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IDE DISCUSSION PAPER No. 520

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Chie KASHIWABARA*

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Keywords: credit channel, bank loan, the Philippines' universal banks
JEL classification: E42, E52, G38

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1. Introduction

After spending almost a decade for recovering from the influences of the Asian currency and financial crises, the Philippines' banking sector began actively increased its loans outstanding only since the end-2000s/early-2010s. On the other hand, its profitability in terms of return on equity (ROE) has been improved during the post-crisis period.

Therefore, we have questions on the sector, for example, "Why they can sustain or improve profitability?" "How they manage their resources and asset allocations?" "Is the lending business an important/profitable area of business for them?" "If not, what are the source(s) of their profit?" and so on. To find a possible answer to those questions, an analysis on the segment (business areas) information/reports of the Philippines' UBs is conducted. Of twelve local UBs, the reports of 7 UBs are available in a relatively communized definition of the segments, one UB's for reference.

This paper consists as follows: In the next section, the previous studies especially focusing on lending activities and trends of the Philippines' banks are briefly reviewed. In Section 3, the credit market trends of the Philippines' universal banks (UBs) in the 2000s is overviewed. The local universal banks have dominated the credit market, heavily concentrating their lending in the National Capital Region (i.e., the Metro Manila area), with the share of more than 75-90% of the total. Thus it is helpful to brief the credit market with their lending trends. In Section 4, based on eight UBs' segment information/reports in their annual reports, their source of profitability and some changes in the business strategies are analyzed. In Section 5, discussions for further detailed analyses and more applicability to other banking subsectors (foreign banks and commercial banks, etc.) and conclusions are provided.

2. Previous Studies on the Philippine Banks' Credits and Profitability

Though not so many researches have been conducted, some economists have had interests on changes in the banking sector. One of their major objectives is to identify how the profitability of local banks has changed since the financial liberalization in the mid-1990s, which was backed by their recognition that the competition in the domestic credit market has been further heightened by foreign banks' new entrants to the domestic market due to the financial sector reforms since the late 1990s.

Following Berger and Mester [1999], Dacanay III [2010] analyzes the evolution of cost and profit efficiency for the Philippines' commercial banks during the period of 1992-2004, and shows the local banks experienced a steady declining profit (by 6 percentage points) and rising cost efficiencies (by 13 percentage points) after the financial liberalization during 1994 to 2004. Based on the analyses, it suggests that the banks may have opted for defensive strategies – the "quiet life" hypothesis – threatened by new foreign competitors' entrants in the domestic market, instead of reducing their costs. Some earlier studies show similar results: Karim [2001] reports an average of 34.1-percent cost inefficiency in the banking sector from 1989 to 1996, and Manlagnit and Lamberte [2004] explains an average profit inefficiency of 85 percent and cost inefficiency of 39 percent from 1990 to 2002. Considering these previous papers together, the results which show the competition in the domestic credit market was additionally increased by the financial sector reforms since the mid-1990s is not clear. There may be other factors that the local banks have opted for lower loans outstanding to the business sector, thus it requires analyses on the asset side of local banks to clarify if there exist other financial and non-financial instruments for their preference.

3. Credit Market Trends of the Philippines' Universal Banks in the 2000s

In the 2000s, bank loans exhibited several new features not observed in the pre-crisis period (Figure 1). First, though outstanding credit has grown since 1985, its ratio to GDP gradually decreased to below 40% by late 2004. Comparing 2000 and 2013 data, bank credit outstanding to the industrial sector remained level even though the total outstanding was extended by 70%. Especially, loans to the manufacturing sector shrank until 2010. Second, starting in 2005, a rapid increase occurred in "financial intermediation," which consists of interbank loans, government securities holdings, and outstanding Special Deposit Accounts (SDA).[2] Of total bank assets, loans comprise 40–50%, financial assets account for about 20%, cash and interbank assets account for 15%, and equity investments represent about 2%. Of financial assets, government and corporate debt securities account for 80–90%. Local universal and commercial banks have rapidly increased their government securities holdings since the 2000s, and they currently hold 30–40% of total outstanding government securities (Bureau of Treasury 2009; BTr). Finally, consumer credit, auto loans, and mortgage loans to non-self-employed households have expanded since 2003, which shows banks have strengthened the conservative operational tendencies to emphasize lower and/or avoidance of risks, thus reducing corporate loans. On the other hand, they increased credit to households for durable goods consumption, housing, and/or real estate investments partly backed by overseas Filipino workers'

[2] The definition of financial intermediation comes from the BSP. SDAs were established in 1998 as a special account for settling open-market operations with preferred interest rates to money and interbank markets; however, it was not utilized until 2005. Since the BSP accredited SDAs outstanding as an alternative to banks' minimum deposits to the public sector, its outstanding at the end of 2010 nearly equaled that of cash and deposit liabilities for the whole financial sector.

remittances, mainly in the Metro Manila region.

(Figure 1)

Banks' most fundamental function is mobilizing resources from the saving sector to the investing sector. However, in addition to banks' conservative operations discussed above, a major reason for this function's stagnation is potential borrowers' absence in the domestic market apart from the government sector. The BSP's *Philippine Flow of Funds* (FoF) reports provide some clues. Figure 2 shows that since 2004, all non-government sectors (non-financial corporations, financial corporations, and households) are net savers, of which the non-financial corporate sector is the largest during 2004–2010, except in 2008–2009, influenced by the Lehman shock.

(Figure 2)

The issue of "how these accumulated assets are circulated in the economy" can be observed in the assets and liabilities of the financial transaction data (Table 1) in the FoF reports as well as in the private sectors' foreign assets and liabilities data released by the BSP (Table 2). Through these data, two characteristics of the non-financial corporate sector are revealed. First, they manage surpluses domestically in "Other receivables," mostly comprising inter-corporate credits, "Loans," and "Shares, other than equity" (bonds and notes, etc.) on the asset side. The total of these three items exceeds the size of "Loans" on the same side of the financial sector. Second, for overseas, we observe rapid increases in "Equity acquisition and reinvested earnings" and "Securities, other than shares" investments since 2005 and in "Money-market instruments" since 2009, wherein amounts are compared with those of financial corporations. As the FoF reports analyzing the non-financial corporate sector's "equity acquisitions" cover affiliated firms, it is possible to highlight local business sectors' conservative attitude to bond listing and stock offering in the markets as well as their desire to simultaneously maintain their stable stockholders. The corporate sector's preference order of financing is identified as follows: (1) internal (retained) earnings, (2) intragroup credits and/or private-placement financing, (3) bank loans, and (4) market-based financing.

The financial corporate sector's major accounts on the asset side are "Cash and deposits," "Loans," and "Bonds" (Table 1). In addition, since 2005, the latter two items have increased (Table 3). These features indicate the importance of "Bonds" in the sector's asset management and that a considerable portion of the sector's excess resources are transferred abroad as "Loans." Another feature of the financial sector is rapid increases in outstanding SDAs (Table 3) due to the BSP's accrediting the account in April 2007 as the financial institutions' alternative for minimum reserve requirements to the government sector. To induce outstanding SDAs to return to corporate loans, the

BSP lowered SDA rates in 2008; however, more than 20% of the total banking sector's assets (about PhP 6 trillion as of the end of 2011) have remained the largest on BSP's liability side.

(Tables 1–3)

As discussed above, the corporate and financial sectors have clearly accumulated retained earnings and managed their assets both domestically and abroad. Following the intermittent financial or economic crises plaguing developed countries in the 2000s, their inactive financing (on the other hand, providing loans) might be attributed to abandonment of investment projects; thus, both sectors are net savers. On the other hand, the fact that continuous outstanding SDAs increased even after the BSP lowered interest rates shows that the financial sector has possibly not fully functioned as a financial intermediary, thus resulting in insufficient loans and credit to the corporate sector.

4. How do the Philippines' Universal Banks Profit?

As overviewed in Section 3, it can be said that the Philippines' banks have generally conducted very conservative lending activities during the 2000s. On the other hand, their rates of ROEs (return on equity) has been improved during the same period (except in the period of December 2008 to March 2009, from 2.8% in March 2000 to 15.79 in June 2013, then 11.96% in December 2014)[3]. The fact raises a question, "How do the Philippines' banks make profits under the conservative lending attitudes?" To answer this question, each UB's Segment Information (Reports) in their financial statements were collected to analyze how the UBs' profits have been earned by the business segments.

As of January 2015, twelve (12) private local UBs are under the BSP's supervision. Of which, the data of seven (7) UBs are collected to observe the profit trends in the 2000s: the excluded (five UBs) are due to non-listed (one UB), registered as a UB after 2005 (three UBs), and applying a set of largely different segment definitions from other UBs (one UB, BDO Unibank, Inc., but its data shown in the Figures 3 for reference)[4]. According to the amendments of the Philippines' financial reporting system in 2001, a Segment Information (Report) in a Note of a Financial Statement became mandate for a UB every fiscal year. In the Figures 4, the first five figures are of middle-sized local UBs in the sector, and the latter three (including BDO Unibank, Inc.) are of larger ones, which conducted consolidations and/or mergers with other banks during the period. For the Segment definition, Table 4 follows.

[3] Based on the BSP's statistics (http://www.bsp.gov.ph/banking/bspsup.asp).

[4] As well, three governmental UBs are excluded due to applying different financial statements, sixteen (16) foreign UBs (branches of foreign banks) due to being exempted from reporting Profits by Segments.

(Figures 3, Figures 4 and Table 4)

With these figures three points are identified. First, although more than three fourths of the domestic credit market has been dominated by the UBs and 90% of their loan outstanding is conducted in the capital region, lending is not their largest source of profits since early 2000s. Except for one UB (Bank of the Philippine Islands: BPI), their main source of profits has been the Investment/Treasury Segments. It suggests that most local UBs are relatively more focused on trading securities for raising income than lending businesses.

Second, some UBs started to devote resources to the retail business at the end-2000s thus making more profits from the Customer/Retail segments than the Investment/Treasury. Especially, BPI's profit structure shows a dramatic shift in 2008. It can be pointed that among the UBs which have increased their shares in the sector through acquiring and/or merging other smaller banks in an analogous fashion (BPI, Metrobank, and BDO Unibank), each UB's business strategy is being diversified (or bipolarized), for example, giving weight on the treasury/investment business and emphasizing on the retail business.

Lastly, the gap between non-merged UBs and merged UBs has been widening in terms of the increase rate of the total profit. In the Philippines' financial sector, there is also a wide gap in the business scale and profitability between the local UBs and commercial banks as shown in Figures 3. However, even among the UBs, it is expected that a segregation may go ahead, i.e., (a) a group of oligopolistic UBs with expertise in certain area of banking business, (b) middle-sized UBs positioned in-between of oligopolistic UBs and commercial banks. It may as well result in diverging business strategies among the local UBs, commercial and other banking sectors.

5. Discussions for Further Studies and Conclusions

As stated in Section 4, the segment-report dataset for all universal banks cannot be complied in a unified manner at present due to (a) different definitions of segments among the local universal banks, (b) limited availability of the segment information/reports data, and (c) the information/ reports are currently obligatory to the local and listed universal banks only. Thus it is at present impossible (a) to compare the resources of profits and allocation of the assets between local and foreign banks, or (b) to compare the above depending on the BSP accreditation category of banks (local versus foreign and/or universal banks versus commercial banks, and other smaller-scale banks, etc.). For conducting a more detailed and precise analyses, further refinement in the dataset is needed.

However, this preliminary study can be concluded as follows: In the 2000s, the Philippines' local banking sector have conducted very conservative lending behavior and at the same time, gradually but continuously improved their profitability in terms of ROE (return on equity). A set of analyses on the flow of funds and segment reports (information) of local universal banks, whose loans outstanding to the industrial sector have dominated more than three fourths of the total outstanding, shows that (a) they have actively manage assets overseas, (b) their profitability has come from investment activities in the securities markets, and (c) some universal banks have shifted their resources into the consumer/retail segment. Therefore, diverse business strategies would be expected among the local universal banks in the near future.

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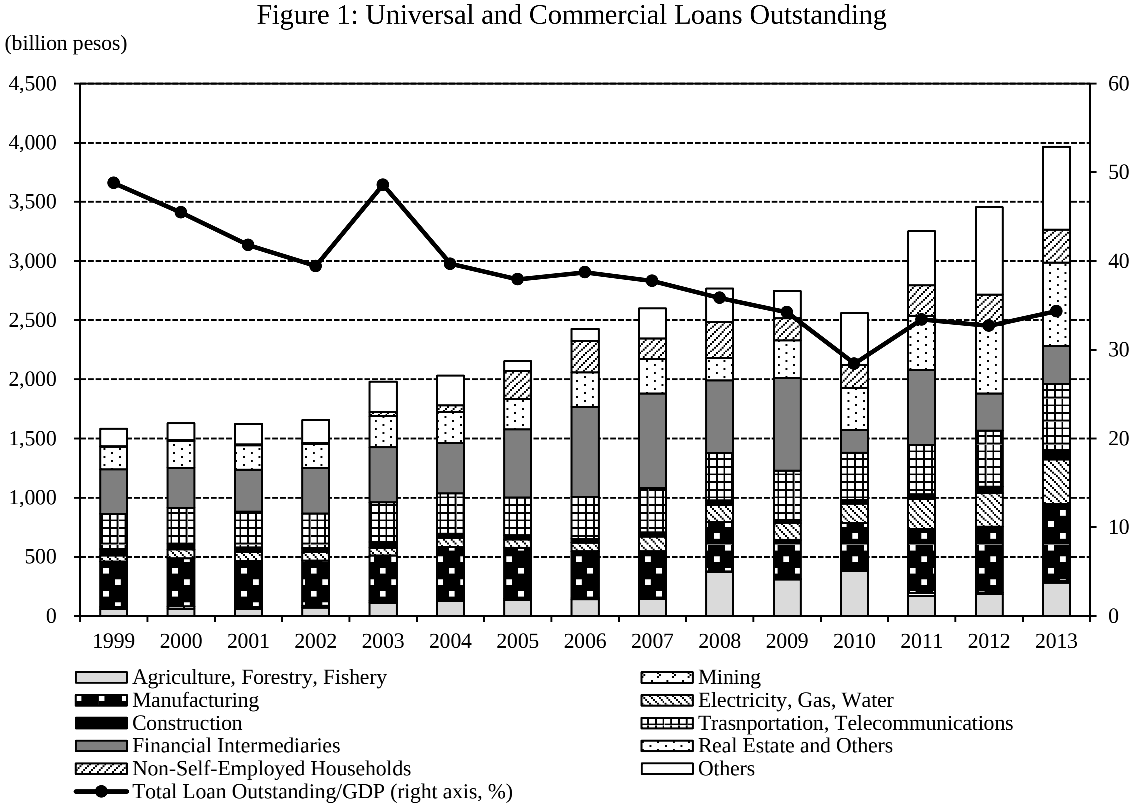
Bangko Sentral ng Pilipinas (BSP) www.bsp.gov.ph

Philippine Institute for Development Studies (PIDS) www.pids.gov.ph

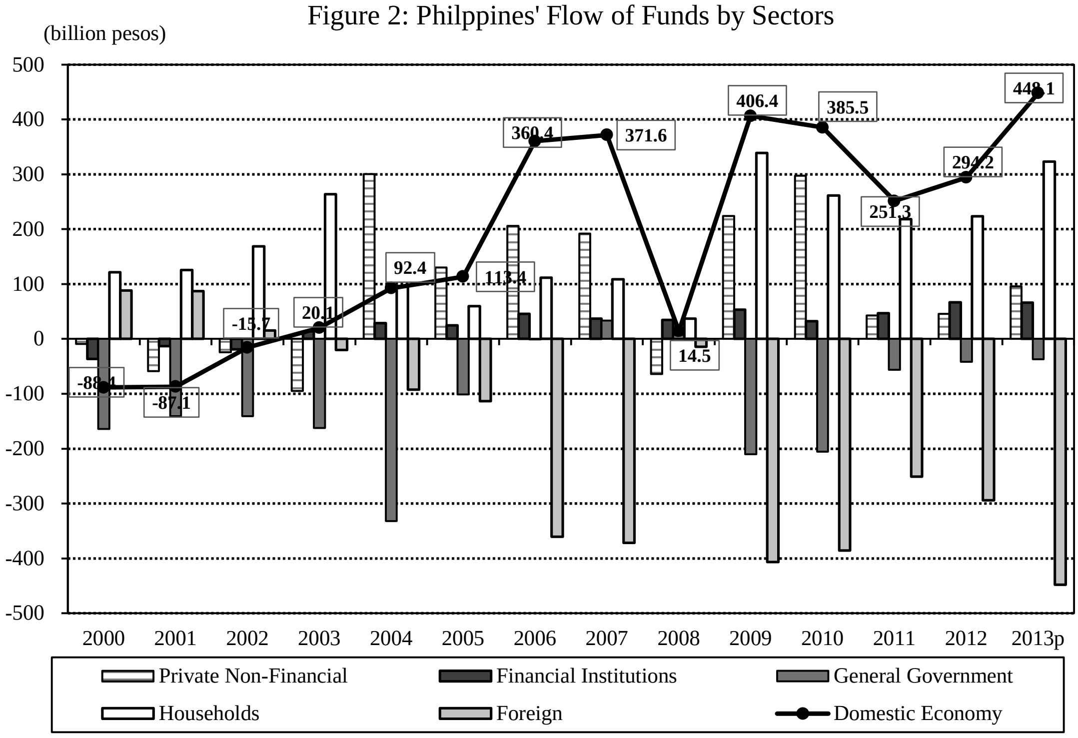
Securities and Exchange Commission (SEC) www.sec.gov.ph

Figure 1: Universal and Commercial Loans Outstanding



[Source] BSP website.

Figure 2: Philppines' Flow of Funds by Sectors



[Note] p: preliminary

[Source] BSP [various issues] "Philippine Flow of Funds."

Table 1：Flow of Funds, Financial Transactions (billion pesos, net)

(A) **Non-Financial Institutions**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013p
Assets	**512.3**	**-48.0**	**393.0**	**166.4**	**542.9**	**199.6**	**353.7**	**548.8**	**654.3**	**574.8**	**721.5**	**526.0**	**565.4**	**950.0**
Cash and Deposits	52.7	72.7	29.1	10.4	209.3	82.7	131.9	102.0	-38.4	50.8	305.5	113.5	173.7	726.0
Securities other than Equities	19.0	11.5	21.8	13.3	4.7	41.6	15.0	33.3	127.9	-132.8	12.2	0.9	19.9	29.6
Derivatives										-8.1	-2.0	-0.5	-0.4	-0.9
Loans	12.2	3.1	8.8	9.3	2.2	-7.4	-13.4	-0.2	3.9	353.3	6.3	0.8	-2.2	-5.6
Equities and Investments	6.9	-6.9	30.0	34.6	37.7	11.6	15.1	-3.8	164.5	19.4	62.0	17.9	21.2	30.6
Insurance Reserves	2.2	0.5	2.2	1.3	0.4	0.1	8.3	0.1						
Other Receivables	419.2	-128.9	303.1	97.5	288.8	70.9	196.9	417.4	396.4	292.1	350.1	393.4	353.1	170.2
Liabilities	**521.6**	**10.9**	**417.3**	**261.3**	**242.6**	**48.2**	**199.8**	**377.0**	**657.4**	**307.6**	**490.8**	**483.4**	**519.8**	**854.1**
Cash and Deposits											0.0	0.0		
Securities other than Equities	16.7	-7.5	12.3	47.6	-163.4	-2.3	54.5	-1.7	35.0	175.8	24.0	62.2	8.3	178.4
Derivatives										-8.0	-2.4	-1.0	-0.1	-0.8
Loans	45.5	7.2	-78.2	78.7	44.3	-131.9	-39.6	128.3	130.6	122.1	145.5	369.4	261.5	492.4
Equities and Investments	44.4	60.7	56.2	64.5	84.5	142.9	144.3	93.3	17.8	6.4	106.2	62.4	157.4	15.5
Insurance Reserves				0.0				0.0			124.6			
Other Payables	415.0	-49.6	422.1	70.5	277.2	39.5	40.5	157.1	474.0	11.3	217.6	-9.7	93.7	168.5

(B) **Financial Institutions**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013p
Assets	**319.9**	**-15.6**	**248.6**	**254.9**	**276.2**	**487.5**	**996.2**	**1,195.1**	**817.7**	**1,347.4**	**1,804.8**	**1,408.3**	**1,582.5**	**1,862.4**
Money and SDR	0.0	0.7	-0.8	-25.5	-53.7	-77.8	-48.5	-42.3	-16.5	13.4	-15.2	25.0	86.4	2.2
Cash and Deposits	78.7	-87.5	-63.1	-36.7	90.3	177.5	484.4	518.3	69.3	557.9	967.1	228.1	346.8	752.2
Securities other than Equities	23.9	94.4	200.8	132.9	104.6	169.8	187.2	468.7	388.1	523.6	673.0	449.7	258.0	700.6
Derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-24.6	-11.2	-17.2	-66.7	-11.4	-12.5
Loans	155.5	-59.4	92.2	116.0	98.6	124.9	279.8	159.5	375.8	17.0	244.2	630.7	828.8	400.8
Equities and Investments	-5.4	12.4	5.2	7.9	7.9	3.5	21.0	18.6	-42.8	47.9	32.2	43.1	44.7	43.0
Insurance Reserves	0.0	0.0	0.0	-2.1	0.0	0.0	0.2	-0.1	-0.1	0.1	0.1	-3.0	0.3	0.2
Other Receivables	67.2	23.7	14.4	62.4	28.5	89.5	72.1	72.4	68.4	198.7	-79.4	98.5	28.8	-24.2
Liabilities	**356.6**	**-2.4**	**267.8**	**241.3**	**247.1**	**462.7**	**952.7**	**1,158.2**	**783.2**	**1,294.1**	**1,735.8**	**1,361.5**	**1,515.7**	**1,796.3**
Money and SDR	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash and Deposits	165.5	97.4	142.1	80.6	258.4	234.1	828.5	687.1	574.5	645.7	1,246.7	830.4	895.8	2,043.3
Securities other than Equities	-11.1	-13.3	-1.1	-27.6	-22.6	-6.1	49.8	212.2	58.3	194.9	10.1	105.1	57.2	45.7
Derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-29.5	-9.7	-25.4	-22.2	-11.0	-8.6
Loans	97.4	-118.0	43.1	72.9	-91.0	163.9	-46.2	31.8	-62.1	-98.8	82.8	17.4	19.3	58.3
Equities and Investments	23.0	23.4	30.7	24.9	21.7	21.5	42.8	44.1	88.0	88.1	81.7	162.4	112.7	142.0
Insurance Reserves	25.4	33.0	20.2	21.0	27.0	-0.8	69.4	31.7	28.1	39.1	-7.7	23.9	24.3	55.3
Other Payables	56.5	-24.9	32.9	69.4	53.6	50.1	7.7	151.1	126.2	434.7	384.9	244.6	417.5	-539.7

[Source] Same as Figure 2.

Table 2：Assets and Liabilities Overseas

(million US dollars)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Assets	**29,022**	**30,998**	**32,300**	**33,819**	**40,629**	**50,423**	**66,831**	**65,486**	**77,166**	**102,308**	**115,971**	**129,204**	**134,700**
FDIs	892	957	1,260	1,389	2,028	2,131	5,667	5,736	6,095	17,654	18,504	24,401	27,617
Equities & Reinvestment	892	975	1,260	1,389	2,028	2,131	5,667	5,736	6,095	8,658	7,151	10,680	11,546
Other Investments	0	0	0	0	0	0	0	0	0	8,996	11,352	13,722	16,071
Portfolio Investments	2,667	3,297	4,112	5,022	5,303	6,830	5,907	4,730	8,591	8,089	7,526	8,490	7,851
Equities	111	119	167	185	190	119	198	145	165	44	63	84	151
Financial Institutions	22	23	25	31	32	30	25	33	17	11	11	11	11
Private Corporations	89	96	142	154	158	89	173	112	148	33	52	72	140
Debt Instruments	2,556	3,178	3,945	4,837	5,113	6,711	5,709	4,585	8,426	8045	7,463	8,407	7,699
Bonds and Notes	2,174	1,938	2,633	2,816	3,379	4,759	4,583	2,259	6,856				
Government	434	436	431	431	350	89	6	0	0	0	0	0	4
Financial Institutions	1,641	1,327	1,940	2,095	1,958	3,182	3,396	1,121	3,494	7,124	6,309	7,191	5,939
Private Corporations	99	175	262	290	1,071	1,488	1,181	1,138	3,362	922	1,154	1,216	1,756
Money Market Instruments	382	1,240	1,312	2,021	1,734	1,952	1,126	2,326	1,570	1,676*			
Government	0	0	0	0	0	0	0	0	0	0*			
Financial Institutions	63	724	675	1,343	991	1,684	926	2,126	991	523*			
Private Corporations	319	516	637	378	743	268	200	200	579	1,153*			
Financial Derivatives								298	127	151	283	276	304
Other Investments	9,771	10,379	9,865	10,730	14,804	18,495	21,506	17,171	18,110	14,042	14,356	12,206	15,741
Foreign Reserves	15,692	16,365	17,063	16,228	18,494	22,967	33,751	37,551	44,243	62,372	75,302	83,831	83,187
Liabilities	**65,329**	**68,746**	**72,787**	**72,616**	**77,574**	**82,267**	**95,897**	**92,919**	**92,534**	**131,614**	**139,030**	**169,846**	**175,428**
FDIs	10,385	11,565	11,411	12,737	14,978	16,914	20,463	21,746	22,931	30,716	33,684	45,055	51,497
Equities and Reinvestments	5,876	7,682	8,044	88,920	10,226	12,020	14,412	15,558	17,226	24,039	26,938	37,981	41,388
Other Investments	4,509	3,883	3,367	3,817	4,752	4,894	6,051	6,188	5,705	6,677	6,747	7,073	10,109
Portfolio Investments	15,910	17,843	20,524	19,890	23,923	29,152	34,305	28,849	30,156	52,749	55,331	71,636	73,270
Equities	1,636	1,863	2,362	2,880	4,345	6,870	10,263	8,913	8,386	25,439	25,872	38,931	41,159
Bonds and Notes	14,274	15,980	18,162	17,010	19,578	22,282	24,042	19,936	21,770	27,310	29,460	32,705	32,111
Financial Derivatives								352	236	317	285	368	276
Other Investments	39,034	39,338	40,852	39,989	38,673	36,201	41,129	41,972	39,211	47,833	49,729	52,787	50,384
Net Investment Overseas	**-36,307**	**-37,748**	**-40,487**	**-38,797**	**-36,945**	**-31,844**	**-29,066**	**-27,433**	**-15,368**	**-29,307**	**-23,060**	**-40,641**	**-40,728**

[Note] The BSP amended the data processing standards in 2010 and the new data setting has been applied since the 2006 and onwards (the shaded area). In this Table, all data for the 2000s is under the old standards to show integrated dataset, as well as the "Money Market Instruments" for 2010.

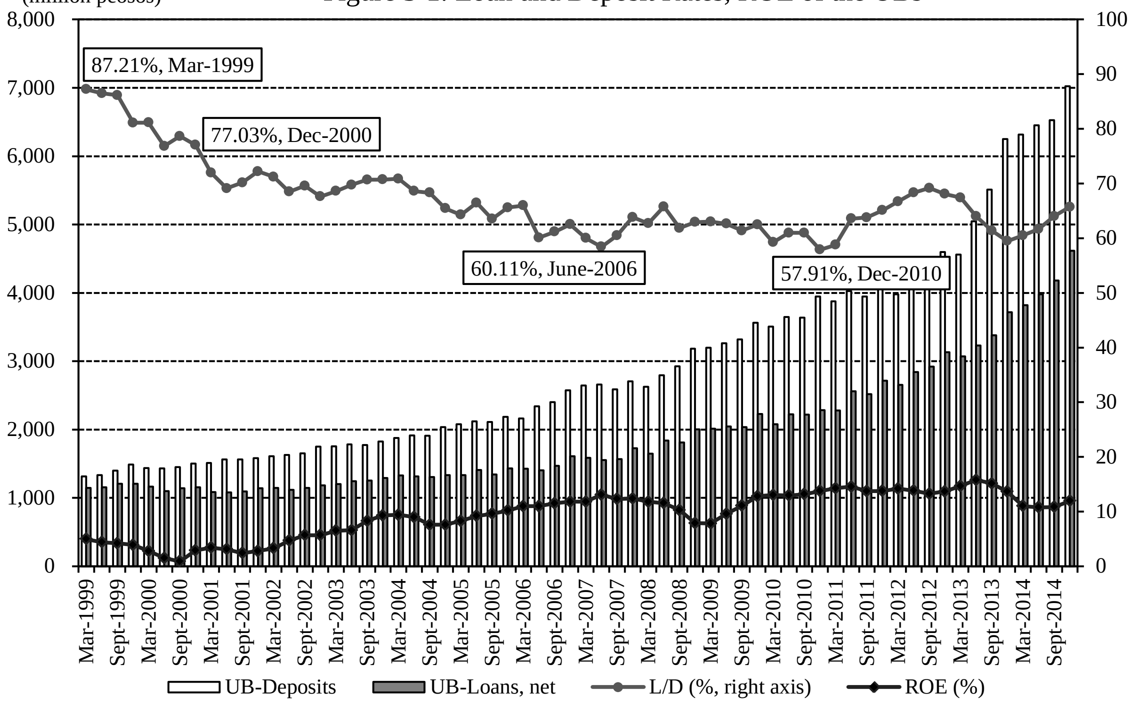
[Source] BSP website.

Table 3：Assets and Liabilities of the BSP (billion pesos)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010u	2011	2012
Assets	**1,135.94**	**1,231.43**	**1,358.31**	**1,259.13**	**1,292.77**	**1,571.36**	**2,035.05**	**2,344.82**	**2,566.67**	**3,195.39**	**3,787.93**	**3,975.93**
Foreign Reserves (FR)	815.05	874.63	953.05	895.44	974.71	1,119.94	1,494.82	1,782.75	2,047.58	2,721.64	3,286.52	3,424.29
(Reevaluation of FR)											0.00	64.56
Forex Receivables											0.00	0.00
Loans	88.68	99.09	130.44	121.15	116.15	118.11	103.82	131.30	147.80	111.92	114.14	118.51
Domestic Securities	143.90	167.32	153.70	105.22	74.90	222.45	329.29	315.73	249.40	245.66	240.37	218.14
Profit Reevaluation of Derivatives								0.34	0.04	1.34		
Fixed Assets	11.94	12.47	12.14	11.52	11.78	12.12	12.30	12.28	12.41	12.88	15.38	16.50
Other Assets	54.56	70.49	101.52	110.91	96.91	94.66	94.82	102.40	109.44	101.95	128.90	132.40
Other Profit Reevaluation	21.81	7.43	7.46	14.88	18.31	4.08	0.00	0.00	0.00	0.00		
Liabilities	**974.50**	**1,050.07**	**1,155.98**	**1,037.53**	**1,044.63**	**1,304.60**	**1,860.63**	**2,103.82**	**2,327.87**	**3,024.02**	**3,647.91**	**3,911.41**
Money Printing	245.00	271.70	297.78	322.47	336.56	384.49	433.85	545.09	582.53	601.27	648.91	692.66
Deposits	337.74	339.17	330.42	280.02	317.89	571.20	1,059.99	1,029.59	1,278.74	1,973.64	2,466.25	2,854.53
Bureau of Treasury	86.51	78.89	104.23	60.29	87.84	108.55	167.38	141.92	143.76	110.14	60.10	340.86
SDA	0.00	0.06	0.00	0.00	0.06	51.76	385.48	402.40	549.12	1,239.08	1,642.72	1,640.06
Foreign Financial Institutions	144.63	124.18	110.37	97.77	82.51	55.07	51.96	48.23	51.49	41.84	42.96	40.33
Other Deposits and Reserves	106.59	136.43	115.82	121.95	147.47	355.83	455.18	437.03	534.36	582.57		
Loans from Overseas	212.90	195.23	238.67	178.13	147.39	51.69	5.86	78.04	4.21	2.68	0.97	0.05
Deficit Reevaluation of Derivatives					0.01	3.89	18.29	0.45	10.17	6.96	0.32	0.63
Bonds in Repayment	91.73	96.07	92.39	85.44	46.31	39.62	32.60	33.40	32.52	21.90	21.96	20.54
Reverse Repurchase Agreements	28.20	52.37	70.91	47.19	122.87	228.69	295.21	252.48	265.37	285.24	296.04	278.50
Other Liabilities	9.77	10.70	9.27	14.10	7.10	7.23	7.16	6.38	8.98	13.83	11.00	11.47
Other Deficit Reevaluation	45.15	84.84	119.53	110.18	66.50	17.76	7.67	158.38	145.32	118.50		
Net Assets	**161.44**	**181.35**	**202.33**	**221.60**	**248.14**	**266.76**	**174.42**	**241.00**	**238.81**	**171.37**	**140.02**	**64.52**

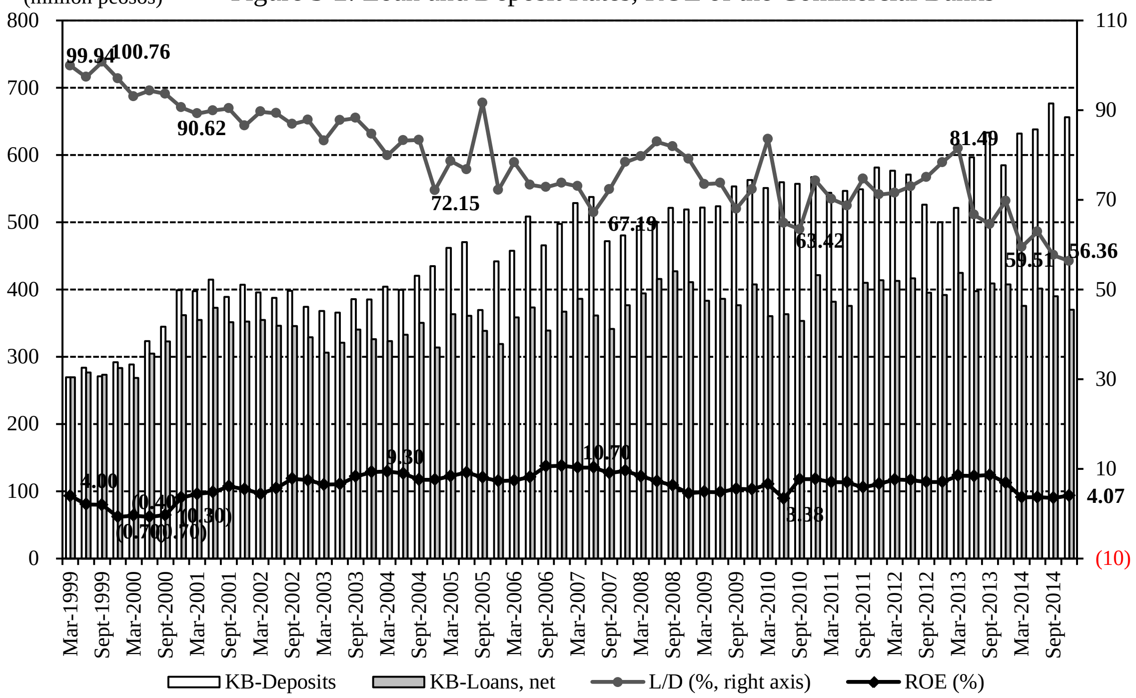
[Source] BSP website.

(million peosos) Figure 3-1: Loan and Deposit Rates, ROE of the UBs



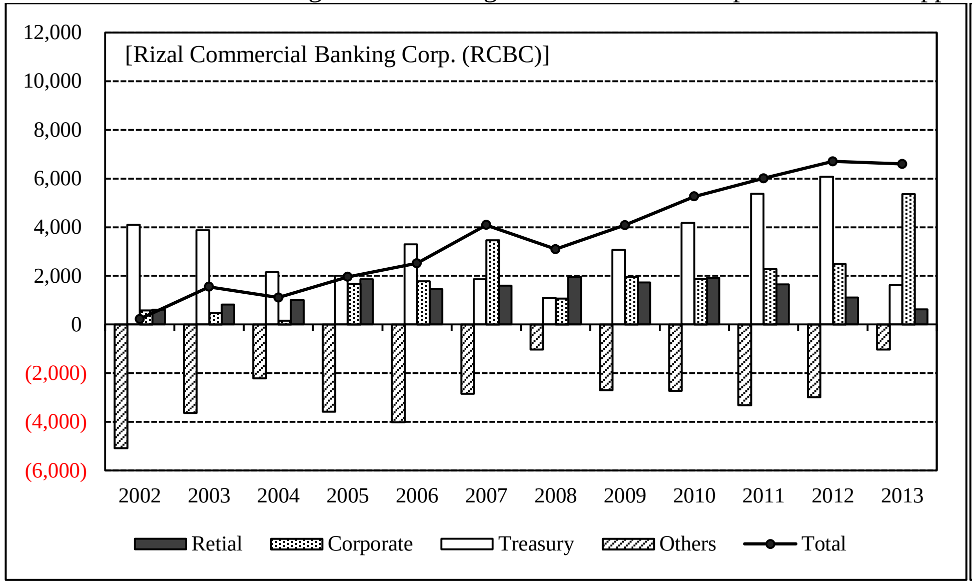
[Source] BSP website.

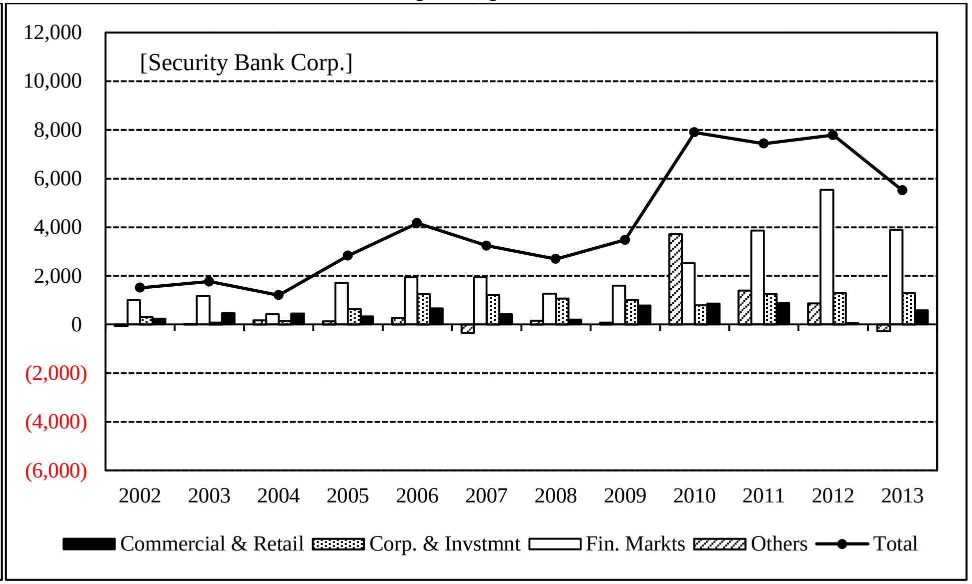
(million peosos) Figure 3-2: Loan and Deposit Rates, ROE of the Commercial Banks

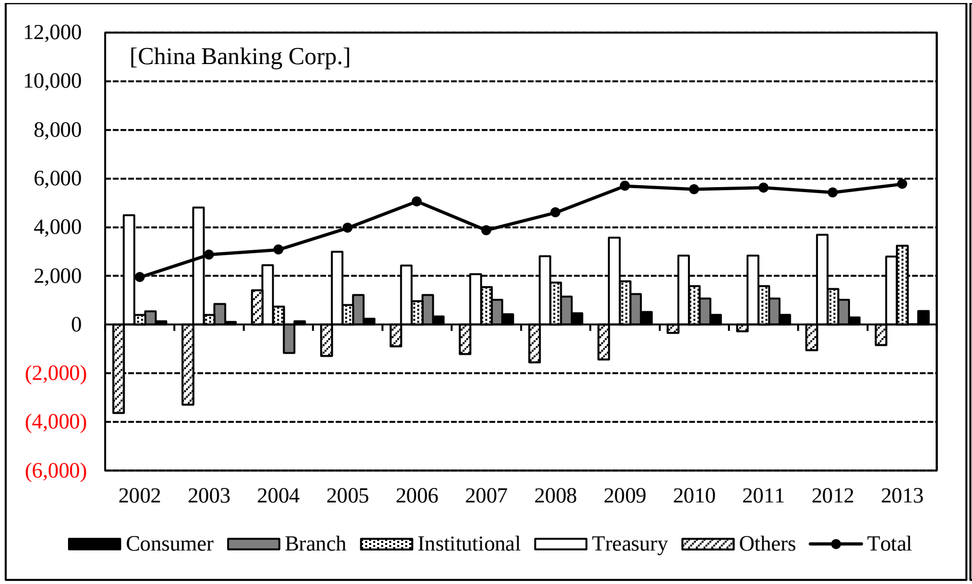


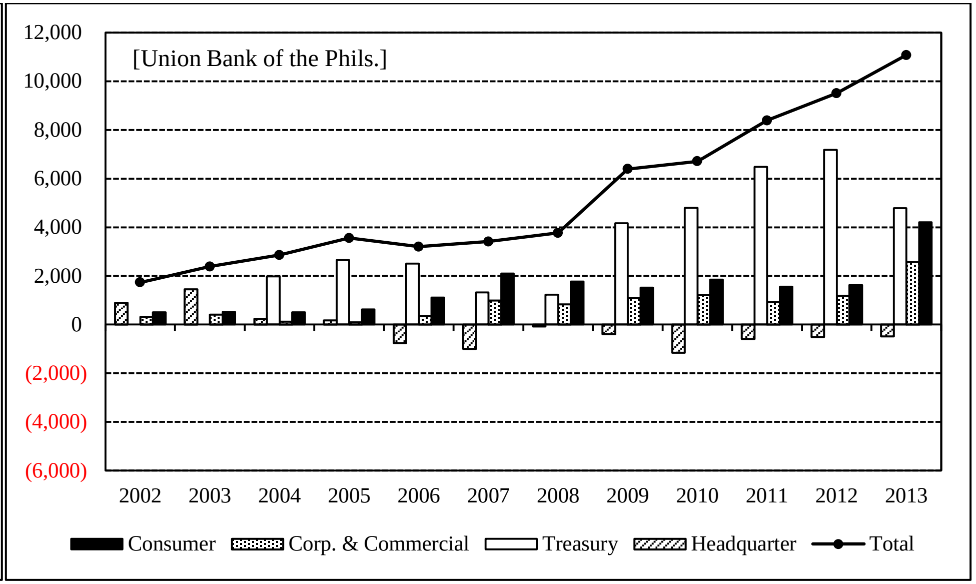
[Source] BSP website.

Figures 4: The Segment Information/Reports of the Philippines' Private Universal Banks (million pesos, profit before income tax)

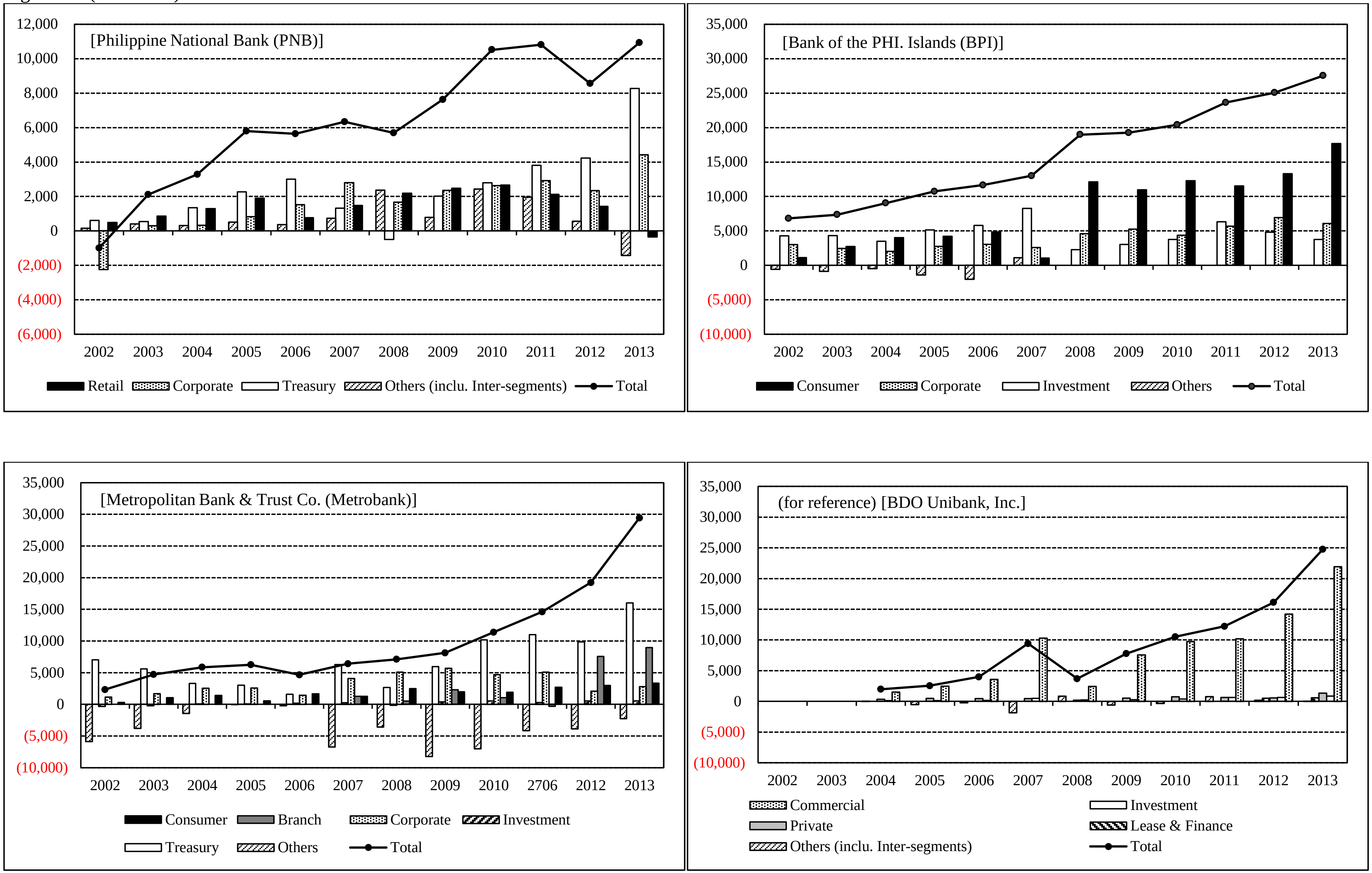








Figures 4: (continued)



[Source] Annual reports of each universal bank, collected on the Securities and Exchange Commission (SEC) website.

Table 4: General Definition (description) of Business Segments

Name of Segment	General Definition (description)
Retail/Consumer	・Covering deposit-taking and servicing, consumer lending (home mortgages, auto loans and credit card finance as well as the remittance business.
Corporate/Commercial/	・Lending, leasing, trade and cash management services provided to corporate and institutional customers, including both high-end corporations as well as various middle market clients
Treasury/Investment/ Financial Market	・Principally providing money market, trading and treasury services, as well as managing the bank's funding operations by the use of government securities, placements and acceptances with other banks.
Others/Headquarter/ Inter-segments	・Handling other services including but not limited to asset management, insurance brokerage, operations and financial control, other support services of the bank.
Branch	・Principally handling branch deposits and providing loans and other loan related businesses for domestic middle market clients.

[Source] Same as Figures 4.