PhilRatings
PHILIPPINE RATING SERVICES CORPORATION

RATING REPORT

PHILIPPINE SAVINGS BANK

Date: November 4, 2026
Analyst: Eunice Nicolette R. Uson

5th Floor, ALGO Center Bldg.
162 L.P. Leviste St., Salcedo Village
Makati City, Metro Manila
1227 PHILIPPINES

(632) 8812 3210
(632) 8812 3215
www.philratings.org

ISSUER CREDIT RATING ASSIGNED: PRS Aaa (corp.)
OUTLOOK ASSIGNED: Stable

A company rated 'PRS Aaa (corp.)' has a very strong capacity to meet its financial commitments relative to that of other Philippine corporates. 'PRS Aaa (corp.)' is the highest Issuer Credit Rating assigned by PhilRatings.

A Stable Outlook, on the other hand, indicates that the rating is likely to be maintained or to remain unchanged in the next 12 months.

RATIONALE

1. **Solid market position**

   Philippine Savings Bank (PSBank) is the largest thrift bank in the Philippines based on data from the Bangko Sentral ng Pilipinas (BSP).[1] It had the largest asset size (₱232.0 billion) and capital (₱44.2 billion) as of end-June 2026.

   PSBank also established itself as a significant player in the consumer banking sector as it continued to hold a significant share in the thrift banking sector's auto loans and real estate loans.

2. **Sound capitalization and asset quality**

   The capital adequacy ratio (CAR) of PSBank stood at 24.3% as of end-2025, higher than the 23.6% CAR recorded as of end-2024, and well above the minimum regulatory requirement of at least 10%. As of end-June 2026, CAR was maintained at a very comfortable level of 24.0%. Looking ahead, forecast CAR will continue to exceed the regulatory minimum over the projected period.

   Gross non-performing loan (NPL) ratio was more than acceptable at 3.7% as of end-2025, comparing favorably to the 6.0% NPL ratio of the thrift banking sector as of the same period. As of end-June 2026, gross NPL ratio increased to 4.0%, albeit still better than the 6.3% gross NPL ratio of the thrift banking sector as of the same period.

[1] BSP Financial Statistics on the Thrift Bank Group as of June 30, 2026

3. Strong Parent Company and highly experienced management team

As of June 30, 2026, ownership and control of PSBank was held by Metropolitan Bank and Trust Company (Metrobank), with an equity stake of 88.4%. Metrobank is a BSP-licensed universal bank (unibank) and is one of the largest banks in the Philippines. The Metrobank Group is a leading financial conglomerate in the Philippines with a diversified business portfolio that includes investment banking, thrift banking, leasing and financing, bancassurance, as well as credit cards. PSBank is the consumer and retail banking arm of the Group.

PSBank's management team is led by Jose Vicente L. Alde, who is President since 2018. He has been with the bank since 2007 and was Executive Vice President prior to his appointment as President. Mr. Alde is presently the Secretary of the Chamber of Thrift Banks, which is the umbrella organization of the country's thrift banks. He has a Bachelor of Computer Science degree from the University of the Philippines, and a Master in Business Management degree from the Asian Institute of Management.

BUSINESS RISK

Company Profile

PSBank is primarily engaged in savings and mortgage banking, offering a wide range of products and services such as deposits, loans, treasury and trust services that mainly cater to the retail and consumer markets. Based on the data released by the BSP,[2] as of end-June 2026, PSBank was the largest thrift bank in the Philippines in terms of assets (₱232.0 billion) and capital (₱44.2 billion). Based on net loans and receivables and deposits, the bank ranked second with (₱156.4 billion) and (₱176.5 billion), respectively, following China Bank Savings, Inc. (CBS).

The bank has established itself as a significant player in the consumer banking sector as it continued to hold a significant share in the thrift banking sector's auto loans and real estate loans.

As of end-June 2026, PSBank's network consisted of 250 branches and 503 automated teller machines (ATMs; 270 onsite and 233 offsite), which were strategically located across the country. PhilRatings notes that the bank did not add any branches since its last credit rating review, which was completed in July 2025. In terms of ATMs, the bank closed two onsite ATMs, as well as 12 offsite ATMs.

Business Updates[3]

Removal of InstaPay and PESONet transfer fees

Pursuant to BSP's Circular No. 1238, which changed how financial institutions may charge for person-to-person transfers, PSBank waived InstaPay and PESONet transfer fees beginning July 9, 2026.

[2] BSP Financial Statistics on Thrift Bank Group as of June 30, 2026
[3] Since the last credit rating in July 2025

Third Tranche of Fixed-Rate Peso-Denominated Bonds Maturing in 2027[4]

On August 18, 2025, PSBank successfully raised ₱5 billion from the issuance of its third tranche bond offering, and which significantly exceeded its initial ₱2 billion issuance target. The bond enjoyed strong investor demand, as it was oversubscribed six times. Listed on the Philippine Dealing and Exchange Corp. (PDEx), the fixed-rate two-year bonds have an annual interest rate of 5.875% that is payable quarterly. This issuance is part of a larger ₱40 billion Peso-denominated bond program approved on March 12, 2019, to diversify funding and support expanding consumer banking operations. Previous tranches amounted to ₱6.3 billion in July 2019 and ₱4.65 billion in February 2020.

Table 1. PSBank's Gross Loans and Receivables from Customers

In Php Millions	2024	% Total	2025	% Total	1H2026	% Total
Consumption loans	90,460	62.8%	97,860	63.1%	94,422	61.5%
Real estate loans	43,845	30.5%	46,717	30.1%	48,205	31.4%
Commercial loans	7,669	5.3%	8,660	5.6%	8,939	5.8%
Personal loans	1,995	1.4%	1,908	1.2%	1,865	1.2%
Total	143,969	100.0%	155,144	100.0%	153,430	100.0%

Consumption loans continued to account for bulk of the bank's gross loans and receivables. The share of consumption loans, however, declined from 63.1% as of end-2025 to 61.5% as of end-June 2026. Real estate loans had the second-largest share at 31.4%, up from 30.1%. The remaining balance was accounted for by commercial and personal loans, which comprised 5.8% and 1.2% of gross loans and receivables, respectively.

Competition

In terms of assets, the second largest thrift bank after PSBank as of end-June 2026 was CBS, which had total assets of ₱225.6 billion. CBS is the retail lending arm of China Banking Corporation (Chinabank).[5] It began operations on September 8, 2008, following Chinabank's acquisition of Manila Bank in 2007. With 257 branches nationwide (up from 243 branches as of June 2025), CBS focuses on the consumer market, as well as small and medium enterprises (SME).[6]

Table 2 shows a comparison between PSBank and CBS based on their Published Balance Sheets as of end-June 2026.[7]

[4]https://www.pds.com.ph/news_releases/philippine-savings-bank-successfully-raises-php-5-billion-in-fixed-rate-bond-issuance/

[5] Moody's Ratings (Moody's) has affirmed its investment grade credit rating of Baa2 with a Stable Outlook for Chinabank.

[6] https://www.cbs.com.ph/About_Us.aspx

[7] BSP Financial Statistics on the Thrift Bank Group as of June 30, 2026

Table 2. Peer Comparison

Amounts in Thousands Php	PSBank	CBS
Total Assets	232,036,927	225,623,948
Total Loan Portfolio - Net	156,382,332	159,727,510
Real And Other Properties Acquired - Net	2,998,998	1,381,260
Deposit Liabilities	176,535,056	199,423,188
Total Equity	44,208,785	22,133,560
Gross NPL Ratio (%)	4.00	2.83
Net NPL Ratio (%)	2.43	1.43
Return On Assets (%)	1.09	0.92
Net Interest Margin (%)	6.09	5.23
CAR (%)	23.98	12.17

Ownership and Management[8]

As of June 30, 2026, ownership and control of PSBank was held by Metrobank, with an equity stake of 88.4%. Metrobank is a BSP-licensed unibank and is one of the largest banks in the Philippines.

The Metrobank Group is a leading financial conglomerate in the Philippines with a diversified business portfolio that includes investment banking, thrift banking, leasing and financing, bancassurance, as well as credit cards. PSBank is the consumer and retail banking arm of the Group.



Figure 1. Metrobank Group Structure
Source: PSBank Submissions

Arthur V. Ty is Chairman of Metrobank since 2012, and concurrently the Vice Chairman of PSBank since 2001. He served as President of Metrobank from 2006 to 2012. Mr. Ty obtained his Bachelor of Science degree in Economics from the University of California and has a Master in Business Administration degree from Columbia University.

[8] https://www.metrobank.com.ph/articles/metrobank-posts-record-earnings-in-2025
https://www.metrobank.com.ph/articles/metrobank-first-half-income-report-2026

Vicente R. Cuna, Jr. is the Chairman of PSBank since April 2023. Mr. Cuna is concurrently a Director and Senior Executive Vice President of Metrobank. Prior to his current position, he was PSBank's Vice Chairman (2018 -2023) and President (2013 to 2018). Mr. Cuna has a Bachelor of Arts degree in Economics from De La Salle University.

Jose Vicente L. Alde is PSBank's President since 2018. He has been with the bank since 2007 and was Executive Vice President prior to his appointment as President. Mr. Alde is presently the Secretary of the Chamber of Thrift Banks, which is the umbrella organization of the country's thrift banks. He has a Bachelor of Computer Science degree from the University of the Philippines, and Master in Business Management degree from the Asian Institute of Management.

As of end-March 2026, PSBank had a manpower complement of 2,861: 60 senior officers; 1,162 junior officers; and 1,639 staff.

Strategy

The strategy of PSBank is guided by its market positioning, "*Simple Lang. Maaasahan"* (simple and reliable), which aims to offer customers seamless and more convenient banking. The bank continues to pursue the expansion of its core business through the growth of the bank's retail deposits and consumer loans, including loans to SMEs, through various channels, including physical (in-branch) and digital channels.

In 2025, PSBank launched a fully digital account opening process through the PSBank Mobile App, offering convenience and accessibility for users. New customers can open a Peso Savings account with no initial deposit and no required maintaining balance. A Prepaid account may also be opened using a smartphone, a valid primary ID, and a selfie. Powered by Electronic Know Your Customer (e-KYC) technology, the process eliminates the need for branch visits, manual reviews, or video call verification. Upon approval, customers can immediately make fund transfers, pay bills, and perform cardless withdrawals. Additionally, customers may choose to have their ATM card delivered to their home.

Enhancements were made to Interactive Speedy and Simpleng Assistant (ISSA), the bank's Facebook Chatbot. ISSA offers expanded capabilities that allow customers to request copies of loan documents and schedule the release or claim of original loan documents.

PSBank likewise upgraded its internal infrastructure and digital banking channels. Supported by server and software upgrades, the bank boosted the speed and performance of both PSBank Mobile and PSBank Online. These enhancements sped up document uploads for account openings and optimized login speeds, while strengthening transaction security.

Operationally, the bank standardized its branch network by deploying a nationwide Account Opening Module and refining deposit application workflows to minimize processing times. Furthermore, PSBank integrated uniform, multi-channel instructions across its website and application to guide customers on Debit ATM card activations and PIN changes.

Internal lending and back-end systems also received upgrades. The bank improved its Intranet Loan Application Processing System (ILAPS) for SME lending to automate credit scoring and accelerate loan evaluations. Furthermore, the Infobanker Trust System was deployed across all offices, and the bank's

internal portal (iCentral) was equipped with an AI-powered search and chat tool (Invenire) to facilitate employee search of internal policies and procedures.

Under the Capital Markets Efficiency Promotion Act (CMEPA), or RA 12214, interest on time deposits of at least five years is now subject to 20% withholding tax. Accordingly, PSBank discontinued its five-year tax-free Peso Prime Time Deposit on July 1, 2025.

In 2026, PSBank Mobile and Online installed enhanced security features such as biometric transaction approval. This feature allows users to securely authorize transactions using their fingerprint or facial recognition, replacing the use of One-Time Passwords (OTPs).

Environmental, Social, and Governance (ESG) Initiatives

Based on its disclosures, PSBank is considered to have adopted globally recognized sustainability reporting frameworks and standards to ensure transparency, accountability and comparability. These include Bangko Sentral ng Pilipinas (BSP) and Securities and Exchange Commission (SEC) guidelines, United Nations Sustainable Development Goals (UN SDGs), and Global Reporting Initiative (GRI).

The bank claims that it complies with local regulatory requirements for reports and sustainable finance and aligns its sustainability initiatives with relevant UN SDGs that contribute to global development goals.[9] PSBank also considers the economic, environmental and social impacts of its banking operations, products and services, mindful of the corresponding inherent risks and strategic opportunities. Through continuing education and financial inclusion measures, the bank concurrently aims to address and mitigate more complex risks and issues associated with financial assets and investments.

PSBank recognizes the need to manage investments based on local and global norms to prevent reputational harm, brand damage, as well as lawsuits. The bank claims that it continues to strengthen the protection of data privacy and security, aiming to uphold the high standards of integrity and transparency. PSBank provides financial literacy to the public through its flagship campaign – "Be Aware". The program aims to educate, update, and increase awareness of the public on the modus operandi (MO) of the latest scams. The bank also manages climate-related opportunities and risks. Its Head Office in Makati is fully powered by renewable energy, and the bank is presently exploring sourcing energy requirements from solar in its branches, with its Los Baños (Laguna) branch as proof of concept. As of end-2025, solar panels and a net metering system have been installed in the Laguna branch.[10]

In terms of its working environment, PSBank aims to provide a safe and healthy workplace with equal opportunities and inclusive culture. As of end-2025, the bank had 2,864 employees, with a gender mixture of 64.0% female and 36.0% male. Majority of its staff were aged between 30 to 50 years old. PSBank also regularly issues health, safety and mental wellness advisories. It has bank-wide training on Occupational Health and Safety, including certified Health and Safety Officers. The bank also has a Corporate Governance Committee (CGC) tasked to assist the Board of Directors in fulfilling its duties and responsibilities, as well as monitoring adherence to corporate governance principles and guidelines.

[9] The bank focuses on SDG 8 – Decent Work and Economic Growth, SDG 9 – Industry, Innovation and Infrastructure, and SDG 13 – Climate Action.

[10] A net-metering system is a billing arrangement that lets homes and businesses with renewable energy setups—like rooftop solar panels—send their extra electricity back into the public utility grid. Source: https://www.meralco.com.ph/residential/electric-service/solar-net-metering

Asset Quality

PSBank's loans and receivables, net of allowances and unearned interest and discounts, stood at ₱152.0 billion as of end-June 2026, marginally lower by 1.8% from ₱154.7 billion as of end-2025. Loans and receivables accounted for 65.0% of the bank's total assets, slightly declining from 65.2% as of end-2025. The decrease was mainly attributable to the contraction in consumption and personal loans. On the other hand, real estate and commercial loans grew by 3.19% and 3.22% respectively, while auto loans dropped by 3.5%.

PSBank substantially raised its provision for impairment and credit losses by 76.3%, from ₱875.2 million in 1H2025 to ₱1.5 billion in 1H2026. According to management, the higher provisioning aims to strengthen its buffers against emerging risks amid current market conditions.[11] As of end-2025, gross NPL ratio increased to 3.7%, albeit still comparing favorably with the industry's 6.0%. As of end-June 2026, the asset quality was considered as still satisfactory, albeit gross NPL ratio increased. This continued to compare favorably against the 6.3% gross NPL ratio of the thrift banking sector as end of the same period.[12]

Financial Risk

Profitability

2025

Interest income inched up by 3.6%, from ₱16.9 billion in 2024 to ₱17.5 billion in 2025. Higher yields from loans and receivables offset lower interest income from other financial instruments, particularly from investment securities (-26.7% to ₱2.9 billion). The decline in interest expense on deposit liabilities (-8.7% to ₱4.1 billion) drove the faster decrease of 5.8% in interest expense. Net interest income managed to grow by 7.1%, from ₱12.3 billion to ₱13.2 billion.

The bank's non-interest income went down by 9.3% to ₱2.7 billion in 2025, primarily due to the loss on foreclosure and sale of chattel mortgage properties amounting to ₱384.5 million, which was a reversal from a net gain of ₱210.2 million in 2024. Lower service charges, fees and commissions (-9.5% to ₱1.6 billion), driven by lower credit-related fees and commissions, also contributed to the decline. Net interest income-to-revenues ratio improved from 80.3% in 2024 to 82.8% in 2025.

Operating expenses, excluding provision for impairment and credit losses, marginally went up by 3.6%, from ₱9.2 billion in 2024 to ₱9.6 billion in 2025. This was due to a growth in miscellaneous expenses (+11.0% to ₱1.8 billion), driven by the uptick in insurance expense, as well as higher depreciation (+12.8% to ₱1.0 billion).

In 2025, PSBank continued to optimize its consumer loan model, further refining key expected credit loss (ECL) components, including increased risk indicators in its auto loans portfolio. The bank implemented score-based adjustments, tighter credit parameters, and closer segment-level review to manage risk. These measures helped ensure that provisioning remained timely and appropriately reflected overall

[11] https://mb.com.ph/2026/08/07/psbank-earnings-drop-40-as-loan-loss-provisions-surge
[12] https://www.bsp.gov.ph/Statistics/Selected%20Performance%20Indicators/43_data.aspx

portfolio risk. As such, provision for impairment and credit losses notably surged by 10.0x, from ₱214.4 billion in 2024 to ₱2.4 billion in 2025, reflecting the bank's efforts to strengthen its balance sheet.[13]

Primarily dragged by the hike in provisioning, PSBank's bottom line slipped by 32.8%, from ₱5.2 billion in 2024 to ₱3.5 billion in 2025. ROAA decreased from 2.3% to 1.5%.

Unaudited 1H2026

Net interest income posted a growth of 2.5% YoY to ₱6.7 billion in 1H2026, with higher interest income from investment securities making up for the almost flat growth of interest income from loans and receivables. Interest expense likewise posted minimal movement, amounting to ₱2.2 billion.

Non-interest income went down by 12.4% YoY in 1H2026, due to lower service charges, fees, and commissions, partly offset by higher gain on foreclosure and sale of investment properties (41.9% to ₱249.0 million).[14]

Operating expenses, excluding provision for impairment and credit losses, grew by 9.7% YoY, as all non-interest expenses recorded increases (except amortization of intangible assets). Miscellaneous expenses had the highest increase to ₱969.9 million due to the surge in litigation and information technology expenses, partly offset by lower advertising expenses.

Provision for impairment and credit losses jumped by 76.3% YoY, from ₱875.2 million to ₱1.5 billion, as part of efforts by the bank to strengthen its buffer against emerging risks in relation to current market conditions.[15]

Net income in 1H2026 amounted to ₱1.3 billion, down by 40.3% YoY, from ₱2.2 billion in the same period in 2025. The bank's annualized ROAA decreased to 1.1%.

Projections 2026-2028

PSBank forecasts stable net interest income in the next two years. Operating expenses, excluding provision for impairment and credit losses, will be manageable. Movements in provisions will continue to safeguard asset quality and balance sheet strength. Net income will be healthy, and ROAA for the projected period will remain sound.

Asset-Liability Management

PSBank's customer deposits stood at ₱180.0 billion as of end-2025, up by 9.3% from ₱164.6 billion as of end-2024. The increase was mainly driven by a 15.4% increase in time deposits. Low-cost and more stable CASA deposits increased at a slower pace of 1.7% (from +2.1% in 2024), from ₱73.3 billion as of end-2024 to ₱74.6 billion as of end-2025. CASA deposits accounted for 41.5% of total deposits, down from 44.5% as of end-2024. The growth in deposits translated to a lower net loans-to-deposit ratio, from 87.4% as of end-2024 to 86.0% as of end-2025.

[13] https://www.psbank.com.ph/media/9588/psbank-registers-php35b-in-profits-on-sustained-loan-growth-in-2025.pdf
[14] Analyst's Note: While a higher gain on foreclosure and sale of investment properties increases the bank's revenues in the short run, it concurrently means that some borrowers were unable to settle a part or the totality of their outstanding loans to the bank, resulting in the repossession of the corresponding collateral.
[15] https://mb.com.ph/2026/08/07/psbank-earnings-drop-40-as-loan-loss-provisions-surge

As of end-June 2026, deposits inched down by 1.8% to ₱176.5 billion. Time deposits, accounting for 56.0% of total deposits, recorded a slight contraction of 6.1% to ₱98.9 billion. CASA, in contrast, went up by 4.2% to ₱77.7 billion. As such, CASA-to-total deposits ratio improved to 44.0%. The increase in CASA was driven by the bank's sustained focus on expanding its deposit base across its nationwide branch network and digital channels.[16] Net loans-to-total deposits ratio slightly went up to 86.1% as of end of the period.

Projections 2026-2028

Deposits are expected to stay robust over the projected period. Total liabilities will exhibit the same trend.

In 2025, PSBank issued the third tranche of its bond issuance, raising ₱5.0 billion in proceeds. The bank is seen to be in a comfortable position to settle such bonds upon maturity in August 2027.

Capital

PSBank's equity rose by 4.5% to ₱46.1 billion as of end-2025, driven by higher retained earnings. Total assets increased by 9.7%, from ₱216.4 billion as of end-2024 to ₱237.3 billion as of end-2025, as loans and receivables managed a 7.6% growth to ₱154.7 billion. Additionally, financial assets at FVOCI went up by 27.9% to ₱33.1 billion, due to higher holdings of government debt securities, which comprised bulk of the bank's FVOCI portfolio. The increase in total assets translated to an equity-to-assets ratio of 19.4% as of end-2025, down from 20.4% as of end-2024.

As of end-2025, CAR stood at 24.3%, higher than the 23.6% recorded as of end-2024, and well above the minimum regulatory requirement of at least 10%.

Total assets marginally decreased by 1.5% to ₱233.7 billion as of end-June 2026. Loans and receivables, which accounted for the bulk of total assets with a 65.0% share, went down by 1.8% to ₱152.0 billion. Additionally, financial assets at FVOCI dropped by 23.4% to ₱25.4 billion as of end-June 2026.

As of end of the period, equity-to-assets slightly improved to 19.6%, while CAR was stable at 24.0%.

Projections 2026-2028

Equity-to-assets ratio will remain healthy over the projected period. Forecast CAR will continue to exceed the regulatory minimum.

Financial Flexibility

PSBank is publicly listed, providing an option to tap the equities market for funding needs. As of November 3, 2026, PSBank had a market capitalization of ₱21.0 billion.

[16] Ibid.

ECONOMY

Gross Domestic Product (GDP)[17]

The country's GDP growth slowed to 4.4% in 2025, missing the government's target range of 5.5%–6.5% and marking the third consecutive year that it has fallen short of the target. Department of Economy, Planning, and Development (DEPDev) Secretary Arsenio Balisacan cited the impact of weather-related disturbances for the year and the corruption scandal surrounding flood control projects as reasons for the missed growth target. The latter reportedly dampened investments and eroded consumer confidence in the second half of 2025.

On the supply side, full-year growth was anchored by Services (+5.9%) and a modest recovery in Agriculture, Forestry, and Fishing (AFF; +3.1%), while Industry lagged behind at 1.5%.

On the demand side, Household Final Consumption Expenditure (HFCE) slowed to 4.6% in 2025 (down from 4.9% in 2024), while Government Final Consumption Expenditure (GFCE) accelerated to 9.1% (up from 7.3% in 2024). Gross capital formation (GCF) contracted by 2.1% in 2025, a sharp reversal from the 7.7% growth in 2024, attributable to the government's aggressive freeze on project disbursements and a strict anti-corruption clampdown in the last quarter of the year following the flood control scandal.

In 2Q2026, Philippine GDP expanded by 2.3% YoY, slower than the 2.8% growth in 1Q2026 and the 5.4% recorded in the same period in 2025. This brought GDP growth for 1H2026to to 2.6%, below the government's 3.5%–4.5% full-year growth target. The 2Q2026 growth was the country's weakest quarterly expansion since the onset of the pandemic. The Philippines also lagged behind other major Southeast Asian economies that had reported second-quarter results, including Vietnam, which economy grew by 8.4%; Malaysia, 5.8%; and Indonesia, 5.3%.

According to DEPDev Secretary Arsenio Balisacan, domestic demand remained subdued mainly because total investment continued to contract as public construction declined. Household consumption growth also moderated amid higher inflation, job losses, and lower remittance receipts arising from the Middle East conflict. The oil shock associated with the Middle East conflict also increased inflation and slowed household consumption during the quarter.

By sector, the Services sector remained the main driver of economic activity, expanding by 4.5% YoY in 2Q2026. The AFF sector also grew by 2.7% during the quarter. Industry, on the other hand, contracted by 2.4%. The main contributors to overall GDP growth were wholesale and retail trade; repair of motor vehicles and motorcycles (+4.6%), education (+12.7%), and manufacturing (+2.6%).

In terms of expenditure, HFCE grew by 2.8% YoY in 2Q2026, while GFCE expanded by 8.3%. GCF, meanwhile, contracted by 9.2%, consistent with the continued weakness in investment and public construction. Exports of goods and services grew by 12.2%, while imports of goods and services increased by 5.5% during the quarter.

[17] https://business.inquirer.net/571342/philippine-gdp-growth-down-to-3-in-q4-2025
https://psa.gov.ph/statistics/national-accounts
https://bworldonline.com/top-stories/2026/08/07/768829/philippine-q2-growth-slumps-to-new-post-pandemic-low-amid-oil-shock/
https://www.abs-cbn.com/news/business/2026/8/7/gdp-growth-further-skids-to-2-3-percent-in-second-quarter-1006

Inflation[18]

Inflation averaged 1.7% in 2025, marking the slowest annual pace of price growth since 2016 and remaining below the BSP's 2–4% target range. The low inflation was driven by easing rice prices and generally stable commodity costs, although food prices edged up toward year-end due to weather-related supply disruptions and stronger holiday demand.

Inflation accelerated to 7.2% in September 2026, up from 6.1% in August and 1.7% a year earlier. According to the Philippine Statistics Authority (PSA), the increase was primarily driven by higher inflation in food and non-alcoholic beverages (6.7%), housing and utilities (8.4%), and transport (14.6%). Average inflation for January to September 2026 reached 5.4%, exceeding the government's target range.

The BSP expects inflation to average 6.1% in 2026, which is notably higher than its 3% target. It raised its inflation forecast for 2027 to 6%, from 5.4%. In 2028, the central bank anticipates inflation will significantly ease to 3.3%.[19]

Interest Rates[20]

Considering the subdued inflationary environment in 2025, the BSP implemented a series of 25-basis-point cuts during the year that brought the key policy rate down from 5.75% to a low of 4.5% by December 2025.

Year-to-date in 2026, however, the BSP shifted from monetary easing to monetary tightening. After bringing the policy rate to a low of 4.25% in February, the BSP implemented several rate hikes. In its latest decision on October 22, the central bank raised the key policy rate by 50 basis points to 5.5%, marking its fourth consecutive increase this year. BSP forecasts continued upside risks to inflation with the renewed tensions in the Middle East and the recent increase in transportation fares. The possible impact of the severe El Niño phenomenon will also continue to fuel inflation risks. Tighter fiscal controls are intended to anchor perceived pressures on prices.

BSP Governor Eli Remolona Jr. believes that the BSP is lagging behind the curve, despite past tightening actions. He also added that the central bank remains open to raising rates further.[21]

Outlook[22]

In September 2026, major multilateral institutions further revised their Philippine economic growth forecasts.

---

[18] https://business.inquirer.net/567690/philippine-2025-inflation-slows-to-1-7-a-9-yr-low
https://business.inquirer.net/597477/marcos-govt-lowers-gdp-growth-targets
https://www.philstar.com/business/2026/10/06/2561305/philippine-inflation-jumps-72-september-2026
https://psa.gov.ph/price-indices/cpi-ir
[19] https://business.inquirer.net/617363/bsp-unleashes-jumbo-rate-hike-vs-inflation
[20] https://www.bsp.gov.ph/SitePages/MediaAndResearch/MediaDisp.aspx?ItemId=8115&MType=MediaReleases
[21] https://business.inquirer.net/617363/bsp-unleashes-jumbo-rate-hike-vs-inflation
[22] https://www.imf.org/-/media/files/publications/weo/2026/update/july/english/text.pdf
https://www.adb.org/outlook/editions/july-2026
https://www.reuters.com/world/asia-pacific/world-bank-maintains-2026-philippine-growth-forecast-37-2026-08-03
https://bworldonline.com/top-stories/2026/08/07/768799/philippine-gdp-growth-sharply-slows-in-q2-2026
https://business.inquirer.net/613426/marcos-economic-team-to-revisit-targets

The International Monetary Fund (IMF) lowered its GDP growth forecast for the country, citing oil-driven increase in inflation and sluggish government spending. GDP forecast for 2026 was trimmed from 3.9% to 3.4%, lower than the government's growth target.

The Asian Development Bank (ADB) likewise lowered its Philippine growth forecasts due to elevated inflation levels weighing down on household spending, as well as soft labor market conditions tempering consumption.

The World Bank maintained its 2026 growth forecast but lowered its 2027 forecast, indicating a slower recovery than previously expected. The World Bank expects economic growth to remain subdued in 2026 amid weaker fixed investment and private consumption before improving in 2027 as investment conditions gradually recover.

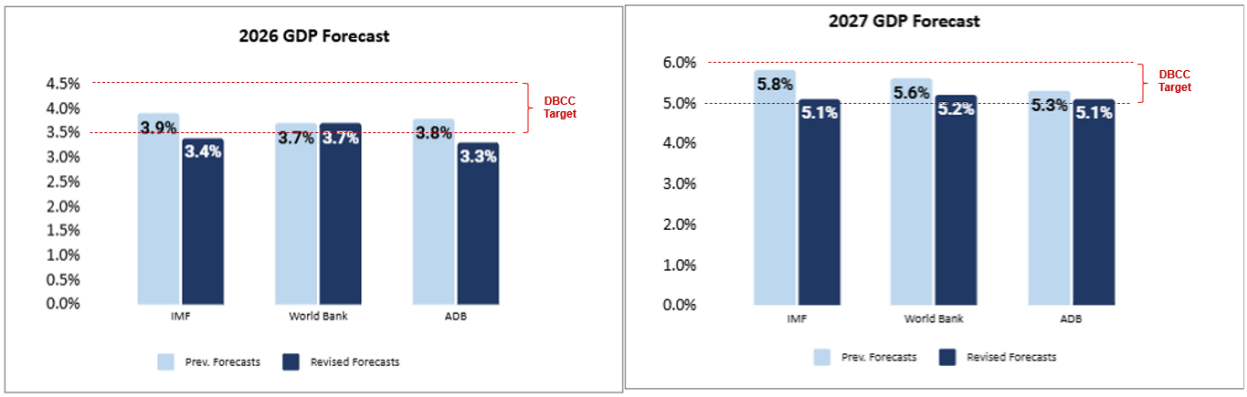


Figure 2. Revised Economic Growth Outlook

Moody's also affirmed its Baa2 rating and maintained its Stable Outlook, citing the country's resilient fundamentals, strong access to domestic and international funding markets and sufficient foreign-currency reserves.

The latest 2026 forecasts of the aforementioned institutions remain within the Development Budget Coordination Committee's (DBCC) revised GDP growth target of 3.5%–4.5%. In July 2026, the DBCC lowered its 2026 target from the previous 5.0%–6.0% range. The DBCC likewise lowered the GDP growth target for 2027 to 5.0%–6.0%, from 5.5% to 6.5%. The revised macroeconomic assumptions considered domestic and external uncertainties, including the impact of the Middle East conflict, higher commodity prices, and slower government spending.

DEPDev Secretary Arsenio Balisacan said the economy would need to grow by at least 4.4% in 2H2026 to achieve the lower end of the target range. The government expects economic activity to improve in the second half as public infrastructure spending recovers, while the pace of investment recovery and external developments remain key factors affecting the outlook.

On September 30, 2026, President Marcos Jr.'s economic team announced that it will soon convene to review its macroeconomic and fiscal targets to take into account the latest developments, including the administration's planned tax reforms. Romeo Balanquit, Assistant Secretary (Asec) at the Department of

Budget and Management (DBM) said the interagency Development Budget Coordination Committee (DBCC) will meet in November to revisit the targets. The DBCC is chaired by the DBM Secretary.[23]

Asec Balanquit said the meeting would discuss the impact of the Department of Finance's proposed tax reform package on government's revenue target. He said, however, that policymakers would unlikely make any adjustments on the current level of spending as the latter is already considered supportive of economic growth without straining the government's fiscal space.

Foreign Exchange Rate[24]

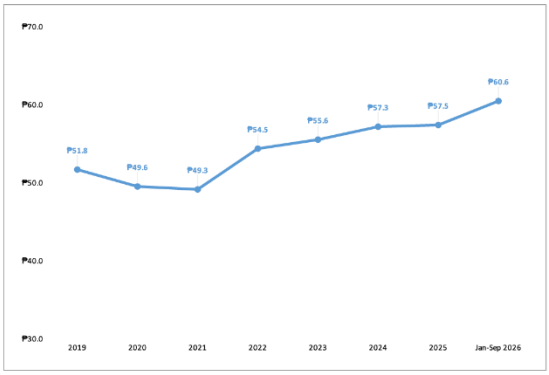


Figure 3. Foreign Exchange Rate

The Philippine peso continued to weaken against the US dollar (USD) in 2026, with the monthly average exchange rate rising from ₱59.2 per USD in January to ₱61.3 per USD in August. The depreciation was more pronounced in 2Q2026, amid elevated oil prices and heightened geopolitical tensions. In September 2026, the peso consecutively reached its fresh recorded lows, nearing ₱63 per USD. The monthly average rate in September stood at ₱62.6, 2.1% higher than the rate in August, and 9.4% higher than the rate in the same period last year. The peso depreciation was attributable to the continued rise in global oil prices amid ongoing geopolitical tensions in the Middle East.

INDUSTRY[25]

Banking[26]

The Philippine banking system demonstrated sustained expansion and resilience from 2021 to 2025, supported by economic recovery, deposit mobilization, and growing demand for credit. According to the BSP, total banking system assets increased from ₱20.8 trillion in 2021 to ₱29.9 trillion in 2025, equivalent

[23] https://business.inquirer.net/613426/marcos-economic-team-to-revisit-targets
[24] https://www.bsp.gov.ph/statistics/external/tab12_pus_data.aspx
https://www.abs-cbn.com/news/business/2026/9/7/ltfrb-opens-7-500-ride-hailing-slots-in-metro-manila-for-evs-1055
https://www.gmanetwork.com/news/money/economy/1002326/peso-closes-at-fresh-record-low-of-p62-86-to-us-dollar/story/
[25] https://insiderph.com/ph-banking-sector-stable-despite-headwinds-says-bdo-exec
https://www.pna.gov.ph/articles/1276790
https://asianbankingandfinance.net/lending-credit/news/ph-bank-lending-accelerates-114-in-april-business-demand
BSP Report on the Philippine Financial System for the second semester of 2025
[26] https://www.bsp.gov.ph/Statistics/Financial%20Statements/Balance%20Sheet/historical_frp%203.xlsx
https://bworldonline.com/top-stories/2026/02/27/733124/philippine-banks-end-2025-with-nearly-p30-trillion-in-assets/
https://pia.gov.ph/news/bsp-says-philippine-banks-remain-resilient-amid-potential-risks/

to a compound annual growth rate (CAGR) of 9.5%. Such reflected the expansion of lending and investment activities, primarily funded by deposits. The sector's asset growth particularly accelerated in 2022 as economic activity recovered and continued at a more moderate pace through 2024 and 2025.

Gross lending also notably expanded over the period, with the banking system's gross loan portfolio rising from ₱11 trillion in 2021 to ₱16.6 trillion in 2025, representing a CAGR of 10.8%. Growth was mainly supported by the reopening of businesses, stronger household consumption, and financing demand from key sectors such as real estate, wholesale and retail trade, manufacturing, and utilities. Household lending likewise became an increasingly significant contributor to the growth, particularly through credit cards and motor vehicle loans.

Deposits remained the banking system's primary funding source, increasing at a CAGR of 9.4% from ₱16.2 trillion in 2021 to ₱21.9 trillion in 2025. The sustained increase in deposits helped banks fund loan expansion while maintaining relatively stable funding conditions.

Asset quality improved overall, with the gross NPL ratio declining from 4.0% in 2021 to 3.2% in 2022, remaining stable in 2023, rising slightly to 3.3% in 2024, and easing to 3.15% in 2025. The initial improvement was due to economic recovery, better repayment capacity, and loan growth, while the 2024 uptick was mainly driven by elevated interest rates and inflationary pressures. The subsequent improvement in 2025 reflected generally stable asset quality, though credit risks persisted.

In 2026, the sector continued to expand, with total banking system assets reaching ₱31.3 trillion as of August 2026. Such represented an increase of 4.7% from end-2025, driven by continued growth in lending, deposits, and investment holdings. Gross loan portfolio stood at ₱17.8 trillion, while deposit liabilities reached ₱22.4 trillion, up by 3.9% and 2.3%, respectively, from end-2025.

Overall, domestic banks remain resilient, supported by adequate capital buffers, sufficient liquidity, and manageable asset quality, according to the BSP. Nonetheless, the regulator highlighted that credit risks and external economic uncertainties require continued monitoring.

Based on the latest available data, the growth in consumer loans to residents slowed down, from 17.1% in July to 16.2% in August. Similarly, the growth in credit card and motor vehicle lending also eased from 24.5% and 7% in July to 23.3% and 5.8% in August, respectively. On the other hand, salary-based general-purpose consumption loans accelerated to 11.6% in August, up from 9.9% in July. Borrowing activities of households for own use likewise increased from 36.2% to 41.3%.[27]

Moody's believes that higher inflation has opened pockets of stress in the country's retail and micro, small and medium enterprises (MSMEs) sectors, with tightening economic conditions possibly leading to a weakness in asset quality. Moody's Ratings Assistant Vice President for Ratings Clarabelle Tan noted that asset quality in these sectors has been under pressure even before the Middle East war.[28] Borrowers' repayment capacity, particularly in the SME and retail segments, could be impacted by higher borrowing costs, elevated inflation, and slower economic growth. Profitability will depend on a bank's ability to price its SME or retail portfolio relative to its risks, such that there should be sufficient pre-provision income to absorb provision losses. Ms. Tan said that banks with stronger deposit franchises and a higher share of low-cost deposits will have an advantage.

[27] https://mb.com.ph/2026/10/01/big-bank-lending-accelerates-in-august-as-business-credit-demand-stays-strong
[28] https://bworldonline.com/top-stories/2026/10/21/788488/moodys-flags-rising-risks-in-philippine-msme-retail-loans/

On a positive note, Moody's sees the Philippine banking industry to remain broadly resilient. Despite lingering headwinds, the global rating agency believes domestic banks could still tap growth opportunities from digitalization and the country's substantial infrastructure pipeline. Moody's believes that the Philippine banking industry is expected to remain profitable, in general, albeit this will depend on the pace of economic recovery and the easing of inflationary pressure.

BSP Memorandum Circular 2026-027[29]

Under the new memorandum, the BSP allowed banks and quasi-banks to temporarily exclude paper losses on peso government securities from their CAR and common equity tier 1 (CET1) ratio computations. The relief applies to net unrealized losses under the financial institutions' FVOCI portfolio that are incurred after the Middle East conflict began on February 28. The measure will run from April 1 to December 31, 2026, with optional retroactive application to April and May capital figures. Banks intending to use the relief must notify the BSP by June 30, 2026. Beginning January 1, 2027, however, banks and quasi-banks must fully revert to standard, unadjusted capital rules. Furthermore, the BSP stressed that the temporary relief does not remove disclosure requirements, meaning that paper losses should still be included in the financial statements. The central bank added that it will monitor new investments under FVOCI accounts during this period and may limit participating banks' access to select BSP liquidity facilities.

[29] https://www.philstar.com/business/2026/06/24/2537295/bsp-eases-rules-middle-east-tensions-shake-markets