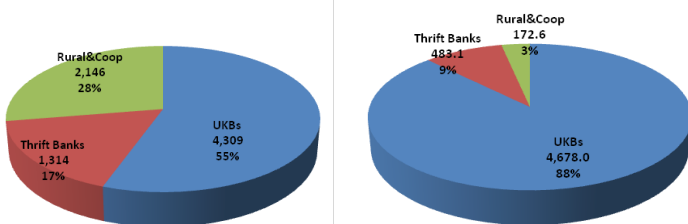


PHILIPPINE BANKING INDUSTRY

Banks are classified into three major categories: (i) *universal and commercial banks* offer the widest variety of banking services among the financial institutions, including underwriting and other functions of investment houses, and investing in equities of non-allied undertakings; (ii) *thrift banks* are engaged in accumulating savings of depositors and investing them, and in providing financing to the agriculture, services, industry and housing, including small and medium enterprises; and (iii) *rural banks* provide basic financial services to rural communities.

The composition of the banking industry has hardly changed over the last eight years. *Universal and commercial banks* still dominate the industry comprising an average of 56.5% of the total number of banks for the period 2001 to 2007. Meanwhile, *thrift banks and rural banks* consisted 17.3% and 26.3% of all bank offices, respectively for the same period. It is important to note, however, that the number of both universal and commercial banks and thrift banks have declined while that of rural banks have increased over the period.

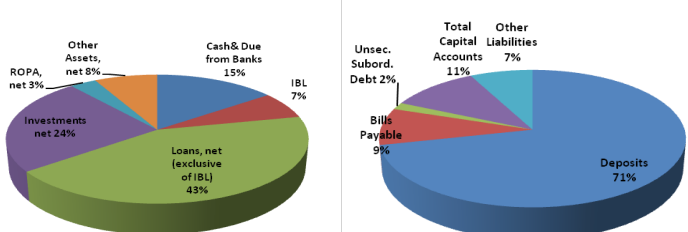
Figure 1
Number of Banks vs. Total Assets, As of June 08



Source: Bangko Sentral ng Pilipinas (BSP)

Total assets of the banking system have reached P5.3 trillion as of end-June 2008, 7.3% higher compared to the figure in the same period last year. Assets recorded by universal and commercial banks amounted to P4.7 trillion or 87.7% of the total assets. Meanwhile, thrift banks and rural and cooperative banks accounted for 9.1% and 3.2%, respectively.

Figure 2
Assets and Liabilities, As of June 08



Source: BSP

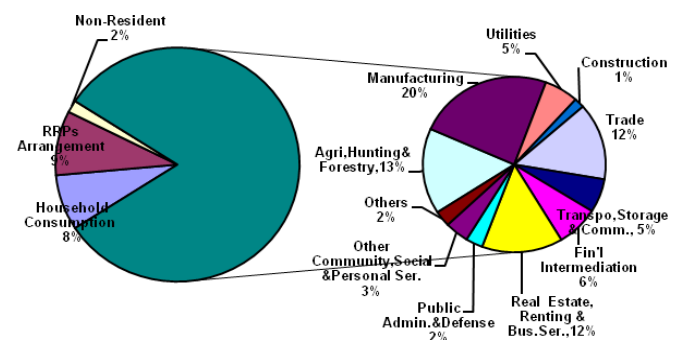
Assets and Liabilities. Deposits were the major source of funding of the banking system amounting to P3.8 trillion or 71.4% of the total. Capital accounts came in a far second with P570.5 billion or 10.4%. On the other hand, funds were channeled to loans (P2.3 trillion), investments (P1.3 trillion), and held as *cash and due from other banks* (P791.2 billion).

Facts in Figures

Congressional Planning and Budget Department
House of Representatives
December 2008 (No. 10)

Loans. As of September 2008, loans outstanding of universal/commercial banks have reached P2.1 trillion gross of reverse repurchase agreements (RRPs).¹ Loans for production activities which cornered nearly 81.7% of the total loans grew by 22.4%. The top recipients of loans also posted robust growth during the period including manufacturing (8.5%), agriculture, hunting and forestry (37.8%), real estate, renting and business services (15.4%) and wholesale and retail trade (49.4%).

Figure 3
Loans Outstanding of Universal/Commercial Banks
As of September 08



Source: BSP

Meanwhile, consumption loans grew 23.4% during the period reaching P157.8 billion. Credit card receivables which cornered nearly one-third of the total consumption loans grew by 26.3. Auto loans also posted a robust growth of 12.2%.

Universal banks cornered the biggest share of the total loans with about 60%. Foreign banks, totaling 14, came in second with 18.3%. Government banks which consist of Land Bank, Development Bank of the Philippines and Al-Amanah Islamic Bank released P432.2 billion loans or 18.3% of the total as of end-August 2008.

¹ In RRP, the BSP acts as the seller of government securities and the bank's payment has a contractionary effect on liquidity. RP and RRP transactions have maturities ranging from overnight as well as two weeks to one month. The interest rates for the overnight RRP and RP facilities signal the monetary policy stance and serve as the BSP's primary monetary policy instruments.

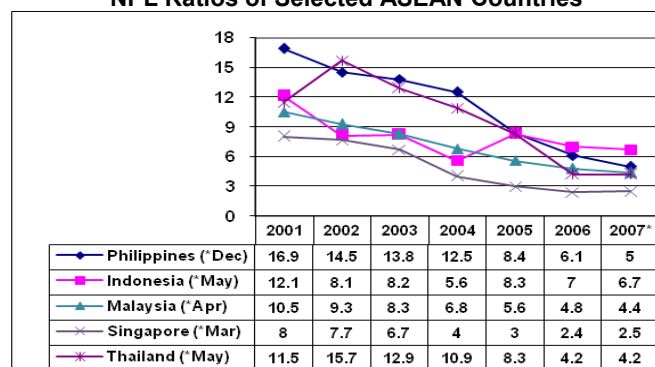
Table 1
Total Loans by Type of Universal/Commercial Banks

In Billion Pesos					
Particulars	2004	2005	2006	2007	Aug 08
UBs	1,143.6	1,194.2	1,313.0	1,413.8	1,446.0
KBs	168.7	168.6	165.1	162.5	174.4
Gov't	231.7	269.3	297.1	305.3	308.0
FX banks	240.1	240.6	298.1	313.2	432.2
TOTAL	1,784.2	1,872.7	2,073.3	2,194.8	2,360.6
NPLs	227.0	153.7	117.4	97.6	91.5
NPL/Total Loans	12.7	8.2	5.7	4.4	3.9

Source: BSP

Non-performing Loans (NPLs). Over the last five years, NPLs to total loans ratio has been on the downtrend, registering 3.9% as of end-August 2008. The improvement can be traced to a combination of increasing total loans and declining non-performing loans. While the country still has a high NPL ratio compared to other countries in the region, it registered the biggest improvement.

Figure 4
NPL Ratios of Selected ASEAN Countries



Source: ARIC Economic and Financial Indicators, 2007 Global Financial Stability Report and Central Bank websites as indicated in the 2nd Semester 2008 Status Report on the Philippine Financial System

Performance Indicators. Key performance indicators showed that the local banking industry continued to be strong. Return on equity has remained relatively stable. Moreover, banks still posted a positive net income of P25.1 billion as of end-June 2008 although this represents a 25.4% decline over the same period last year. The banking system has ample liquidity as shown by the liquid assets-to-deposits ratio of 51.7%. Banks are also well capitalized with a capital adequacy ratio of 15.5% on a consolidated basis, way above the BSP's 10% required minimum ratio and the 8% international benchmark.

Table 2
Selected Performance Indicators
As of End-December

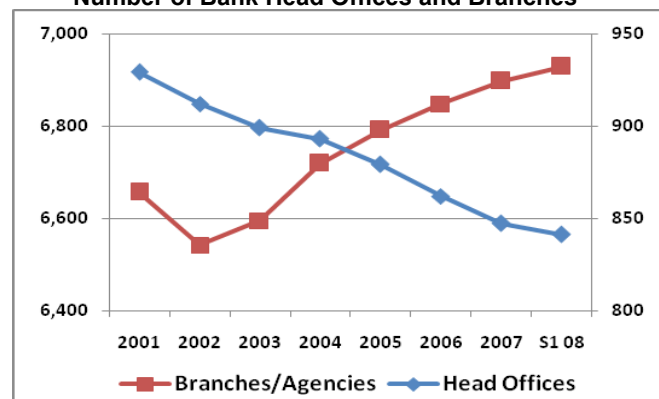
Particulars	2005	2006	2007	Jun 08
Return on Equity	8.8	10.6	10.8	9.6
Liquid Assets to Deposits	53.1	52.1	51.9	51.7
Capital Adequacy Ratio	17.6	18.1	15.7	15.5

Source: BSP

Head Offices and Branches. The total number of bank head offices has declined over the last seven years by 8.8%, from 929 in 2001 to 847 in 2007 and down further to 841 as of the

first half of 2008. This can be attributed to the mergers of major banks such as the Equitable Bank and PCI Bank and which was subsequently acquired by Banco de Oro. On the other hand, the number of bank branches have steadily increased, reaching 6,928 as of end-June 2008, owing to the rapid expansion of operations in various provinces in the country.

Figure 5
Number of Bank Head Offices and Branches

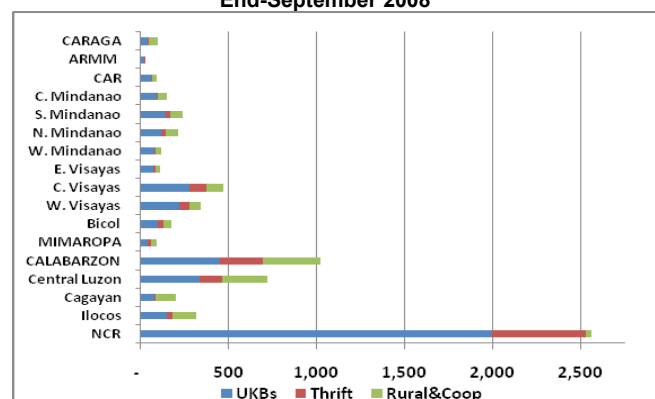


Source: BSP

Regional Distribution. More than half of all banking offices are concentrated in two regions: NCR with 2565 or 37% and CALABARZON with 1023 or 14.8%. In the NCR, majority are universal/commercial banks which comprise 77.9% of the total. Central Luzon registered the third highest number of banks at 719 or 10.4%. On the other hand, ARMM has the least number of bank offices in the country with 21 universal/commercial banks and one thrift bank which together account for only 0.3% of the total. Meanwhile, CAR, CARAGA, MIMAROPA has cornered about 1.4% each.

Among the regions, it is in CALABARZON and MIMAROPA where all the three types of banks are comparatively represented with the following distribution: universal/commercial banks (43.7%), thrift banks (23.8%) and rural and cooperative banks (32.4%). Apart from the NCR, thrift banks are also prominent in the following regions: MIMAROPA (23.9%), CALABARZON (23.8%) and Central Visayas (20.6%). On the other hand, rural and cooperative banks are noted high in Luzon particularly in Cagayan (58.6%) and Ilocos (42.1%).

Figure 6
Number of Bank Offices by Region
End-September 2008



Source: BSP