(23.5 %)	(28.2 %)	30.5 %	(8.9 %)	(35.3 %)
RL, gross	7.9 %	(17.6 %)	(43.8 %)	(24.7 %)	29.6 %
RL, current	41.6 %	(34.3 %)	(45.0 %)	(56.7 %)	163.2 %
NPAs [3/]	(7.5 %)	2.6 %	(6.7 %)	(2.4 %)	65.0 %
Allowance for Probable Losses on NPAs	(28.5 %)	(17.2 %)	16.6 %	(4.0 %)	88.2 %
Selected Ratios					
RL to TLP	2.7 %	2.2 %	1.4 %	0.9 %	0.5 %
LLR to TLP	5.0 %	4.3 %	5.5 %	4.8 %	4.0 %
NPL Ratio (inclusive of IBL)	4.0 %	4.8 %	4.1 %	3.7 %	5.1 %
NPL Ratio (exclusive of IBL)	5.7 %	4.9 %	4.5 %	3.8 %	5.1 %
NPL Coverage [4/]	124.8 %	91.0 %	135.9 %	127.6 %	78.2 %
NPA to Gross Assets	6.1 %	4.8 %	3.5 %	3.1 %	3.5 %
NPA Coverage [5/]	41.4 %	33.4 %	41.7 %	41.1 %	46.8 %

1/ *Asset Quality Indicators defined per BSP Circular No. 351 dated 19 September 2002*

2/ *Gross Assets refers to Total Assets, net of reserves plus Loan Loss Reserves (LLR) plus provision for ROPA*

3/ *NPA refers to NPLs plus ROPA, gross excluding performing sales contracts receivable per BSP Circular No. 380 dated 28 March 2003*

4/ *NPL Coverage refers to the ratio of LLR to NPL*

5/ *NPA Coverage refers to the ratio of valuation reserves (for Loans and ROPA) to NPAs*

. . . *Less than P50 million*

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 61. Non-Stock Savings and Loan Associations (NSSLAs)

Selected Performance Indicators

Levels (P Billion)	2004	2005	2006	2007	2008
Balance Sheet					
Total Assets	66.9	67.2	70.6	74.0	80.4
Cash and Due from Banks	5.4	6.3	12.4	15.7	21.2
Loans, gross	59.4	58.5	57.5	55.2	58.3
Allowance for Probable Losses	6.1	7.2	7.7	7.4	7.7
Loans, net	53.2	51.3	49.8	47.8	50.6
Investments, net	4.3	5.9	5.2	7.4	5.5
ROPA, net	0.3	0.4	...	...	...
Other Assets	3.7	3.3	3.2	3.0	3.0
Total Liabilities	7.9	8.4	9.8	14.2	16.9
Deposits	4.8	5.5	6.9	10.6	12.4
Bills Payable	0.4	0.5	0.6	0.5	0.6
Other Liabilities	2.7	2.5	2.3	3.0	3.9
Total Capital Accounts	59.0	58.8	60.8	59.8	63.5
Growth Rates					
Balance Sheet					
Total Assets	9.0 %	0.4 %	5.1 %	4.8 %	8.7 %
Cash and Due from Banks	7.7 %	15.2 %	97.4 %	27.3 %	34.7 %
Loans, gross	14.0 %	(1.5 %)	(1.6 %)	(4.1 %)	5.7 %
Allowance for Probable Losses	53.0 %	17.1 %	7.5 %	(4.3 %)	4.6 %
Loans, net	10.8 %	(3.7 %)	(2.9 %)	(4.1 %)	5.9 %
Investments, net	(17.4 %)	38.5 %	(13.0 %)	43.9 %	(25.4 %)
ROPA, net	(43.8 %)	26.9 %	(90.6 %)	16.3 %	26.4 %
Other Assets	42.5 %	(9.1 %)	(2.5 %)	(7.4 %)	1.0 %
Total Liabilities	16.9 %	6.3 %	16.8 %	44.2 %	19.1 %
Deposits	22.3 %	13.5 %	26.7 %	53.6 %	16.8 %
Bills Payable	9.5 %	6.2 %	27.2 %	(12.6 %)	24.2 %
Other Liabilities	9.5 %	(6.6 %)	(6.6 %)	30.5 %	26.4 %
Total Capital Accounts	8.0 %	(0.4 %)	3.5 %	(1.6 %)	6.2 %
Selected Ratios					
Liquidity					
Cash and Due from Banks to Deposits	113.2 %	114.9 %	179.1 %	148.4 %	171.3 %
Liquid Assets to Deposits [1/]	202.3 %	223.7 %	253.8 %	218.5 %	216.0 %
Loans, gross to Deposits	1,235.6 %	1,072.3 %	832.8 %	519.9 %	470.5 %
Asset Quality					
Non-performing Loans (NPL)	15.3 %	19.2 %	20.7 %	21.6 %	21.6 %
NPL Coverage	67.6 %	64.0 %	64.8 %	62.1 %	61.6 %
Non-performing Assets (NPA) to Gross Assets	12.8 %	15.6 %	15.3 %	14.7 %	14.3 %
NPA Coverage	65.6 %	62.0 %	64.6 %	61.9 %	61.3 %
Capital Adequacy					
Total Capital Accounts to Total Assets	88.2 %	87.5 %	86.1 %	80.9 %	79.0 %
Paid-in Capital to Total Capital Accounts	91.3 %	92.5 %	89.7 %	87.9 %	87.7 %
Business Mix					
Total Investments (gross) to Total Assets	6.4 %	8.8 %	7.3 %	10.0 %	6.9 %
Total Loans (gross) to Total Assets	88.8 %	87.1 %	81.5 %	74.5 %	72.5 %

1/ *Liquid Assets refers to Cash and Due from Banks plus Investments,net (less equity investments,net)*

... *Less than P50 million*

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 62. Non-Stock Savings and Loan Associations (NSSLAs)

Asset Quality Indicators [1/]

Levels (P Billion)	2004	2005	2006	2007	2008
Total Assets	66.9	67.2	70.6	74.0	80.4
Gross Assets [2/]	73.0	74.4	78.3	81.4	88.2
Total Loan Portfolio (TLP)	59.4	58.5	57.5	55.2	58.3
TLP, exclusive of IBL	59.4	58.5	57.5	55.2	58.3
TLP, net (exclusive of IBL)	53.2	51.3	49.8	47.8	50.6
Non-performing Loans (NPL)	9.1	11.2	11.9	11.9	12.6
Loan Loss Reserves (LLR)	6.1	7.2	7.7	7.4	7.7
ROPA, gross	0.3	0.4	...	...	...
Non-performing Assets (NPAs) [3/]	9.4	11.6	12.0	11.9	12.6
Allowance for Probable Losses on NPAs	6.1	7.2	7.7	7.4	7.7
Growth Rates					
Total Assets	9.0 %	0.4 %	5.1 %	4.8 %	8.7 %
Gross Assets [2/]	11.7 %	1.8 %	5.4 %	3.9 %	8.3 %
TLP	14.0 %	(1.5 %)	(1.6 %)	(4.1 %)	5.7 %
TLP (exclusive of IBL)	14.0 %	(1.5 %)	(1.6 %)	(4.1 %)	5.7 %
TLP, net (exclusive of IBL)	10.8 %	(3.7 %)	(2.9 %)	(4.1 %)	5.9 %
NPL	4.2 %	23.6 %	6.1 %	(0.2 %)	5.6 %
LLR	53.0 %	17.1 %	7.5 %	(4.3 %)	4.6 %
ROPA, gross	(43.8 %)	26.9 %	(90.6 %)	16.3 %	26.4 %
NPAs [3/]	1.6 %	23.7 %	3.2 %	(0.1 %)	5.7 %
Allowance for Probable Losses on NPAs	53.0 %	17.1 %	7.5 %	(4.3 %)	4.6 %
Selected Ratios					
LLR to TLP	10.3 %	12.3 %	13.4 %	13.4 %	13.3 %
NPL Ratio (inclusive of IBL)	15.3 %	19.2 %	20.7 %	21.6 %	21.6 %
NPL Ratio (exclusive of IBL)	15.3 %	19.2 %	20.7 %	21.6 %	21.6 %
NPL Coverage [4/]	67.6 %	64.0 %	64.8 %	62.1 %	61.6 %
NPA to Gross Assets	12.8 %	15.6 %	15.3 %	14.7 %	14.3 %
NPA Coverage [5/]	65.6 %	62.0 %	64.6 %	61.9 %	61.3 %

1/ *Asset Quality Indicators defined per BSP Circular No. 202 dated 27 May 1999 amended by BSP Circular No. 351 dated 19 September 2002*

2/ *Gross Assets refers to Total Assets, net of reserves plus Loan Loss Reserves (LLR) plus provision for ROPA*

3/ *NPA refers to NPLs plus ROPA, gross*

4/ *NPL Coverage refers to the ratio of LLR to NPL*

5/ *NPA Coverage refers to the ratio of LLR (for Loans and ROPA) to NPAs*

... *Less than P50 million*

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 63. Offshore Banking System: Financial Highlights

Levels ($ Million)	2004	2005	2006	2007	2008
Income Statement					
Total Operating Income	19	33	29	30	9
Net Interest Income	9	16	15	15	13
Non-interest Income	10	17	14	15	(4)
Operating Expenses	14	23	25	18	12
Provisions for Probable Losses	1	5	0	0	0
Other Operating Expenses	13	18	25	18	12
Net Operating Income	5	10	4	12	(3)
Net Income Before Tax	5	10	4	13	(3)
Provision for Income Tax	0	0	0	1	1
Net Income After Tax (NIAT)	5	10	4	11	(2)
Balance Sheet					
Total Assets	805	2,252	3,673	3,690	1,283
Allowance for Probable Losses	77	33	7	7	5
Gross Assets	882	2,285	3,680	3,697	1,288
Due from Other Banks	131	413	631	714	146
Loans, gross	256	550	1,573	2,136	789
Investments in Bonds and Other Securities	474	1,301	1,340	753	299
Other Assets	21	21	136	94	54
Total Liabilities	805	2,252	3,673	3,690	1,283
Deposits of Non-residents Other than Banks	22	18	22	16	295
Due to Other Banks	210	1,307	2,214	1,642	37
Other Liabilities	23	393	907	1,446	372
Net Due to Head Office/Branches - Abroad	550	534	530	586	579

Table 64. Offshore Banking System: Selected Performance Indicators

Growth Rates	2004	2005	2006	2007	2008
Income Statement					
Total Operating Income	0.0 %	73.7 %	0.0 %	3.4 %	(70.0 %)
Net Interest Income	12.5 %	77.8 %	(6.3 %)	0.0 %	(13.3 %)
Non-interest Income	(9.1 %)	70.0 %	(17.6 %)	7.1 %	(126.7 %)
Operating Expenses	16.7 %	64.3 %	8.7 %	(28.0 %)	(33.3 %)
Provisions for Probable Losses	0.0 %	400.0 %	(100.0 %)	0.0 %	0.0%
Other Operating Expenses	18.2 %	38.5 %	38.9 %	(28.0 %)	(33.3 %)
Net Operating Income	(28.6 %)	100.0 %	(60.0 %)	200.0 %	(125.0 %)
Net Income Before Tax	(28.6 %)	100.0 %	(60.0 %)	225.0 %	(123.1 %)
Provision for Income Tax	(100.0 %)	0.0 %	0.0 %	200.0 %	0.0%
Net Income After Tax (NIAT)	(16.7 %)	100.0 %	(60.0 %)	175.0 %	(118.2 %)
Balance Sheet					
Total Assets	33.3 %	179.8 %	63.1 %	0.5 %	(65.2 %)
Allowance for Probable Losses	(9.4 %)	(57.1 %)	(78.8 %)	0.0 %	(28.6 %)
Gross Assets	28.0 %	159.1 %	61.1 %	0.5 %	(65.2 %)
Due from Other Banks	(23.4 %)	215.3 %	52.8 %	13.2 %	(79.6 %)
Loans, gross	(9.2 %)	114.8 %	186.0 %	35.8 %	(63.1 %)
Investments in Bonds and Other Securities	120.5 %	174.5 %	3.0 %	(43.8 %)	(60.3 %)
Other Assets			547.6 %	(30.9 %)	(42.6 %)
Total Liabilities	33.3 %	179.8 %	63.1 %	0.5 %	(65.2 %)
Deposits of Non-residents Other than Banks	(15.4 %)	(18.2 %)	22.2 %	(27.3 %)	1,743.8 %
Due to Other Banks	8.8 %	522.4 %	69.4 %	(25.8 %)	(97.7 %)
Other Liabilities	53.3 %	1,608.7 %	130.8 %	59.4 %	(74.3 %)
Net Due to Head Office/Branches - Abroad	48.6 %	(2.9 %)	(0.7 %)	10.6 %	(1.2 %)
Selected Ratios					
Profitability					
Cost-to-Income Ratio	68.4 %	54.6 %	86.2 %	60.0 %	133.3 %
Return on Assets (ROA)	0.7 %	0.7 %	0.1 %	0.3 %	(0.1 %)

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 65. Foreign Bank Branches and Subsidiaries: Financial Highlights

Levels (P Billion)	2004 r/	2005 r/	2006 r/	2007 r/	2008
Income Statement					
Total Operating Income	30.9	39.7	47.3	48.2	49.4
Net Interest Income	23.1	27.0	28.6	26.1	27.6
Non-interest Income	7.8	12.7	18.6	22.1	21.8
Non-Interest Expenses	19.4	23.0	26.2	28.2	33.8
Losses/Recoveries on Financial Assets	(1.8)	(3.4)	(5.1)	(5.2)	(4.5)
Bad Debts/Provisions for Credit Losses	2.4	4.1	5.9	6.6	6.3
Recovery on Charged-Off Assets	0.6	0.8	0.8	1.3	1.8
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	9.7	13.3	16.0	14.8	11.2
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	-	-	-	-	-
Total Profit/Loss Before Tax and Before Minority Interest	9.7	13.3	16.0	14.8	11.2
Income Tax Expense	3.4	4.5	4.0	3.7	4.6
Total Profit/Loss After Tax and Before Minority Interest	6.3	8.8	12.0	11.1	6.6
Minority Interest in Profit/(Loss) of Subsidiaries	-	-	-	-	-
Net Profit or Loss	6.3	8.8	12.0	11.1	6.6
Balance Sheet					
Total Assets	555.4	580.6	647.5	676.2	654.2
Cash and Due from Banks	63.9	92.5	130.5	126.4	110.4
Financial Assets, net (Other than Loans)	195.7	187.6	143.1	142.5	129.1
Interbank Loans Receivable (IBL)	57.5	58.6	111.7	108.9	100.6
Loans, gross (exclusive of IBL)	224.0	223.9	241.5	253.9	305.2
Allowance for Probable Losses	13.7	12.9	12.9	13.8	15.2
Loans, net (exclusive of IBL)	210.3	211.0	228.5	240.1	290.1
Equity Investments, net	1.4	1.3	1.0	1.6	1.5
ROPA, net	2.2	1.2	1.1	1.0	0.7
Other Assets, net	24.3	28.5	31.6	55.7	21.7
Total Liabilities	471.1	493.2	553.9	582.7	542.6
Financial Liabilities Held for Trading	-	-	-	-	32.1
Financial Liabilities DFVPL	-	-	-	-	4.8
Deposits	356.9	348.1	429.7	434.7	395.9
Bills Payable	21.8	59.4	42.8	47.8	35.0
Special Financing	0.0	0.0	0.0	0.0	0.0
Other Liabilities	54.3	60.4	53.8	86.7	51.2
Unsecured Subordinated Debt	-	-	-	-	-
Redeemable Preferred Shares	-	-	-	-	-
Net Due to Head Office/Other Offices	38.0	25.3	27.6	13.5	23.6
Total Capital Accounts	84.3	87.4	93.6	93.5	111.6

r/ *Revised based on the Financial Reporting Package (FRP) data*

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 66. Foreign Bank Branches and Subsidiaries: Reconciliation of Financial Highlights

Levels (P Billion)	End-December 2007 Pre-FRP	End-December 2007 FRP	Remarks	End-December 2008 FRP
Income Statement				
Total Operating Income	47.3	48.2	a	49.4
Net Interest Income	26.1	26.1		27.6
Non-interest Income	21.2	22.1	b	21.8
Non-Interest Expenses		28.2	c	33.8
Losses/Recoveries on Financial Assets		(5.2)	d	(4.5)
Bad Debts/Provisions for Credit Losses	6.6	6.6	e	6.3
Recovery on Charged-Off Assets	1.3	1.3	f	1.8
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures		14.8	g	11.2
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures		-	h	-
Total Profit/Loss Before Tax and Before Minority Interest		14.8	i	11.2
Income Tax Expense	3.7	3.7		4.6
Total Profit/Loss After Tax and Before Minority Interest		11.1	j	6.6
Minority Interest in Profit/(Loss) of Subsidiaries		-	k	-
Net Profit or Loss	11.1	11.1		6.6
		-		-
Balance Sheet		-		-
Total Assets	676.2	676.2		654.2
Cash and Due from Banks	126.4	126.4		110.4
Financial Assets, net (Other than Loans)		142.5	l	129.1
Interbank Loans Receivable (IBL)	108.9	108.9		100.6
Loans, gross (exclusive of IBL)	254.1	253.9		305.2
Allowance for Probable Losses	13.8	13.8		15.2
Loans, net (exclusive of IBL)	240.3	240.1	m	290.1
Equity Investments, net		1.6		1.5
Investments, net	143.9	-	n	-
ROPA, net	1.0	1.0		0.7
Other Assets, net	55.7	55.7		21.7
Total Liabilities	582.7	582.7		542.6
Financial Liabilities Held for Trading		-	o	32.1
Financial Liabilities DFVPL		-	p	4.8
Deposits	434.7	434.7	q	395.9
Bills Payable	47.8	47.8		35.0
Special Financing	0.0	0.0		0.0
Other Liabilities	86.7	86.7	r	51.2
Unsecured Subordinated Debt	-	-		-
Redeemable Preferred Shares		-	s	-
Net Due to Head Office/Other Offices	13.5	13.5		23.6
Total Capital Accounts	93.5	93.5	t	111.6

a / *Difference in value resulted from the inclusion of Dividends Income and Other Income in Non-Interest Income per Financial Reporting Package (FRP).*
b / *Difference in value resulted from the inclusion of Dividends Income and Other Income in Non-Interest Income per FRP.*
c / *Previously labelled as Operating Expenses (Net of Dad Debts and Provisions).*
d / *New line item, no corresponding account in the old Consolidated Statement of Condition (CSOC) and Consolidated Statement of Income and Expense (CSIE) format.*
e / *Difference in value resulted from the transfer of Provision for Expenses from Provisions for Credit Losses to Non-Interest Expenses.*
f / *Used to be a part of Extraordinary Credits in the old CSOC/CSIE format.*
g / *New line item, no corresponding account in the old CSOC/CSIE format.*
h / *New line item, no corresponding account in the old CSOC/CSIE format.*
i / *New line item, no corresponding account in the old CSOC/CSIE format.*
j / *New line item, no corresponding account in the old CSOC/CSIE format.*
k / *New line item, no corresponding account in the old CSOC/CSIE format.*
l / *New line item; previously investments in debt instruments.*
m / *Difference in value resulted from the transfer of Trading Account Securities Loans to Financial Assets*
n / *Taken out of FRP; Broken down into Equity Investments and Financial Assets.*
o / *Used to be a part of Other Liabilities in the old CSOC/CSIE format.*
p / *Used to be a part of Other Liabilities in the old CSOC/CSIE format.*
q / *Added up Long Term Negotiable Certificates of Deposits.*
r / *Difference in value resulted from the exclusion of Financial Liabilities Held for Trading and Financial Liabilities DFVPL.*
s / *Used to be a part of Total Capital Accounts in the old CSOC/CSIE format.*
t / *Excludes Redeemable Preferred Shares.*

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 67. Foreign Bank Branches and Subsidiaries: Growth Rates

Growth Rates	2004 r/	2005 r/	2006 r/	2007 r/	2008
Income Statement					
Total Operating Income	3.8 %	28.5 %	19.0 %	2.0 %	2.5 %
Net Interest Income	28.7 %	17.0 %	5.9 %	(8.9 %)	5.9 %
Non-interest Income	(34.0 %)	62.4 %	47.0 %	18.9 %	(1.5 %)
Non-Interest Expenses	14.4 %	18.6 %	13.6 %	7.8 %	19.7 %
Losses/Recoveries on Financial Assets	24.6 %	(86.0 %)	(50.7 %)	(3.4 %)	14.3 %
Bad Debts/Provisions for Credit Losses	(30.2 %)	70.5 %	42.6 %	11.2 %	(3.7 %)
Recovery on Charged-Off Assets	(42.7 %)	25.7 %	7.5 %	57.9 %	38.4 %
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	(6.9 %)	37.6 %	20.4 %	(7.8 %)	(24.3 %)
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures					
Total Profit/Loss Before Tax and Before Minority Interest	(6.9 %)	37.6 %	20.4 %	(7.8 %)	(24.3 %)
Income Tax Expense	43.5 %	33.7 %	(11.0 %)	(9.0 %)	24.1 %
Total Profit/Loss After Tax and Before Minority Interest	(21.8 %)	39.7 %	36.7 %	(7.4 %)	(40.3 %)
Minority Interest in Profit/(Loss) of Subsidiaries					
Net Profit or Loss	(21.8 %)	39.7 %	36.7 %	(7.4 %)	(40.3 %)
Balance Sheet					
Total Assets	10.8 %	4.5 %	11.5 %	4.4 %	(3.3 %)
Cash and Due from Banks	20.9 %	44.8 %	41.1 %	(3.1 %)	(12.7 %)
Financial Assets, net (Other than Loans)	39.7 %	(4.1 %)	(23.7 %)	(0.4 %)	(9.4 %)
Interbank Loans Receivable (IBL)	(23.6 %)	1.8 %	90.7 %	(2.5 %)	(7.6 %)
Loans, gross (exclusive of IBL)	1.3 %	(0.1 %)	7.8 %	5.1 %	20.2 %
Allowance for Probable Losses	(14.5 %)	(5.5 %)	0.0 %	6.8 %	9.7 %
Loans, net (exclusive of IBL)	2.5 %	0.3 %	8.3 %	5.1 %	20.8 %
Equity Investments, net	7.9 %	(13.1 %)	(23.6 %)	70.8 %	(6.5 %)
ROPA, net	17.2 %	(44.6 %)	(12.3 %)	(9.0 %)	(26.2 %)
Other Assets, net	(1.4 %)	17.2 %	11.1 %	76.0 %	(61.0 %)
Total Liabilities	11.0 %	4.7 %	12.3 %	5.2 %	(6.9 %)
Financial Liabilities Held for Trading					
Financial Liabilities DFVPL					
Deposits	20.1 %	(2.5 %)	23.4 %	1.2 %	(8.9 %)
Bills Payable	(8.1 %)	172.4 %	(28.0 %)	11.6 %	(26.7 %)
Special Financing	0.0%	0.0%	0.0%	0.0%	0.0%
Other Liabilities	(8.1 %)	11.2 %	(10.9 %)	61.2 %	(40.9 %)
Unsecured Subordinated Debt					
Redeemable Preferred Shares					
Net Due to Head Office/Other Offices	(14.4 %)	(33.4 %)	9.0 %	(50.9 %)	74.2 %
Total Capital Accounts	9.9 %	3.6 %	7.1 %	(0.1 %)	19.4 %

r/ *Revised based on the Financial Reporting Package (FRP) data*

Table 68. Foreign Bank Branches and Subsidiaries: Selected Performance Indicators

Selected Ratios	2004 r/	2005 r/	2006 r/	2007 r/	2008
Profitability					
Non-interest Income to Total Operating Income [1/]	25.3 %	31.9 %	39.4 %	45.9 %	44.1 %
Cost-to-Income [2/]	62.9 %	58.0 %	55.4 %	58.5 %	68.3 %
Return on Assets (ROA) [3/]	1.2 %	1.5 %	2.0 %	1.7 %	1.0 %
Return on Equity (ROE) [3/]	7.8 %	10.2 %	13.2 %	11.9 %	6.5 %
Liquidity					
Cash and Due from Banks to Deposits	17.9 %	26.6 %	30.4 %	29.1 %	27.9 %
Liquid Assets to Deposits [4/]	72.7 %	80.5 %	63.7 %	61.9 %	60.5 %
Loans, gross to Deposits	78.9 %	81.2 %	82.2 %	83.5 %	102.5 %
Asset quality					
Allowance for Credit Losses on Loans to TLP	4.1 %	4.2 %	3.5 %	3.5 %	3.4 %
Non-performing Loans (NPL)	3.9 %	2.3 %	1.9 %	1.7 %	2.5 %
NPL, exclusive of IBL	4.9 %	2.9 %	2.8 %	2.4 %	3.4 %
NPL Coverage	106.0 %	182.4 %	180.5 %	208.2 %	133.3 %
Non-performing Assets (NPA) to Gross Assets	2.4 %	1.3 %	1.2 %	1.0 %	1.7 %
NPA Coverage	88.5 %	154.2 %	112.6 %	180.1 %	124.3 %
Capital Adequacy					
Total Capital Accounts to Total Assets [5/]	15.2 %	15.1 %	14.5 %	13.8 %	17.1 %
Capital Adequacy Ratio (Solo) [6/]	27.4 %	29.1 %	25.9 %	21.4 %	23.0 % [a/]

1/ *Non-interest income now includes dividends income*

2/ *Cost-to-Income Ratio refers to the ratio of non-interest expenses to total operating income*

3/ *ROA and ROE refers to the ratio of annualized net profit to average assets and capital, respectively.*

4/ *Liquid Assets refers to Cash and Due from Banks plus Financial Assets, net of amortization (net of financial assets in equity securities).*

5/ *Total capital accounts includes redeemable preferred shares*

6/ *Based on the new framework provided for under Circular No. 280 dated 29 March 2001, formally adopted 1 July 2001; Under Circular No. 360 dated 3 December 2002, adopted 1 July 2003, Universal/Commercial Banks are to incorporate market risks in addition to credit risks; Under Circular No. 538 dated 4 August 2006, effective 1 July 2007, U/KBs are to incorporate operational risk in addition to credit and market risks.*

r/ *Revised based on the Financial Reporting Package (FRP) data*

a/ *Data as of 30 September 2008*

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 69. Foreign Bank Branches and Subsidiaries: Reconciliation of Selected Performance Indicators

Selected Ratios	End-December 2007 Pre-FRP	End-December 2007 FRP	Remarks	End-December 2008 FRP
Profitability				
Non-interest Income to Total Operating Income	44.9 %	45.9 %	a	44.1 %
Cost-to-Income	59.6 %	58.5 %	b	68.3 %
Return on Assets (ROA)	1.7 %	1.7 %	c	1.0 %
Return on Equity (ROE)	11.9 %	11.9 %	d	6.5 %
Liquidity				
Cash and Due from Banks to Deposits	29.1 %	29.1 %		27.9 %
Liquid Assets to Deposits	61.8 %	61.9 %	e	60.5 %
Loans, gross to Deposits	83.5 %	83.5 %	f	102.5 %
Asset quality				
Allowance for Credit Losses on Loans to TLP	3.5 %	3.5 %		3.4 %
Non-performing Loans (NPL)	1.7 %	1.7 %		2.5 %
NPL, exclusive of IBL	2.4 %	2.4 %		3.4 %
NPL Coverage	208.2 %	208.2 %		133.3 %
Non-performing Assets (NPA) to Gross Assets	1.0 %	1.0 %		1.7 %
NPA Coverage	180.1 %	180.1 %		124.3 %
Capital Adequacy				
Total Capital Accounts to Total Assets	13.8 %	13.8 %		17.1 %
Capital Adequacy Ratio (Solo)	21.4 %	21.4 %		23.0 %

a/ *Non-interest income now includes dividends income*

b/ *Cost-to-Income Ratio refers to the ratio of non-interest expenses to total operating income. Non-interest expenses comprised what used to be operating expenses (net of bad debts and provisions for probable losses) in the old CSOC/CSIE format. However, the following were added up in the computation of non-interest expenses: 1. provisions for expenses; and 2. impairment losses on a. investments in subsidiaries, associates and joint ventures, b. bank premises, furniture, fixture, and equipment, c. ROPA, d. goodwill, e. other intangible assets, and f. other assets. Meanwhile, total operating income now includes provisions for losses on accrued interest income from financial assets in net interest income and dividends income in non-interest income.*

c/ *ROA refers to the ratio of annualized net profit to average assets*

d/ *ROE refers to the ratio of annualized net profit to average capital*

e/ *Liquid Assets refers to Cash and Due from Banks plus Financial Assets, net of amortization (net of financial assets in equity securities).*

f/ *Loans, gross now excludes Trading Account Securities loans.*

Table 70. Existing Foreign Bank Branches: Financial Highlights

Levels (P Billion)	2004 r/	2005 r/	2006 r/	2007 r/	2008
Income Statement					
Total Operating Income	22.4	27.1	32.5	34.9	34.3
Net Interest Income	16.3	19.6	21.0	18.5	19.3
Non-interest Income	6.1	7.5	11.5	16.5	15.0
Non-Interest Expenses	13.0	15.0	16.8	18.2	22.7
Losses/Recoveries on Financial Assets	(2.0)	(2.9)	(4.0)	(4.3)	(3.7)
Bad Debts/Provisions for Credit Losses	2.5	3.7	4.7	5.5	5.3
Recovery on Charged-Off Assets	0.5	0.8	0.7	1.3	1.6
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	7.4	9.1	11.7	12.5	8.0
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	-	-	-	-	-
Total Profit/Loss Before Tax and Before Minority Interest	7.4	9.1	11.7	12.5	8.0
Income Tax Expense	2.7	3.1	3.0	2.8	3.4
Total Profit/Loss After Tax and Before Minority Interest	4.7	6.0	8.8	9.7	4.6
Minority Interest in Profit/(Loss) of Subsidiaries	-	-	-	-	-
Net Profit or Loss	4.7	6.0	8.8	9.7	4.6
Balance Sheet					
Total Assets	359.2	382.5	403.6	425.4	366.9
Cash and Due from Banks	39.4	58.8	82.0	76.8	65.7
Financial Assets, net (Other than Loans)	139.1	147.8	105.1	96.5	74.4
Interbank Loans Receivable (IBL)	33.7	34.0	68.4	81.8	73.8
Loans, gross (exclusive of IBL)	140.9	134.4	138.0	141.3	148.5
Allowance for Probable Losses	8.1	8.2	7.0	7.7	8.7
Loans, net (exclusive of IBL)	132.8	126.1	131.0	133.5	139.8
Equity Investments, net	1.1	0.9	0.9	1.5	1.4
ROPA, net	0.7	0.2	0.1	0.1	0.0
Other Assets, net	12.4	14.6	16.0	35.3	11.9
Total Liabilities	312.5	333.8	351.3	377.9	313.7
Financial Liabilities Held for Trading	-	-	-	-	19.0
Financial Liabilities DFVPL	-	-	-	-	4.8
Deposits	258.2	244.0	279.8	276.5	228.0
Bills Payable	6.0	41.0	23.5	34.2	16.6
Special Financing	-	-	-	-	-
Other Liabilities	43.4	40.0	38.9	61.6	40.7
Unsecured Subordinated Debt	-	-	-	-	-
Redeemable Preferred Shares	-	-	-	-	-
Net Due to Head Office/Other Offices	4.9	8.8	9.0	5.7	4.7
Total Capital Accounts	46.6	48.7	52.3	47.5	53.3

r/ *Revised based on the Financial Reporting Package (FRP) data*

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 71. Existing Foreign Bank Branches: Growth Rates

Growth Rates	2004 r/	2005 r/	2006 r/	2007 r/	2008
Income Statement					
Total Operating Income	6.4 %	21.0 %	20.0 %	7.4 %	(1.7 %)
Net Interest Income	28.0 %	20.1 %	7.2 %	(12.2 %)	4.7 %
Non-interest Income	(26.8 %)	23.2 %	53.7 %	43.3 %	(8.8 %)
Non-Interest Expenses	12.4 %	15.3 %	11.5 %	8.5 %	24.6 %
Losses/Recoveries on Financial Assets	(25.0 %)	(47.0 %)	(36.8 %)	(6.0 %)	13.7 %
Bad Debts/Provisions for Credit Losses	(7.7 %)	50.9 %	28.3 %	16.4 %	(4.2 %)
Recovery on Charged-Off Assets	(57.0 %)	68.1 %	(4.4 %)	73.3 %	27.5 %
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	(6.2 %)	23.9 %	28.6 %	6.2 %	(35.9 %)
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures					
Total Profit/Loss Before Tax and Before Minority Interest	(6.2 %)	23.9 %	28.6 %	6.2 %	(35.9 %)
Income Tax Expense	49.0 %	16.4 %	(5.9 %)	(5.3 %)	22.8 %
Total Profit/Loss After Tax and Before Minority Interest	(22.7 %)	28.2 %	46.7 %	10.1 %	(52.9 %)
Minority Interest in Profit/(Loss) of Subsidiaries					
Net Profit or Loss	(22.7 %)	28.2 %	46.7 %	10.1 %	(52.9 %)
Balance Sheet					
Total Assets	9.7 %	6.5 %	5.5 %	5.4 %	(13.8 %)
Cash and Due from Banks	24.7 %	49.4 %	39.4 %	(6.4 %)	(14.4 %)
Financial Assets, net (Other than Loans)	35.8 %	6.3 %	(28.9 %)	(8.3 %)	(22.9 %)
Interbank Loans Receivable (IBL)	(29.2 %)	0.9 %	101.1 %	19.6 %	(9.8 %)
Loans, gross (exclusive of IBL)	1.8 %	(4.6 %)	2.7 %	2.4 %	5.1 %
Allowance for Probable Losses	(15.9 %)	2.1 %	(15.4 %)	11.2 %	12.4 %
Loans, net (exclusive of IBL)	3.1 %	(5.0 %)	3.9 %	1.9 %	4.7 %
Equity Investments, net	11.7 %	(17.1 %)	(1.3 %)	78.7 %	(11.4 %)
ROPA, net	(1.6 %)	(67.1 %)	(61.5 %)	(19.0 %)	(60.3 %)
Other Assets, net	(20.0 %)	17.9 %	9.3 %	120.5 %	(66.4 %)
Total Liabilities	7.3 %	6.8 %	5.2 %	7.6 %	(17.0 %)
Financial Liabilities Held for Trading					
Financial Liabilities DFVPL					
Deposits	22.6 %	(5.5 %)	14.7 %	(1.2 %)	(17.5 %)
Bills Payable	(41.8 %)	578.4 %	(42.7 %)	45.7 %	(51.5 %)
Special Financing					
Other Liabilities	(17.6 %)	(7.9 %)	(2.7 %)	58.1 %	(33.9 %)
Unsecured Subordinated Debt					
Redeemable Preferred Shares					
Net Due to Head Office/Other Offices	(72.5 %)	80.1 %	3.3 %	(37.5 %)	(17.6 %)
Total Capital Accounts	28.8 %	4.5 %	7.3 %	(9.1 %)	12.0 %

r/ *Revised based on the Financial Reporting Package (FRP) data*

Table 72. New Foreign Bank Branches: Financial Highlights

Levels (P Billion)	2004 r/	2005 r/	2006 r/	2007 r/	2008
Income Statement					
Total Operating Income	5.3	8.2	9.4	8.0	9.3
Net Interest Income	4.3	4.7	3.7	2.9	4.0
Non-interest Income	0.9	3.5	5.7	5.0	5.3
Non-Interest Expenses	2.8	3.7	4.3	4.5	5.6
Losses/Recoveries on Financial Assets	0.2	(0.1)	0.1	(0.4)	(0.0)
Bad Debts/Provisions for Credit Losses	0.0	0.1	(0.1)	0.4	0.2
Recovery on Charged-Off Assets	0.2	-	-	-	0.2
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	2.6	4.4	5.2	3.0	3.7
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	-	-	-	-	-
Total Profit/Loss Before Tax and Before Minority Interest	2.6	4.4	5.2	3.0	3.7
Income Tax Expense	0.4	1.0	1.2	0.7	0.8
Total Profit/Loss After Tax and Before Minority Interest	2.1	3.4	4.0	2.3	2.8
Minority Interest in Profit/(Loss) of Subsidiaries	-	-	-	-	-
Net Profit or Loss	2.1	3.4	4.0	2.3	2.8
Balance Sheet					
Total Assets	128.6	130.9	149.7	165.5	188.8
Cash and Due from Banks	17.8	24.6	32.8	34.2	30.3
Financial Assets, net (Other than Loans)	39.3	27.3	19.0	29.4	39.2
Interbank Loans Receivable (IBL)	18.3	17.2	30.9	18.1	17.8
Loans, gross (exclusive of IBL)	49.3	56.0	61.1	72.0	100.3
Allowance for Probable Losses	3.0	2.0	2.0	2.1	2.0
Loans, net (exclusive of IBL)	46.3	54.1	59.2	69.9	98.3
Equity Investments, net	0.3	0.3	0.0	0.0	0.1
ROPA, net	0.2	0.0	0.0	0.0	0.0
Other Assets, net	6.5	7.4	7.8	13.8	3.2
Total Liabilities	102.8	104.6	122.5	134.1	144.4
Financial Liabilities Held for Trading	-	-	-	-	13.1
Financial Liabilities DFVPL	-	-	-	-	-
Deposits	57.3	65.7	87.2	98.5	98.8
Bills Payable	4.5	7.0	7.3	7.8	8.6
Special Financing	-	-	-	-	-
Other Liabilities	7.9	15.3	9.4	19.9	5.0
Unsecured Subordinated Debt	-	-	-	-	-
Redeemable Preferred Shares	-	-	-	-	-
Net Due to Head Office/Other Offices	33.1	16.5	18.5	7.9	18.9
Total Capital Accounts	25.8	26.3	27.2	31.4	44.4

r/ *Revised based on the Financial Reporting Package (FRP) data*

Table 73. New Foreign Bank Branches: Growth Rates

Growth Rates	2004 r/	2005 r/	2006 r/	2007 r/	2008
Income Statement					
Total Operating Income	(8.2 %)	54.5 %	15.8 %	(15.8 %)	17.1 %
Net Interest Income	35.7 %	7.1 %	(19.5 %)	(21.6 %)	35.6 %
Non-interest Income	(63.5 %)	276.3 %	62.8 %	(11.9 %)	6.4 %
Non-Interest Expenses	8.7 %	30.9 %	15.8 %	5.6 %	23.7 %
Losses/Recoveries on Financial Assets	206.2 %	(151.0 %)	196.2 %	(619.7 %)	89.6 %
Bad Debts/Provisions for Credit Losses	(96.6 %)	1,480.0 %	(196.2 %)	619.7 %	(51.1 %)
Recovery on Charged-Off Assets	300.0 %	(100.0 %)	0.0%	0.0%	300.0 %
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	(13.4 %)	68.1 %	19.7 %	(42.2 %)	21.3 %
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures					
Total Profit/Loss Before Tax and Before Minority Interest	(13.4 %)	68.1 %	19.7 %	(42.2 %)	21.3 %
Income Tax Expense	22.8 %	122.0 %	19.4 %	(38.9 %)	14.0 %
Total Profit/Loss After Tax and Before Minority Interest	(18.4 %)	57.1 %	19.8 %	(43.1 %)	23.5 %
Minority Interest in Profit/(Loss) of Subsidiaries					
Net Profit or Loss	(18.4 %)	57.1 %	19.8 %	(43.1 %)	23.5 %
Balance Sheet					
Total Assets	21.0 %	1.8 %	14.4 %	10.5 %	14.1 %
Cash and Due from Banks	19.2 %	38.6 %	33.3 %	4.3 %	(11.5 %)
Financial Assets, net (Other than Loans)	103.8 %	(30.6 %)	(30.3 %)	54.6 %	33.3 %
Interbank Loans Receivable (IBL)	(19.9 %)	(5.8 %)	79.2 %	(41.3 %)	(1.8 %)
Loans, gross (exclusive of IBL)	0.2 %	13.8 %	9.1 %	17.8 %	39.3 %
Allowance for Probable Losses	(25.0 %)	(34.0 %)	(1.2 %)	6.9 %	(6.0 %)
Loans, net (exclusive of IBL)	2.4 %	16.9 %	9.4 %	18.1 %	40.7 %
Equity Investments, net	0.3 %	0.0 %	(85.1 %)	0.0 %	28.6 %
ROPA, net	90.4 %	(96.1 %)	(28.6 %)	(60.0 %)	0.0%
Other Assets, net	76.0 %	14.1 %	6.0 %	76.6 %	(76.9 %)
Total Liabilities	28.2 %	1.8 %	17.1 %	9.4 %	7.7 %
Financial Liabilities Held for Trading					
Financial Liabilities DFVPL					
Deposits	18.4 %	14.8 %	32.7 %	12.9 %	0.4 %
Bills Payable	107.1 %	56.5 %	4.6 %	6.1 %	10.9 %
Special Financing					
Other Liabilities	165.5 %	94.2 %	(38.8 %)	112.1 %	(75.0 %)
Unsecured Subordinated Debt					
Redeemable Preferred Shares					
Net Due to Head Office/Other Offices	24.0 %	(50.1 %)	12.0 %	(57.5 %)	140.1 %
Total Capital Accounts	(1.0 %)	1.7 %	3.6 %	15.4 %	41.2 %

r/ *Revised based on the Financial Reporting Package (FRP) data*

Table 74. Foreign Bank Subsidiaries: Financial Highlights

Levels (P Billion)	2004 r/	2005 r/	2006 r/	2007 r/	2008
Income Statement					
Total Operating Income	3.2	4.5	5.3	5.4	5.8
Net Interest Income	2.4	2.8	3.9	4.7	4.3
Non-interest Income	0.8	1.7	1.4	0.7	1.4
Non-Interest Expenses	3.6	4.3	5.1	5.5	5.5
Losses/Recoveries on Financial Assets	0.0	(0.4)	(1.1)	(0.6)	(0.8)
Bad Debts/Provisions for Credit Losses	(0.0)	0.4	1.2	0.7	0.9
Recovery on Charged-Off Assets	0.0	0.0	0.1	0.1	0.1
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	(0.3)	(0.2)	(0.9)	(0.7)	(0.5)
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	-	-	-	-	-
Total Profit/Loss Before Tax and Before Minority Interest	(0.3)	(0.2)	(0.9)	(0.7)	(0.5)
Income Tax Expense	0.3	0.4	(0.1)	0.2	0.3
Total Profit/Loss After Tax and Before Minority Interest	(0.5)	(0.6)	(0.8)	(0.9)	(0.8)
Minority Interest in Profit/(Loss) of Subsidiaries	-	-	-	-	-
Net Profit or Loss	(0.5)	(0.6)	(0.8)	(0.9)	(0.8)
Balance Sheet					
Total Assets	67.6	67.1	94.2	85.3	98.4
Cash and Due from Banks	6.7	9.1	15.7	15.5	14.4
Financial Assets, net (Other than Loans)	17.3	12.5	18.9	16.7	15.6
Interbank Loans Receivable (IBL)	5.5	7.3	12.4	9.0	9.0
Loans, gross (exclusive of IBL)	33.9	33.5	42.3	40.6	56.4
Allowance for Probable Losses	2.6	2.7	4.0	4.0	4.5
Loans, net (exclusive of IBL)	31.3	30.8	38.3	36.6	51.9
Equity Investments, net	0.1	0.1	0.0	0.0	0.1
ROPA, net	1.4	1.0	1.0	0.9	0.7
Other Assets, net	5.4	6.4	7.8	6.6	6.7
Total Liabilities	55.8	54.8	80.1	70.7	84.5
Financial Liabilities Held for Trading	-	-	-	-	. . .
Financial Liabilities DFVPL	-	-	-	-	-
Deposits	41.5	38.3	62.7	59.7	69.0
Bills Payable	11.3	11.4	12.0	5.8	9.8
Special Financing	0.0	0.0	0.0	0.0	0.0
Other Liabilities	3.0	5.0	5.5	5.3	5.6
Unsecured Subordinated Debt	-	-	-	-	-
Redeemable Preferred Shares	-	-	-	-	-
Net Due to Head Office/Other Offices	-	-	-	-	-
Total Capital Accounts	11.8	12.4	14.1	14.5	14.0

r/ *Revised based on the Financial Reporting Package (FRP) data*
. . . *Less than P0.05 billion*

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 75. Foreign Bank Subsidiaries: Growth Rates

Growth Rates	2004 r/	2005 r/	2006 r/	2007 r/	2008
Income Statement					
Total Operating Income	8.5 %	38.3 %	19.0 %	0.9 %	7.9 %
Net Interest Income	22.1 %	14.0 %	40.0 %	21.7 %	(7.9 %)
Non-interest Income	(18.8 %)	111.2 %	(15.2 %)	(54.7 %)	121.7 %
Non-Interest Expenses	27.7 %	20.9 %	19.0 %	7.2 %	(0.2 %)
Losses/Recoveries on Financial Assets	104.7 %	(1,235.5 %)	(222.2 %)	47.4 %	(31.0 %)
Bad Debts/Provisions for Credit Losses	(103.5 %)	1,637.5 %	237.1 %	(47.2 %)	29.5 %
Recovery on Charged-Off Assets	(74.1 %)	142.9 %	547.1 %	(44.5 %)	16.4 %
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures	36.1 %	37.0 %	(402.1 %)	23.4 %	34.6 %
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures					
Total Profit/Loss Before Tax and Before Minority Interest	36.1 %	37.0 %	(402.1 %)	23.4 %	34.6 %
Income Tax Expense	30.2 %	65.2 %	(122.0 %)	273.6 %	93.0 %
Total Profit/Loss After Tax and Before Minority Interest	16.7 %	(9.7 %)	(41.3 %)	(3.4 %)	11.6 %
Minority Interest in Profit/(Loss) of Subsidiaries					
Net Profit or Loss	16.7 %	(9.7 %)	(41.3 %)	(3.4 %)	11.6 %
Balance Sheet					
Total Assets	0.5 %	(0.7 %)	40.3 %	(9.5 %)	15.4 %
Cash and Due from Banks	5.7 %	34.5 %	73.0 %	(1.4 %)	(6.5 %)
Financial Assets, net (Other than Loans)	(5.5 %)	(27.8 %)	51.8 %	(11.9 %)	(6.7 %)
Interbank Loans Receivable (IBL)	13.8 %	32.7 %	69.7 %	(27.7 %)	0.5 %
Loans, gross (exclusive of IBL)	0.9 %	(1.2 %)	26.4 %	(4.1 %)	39.0 %
Allowance for Probable Losses	8.4 %	3.8 %	47.4 %	(1.1 %)	12.9 %
Loans, net (exclusive of IBL)	0.3 %	(1.6 %)	24.5 %	(4.4 %)	41.8 %
Equity Investments, net	(7.5 %)	(14.5 %)	(11.3 %)		117.0 %
ROPA, net	22.3 %	(26.9 %)	(1.4 %)	(7.8 %)	(23.7 %)
Other Assets, net	(0.4 %)	19.3 %	21.2 %	(15.9 %)	1.5 %
Total Liabilities	5.4 %	(1.8 %)	46.3 %	(11.7 %)	19.4 %
Financial Liabilities Held for Trading					300.0 %
Financial Liabilities DFVPL					
Deposits	8.5 %	(7.7 %)	63.5 %	(4.7 %)	15.6 %
Bills Payable	0.9 %	1.0 %	5.0 %	(51.8 %)	69.8 %
Special Financing	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Other Liabilities	(13.9 %)	68.7 %	8.9 %	(4.1 %)	6.7 %
Unsecured Subordinated Debt					
Redeemable Preferred Shares					
Net Due to Head Office/Other Offices					
Total Capital Accounts	(17.7 %)	4.5 %	13.8 %	3.3 %	(3.8 %)

r/ *Revised based on the Financial Reporting Package (FRP) data*

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 76. Total Trust Operations (Philippine Banks & NBFIs): Financial Highlights

Levels (P Billion)	2004	2005	2006	2007	2008
Assets and Accountabilities					
Total Trust Assets	812.8	901.0	872.3	1,176.7	1,234.0
Cash and Due from Banks	105.1	106.5	117.1	310.0	396.8
Loans and Discounts (net)	63.2	62.2	44.3	47.6	105.6
Investments in:	592.3	695.4	664.2	757.2	678.0
Government Securities (net)	423.7	486.4	434.4	474.3	433.8
Private Instruments and Shares of Stocks (net)	118.5	158.0	177.9	223.8	217.2
CTFs / UITFs	37.2	36.5	35.2	42.8	8.9
Real Estate (net)	12.8	14.4	16.6	16.3	18.0
Asset-Backed Securities	. . .	. . .	. . .	. . .	. . .
Real & Other Properties Acquired in Settlement of Loans (net)	0.7	0.6	0.4	0.3	0.5
Other Assets	51.6	36.4	46.4	61.5	53.2
Total Trust Accountabilities	812.8	901.0	872.3	1,176.7	1,234.0
Trust and Other Fiduciary Accounts	394.2	452.5	491.4	610.2	647.3
Administratorship	27.5	29.3	29.1	27.8	28.1
Employees Benefit Plans Under Trust	84.3	96.5	116.1	136.0	102.1
Escrow	16.1	16.6	22.8	31.6	27.5
Personal Trust	117.4	143.6	123.2	174.7	191.0
Pre-need Plans	73.5	79.0	95.3	102.6	84.7
Other Institutional Trust	21.4	44.9	41.3	36.4	21.7
Others	53.9	42.6	63.6	101.1	192.1
Common Trust Funds / Unit Investment Trust Funds	296.8	280.2	170.9	149.1	90.7
Investment Management Accounts	111.2	150.3	176.2	387.0	391.5
Other Accountabilities / Unearned Income	10.7	18.0	33.8	30.5	104.6

. . . Less than P0.05 billion

Table 77. Total Trust (Philippine Banks and NBFIs) : Selected Performance Indicators

Growth Rates	2004	2005	2006	2007	2008
Assets and Accountabilities					
Total Trust Assets	15.0%	10.8%	(3.2 %)	34.9 %	4.9 %
Cash and Due from Banks	25.1%	1.3 %	10.0 %	164.7 %	28.0 %
Loans and Discounts (net)	0.6%	(1.5 %)	(28.8 %)	7.6 %	121.5 %
Investments in:	12.8%	17.4%	(4.5 %)	14.0 %	(10.5 %)
Government Securities (net)	23.9%	14.8%	(10.7 %)	9.2 %	(8.5 %)
Private Instruments and Shares of Stocks (net)	(15.7 %)	33.3%	12.6 %	25.8 %	(2.9 %)
CTFs / UITFs	25.7%	(1.8 %)	(3.7 %)	21.6 %	(79.2 %)
Real Estate (net)	1.7%	12.2%	15.5 %	(2.0 %)	10.6 %
Asset-Backed Securities	(97.2 %)	(83.3 %)	100.0 %	0.0 %	916.4 %
Real & Other Properties Acquired in Settlement of Loans (net)	(22.3 %)	(13.1 %)	(40.3 %)	(6.0 %)	42.2 %
Other Assets	50.0%	(29.5 %)	27.4 %	32.7 %	(13.6 %)
Total Trust Accountabilities	15.0%	10.8 %	(3.2 %)	34.9 %	4.9 %
Trust and Other Fiduciary Accounts	14.6%	14.8%	8.6 %	24.2 %	6.1 %
Administratorship	9.0%	6.5%	(0.6 %)	(4.5 %)	1.2 %
Employees Benefit Plans Under Trust	15.4%	14.5%	20.2 %	17.2 %	(25.0 %)
Escrow	(68.6 %)	3.1%	37.4 %	38.4 %	(13.0 %)
Personal Trust	22.6%	22.3%	(14.2 %)	41.7 %	9.4 %
Pre-need Plans	19.4%	7.5%	20.6 %	7.7 %	(17.4 %)
Other Institutional Trust	105.0%	110.0%	(8.0 %)	(12.0 %)	(40.3 %)
Others	102.8%	(20.8 %)	49.1 %	59.1 %	90.1 %
Common Trust Funds / Unit Investment	19.0%	(5.7 %)	(39.0 %)	(12.8 %)	(39.2 %)
Investment Management Accounts	8.9%	35.2%	17.3 %	119.6 %	1.2 %
Other Accountabilities / Unearned Income	(6.8 %)	70.2 %	87.6 %	(9.8 %)	242.8 %
Selected Ratios					
Liquidity					
Cash and Due from Banks to Total Accountabilities	12.9%	11.8%	13.4 %	26.4 %	32.2 %
Liquid Assets to Total Accountabilities	80.0%	83.6%	83.5 %	85.6 %	56.9 %
Loans (gross) to Total Accountabilities	8.4%	7.4%	5.2 %	3.7 %	8.2 %
Asset Quality					
Non-performing Loans (NPL) Ratio	5.1%	6.8%	5.0 %	4.4 %	6.2 %
NPL Coverage Ratio	140.9%	94.3%	105.4 %	114.5 %	146.2 %
Non-performing Assets (NPA) to Gross Assets	0.6%	0.6%	0.4 %	0.3 %	0.2 %
NPA Coverage Ratio	115.0%	84.9%	93.5 %	98.8 %	112.4 %

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Table 78. Total Trust Operations (Philippine Banks & NBFIs): Balance Sheet Structure

	2004	2005	2006	2007	2008
ASSETS AND ACCOUNTABILITIES					
Total Trust Assets	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Cash and Due from Banks	12.9%	11.8%	13.4%	26.3%	32.2%
Loans and Discounts (net)	7.8%	6.9%	5.1%	4.0%	8.6%
Investments in:	72.9%	77.2%	76.1%	64.3%	54.9%
Government Securities (net)	52.1%	54.0%	49.8%	40.3%	35.2%
Private Instruments and Shares of Stocks (net)	14.6%	17.5%	20.4%	19.0%	17.6%
CTFs / UITFs	4.6%	4.1%	4.0%	3.6%	0.7%
Real Estate (net)	1.6%	1.6%	1.9%	1.4%	1.5%
Asset-Backed Securities	. . .	. . .	. . .	. . .	. . .
Real & Other Properties Acquired in Settlement of Loans (net)	0.1%	0.1%	0.1%	0.1%	0.1%
Other Assets	6.3%	4.0%	5.3%	5.2%	4.3%
Total Trust Accountabilities	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Trust and Other Fiduciary Accounts	48.5%	50.2%	56.3%	51.9%	52.5%
Administratorship	3.4%	3.2%	3.3%	2.4%	2.3%
Employees Benefit Plans Under Trust	10.4%	10.7%	13.3%	11.6%	8.3%
Escrow	2.0%	1.8%	2.6%	2.7%	2.2%
Personal Trust	14.4%	15.9%	14.1%	14.8%	15.5%
Pre-need Plans	9.0%	8.8%	10.9%	8.7%	6.9%
Other Institutional Trust	2.6%	5.0%	4.7%	3.1%	1.8%
Others	6.6%	4.7%	7.3%	8.6%	15.6%
Common Trust Funds / Unit Investment	36.5%	31.1%	19.6%	12.7%	7.3%
Investment Management Accounts	13.7%	16.7%	20.2%	32.9%	31.7%
Other Accountabilities / Unearned Income	1.3%	2.0%	3.9%	2.6%	8.5%

. . . Less than 0.05 percent
Figures may not add up due to rounding-off.

LIST OF SCHEDULES

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Schedule 1

PHYSICAL COMPOSITION

Financial Institutions Under BSP Supervision/Regulation

As of Semesters-Ended Indicated

TYPE OF FINANCIAL INSTITUTIONS (FIs)	DECEMBER 2007			JUNE 2008			DECEMBER 2008		
	TOTAL	HEAD OFFICE	OTHER OFFICES	TOTAL	HEAD OFFICE	OTHER OFFICES	TOTAL	HEAD OFFICE	OTHER OFFICES
BSP SUPERVISED/REGULATED FIs	**21,394**	**7,234**	**14,160**	**21,630**	**7,249**	**14,381**	**22,453**	**7,264**	**15,189**
I. BANKS	**7,744**	**847**	**6,897**	**7,769**	**841**	**6,928**	**7,848**	**818**	**7,030**
A. Universal and Commercial Banks	**4,275**	**38**	**4,237**	**4,309**	**38**	**4,271**	**4,404**	**38**	**4,366**
Universal Banks	**3,801**	**17**	**3,784**	**3,827**	**17**	**3,810**	**3,916**	**17**	**3,899**
Private Domestic Banks	3,372	11	3,361	3,397	11	3,386	3,486	11	3,475
Government Banks	414	3	411	415	3	412	415	3	412
Branches of Foreign Banks	15	3	12	15	3	12	15	3	12
Commercial Banks	**474**	**21**	**453**	**482**	**21**	**461**	**488**	**21**	**467**
Private Domestic Banks	388	7	381	396	7	389	403	7	396
Subsidiaries of Foreign Banks	70	3	67	70	3	67	69	3	66
Branches of Foreign Banks	16	11	5	16	11	5	16	11	5
B. Thrift Banks	**1,336**	**82**	**1,254**	**1,314**	**80**	**1,234**	**1,296**	**77**	**1,219**
Financial Institution Linked Banks	**614**	**16**	**598**	**614**	**17**	**597**	**574**	**15**	**559**
Domestic Bank Controlled	521	10	511	526	11	515	488	10	478
Foreign Bank Controlled	87	5	82	81	5	76	76	4	72
NBFI Controlled	6	1	5	7	1	6	10	1	9
Non-Linked	**722**	**66**	**656**	**700**	**63**	**637**	**722**	**62**	**660**
C. Rural and Cooperative Banks	**2,133**	**727**	**1,406**	**2,146**	**723**	**1,423**	**2,148**	**703**	**1,445**
Rural Banks	1,989	677	1,312	1,999	673	1,326	1,988	653	1,335
Microfinance-oriented Rural Banks	22	5	17	27	5	22	32	5	27
Cooperative Banks	122	45	77	120	45	75	128	45	83
II. NON-BANK FINANCIAL INSTITUTIONS (NBFIs)	**13,643**	**6,380**	**7,263**	**13,854**	**6,401**	**7,453**	**14,598**	**6,439**	**8,159**
A. With Quasi-Banking Function	**31**	**12**	**19**	**36**	**13**	**23**	**36**	**13**	**23**
Investment Houses	16	6	10	16	6	10	16	6	10
Financing Companies	14	5	9	19	6	13	19	6	13
Other Non-Bank with QBF Function	1	1		1	1		1	1	
B. Without Quasi-Banking Functions [1/]	**13,612**	**6,368**	**7,244**	**13,818**	**6,388**	**7,430**	**14,562**	**6,426**	**8,136**
Investment Houses	23	20	3	23	20	3	20	17	3
Financing Companies	42	24	18	34	20	14	33	19	14
Investment Companies	10	10		6	6		6	6	
Securities Dealers/Brokers	18	18		17	17		17	17	
Lending Investors	2	2		2	2		2	2	
Pawnshops	13,391	6,207	7,184	13,612	6,238	7,374	14,333	6,281	8,052
Venture Capital Corporations	3	3		1	1		1	1	
Government Non-Bank Financial Institutions	2	2		2	2		2	2	
Non-Stock Savings & Loan Associations	116	77	39	116	77	39	144	77	67
Credit Card Companies	5	5		5	5		4	4	
III. OFFSHORE BANKING UNITS (OBUs)	**7**	**7**		**7**	**7**		**7**	**7**	

1/ *Except for pawnshops, one government non-bank financial institution and non-stock savings and loan associations, all NBFIs without quasi-banking functions include subsidiaries/affiliates of banks/quasi-banks pursuant to Section 130 of R.A. No. 7653 and non-subsidiary/affiliate investment houses with trust/IMA licenses.*

Source : Supervisory Data Center, Supervision and Examination Sector

Schedule 2

COMPARATIVE STATEMENT OF CONDITION

PHILIPPINE BANKING SYSTEM

As of Semesters-Ended Indicated
(Amounts in Billion Pesos)

Selected Accounts	ALL BANKS 1/			UNIVERSAL & COMMERCIAL BANKS 1/ 2/			THRIFT BANKS			RURAL AND COOPERATIVE BANKS		
	End-Dec '07	End-Jun '08	End-Dec '08 p/	End-Dec '07	End-Jun '08	End-Dec '08	End-Dec '07	End-Jun '08	End-Dec '08	End-Dec '07	End-Jun '08	End-Dec '08 p/
ASSETS	**5,134.116**	**5,333.742**	**5,674.569**	**4,488.279**	**4,678.043**	**5,034.954**	**485.594**	**483.111**	**481.765**	**160.243**	**172.588**	**157.851**
Cash and Due from Banks	750.322	791.175	834.501	667.682	702.560	759.571	53.292	58.371	46.899	29.348	30.244	28.031
Financial Assets (net)	1,152.753	1,178.084	1,356.958	1,068.700	1,100.010	1,269.404	76.362	69.994	80.007	7.691	8.080	7.546
Loan Portfolio (net) 3/	2,480.869	2,655.905	2,800.769	2,098.796	2,264.411	2,414.131	285.115	285.174	285.350	96.958	106.321	101.288
Equity Investments (net)	117.877	121.197	114.085	117.084	120.014	112.859	0.704	1.088	1.131	0.089	0.095	0.095
ROPA (net)	181.081	173.798	163.885	138.883	131.874	127.184	30.403	28.393	28.174	11.795	13.531	8.526
Other Assets	451.214	413.583	404.372	397.135	359.174	351.805	39.717	40.091	40.203	14.362	14.318	12.364
LIABILITIES AND CAPITAL	**5,134.116**	**5,333.742**	**5,674.569**	**4,488.279**	**4,678.043**	**5,034.954**	**485.594**	**483.111**	**481.765**	**160.243**	**172.588**	**157.851**
Liabilities	**4,532.316**	**4,763.242**	**5,075.442**	**3,965.030**	**4,189.352**	**4,513.980**	**429.429**	**426.010**	**428.310**	**137.857**	**147.880**	**133.152**
Financial Liabilities Held for Trading		**54.700**	**46.689**		**54.700**	**46.689**			-			-
Financial Liabilities DFVPL		**11.032**	**10.962**		**11.032**	**10.962**			-			-
Deposit Liabilities	**3,664.840**	**3,810.101**	**4,194.980**	**3,185.489**	**3,297.501**	**3,702.909**	**364.644**	**389.048**	**384.847**	**114.708**	**123.553**	**107.224**
Peso Liabilities	2,856.578	2,879.561	3,217.218	2,419.879	2,418.042	2,775.876	321.991	337.967	334.131	114.708	123.553	107.211
Demand and NOW	561.294	609.647	666.929	523.974	569.398	627.607	34.720	37.178	35.919	2.600	3.071	3.403
Savings	1,410.711	1,350.523	1,475.774	1,222.943	1,156.006	1,289.592	115.603	115.970	113.110	72.166	78.546	73.072
Time/LTNCD	884.573	919.392	1,074.514	672.962	692.638	858.676	171.668	184.818	185.102	39.943	41.935	30.735
Foreign Currency	808.263	930.540	977.763	765.610	879.459	927.033	42.653	51.081	50.716			0.014
Bills Payable	**415.433**	**464.504**	**356.664**	**361.127**	**439.163**	**321.661**	**41.532**	**12.844**	**19.327**	**12.775**	**12.497**	**15.676**
Deposits Substitutes	8.865	132.440	22.615	8.282	130.646	20.511	0.583	1.794	2.104			
Others	406.568	332.064	334.049	352.845	308.517	301.150	40.949	11.050	17.223	12.775	12.497	15.676
Special Financing	**0.149**	**0.132**	**0.109**	**0.009**	**0.008**	**0.007**	**0.000**	**0.000**	**0.000**	**0.140**	**0.124**	**0.102**
Unsecured Subordinated Debt	**80.981**	**88.519**	**93.557**	**80.981**	**85.636**	**90.651**		**2.883**	**2.906**			-
Redeemable Preferred Shares		**2.278**	**2.408**		**2.245**	**2.376**		**0.033**	**0.031**			-
Other Liabilities	**370.913**	**331.975**	**370.073**	**337.425**	**299.067**	**338.725**	**23.254**	**21.202**	**21.199**	**10.234**	**11.706**	**10.150**
Capital Accounts	**601.800**	**570.499**	**599.128**	**523.249**	**488.691**	**520.974**	**56.165**	**57.101**	**53.455**	**22.386**	**24.708**	**24.699**
Capital Stock	272.969	267.761	282.768	213.229	207.520	223.511	43.647	43.864	42.814	16.093	16.376	16.442
Assigned Capital	18.961	20.972	22.008	18.961	20.972	22.008			-			-
Net Due to H.O.	60.005	63.861	75.621	60.005	63.861	75.621			-			-
Other Equity Instruments		15.766	16.686		15.766	16.686			-			-
Retained Earnings & Undivided Profits	249.865	202.140	202.044	231.054	180.572	183.147	12.517	13.236	10.640	6.293	8.332	8.257

1/ Total assets adjusted to net off the account "Due From Head Office" with "Due to Head Office" of branches of foreign banks
2/ Inclusive of 3 branches of foreign banks with universal banking license, other foreign bank branches and subsidiaries, and 3 government banks: Development Bank of the Philippines (DBP), Land Bank of the Philippines (LBP), and Al Amanah Islamic Bank
3/ Inclusive of Interbank Loans Receivable
p/ Preliminary
Previous periods' data revised based on the Financial Reporting Package (FRP)
Figures may not add up due to rounding-off

Source : Supervisory Data Center, Supervision and Examination Sector

Schedule 2.a

COMPARATIVE STATEMENT OF CONDITION

UNIVERSAL AND COMMERCIAL BANKING SYSTEM

As of Semesters-Ended Indicated

(Amounts in Billion Pesos)

Selected Accounts	TOTALS			UNIVERSAL BANKS 1/ 2/			COMMERCIAL BANKS 1/ 3/		
	End-Dec '07	End-Jun '08	End-Dec '08	End-Dec '07	End-Jun '08	End-Dec '08	End-Dec '07	End-Jun '08	End-Dec '08
ASSETS	**4,488.279**	**4,678.043**	**5,034.954**	**3,770.250**	**3,916.709**	**4,260.566**	**718.030**	**761.334**	**774.388**
Cash and Due from Banks	667.682	702.560	759.571	564.859	591.796	656.245	102.823	110.764	103.326
Financial Assets (net)	1,068.700	1,100.010	1,269.404	917.556	947.673	1,084.613	151.144	152.338	184.792
Loan Portfolio (net) 4/	2,098.796	2,264.411	2,414.131	1,722.249	1,838.646	2,003.161	376.547	425.765	410.970
Equity Investments (net)	117.084	120.014	112.859	115.700	118.423	111.657	1.383	1.591	1.202
ROPA (net)	138.883	131.874	127.184	127.351	120.730	116.301	11.532	11.145	10.883
Other Assets	397.135	359.174	351.805	322.534	299.442	288.588	74.601	59.731	63.216
LIABILITIES AND CAPITAL	**4,488.279**	**4,678.043**	**5,034.954**	**3,770.250**	**3,916.709**	**4,260.566**	**718.030**	**761.334**	**774.388**
Liabilities	**3,965.030**	**4,189.352**	**4,513.980**	**3,352.584**	**3,530.942**	**3,853.138**	**612.447**	**658.410**	**660.842**
Financial Liabilities Held for Trading		**54.700**	**46.689**		**39.713**	**29.125**		**14.987**	**17.563**
Financial Liabilities DFVPL		**11.032**	**10.962**		**11.032**	**10.962**			
Deposit Liabilities	**3,185.489**	**3,297.501**	**3,702.909**	**2,704.991**	**2,796.036**	**3,183.695**	**480.498**	**501.465**	**519.214**
Peso Liabilities	2,419.879	2,418.042	2,775.876	2,103.359	2,099.863	2,428.258	316.520	318.179	347.618
Demand and NOW	523.974	569.398	627.607	442.848	485.248	532.951	81.126	84.150	94.656
Savings	1,222.943	1,156.006	1,289.592	1,109.787	1,038.238	1,163.456	113.156	117.768	126.136
Time/LTNCD	672.962	692.638	858.676	550.724	576.377	731.851	122.239	116.261	126.825
Foreign Currency	765.610	879.459	927.033	601.632	696.173	755.437	163.978	183.286	171.596
Bills Payable	**361.127**	**439.163**	**321.661**	**303.304**	**366.740**	**277.414**	**57.823**	**72.423**	**44.247**
Deposits Substitutes	8.282	130.646	20.511	7.041	125.507	16.450	1.242	5.140	4.061
Others	352.845	308.517	301.150	296.264	241.233	260.964	56.581	67.283	40.186
Special Financing	**0.009**	**0.008**	**0.007**	**0.008**	**0.007**	**0.006**	**0.001**	**0.001**	**0.001**
Unsecured Subordinated Debt	**80.981**	**85.636**	**90.651**	**77.498**	**82.151**	**86.830**	**3.483**	**3.485**	**3.820**
Redeemable Preferred Shares		**2.245**	**2.376**		**2.245**	**2.376**			
Other Liabilities	**337.425**	**299.067**	**338.725**	**266.783**	**233.018**	**262.728**	**70.642**	**66.050**	**75.997**
Capital Accounts	**523.249**	**488.691**	**520.974**	**417.666**	**385.767**	**407.428**	**105.583**	**102.924**	**113.546**
Capital Stock	213.229	207.520	223.511	177.187	172.106	188.097	36.042	35.414	35.414
Assigned Capital	18.961	20.972	22.008	5.216	6.478	6.863	13.745	14.493	15.145
Net Due to H.O.	60.005	63.861	75.621	15.647	19.435	20.590	44.358	44.426	55.032
Other Equity Instruments		15.766	16.686		15.766	16.686			
Retained Earnings & Undivided Profits	231.054	180.572	183.147	219.616	171.982	175.192	11.438	8.590	7.956

1/ Total assets adjusted to net off the account "Due From Head Office" with "Due to Head Office" of branches of foreign banks

2/ Inclusive of 3 branches of foreign banks with universal banking license and 3 government banks: Development Bank of the Philippines (DBP), Land Bank of the Philippines (LBP), and Al Amanah Islamic Bank

3/ Inclusive of the other foreign bank branches and subsidiaries

4/ Inclusive of Interbank Loans Receivable

Previous periods' data revised based on the Financial Reporting Package (FRP)

Figures may not add up due to rounding-off

Source : Supervisory Data Center, Supervision and Examination Sector

Schedule 2.b

Comparative Statement of Condition

Thrift Banking System

As of Semesters-Ended Indicated

(Amounts in Billion Pesos)

Selected Accounts	TOTALS			FINANCIAL INSTITUTION LINKED BANKS			NON-LINKED BANKS		
	End-Dec '07	End-Jun '08	End-Dec '08	End-Dec '07	End-Jun '08	End-Dec '08	End-Dec '07	End-Jun '08	End-Dec '08
ASSETS	**485.594**	**483.111**	**481.765**	**285.684**	**301.846**	**294.873**	**199.910**	**181.265**	**186.892**
Cash and Due from Banks	53.292	58.371	46.899	32.896	37.815	29.235	20.396	20.555	17.664
Financial Assets (net)	76.362	69.994	80.007	55.185	45.207	55.569	21.177	24.787	24.437
Loan Portfolio (net) 1/	285.115	285.174	285.350	172.112	193.264	184.877	113.003	91.910	100.473
Equity Investments (net)	0.704	1.088	1.131	0.344	0.682	0.596	0.360	0.406	0.535
ROPA (net)	30.403	28.393	28.174	10.112	9.966	10.042	20.292	18.427	18.132
Other Assets	39.717	40.091	40.203	15.035	14.912	14.553	24.682	25.179	25.651
LIABILITIES AND CAPITAL	**485.594**	**483.111**	**481.765**	**285.684**	**301.846**	**294.873**	**199.910**	**181.265**	**186.892**
Liabilities	**429.429**	**426.010**	**428.310**	**253.214**	**268.705**	**263.366**	**176.215**	**157.304**	**164.944**
Financial Liabilities Held for Trading									
Financial Liabilities DFVPL									
Deposit Liabilities	**364.644**	**389.048**	**384.847**	**237.641**	**255.779**	**249.016**	**127.002**	**133.270**	**135.831**
Peso Liabilities	321.991	337.967	334.131	202.286	212.920	207.046	119.705	125.046	127.085
Demand and NOW	34.720	37.178	35.919	21.856	22.875	21.707	12.864	14.303	14.212
Savings	115.603	115.970	113.110	46.149	48.591	45.682	69.453	67.380	67.427
Time/LTNCD	171.668	184.818	185.102	134.280	141.454	139.656	37.387	43.364	45.446
Foreign Currency	42.653	51.081	50.716	35.355	42.858	41.971	7.298	8.223	8.745
Bills Payable	**41.532**	**12.844**	**19.327**	**3.171**	**0.819**	**1.389**	**38.360**	**12.025**	**17.938**
Deposits Substitutes	0.583	1.794	2.104				0.583	1.794	2.104
Others	40.949	11.050	17.223	3.171	0.819	1.389	37.777	10.231	15.835
Special Financing	**0.000**	**0.000**	**0.000**				**0.000**	**0.000**	**0.000**
Unsecured Subordinated Debt		**2.883**	**2.906**		**1.970**	**1.971**		**0.913**	**0.935**
Redeemable Preferred Shares		**0.033**	**0.031**					**0.033**	**0.031**
Other Liabilities	**23.254**	**21.202**	**21.199**	**12.401**	**10.139**	**10.990**	**10.853**	**11.063**	**10.208**
Capital Accounts	**56.165**	**57.101**	**53.455**	**32.470**	**33.141**	**31.507**	**23.695**	**23.960**	**21.948**
Capital Stock	43.647	43.864	42.814	17.728	18.121	17.576	25.919	25.743	25.238
Assigned Capital									
Net Due to H.O.									
Other Equity Instruments									
Retained Earnings & Undivided Profits	12.517	13.236	10.640	14.742	15.019	13.930	(2.225)	(1.783)	(3.290)

1/ Inclusive of Interbank Loans Receivable

Previous periods' data revised based on the Financial Reporting Package (FRP)

Figures may not add up due to rounding-off

Source : Supervisory Data Center, Supervision and Examination Sector

Schedule 2.c

COMPARATIVE STATEMENT OF CONDITION

RURAL AND COOPERATIVE BANKING SYSTEM

As of Semesters-Ended Indicated
(Amounts in Billion Pesos)

Selected Accounts	TOTALS			RURAL BANKS			COOPERATIVE BANKS		
	End-Dec '07	End-Jun '08	End-Dec '08 p/	End-Dec '07	End-Jun '08	End-Dec '08 p/	End-Dec '07	End-Jun '08	End-Dec '08 p/
ASSETS	**160.243**	**172.588**	**157.851**	**149.460**	**161.087**	**145.108**	**10.783**	**11.500**	**12.743**
Cash and Due from Banks	29.348	30.244	28.031	27.337	28.197	25.864	2.011	2.046	2.167
Financial Assets (net)	7.691	8.080	7.546	7.400	7.741	7.089	0.291	0.339	0.457
Loan Portfolio (net)	96.958	106.321	101.288	89.772	98.451	92.541	7.186	7.870	8.747
Equity Investments (net)	0.089	0.095	0.095	0.074	0.075	0.071	0.016	0.020	0.024
ROPA (net)	11.795	13.531	8.526	11.351	13.097	8.066	0.444	0.434	0.460
Other Assets	14.362	14.318	12.364	13.526	13.526	11.477	0.836	0.792	0.887
LIABILITIES AND CAPITAL	**160.243**	**172.588**	**157.851**	**149.460**	**161.087**	**145.108**	**10.783**	**11.500**	**12.743**
Liabilities	**137.857**	**147.880**	**133.152**	**128.618**	**138.007**	**122.140**	**9.239**	**9.874**	**11.012**
Financial Liabilities Held for Trading									
Financial Liabilities DFVPL									
Deposit Liabilities	**114.708**	**123.553**	**107.224**	**108.108**	**116.493**	**99.613**	**6.601**	**7.060**	**7.611**
Peso Liabilities	114.708	123.553	107.211	108.108	116.493	99.604	6.601	7.060	7.607
Demand and NOW	2.600	3.071	3.403	2.561	3.019	3.336	0.039	0.051	0.067
Savings	72.166	78.546	73.072	69.018	75.186	69.583	3.148	3.361	3.489
Time	39.943	41.935	30.735	36.529	38.288	26.685	3.414	3.648	4.050
Foreign Currency			0.014			0.009			0.005
Bills Payable	**12.775**	**12.497**	**15.676**	**10.753**	**10.276**	**12.888**	**2.021**	**2.221**	**2.789**
Deposits Substitutes									
Others	12.775	12.497	15.676	10.753	10.276	12.888	2.021	2.221	2.789
Special Financing	**0.140**	**0.124**	**0.102**	**0.101**	**0.093**	**0.075**	**0.039**	**0.031**	**0.027**
Unsecured Subordinated Debt									
Redeemable Preferred Shares									
Other Liabilities	**10.234**	**11.706**	**10.150**	**9.656**	**11.144**	**9.565**	**0.578**	**0.562**	**0.585**
Capital Accounts	**22.386**	**24.708**	**24.699**	**20.842**	**23.081**	**22.968**	**1.544**	**1.627**	**1.731**
Capital Stock	16.093	16.376	16.442	15.052	15.327	15.336	1.041	1.049	1.106
Assigned Capital									
Net Due to H.O.									
Other Equity Instruments									
Retained Earnings & Undivided Profits	6.293	8.332	8.257	5.790	7.754	7.632	0.503	0.578	0.625

p/ *Preliminary*
Previous periods' data revised based on the Financial Reporting Package (FRP)
Figures may not add up due to rounding-off

Source : Supervisory Data Center, Supervision and Examination Sector

Schedule 3

SELECTED CONTINGENT ACCOUNTS

PHILIPPINE BANKING SYSTEM

As of Semesters-Ended Indicated

(Amounts in Billion Pesos)

Selected Accounts	TOTAL			UNIVERSAL and COMMERCIAL BANKS			THRIFT BANKS		
	End-Dec '07	End-Jun '08	End-Dec '08	End-Dec '07	End-Jun '08	End-Dec '08	End-Dec '07	End-Jun '08	End-Dec '08
TRADE-RELATED ACCOUNTS	**46.884**	**70.569**	**44.745**	**46.884**	**70.569**	**44.745**			
Unused Imports Commercial LCs	43.076	67.833	42.725	43.076	67.833	42.725			
Export LCs - Confirmed	3.807	2.736	2.020	3.807	2.736	2.020			-
BANK GUARANTEES	**80.817**	**91.159**	**88.189**	**80.233**	**91.072**	**88.133**	**0.583**	**0.087**	**0.055**
Stand-by Letters of Credit	68.497	63.175	71.845	67.913	63.088	71.790	0.583	0.087	0.055
Outstanding Guarantees Issued	12.320	27.984	16.344	12.320	27.984	16.344			-
DERIVATIVES INSTRUMENTS	**2,510.297**	**2,107.548**	**1,812.648**	**2,510.275**	**2,107.548**	**1,812.602**	**0.022**		**0.046**
Currency Forwards	2,118.537	1,516.566	1,149.723	2,118.515	1,516.566	1,149.723	0.022		-
Interest Rate Forwards		2.694	-		2.694	-			-
Financial Options	56.971	94.685	54.215	56.971	94.685	54.169			0.046
Financial Futures - Trading			-			-			-
Financial Futures - Hedging		0.131	-		0.131	-			-
Interest Rate Swaps	334.789	304.331	438.008	334.789	304.331	438.008			-
Credit Derivatives		72.250	17.596		72.250	17.596			-
Currency Swaps		116.890	153.106		116.890	153.106			-
Equity Contracts			-			-			-
TRUST DEPARTMENT ACCOUNTS	**1,153.236**	**1,161.512**	**1,222.224**	**1,105.506**	**1,113.103**	**1,172.326**	**47.730**	**48.409**	**49.898**

Figures may not add up due to rounding-off

Source : Supervisory Data Center, Supervision and Examination Sector

Schedule 3.a

SELECTED CONTINGENT ACCOUNTS

UNIVERSAL AND COMMERCIAL BANKING SYSTEM

As of Semesters-Ended Indicated
(Amounts in Billion Pesos)

Selected Accounts	TOTAL			UNIVERSAL BANKS			COMMERCIAL BANKS		
	End-Dec '07	End-Jun '08	End-Dec '08	End-Dec '07	End-Jun '08	End-Dec '08	End-Dec '07	End-Jun '08	End-Dec '08
TRADE-RELATED ACCOUNTS	**46.884**	**70.569**	**44.745**	**41.436**	**62.122**	**34.190**	**5.448**	**8.446**	**10.555**
Unused Imports Commercial LCs	43.076	67.833	42.725	37.842	59.638	33.361	5.235	8.196	9.365
Export LCs - Confirmed	3.807	2.736	2.020	3.594	2.485	0.829	0.214	0.251	1.190
BANK GUARANTEES	**80.233**	**91.072**	**88.133**	**66.504**	**70.859**	**68.586**	**13.730**	**20.213**	**19.548**
Stand-by Letters of Credit	67.913	63.088	71.790	59.164	51.372	60.362	8.749	11.716	11.427
Outstanding Guarantees Issued	12.320	27.984	16.344	7.340	19.486	8.224	4.981	8.498	8.120
DERIVATIVES INSTRUMENTS	**2,510.275**	**2,107.548**	**1,812.602**	**1,768.886**	**1,515.622**	**1,286.699**	**741.389**	**591.926**	**525.903**
Currency Forwards	2,118.515	1,516.566	1,149.723	1,476.103	1,048.028	764.606	642.412	468.538	385.117
Interest Rate Forwards		2.694	-		2.694	-			-
Financial Options	56.971	94.685	54.169	43.081	75.937	43.886	13.891	18.748	10.283
Financial Futures - Trading			-			-			-
Financial Futures - Hedging		0.131	-		0.131	-			-
Interest Rate Swaps	334.789	304.331	438.008	249.702	233.806	348.983	85.087	70.525	89.025
Credit Derivatives		72.250	17.596		66.044	16.540		6.206	1.056
Currency Swaps		116.890	153.106		88.982	112.684		27.908	40.423
Equity Contracts			-			-			-
TRUST DEPARTMENT ACCOUNTS	**1,105.506**	**1,113.103**	**1,172.326**	**1,004.439**	**1,040.845**	**1,031.081**	**101.067**	**72.258**	**141.244**

Figures may not add up due to rounding-off

Source : Supervisory Data Center, Supervision and Examination Sector

Schedule 3.b

Selected Contingent Accounts

Thrift Banking System

As of Semesters-Ended Indicated
(Amounts in Billion Pesos)

Selected Accounts	TOTAL			FINANCIAL INSTITUTION LINKED BANKS			NON-LINKED BANKS		
	End-Dec '07	End-Jun '08	End-Dec '08	End-Dec '07	End-Jun '08	End-Dec '08	End-Dec '07	End-Jun '08	End-Dec '08
TRADE-RELATED ACCOUNTS									
Unused Imports Commercial LCs									
Export LCs - Confirmed									
BANK GUARANTEES	**0.583**	**0.087**	**0.055**	**0.021**	**0.024**	**0.006**	**0.563**	**0.063**	**0.050**
Stand-by Letters of Credit	0.583	0.087	0.055	0.021	0.024	0.006	0.563	0.063	0.050
Outstanding Guarantees Issued									
DERIVATIVES INSTRUMENTS	**0.022**		**0.046**	**0.022**		**0.046**			
Currency Forwards	0.022			0.022					
Interest Rate Forwards									
Financial Options			0.046			0.046			
Financial Futures - Trading									
Financial Futures - Hedging									
Interest Rate Swaps									
Credit Derivatives									
Currency Swaps									
Equity Contracts									
TRUST DEPARTMENT ACCOUNTS	**47.730**	**48.409**	**49.898**	**10.523**	**15.071**	**16.031**	**37.207**	**33.338**	**33.867**

Figures may not add up due to rounding-off

Source : Supervisory Data Center, Supervision and Examination Sector

Schedule 4

TRUST AND FUND MANAGEMENT OPERATIONS - ASSETS AND ACCOUNTABILITIES

PHILIPPINE BANKS and NON-BANK FINANCIAL INSTITUTIONS (NBFIs)

As of Semesters-Ended Indicated
(Amounts in Billion Pesos)

Selected Accounts	ALL BANKS/NBFIs			UNIVERSAL AND COMMERCIAL BANKS			THRIFT BANKS			NBFIs		
	End-Dec '07	End-Jun '08	End-Dec '08	End-Dec '07	End-Jun '08	End-Dec '08	End-Dec '07	End-Jun '08	End-Dec '08	End-Dec '07	End-Jun '08	End-Dec '08
TOTAL ASSETS	**1,176.736**	**1,178.132**	**1,234.015**	**1,105.506**	**1,113.103**	**1,172.326**	**47.730**	**48.409**	**49.899**	**23.500**	**16.619**	**11.790**
Peso / Regular Assets	**1,052.022**	**1,046.074**	**1,082.849**	**980.795**	**981.046**	**1,021.160**	**47.728**	**48.409**	**49.899**	**23.500**	**16.619**	**11.790**
Cash and Due from Banks	279.318	320.231	355.062	261.884	300.971	336.951	12.023	17.923	17.137	5.410	1.337	0.974
Loans and Discounts (net)	47.595	51.804	96.364	40.205	44.847	90.899	0.370	0.345	1.158	7.020	6.612	4.307
Investments (net)	671.356	609.213	582.260	626.709	572.064	545.759	34.117	28.962	30.468	10.530	8.187	6.033
Real & Other Properties Acquired in Settlement of Loans (net)	0.331	0.310	0.471	0.306	0.284	0.448	0.005	0.012	0.009	0.020	0.014	0.014
Others	53.423	64.516	48.691	51.691	62.879	47.103	1.212	1.168	1.126	0.520	0.469	0.462
FCDU/EFCDU Assets	**124.714**	**132.058**	**151.166**	**124.711**	**132.058**	**151.166**	**0.003**		-			-
Cash and Due from Banks	30.719	42.639	41.767	30.718	42.639	41.767	0.001		-			-
Loans and Discounts (net)	0.052	0.052	9.194	0.052	0.052	9.194			-			-
Investments (net)	85.835	79.340	95.724	85.833	79.340	95.724	0.002		-			-
Real & Other Properties Acquired in Settlement of Loans (net)			-			-			-			-
Others	8.108	10.026	4.481	8.108	10.026	4.481	0.000		-			-
TOTAL ACCOUNTABILITIES	**1,176.736**	**1,178.131**	**1,234.015**	**1,105.506**	**1,113.103**	**1,172.326**	**47.730**	**48.409**	**49.899**	**23.500**	**16.619**	**11.790**
Peso / Regular Accountabilities	**1,052.025**	**1,046.073**	**1,082.849**	**980.795**	**981.045**	**1,021.160**	**47.730**	**48.409**	**49.899**	**23.500**	**16.619**	**11.790**
Trust and Other Fiduciary Accounts	**525.161**	**541.659**	**525.152**	**486.971**	**502.824**	**481.859**	**34.370**	**35.272**	**39.903**	**3.820**	**3.563**	**3.390**
Administratorship	27.792	28.070	28.128	27.756	28.027	28.025	0.006	0.008	0.085	0.030	0.035	0.018
Employees Benefit Plans Under Trust	132.469	130.513	97.253	129.006	126.975	93.612	1.603	1.809	1.903	1.860	1.729	1.738
Escrow	24.304	19.552	23.056	23.959	19.204	22.766	0.345	0.346	0.289		0.001	0.001
Personal Trust	149.651	143.197	150.229	147.067	141.292	148.722	1.354	0.777	0.496	1.230	1.129	1.011
Pre-need Plans	91.606	88.076	73.870	60.696	60.889	45.066	30.770	27.052	28.742	0.140	0.135	0.062
Other Institutional Trust	32.384	31.646	19.019	31.854	31.128	18.459			-	0.530	0.518	0.560
Others	66.956	100.605	133.597	66.634	95.309	125.209	0.292	5.280	8.388	0.030	0.016	-
Common Trust Funds / Unit Investment Trust Funds	114.507	96.203	70.093	113.908	95.817	69.815	0.449	0.267	0.184	0.150	0.119	0.094
Investment Management Accounts	386.966	402.588	391.508	355.183	377.555	374.603	12.272	12.111	8.625	19.510	12.922	8.280
Other Accountabilities / Unearned Income	25.392	5.623	96.095	24.732	4.849	94.883	0.640	0.759	1.186	0.020	0.015	0.026
FCDU / EFCDU Accountabilities	**124.711**	**132.058**	**151.166**	**124.711**	**132.058**	**151.166**			-			-
Trust and Other Fiduciary Accounts	**85.000**	**90.780**	**122.144**	**85.000**	**90.780**	**122.144**			-			-
Administratorship	0.000	0.000	-	0.000	0.000	-			-			-
Employees Benefit Plans Under Trust	3.573	4.569	4.824	3.573	4.569	4.824			-			-
Escrow	7.308	5.545	4.439	7.308	5.545	4.439			-			-
Personal Trust	25.026	30.061	40.804	25.026	30.061	40.804			-			-
Pre-need Plans	10.983	11.544	10.864	10.983	11.544	10.864			-			-
Other Institutional Trust	3.971	3.527	2.669	3.971	3.527	2.669			-			-
Others	34.138	35.534	58.544	34.138	35.534	58.544			-			-
Common Trust Funds / Unit Investment Trust Fund	34.603	35.176	20.565	34.603	35.176	20.565			-			-
Other Accountabilities / Unearned Income	5.109	6.102	8.457	5.109	6.102	8.457			-			-

Figures may not add up due to rounding-off

Source : Supervisory Data Center, Supervision and Examination Sector

Schedule 4.a

TRUST AND FUND MANAGEMENT OPERATIONS - ASSETS AND ACCOUNTABILITIES

PHILIPPINE BANKS and NON-BANK FINANCIAL INSTITUTIONS (NBFIs)

As of Semesters-Ended Indicated
(Amounts in Billion Pesos)

Selected Accounts	TOTAL TRUST			TOFA 1/			CTF / UITF 2/			IMA 3/		
	End-Dec '07	End-Jun '08	End-Dec '08	End-Dec '07	End-Jun '08	End-Dec '08	End-Dec '07	End-Jun '08	End-Dec '08	End-Dec '07	End-Jun '08	End-Dec '08
TOTAL ASSETS	**1,176.736**	**1,178.132**	**1,234.015**	**627.382**	**640.484**	**719.333**	**152.131**	**133.105**	**92.513**	**397.223**	**404.542**	**422.169**
Peso / Regular Assets	**1,052.022**	**1,046.074**	**1,082.849**	**537.557**	**544.382**	**593.151**	**117.242**	**97.150**	**67.529**	**397.223**	**404.542**	**422.169**
Cash and Due from Banks	279.318	320.231	355.062	88.226	118.733	145.605	38.455	45.673	25.798	152.637	155.825	183.659
Loans and Discounts (net)	47.595	51.804	96.364	26.679	32.713	39.799	1.126	0.431	2.141	19.790	18.660	54.424
Investments (net)	671.356	609.213	582.260	377.616	340.501	363.684	74.610	48.402	38.722	219.130	220.309	179.854
Real & Other Properties Acquired in Settlement of Loans (net)	0.331	0.310	0.471	0.263	0.264	0.427			-	0.067	0.046	0.044
Others	53.423	64.516	48.691	44.773	52.172	43.636	3.051	2.643	0.868	5.600	9.701	4.187
FCDU/EFCDU Assets	**124.714**	**132.058**	**151.166**	**89.825**	**96.102**	**126.182**	**34.889**	**35.956**	**24.984**			-
Cash and Due from Banks	30.719	42.639	41.767	22.363	24.169	30.543	8.356	18.470	11.224			-
Loans and Discounts (net)	0.052	0.052	9.194	0.052	0.052	9.194			-			-
Investments (net)	85.835	79.340	95.724	60.263	63.884	82.609	25.572	15.456	13.115			-
Real & Other Properties Acquired in Settlement of Loans (net)			-			-			-			-
Others	8.108	10.026	4.481	7.148	7.997	3.836	0.960	2.029	0.645			-
TOTAL ACCOUNTABILITIES	**1,176.736**	**1,178.131**	**1,234.015**	**627.382**	**640.484**	**719.333**	**152.131**	**133.106**	**92.513**	**397.223**	**404.541**	**422.169**
Peso / Regular Accountabilities	**1,052.025**	**1,046.073**	**1,082.849**	**537.560**	**544.382**	**593.151**	**117.242**	**97.150**	**67.529**	**397.223**	**404.541**	**422.169**
Trust and Other Fiduciary Accounts	**525.161**	**541.659**	**525.152**	**525.161**	**541.157**	**525.152**		**(0.003)**	-		**0.506**	-
Administratorship	27.792	28.070	28.128	27.792	28.070	28.128			-			-
Employees Benefit Plans Under Trust	132.469	130.513	97.253	132.469	130.513	97.253			-			-
Escrow	24.304	19.552	23.056	24.304	19.552	23.056			-			-
Personal Trust	149.651	143.197	150.229	149.651	143.197	150.229			-			-
Pre-need Plans	91.606	88.076	73.870	91.606	88.076	73.870			-			-
Other Institutional Trust	32.384	31.646	19.019	32.384	31.646	19.019			-			-
Others	66.956	100.605	133.597	66.956	100.102	133.597		(0.003)	-		0.506	-
Common Trust Funds / Unit Investment Trust Fund	114.507	96.203	70.093			-	114.507	96.203	70.093			-
Investment Management Accounts	386.966	402.588	391.508							386.966	402.588	391.508
Other Accountabilities / Unearned Income	25.392	5.623	96.095	12.399	3.225	67.999	2.735	0.951	(2.564)	10.258	1.447	30.660
FCDU / EFCDU Accountabilities	**124.711**	**132.058**	**151.166**	**89.822**	**96.102**	**126.182**	**34.889**	**35.956**	**24.984**			-
Trust and Other Fiduciary Accounts	**85.000**	**90.780**	**122.144**	**85.000**	**90.779**	**122.144**		**0.001**	-			-
Administratorship	0.000	0.000	-	0.000	0.000	-			-			-
Employees Benefit Plans Under Trust	3.573	4.569	4.824	3.573	4.569	4.824			-			-
Escrow	7.308	5.545	4.439	7.308	5.545	4.439			-			-
Personal Trust	25.026	30.061	40.804	25.026	30.061	40.804			-			-
Pre-need Plans	10.983	11.544	10.864	10.983	11.544	10.864			-			-
Other Institutional Trust	3.971	3.527	2.669	3.971	3.527	2.669			-			-
Others	34.138	35.534	58.544	34.138	35.533	58.544		0.001	-			-
Common Trust Funds / Unit Investment Trust Fund	34.603	35.176	20.565			-	34.603	35.176	20.565			-
Other Accountabilities / Unearned Income	5.109	6.102	8.457	4.823	5.323	4.038	0.286	0.779	4.419			-

1/ Trust and Other Fidusiary Accounts
2/ Common Trust Funds / Unit Investment Trust Funds
3/ Investment Management Accounts
Figures may not add up due to rounding-off

Source : Supervisory Data Center, Supervision and Examination Sector

Schedule 4.b

Trust and Fund Management Operations - Assets and Accountabilities

Universal and Commercial Banks

As of Semesters-Ended Indicated

(Amounts in Billion Pesos)

Selected Accounts	TOTAL TRUST			TOFA [1/]			CTF / UITF [2/]			IMA [3/]		
	End-Dec '07	End-Jun '08	End-Dec '08	End-Dec '07	End-Jun '08	End-Dec '08	End-Dec '07	End-Jun '08	End-Dec '08	End-Dec '07	End-Jun '08	End-Dec '08
TOTAL ASSETS	**1,105.506**	**1,113.103**	**1,172.326**	**588.769**	**601.450**	**675.913**	**151.346**	**132.342**	**91.864**	**365.391**	**379.312**	**404.549**
Peso / Regular Assets	**980.795**	**981.046**	**1,021.160**	**498.947**	**505.348**	**549.731**	**116.457**	**96.386**	**66.880**	**365.391**	**379.312**	**404.549**
Cash and Due from Banks	261.884	300.971	336.951	85.881	111.298	135.663	38.141	45.350	25.456	137.862	144.323	175.832
Loans and Discounts (net)	40.205	44.847	90.899	26.039	32.097	39.186	1.118	0.429	2.140	13.047	12.321	49.573
Investments (net)	626.709	572.064	545.759	343.215	310.746	332.019	74.158	47.971	38.387	209.336	213.347	175.353
Real & Other Properties Acquired in Settlement of Loans (net)	0.306	0.284	0.448	0.249	0.245	0.411				0.057	0.039	0.037
Others	51.691	62.879	47.103	43.562	50.961	42.452	3.040	2.636	0.897	5.089	9.282	3.754
FCDU/EFCDU Assets	**124.711**	**132.058**	**151.166**	**89.822**	**96.102**	**126.182**	**34.889**	**35.956**	**24.984**			
Cash and Due from Banks	30.718	42.639	41.767	22.362	24.169	30.543	8.356	18.470	11.224			
Loans and Discounts (net)	0.052	0.052	9.194	0.052	0.052	9.194						
Investments (net)	85.833	79.340	95.724	60.260	63.884	82.609	25.572	15.456	13.115			
Real & Other Properties Acquired in Settlement of Loans (net)												
Others	8.108	10.026	4.481	7.148	7.997	3.836	0.960	2.029	0.645			
TOTAL ACCOUNTABILITIES	**1,105.506**	**1,113.103**	**1,172.326**	**588.769**	**601.449**	**675.913**	**151.346**	**132.342**	**91.864**	**365.391**	**379.312**	**404.549**
Peso / Regular Accountabilities	**980.795**	**981.045**	**1,021.160**	**498.947**	**505.347**	**549.731**	**116.457**	**96.386**	**66.880**	**365.391**	**379.312**	**404.549**
Trust and Other Fiduciary Accounts	**486.971**	**502.824**	**481.859**	**486.971**	**502.322**	**481.859**		**(0.003)**			**0.506**	
Administratorship	27.756	28.027	28.025	27.756	28.027	28.025						
Employees Benefit Plans Under Trust	129.006	126.975	93.612	129.006	126.975	93.612						
Escrow	23.959	19.204	22.766	23.959	19.204	22.766						
Personal Trust	147.067	141.292	148.722	147.067	141.292	148.722						
Pre-need Plans	60.696	60.889	45.066	60.696	60.889	45.066						
Other Institutional Trust	31.854	31.128	18.459	31.854	31.128	18.459						
Others	66.634	95.309	125.209	66.634	94.807	125.209		(0.003)			0.506	
Common Trust Funds / Unit Investment Trust Fund	113.908	95.817	69.815				113.908	95.817	69.815			
Investment Management Accounts	355.183	377.555	374.603							355.183	377.555	374.603
Other Accountabilities / Unearned Income	24.732	4.849	94.883	11.976	3.025	67.872	2.548	0.573	(2.935)	10.208	1.251	29.946
FCDU / EFCDU Accountabilities	**124.711**	**132.058**	**151.166**	**89.822**	**96.102**	**126.182**	**34.889**	**35.956**	**24.984**			
Trust and Other Fiduciary Accounts	**85.000**	**90.780**	**122.144**	**85.000**	**90.779**	**122.144**		**0.001**				
Administratorship	0.000	0.000		0.000	0.000							
Employees Benefit Plans Under Trust	3.573	4.569	4.824	3.573	4.569	4.824						
Escrow	7.308	5.545	4.439	7.308	5.545	4.439						
Personal Trust	25.026	30.061	40.804	25.026	30.061	40.804						
Pre-need Plans	10.983	11.544	10.864	10.983	11.544	10.864						
Other Institutional Trust	3.971	3.527	2.669	3.971	3.527	2.669						
Others	34.138	35.534	58.544	34.138	35.533	58.544		0.001				
Common Trust Funds / Unit Investment Trust Fund	34.603	35.176	20.565				34.603	35.176	20.565			
Other Accountabilities / Unearned Income	5.109	6.102	8.457	4.823	5.323	4.038	0.286	0.779	4.419			

1/ Trust and Other Fidusiary Accounts
2/ Common Trust Funds / Unit Investment Trust Funds
3/ Investment Management Accounts
Figures may not add up due to rounding-off

Source : Supervisory Data Center, Supervision and Examination Sector

Schedule 4.c

Trust and Fund Management Operations - Assets and Accountabilities

Thrift Banks

As of Semesters-Ended Indicated

(Amounts in Billion Pesos)

Selected Accounts	TOTAL TRUST			TOFA [1/]			CTF / UITF [2/]			IMA [3/]		
	End-Dec '07	End-Jun '08	End-Dec '08	End-Dec '07	End-Jun '08	End-Dec '08	End-Dec '07	End-Jun '08	End-Dec '08	End-Dec '07	End-Jun '08	End-Dec '08
TOTAL ASSETS	**47.730**	**48.409**	**49.899**	**34.793**	**35.467**	**40.026**	**0.635**	**0.620**	**0.555**	**12.302**	**12.323**	**9.318**
Peso / Regular Assets	**47.728**	**48.409**	**49.899**	**34.791**	**35.467**	**40.026**	**0.635**	**0.620**	**0.555**	**12.302**	**12.323**	**9.318**
Cash and Due from Banks	12.023	17.923	17.137	1.794	6.920	9.535	0.314	0.318	0.299	9.915	10.684	7.303
Loans and Discounts (net)	0.370	0.345	1.158	0.100	0.146	0.207	0.008	0.002	0.001	0.262	0.197	0.950
Investments (net)	34.117	28.962	30.468	31.800	27.352	29.229	0.303	0.293	0.250	2.014	1.317	0.989
Real & Other Properties Acquired in Settlement of Loans (net)	0.005	0.012	0.009	0.005	0.012	0.009						
Others	1.212	1.168	1.126	1.091	1.037	1.046	0.010	0.006	0.005	0.111	0.125	0.075
FCDU/EFCDU Assets	**0.003**			**0.003**								
Cash and Due from Banks	0.001			0.001								
Loans and Discounts (net)												
Investments (net)	0.002			0.002								
Real & Other Properties Acquired in Settlement of Loans (net)												
Others	0.000			0.000								
TOTAL ACCOUNTABILITIES	**47.730**	**48.409**	**49.899**	**34.793**	**35.467**	**40.026**	**0.635**	**0.620**	**0.555**	**12.302**	**12.322**	**9.318**
Peso / Regular Accountabilities	**47.730**	**48.409**	**49.899**	**34.793**	**35.467**	**40.026**	**0.635**	**0.620**	**0.555**	**12.302**	**12.322**	**9.318**
Trust and Other Fiduciary Accounts	**34.370**	**35.272**	**39.903**	**34.370**	**35.272**	**39.903**						
Administratorship	0.006	0.008	0.085	0.006	0.008	0.085						
Employees Benefit Plans Under Trust	1.603	1.809	1.903	1.603	1.809	1.903						
Escrow	0.345	0.346	0.289	0.345	0.346	0.289						
Personal Trust	1.354	0.777	0.496	1.354	0.777	0.496						
Pre-need Plans	30.770	27.052	28.742	30.770	27.052	28.742						
Other Institutional Trust												
Others	0.292	5.280	8.388	0.292	5.280	8.388						
Common Trust Funds / Unit Investment Trust Fund	0.449	0.267	0.184				0.449	0.267	0.184			
Investment Management Accounts	12.272	12.111	8.625							12.272	12.111	8.625
Other Accountabilities / Unearned Income	0.640	0.759	1.186	0.424	0.195	0.123	0.187	0.353	0.371	0.030	0.211	0.692
FCDU / EFCDU Accountabilities												
Trust and Other Fiduciary Accounts												
Administratorship												
Employees Benefit Plans Under Trust												
Escrow												
Personal Trust												
Pre-need Plans												
Other Institutional Trust												
Others												
Common Trust Funds / Unit Investment Trust Fund												
Other Accountabilities / Unearned Income												

1/ Trust and Other Fidusiary Accounts
2/ Common Trust Funds / Unit Investment Trust Funds
3/ Investment Management Accounts
Figures may not add up due to rounding-off

Source : Supervisory Data Center, Supervision and Examination Sector

Schedule 4.d

TRUST AND FUND MANAGEMENT OPERATIONS - ASSETS AND ACCOUNTABILITIES

NON-BANK FINANCIAL INSTITUTIONS (NBFIs)

As of Semesters-Ended Indicated

(Amounts in Billion Pesos)

Selected Accounts	TOTAL TRUST			TOFA [1/]			CTF / UITF [2/]			IMA [3/]		
	End-Dec '07	End-Jun '08	End-Dec '08	End-Dec '07	End-Jun '08	End-Dec '08	End-Dec '07	End-Jun '08	End-Dec '08	End-Dec '07	End-Jun '08	End-Dec '08
TOTAL ASSETS	**23.500**	**16.619**	**11.790**	**3.820**	**3.568**	**3.394**	**0.150**	**0.144**	**0.094**	**19.530**	**12.907**	**8.302**
Peso / Regular Assets	**23.500**	**16.619**	**11.790**	**3.820**	**3.568**	**3.394**	**0.150**	**0.144**	**0.094**	**19.530**	**12.907**	**8.302**
Cash and Due from Banks	5.410	1.337	0.974	0.550	0.514	0.407		0.005	0.043	4.860	0.818	0.524
Loans and Discounts (net)	7.020	6.612	4.307	0.540	0.470	0.406				6.480	6.142	3.901
Investments (net)	10.530	8.187	6.033	2.600	2.403	2.436	0.150	0.138	0.085	7.780	5.646	3.512
Real & Other Properties Acquired in Settlement of Loans (net)	0.020	0.014	0.014	0.010	0.007	0.007				0.010	0.007	0.007
Others	0.520	0.469	0.462	0.120	0.174	0.138		0.001	(0.034)	0.400	0.294	0.358
FCDU/EFCDU Assets												
Cash and Due from Banks												
Loans and Discounts (net)												
Investments (net)												
Real & Other Properties Acquired in Settlement of Loans (net)												
Others												
TOTAL ACCOUNTABILITIES	**23.500**	**16.619**	**11.790**	**3.820**	**3.568**	**3.394**	**0.150**	**0.144**	**0.094**	**19.530**	**12.907**	**8.302**
Peso / Regular Accountabilities	**23.500**	**16.619**	**11.790**	**3.820**	**3.568**	**3.394**	**0.150**	**0.144**	**0.094**	**19.530**	**12.907**	**8.302**
Trust and Other Fiduciary Accounts	**3.820**	**3.563**	**3.390**	**3.820**	**3.563**	**3.390**						
Administratorship	0.030	0.035	0.018	0.030	0.035	0.018						
Employees Benefit Plans Under Trust	1.860	1.729	1.738	1.860	1.729	1.738						
Escrow		0.001	0.001		0.001	0.001						
Personal Trust	1.230	1.129	1.011	1.230	1.129	1.011						
Pre-need Plans	0.140	0.135	0.062	0.140	0.135	0.062						
Other Institutional Trust	0.530	0.518	0.560	0.530	0.518	0.560						
Others	0.030	0.016		0.030	0.016							
Common Trust Funds / Unit Investment Trust Fund	0.150	0.119	0.094				0.150	0.119	0.094			
Investment Management Accounts	19.510	12.922	8.280							19.510	12.922	8.280
Other Accountabilities / Unearned Income	0.020	0.015	0.026		0.005	0.004		0.025		0.020	(0.015)	0.022
FCDU / EFCDU Accountabilities												
Trust and Other Fiduciary Accounts												
Administratorship												
Employees Benefit Plans Under Trust												
Escrow												
Personal Trust												
Pre-need Plans												
Other Institutional Trust												
Others												
Common Trust Funds / Unit Investment Trust Fund												
Other Accountabilities / Unearned Income												

1/ Trust and Other Fidusiary Accounts
2/ Common Trust Funds / Unit Investment Trust Funds
3/ Investment Management Accounts
Figures may not add up due to rounding-off

Source : Supervisory Data Center, Supervision and Examination Sector

Schedule 5

COMPARATIVE STATEMENT OF INCOME AND EXPENSES

PHILIPPINE BANKING SYSTEM

For the Period-Ended Indicated
(Amounts in Billion Pesos)

Selected Accounts	ALL BANKS			UNIVERSAL & COMMERCIAL BANKS 1/			THRIFT BANKS			RURAL AND COOPERATIVE BANKS		
	Jan-Dec '07	Jan-Jun '08	Jan-Dec '08 p/	Jan-Dec '07	Jan-Jun '08	Jan-Dec '08 p/	Jan-Dec '07	Jan-Jun '08	Jan-Dec '08 p/	Jan-Dec '07	Jan-Jun '08	Jan-Dec '08 p/
Operating Income	**281.222**	**129.765**	**268.036**	**238.145**	**107.205**	**223.700**	**27.195**	**13.474**	**27.306**	**15.881**	**9.086**	**17.030**
Net Interest Income	**168.193**	**84.831**	**183.406**	**136.936**	**68.235**	**150.961**	**20.074**	**9.992**	**19.738**	**11.184**	**6.603**	**12.707**
Interest Income	304.703	153.926	324.557	248.467	124.242	268.076	37.730	18.835	37.335	18.506	10.850	19.147
Provision for Losses on Accrued Interest		0.004	0.192		0.004	0.192		0.000	0.000			
Less: Interest Expenses	136.510	69.092	140.959	111.531	56.003	116.923	17.656	8.842	17.597	7.322	4.247	6.439
Non-interest Income	**113.029**	**44.935**	**84.630**	**101.209**	**38.970**	**72.738**	**7.122**	**3.482**	**7.569**	**4.698**	**2.483**	**4.323**
Dividend Income	4.276	0.202	0.449	4.227	0.201	0.448	0.048	0.001	0.001	0.000	0.000	0.000
Fee-based Income	40.622	21.577	45.103	33.936	18.042	38.438	3.807	1.998	4.011	2.879	1.536	2.655
Trading Income/(Loss)	25.219	(2.467)	17.963	23.203	(2.675)	17.739	2.009	0.200	0.212	0.007	0.008	0.013
Foreign Exchange Income/(Loss)	14.297	8.595	(6.278)	14.396	8.393	(6.699)	(0.102)	0.197	0.412	0.003	0.004	0.009
Other Income/(Loss)	28.615	17.028	27.391	25.446	15.007	22.813	1.360	1.086	2.933	1.808	0.935	1.645
Non-Interest Expenses	**183.458**	**94.973**	**198.951**	**147.960**	**77.388**	**163.335**	**24.118**	**11.630**	**23.661**	**11.380**	**5.956**	**11.954**
Losses/Recoveries on Financial Assets	**(20.865)**	**(5.522)**	**(19.133)**	**(17.753)**	**(4.291)**	**(16.213)**	**(2.433)**	**(0.569)**	**(1.717)**	**(0.679)**	**(0.662)**	**(1.204)**
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures Accounted for Using the Equity Method	**76.900**	**29.270**	**49.952**	**72.432**	**25.527**	**44.151**	**0.645**	**1.275**	**1.928**	**3.823**	**2.468**	**3.872**
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures Accounted for Using the Equity Method		**3.709**	**7.359**		**3.699**	**7.307**		**0.010**	**0.052**			-
Total Profit/Loss Before Tax and Before Minority Interest	**76.900**	**32.979**	**57.311**	**72.432**	**29.226**	**51.458**	**0.645**	**1.285**	**1.981**	**3.823**	**2.468**	**3.872**
Income Tax Expense	13.978	7.873	15.865	12.484	6.866	13.948	0.708	0.592	1.073	0.786	0.414	0.844
Total Profit/Loss After Tax and Before Minority Interest	**62.922**	**25.106**	**41.446**	**59.948**	**22.359**	**37.510**	**(0.063)**	**0.693**	**0.908**	**3.037**	**2.054**	**3.029**
Minority Interest in Profit/(Loss) of Subsidiaries			-			-			-			-
NET PROFIT/(LOSS)	**62.922**	**25.106**	**41.446**	**59.948**	**22.359**	**37.510**	**(0.063)**	**0.693**	**0.908**	**3.037**	**2.054**	**3.029**
Profitability												
Return on Assets (%)	**1.26**	**1.05**	**0.77**	**1.37**	**1.15**	**0.79**	**(0.01)**	**(0.14)**	**0.19**	**2.05**	**1.98**	**1.90**
Return on Equity (%)	**10.75**	**9.55**	**6.90**	**11.81**	**10.58**	**7.18**	**(0.11)**	**(1.16)**	**1.66**	**14.41**	**13.77**	**12.86**

1/ Inclusive of 3 branches of foreign banks with universal banking license, other foreign bank branches and subsidiaries, and 3 government banks: Development Bank of the Philippines (DBP), Land Bank of the Philippines (LBP), and Al Amanah Islamic Bank
p/ Preliminary
Previous periods' data revised based on the Financial Reporting Package (FRP)
Figures may not add up due to rounding-off

Source : Supervisory Data Center, Supervision and Examination Sector

Schedule 5.a

COMPARATIVE STATEMENT OF INCOME AND EXPENSES
UNIVERSAL AND COMMERCIAL BANKING SYSTEM
For the Period-Ended Indicated
(Amounts in Billion Pesos)

Selected Accounts	TOTAL			UNIVERSAL BANKS [1/]			REGULAR COMMERCIAL BANKS [2/]		
	Jan-Dec '07	Jan-Jun '08	Jan-Dec '08	Jan-Dec '07	Jan-Jun '08	Jan-Dec '08	Jan-Dec '07	Jan-Jun '08	Jan-Dec '08
Operating Income	**238.145**	**107.205**	**223.700**	**196.909**	**87.995**	**183.221**	**41.236**	**19.210**	**40.479**
Net Interest Income	**136.936**	**68.235**	**150.961**	**111.450**	**55.386**	**122.575**	**25.486**	**12.850**	**28.386**
Interest Income	248.467	124.242	268.076	200.765	100.772	217.275	47.703	23.470	50.801
Provision for Losses on Accrued Interest		0.004	0.192		0.000	0.181		0.004	0.011
Less: Interest Expenses	111.531	56.003	116.923	89.314	45.386	94.519	22.217	10.616	22.404
Non-interest Income	**101.209**	**38.970**	**72.738**	**85.459**	**32.609**	**60.646**	**15.750**	**6.360**	**12.093**
Dividend Income	4.227	0.201	0.448	4.226	0.197	0.430	0.001	0.005	0.018
Fee-based Income	33.936	18.042	38.438	27.353	14.652	31.336	6.583	3.390	7.101
Trading Income/(Loss)	23.203	(2.675)	17.739	20.772	(2.153)	20.056	2.431	(0.521)	(2.318)
Foreign Exchange Income/(Loss)	14.396	8.393	(6.699)	9.624	6.357	(11.354)	4.772	2.036	4.655
Other Income/(Loss)	25.446	15.007	22.813	23.484	13.556	20.177	1.963	1.451	2.636
Non-Interest Expenses	**147.960**	**77.388**	**163.335**	**124.516**	**64.758**	**134.914**	**23.444**	**12.630**	**28.421**
Losses/Recoveries on Financial Assets	**(17.753)**	**(4.291)**	**(16.213)**	**(14.433)**	**(2.879)**	**(12.868)**	**(3.320)**	**(1.411)**	**(3.345)**
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures Accounted for Using the Equity Method	**72.432**	**25.527**	**44.151**	**57.960**	**20.358**	**35.438**	**14.472**	**5.169**	**8.713**
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures Accounted for Using the Equity Method		**3.699**	**7.307**		**3.699**	**7.307**			-
Total Profit/Loss Before Tax and Before Minority Interest	**72.432**	**29.226**	**51.458**	**57.960**	**24.057**	**42.745**	**14.472**	**5.169**	**8.713**
Income Tax Expense	12.484	6.866	13.948	8.597	4.678	10.204	3.887	2.188	3.744
Total Profit/Loss After Tax and Before Minority Interest	**59.948**	**22.359**	**37.510**	**49.363**	**19.379**	**32.541**	**10.585**	**2.980**	**4.970**
Minority Interest in Profit/(Loss) of Subsidiaries			-			-			-
NET PROFIT/(LOSS)	**59.948**	**22.359**	**37.510**	**49.363**	**19.379**	**32.541**	**10.585**	**2.980**	**4.970**
Profitability									
Return on Assets (%)	**1.37**	**1.15**	**0.79**	**1.35**	**1.17**	**0.81**	**1.45**	**1.03**	**0.67**
Return on Equity (%)	**11.81**	**10.58**	**7.18**	**12.43**	**11.54**	**7.89**	**9.57**	**7.22**	**4.54**

1/ Inclusive of 3 branches of foreign banks with universal banking license and 3 government banks: Development Bank of the Philippines (DBP), Land Bank of the Philippines (LBP), and Al Amanah Islamic Bank
2/ Inclusive of the other foreign bank branches and subsidiaries
Previous periods' data revised based on the Financial Reporting Package (FRP)
Figures may not add up due to rounding-off

Source : Supervisory Data Center, Supervision and Examination Sector

Schedule 5.b

COMPARATIVE STATEMENT OF INCOME AND EXPENSES

THRIFT BANKING SYSTEM

For the Period-Ended Indicated
(Amounts in Billion Pesos)

Selected Accounts	TOTAL			FINANCIAL INSTITUTION LINKED BANKS			NON-LINKED BANKS		
	Jan-Dec '07	Jan-Jun '08	Jan-Dec '08	Jan-Dec '07	Jan-Jun '08	Jan-Dec '08	Jan-Dec '07	Jan-Jun '08	Jan-Dec '08
Operating Income	**27.195**	**13.474**	**27.306**	**18.049**	**8.508**	**17.141**	**9.146**	**4.966**	**10.165**
Net Interest Income	**20.074**	**9.992**	**19.738**	**13.960**	**6.739**	**13.169**	**6.114**	**3.253**	**6.569**
Interest Income	37.730	18.835	37.335	22.992	11.522	23.039	14.738	7.313	14.296
Provision for Losses on Accrued Interest		0.000	0.000			-		0.000	0.000
Less: Interest Expenses	17.656	8.842	17.597	9.032	4.782	9.870	8.624	4.060	7.727
Non-interest Income	**7.122**	**3.482**	**7.569**	**4.089**	**1.769**	**3.972**	**3.033**	**1.713**	**3.597**
Dividend Income	0.048	0.001	0.001	0.001	0.000	0.001	0.048	0.001	0.001
Fee-based Income	3.807	1.998	4.011	1.880	0.979	1.868	1.927	1.019	2.143
Trading Income/(Loss)	2.009	0.200	0.212	1.604	0.180	0.182	0.404	0.020	0.030
Foreign Exchange Income/(Loss)	(0.102)	0.197	0.412	(0.033)	0.124	0.280	(0.069)	0.073	0.132
Other Income/(Loss)	1.360	1.086	2.933	0.637	0.486	1.641	0.723	0.600	1.291
Non-Interest Expenses	**24.118**	**11.630**	**23.661**	**12.847**	**6.606**	**13.159**	**11.271**	**5.024**	**10.503**
Losses/Recoveries on Financial Assets	**(2.433)**	**(0.569)**	**(1.717)**	**(1.518)**	**(0.323)**	**(0.992)**	**(0.914)**	**(0.247)**	**(0.724)**
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures Accounted for Using the Equity Method	**0.645**	**1.275**	**1.928**	**3.684**	**1.579**	**2.990**	**(3.039)**	**(0.304)**	**(1.062)**
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures Accounted for Using the Equity Method		**0.010**	**0.052**		**0.010**	**0.052**			-
Total Profit/Loss Before Tax and Before Minority Interest	**0.645**	**1.285**	**1.981**	**3.684**	**1.589**	**3.042**	**(3.039)**	**(0.304)**	**(1.062)**
Income Tax Expense	0.708	0.592	1.073	0.429	0.376	0.896	0.280	0.216	0.177
Total Profit/Loss After Tax and Before Minority Interest	**(0.063)**	**0.693**	**0.908**	**3.255**	**1.213**	**2.147**	**(3.319)**	**(0.521)**	**(1.239)**
Minority Interest in Profit/(Loss) of Subsidiaries			-			-			-
NET PROFIT/(LOSS)	**(0.063)**	**0.693**	**0.908**	**3.255**	**1.213**	**2.147**	**(3.319)**	**(0.521)**	**(1.239)**
Profitability									
Return on Assets (%)	**(0.01)**	**(0.14)**	**0.19**	**1.20**	**0.79**	**0.74**	**(1.74)**	**(1.59)**	**(0.64)**
Return on Equity (%)	**(0.11)**	**(1.16)**	**1.66**	**10.29**	**7.35**	**6.71**	**(13.33)**	**(11.97)**	**(5.43)**

Previous periods' data revised based on the Financial Reporting Package (FRP)
Figures may not add up due to rounding-off

Source : Supervisory Data Center, Supervision and Examination Sector

Schedule 5.c

Comparative Statement of Income and Expenses

Rural and Cooperative Banking System

For the Period-Ended Indicated

(Amounts in Billion Pesos)

Selected Accounts	TOTAL			RURAL BANKS			COOPERATIVE BANKS		
	Jan-Dec '07	Jan-Jun '08	Jan-Dec '08 p/	Jan-Dec '07	Jan-Jun '08	Jan-Dec '08 p/	Jan-Dec '07	Jan-Jun '08	Jan-Dec '08 p/
Operating Income	**15.881**	**9.086**	**17.030**	**14.804**	**8.480**	**15.785**	**1.077**	**0.606**	**1.245**
Net Interest Income	**11.184**	**6.603**	**12.707**	**10.613**	**6.279**	**12.042**	**0.571**	**0.324**	**0.665**
Interest Income	18.506	10.850	19.147	17.332	10.208	17.824	1.174	0.642	1.323
Provision for Losses on Accrued Interest			-			-			-
Less: Interest Expenses	7.322	4.247	6.439	6.720	3.929	5.781	0.603	0.318	0.658
Non-interest Income	**4.698**	**2.483**	**4.323**	**4.192**	**2.202**	**3.743**	**0.506**	**0.282**	**0.580**
Dividend Income	0.000	0.000	0.000	0.000	0.000	(0.000)	0.000	0.000	0.000
Fee-based Income	2.879	1.536	2.655	2.550	1.334	2.245	0.329	0.203	0.410
Trading Income/(Loss)	0.007	0.008	0.013	0.006	0.007	0.013	0.000	0.000	0.000
Foreign Exchange Income/(Loss)	0.003	0.004	0.009	0.003	0.004	0.009	0.000	0.000	-
Other Income/(Loss)	1.808	0.935	1.645	1.632	0.856	1.475	0.176	0.079	0.170
Non-Interest Expenses	**11.380**	**5.956**	**11.954**	**10.574**	**5.538**	**11.063**	**0.806**	**0.418**	**0.891**
Losses/Recoveries on Financial Assets	**(0.679)**	**(0.662)**	**(1.204)**	**(0.650)**	**(0.596)**	**(1.126)**	**(0.029)**	**(0.066)**	**(0.078)**
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures Accounted for Using the Equity Method	**3.823**	**2.468**	**3.872**	**3.580**	**2.346**	**3.596**	**0.243**	**0.122**	**0.276**
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures Accounted for Using the Equity Method			-			-			-
Total Profit/Loss Before Tax and Before Minority Interest	**3.823**	**2.468**	**3.872**	**3.580**	**2.346**	**3.596**	**0.243**	**0.122**	**0.276**
Income Tax Expense	0.786	0.414	0.844	0.786	0.414	0.843	0.000	0.000	0.000
Total Profit/Loss After Tax and Before Minority Interest	**3.037**	**2.054**	**3.029**	**2.794**	**1.932**	**2.752**	**0.243**	**0.122**	**0.276**
Minority Interest in Profit/(Loss) of Subsidiaries			-			-			-
NET PROFIT/(LOSS)	**3.037**	**2.054**	**3.029**	**2.794**	**1.932**	**2.752**	**0.243**	**0.122**	**0.276**
Profitability									
Return on Assets (%)	**2.05**	**1.98**	**1.90**	**2.02**	**1.95**	**1.87**	**2.47**	**2.40**	**2.35**
Return on Equity (%)	**14.41**	**13.77**	**12.86**	**14.23**	**13.56**	**12.57**	**16.80**	**16.84**	**16.86**

p/ *Preliminary*
Previous periods' data revised based on the Financial Reporting Package (FRP)
Figures may not add up due to rounding-off

Source : Supervisory Data Center, Supervision and Examination Sector

Schedule 6

OFFICES OF FOREIGN BANK BRANCHES AND SUBSIDIARIES

AS OF END-YEARS INDICATED

Type of Foreign Bank	2006			2007			2008		
	TOTAL	HEAD OFFICE	OTHER OFFICES	TOTAL	HEAD OFFICE	OTHER OFFICES	TOTAL	HEAD OFFICE	OTHER OFFICES
FOREIGN BANK OFFICES	**181**	**21**	**160**	**185**	**21**	**164**	**176**	**21**	**155**
A. Foreign Bank Branches Existing as of Effectivity of R.A. No. 7721	**18**	**4**	**14**	**21**	**4**	**17**	**21**	**4**	**17**
1 Bank of America, N.A.[1/]	1	1	0	1	1	0	1	1	0
2 Citibank, N.A.[1/]	6	1	5	6	1	5	6	1	5
3 The Hongkong and Shanghai Banking Corp. Ltd.[2/]	5	1	4	8	1	7	8	1	7
4 Standard Chartered Bank [2/]	6	1	5	6	1	5	6	1	5
B. New Foreign Bank Branches	**10**	**10**	**0**	**10**	**10**	**0**	**10**	**10**	**0**
1 Australia and New Zealand Banking Group, Ltd.[1/]	1	1	0	1	1	0	1	1	0
2 Bangkok Bank Public Co., Ltd.[1/]	1	1	0	1	1	0	1	1	0
3 The Bank of Tokyo-Mitsubishi, Ltd.[1/]	1	1	0	1	1	0	1	1	0
4 The Chase Manhattan Bank[1]/	1	1	0	1	1	0	1	1	0
5 Deutsche Bank [1/]	1	1	0	1	1	0	1	1	0
6 Mizuho Corporate Bank (formerly Fuji Bank, Ltd.)[1/]	1	1	0	1	1	0	1	1	0
7 The International Commercial Bank of China[1/]	1	1	0	1	1	0	1	1	0
8 Korea Exchange Bank[1/]	1	1	0	1	1	0	1	1	0
9 ING Bank N.V. [2/]	1	1	0	1	1	0	1	1	0
10 Bank of China, Manila Branch [1/]	1	1	0	1	1	0	1	1	0
C. Foreign Bank Subsidiaries	**153**	**7**	**146**	**154**	**7**	**147**	**145**	**7**	**138**
1 Chinatrust (Phils.) Commercial Bank Corp.[1/]	20	1	19	24	1	23	23	1	22
2 Maybank Phils., Inc.[1/]	46	1	45	45	1	44	45	1	44
3 United Overseas Bank Philippines[1/]	1	1	0	1	1	0	1	1	0
4 HSBC Savings Bank (Phils.), Inc.[3/]	16	1	15	16	1	15	16	1	15
5 ABN AMRO Commercial Bank, Inc.[1/]	1	1	0	1	1	0	1	1	0
6 Citibank Savings [3/ 5/]	36	1	35	36	1	35	31	1	30
7 GE Money Bank [4/ 5/]	33	1	32	31	1	30	28	1	27

1/ With commercial banking license
2/ With universal banking license
3/ With thrift banking license
4/ With thrift banking license, opened on 19 June 2006
5/ Entry through Section 8 of Republic Act No. 7606 (Thrift Banks Act of 1995)

Source: Supervisory Data Center, Supervision and Examination Sector

Schedule 6.a

COMPARATIVE STATEMENT OF CONDITION

BRANCHES AND SUBSIDIARIES OF FOREIGN BANKS

As of End-Years Indicated
(Amounts in Billion Pesos)

Selected Accounts	TOTAL			Existing Foreign Bank Branches			New Foreign Bank Branches			Subsidiaries of Foreign Banks		
	2006	2007	2008	2006	2007	2008	2006	2007	2008	2006	2007	2008
ASSETS	**647.465**	**676.211**	**654.190**	**403.562**	**425.449**	**366.948**	**149.716**	**165.488**	**188.794**	**94.187**	**85.274**	**98.448**
Cash and Due from Banks	130.502	126.444	110.442	82.024	76.769	65.704	32.808	34.218	30.292	15.670	15.457	14.446
Financial Assets (net)	143.083	142.517	129.118	105.147	96.466	74.401	19.001	29.368	39.153	18.935	16.683	15.564
Loan Portfolio (net)	340.224	348.974	390.678	199.451	215.342	213.600	90.017	88.010	116.090	50.756	45.622	60.988
Equity Investments (net)	0.957	1.635	1.528	0.861	1.539	1.363	0.049	0.049	0.063	0.047	0.047	0.102
ROPA (net)	1.072	0.976	0.720	0.084	0.068	0.027	0.005	0.002	0.002	0.983	0.906	0.691
Other Assets	31.627	55.665	21.704	15.995	35.265	11.853	7.836	13.841	3.194	7.796	6.559	6.657
LIABILITIES AND CAPITAL	**647.465**	**676.211**	**654.190**	**403.562**	**425.449**	**366.948**	**149.716**	**165.488**	**188.794**	**94.187**	**85.274**	**98.448**
Liabilities	**553.878**	**582.716**	**542.585**	**351.278**	**377.914**	**313.686**	**122.483**	**134.057**	**144.427**	**80.117**	**70.745**	**84.472**
Financial Liabilities Held for Trading	0.000	0.000	32.087	0.000	0.000	18.969	0.000	0.000	13.096	0.000	0.000	0.022
Financial Liabilities DFVPL	0.000	0.000	4.779	0.000	0.000	4.779	0.000	0.000	0.000	0.000	0.000	0.000
Deposit Liabilities	429.692	434.665	395.878	279.799	276.482	228.027	87.230	98.469	98.815	62.663	59.714	69.036
Peso Liabilities	209.169	229.458	215.701	152.812	159.537	137.090	15.831	30.342	35.258	40.526	39.579	43.353
Demand and NOW	57.677	69.532	72.061	42.806	50.847	51.259	6.980	8.444	9.896	7.891	10.241	10.906
Savings	32.096	40.288	32.987	20.197	22.509	16.050	5.035	8.935	9.113	6.864	8.844	7.824
Time/LTNCD	119.396	119.638	110.653	89.809	86.181	69.781	3.816	12.963	16.249	25.771	20.494	24.623
Foreign Currency	220.523	205.207	180.177	126.987	116.945	90.937	71.399	68.127	63.557	22.137	20.135	25.683
Bills Payable	42.798	47.777	35.024	23.492	34.218	16.586	7.334	7.783	8.630	11.972	5.776	9.808
Deposit Substitutes	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Others	42.798	47.777	35.024	23.492	34.218	16.586	7.334	7.783	8.630	11.972	5.776	9.808
Special Financing	0.001	0.001	0.001	0.000	0.000	0.000	0.000	0.000	0.000	0.001	0.001	0.001
Unsecured Subordinated Debt	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Redeemable Preferred Shares	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Net Due to H.O./Other Offices	27.568	13.532	23.568	9.046	5.657	4.662	18.522	7.875	18.906	0.000	0.000	0.000
Other Liabilities	53.819	86.741	51.248	38.941	61.557	40.663	9.397	19.930	4.980	5.481	5.254	5.605
Capital Accounts	**93.587**	**93.495**	**111.605**	**52.284**	**47.535**	**53.262**	**27.233**	**31.431**	**44.367**	**14.070**	**14.529**	**13.976**
Capital Stock	16.230	17.305	17.841	0.000	0.000	0.000	0.000	0.000	0.000	16.230	17.305	17.841
Assigned Capital	16.792	18.961	22.008	11.075	11.963	12.348	5.717	6.998	9.660	0.000	0.000	0.000
Net due to H.O./Other Offices	62.725	60.005	75.621	41.209	35.572	40.914	21.516	24.433	34.707	0.000	0.000	0.000
Other Equity Instruments	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Retained Earnings & Undivided Profits	(2.160)	(2.776)	(3.865)	0.000	0.000	0.000	0.000	0.000	0.000	(2.160)	(2.776)	(3.865)
CONTINGENT ACCOUNTS	**2,613.419**	**2,803.763**	**2,270.140**	**1,661.358**	**1,911.461**	**1,468.626**	**904.854**	**821.195**	**788.315**	**47.207**	**71.107**	**13.199**

Source: Supervisory Data Center, Supervision and Examination Sector

Schedule 6.b

SELECTED CONTINGENT ACCOUNTS

BRANCHES AND SUBSIDIARIES OF FOREIGN BANKS

As of End-Years Indicated
(Amounts in Billion Pesos)

Selected Accounts	TOTAL			Existing Foreign Bank Branches			New Foreign Bank Branches			Subsidiaries of Foreign Banks		
	2006	2007	2008	2006	2007	2008	2006	2007	2008	2006	2007	2008
TRADE-RELATED ACCOUNTS	**2.610**	**4.936**	**4.807**	**1.240**	**2.224**	**1.266**	**0.975**	**2.496**	**3.300**	**0.395**	**0.216**	**0.241**
Unused Commercial LCs	2.302	4.460	3.186	0.948	1.901	0.727	0.959	2.343	2.218	0.395	0.216	0.241
Export LCs - Confirmed	0.308	0.476	1.621	0.292	0.323	0.539	0.016	0.153	1.082	0.000	0.000	0.000
BANK GUARANTEES	**13.883**	**16.963**	**25.766**	**7.156**	**9.982**	**11.969**	**6.013**	**6.412**	**13.240**	**0.714**	**0.569**	**0.557**
Stand-by Letters of Credit	10.836	12.811	18.300	5.995	8.144	11.456	4.185	4.108	6.292	0.656	0.559	0.552
Outstanding Guarantees Issued	3.047	4.152	7.466	1.161	1.838	0.513	1.828	2.304	6.948	0.058	0.010	0.005
DERIVATIVE INSTRUMENTS	**1,488.894**	**1,708.794**	**1,309.358**	**850.377**	**1,113.650**	**797.498**	**595.227**	**537.766**	**506.123**	**43.290**	**57.378**	**5.737**
Currency Forwards	1,107.676	1,327.616	723.854	689.859	841.274	395.540	385.788	432.715	328.061	32.029	53.627	0.253
Interest Rate Forwards	0.000	0.000	0.238	0.000	0.000	0.238	0.000	0.000	0.000	0.000	0.000	0.000
Financial Options	97.931	56.971	30.293	12.239	52.999	27.263	85.692	3.972	3.030	0.000	0.000	0.000
Financial Futures - Trading	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Financial Futures - Hedging	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Interest Rate Swaps	189.700	259.296	362.948	108.501	183.922	255.063	78.016	74.469	107.885	3.183	0.905	0.000
Credit Derivatives	0.000	0.000	3.760	0.000	0.000	3.760	0.000	0.000	0.000	0.000	0.000	0.000
Currency Swap	0.000	0.000	110.773	0.000	0.000	70.178	0.000	0.000	40.595	0.000	0.000	0.000
Equity Contracts	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Spot Exchange	93.587	64.911	77.492	39.778	35.455	45.456	45.731	26.610	26.552	8.078	2.846	5.484
TRUST DEPARTMENT ACCOUNTS	**114.793**	**155.004**	**220.353**	**21.720**	**34.653**	**137.182**	**91.188**	**109.086**	**78.051**	**1.885**	**11.265**	**5.120**
OTHER CONTINGENT ACCOUNTS	**993.239**	**918.066**	**709.856**	**780.865**	**750.952**	**520.711**	**211.451**	**165.435**	**187.601**	**0.923**	**1.679**	**1.544**
TOTAL CONTINGENT ACCOUNTS	**2,613.419**	**2,803.763**	**2,270.140**	**1,661.358**	**1,911.461**	**1,468.626**	**904.854**	**821.195**	**788.315**	**47.207**	**71.107**	**13.199**

Source: Supervisory Data Center, Supervision and Examination Sector

Schedule 6.c

COMPARATIVE STATEMENT OF INCOME AND EXPENSES
BRANCHES AND SUBSIDIARIES OF FOREIGN BANKS

For the Years Indicated
(Amounts in Billion Pesos)

Selected Accounts	TOTAL			Existing Foreign Bank Branches			New Foreign Bank Branches			Subsidiaries of Foreign Banks		
	2006	2007	2008	2006	2007	2008	2006	2007	2008	2006	2007	2008
Operating Income	**47.269**	**48.234**	**49.440**	**32.524**	**34.929**	**34.349**	**9.443**	**7.955**	**9.318**	**5.302**	**5.350**	**5.773**
Net Interest Income	**28.636**	**26.088**	**27.636**	**21.031**	**18.456**	**19.332**	**3.745**	**2.935**	**3.979**	**3.860**	**4.697**	**4.325**
Interest Income	49.994	48.412	46.671	32.534	31.179	28.984	10.416	9.474	10.565	7.044	7.759	7.122
Provision for Losses on Accrued Interest			0.011			-			-			0.011
Less: Interest Expenses	21.358	22.324	19.024	11.503	12.723	9.652	6.671	6.539	6.586	3.184	3.062	2.786
Non-interest Income	**18.633**	**22.146**	**21.804**	**11.493**	**16.473**	**15.017**	**5.698**	**5.020**	**5.339**	**1.442**	**0.653**	**1.448**
Dividend Income	0.008	0.002	0.001	0.001	0.001	0.001	0.006		-	0.001	0.001	-
Fee-based Income	8.259	9.820	11.327	6.286	7.587	8.202	1.576	1.826	2.619	0.397	0.407	0.506
Trading Income/(Loss)	(0.194)	2.782	1.173	1.052	3.141	2.430	(1.825)	(0.523)	(0.807)	0.579	0.164	(0.450)
Foreign Exchange Income/(Loss)	8.036	6.994	5.654	2.244	3.594	2.526	5.553	3.278	2.642	0.239	0.122	0.486
Other Income/(Loss)	2.524	2.548	3.649	1.910	2.150	1.858	0.388	0.439	0.885	0.226	(0.041)	0.906
Non-Interest Expenses	**26.180**	**26.786**	**33.765**	**16.766**	**16.766**	**22.680**	**4.307**	**4.547**	**5.623**	**5.107**	**5.473**	**5.462**
Losses/Recoveries on Financial Assets	**(5.071)**	**(5.245)**	**(4.495)**	**(4.013)**	**(4.254)**	**(3.673)**	**0.076**	**(0.395)**	**(0.041)**	**(1.134)**	**(0.596)**	**(0.781)**
Net Profit Before Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures Accounted for Using the Equity Method	**16.018**	**16.203**	**11.180**	**11.745**	**13.909**	**7.996**	**5.212**	**3.013**	**3.654**	**(0.939)**	**(0.719)**	**(0.470)**
Share in the Profit/(Loss) of Unconsolidated Subsidiaries, Associates and Joint Ventures Accounted for Using the Equity Method			-			-			-			-
Total Profit/Loss Before Tax and Before Minority Interest	**16.018**	**16.203**	**11.180**	**11.745**	**13.909**	**7.996**	**5.212**	**3.013**	**3.654**	**(0.939)**	**(0.719)**	**(0.470)**
Income Tax Expense	4.038	3.676	4.562	2.960	2.804	3.443	1.169	0.714	0.814	(0.091)	0.158	0.305
Total Profit/Loss After Tax and Before Minority Interest	**11.980**	**12.527**	**6.618**	**8.785**	**11.105**	**4.553**	**4.043**	**2.299**	**2.840**	**(0.848)**	**(0.877)**	**(0.775)**
Minority Interest in Profit/(Loss) of Subsidiaries			-			-			-			-
NET PROFIT/(LOSS)	**11.980**	**12.527**	**6.618**	**8.785**	**11.105**	**4.553**	**4.043**	**2.299**	**2.840**	**(0.848)**	**(0.877)**	**(0.775)**
Profitability												
Return on Assets (%)	**1.95**	**1.68**	**1.00**	**2.24**	**2.33**	**1.15**	**2.88**	**1.46**	**1.60**	**(1.05)**	**(0.98)**	**(0.84)**
Return on Equity (%)	**13.24**	**11.86**	**6.45**	**17.40**	**19.38**	**9.03**	**15.11**	**7.84**	**7.49**	**(6.42)**	**(6.13)**	**(5.44)**

Previous periods' data revised based on the Financial Reporting Package (FRP)
Figures may not add up due to rounding-off

Source : Supervisory Data Center, Supervision and Examination Sector

Schedule 7

COMPARATIVE STATEMENT OF CONDITION

NON-BANKS FINANCIAL INSTITUTIONS (NBFIs)

As of Semesters-Ended Indicated
(Amounts in Billion Pesos)

Selected Accounts	ALL NBFIs			NBQBs			NSSLAs			Other NBFIs		
	End-Dec '07	End-Jun '08	End-Dec '08 p/	End-Dec '07	End-Jun '08	End-Dec '08 p/	End-Dec '07	End-Jun '08	End-Dec '08 p/	End-Dec '07	End-Jun '08	End-Dec '08 p/
ASSETS	**245.752**	**245.961**	**260.566**	**63.340**	**65.888**	**90.334**	**73.994**	**75.066**	**80.417**	**108.417**	**105.006**	**89.815**
Cash and Due from Banks	33.146	38.108	43.899	8.970	10.705	12.974	15.749	18.433	21.221	8.427	8.970	9.704
Loan Portfolio (net)	114.242	119.982	123.238	12.663	18.862	33.819	47.768	47.329	50.568	53.811	53.791	38.851
Investments (net)	76.264	65.158	68.946	36.678	31.484	36.218	7.432	5.300	5.543	32.154	28.374	27.184
ROPA (net)	3.372	3.757	3.610	1.296	1.404	1.333	0.039	0.035	0.049	2.037	2.317	2.227
Other Assets	18.728	18.957	20.874	3.732	3.433	5.989	3.007	3.970	3.037	11.988	11.553	11.848
LIABILITIES AND CAPITAL	**245.752**	**245.961**	**260.566**	**63.340**	**65.888**	**90.334**	**73.994**	**75.066**	**80.417**	**108.417**	**105.006**	**89.815**
Liabilities	**114.164**	**123.394**	**133.124**	**43.312**	**49.038**	**70.340**	**14.161**	**15.310**	**16.868**	**56.691**	**59.045**	**45.916**
Deposit Liabilities	**10.610**	**11.902**	**12.391**			-	**10.610**	**11.902**	**12.391**			-
Peso Liabilities	10.610	11.902	12.391			-	10.610	11.902	12.391			-
Demand and NOW			-			-			-			-
Savings	9.560	10.762	11.049			-	9.560	10.762	11.049			-
Time	1.050	1.139	1.342			-	1.050	1.139	1.342			-
Foreign Currency			-			-			-			-
Bills Payable	**82.674**	**87.443**	**95.149**	**41.200**	**44.344**	**64.221**	**0.503**	**0.303**	**0.625**	**40.970**	**42.796**	**30.304**
Deposits Substitutes	40.548	40.476	61.662	37.018	40.476	52.089			-	3.529		9.573
Others	42.126	46.967	33.487	4.182	3.868	12.131	0.503	0.303	0.625	37.441	42.796	20.731
Special Financing			-			-			-			-
Time Certificates of Deposits - SF			-			-			-			-
Special Time Deposits			-			-			-			-
Unsecured Subordinated Debt			-			-			-			-
Other Liabilities	**20.880**	**24.049**	**25.583**	**2.112**	**4.694**	**6.119**	**3.048**	**3.106**	**3.852**	**15.721**	**16.249**	**15.612**
Capital Accounts	**131.588**	**122.567**	**127.442**	**20.028**	**16.850**	**19.994**	**59.833**	**59.756**	**63.549**	**51.727**	**45.961**	**43.899**
Capital Stock	105.628	100.786	103.449	11.326	10.942	13.895	52.616	52.994	55.720	41.686	36.849	33.834
Assigned Capital	0.081	0.081	0.081			-			-	0.081	0.081	0.081
Net Due to H.O.			-			-			-			-
Surplus, Surplus Reserves & Undivided Profits	25.879	21.701	23.913	8.703	5.908	6.099	7.217	6.762	7.829	9.959	9.031	9.984

p/ *Preliminary*
Figures may not add up due to rounding-off

Source : Supervisory Data Center, Supervision and Examination Sector

Schedule 7.a

Comparative Statement of Income and Expenses

Non-Bank Financial Institutions (NBFIs)

For the Period-Ended Indicated
(Amounts in Billion Pesos)

Selected Accounts	ALL NBFIs 1/			NBQBs			NSSLAs			Other NBFIs 1/		
	Jan-Dec '07	Jan-Jun '08	Jan-Dec '08 p/	Jan-Dec '07	Jan-Jun '08	Jan-Dec '08 p/	Jan-Dec '07	Jan-Jun '08	Jan-Dec '08 p/	Jan-Dec '07	Jan-Jun '08	Jan-Dec '08
OPERATING INCOME	**32.688**	**16.740**	**30.434**	**4.428**	**1.271**	**7.199**	**10.120**	**4.090**	**10.535**	**18.140**	**11.380**	**12.700**
Net Interest Income	**21.490**	**12.652**	**21.872**	**1.794**	**0.868**	**4.732**	**8.576**	**3.803**	**8.819**	**11.120**	**7.981**	**8.321**
Interest Income	25.311	14.798	26.589	3.260	1.855	7.927	9.091	4.037	9.538	12.959	8.906	9.124
Less: Interest Expenses	3.821	2.146	4.717	1.467	0.987	3.195	0.515	0.234	0.719	1.839	0.925	0.803
Non-interest Income	**11.199**	**4.088**	**8.561**	**2.634**	**0.402**	**2.467**	**1.544**	**0.287**	**1.716**	**7.020**	**3.399**	**4.379**
Fee-based Income	5.393	1.814	4.809	0.686	0.325	1.892	1.185	0.150	1.178	3.522	1.338	1.739
Trading Income/(Loss)	1.179	(0.506)	(0.698)	1.134	(0.318)	(0.452)			-	0.045	(0.188)	(0.245)
Other Income/(Loss)	4.627	2.781	4.450	0.815	0.395	1.027	0.360	0.137	0.538	3.453	2.249	2.885
OPERATING EXPENSES	**16.979**	**11.179**	**17.516**	**1.696**	**0.976**	**5.438**	**2.455**	**0.869**	**2.522**	**12.828**	**9.334**	**9.556**
Bad Debts Written Off	**0.000**	**0.000**	**0.001**			-	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
Provision for Probable Losses	**2.230**	**1.180**	**2.190**	**0.053**	**0.032**	**1.498**	**0.504**	**0.172**	**0.283**	**1.673**	**0.977**	**0.409**
Other Operating Expenses	**14.749**	**9.999**	**15.325**	**1.643**	**0.944**	**3.939**	**1.951**	**0.698**	**2.239**	**11.155**	**8.357**	**9.147**
Overhead Costs	8.673	5.898	9.148	1.199	0.680	2.519	1.168	0.449	1.338	6.307	4.770	5.291
Other Expenses	6.076	4.101	6.177	0.444	0.265	1.421	0.783	0.248	0.901	4.848	3.588	3.856
NET OPERATING INCOME (LOSS)	**15.709**	**5.561**	**12.918**	**2.731**	**0.294**	**1.761**	**7.665**	**3.221**	**8.013**	**5.312**	**2.046**	**3.143**
EXTRAORDINARY CREDITS/(CHARGES)	**1.107**	**0.478**	**0.838**	**0.911**	**0.278**	**0.675**	**0.043**	**0.009**	**0.046**	**0.153**	**0.191**	**0.117**
NET INCOME/(LOSS) BEFORE TAX	**16.816**	**6.039**	**13.755**	**3.643**	**0.572**	**2.436**	**7.708**	**3.230**	**8.059**	**5.465**	**2.237**	**3.261**
Provision for income tax	1.544	0.652	1.221	0.448	0.211	0.797		0.000	0.000	1.095	0.441	0.424
NET INCOME/(LOSS) AFTER TAX	**15.273**	**5.387**	**12.534**	**3.194**	**0.361**	**1.639**	**7.708**	**3.230**	**8.058**	**4.370**	**1.796**	**2.837**
Profitability												
Return on Assets (%)	**6.49**	**5.31**	**4.95**	**5.35**	**2.01**	**2.13**	**10.66**	**9.40**	**10.44**	**4.24**	**4.27**	**2.86**
Return on Equity (%)	**11.70**	**9.86**	**9.68**	**16.77**	**6.67**	**8.19**	**12.78**	**11.47**	**13.06**	**8.54**	**9.04**	**5.93**

1/ Includes only the reporting entities
p/ Preliminary
Figures may not add up due to rounding-off

Source : Supervisory Data Center, Supervision and Examination Sector

Changes in Bank Regulations
From January to December 2008

A. Circulars

BSP Circular No.	Date	Particulars	Rationale	Applicable To
593	1/08/08	Amendments to Subsections X410.6/ X410.7 of the Manual of Regulations for Banks (MORB) and Subsections 4410Q.6/4410Q.7 of the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) pertaining to unit investment trust funds (UITFs)	To align the operation of pooled funds under management by trust entities with international best practices and ensure differentiation from bank deposits and other direct liabilities of the financial institution	Universal/ Commercial Banks (U/KBs), Thrift Banks (TBs) and Non-Bank Financial Institutions (NBFIs)
594	1/08/08	Relaxation of regulations governing the derivatives activities of banks (amendments to Section X602 and its subsections, Appendices 25 and 26 of the MORB)	To relax the rules governing the derivatives activities of banks and trust entities To expand the range of available derivatives that a bank can originate, distribute or use and includes more stringent guidelines on risk management and the sale and marketing of derivatives	U/KBs, TBs, Rural Banks (RBs) and Cooperative Banks (Coop Banks)
595	1/11/08	Guidelines on the issuance of capital notes that will qualify as interim Tier 1 capital for banks under rehabilitation	To allow banks under rehabilitation to issue capital notes that shall qualify as interim Tier 1 capital subject to approval of the BSP and on condition that the Philippine Deposit Insurance Corporation (PDIC) shall be the holder of the said capital notes	U/KBs, TBs, RBs, Coop Banks
596	1/11/08	To amend Subsection X169.3 of the MORB and the corresponding provisions in the MORNBFI so as to include loans processing, credit administration and documentation services as among the services/ functions that banks may outsource in favor of subsidiaries, affiliates and other companies related to it by at least 5 percent common ownership, provided that such bank services do not involve inherent banking functions	To allow banks to outsource certain functions, services and activities so as to reduce operational costs and enhance efficiency	U/KBs, TBs, RBs, Coop Banks and NBFIs
597	1/11/08	To amend Subsection X169.11 of the MORB and the corresponding provisions in the MORNBFI so as to include the production of credit cards and preparation of statement of accounts as among the services that banks may render in favor of subsidiaries, affiliates and companies related to it by at least 5% common ownership	To allow banks to service certain functions, services and activities so as to provide additional revenue source	U/KBs, TBs, RBs, Coop Banks and NBFIs

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

BSP CIRCULAR NO.	DATE	PARTICULARS	RATIONALE	APPLICABLE TO
598	1/11/08	To amend the rules governing the appointment of compliance officer (Items "d." and "e." of Subsec. X170.2 of the MORB and Item "d." of Subsec. 4191Q.2 of the MORNBFI)	To enforce stringent rules governing the compliance function as part of continuing efforts to raise the bar on corporate governance among banks as well as quasi-banks (QBs)	U/KBs, TBs, RBs, Coop Banks and Quasi-Banks
599	1/16/08	To designate certain personnel of the Currency Management Subsector (CMSS) who shall have the authority to investigate, make arrests and conduct searches and seizures in cases adversely affecting the integrity of the currency (in accordance with Section 50 of R.A. 7653)	To maintain the integrity of the currency	General Public
600	2/04/08	Approval of the rationalization of limits on the exposure of universal/commercial banks to the real estate industry so as to impose a single 20 percent overall limit on their real estate lending (amends Section 1397 of the MORB) Under the new rules, the following are excluded from the 20 percent loan limit: 1. Loans extended to individual households for purposes of financing the acquisition, construction, and/or improvement of housing units and acquisition of any associated land that is or will be occupied by the borrower, regardless of amount; 2. Loans extended to land developers/construction companies for the purpose of development and/or construction of socialized and low-cost residential properties as defined under existing guidelines of the Housing and Urban Development Coordinating Council (HUDCC) for the implementation of government housing programs, which are intended for sale to individual households; 3. Loans to the extent guaranteed by the Home Guaranty Corporation (HGC); and 4. Loans to the extent collateralized by non-risk assets under existing regulations.	To enforce prudential safeguards against overconcentration of credit to commercial lending by prescribing a single 20 percent overall limit on real estate lending of U/KBs	U/KBs

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

BSP CIRCULAR NO.	DATE	PARTICULARS	RATIONALE	APPLICABLE TO
601	2/13/08	Amendments to foreign currency cover requirements under Circular No. 1389, as amended, and other related regulations under the MORB and the revised report on foreign currency cover	To align existing regulations and reportorial requirements on foreign currency cover with the provisions of the Philippine Accounting Standards (PAS) and the Philippine Financial Reporting Standards (PFRS)	U/KBs, TBs, RBs, Coop Banks
602	2/13/08	Guidelines on the treatment of the exercise of warrants paired with the ROP Global Bond Holdings in the FCDU/EFCDU Cover	To relax the rules on bank holdings of ROP paired warrants by allowing the crossing of books of the investment account in the event warrants are exercised	U/KBs, TBs, RBs and Coop Banks
603	3/03/08	Exclusion from adverse qualitative classification of loans of Philippine branches of foreign banks to subsidiaries and affiliates in the Philippines of multinational companies	To rationalize the guidelines in identifying and monitoring problem loans and other risk assets and setting up of allowance for probable losses	Foreign Bank Branches
604	3/03/08	To amend Subsection X169.11 of the MORB and the corresponding provisions in the MORNBFI so as to include telemarketing of insurance products (life and non-life) as among the services that banks may render in favor of subsidiaries, affiliates and companies related to it by at least 5% common ownership	To allow banks to service certain functions, services and activities so as to provide additional revenue source	U/KBs, TBs, RBs, Coop Banks and NBFIs
605	3/05/08	Treatment of transactions involving ROP warrants as among the generally authorized derivative activities and exemption of paired ROP warrants from capital charge for market risk	To relax the rules on bank holdings of ROP paired warrants To encourage maximum participation of the banking industry in the “Paired Warrants Programme” of the ROP	U/KBs, TBs, RBs, Coop Banks
606	3/26/08	Amended regulations on provision of other banking services (Subsection X169.11 of the MORB)	To allow banks to service certain functions, services and activities so as to provide additional revenue source	U/KBs, TBs, RBs, Coop Banks
607	4/30/08	Amendments to the reportorial requirements on the microfinance loans of banks issued under Circular Letter dated 2 October 2002	To streamline reportorial requirements on the microfinance loans of banks	U/KBs, TBs, RBs, Coop Banks
608	5/20/08	Amendments to the guidelines governing the use of valid identification cards for all types of financial transactions, including financial transactions involving overseas Filipinos (OFs)	To relax the rules on the acceptance of valid identification documents for all types of financial transactions by banks and non-bank financial institutions under the supervision and regulation by the BSP	U/KBs, TBs, RBs, Coop Banks and NBFIs

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

BSP CIRCULAR NO.	DATE	PARTICULARS	RATIONALE	APPLICABLE TO
609	5/26/08	Approval of the revised Manual of Accounts (MOA) for trust institutions and the corresponding BSP reportorial requirements through the issuance of the Financial Reporting Package for Trust Institutions (FRPTI)	To rationalize the existing reportorial requirements of BSP-supervised entities and to complete the necessary infrastructure for the full adoption of PFRS/PAS	U/KBs, TBs, RBs, IH
610	5/26/08	Approval of the amendment to Subsection X169.3 of the MORB and the corresponding provisions in the MORNBFI so as to include loan documentation services (such as mortgage registration) as among the services/functions that banks may outsource provided that such bank services do not involve inherent banking functions	To allow banks to outsource certain functions, services and activities so as to reduce operational costs and enhance efficiency	U/KBs, TBs, RBs, Coop Banks and NBFIs
611	5/30/08	Guidelines on Securities Borrowing and Lending (SBL) transactions in the Philippine Stock Exchange (PSE) involving borrowings by foreign entities of PSE-listed shares from local investors/lenders	To authorize custodian banks to issue special Bangko Sentral Registration Documents (BSRDs) to cover the PSE-listed shares of stock borrowed by foreign entities from local investors/lenders; to allow said foreign borrowers to purchase foreign exchange (FX) from the banking system for remittance abroad using the peso sales proceeds of the borrowed shares including the related income from SBL transactions	U/KBs, TBs, RBs
612	6/13/08	Extension of the deadline for submission of covered transaction reports (CTRs) and suspicious transaction reports (STRs) to the AMLC by all banks and NBFIs	To rationalize existing regulations on anti-money laundering	U/KBs, TBs, RBs, Coop Banks and NBFIs
613	6/18/08	Guidelines on the computation of the loans-to-deposits ratio and proposed amendments to the branch reportorial requirements	To provide banks more flexibility in their regional lending and deposit operations as well as lessen their reporting burden	U/KBs, TBs, RBs, Coop Banks
614	7/14/08	Guidelines on the deposit pick-up/cash delivery services of banks (amendment of Section X266 of the MORB)	To reiterate/clarify the guidelines on deposit pick-up/ cash delivery services of banks so as to ensure that appropriate safety measures are in place	U/KBs, TBs, RBs, Coop Banks

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

BSP CIRCULAR NO.	DATE	PARTICULARS	RATIONALE	APPLICABLE TO
615	7/22/08	Relaunching of "Tulong Barya para sa Eskwela" Coin Recirculation Project	To encourage participating banks to initiate, develop and execute programs and activities in support of the "Tulong Barya para sa Eskwela" donation campaign	U/KBs, TBs, RBs, Coop Banks
616	7/30/08	Amendment to Subsection X337.1 of the MORB so as to exclude local water districts from DOSRI rules and regulations on government borrowings	To issue the guidelines on the applicability of the DOSRI rules and regulations on government borrowings to local water districts (LWDs)	U/KBs, TBs, RBs, Coop Banks
617	7/30/08	Amendment of existing regulations on penalties that shall be imposed on banks/non-bank financial institutions (NBFIs) with authority to engage in trust and/or investment management activities and/or officers for non-compliance with the basic security deposit for the faithful performance of trust, investment management and other fiduciary duties	To raise the performance bar for financial institutions engaged in trust and other fiduciary business, and investment management activities in line with international best practices	U/KBs, TBs, RBs, Coop Banks and NBFIs
618	8/20/08	Amendments to Section X401 of the MORB and Section 4401Q of the MORNBFI emphasizing the cardinal principle in the administration of trust, other fiduciary and investment management accounts	To further promote the soundness of the trust industry to operate and act with fidelity – the cardinal principle common to all trust and fiduciary relationships, especially in the wake of growing investors' risk-aversion as a result of the global economic slowdown, rising commodity prices and financial market turbulence	U/KBs, TBs, RBs and NBFIs
619	8/22/08	Issuance of guidelines concerning the 20 percent Final Withholding Tax (FWT) that the BSP shall withhold on its overnight reverse repurchase agreements (RRPs) starting 1 January 2008	All overnight RRPs with the BSP shall be subject to the 20% FWT in the same manner as term RRPs, which tax is deducted on each maturity date and remitted to the Bureau of Internal Revenue.	U/KBs, TBs, and Quasi-Banks
620	9/03/08	Amendments to Section X171 of the MORB and its Subsections implementing the revised rules and regulations on bank protection	To promote maximum protection of life and property; prevent and discourage perpetration of crimes against banks; and assist law enforcers in the identification, apprehension and prosecution of perpetrators of crimes against banks	U/KBs, TBs, RBs, Coop Banks

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

BSP CIRCULAR NO.	DATE	PARTICULARS	RATIONALE	APPLICABLE TO
621	9/16/08	Approval of the amendment to Subsection X169.3 of the MORB and the corresponding provisions in the MORNBFI so as to include ATM cards plastic embossing service as among the services/functions that banks may outsource provided that: (1) only the ATM card number and the name of the depositor are printed/indicated on the plastic card and stored in the magstripe; and (2) the account/transaction validation is done at the Host level, i.e., the bank's computer, as the card number stored in the magstripe is linked to the deposit account number residing at the same host computer	To allow banks to outsource certain functions, services and activities so as to reduce operational costs and enhance efficiency	U/KBs, TBs, RBs, Coop Banks and NBFIs
622	9/16/08	Amendments to the MORB and the MORNBFI, as amended by Circular No. 549 dated 9 October 2006 on the general guidelines for the grant by banks, quasi-banks (QBs) and other non-bank financial institutions (NBFIs) of loans and other credit accommodations	To rationalize loan documentary requirements for micro and small enterprises (MSEs) by giving MSEs another three-year extension in which to comply with the standard regulatory requirement of including the latest income tax return (ITR) as part of the documents to be furnished when securing a bank loan	U/KBs, TBs, RBs, Coop Banks and NBFIs
623	10/09/08	Approval of the amendment to Subsection X169.3 of the MORB and the corresponding provisions in the MORNBFI so as to include ATM incident management service as among the services/functions that banks may outsource provided that the messages transmitted by the ATM machines to the service provider's monitoring system are purely ATM statuses and in no way shall client or transaction information be sent	To allow banks to outsource certain functions, services and activities so as to reduce operational costs and enhance efficiency	U/KBs, TBs, RBs, Coop Banks and NBFIs
624	10/13/08	Amendments to the branching policy and guidelines	To rationalize existing regulations on the establishment of banking offices and boost access to credit and other banking services by the micro, small and medium enterprise sectors (MSMEs)	U/KBs, TBs, RBs, Coop Banks
625	10/14/08	Revised rules and regulations governing the mandatory allocation of credit resources to micro, small and medium enterprises	To support the growth and development of MSMEs through the provision of credit	U/KBs, TBs, RBs, Coop Banks

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

BSP CIRCULAR NO.	DATE	PARTICULARS	RATIONALE	APPLICABLE TO
626	10/23/08	Guidelines on reclassification of investments in debt and equity securities between categories	To align BSP regulations on the accounting treatment of transactions with the amendments to the International Accounting Standards (IAS) 39 and International Financial Reporting Standards (IFRS) 7	U/KBs, TBs, RBs, Coop Banks and NBFIs
627	10/23/08	Amendments to the guidelines governing the US dollar denominated repurchase agreements of banks with the BSP	To augment dollar liquidity in the market and help address any temporary tightness arising from the global rise in risk aversion	U/KBs, TBs, Quasi-Banks
628	10/31/08	Additional guidelines on the reclassification of financial assets between categories	To align BSP regulations on the accounting treatment of transactions with the amendments to the International Accounting Standards (IAS) 39 and International Financial Reporting Standards (IFRS) 7	U/KBs, TBs, RBs, Coop Banks and NBFIs
629	10/31/08	Treatment of net unrealized losses arising from marking-to-market of financial assets/liabilities and revaluation of third currencies to US dollar in the FCDU/EFCDU book for purposes of determining compliance with the FCDU/EFCDU asset cover requirement	To ease FCDU asset cover requirements, specifically, the approval of the adjustment in the items eligible as asset cover for purposes of the calculation of the 100 percent asset cover requirement	U/KBs, TBs, RBs, Coop Banks
630	11/11/08	Amendments to the guidelines on the BSP rediscounting facility	To ensure the proper functioning of the interbank market and guard against a possible liquidity or credit tightness arising from the global rise in risk aversion	U/KBs, TBs, RBs, Coop Banks
631	11/12/08	Amendments to the guidelines governing the US dollar denominated repurchase agreements of banks with the BSP	To augment dollar liquidity in the market and help address any temporary tightness arising from the global rise in risk aversion	U/KBs, TBs, Quasi-Banks
632	11/13/08	Reduction in the statutory/legal reserve requirements for peso demand, "NOW", savings, time deposit liabilities and deposit substitutes of universal banks, commercial banks, thrift banks, rural and cooperative banks, and quasi-banks	To lower banks' intermediation costs; to ensure the proper functioning of the interbank market and guard against a possible liquidity or credit tightness arising from the global rise in risk aversion	U/KBs, TBs, RBs, Coop Banks and Quasi-Banks
633	11/28/08	Amendments to the semestral report of selected branch accounts	To streamline reportorial requirements	U/KBs, TBs, RBs, Coop Banks and NBFIs

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

BSP CIRCULAR No.	Date	PARTICULARS	RATIONALE	APPLICABLE TO
634	12/05/08	Amendments to the regulations on banking days and hours	To address possible disruptions in business operations due to the timing of certain holidays; allows banks the option to remain open during holidays but only for the purpose of servicing clients' deposit and withdrawal transactions	U/KBs, TBs, RBs, Coop Banks
635	11/10/08	Further amendments to the existing regulations governing the applicability of DOSRI rules and regulations to government borrowings from government-owned or –controlled banks/ non-bank financial institutions (NBFIs)	To rationalize existing regulations on the applicability of DOSRI rules and regulations to government borrowings from government-owned or -controlled banks/non-bank financial institutions (NBFIs)	U/KBs, TBs, RBs, Coop Banks and NBFIs
636	12/17/08	Regulations governing the sale, discounting, assignment or negotiation by banks/quasi-banks of their credit rights in Special Deposit Account (SDA) placements and Reverse Repurchase Agreements with the BSP (RR/P) to clients	To promote investor protection and transparency in securities transactions	U/KBs, TBs and Quasi-Banks
637	12/22/08	Amendments to Appendix 6 of Section X162 of the MORB (Reports Required of Banks)	To continuously rationalize the banks' financial reporting system for the purpose of aligning the same with international and Philippine Accounting Standards (PAS), Philippine Financial Reporting Standards (PFRS) and in accordance with the ongoing liberalization of banking regulations and the strengthening of risk management supervision	U/KBs, TBs, RBs, Coop Banks

B. BSP CIRCULAR LETTERS No.	Date	PARTICULARS	APPLICABLE TO
CL-2008-003	1/11/08	Guidelines on advance import payments (in line with the implementation of reforms to liberalize the foreign exchange regulatory framework issued under Circular No. 590 dated 27 December 2007)	U/KBs, TBs, RBs, Coop Banks
CL-2008-004	1/11/08	To require all authorized agent banks to submit a monthly report on their sales of foreign exchange to residents for outward investments regardless of the amount involved	U/KBs, TBs, RBs, Coop Banks
CL-2008-007	1/21/08	Advice to all banks and NBFIs pertaining to revised guidelines in the approval of corporate and partnership names issued by the Securities and Exchange Commission (SEC Memorandum Circular No. 14 dated 24 October 2000)	U/KBs, TBs, RBs, Coop Banks and NBFIs

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

B. BSP CIRCULAR LETTERS No.	DATE	PARTICULARS	APPLICABLE TO
CL-2008-015	3/26/08	Requirement for all universal, commercial and thrift banks to accomplish survey form on ROPA holdings effective 31 December 2007, in conjunction with an ongoing policy study on the alignment of accounting for ROPA with the provisions of PFRS/PAS	U/KBs, TBs
CL-2008-036	6/20/08	Enhancement of the Intraday Liquidity Facility (ILF) particularly with regard to: 1. flexibility in changing the securities that will be used for the ILF; 2. availment of the facility on a "as the need arises" basis; 3. removal of commitment fees	U/KBs, TBs
CL-2008-044	7/23/08	Guidelines to be observed in complying with the limits on the foreign exchange purchase of Philippine residents from AABs for purposes of outward investments	U/KBs, TBs, RBs, Coop Banks
CL-2008-050	8/06/08	To remind all banks of the requirement of prior MB opinion under Section 123 of R.A. No. 7653 (New Central Bank Act) on the monetary implications of the borrowings of the Government, or any of its political subdivisions or instrumentalities (MB Res. No. 579.A dated 15 May 2008)	U/KBs, TBs, RBs, Coop Banks
CL-2008-053	8/21/08	To inform all banks and NBFIs of the guidelines and procedures in the registration of corporate and partnership names as specified under SEC Memorandum Circular No. 5 dated 17 July 2008	U/KBs, TBs, RBs, Coop Banks and NBFIs
CL-2008-054	8/29/08	To remind all banks and NSSLAs of the existing regulations in handling dormant accounts and those that fall below the minimum average daily balance	U/KBs, TBs, RBs, Coop Banks and Non-Stock Savings and Loan Associations (NSSLAs)
CL-2008-071	11/10/08	Reminder to all banks regarding unauthorized servicing of deposits outside bank premises	U/KBs, TBs, RBs, Coop Banks
CL-2008-075	11/28/08	To inform all thrift banks (TBs) and rural banks (RBs) of the following policy concerning microfinance operations: 1. Reclassification of microfinance-oriented TBs and RBs to regular TBs and RBs is not allowed; 2. Conversion of microfinance-oriented branches of regular TBs/RBs into regular branches may be allowed five years after the start of the branch's operations and after submission of prescribed documents	TBs, RBs
CL-2008-078	12/15/08	Advice to all banks and NBFIs concerning SEC Circular No. 3 dated 16 February 2006 in line with the full disclosure requirement of existing laws	U/KBs, TBs, RBs, Coop Banks and NBFIs

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

C. MEMORANDUM TO ALL BANKS/NON-BANK FINANCIAL INSTITUTIONS

NO.	DATE	PARTICULARS	APPLICABLE TO
M-2008-005	2/04/08	Guidelines on the submission of the disclosure statement on SPV transactions	U/KBs, TBs, RBs, Coop Banks and Quasi-Banks
M-2008-007	2/13/08	Guidelines on billing and payment of annual supervisory fees by banks, quasi-banks and trust entities for year 2007	U/KBs, TBs, RBs, Coop Banks and NBFIs
M-2008-008	2/14/08	Guidelines on the submission of the Consolidated Statement of Condition (CSOC) and Consolidated Statement of Income and Expenses (CSIE)	Non-Bank Financial Institutions without Quasi-Banking Functions
M-2008-009	2/27/08	Guidelines on the submission of the derivatives report required under BSP Circular No. 594 dated 8 January 2008	U/KBs, TBs, RBs, Coop Banks and NBFIs
M-2008-010	3/07/08	Guidelines on the accounting treatment for investments in CLNs and other structured products	U/KBs, TBs, RBs, Coop Banks
M-2008-011	3/07/08	Advisory on the revised frequency of submission of the FRP	U/KBs, TBs, RBs, Coop Banks
M-2008-012	3/14/08	Amendments to the FRP and additional reporting guidelines to be adopted by banks starting with the reporting period ending 31 March 2008	U/KBs, TBs, RBs, Coop Banks
M-2008-014	3/17/08	Reminder to all banks and NBQBs regarding: (1) availments of tax exemptions and fee privileges under SPV II which will continue to be implemented only for transactions that occur not later than the 14 May 2008 deadline; (2) applications for Certificates of Eligibility (COE) under the SPV Act of 2002 which shall be accepted until 13 June 2008 or up to 30 days after the 14 May 2008 deadline	U/KBs, TBs, RBs, Coop Banks and Quasi-Banks
M-2008-015	3/19/08	Approval of the Housing Microfinance Product	U/KBs, TBs, RBs, Coop Banks
M-2008-016	3/25/08	Guidelines on the submission of the amended FRP of 2008	U/KBs, TBs, RBs, Coop Banks
M-2008-019	5/05/08	Guidelines on the Submission of the Report on Non-Deliverable Forward (NDF) Transactions with Non-Residents	U/KBs, TBs, RBs, Coop Banks and NBFIs
M-2008-020	5/14/08	To enjoin all banks and other financial institutions under BSP supervision to strictly comply with the provisions of R.A. No. 3765 or the “Truth in Lending Act” as provided in Sec. X307 of the Manual of Regulations for Banks (MORB) and Secs. 4309Q, 4101N and 4307S of the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI)	U/KBs, TBs, RBs, Coop Banks and NBFIs
M-2008-021	6/16/08	Guidelines on the submission of the Report on Microfinance Loans of Banks	U/KBs, TBs, RBs, Coop Banks

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

C. Memorandum to All Banks/Non-Bank Financial Institutions

No.	Date	Particulars	Applicable To
M-2008-022	6/26/08	Guidelines on the submission of the Financial Reporting Package for trust institutions	U/KBs, TBs, RBs, NBFIs
M-2008-024	7/31/08	Prescribed deadline for submission of biographical data of directors/officers under Appendix in relation to Section X144 of the MORB of seven banking days as changes occur or after election/appointment which shall be reckoned from the date of the meeting of the Board of Directors in which the directors/ officers are elected or appointed	U/KBs, TBs, RBs, Coop Banks
M-2008-025	8/13/08	Guidelines concerning available BSP trading windows and services as well as the treatment on reserve position and check clearing during public sector holidays	U/KBs, TBs, RBs, Coop Banks and Quasi-Banks
M-2008-030	9/12/08	Guidelines relative to the requirements of Subsections X169.2 and Section X621 of the MORB on outsourcing of ATM and e-banking services	U/KBs, TBs, RBs, Coop Banks
M-2008-031	10/23/08	Guidelines on the availment of US Dollar Denominated Repurchase Agreement Facility with the BSP	U/KBs, TBs, and Quasi-Banks
M-2008-032	10/31/08	Guidelines relative to the submission of the branch reportorial requirements as a result of the implementation of the amendments to the computation of the loans-to-deposits ratio	U/KBs, TBs, RBs, Coop Banks
M-2008-033	11/11/08	Guidelines relative to the upgrade of ATMs to Triple Data Encryption Standard (DES)	U/KBs, TBs, RBs, Coop Banks
M-2008-034 (supersedes M-2008-031)	11/12/08	Guidelines on the availment of US Dollar Denominated Repurchase Agreement Facility with the BSP	U/KBs, TBs, and Quasi-Banks
M-2008-035	11/19/08	Guidelines on the submission of the report on compliance with the mandatory credit allocation required under Republic Act (R.A.) 6977, as amended by R.A. Nos. 8289 and 9501	U/KBs, TBs, RBs, Coop Banks
M-2008-036	11/28/08	Extension of Quarterly Submission of the Financial Reporting Package (FRP)	RBs, Coop Banks

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

DIRECTORY OF PHILIPPINE BANK HEAD OFFICES
AS OF 31 DECEMBER 2008

A. UNIVERSAL AND COMMERCIAL BANKS (U/KBS)

UNIVERSAL BANKS

PRIVATE DOMESTIC BANKS

1.	Allied Banking Corporation	6754 Ayala A.V. Cor. Legaspi St., Makati City
2.	Banco De Oro Unibank, Inc.	12 ADB Ave. Ortigas Center, Mandaluyong City
3.	Bank Of The Philippine Islands	BPI Bldg. Ayala Ave. Cor. P. De Roxas, Makati City
4.	China Banking Corporation	8745 P. De Roxas Cor. Villar St., Makati City
5.	Metropolitan Bank And Trust Company	Metrobank Plaza, Sen. Gil J. Puyat Ave., Makati City
6.	Philippine National Bank	PNB Financial Center, D. Macapagal Blvd., Pasay City
7.	Philippine Trust Company	Philtrust Bldg., U.N. Avenue, Cor. San Marcelino St., Ermita, Manila
8.	Rizal Commercial Banking Corporation	Yuchengco Tower, 6819 Ayala Avenue, Makati City
9.	Security Bank Corporation	Security Bank Centre, 6776 Ayala Ave., Makati City
10.	Union Bank Of The Philippines	Unionbank Plaza Bldg., Meralco Ave. Cor. Onyx St., Pasig City
11.	United Coconut Planters Bank	UCPB Bldg., Makati Ave., Makati City

GOVERNMENT BANKS

1.	Al-Amanah Islamic Bank Of The Phils.	Governor Lim St., Zamboanga City
2.	Development Bank Of The Philippines	DBP Bldg, Makati Ave, Cor Sen. Gil Puyat Ave., Makati City
3.	Land Bank Of The Philippines	1598 M.H. Del Pilar Cor. Quintos St., Malate, Manila

BRANCHES OF FOREIGN BANKS

1.	ING Bank N.V. - Manila Branch	21/F Tower 1, Ayala Ave., Cor. Paseo De Roxas St., Makati City
2.	Standard Chartered Bank	The Sky Plaza Bldg., 6788 Ayala Ave., Makati City
3.	The Hongkong And Shanghai Banking Corporation Ltd.	The Enterprise Ctr. Tower I, 6766 Ayala Ave., Cor. P. De Roxas St. Makati City

COMMERCIAL BANKS

PRIVATE DOMESTIC BANKS

1.	Asia United Bank Corporation	G/F Parc Royal Condominium, Doña Julia Vargas Ave., Ortigas Center, Pasig City
2.	Bank Of Commerce	Philippine First, 6764 Ayala Ave., Makati City
3.	BDO Private Bank, Inc.	27F Tower 1 Ayala Triangle, Ayala Ave., Makati City
4.	East West Banking Corp	20/F PBCom Tower, 6795 Ayala Ave., Cor. V.A. Rufino St., Salcedo Village, Makati City

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

PRIVATE DOMESTIC BANKS… CONTINUATION

5.	Export And Industry Bank Inc.	Export Bank Plaza, Chino Roces Cor. Sen. Gil J. Puyat Ave., Makati City
6.	Philippine Bank Of Communications	PBCom Tower, 6795 Ayala Ave., Cor. V.A. Rufino St., Makati City
7.	Philippine Veterans Bank	PVB Bldg., 101 Herrera Cor. Dela Rosa Sts., Makati City

SUBSIDIARIES OF FOREIGN BANKS

1.	Chinatrust(Phils.) Commercial Bank Corporation	3/F Tower 1, Ayala Ave. Cor. Paseo De Roxas St., Makati City
2.	Maybank Philippines, Inc.	Legaspi Towers, 300 Roxas Blvd. Cor. Vito Cruz St., Manila
3.	The Royal Bank of Scotland (Phils.), Inc.	18/F LKG Tower, 6801 Ayala Ave., Makati City

BRANCHES OF FOREIGN BANKS

1.	ANZ Banking Group Ltd.	23/F GT Twr. Int't., 6813 Ayala Ave. cor. HV dela Costa St., Makati. City
2.	Bangkok Bank Public Co. Ltd.	Enterprise Center, Ayala Ave., Makati City
3.	Bank Of America N.A.	27/F Philamlife Tower, 8767 Paseo De Roxas St., Makati City
4.	The Bank Of China Ltd. - Manila Branch	36/F Philamlife Tower, 8767 Paseo De Roxas St., Makati City
5.	Citibank, N.A.	8741 Paseo De Roxas St., Makati City
6.	Deutsche Bank AG	26/F Tower 1, Ayala Triangle, Ayala Ave., Makati City
7.	JP Morgan Chase Bank	31/F Philamlife Tower, 8767 Paseo De Roxas St., Makati City
8.	Korea Exchange Bank	33/F Citibank Tower, 8741 Paseo De Roxas St., Makati City
9.	Mega International Commercial Bank Co., Ltd.	3/F Pacific Star Bldg., Sen. Gil J. Puyat Ave., Makati City
10.	Mizuho Corporate Bank Ltd. - Manila Branch	26/F Citibank Tower, Valero St. Cor. Villar St., Salcedo Village, Makati City
11.	The Bank Of Tokyo-Mitsubishi UFJ, Ltd.	15/F The Sky Plaza Bldg., 6788 Ayala Ave., Makati City

B. THRIFT BANKS (TBS)

SUBSIDIARIES/AFFILIATES OF OTHER BANKS/NBFIS

1.	Allied Savings Bank	Allied Bank Ctr., 6754 Ayala Ave. cor. Legaspi Vill., Makati City
2.	BPI Direct Savings Bank	8/F Paseo de Roxas Ctr.,8753 Paseo De Roxas St., Makati City
3.	BPI Family Savings Bank	109 Paseo De Roxas Cor. Dela Rosa St., Makati City
4.	China Bank Savings, Inc.	Manila Bank Bldg., 6772 Ayala Ave., Makati City
5.	Citibank Savings, Inc.	Citibank Square I, Eastwood Ave., Libis, Quezon City
6.	City Savings Bank	Financial Center Cor. Osmeña Blvd., Cebu City

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

SUBSIDIARIES/AFFILIATES OF OTHER BANKS/NBFIs… CONTINUATION

7.	EIB Savings Bank, Inc.	Cebu South Rd., Bulacao, Talisay City, Cebu
8.	G.E. Money Bank (A Savings Bank)	11th Flr., Net Cube, 3rd Ave. cor. 26th St., Crescent Park, West Bonifacio, Global City, Taguig City
9.	HSBC Savings Bank (Phils), Inc.	G/F Peninsula Court, Makati Ave. Cor. Paseo De Roxas, Makati City
10.	Malayan Savings & Mortgage Bank	Majalco Bldg., Cor. Benavidez St., Legaspi Village, Makati City
11.	Philippine Savings Bank	PSBank Tower, 777 Paseo De Roxas Cor. Sedeno St., Makati City
12.	Pilipinas Savings Bank, Inc.	G/F Madecor Ortigas Ave., Greenhills, San Juan, Metro Manila
13.	RCBC Savings Bank	Pacific Place, Pearl Drive, Ortigas Center, Pasig City
14.	UCPB Savings Bank	18/F UCPB Bldg., Makati Ave., Makati City
15.	United Overseas Bank Philippines	Pacific Star, G. Puyat Ave. Ext., Makati City
16.	Tong Yang Savings Bank	G/F Chatham House 116 Valero Cor. Herrera Sts., Makati City

NON-LINKED THRIFT BANKS

1.	Accord Savings Bank, Inc.	ASBI Bldg., No. 8 Abanao Ext., Baguio City
2.	AIG Philam Savings Bank Inc.	Salustiano Ty Twr., Paseo De Roxas Cor. Perea Sts., Legaspi Village, Makati City
3.	Asiatrust Developement Bank	Asiatrust Bldg., 1424 Quezon Avenue, Quezon City
4.	Banco Filipino Savings And Mortgage Bank	101 Paseo De Roxas St. , Makati City
5.	Bank Of Calape Savings And Mortgage Bank	CPG North Ave., Tagbilaran City, Bohol
6.	Bank One Savings And Trust Corporation	4201 Ramon Magsaysay Blvd., Sta Mesa, Manila
7.	Bataan Development Bank	Aguirre St., Balanga, Bataan
8.	Bataan Savings And Loan Assn., Inc.	33 Rizal St., Dinalupihan, Bataan
9.	Business And Consumers Bank (A Development Bank)	Simon Ledesma St., Jaro, Iloilo City
10.	Centennial Savings Bank, Inc.	G/F Prestige Tower, Emerald Ave., Ortigas Center, Pasig City
11.	Century Savings Bank	232 Shaw Blvd., Cor. Oranbo Drive, Pasig City
12.	Citystate Savings Bank, Inc.	AIC Grande Twr., Sapphire & Garnet Rds., Ortigas Ctr., Pasig City
13.	Cordillera Savings Bank, Inc.	Dumlao Ave., Bayombong, Nueva Vizcaya
14.	Dumaguete City Development Bank	Dr. Vicente Locsin Cor. Cervantes St., Dumaguete City
15.	Dungganon Bank, Inc. (A Microfinance Thrift Bank)	San Sebastian St., Bacolod City, Negros Occidental
16.	Equicom Savings Bank, Inc.	162 L.P. Leviste St., Salcedo Village., Makati City
17.	Express Savings Bank, Inc.	J .P. Rizal St.,Cabuyao, Laguna
18.	Farmers Savings And Loan Bank, Inc.	MacArthur Highway, Wakas, Bocaue, Bulacan

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Non-Linked Thrift Banks... Continuation

19.	First Consolidated Bank, Inc. (A Private Development Bank)	C. P. Garcia Ave., Tagbilaran City
20.	GSIS Family Bank, A Thrift Bank	#7 Real St., Zapote, Las Pinas City
21.	Hiyas Banking Corporation (A Thrift Bank)	Public Market Poblacion, Sta Maria, Bulacan
22.	Iloilo City Development Bank	Cor. Rizal And Ortiz Sts., Iloilo City
23.	Inter-Asia Development Bank	J. P. Rizal Cor., Mahogany St., Tagaytay City
24.	Isla Bank (A Thrift Bank), Inc.	115 Glass Twr., C. Palanca Jr. St., Legaspi Village., Makati City
25.	Kauswagan Bank (A Microfinance Thrift Bank)	A & L Bldg., E. Lopez St., Jaro, Iloilo City
26.	LBC Development Bank	809 J. P. Rizal Cor. F. Zobel St., Makati City
27.	Legaspi Savings Bank Inc.	Bichara Silvescreen Entertainment Center, Magallanes St., Legaspi City
28.	Lemery Savings And Loan Bank, Inc.	Ilustre Ave., Lemery, Batangas
29.	Liberty Savings Bank, Inc.	Calvario, Meycauayan, Bulacan
30.	Life Savings Bank, Inc.	Units 13-14 Marietta Arcade, Marcos Highway, Cainta, Rizal
31.	Luzon Development Bank	Paciano Rizal, Barrio Mayapa, Calamba, Laguna
32.	Malasiqui Progressive Savings And Loan Bank, Inc.	Quezon Blvd., Malasiqui, Pangasinan
33.	Maritime Savings And Loan Assn., Inc.	Gen. Aguinaldo Highway, Bacoor, Cavite
34.	Merchants Savings And Loan Assn., Inc.	117 Tordesillas St., Salcedo Village, Makati City
35.	Metro Cebu Public Savings Bank	Tabunoc, Talisay, Cebu
36.	Microfinance Maximum Savings Bank	Sabang, Puerto Galera, Oriental Mindoro
37.	Northpoint Development Bank, Inc.	BR Bldg. III, National Road, Lantayan, San Pedro, Laguna
38.	Opportunity Microfinance Bank	Robinsons Home East Comm'l. Arcade, Circumferential Rd., Antipolo City
39.	Optimum Development Bank	Metropolis Mall, Alabang, Muntinlupa City
40.	Pacific Ace Savings Bank	Retail 1, Times Square Complex, Subic Bay Freeport, Rizal Ave., Olongapo, Zambales
41.	Pampanga Development Bank	Macarthur Highway, Dolores, Pampanga
42.	Penafrancia Savings And Loan Assn., Inc.	San Roque, Iriga City
43.	Philippine Business Bank, Inc. (A Thrift Bank)	Rizal Ave., Cor. 2Nd Ave., Grace Park, Kalookan City
44.	Philippine Postal Savings Bank	Postal Bank Centre, Liwasang Bonifacio, Manila
45.	Planters Development Bank	Plantersbank Bldg., 314 Sen. Gil J. Puyat Ext., Makati City
46.	Premiere Development Bank	Edsa Cor. Magallanes Ave., Makati City
47.	Progress Savings And Loan Assn., Inc.	Poblacion, Subic, Zambales
48.	Quezon Coconut Producers Savings And Loan Bank, Inc.	Guinto And Enriquez Sts., Lucena City

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Non-Linked Thrift Banks… Continuation

49.	Real Bank (A Thrift Bank), Inc.	7/F President Tower, Timog Ave., Diliman, Quezon City
50.	Robinsons Savings Bank Corp.	Level 3 Expansion Mall, Robinsons Galleria, Edsa Cor. Ortigas Ave., Quezon City
51.	Sampaguita Savings And Loan Assn., Inc.	10 J. Luna St., Poblacion, San Pedro, Laguna
52.	Silangan Savings And Loan Assn., Inc.	J. P. Rizal St., Silang, Cavite
53.	Sterling Bank of Asia, Inc. (A Savings Bank)	SSS Bldg., Ayala Ave. cor. R.V. Rufino St., Makati City
54.	The Palawan Bank (Palawan Development Bank), Inc.	167 Rizal Ave.,Puerto Princesa City, Palawan
55.	The Queen City Development Bank	Queen Bank Financial Center, Mapa St., Iloilo City
56.	Tower Development Bank	Rockavilla Bldg., Poblacion, Guiguinto, Bulacan
57.	University Savings Bank	1497 Dapitan Cor. Alfredo St., Sampaloc, Manila
58.	Village Savings And Loan Assn., Inc.	Jolly Boy Food House, Centro I, Orani, Bataan
59.	Wealth Bank - A Development Bank	Taft Fin'l. Ctr., C. Rosales Ave., Cebu Business Park, Cebu City
60.	Winbank Inc. (A Thrift Bank)	Banga, Plaridel, Bulacan
61.	World Partners Bank (A Thrift Bank)	72 Mabini St., Poblacion, San Pedro, Laguna

C. Rural, Cooperative and Microfinance-Oriented Rural Banks

NCR-Metro Manila

1. Alabank (Rural Bank Of Alabang, Inc.)
2. AMA Bank (A Rural Bank)
3. Baclaran Rural Bank, Inc.
4. Banco San Juan (Rural Bank San Juan)
5. Bangko Pasig (Rural Bank), Inc.
6. Bank of Makati (A Rural Bank), Inc.
7. BMS Rural Bank, Inc.
8. Builders' Rural Bank
9. Country Rural Bank Of Taguig, Inc.
10. Enterprise Capital Bank (Rural Bank of Taguig)
11. Filipino Savers Bank Inc. (A Rural Bank)
12. Finman Rural Bank
13. First Country Rural Bank (Pasig City), Inc.
14. First Macro Bank, Inc. (Rural Bank Pateros)
15. Insular Rural Bank
16. MVSM Bank (A Rural Bank Since1953), Inc.
17. Metro South Cooperative Bank
18. Producers Rural Banking Corporation
19. Rodriguez Rural Bank, Inc.
20. Rural Bank Of Caloocan, Inc.
21. Rural Bank Of San Pascual, Inc.
22. Rural Bank Of Zapote, Inc.
23. San Francisco Del Monte Rural Bank, Inc.
24. Second Rural Bank Of Valenzuela, Inc.
25. Smart Bank (Rural Bank), Inc.

REGION I - ILOCOS

ILOCOS NORTE

1. Banco Dingras (Com. Rural Bank Dingras, Inc.)
2. Cooperative Bank Ilocos Norte
3. Ilocandia Community Bank
4. Rural Bank Of Batac, Inc.
5. Rural Bank Of Sarrat, Inc.

ILOCOS SUR

1. Cordillera Bank (A Rural Bank), Inc.
2. Ilocos Sur Cooperative Bank
3. Rural Bank Of Banayoyo, Inc.
4. Rural Bank Of Cabugao, Inc.
5. Rural Bank Of Galimuyod, Inc.
6. Rural Bank Of Magsingal, Inc.
7. Rural Bank Of Salcedo, Inc.
8. Rural Bank Of Sta Maria (Ilocos Sur), Inc.
9. Rural Bank Of Tagudin, Inc.
10. Sadiri Rural Bank, Inc.
11. Vigan Banco Rural Incorporada

LA UNION

1. Bannawag Rural Bank, Inc.
2. Community Rural Bank Of San Gabriel, Inc.
3. Cooperative Bank Of La Union
4. LUDB Bank, Inc. (A Rural Bank)
5. Rang-Ay Rural Bank, Inc.
6. Rural Bank Of Agoo, Inc.
7. Rural Bank Of Bacnotan, Inc.
8. Rural Bank Of Bangar, Inc.
9. Rural Bank Of Bauang, Inc.
10. Rural Bank Of Caba, Inc.
11. Rural Bank Of Luna (La Union), Inc.
12. Rural Bank Of Naguilian (La Union), Inc.
13. Rural Bank Of Rosario (La Union), Inc.
14. Rural Bank of Sudipen, Inc.

PANGASINAN

1. Bangko Pangasinan-A Rural Bank, Inc.
2. Bani Rural Bank, Inc.
3. BHF Rural Bank, Inc.
4. Corfarm Rural Bank Of Umingan, Inc.
5. CSF Rural Bank Of Bayambang, Inc.
6. Gulf Bank (Rural Bank Of Lingayen, Inc.)
7. Kaluyagan Rural Bank, Inc.
8. Kaunlaran Rural Bank, Inc.
9. Pangasinan Bank (A Rural Bank), Inc.
10. Rural Bank Of Agno, Inc.
11. Rural Bank Of Alaminos (Pangasinan), Inc.
12. Rural Bank Of Anda, Inc.
13. Rural Bank Of Balungao, Inc.
14. Rural Bank Of Bautista Inc.
15. Rural Bank Of Bayambang, Inc.
16. Rural Bank Of Bolinao, Inc.
17. Rural Bank Of Calasiao, Inc.
18. Rural Bank Of Central Pangasinan Inc.
19. Rural Bank Of Dasol Inc.
20. Rural Bank Of Labrador, Inc.
21. Rural Bank Of Laoac (Pangasinan), Inc.
22. Rural Bank Of Malasiqui, Inc.

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Pangasinan… Continuation

23. Rural Bank Of Mangaldan, Inc.
24. Rural Bank Of Mapandan, Inc.
25. Rural Bank Of Pozorrubio, Inc.
26. Rural Bank Of San Fabian, Inc.
27. Rural Bank Of San Nicolas (Pangasinan), Inc.
28. Rural Bank Of San Quintin, Inc.
29. Rural Bank Of Sual, Inc.
30. Second Basista Rural Bank, Inc.

Region II - Cagayan Valley

Cagayan

1. Cooperative Bank Of Cagayan
2. EuroCredit Community Bank, Inc. (A Rural Bank)
3. Providence Rural Bank, Inc.
4. Rural Bank Of Claveria, Inc.
5. Rural Bank Of Gattaran, Inc.
6. Rural Bank Of Sanchez Mira, Inc.

Isabela

1. Banco Agricola, Inc.
2. First Isabela Cooperative Bank
3. Golden Rural Bank Of The Phils
4. Mallig Plains Rural Bank, Inc.
5. North Pacific Banking Corporation (A RB of Sta. Maria, Isabela)
6. Philippine Rural Banking Corporation (Pr Bank)
7. Rural Bank Of Alicia, Inc.
8. Rural Bank Of Angadanan, Inc.
9. Rural Bank Of Benito Soliven
10. Rural Bank Of Cauayan (Isabela), Inc.
11. Rural Bank Of Luna (Isabela), Inc.
12. Rural Bank Of Ramon, Inc.
13. Rural Bank Of Reina Mercedes, Inc.
14. Rural Bank Of San Agustin, Inc.
15. Rural Bank Of San Manuel (Isabela), Inc.
16. Rural Bank Of San Mateo (Isabela), Inc.
17. Rural Bank Of Tumauini, Inc.
18. United Consumers Rural Bank, Inc.

Nueva Vizcaya

1. Agri Business Rural Bank, Inc.
2. Cooperative Bank Of Nueva Vizcaya
3. Rural Bank Of Aritao, Inc.
4. Rural Bank Of Bagabag, Inc.
5. Rural Bank Of Bambang, Inc.
6. Rural Bank Of Bayombong, Inc.
7. Rural Bank Of Dupax, Inc.
8. Rural Bank Of Solano, Inc.
9. Rural Bank Of Villaverde, Inc.
10. Vizcaya Bank, A Rural Bank, Inc.

Quirino

1. Rural Bank Of Maddela, Inc.
2. Rural Bank Of Magsaysay (Isabela), Inc.

Region III - Central Luzon

Aurora

1. Cooperative Bank Of Aurora
2. Rural Bank Of Baler, Inc.
3. Rural Bank Of Casiguran, Inc.
4. Rural Bank Of Maria Aurora, Inc.

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

BATAAN

1. Balanga Rural Bank, Inc.
2. Bataan Cooperative Bank
3. Rural Bank Of Abucay, Inc.
4. Rural Bank Of Bagac, Inc.
5. Rural Bank Of Hermosa, Inc.
6. Rural Bank Of Limay, Inc.
7. Rural Bank Of Pilar (Bataan), Inc.

BULACAN

1. Agricom Rural Bank (Sta Maria, Bulacan) Inc.,
2. Apex Rural Bank, Inc.
3. Baliuag Rural Bank, Inc.
4. Bangko Rural Ng Kalumpit (Bulacan), Inc.
5. Cooperative Rural Bank Of Bulacan, Inc.
6. Delmont Bank Inc.(Rural Bank San Jose Del Monte)
7. East Coast Rural Bank, Inc. (Rural Bank Hagonoy)
8. Emerald Rural Bank, Inc.
9. Fil-Agro Rural Bank, Inc.
10. Gateway Rural Bank, Inc.
11. Rural Bank Of Angat, Inc.
12. Rural Bank of Bustos, Inc.
13. Rural Bank Of Dona Remedios Trinidad, Inc.
14. Rural Bank Of Malolos, Inc.
15. Rural Bank Of Norzagaray, Inc.
16. Rural Bank Of Pandi, Inc.
17. Rural Bank Of Plaridel (Bulacan), Inc.
18. Rural Bank Of San Ildefonso, Inc.
19. Rural Bank Of San Rafael (Bulacan), Inc.
20. Second Rural Bank Of Meycauayan, Inc.
21. Silahis Bank (A Rural Bank), Inc.
22. Sta Maria Rural Bank (Bulacan), Inc.

NUEVA ECIJA

1. Aliaga Farmers Rural Bank(Nueva Ecija), Inc.
2. Banco Rural De Gen. Tinio, Inc.
3. Bangko Luzon (A Rural Bank), Inc.
4. Cabanatuan City Rural Bank, Inc.
5. Citizen'S Rural Bank, Inc.
6. Cooperative Bank Of Nueva Ecija
7. Cuyapo Rural Bank, Inc.
8. GM Bank Inc. (A Rural Bank)
9. Kabalikat Rural Bank, Inc. (Rural Bank Ga-pan)
10. Key Rural Bank
11. Masagana Rural Bank, Inc.
12. Millennium Bank Inc.-A Rural Bank
13. New Rural Bank Of San Leonardo (Nueva Ecija), Inc.
14. Rural Bank Of Gabaldon, Inc.
15. Rural Bank Of Jaen, Inc.
16. Rural Bank Of Lupao, Inc.
17. Rural Bank Of Quezon (Nueva Ecija), Inc.
18. Rural Bank Of Sta Rosa (Nueva Ecija), Inc.
19. Rural Bank Of Sto Domingo (Nueva Ecija), Inc.
20. Rural Bank Of Talugtog, Inc.
21. Towncall Rural Bank, Inc.

PAMPANGA

1. Bangko Nuestra Señora Del Pilar, Inc. (A Rural Bank)
2. Bank Of Florida, Inc. (A Rural Bank)
3. Cooperative Bank Of Pampanga, Inc.
4. Crown Bank, Inc. (A Rural Bank)
5. Masantol Rural Bank, Inc.
6. Guagua Rural Bank, Inc.
7. Guagua Savers Bank (A Rural Bank), Inc.
8. Rural Bank Of Angeles, Inc.

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Pampanga… Continuation

9. Rural Bank Of Apalit, Inc.
10. Rural Bank Of Bacolor, Inc.
11. Rural Bank Of Lubao, Inc.
12. Rural Bank of Mabalacat, Inc.
13. Rural Bank Of Mexico, Inc.
14. Rural Bank Of Porac, Inc.
15. Rural Bank Of San Luis (Pampanga), Inc.
16. Rural Bank Of Sasmuan, Inc.
17. Rural Bank Of Sta. Rita, Inc.
18. San Bartolome Rural Bank, Inc.
19. San Fernando Rural Bank, Inc.
20. Saviour Rural Bank, Inc.
21. Second Rural Bank Of San Luis (Pampanga)
22. Unity Bank (A Rural Bank), Inc.

Tarlac

1. Camiling Rural Bank, Inc.
2. Cooperative Bank Of Tarlac, Inc.
3. First Provincial Bank Inc. (A Rural Bank)
4. Rural Bank Of La Paz (Tarlac), Inc.
5. Rural Bank Of Pura, Inc.
6. Rural Bank Of Sta Ignacia, Inc. (Signa Bank)
7. Rural Bank Of Sta Rosa De Lima
8. Rural Bank Of Tarlac, Inc.
9. Rural Bank Of Victoria, Inc.
10. St. Michael Rural Bank

Zambales

1. Community Rural Bank Of San Felipe, Inc.
2. Cooperative Bank Of Zambales
3. Countryside Rural Bank Of Palauig (Zambales), Inc.
4. Maharlika Rural Bank, Inc.
5. Rural Bank Of Cabangan, Inc.
6. Rural Bank Of Candelaria (Zambales), Inc.
7. Rural Bank Of San Antonio (Zambales), Inc.
8. Rural Bank Of San Marcelino, Inc.
9. Rural Bank Of San Narciso (Zambales). Inc.
10. Zambales Rural Bank, Inc. (Rural Bank of Castillejos)

Region IV-A - CALABARZON

Batangas

1. 5 Speed Rural Bank, Inc.
2. Balayan Bay Rural Bank, Inc.
3. Banco Batangan, Inc. (A Rural Bank)
4. Banco Ng Masa (A Microfinance-Oriented Rural Bank)
5. Bangko Kabayan-Ibaan Rural Bank, Inc.
6. Batangas Rural Bank For Cooperative, Inc.
7. Bolbok Rural Bank, Inc.
8. Classic Rural Bank, Inc.
9. Countryside Cooperative Rural Bank Of Batangas Inc.
10. Empire Rural Bank, Inc.
11. Farmers Rural Bank, Inc.
12. Limcoma Rural Bank, Inc.
13. Lipa Bank, Inc. (A Rural Bank)
14. Lipa Public Bank, Inc. (A Rural Bank)
15. Malarayat Rural Bank, Inc.
16. New Rural Bank Of Agoncillo, Inc.
17. Pres. Jose P. Laurel Rural Bank, Inc.
18. Progressive Bank, Inc.
19. Rural Bank Of Alitagtag ,Inc.
20. Rural Bank Of Batangas, Inc.
21. Rural Bank Of Calaca, Inc.
22. Rural Bank Of Cuenca, Inc.
23. Rural Bank Of Lemery (Batangas), Inc.
24. Rural Bank Of Lipa City, Inc.
25. Rural Bank Of Lobo, Inc.
26. Rural Bank Of Mabini (Batangas), Inc.

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

BATANGAS… CONTINUATION

27. Rural Bank Of Mataas Na Kahoy, Inc.
28. Rural Bank Of Nasugbu, Inc.
29. Rural Bank Of Padre Garcia, Inc.
30. Rural Bank Of San Luis (Batangas), Inc.
31. Rural Bank Of Sto. Tomas (Batangas), Inc.
32. Rural Bank of Taal, Inc.
33. Rural Bank Of Talisay (Batangas), Inc.
34. Rural Bank Of Taysan, Inc.
35. Sto. Rosario Rural Bank (Batangas), Inc.
36. Summit Rural Bank Of Lipa City, Inc.
37. Sunrise Rural Bank, Inc.
38. Synergy Rural Bank, Inc.
39. Utility Bank, Inc. (A Rural Bank)
40. Women's Rural Bank, Inc.

CAVITE

1. Advance Bank, Inc. (Rural Bank)
2. Bangko Mabuhay (Rural Bank of Tanza)
3. Capitol City Rural Bank Of Trece Martires
4. Cavite Rural Banking Corp
5. Cebuana Lhuillier Rural Bank, Inc.
6. Central Equity Rural Bank, Inc.
7. Community Bank (Rural Bank Of Alfonso, Inc.)
8. Cooperative Bank Of Cavite
9. First Reliance Bank (Rural Bank Indang, Inc.)
10. GMA Rural Bank Of Cavite, Inc.
11. Imus Rural Bank, Inc.
12. Masuwerte Rural Bank Of Bacoor, Inc.
13. Rural Bank Of Amadeo (Cavite), Inc.
14. Rural Bank Of Carmona, Inc.
15. Rural Bank Of Cavite City, Inc.
16. Rural Bank Of Dasmarinas, Inc.
17. Rural Bank Of Gen. Trias Inc.
18. Rural Bank Of Kawit, Inc.
19. Rural Bank Of Maragondon, Inc.
20. Rural Bank Of Mendez, Inc.
21. Rural Bank Of Naic, Inc.
22. Rural Bank Of Salinas, Inc.
23. Rural Bank Of Tagaytay City, Inc.
24. Sto Nino Rural Bank, Inc.
25. Unlad Rural Bank Of Noveleta, Inc.

LAGUNA

1. Biñan Rural Bank, Inc.
2. Card Bank (A MF RB)
3. De La O Rural Bank, Inc.
4. Entreprenuer Rural Bank, Inc.
5. First United Farmers Rural Bank, Inc.
6. La Consolacion Rural Bank
7. Ormon Bank (Rural Bank Of Mulanay, Inc.)
8. Planbank-Rural Bank Of Canlubang Planters, Inc.
9. Provident Rural Bank Of Sta. Cruz, Inc.
10. Rural Bank Of Alaminos (Laguna), Inc.
11. Rural Bank Of Bay, Inc.
12. Rural Bank Of Cabuyao, Inc.
13. Rural Bank Of Calamba, Inc.
14. Rural Bank Of Calauan, Inc.
15. Rural Bank Of Cavinti, Inc.
16. Rural Bank Of Luisiana, Inc.
17. Rural Bank Of Lumban, Inc.
18. Rural Bank Of Mabitac, Inc.
19. Rural Bank Of Magdalena, Inc.
20. Rural Bank Of Majayjay, Inc.
21. Rural Bank Of Marilag (Sta Maria, Laguna), Inc.
22. Rural Bank Of Nagcarlan, Inc.
23. Rural Bank Of Paete, Inc.
24. Rural Bank Of Pagsanjan, Inc.
25. Rural Bank Of Pangil,, Inc.
26. Rural Bank Of Rizal (Laguna), Inc.

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

LAGUNA… CONTINUATION

27. Rural Bank Of San Antonio De Padua, Inc.
28. Rural Bank Of San Lorenzo Ruiz (Siniloan), Inc.
29. Rural Bank Of Seven Lakes, Inc.
30. Rural Bank Of Sta Rosa (Laguna), Inc.
31. Turumba Rural Bank Of Pakil, Inc.
32. Unilink Bank,, Inc. (A Rural Bank)
33. Mount Makiling Rural Bank, Inc.

QUEZON

1. Cooperative Bank Of Quezon Province
2. Grand-Agri Rural Bank
3. Mega Rural Bank, Inc.
4. Quezon Capital Rural Bank, Inc.
5. Quezon Traders Rural Bank Of Candelaria, Inc.
6. Rural Bank Of Alabat, Inc.
7. Rural Bank Of Atimonan, Inc.
8. Rural Bank Of Candelaria (Quezon), Inc.
9. Rural Bank Of Dolores (Quezon), Inc.
10. Rural Bank Of General Luna, Inc.
11. Rural Bank Of Infanta, Inc.
12. Rural Bank Of Lucban, Inc.
13. Rural Bank Of Mauban, Inc.
14. Rural Bank Of Pagbilao, Inc.
15. Rural Bank Of Pitogo, Inc.
16. Rural Bank Of Sampaloc, Inc.
17. Rural Bank Of San Antonio(Quezon), Inc.
18. Rural Bank Of Sariaya, Inc.
19. Rural Bank Of Tagkawayan, Inc.
20. Rural Bank Of Tayabas, Inc.
21. Tiaong Rural Bank, Inc.
22. United People'S Rural Bank, Inc.
23. Universal Rural Bank Of Lopez, Inc.

RIZAL

1. Binangonan Rural Bank, Inc.
2. Eastern Rizal Rural Bank, Inc. (Jala-Jala Rural Bank)
3. Filidian Rural Bank, Inc.
4. Growers Rural Bank, Inc.
5. Rural Bank Of Angono, Inc.
6. Rural Bank Of Antipolo, Inc.
7. Rural Bank Of Cainta, Inc.
8. Rural Bank Of Cardona, Inc.
9. Rizal Rural Bank, Inc.
10. Rural Bank Of Montalban, Inc.
11. Rural Bank Of Pililla, Inc.
12. Rural Bank of St. Joseph (Baras), Inc.
13. Rural Bank Of Teresa, Inc.
14. Tanay Rural Bank, Inc.

REGION IV-B - MIMAROPA

MARINDUQUE

1. Rural Bank Of Sta Cruz, Inc.

OCCIDENTAL MINDORO

1. Occidental Mindoro Cooperative Bank
2. Occidental Mindoro Rural Bank, Inc.
3. Tamaraw Rural Bank, Inc.

ORIENTAL MINDORO

1. First Mindoro Microfinance Rural Bank, Inc.
2. Oriental Tamaraw Rural Bank Of Naujan
3. Rural Bank Of Baco, Inc.
4. Rural Bank Of Bansud, Inc.
5. Rural Bank Of Calapan
6. Rural Bank Of Gloria, Inc.
7. Rural Bank Of Mansalay, Inc.
8. Rural Bank Of Pinamalayan, Inc.

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

ORIENTAL MINDORO… CONTINUATION

9. Rural Bank Of Pola, Inc.
10. Rural Bank Of Puerto Galera, Inc.
11. Rural Bank Of Roxas (Oriental Mindoro), Inc.
12. Rural Bank Of Socorro, Inc.
13. Rural Bank Of Victoria (Oriental Mindoro), Inc.
14. The Country Bank, Inc. (Rural Bank Bongabon)

PALAWAN

1. Cooperative Bank Of Palawan
2. Rural Bank Of Brookes Point, Inc.
3. Rural Bank Of Cuyo, Inc.

ROMBLON

1. Community Rural Bank Of Romblon, Inc.
2. Rural Bank Of Odiongan, Inc.
3. Rural Bank Of Sta Fe (Romblon), Inc.

REGION V - BICOL

ALBAY

1. Cagsawa Rural Bank, Inc.
2. Ibalon Rural Bank, Inc.
3. Rural Bank Of Camalig, Inc.
4. Rural Bank Of Guinobatan, Inc.
5. Rural Bank Of Libon, Inc.
6. Rural Bank Of Oas, Inc.
7. Rural Bank Of Polangui, Inc.
8. Rural Bank Of Santiago De Libon, Inc.

CAMARINES NORTE

1. Cooperative Bank Of Camarines Norte
2. Rural Bank Of Capalonga, Inc.
3. Rural Bank Of Jose Panganiban, Inc.
4. Rural Bank Of Paracale, Inc.
5. Rural Bank Of San Vicente, Inc.
6. Rural Bank Of Sta Elena, Inc.

CAMARINES SUR

1. Bangko Rural Ng Magarao (Camarines Sur), Inc.
2. Bangko Rural Ng Pasacao, Inc.
3. Cooperative Bank Of Camarines Sur
4. First Naga Bank (A Rural Bank)
5. Municipal Rural Bank Of Libmanan, Inc.
6. Municipal Rural Bank Of Nabua, Inc.
7. Penafrancia Rural Bank Of Calabanga, Inc.
8. Southeast Country Bank, Inc. (A RB)
9. Rural Bank Of Gainza, Inc.
10. Rural Bank Of Goa, Inc.
11. Rural Bank Of Lagonoy, Inc.
12. Rural Bank Of Milaor, Inc.
13. Rural Bank Of Ocampo, Inc.
14. Rural Bank Of Pamplona (Camarines Sur), Inc.
15. Rural Bank Of Ragay, Inc.
16. Rural Bank Of San Fernando (Camarines Sur), Inc.
17. Rural Bank Of San Jose (Camarines Sur), Inc.
18. Rural Bank Of Sipocot, Inc.
19. Rural Bank Of Tigaon, Inc.

CATANDUANES

1. Vision Bank, Inc.-A Rural Bank

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Masbate

1. Rural Bank Of San Jacinto, Inc.

Sorsogon

1. Rural Bank Of Donsol, Inc.
2. Rural Bank Of Irosin, Inc.
3. Rural Bank Of Pilar (Sorsogon), Inc.
4. Rural Bank Of Sta. Magdalena, Inc.
5. Sorsogon Provincial Cooperative Bank

Region VI - Western Visayas

Aklan

1. Assemblyman Rafael B. Legaspi (Rural Bank Of Aklan)
2. Rural Bank Of Altavas, Inc.
3. Rural Bank Of Balete, Inc.
4. Rural Bank Of Banga, Inc.
5. Rural Bank Of Batan, Inc.
6. Rural Bank Of Ibajay, Inc.
7. Rural Bank Of Makato, Inc.
8. Rural Bank Of Malinao (Aklan), Inc.
9. Rural Bank Of Nabas, Inc.
10. Rural Bank Of New Washington, Inc.

Antique

1. Rural Bank Of Bugasong, Inc.
2. Rural Bank Of Hamtic, Inc.
3. Rural Bank Of Sibalom, Inc.
4. Rural Bank Of Tibiao, Inc.

Capiz

1. Capiz Settlers Cooperative Rural Bank, Inc.
2. Farm Bank, Inc. (A Rural Bank)
3. President Roxas Rural Bank, Inc.
4. Rural Bank Of Cuartero, Inc.
5. Rural Bank Of Dao, Inc.
6. Rural Bank Of Ivisan, Inc.
7. Rural Bank Of Jamindan, Inc.
8. Rural Bank Of Mambusao, Inc.
9. Rural Bank Of Panay, Inc.
10. Rural Bank Of Sapian, Inc.

Guimaras

1. Rural Bank Of Jordan, Inc.

Iloilo

1. Bangko Buena (A Rural Bank)
2. Cooperative Bank Of Iloilo
3. RACSO's Bank Inc. (A Rural Bank)
4. First Midland Rural Bank, Inc.
5. Janiuay Rural Bank, Inc.
6. Life Bank - RB of Maasin (Iloilo)
7. Rural Bank Of Alimodian, Inc.
8. Rural Bank Of Anilao, Inc.
9. Rural Bank Of Badiangan, Inc.
10. Progressive Bank Inc. (Progressive A Rural Bank Inc.)
11. Rural Bank Of Barotac Nuevo, Inc.
12. Rural Bank Of Barotac Viejo, Inc.
13. Rural Bank Of Bingawan, Inc.
14. Rural Bank Of Cabatuan (Iloilo), Inc.
15. Rural Bank Of Calinog, Inc.
16. Rural Bank Of Dumangas, Inc.

ILOILO… CONTINUATION

17. Rural Bank Of Guimbal, Inc.
18. Rural Bank Of Iloilo City, Inc.
19. Rural Bank Of Leganes, Inc.
20. Rural Bank Of Miagao, Inc.
21. Rural Bank Of Oton, Inc.
22. Rural Bank Of Pavia, Inc.
23. Rural Bank Of Pototan, Inc.
24. Rural Bank Of San Enrique, Inc.
25. Rural Bank Of San Miguel (Iloilo), Inc.
26. Rural Bank Of Sta Barural (Iloilo), Inc.
27. Rural Bank Of Tigbauan, Inc.
28. Rural Bank Of Zarraga, Inc.
29. Valiant Rural Bank, Inc.

NEGROS OCCIDENTAL

1. Community Rural Bank Of Magallon, Inc.
2. First Community Bank, Inc. (Rural Bank)
3. First State Rural Bank, Inc.
4. Negros Cooperative Bank
5. New Rural Bank Of Binalbagan, Inc.
6. New Rural Bank Of Victorias, Inc.
7. Rural Bank Of Bacolod City, Inc.
8. Rural Bank Of Cadiz, Inc.
9. Rural Bank Of Escalante, Inc.
10. Rural Bank Of Hinigaran, Inc.
11. Rural Bank Of Ilog, Inc.
12. Rural Bank Of Ma-Ao, Inc.
13. Rural Bank Of Manapla, Inc.
14. Rural Bank Of Marayo (Negros Occidental)
15. Rural Bank Of Sagay (Negros Occidental), Inc.
16. Rural Bank Of Silay City, Inc.
17. Rural Bank Of Talisay (Negros Occidental), Inc.

REGION VI - CENTRAL VISAYAS

BOHOL

1. Cooperative Rural Bank Of Bohol, Inc.
2. Rural Bank Of Calape, Inc.
3. Rural Bank Of Garcia-Hernandez, Inc.
4. Rural Bank Of Loon, Inc.
5. Rural Bank Of Maribojoc, Inc.

CEBU

1. Aspac Rural Bank, Inc.
2. Banco Maximo, Inc. (A Rural Bank)
3. Banco Rural De Isla Cordova, Inc.
4. Cardinal Rural Bank (Cebu), Inc.
5. Coastal Bank, Inc. (A Rural Bank)
6. Community Rural Bank Of Catmon, Inc.
7. Community Rural Bank Of Medellin, Inc.
8. Cooperative Bank Of Cebu
9. First Agro-Industrial Rural Bank, Inc.
10. Frontier Rural Bank, Inc.
11. Lapu-Lapu Rural Bank, Inc.
12. Mactan Rural Bank, Inc.
13. National Teachers And Emp. Coop Bank
14. Rural Bank Of Barili, Inc.
15. Rural Bank Of Bogo, Inc.
16. Rural Bank Of Cebu South, Inc.
17. Rural Bank Of Madridejos, Inc.
18. Rural Bank Of Mandaue, Inc.
19. Rural Bank Of Oslob, Inc.
20. Rural Bank Of San Fernando (Cebu), Inc.
21. Rural Bank Of Subangdaku, Inc.
22. Rural Bank Of Talisay (Cebu), Inc.
23. Rural Bank Of Toledo City, Inc.
24. Sugbuanon Rural Bank, Inc.
25. Upland Rural Bank Of Dalaguete(Cebu), Inc.

NEGROS ORIENTAL

1. Central Visayas Rural Bank, Inc.
2. Cooperative Bank Of Negros Oriental
3. Dumaguete Rural Bank, Inc.
4. Rural Bank Of Amlan, Inc.
5. Rural Bank Of Ayungon, Inc.
6. Rural Bank Of Bacong (Negros Oriental)
7. Rural Bank Of Basay, Inc.
8. Rural Bank Of Bayawan, Inc.
9. Rural Bank Of Guihulngan, Inc.
10. Rural Bank Of Mabinay, Inc. (Oriental Bank)
11. Rural Bank Of Manjuyod, Inc.
12. Rural Bank Of Pamplona (Negros Oriental), Inc.
13. Rural Bank Of Siaton, Inc.
14. Rural Bank Of Sibulan, Inc.
15. Rural Bank Of Sta. Catalina, Inc.
16. Rural Bank Of Tanjay, Inc.
17. Rural Bank Of Valencia (Negros Oriental), Inc.

SIQUIJOR

1. Rural Bank Of Larena, Inc.

REGION VIII - EASTERN VISAYAS

BILIRAN

1. Rural Bank Of Naval, Inc.

EASTERN SAMAR

1. Rural Bank Of Borongan, Inc.
2. Rural Bank Of Guiuan, Inc.
3. Rural Bank Of Taft, Inc.

LEYTE

1. Cooperative Bank Leyte
2. Rural Bank Of Bato, Inc.
3. Rural Bank Of Burauen, Inc.
4. Rural Bank Of Calubian, Inc.
5. Rural Bank Of Dulag, Inc.
6. Rural Bank Of Hilongos, Inc.
7. Rural Bank Of Hindang, Inc.
8. Rural Bank Of Javier, Inc.
9. Rural Bank Of Mahaplag, Inc.
10. Rural Bank Of Matag-Ob, Inc.
11. Rural Bank Of Ormoc City, Inc.

NORTHERN SAMAR

1. Rural Bank Of Catubig, Inc.

SAMAR

1. Rural Bank Of Basey, Inc.
2. Rural Bank Of Calbayog City, Inc.
3. Rural Bank Of Gandara, Inc.

SOUTHERN LEYTE

1. Community Rural Bank Of Maasin, Inc.
2. Rural Bank Of Hinundayan, Inc.
3. Rural Bank Of Malitbog, Inc.
4. Rural Bank Of Padre Burgos (Southern Leyte), Inc.
5. Rural Bank Of San Juan (Southern Leyte), Inc.
6. Southern Leyte Cooperative Bank

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

REGION IX - ZAMBOANGA PENINSULA

ZAMBOANGA DEL NORTE

1. Community Rural Bank Of Dapitan City
2. Cooperative Rural Bank Of Zamboanga Del Norte
3. Rural Bank Of Dipolog, Inc.
4. Katipunan Bank Inc. "A Rural Bank"
5. Rural Bank Of Labason, Inc.
6. Rural Bank Of Liloy, Inc.
7. Rural Bank Of Manukan, Inc.
8. Rural Bank Of President Manuel A. Roxas, Inc.
9. Rural Bank Of Rizal (Zamboanga Del Norte)
10. Rural Bank Of Salug, Inc.

ZAMBOANGA DEL SUR

1. Cooperative Bank Of Zamboanga Del Sur
2. Rural Bank Of Pagadian, Inc.
3. Rural Bank Of Siocon, Inc.
4. Salug Valley Rural Bank, Inc.
5. Zamboanga City Rural Bank Inc.

ZAMBOANGA SIBUGAY

1. Rural Bank Of Kabasalan, Inc.

REGION X - NORTHERN MINDANAO

BUKIDNON

1. Asian Hills Bank (A Rural Bank)
2. Cooperative Rural Bank Of Bukidnon, Inc.
3. Malaybalay Rural Bank, Inc.
4. Bukidnon Bank, Inc. (A RB)
5. Rural Bank Of Kibawe, Inc.
6. Rural Bank Of Manolo Fortich, Inc.
7. Rural Bank Of Valencia (Bukidnon), Inc.
8. Xavier-Punla Rural Bank, Inc.

CAMIGUIN

1. Camiguin Cooperative Rural Bank, Inc.
2. Mambajao Community Rural Bank, Inc.
3. Philippine Intercity RB, Inc.

LANAO DEL NORTE

1. 1st Valley Bank Inc. (A Rural Bank)
2. Cooperative Rural Bank Of Lanao Del Norte, Inc.
3. Rural Bank Of Iligan City, Inc.
4. Rural Bank Of Karomatan, Inc.
5. Rural Bank Of Kolambugan, Inc.
6. Rural Bank Of Maigo, Inc.

MISAMIS OCCIDENTAL

1. Community Rural Bank Of Clarin, Inc.
2. Misamis Occidental Coop Bank
3. Panguil Bay Rural Bank, Inc.
4. Rural Bank Of Bonifacio, Inc.
5. Rural Bank Of Jimenez, Inc.
6. Rural Bank Of Lopez Jaena, Inc.
7. Rural Bank Of Oroquieta, Inc.
8. Rural Bank Of Ozamis City, Inc.
9. Rural Bank Of Pana-On, Inc.
10. Rural Bank Of Plaridel (Misamis Occidental), Inc.
11. Rural Bank Of Sapang Dalaga, Inc.
12. Rural Bank Of Tangub, Inc.
13. Rural Bank Of Tudela, Inc.

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Misamis Oriental

1. Bangko Rural Ng Tagoloan
2. Community Rural Bank Of Naawan, Inc.
3. Cooperative Bank Of Misamis Oriental
4. Philippine Farmers Bank (Rural Bank Balingoan, Inc.)
5. Rural Bank Of Balingasag, Inc.
6. Rural Bank Of El Salvador, Inc.
7. Rural Bank Of Gingoog, Inc.
8. Rural Bank Of Gitagum, Inc.
9. Rural Bank Of Initao, Inc.
10. Rural Bank Of Kinogitan, Inc.
11. Rural Bank Of Medina, Inc.
12. Rural Bank Of Talisayan, Inc.
13. Secured Bank Inc. (A Rural Bank)
14. Siam Bank-Community Rural Bank Lugait, Inc.
15. Society Rural Bank, Inc.
16. South Bank Inc. (A Rural Bank)
17. Xavier Tibod Bank (A Microfinance Rural Bank)

Region XI - Davao Region

Compostela

1. Money Mall Rural Bank, Inc.
2. Rural Bank Of Compostela, Inc.
3. Rural Bank Of Mawab, Inc.
4. Rural Bank Of Montevista, Inc.
5. Rural Bank Of Nabunturan, Inc.

Davao Del Norte

1. Century Rural Bank, Inc. (Rural Bank Of Babak, Inc.)
2. Rural Bank Of Kapalong. Inc.
3. Rural Bank Of New Corella, Inc.
4. Rural Bank Of Sto Tomas (Davao Del Norte)
5. Tagum Rural Bank, Inc.

Davao Del Sur

1. Community Rural Bank Of Magsaysay, Inc.
2. Cooperative Rural Bank Of Davao Del Sur, Inc.
3. First Bay Area Bank, Inc. (Rural Bank Malalag)
4. One Network Rural Bank, Inc.
5. Rural Bank Of Digos, Inc.
6. Rural Bank Of Hagonoy, Inc.
7. Rural Bank Of Matanao, Inc.
8. Rural Bank Of Carmen (Davao Del Sur), Inc.

Davao Oriental

1. Rural Bank Of Baganga, Inc. (Coastal Bank)
2. Rural Bank Of Mati, Inc.

Region XII - Central Mindanao

North Cotabato

1. Cooperative Bank Cotabato
2. Partner Rural Bank (Rural Bank Pigkawayan, Inc.)
3. Rural Bank Of Cotabato, Inc.
4. Rural Bank Of Midsayap, Inc.
5. Rural Bank Of M'Lang, Inc.
6. Rural Bank Of Pres Roxas (North Cotabato), Inc.

Sarangani

1. Rural Bank Of Alabel, Inc.
2. Rural Bank Of Kiamba, Inc.

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

SOUTH COTABATO

1. Peninsula Rural Bank, Inc. (Rural Bank Tupi)
2. People's Rural Bank (Gen. Santos City), Inc.
3. Rural Bank Of Koronadal, Inc.
4. Rural Bank Of Norala, Inc.
5. Rural Bank Of Polomolok, Inc.
6. Rural Bank Of Tampakan (South Cotabato), Inc.
7. Sarangani Rural Bank, Inc.

SULTAN KUDARAT

1. Rural Bank Of Isulan, Inc.
2. Rural Bank Of Lebak, Inc.
3. Rural Bank of Pres. Quirino, Inc.
4. Rural Bank Of Tacurong, Inc.

REGION XIII - CARAGA

AGUSAN DEL NORTE

1. Agusan Norte-Butuan City Cooperative Rural Bank
2. Butuan City Rural Bank, Inc.
3. Rural Bank Of Buenavista, Inc.
4. Rural Bank Of Cabadbaran, Inc.
5. Green Bank, Inc. (A RB)

AGUSAN DEL SUR

1. Cooperative Bank Of Agusan Del Sur
2. People's Bank Of Caraga, Inc.

DINAGAT ISLANDS

1. Rural Bank of Loreto , Inc.

SURIGAO DEL NORTE

1. Bank Of Placer, Inc.(A Rural Bank)
2. Rural Bank Of Loreto, Inc.
3. Siargao Bank Inc. (A Rural Bank) Rural Bank Dapa, Inc.
4. Surigao City Evergreen Rural Bank, Inc.
5. Surigaonon Rural Banking Corporation

SURIGAO DEL SUR

1. Bangko Carrascal, Inc. (A Rural Bank)
2. Cantilan Bank, Inc. (A Rural Bank)
3. Cooperative Bank Of Surigao Del Sur
4. Enterprise Bank, Inc. A Rural Bank
5. Rural Bank of Launza Inc.
6. Rural Bank Of Tandag, Inc.

REGION XIV - CORDILLERA ADMINISTRATIVE REGION (CAR)

ABRA

1. Rural Bank Of Bangued, Inc.
2. Rural Bank Of Bucay, Inc.
3. Rural Bank Of Villaviciosa, Inc.

APAYAO

1. Rural Bank Of Luna (K-Apayao), Inc.

BENGUET

1. Banco Bakun, Inc. (A Rural Bank)
2. Benguet Center Bank, Inc. A Rural Bank
3. Cooperative Bank Of Benguet
4. Diamond Rural Bank, Inc.
5. Highland Rural Bank(Rural Bank Kapangan, Inc.)
6. Rural Bank Of Baguio, Inc.

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

BENGUET… CONTINUATION

7. Rural Bank Of Buguias, Inc.
8. Rural Bank Of Itogon, Inc.
9. Rural Bank Of La Trinidad, Inc.
10. Summit Bank (Rural Bank Of Tublay, Inc.)

IFUGAO

1. Lagawe Highlands Rural Bank, Inc.

KALINGA

1. Rural Bank Of Rizal (Kalinga), Inc.
2. Rural Bank Of Tabuk, Inc.

MOUNTAIN PROVINCE

1. Cooperative Bank Of Mt. Province
2. Rural Bank Of Bontoc, Inc.
3. Rural Bank Of Sagada, Inc.

REGION XVI - AUTONOMOUS REGION IN MUSLIM MINDANAO (ARMM)

LANAO DEL SUR

1. Bagong Bangko Rural Ng Malabang, Inc.

MAGUINDANAO

1. Rural Bank Of Datu Paglas, Inc.

DIRECTORY OF NON-BANK FINANCIAL INSTITUTIONS WITH QUASI-BANKING FUNCTIONS
AS OF 31 DECEMBER 2008

INVESTMENT HOUSES (IHS)

1.	A B Capital And Investment Corporation	8/F Phinma Bldg., N0. 39 Plaza Drive, Rockwell, Makati City
2.	BPI Capital Corporation	BPI Bldg., 109 Ayala Ave. Cor. Paseo De Roxas, Makati City
3.	First Metro Investment Corporation	20/F GT Tower International, Ayala Ave., Cor. H.V. Dela Costa, Makati City
4.	Multinational Investment Bancorp	41/F Rufino Pacific Tower, 6784 Ayala Ave., Makati City
5.	RCBC Capital Corporation	7/F Yuchengco Tower, RCBC Plaza, 6819 Ayala Ave., Makati City
6.	State Investment Trust, Inc.	333 Juan Luna St., Binondo Manila

FINANCING COMPANIES (FCS)

1.	BPI Card Finance Corporation	17/F BPI Card Center, 8753 Paseo De Roxas, Makati City
2.	BPI Leasing Corporation	8/F BPI Building., Ayala Avenue, Makati City
3.	Cebu International Finance Corporation	8/F CIFC Towers, J. Luna Ave., Cor. J. Briones St., Nra, Cebu, Cebu City
4.	First Malayan Leasing And Finance Corporation	5/F Grepalife Bldg., 221 Sen. Gil J. Puyat Ave., Makati City
5.	Metrobank Card Corporation (A Finance Company)	6778 Ayala Ave., Makati City
6.	Orix Metro Leasing & Finance Corporation	21/F GT Twr. Int'l., Ayala Ave. cor. H.V. dela Costa St., Makati City

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

OTHER NON-BANKS WITH QBF

1.	Phil Depository and Trust Corporation	37/F Tower I, The Enterprise Center, 6766 Ayala Ave., Cor. Paseo De Roxas, Makati City

DIRECTORY OF OFFSHORE BANKING UNITS
AS OF 31 DECEMBER 2008

1.	ABN-Amro, N.V.	18/F LKG Tower, 6801 Ayala Ave., Makati City
2.	American Express Bank, Ltd.	11/F 6750 Ayala Ave., Makati City
3.	BNP Paribas	30/F Philamlife Tower, 8767 Paseo De Roxas, Makati City
4.	Calyon Corporate And Investment Bank	14/F Pacific Star Bldg., Makati Ave., Makati City
5.	JP Morgan International Finance Ltd.	31/F Philamlife Tower, 8767 Paseo De Roxas, Makati City
6.	Societe Generale	16/F Unit 16-B Citibank Tower, 8741 Paseo De Roxas, Makati City
7.	Taiwan Cooperative Bank	26/F Citibank Tower, 8741 Paseo De Roxas, Makati City

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

2008 SURVEY RESULTS ON THE EFFECTS OF FOREIGN BANK ENTRY INTO THE PHILIPPINE BANKING SYSTEM

OBJECTIVES OF THE SURVEY

The survey aims to determine the extent to which foreign banks have been able to achieve the policy objectives embodied in Section 1 of Republic Act No. 7721 which provides -

> "The State shall develop a self-reliant and independent national economy effectively controlled by Filipinos and encourage, promote and maintain a stable, competitive, efficient and dynamic banking and financial system that will stimulate economic growth, attract foreign investments, provide a wider variety of financial services to Philippine enterprises, households and individuals, strengthen linkages with global financial centers, enhance the country's competitiveness in the international markets and serve as a channel for the flow of funds and investments into the economy to promote industrialization."

METHODOLOGY

Surveys were sent out to the 21 foreign bank branches and subsidiaries. Queries were designed to draw information on:

1. The investment and trade activities undertaken, the business opportunities initiated and materials printed to attract foreign investments, as well as promote trade with the Philippines;

2. The seminars and social gatherings extended to other players in the industry to increase awareness and knowledge in various banking practices;

3. Project loans extended to local residents or companies based in the Philippines

4. Technology introduced for the benefit of clients and depositors;

5. Number of officers and employees employed; and

6. Filipino officers and employees trained.

FINDINGS

1. Investment and Trade Activities - the investment and trade deals that transpired in 2008 between the foreign bank's country of origin/other countries and the Philippines

INVESTMENT AND TRADE

EXISTING FOREIGN BANK BRANCHES

1. Actively confirmed letters of credit of Philippine banks destined for Asia, Canada and the USA
2. Encouraged Philippine exporters to course their negotiations through foreign banks for faster turn around time
3. Provided foreign currency banknotes repatriation service.
4. Promoted foreign investment by facilitating equity investment by a private equity fund in property sector
5. Promoted foreign currency earnings through issuance of performance bonds for property firms; project in connection with a foreign embassy in the Philippines
6. Supported government's power sector privatization by arranging and granting a committed facility to support a bidder
7. Facilitated group access and distribution of incoming overseas workers remittances
8. Migrated core services to Centers of Excellence
9. Optimized use of Philippine resources and excess capacity in GCG Philippines' Analytical MIS Reporting Unit
10. Provided securities custodial services including registration of foreign investments with the BSP
11. Successfully settled offerings with international participation
12. Financed Philippine Phosphate Fertilizer Corporation's working capital and purchase of raw materials for the production of fertilizers for export
13. Acted as mandated lead arranger for a loan that allowed the largest independent and Filipino-owned power generation company in the country to purchase assets for privatization by the National Government

NEW FOREIGN BANK BRANCHES

1. Provided on-the-ground intelligence and industry referrals on the basis of its Manila office support
2. Provided financing on BPO expansion into the Philippines
3. Provided Personal Banking support to the Philippine operation
4. Developed a club LC facility supporting oil purchases of Oilink
5. Facilitated trade between Thailand and the Philippines through Philippine Exports/ Imports to Thailand Made additional investments to expand the operations of the bank's business processing and call center
6. Raised ROP Global Bonds
7. Assisted in the establishment of various companies in the Philippines
8. Made available trade services through its global network
9. Complied with the 30% Liquidity with ROP bond USD5M face value
10. Complied with Agri-Agra with Quedancor Bonds Php300M face value
11. issued letter of guaranty confirmation for contracts of Chinese companies doing business in the Philippines
12. Paid exportation bills from the Philippines

FOREIGN BANK SUBSIDIARIES

1. Invited a number of Philippine corporates who participated in the Thailand-Indonesia-Philippines Investment Conference done in Singapore
2. Made various one-on-one Philippine Strategy presentations to US-based clients in order to promote foreign investments in Philippine equities
3. Brought Ayala Land to have one-on-one meetings with various London-based clients in order to promote foreign investments in Philippine equities, particularly in Ayala Land.
4. Made one-on-one presentation meetings with various clients based in Hong Kong and Singapore in order to promote foreign investments in Philippine equities, particularly in Vista Land and Lifescapes
5. Invited a number of Philippine corporates who participated in the ASEAN + India Investment Conference done in Singapore

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

2. Business Opportunities Activities - the promotional activities done to increase investment and trade volumes in the Philippines

BUSINESS OPPOTUNITIES

EXISTING FOREIGN BANK BRANCHES

1. Supported government's power privatization through issuance of bid bonds to foreign and/or local consortium bidders
2. Supported foreign investments into the country by conducting roadshow to certain private equity funds
3. Supported two way investments between Philippines and Vietnam through Phils. – Vietnam conference
4. Arranged one-on-one meetings for economic team in New York and Boston for investors and credit rating agencies
5. Arranged short notice one-on-one meetings for infrastructure companies investors, and briefing seminar on Private Public Partnership in Infrastructure
6. Gave feedback on presentation materials for the government's Top 10 Infrastructure Projects
7. Serviced Philippine government bonds trade requirements of key offshore investors including Government of Singapore Investment Corporation and Schroders

NEW FOREIGN BANK BRANCHES

1. Facilitated property project development
2. Conducted briefing on MSA opportunities in New Zealand Bridge Finance
3. Promoted Thailand's garments, textile and accessories to Department stores and specialty shops during the Thailand Garment Fashion Exhibition
4. Exhibited various Thai products during the World Food Exhibition (WOFEX) 2007
5. Exhibited Thai construction products during the 12th Philippine World Building Construction Exposition (WOLRDBEX 2007)
6. Promoted world-renowned ASIAN handicrafts, gifts and decorations during the 1st AHPADA International Art and Crafts Expo
7. Established more contacts and business opportunities between Thailand and the Philippines through various trade fairs attended by Filipino Importers and Thai exporters
8. Provided a venue for global portfolio managers to meet with policy makers, corporate leaders and outside experts through the Asian Local Markets Investors Trips – group 1 and 2
9. Provided ROP economic update to investors in London and Frankfurt through ROP non-deal roadshow
10. Offered funding scheme with the meeting of GM and Country Manager, Yoji Sakaguchi with DOF's Usec. Tan and Dir. Tan
11. Made a follow-up on MHCB funding scheme proposal with the meeting between MHCB President Hiroshi Saito and Managing Executive Officer Takeshi Hanai with DOF Secretary Gary Teves
12. Conducted various Investors Presentations
13. Serviced the banking needs of Chinese investors setting up businesses in the Philippines
14. Remittance Agreement between BOC Ltd., Manila Branch and RCBC

3. Trainings and Seminars - the avenue for additional knowledge and awareness to the various banking services and practices

TRAININGS AND SEMINARS

EXISTING FOREIGN BANK BRANCHES

1. Corbank Products and Capabilities Seminar
2. Economic Briefing for Exporters
3. Credit Risk Lecture to BSP Auditors
4. Presentation of Peso Appreciation Strategies to the Department of Trade and Industry (Bureau of Export Trade Promotion)
5. Presentation to the Department of Trade and Industry (BOI) on Foreign Exchange
6. Investment Briefing on Diversification

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

TRAININGS AND SEMINARS

EXISTING FOREIGN BANK BRANCHES

7. Mid-year Economic Outlook Briefings/Year-end Economic Briefing
8. Asian Outlook 2007
9. Economic Briefing – Market Update
10. Economic Briefing – Effects of elections
11. Risk Presentation to FINEX
12. Exporter / BPO Forum
13. FX option concepts and FX derivative structures
14. Economic Briefing – Update on Philippine Economic Outlook
15. Economic Briefing – Market Update for corporate clients
16. Treasury Operations and Risk Control for Front Office and Back Office
17. IAS and hedge-accounting consultation
18. Sponsored an event of the Asia Asset Management Philippine Roundtable Series, entitled "Role of an Institutional Investor: Trends and Developments"
19. e-Banking Business Basics
20. The Customer Management Cycle
21. Market Watch

NEW FOREIGN BANK BRANCHES

1. Account Planning Workshop
2. Wholesale Banking Academic Programme Phase 1
3. Wholesale Banking Academic Programme Phase 2
4. Basel II Training
5. Global Markets Academy
6. "Sulong Kabuhayan" Training Modules (SME Pilot Test for CSR)
7. WB Non-Compliance Training for Non-Standard Transactions
8. Signature Verification Seminar
9. Arriving at Insights via Data Analysis
10. ALM Academy
11. Cash Management Solutions (CORE)
12. Collection Management Course (Consumer Banking Program)
13. Consumer Credit Course (Consumer Banking Program)
14. Corporate Credit Curriculum (Module 1): An Introduction to Corporate Analysis – HK
15. Corporate Credit Curriculum (Module 2): Business Risk and Operating Cycle
16. Fundamental of Trade & Working Capital
17. Risk in Cash Operations (Train the Trainer
18. The Finance of International Trade
19. Financial Institutions Risk Management Workshop (FIRM)
20. Client Analysis and Solution Structuring
21. Leveraging Business Strategy
22. Basel II Overview
23. ORMA Optial
24. ORMA Ops Risk
25. ORMA Framework
26. Basel II by OL Region
27. Finance Operational Risk Workshop
28. BAIPHIL ALM Seminar
29. IAS Update
30. Understanding Derivatives & Accounting
31. Philippine Tour of ANZ Economics Team
32. General Milling Wheat Hedging Presentation
33. FX Hedging Seminar to PSALM and Napocor
34. Trade Risks
35. Risk Evaluation & Deal Structuring Course
36. Markets Asia Offsite 2008
37. First Asia People Capital Offsite
38. Basel II Implementation in the Philippines

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

TRAININGS AND SEMINARS

NEW FOREIGN BANK BRANCHES

39. ANZ's Institutional Product Awareness Program:
    a. Mergers and Acquisitions
    b. Leasing and Structured Asset Finance
    c. Leverage Finance
    d. Interest Rate Derivatives
    e. Capital Solutions
    f. Project Finance
    g. Commodities
40. Ecs PDDTS/PVP Training
41. Soco Seminar Workshop First Responders
42. FX Options Trading
43. Business Leadership Program
44. FX Seminar
45. C&IB post-Pimley Workshops
46. ANZ e-Train courses:
    a. Economic Trade Sanctions
    b. Code of Conduct
    c. Code of Conduct Declaration
    d. General Security Awareness
    e. Introduction to Fraud Awareness
    f. Whistleblower Protection Policy General Awareness Training
    g. Whistleblower Protection Policy Champions Training
    h. Health Safety & Wellbeing
    i. Emergency Preparedness
    j. Sales Skills: Developing a Winning Strategy
    k. Sales Negotiations: Negotiation Strategies
    l. Negotiation: Advanced Negotiation Tactics
    m. Sales Skills: Effectively Closing a Sales
    n. Competitive Selling: Beating of the Competition
    o. Coaching: Building Relationships
    p. Relationship Management: Maintaining the Client Relationship
    q. Time Management: Overcoming Challenges
47. Trade LC Training
48. A Complete Guide to Dirty Funds – Compliance with AMLA
49. Basic Trade Refresher
50. Letter of Credit
51. Seminar Workshop on Terrorist Financing
52. Intricacies of Foreign and Local Checks, FX Notes Handling and their Fraud Concerns
53. FX Treasury Certification Program
54. Anti-Money Laundering Seminar for Compliance Officers of Commercial Banks
55. ANZ Asia Operations Conference
56. 13th ASEAN Summit
57. ASEAN-Japan Committee on Comprehensive Economic Partnership.
58. ASEAN Trade Negotiating Group/ASEAN-China Trade Negotiating Committee
59. 39th Meeting of the ASEAN Economic Ministers, Consultation of Dialogue Partners and other Related Meetings
60. Foreign Exchange Seminar
61. Seminar Workshop on UCP 600 Best Practices
62. Presentation on the 3rd Quarter Inflation Report
63. Risk Management Seminar
64. Information Security Seminar
65. CBG Study Session
66. SOX404 Study Session
67. Corporate Banking Seminar 1 (CBS I)
68. Check Writing System Study Session
69. New GCMS Service – BTMU Magic Reserve

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

TRAININGS AND SEMINARS

NEW FOREIGN BANK BRANCHES

70. Arm's Length and Insider Trading Seminar
71. Study Session on BSP Regulations
72. Compliance Seminar
73. Commodity Derivatives Seminar
74. RSA Study Session
75. Customer Service Seminar
76. ERC Orientation
77. Compliance Training
78. Growing with the Corporate Bond Market
79. Signature Analysis and Forgery Detection Seminar
80. Bank Operations Seminar
81. Counterfeit Detection Seminar
82. Obligations and Contracts Seminar
83. Foreign Remittance Seminar
84. Loans Operations Seminar
85. The Philippine Corporation Code Seminar
86. Derivatives
87. PFRS Issues for Banks and Linkages with Basel II
88. Fundamentals of International Trade Seminar
89. KYC Seminar
90. Search Apace Management Seminar
91. Money Market Seminar
92. Basic Foreign Exchange Seminar
93. Seminar on Market Reading
94. Techniques Used by the BIR in Tax Audit, Updates and Latest Tax Issuances
95. Operational Incident Reporting and Customer Support Seminar
96. Corporate Banking Seminar 2 (CBS 2)
97. Credit Control System Seminar (SS)
98. Derivatives – Product Variations
99. Treasury Operations Seminar
100. Derivatives – Risk Management & Regulatory Issues
101. CMS Seminar
102. New KYC Policy Seminar Part II
103. Annual JPMorgan Worldwide Securities Services Seminar
104. 2008 Refresher: Confidential Information, Anti-Corruption Policy, Reputation Risk
105. AML Training 2006/07 – Asia Pacific
106. Confidential Information, Anti-Corruption Policy, Reputation Risk
107. Derivatives 201
108. Derivatives 202
109. Derivatives and Product Variation
110. JPMC Code of Conduct 2008
111. Operational Risk Management
112. US Bank Transactions with or Involving Affiliates
113. BASEL II Overview & Regulatory Requirement
114. Certification Seminar for Associated Persons
115. Implications of the Human Security Act on Banks and Banking
116. Accounting Management Decision
117. BIR Issuance and Policies
118. Business Correspondence Presentation Skills
119. Client Servicing
120. CMS Product Training
121. Counterfeit Detection Workshop
122. Credit Training
123. DB Insights: An Orientation to Deutsche Bank AG Manila
124. DB Insights: Business Speaker Series – Fourth Quarter & Full Year
125. DB Seminar
126. Department Training

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

TRAININGS AND SEMINARS

NEW FOREIGN BANK BRANCHES

127. EPI Training
128. EWT/FWT Seminar
129. Finance for Non Finance
130. FSR Project Training
131. FSR Training
132. Fundamentals of Associates
133. Global CR/GR/FX Prod Training
134. GTB Product Training
135. IBO FX Training
136. ICG Asia Training
137. IFRS Training
138. Interest Rate Structures
139. New Accounting Standards
140. New Business & Finance Training
141. PFRS Issues for Banks
142. Practical Finance Management Negotiating Successfully
143. Product Training
144. PSE SBL Training
145. The Intricacies of Foreign and Local Checks, Foreign Currency
146. US GAAP/IFRS Training
147. WC 160 Derivative Training
148. WC 160 IFRS Interpretation
149. Global Markets Outlook Conference
150. Outsourcing FX Solutions
151. Philippine Economic Briefing Seminar
152. UCP 600 Best Practices
153. Moving towards Global Banking Compliance
154. Corporate Governance Seminar
155. Financial Reporting Package Seminar
156. Tax Amnesty and other Tax Updates
157. Tax Amnesty Act of 2007 & Other Revenue Updates/Issuances
158. Strengthening the Philippine Anti-Money Laundering Regime
159. The Intricacies of Foreign & Local Checks, Foreign Currency Notes, Handling & their Fraud Concerns
160. Seminar on Terrorist Financing
161. Dialogue with Banks & Financial Institutions Industry Under the Large Taxpayers Service
162. Briefing on PAS5 & BOC CPRS
163. AML Seminar for Compliance Officers of Commercial Bank
164. ING Bank Internal Training
165. SEC Licensure for Fixed Income Salesmen
166. Anti-Money Laundering Seminar for Compliance Officers of Commercial Banks
167. CFA
168. Credit Analysis Training
169. Environmental Social Risk Training Program
170. Finance Offsite
171. GL/RM Training 2008
172. ING Private Banking's First in-house Global Private Equity Workshop
173. ING Retail & Private Banking Global Leadership Conference
174. Institute of Internal Auditors (CIA)
175. Outlook for Asian Credit Conference
176. The Client Acquisition and Retention Program
177. TOMS FX Phase 1
178. Training Modules on FX & Fixed Income
179. Seminar on Counterfeit Renminbi (CNY) Detection
180. Rules on Governing the OTC Market
181. BAIPHIL National Convention
182. Accounting for Non-Accountants
183. Fundamentals of IT Auditing

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

TRAININGS AND SEMINARS

NEW FOREIGN BANK BRANCHES

184. Account Management Seminar
185. Understanding Credit Risk Spreads
186. Forum on Risk Management
187. Accounting Framework
188. BSP Regulations on Loans & Related Laws
189. Expanded Withholding Tax
190. PRE and Intangibles
191. Anti-Money Laundering Act of 2001
192. P&A Tax Seminar
193. Effective Payroll Management
194. Seminar on Corporate Income Tax
195. 10th National Convention on Statistics
196. Avoiding Risks on Real Estate Transactions
197. Financial Instruments and Payment
198. SWIFT-AML
199. Audit Methodology
200. Financial Analysis Tools and Techniques
201. Revenue Recognition
202. Terrorist Financing
203. Training for Compliance of Officers
204. Group Accounts and Income Taxes

FOREIGN BANK SUBSIDIARIES

1. FNS Operations Training
2. Executive Interaction Program
3. Risk Seminars
4. IT Security Orientation/Helpbox Briefing
5. IT Security Awareness Briefing
6. Understanding GL/Taxes
7. Corporate Bancslink Training
8. Sales and Distribution Roundtable discussion
9. Briefing on Special Deposit Accounts for BSP
10. Bancslink: Screen Orientation of NACs and Tellers
11. Basics of Credits
12. Banclink Training
13. Bancnet e-Champs
14. 39th Treasury Certification Program
15. PSE Securities Lending Program Workshop
16. PSI Leadership Seminar
17. BAIPHIL's 24th National Convention and 65th Year Celebration
18. A Comprehensive Seminar on Expanded Withholding Tax
19. QMS04 – International QMS Auditor Training Course
20. 524th General Membership Meeting – PMAP
21. 4th Service marketing Success Seminar
22. Diversification and Yield Enhancing Structures
23. Understanding Credit Risk Spreads
24. Project Management Fundamentals
25. Tax Seminar Exclusive for banks
26. Growing with the corporate bond market
27. Building and Sustaining Strong Corporate Brands
28. One-year Course on Trust Operations and Investment Management
29. Credit Derivatives
30. BASEL II Overview and Regulatory Requirements
31. The use of financial derivatives
32. The Tax Amnesty Law and other BIR Programs
33. Financial Reporting Package (FRP) What is it About?

TRAININGS AND SEMINARS

FOREIGN BANK SUBSIDIARIES

34. 44th Annual PMAP Conference: People Deliver
35. Understanding Derivatives Valuation and Accounting
36. Seminar on Market Reading
37. Loandex Information System Subs. Application (LISSA) User Training
38. Basic Technical Analysis for the Financial Market
39. Foreign Exchange Seminar
40. The Intricacies of Foreign and Local Checks, Foreign Currency Notes
41. Handling and their Fraud Concerns
42. 2008 MART Annual Convention
43. Service Marketing Success Seminar
44. Philippines 2008: Onward to 2010 Quarterly Risk Management Forum
45. Seminar on Revised Disclosure Rules
46. SEC Symposium for Fixed Income Salesman: Provisional Licensing
47. 4th Annual Asia Pacific Fixed Income Investor Conference
48. Quality management Training in Taipei Headquarters
49. Credit Policy Training in Chinatrust Taipei
50. SBEP's 2nd Out-of-Town Conference in Shanghai, China
51. Collections Training by Chinatrust Taiwan Head Office
52. Global HR Symposium in Chinatrust Taipei
53. Accounting Forum
54. Bill Purchase Case to Case
55. Briefing on AMLA System
56. Briefing on Leadership Competencies
57. Checkwriting – UAT Training
58. Counterfeit Detection Program
59. Creative Selling
60. DLF Technical Design Specification
61. ITRMF – Remittance System Training
62. LOS-ALF Pre-implementation Training
63. Operational Risk Management and AMLA
64. Operational Risk Management Seminar
65. Orientation on the New PABX System
66. ROPOA Management System Training
67. SVS/SMS Branch Online Project Kick-off
68. Tax on Bank and Operational Risk Management Seminar
69. We Serve Customer Complaint Program
70. WSS Implementation Training
71. Risk Analysis for Lenders – Corporate Risk Assessment 2
72. Risk Analysis for Lenders – Structuring Training
73. RSA Facilitator Training
74. Philippine Financial Reporting and Accounting Standards
75. Treasury Certification Program
76. PFRS Issues for Banks and Linkage to BASEL II
77. Bank Risk Analysis Course
78. Structured Products for Client Facing Staff
79. CORe Training
80. BASEL II Workshop
81. Forte (Operational Risk Management System) Training
82. Recognizing Countefeit Bills and Signature Verification Seminar
83. PAD Training

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

4. Printed Materials - the printed media used in bank marketing

PRINTED MATERIALS

EXISTING FOREIGN BANK BRANCHES

1. Published article in FinanceAsia highlighting opportunities for investment in real estate in the Philippines
2. Submitted Bank's company profile to Philippine Association of National Advertisers (PANA)

NEW FOREIGN BANK BRANCHES

1. Brochure of different Thai products for trade fairs
2. Provided company profiles of Thai companies
3. Published Thailand's Digest
4. Websites of the Department of Export Promotion, Ministry of Commerce
5. Provided investors with relevant timely information regarding investment opportunities in the Philippines
6. Published Philippine Country Report every month
7. Granted Scholarship aid to thirty Filipino college students
8. Requested to accept Korean Won (KRW) as part of Philippine International Reserve

FOREIGN BANK SUBSIDIARIES

1. Published Annual Report
2. Ad participation in the Malaysian National Day Special Supplement in Philippine Daily Inquirer and Philippine Star
3. Published Take Charge of Your Money, editorial series in www.inquirer.net

5. Social Gatherings - aimed primarily to strengthen the ties between banks and their clients

PRINTED MATERIALS

EXISTING FOREIGN BANK BRANCHES

1. Roadshow to certain Private Equity Funds
2. Cash Management Book Launch
3. AAA Issuer and Investor Conference in Instanbul, Turkey
4. Various Economic Briefings
5. People Management Association of the Philippines Conference
6. CCP Sponsorship - Musica Espanola
7. British School Family Day
8. 2nd Annual International ICT Awards
9. Cebu PhilExport Board Meeting
10. National Retailers' Suppliers Exhibition
11. Mabuhay Miles Golf Tournament
12. Quezon City Branch Inauguration
13. CNY Manila
14. CNY Cebu
15. HSBC Golf Day with Suzann Pettersen
16. Premier Golf Invitational
17. Wall-E Advance Screening
18. High School Musical 3 - Special Screening
19. Father's Day Out Golf
20. Philippine Ladies Amateur Open
21. Bill Shaw Classic
22. Ermegildo Zegna, "Su Misura" Event
23. Kythe's 2nd Golf for a Cause
24. JCI Makati Golf Cup
25. PANA 50th Anniversary Golden Golf Tournament

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

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Source: Office of Supervisory Policy Development, Supervision and Examination Sector

6. Based on the Daily Summary of Foreign Exchange Acquisitions/Dispositions submitted by universal and commercial banks, direct investment, portfolio investments, export proceeds and import payments coursed through the foreign banks in 2008 aggregated US$3.2 million, US$1.8 million, US$15.5 million and US$29.1 million, respectively.

7. Five (5) foreign bank branches and subsidiaries reported that they committed to finance project loans to local residents and companies based in the Philippines in the aggregate amount of P18,831.96 million (based on the average exchange rates of Philippine Peso with US dollar for 2008)

   Meanwhile, three (3) foreign bank branches and subsidiaries reported that they committed to arrange project loans to local residents and companies based in the Philippine in the aggregate amount of P31,910.68 million (based on the average exchange rates of Philippine Peso with US dollar for 2008)

8. New Technology

Front-End

FRONT-END OPERATIONS	DESCRIPTION
EXISTING FOREIGN BANK BRANCHES	
PC Refresh	Used to increase the capacity and speed of aging laptops and workstations used across all banking products
PC Refresh for Teller Terminals	For deposit accounts
Implementation of Backup CCTV recorder	Installed new CCTV recorder for backup
B2G E Tax	For customer demand and deposit account
BancNet Migration	For customer accounts
Global Premier Me2Me	For customer demand and deposit account
Regional VISA Debit Card	For customer accounts
Online Treasury	For FX rate quoting/dealing service
Straight2Bank Mobile Authorization	Allows authorizers to approve a batch or single transaction without logging into the S2B-Web
NEW FOREIGN BANK BRANCHES	
PAYSOURCE	A payment outsourcing product with extended remittance advise and which allows clients to better manage their accounts payable
Fund Transfer Initiation	Enables users to do electronic fund transfer and other multi-payment type in any currency
Cash Balance and Transaction Reporting	Facilitates information retrieval of banking information including transaction data
Swift Alliance Access	For Swift outward and inward messages
FOREIGN BANK SUBSIDIARIES	
GL Front end Systems	An accounting system
Cash Back Mortgage	For housing loan

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

FRONT-END OPERATIONS	DESCRIPTION
FOREIGN BANK SUBSIDIARIES	
TAMS Version 2	An attendance system
MyText System	For personal loans inquiry and reminder
Mortgage Upgrade	A database housing loan system
BTS New Loan Product for DLF	For loans
I-Remit remittance transaction code	For remittance
BTS New Product Code CJ	For deposits
BTS New Product Code SK	For deposits
BTS New Product Code for Trust Receipt	For loans
BTS New Product Code B2 - ADDVantage Advance TD 1 Year	For deposits
RSW OTC Phase 2 - Via Singapore Money2u Internet Banking	For remittance
Globe GCASH - SIBS ATM Integration	For remittance
Globe GCASH - Account	For remittance
Balance Threshold Definition and Monitoring	
ATM Card Series Purging Facility	For ATM
Globe GCASH Server Online Uptime Monitoring Facility	For remittance
PVAO Pensioner Fund Transfer Arrangement	For deposits
Globe GCASH SMS/Email Notification	For remittance
Globe GCASH Client Auto Reconnect to GCASH Server	For remittance
ATM Issuer Withdrawal - Allow not divisible by 100	For deposits
Globe GCASH Early BOD SMS/Email Notification	For remittance
TD/SSA Partial withdrawal	For ATM
I-Remit remittance transactions	For remittance
SVS IS Enhanced Security Feature	For deposits
USD Pensioner SVS Online Inquiry	For deposits
BTS New Product Code CI	For deposits
Creation of PVAO FTA file format for the PVAO Fund Transfer Arrangement (FTA)	For deposits
BTS PVAO FTA Manager	For deposits
Bills Payment File Generated with Cash/ Check Collection Totals	For deposits
BTS DLF Facility	For loans
BTS PVAO Fund Transfer Arrangement	For deposits
Enhanced PVAO Pension Uploading Facility	For deposits

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

FRONT-END OPERATIONS	DESCRIPTION
FOREIGN BANK SUBSIDIARIES	
BTS New Product Code SQ	For deposits
LOS - Personal Loans	For loans
LOS - Salary Loans	For loans
LOS - Personal Loans	For loans
BancNet Migration	For customer accounts
Global Premier Me2Me	Enables premier customers to perform straight through transfer between their accounts linked in Global view with HSBC Premier sites
Kana Response Migration	Used for managing large volumes of enquiries, analyzes content of inquiries and distributes to appropriate queue, keeps track of all incoming messages and their response and provides reporting features for management

Other Front-End Products and Services

FRONT-END OPERATIONS	DESCRIPTION
EXISTING FOREIGN BANK BRANCHES	
Check Deposit Machine	Implements acceptance of check deposits of corporate clients thru a machine
Upgrade of EBBS from version 10.7 to 10.8	For deposits/loans
NEW FOREIGN BANK BRANCHES	
Auto Recon Module	Auto matching of reported transactions to corporate transactions using a set of criteria
General Ledger	Auto posting of actual transactions to clients general accounts
Cash Decision Worksheet	An interface to Microsoft Excel which enables user to easily manipulate a corporations financial data in a spreadsheet format
Enhanced Automatic Investment Program	Auto sweeping of excess balances to be invested in high yielding instruments
LBDES	Allows users to capture data on the processes of collecting tax payments of the authorized agent banks and ensuring that these collections are accurately remitted to the BIR's account
Chronicle-Sweep Messaging System	Receive messages from SCCP and revert with confirmation messages or retransmission request in cases of missing messages and transmit real cash settlement account balances in IDMS accounts to the CCCS
Mizuho E-cash	Bulk payment order for domestic PHP transfer
FOREIGN BANK SUBSIDIARIES	
RSW-OTC Phase 2 - Money2U Interface	For remittance
AMLA System Implementation	AMLA
Financial Reporting Package (FRP)	GL
Globe GCASH Gateway	For remittance
Infobanker Trust System	Trust

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

Back-End Operations

Back-End Operations	Description
Existing Foreign Bank Branches	
Fax Intelligent Routing and Management (FIRM) System	Automates incoming faxes from the customer into branches and routes them to the various departments based on an intelligent form recognition and processing mechanism
TRIMs (Autofax Feature)	Provides end-to-end trade processing support from importer to exporter on single global system platform across all common trade products
TCS.NET	Revised the application to conform with the global mandate to convert all applications to .NET platform
FMCP	Features real time scoring of all card transactions for faster more accurate fraud detection
E-Statement	A client-based software/intranet access
STS-ITEXT Subsystem	Provides notice/advice via iText on the availability of MCs of STS clients for pick-up
RMS	A record management system
E-Statement (Banking)	Electronic statement of account for banking
CIS Phase II Enhancement	AMLA Regulatory Requirement for 2008
WB TP Reformatter Enhancement	AMLA Regulatory Requirement for 2008
Norkom	AMLA automated system
On-line booking system	An on-line booking system
New Foreign Bank Branches	
SMILE Credit Control System	Manages amounts, periods, interest rates, terms of execution, etc. for each individual credit facility granted to customers
Ticket Generating System (TGS)	Used to ease the branch operation workload by eliminating multiple inputs of the same transaction to SMILE System and local settlement systems
Pyramid/Sphinx	A comprehensive multi-asset class front-to-back office derivatives valuation and processing solution
OGL-Oracle General Ledger	Updates inquiries on the financial position
TSS-FX	Treasury Operating System
TSS-MM	Money Market Booking/Settlement System
STS	Booking System for Swaps/Derivatives
MUREX	System for Fx Options processing/booking
Kapital	Risk Management System used to book structured products
Global Billing System	Automated billing system
ACBS - Applied Commercial Banking System	Loan Bookings/Settlement
Money Transfer System	Support payments business doing traditional transactions and builds interfaces
Impacs - Systematics	Process DDA Deposits which calculates interest
PSI - Product System Interface	Provides on-line account balance monitoring

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

BACK-END OPERATIONS	DESCRIPTION
NEW FOREIGN BANK BRANCHES	
LS2 - Loan System	Processing/settlement and sub-ledger system for loans
PCD PDDTS/PVP	Local bank-to-bank transfers of USD, commercial fund transfer in USD
Creation Online	An application of clearstream bank that enables the users of DCO to send cash settlement instructions and security settlement instructions to clearstream and retrieve corporate action and transaction reports
PCHC EPCS FATF	Bulk Peso Transfer Fund
PCHC PDDTS FATF	Bulk Peso Transfer Fund
PDS Gateway	Used for settling government securities
Telerate Ross	Back office settlement of local government securities
eDVP	Regulatory requirement in settling Peso Government Securities
General Operation Template System	Automates preparation of instruction sheets
PC-DSS Automated Logbook	Data warehousing of FX and MM transactions
Customer Information Management System	Customer information database
Non-PDS Report	Automates preparation of daily non-PDS report
PT System	Administration of provisional transactions
Forex Volume Report	Automates preparation of daily forex volume MIS report
PvP Bulk File Transfer	Straight through Processing for IB settlement via PvP
PRIMEDOC	Document Management System
Human Resources Information System	Administration of In-House Human Resource Services
GBS	Settlement/GL System
FOREIGN BANK SUBSIDIARIES	
Sweep Balance Maintenance Facility	For deposits
ALS/ALF Migration	For loans
Personal Loans	For loans
Automate transfer of Undivided Profit into Surplus Free	GL
PVAO Fund Transfer Arrangement	For deposits
Discounting Line Facility	
Salary Loan Product under SIBS ALF	For loans
Salary Loan Billing Statement	For loans
Inward Clearing - Reject Restricted Accounts	For deposits
PVAO Pensioner Automatic Crediting via SIBs	For deposits
PVAO Pensioner FTA	For deposits
Centralized Uploading Facility - Generic	For deposits

Source: Office of Supervisory Policy Development, Supervision and Examination Sector

9. The total workforce of the 17 banks out of the 21 foreign bank branches and subsidiaries operating in the country numbered 6,864 as of end-year 2008. This reflected a net decrease of 555 personnel from end-year 2007. The number of Filipino personnel stood at 6,793 or 98.97 percent of the total workforce.

10. Filipino officers and employees of the 17 banks out of 21 foreign bank branches and subsidiaries operating in the country attended a total of 1,403 courses/seminars/ trainings, 1,161 of which were held in the country and were mostly conducted by our local organizations. The remaining 242 trainings/seminars were held abroad which were mostly about current trends/development on banking operations and new banking services and products.

11. Under reciprocity arrangements, the presence of Philippine banks abroad had increased from 38 offices at end-year 1994 to 41 at end-year 2007 and finally settling to 42 at end-year 2008. These offices overseas were spread out in the 4 major geographical regions shown below.

Region	1994	2007	2008
Asia-Pacific	13	23	24
Europe	16	9	9
North America	9	6	6
Africa	-	3	3
Total	**38**	**41**	**42**