 <b>PHILIPPINE RATING SERVICES CORPORATION</b>	<b>RATING REPORT</b>
	TOYOTA FINANCIAL SERVICES PHILIPPINES CORPORATION

**Date:** August 14, 2025  
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**ISSUER CREDIT RATING ASSIGNED: PRS Aaa (corp.)**

**OUTLOOK ASSIGNED: Stable Outlook**

The Issuer Credit Rating is assigned in relation to Toyota Financial Services Philippines Corporation's (TFSPH) planned bond issuance of up to ₱5.0 billion. The planned bond issuance represents the initial tranche of the Company's ₱20.0 billion Fixed Rate Bond Programme.

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. Strong and highly supportive shareholders

TFSPH is 60%-owned by Toyota Financial Services Corporation (TFSC) and 40%-owned by GT Capital Holdings, Inc. (GT Capital). TFSC, fully-owned by Toyota Motor Corporation (TMC), is a leading Japan-based financial services group that operates in more than 37 countries. GT Capital, on the other hand, is a Philippine conglomerate with holdings in market-leading businesses in various sectors including: banking, property development, infrastructure and utilities, automotive, and insurance.

TFSC holds strong long-term credit ratings of A+ from Standard & Poor's and A1 from Moody's. The ratings signify high credit quality, with a low likelihood of default. On the other hand, GT Capital's total bond issue of ₱32.0 billion which matured from 2020 to 2024 were assigned issue credit ratings of PRS Aaa by PhilRatings. PRS Aaa is the highest issue credit rating assigned by PhilRatings.

TFSPH receives strong support from its shareholders in terms of liquidity, preferential rates, and capital infusion. Such has enabled the Company to offer its services even under a challenging operating environment (e.g., the COVID-19 pandemic). In the last five years, TFSC and GT Capital infused ₱4.0 billion in additional capital in TFSPH: ₱2.0 billion in November 2020 and ₱2.0 billion in December 2021. PhilRatings also notes that TFSPH has not upstreamed cash dividends in the last four years, indicating its shareholders' serious intention to support TFSPH's organic growth.

TFSPH believes that the key to its competitiveness is its ability to apply best practices from TFSC's global network. Supported by global best practices and teamwork, TFSPH is committed to the continuous improvement of its services through Kaizen<sup>1</sup> activities.

## 2. Solid franchise of the Toyota brand

Established in 2002, TFSPH provides financing and leasing services to Toyota customers in the Philippines, as well as inventory stock financing to Toyota dealers nationwide. It supports Toyota sales in the country, in line with TMC's global objectives. As such, the Company enjoys direct access to Toyota Motor Philippines' (TMP) clients and prospects. As of end-2024, TMP remained as the dominant player in the domestic automobile industry with a market share of 46%. TMP has been the top selling automotive brand (in terms of units sold) in the Philippines since 2002, and it expects to maintain its market-leading position going forward. TFSPH, in turn, reportedly registers a market penetration (of Toyota sales) of about 30%—as compared with competitor banks which have distant single-digit shares. TFSPH considers prospective Toyota automobile buyers as its captive market, backed by strong client referrals from Toyota dealers and distributors.

## 3. Good asset quality

TFSPH's gross non-performing loans (NPL) ratio improved from 3.0% as of end of fiscal year (FY) 2023 to 2.5% as of end-FY2024, driven by lower NPLs and the sustained expansion of its loan portfolio. The Company attributed the improvement in its NPL ratio to the effectiveness of its risk management strategies. TFSPH's NPL ratio also compared favorably with the 4.5% NPL ratio of the non-banks with quasi-banking functions (NBQB) sector as of end-March 2024. Although TFSPH's gross NPL ratio climbed to 4.1% as of end-FY2022, at the time when the pandemic was continuing, this was likewise markedly better compared with the 9.8% NPL ratio of NBQBs at that time. PhilRatings also notes that TFSPH managed to keep its comparatively better NPL ratio during the pandemic despite the aggressive growth in its loan portfolio. (*Analysts' Note: TFSPH's FY ends on March 31.*)

Assets held for sale, which consists of repossessed collateral, also accounted for less than 1.0% of total assets—albeit such almost doubled to ₱579.6 million as of end-FY2024, following a declining trend since FY2021. The hike was driven by the 10.5% increase in repossessed units, combined with the extended holding period due to conditions in the disposal market (i.e., low market value).

In addition, the Company's loan receivables were well-diversified in terms of industry exposure and geographical location as of end-FY2024.

As of end-FY2025, TFSPH's gross NPL ratio further improved to 1.7%, on the back of a 23.1% dip in NPLs amid continued loan book growth. Top industry exposures were in: Other community and personal activities (23.5%), Wholesale and retail trade (17.9%), and Social work activities (14.3%).

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<sup>1</sup> Kaizen, a Japanese term meaning "change for the better," is a philosophy and methodology for continuous improvement, emphasizing small, incremental changes over time. It is about everyone within an organization working together to identify and implement improvements in processes, products, and services. Kaizen is not just a one-time fix, but a continuous process of seeking better ways to do things.

Other industries had shares of less than 9.0%.<sup>2</sup> In terms of borrower employment profile, majority were full-time employees.

The Company expects its NPL ratio to remain well-managed in the succeeding years, supported by its risk mitigation strategies.

#### 4. Sustained revenue growth supported by loan portfolio expansion

TFSPH consistently achieved double-digit growth in its loans and receivables from FY2020 to FY2024. The Company's loan portfolio grew from ₱75.4 billion as of end-FY2020 to ₱140.2 billion as of end-FY2024, posting a compounded annual growth rate (CAGR) of 16.7%. The highest growth was recorded in FY2021, which also marked the first full year of the COVID-19 pandemic. Amid the shutdown in economic activity and banks shunning away from undertaking consumer loans, TFSPH continued to extend loans to buyers of Toyota vehicles.<sup>3</sup> Amid the pandemic, the Company kept its mandate of supporting the sale of Toyota vehicles and maintained normal operations to show its commitment to internal and external stakeholders. As a result, TFSPH's market penetration<sup>4</sup> reportedly reached 55% during the pandemic, from 20% pre-pandemic.

Total revenues grew steadily alongside its loan portfolio, rising from ₱3.6 billion in FY2020 to ₱6.9 billion in FY2024, representing a CAGR of 18.0%. Net interest income historically accounted for the bulk of revenues, comprising an average share of 91.8% of total.<sup>5</sup>

TFSPH's net income expanded by a CAGR of 38.8%, growing from ₱498 million in FY2020 to ₱1.8 billion in FY2024. In addition to sustained revenue growth, cost containment also contributed to earnings growth. Operating efficiency ratio (i.e., share of non-interest expense to revenues) in FY2024 was 0.6x, an improvement from a higher ratio of 1.0x in FY2021. It should be noted, however, that the Company incurred a net loss of ₱36 million in FY2021, primarily due to the 64.7% increase in provision for credit and impairment losses in relation to the adverse impact of the COVID-19 pandemic. In FY2021, TFSPH fully stopped collecting from its borrowers for five months, in compliance with the Bayanihan 1 and 2 directives of the Bangko Sentral ng Pilipinas (BSP). As a conservative approach, the Company also substantially increased its provision for credit and impairment losses to ensure that there would be sufficient buffer to absorb any losses that may be incurred from the non-collection of receivables.

PhilRatings notes that TFSPH's FY2024 revenues and net income were at their highest since 2016.

As of end-March 2025, TFSPH's total loan receivables expanded to ₱154.4 billion, generating a net interest income of ₱6.7 billion. As such, TFSPH sustained the upward trajectory in its revenues in FY2025, posting a 9.0% increase to ₱7.5 billion. Top line expansion, however, was offset by the faster increase in interest and operating—primarily from the increased provisioning for credit losses—expenses. Bottom line declined by 8.1% to ₱1.7 billion in FY2025.

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<sup>2</sup> For the BSP, concentration of credit exists when total loan exposure to a particular industry or economic sector exceeds 30.0% of the total loan portfolio.

<sup>3</sup> <https://mb.com.ph/2022/2/14/financing-the-recovery-of-auto-sales>

<sup>4</sup> Purchase Unit/Toyota Sales

<sup>5</sup> Total revenues = Net Interest Income + Service Fees and Other Income

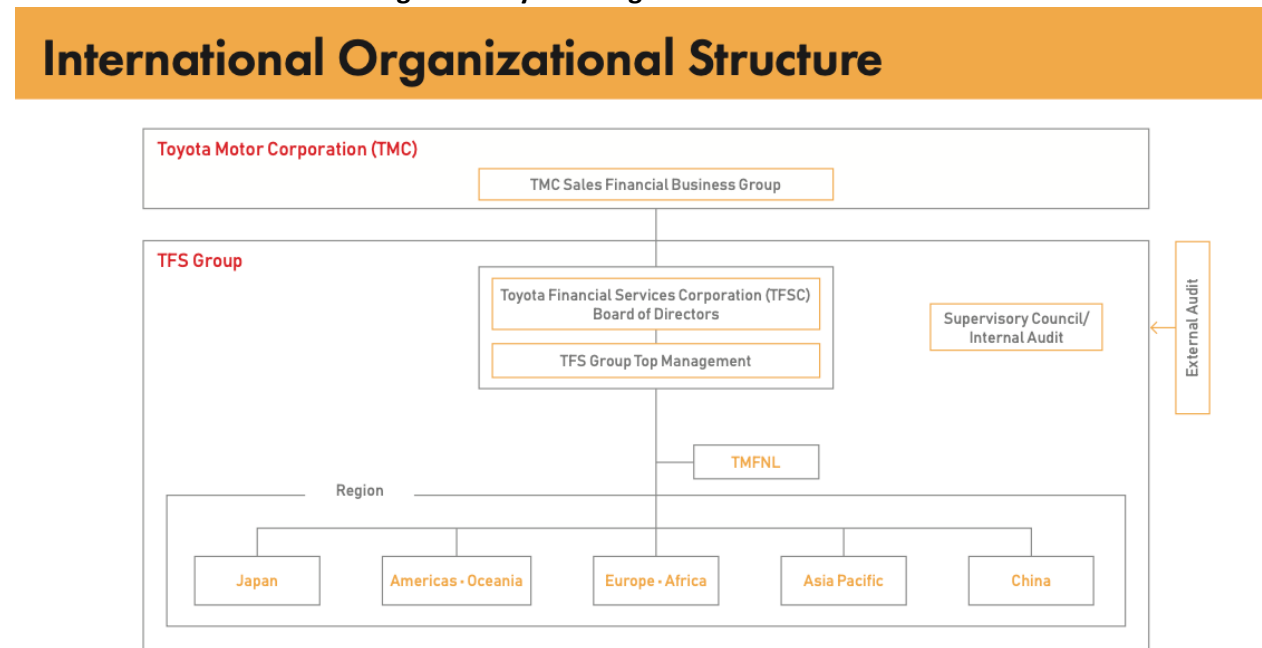
Moving forward, the Company projects double-digit growth in its loan portfolio, revenues, and earnings.

**BUSINESS PROFILE**

Toyota Financial Services Philippines Corporation (TFSPH) was registered with the Philippine Securities and Exchange Commission (SEC) in August 2002. It subsequently commenced operations in October of the same year. The Company provides financing and leasing services to Toyota customers, as well as inventory stock financing to Toyota dealers, thereby supporting Toyota sales in the Philippines. TFSPH’s penetration of Toyota sales reportedly hovers at approximately 30%, compared with the shares of competitor banks which are at distant single-digit levels.

TFSPH is part of Toyota’s network of sales finance companies that operates in more than 37 countries under Toyota Financial Services Corporation (TFSC). TFSPH is the 25<sup>th</sup> sales finance company established by TFSC.

**Figure 1. Toyota’s Organizational Structure**



Source: TFSPH 2024 Annual Report

In May 2008, the Bangko Sentral ng Pilipinas (BSP) granted TFSPH a quasi-banking (QB) license. Non-bank financial institutions with quasi-banking functions (NBQBs) are authorized to borrow funds from 20 or more individuals for re-lending or purchasing receivables, but not the issuance of deposit liabilities. A QB license, therefore, enables a financing company to diversify its funding sources, as well as offer a wider range of financing products. TFSPH officially began operating as a QB in April 2009. As of report writing date, there are 12 NBQBs licensed by the BSP.

TFSPH has diversified its product offerings to support the various vehicle financing needs of individual and corporate customers. Its lineup of products and services include auto loans, finance lease, fleet financing, and retail promissory notes (RPN). In 2020, the Company introduced KINTO One, a full-service vehicle

lease package targeting customers who are looking for a flexible, subscription-based car lease solution. To focus more on its core business, however, the KINTO ONE business was transferred to Toyota Mobility Solutions Philippines (TMSPH), a wholly owned subsidiary of TMP. TFSPH also introduced the mobile payment solution, myTOYOTA Wallet, in 2021.

The myTOYOTA Wallet mobile app, launched in October 2021, is Toyota's mobile payment solution that brings together multiple payment options in a single app. Initially introduced in Japan in 2019, then in Thailand in 2020, customers in the Philippines can now make cashless payments for their Toyota transactions using the myTOYOTA Wallet app. As of end-March 2024, myTOYOTA Wallet had 115,645 cumulative registrations (of which 50,462 were new), with total transactions amounting to P19.0 million. TFSPH continues to roll out new features for myTOYOTA Wallet.

TFSPH has nine provincial business centers located in Bacolod, Cagayan de Oro, Cebu, Dagupan, Davao, Lipa, San Fernando, Nueva Ecija and Isabela. The Company's Head Office is in Makati City.

### Ownership and management

TFSPH is 60%-owned by TFSC and 40%-owned by GT Capital Holdings, Inc. (GT Capital). TFSC is fully owned by Toyota Motor Corporation (TMC). Through Toyota Motor Philippines (TMP), TFSPH has direct access to Toyota clients and prospects.

TFSC is a leading Japan-based financial services group that serves a customer base of more than 26 million drivers worldwide. TFSC holds strong long-term credit ratings of A+ from Standard & Poor's and A1 from Moody's. The ratings signify high credit quality, with a low likelihood of default.

For Fiscal Year Ended March 2024, the Toyota Financial Services Group had assets of \$285.8 billion and recorded net operating income of \$3.6 billion. The Group served 30 million customers worldwide, through its global network that is supported by sales finance companies in 43 countries and locations. In the Asia Pacific region, the Group had a presence in nine countries: Thailand, Malaysia, the Philippines, Taiwan, Korea, Indonesia, Vietnam, India and Singapore. The Toyota Financial Services Group continues to focus on strengthening its relationships and sales support with worldwide Toyota and Lexus distributors and dealers.<sup>6</sup>

GT Capital is a Philippine conglomerate with holdings in market-leading businesses in various sectors including banking, property development, infrastructure and utilities, automotive assembly, importation, wholesaling, dealership and financing, and life and non-life insurance. GT Capital serves as the primary vehicle for the holding and management of the diversified business interests of the family of the late Dr. George S.K. Ty in the Philippines. GT Capital's total bond issue of ₱32.0 billion which matured from 2020 to 2024 were assigned issue credit ratings of PRS Aaa by PhilRatings. PRS Aaa is the highest issue credit rating assigned by PhilRatings.

In 2024, GT Capital reported a consolidated net income of ₱37.5 billion, slightly up by 1.7% from the previous year. The uptick was on account of the 4.6% increase in consolidated revenues to ₱321.5 billion. Cash flows continued to be healthy, providing ample liquidity. GT Capital also maintained its conservative leverage position, with a debt-to-equity (DE) ratio of 0.4x as of end-2024.

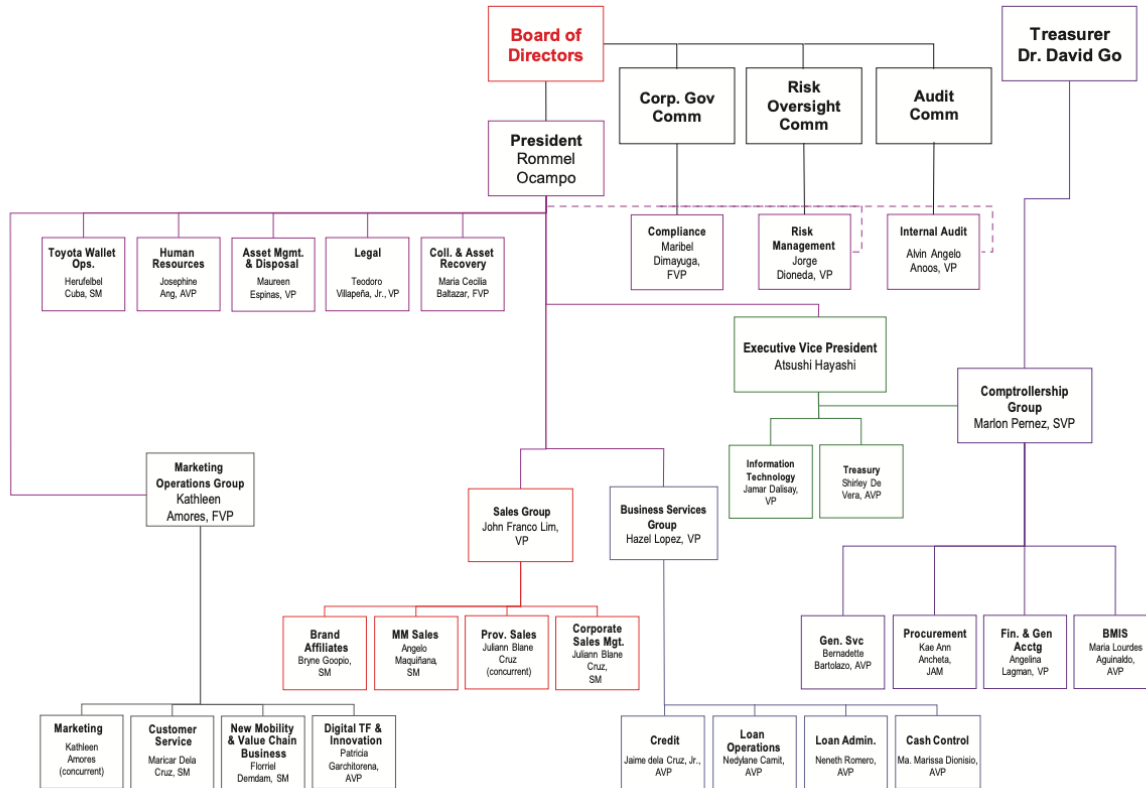
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<sup>6</sup> <https://www.tfsc.jp/en/company/index.html>

Net income of GT Capital significantly went up by 29% to ₱9.14 billion in first quarter 2025 (1Q2025), driven by the strong performance of its operating companies engaged in the automotive, real estate, banking, and insurance businesses. Core net income, which excludes extraordinary gains, went up by 27% to ₱8.7 billion. The improvement in bottom line was on the back of the 21% hike in consolidated revenues to ₱89.78 billion.

Figure 2. TFSPH’s Organizational Structure

## Organizational Structure



Source: TFSPH 2024 Annual Report

Carmelo Maria L. Bautista is the Chairman of TFSPH since July 2017. He is also the President of GT Capital since 2011. Prior to his current position, Mr. Bautista was the Head of the Investment Banking Group of First Metro Investment Corporation (FMIC). He has been in the Banking and Financial Services sector for 45 years. Mr. Bautista has a Bachelor of Arts degree, Major in Economics, from the Ateneo de Manila University. He also has a Master in Business Management degree, Dean’s Citation List, from the Asian Institute of Management.

Rommel J. Ocampo is the President of TFSPH since January 2022. Prior to his present position, Mr. Ocampo was the Head of TFSPH’s Sales and Marketing Group from 2011 to 2021. Mr. Ocampo has a Bachelor of Arts in Political Science degree, Cum Laude, from the University of the Philippines Diliman.

As of end-March 2024, TFSPH had no DOSRI accounts (loans to directors, officers, stockholders and related interests). The Company had 214 officers and 267 staff, as of the period.

## Strategy

The Company aims to further widen its market reach by continuing to strengthen its dealer and customer network, expanding the penetration of its financing services, and growing its fleet business for both Toyota and non-Toyota brands (including Suzuki and Hino). TFSPH also plans to enhance its digital platforms and technological capabilities to remain competitive versus emerging fintech players and alternative lenders offering faster loan processing and more flexible financing solutions. Furthermore, strengthening risk management frameworks remains a strategic priority to mitigate exposure to economic volatility and credit risks. TFSPH additionally seeks to develop new revenue streams, including insurance services, capitalizing on the growing demand for bundled financial solutions and the increasing need for risk protection in the market.

TFSPH banks on its solid brand reputation and diversified product offerings to support its growth. The Company also cites its ability to apply best practices from TFSC's global network as the key to its competitiveness. TFSPH is committed to the continuous improvement of its financial services through Kaizen activities based on global best practices and teamwork.

## Corporate Social Responsibility

Through its Corporate Social Responsibility programs, TFSPH gives back to the community, "Producing Happiness for All". The Company has a tradition of giving back by supporting projects that honor the hard work and dedication of Filipino teachers and providing much-needed assistance to children battling cancer.

As part of its anniversary celebration every year, TFSPH purchases watches from the LoveHopeFaith Group, a social enterprise dedicated to helping cancer patients, as tokens for its five-year and ten-year loyalty awardees. Each purchased watch supports one child battling cancer. In FY2024, TFSPH purchased a total of 66 watches, in turn contributing to the support of 66 child cancer patients.

In celebration of National Teachers Month, TFSPH honored 17 dedicated teachers at Sta. Rosario Elementary School in Pateros in October 2023. The activity included a short program during which teachers were honored with certificates, gift checks, and personal care items. A game session, involving teachers and 25 TFSPH volunteers, was also held to foster community.

## **Operations**

Finance lease receivables continued to comprise bulk of the Company's total receivables, accounting for 89.4% of gross loans and receivables as of end-March 2024 (*Note: TFSPH's Fiscal Year ends on March 31*). This was marginally lower than its 90.7% share a year ago. A finance lease allows a business or individual to obtain use of an equipment or vehicle without the high upfront costs of buying outright. In a finance lease, the finance company (lessor) purchases the asset on behalf of the user (lessee), and the latter pays regular installments to the finance company for an agreed-upon period of time.<sup>7</sup> In this agreement, the lessee will have operating control over the asset and will take on any risk or return associated with the ownership of the asset.<sup>8</sup> Receivables financed and operating lease accounted for the remaining 10.0% and 0.6%, respectively, of gross loans and receivables. An operating lease is a rental agreement where a

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<sup>7</sup> <https://www.fundingoptions.com/knowledge/finance-leases/>

<sup>8</sup> <https://www.contractsounsel.com/t/us/finance-lease>

company (the lessee) uses an asset (like equipment or real estate) for a specific period without transferring ownership to the lessee. The asset remains owned by the lessor, who is responsible for maintenance and risks.

Based on the type of asset financed, 33.7% were sedans and hatchbacks, 22.4% were crossovers and sport utility vehicles (SUV), 21.2% were vans and pickups, and 17.1% were multi-purpose vehicles (MPV), as of end-March 2024. Gazoo racing cars and electrified vehicles had minimal shares of 4.5% and 0.8%, respectively. Trucks and coupes accounted for the remaining balance.

In terms of geographic location, Luzon (excluding Metro Manila) had a 41.0% share of gross loans and receivables as of end-March 2024, while Metro Manila was a close second with 40.3%. Visayas and Mindanao accounted for 10.5% and 8.2% of the portfolio, respectively.

TFSPH handled a total of 390,468 customer service transactions in FY2024. Email transactions comprised 38.6%, while the chat platform accounted for 23.6%. Call center operations had a share of 21.2%, while walk-in customers made up 16.5%. The nature of the transactions varied, with inquiries making up the majority at 75.5%. Customer concerns raised were minimal at 0.1%.

### Asset Quality

TFSPH's loan receivables (gross) grew by 13.8% from ₱124.7 billion as of end-FY2023 to ₱141.9 billion as of end-FY2024. Combined with the 5.5% decrease in NPLs<sup>9</sup> to P3.5 billion, gross NPL ratio improved from 3.0% as of end-FY2023 to 2.5% as of end-FY2024. The Company attributed the improvement to the effectiveness of its risk management strategies. TFSPH's NPL ratio also compared favorably with the 4.5% NPL ratio of NBQBs as of end-March 2024. Although TFSPH's gross NPL ratio climbed to 4.1% as of end-FY2022, in the middle of the pandemic, this was likewise markedly better compared with the 9.8% NPL ratio of NBQBs at that time. PhilRatings also notes that TFSPH managed to keep its comparatively better NPL ratio during the pandemic despite the aggressive growth in its loan portfolio.

Following a declining trend since FY2021, assets held for sale almost doubled from ₱311.8 million as of end-FY2023 to ₱579.6 million as of end-FY2024. The hike was driven by the 10.5% increase in repossessed units, combined with the extended holding period due to conditions in the disposal market (i.e., low market value). Nevertheless, assets held for sale constituted less than 1.0% of total assets. Loss on disposal of assets held for sale amounted to ₱51.4 million in FY2024, as opposed to the ₱8.8 million gain in FY2023, on account of the shift in market conditions which resulted in selling prices going below book value.

As of end-FY2024, the Company's main industry exposures were in other community and personal activities (24.3% of gross loans and receivables), wholesale and retail trade (17.2%), and social work activities (15.4%). The respective exposure to other industries were at less than 9.0%.

Furthermore, as of end-FY2024, 10.1% and 89.9% of TFSPH's receivables from customers were secured by chattel mortgage and contract of lease, respectively. For finance leasing accounts, the official receipt and certificate of registration are under the name of TFSPH, therefore ownership is retained by the Company until such time that accounts have been fully settled.

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<sup>9</sup> Loans are considered non-performing if any principal and/or interest is unpaid for more than 90 days from the contractual due date, even if not considered impaired. In such cases, the total outstanding balance is considered non-performing.

As of end-FY2025, TFSPH’s gross NPL ratio further improved to 1.7%, on the back of a 23.1% dip in NPLs amid continued loan book growth. Top industry exposures were in still in other community and personal activities (23.5%), wholesale and retail trade (17.9%), and social work activities (14.2%). Receivables secured by chattel mortgage and contract of lease comprised 10.4% and 89.6%, respectively, almost unchanged from a year ago. In terms of borrower employment profile, majority were full-time employees.

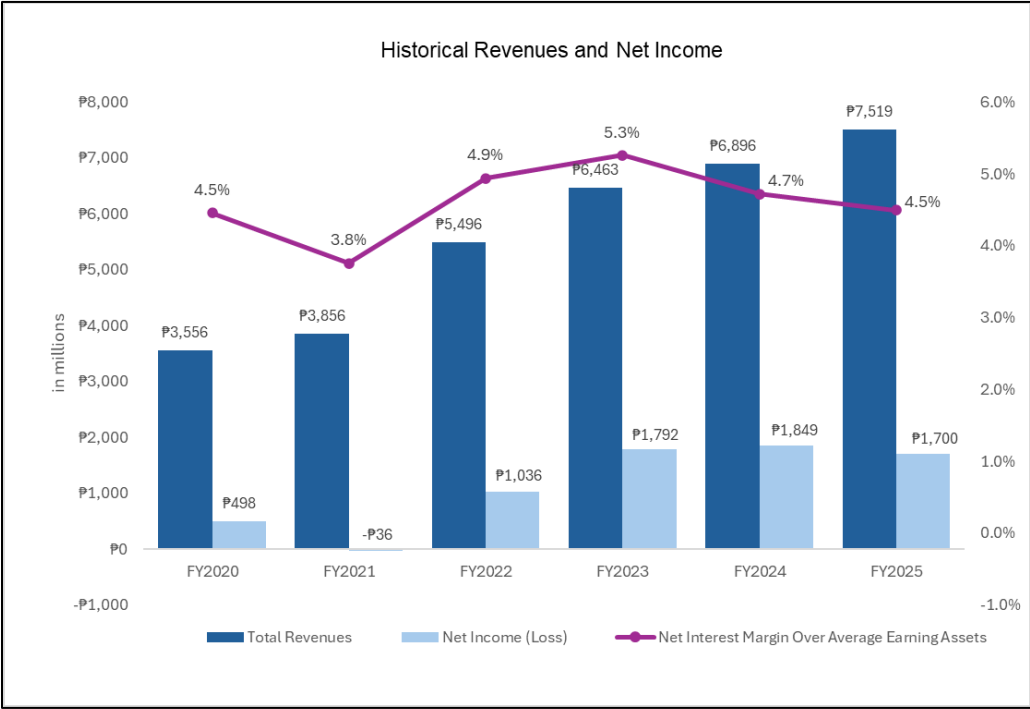
TFSPH expects its NPL ratio to remain well-managed in the succeeding years, supported by its risk mitigation strategies.

**FINANCIAL PROFILE**

*Analysts’ Note: PhilRatings’ calculation of certain ratios may be different from what the Company uses and publishes.*

**Profitability**

**Figure 3. Historical Profitability**



**FY2020 to FY2023**

With the steady increase in the Company’s loan portfolio, net interest income was also on an upward trajectory, growing from ₱3.2 billion in FY2020 to ₱6.2 billion in FY2023. Total revenues, which also includes the Company’s service fees and other income, likewise grew from ₱3.6 billion to ₱6.5 billion over the same period, representing a CAGR of 22.0%.<sup>10</sup> Historically, net interest income had accounted for the bulk of revenues, comprising an average share of 92.0% from FY2020 to FY2023.

<sup>10</sup> Services fees and other fees include income from late payments and penalty charges, service charges, and subsidy income. Subsidy income is the amount of subsidies granted by TMP to the Company to compensate for the reduction of interest offered on the amount financed.

In FY2021, the Company recorded a net loss amounting to ₱36.0 million, a reversal from the net income of ₱498 million in the previous fiscal year. While TFSPH recorded a substantial expansion in its loan book in FY2021, total revenues grew modestly at 8.5%, from ₱3.6 billion in FY2020 to ₱3.9 billion in FY2021. This modest increase was significantly offset by the 64.7% or ₱610 million increase in provision for credit and impairment losses and 71.1% or ₱205 million increase in loss on disposal of assets held for sale, both on account of the disruptions caused by the COVID-19 pandemic. TFSPH fully stopped collecting from its borrowers for five months, in compliance with the BSP's Bayanihan 1 and 2 directives. In line with the foregoing, the Company took a conservative approach in managing its credit risk by substantially increasing its provision. The higher provision was to ensure that there would be sufficient buffer to absorb any losses that may be incurred from the non-collection of receivables. In FY2023, the Company was able to recover and record a gain in asset disposals amounting to ₱8.8 million.<sup>11</sup> Moreover, the provision for credit and impairment losses also declined to ₱1.3 billion in FY2023.

Profitability recovered beginning FY2022, with the Company recording a net income of ₱1.0 billion, and which further increased to ₱1.8 billion in FY2023. Except for FY2021, TFSPH's net interest margin (NIM) was on an uptrend, improving from 4.5% in FY2020 to 5.3% in FY2023. Average operating and net profit margins during the period were 21.1% and 14.9%, respectively.

The Company also managed to improve its operating efficiency ratio over the period, reaching 0.6x in FY2023, from a high of 1.0x in FY2021.

#### FY2024

While gross interest income grew by 14.9% to ₱13.1 billion in FY2024, net interest income was relatively unchanged at ₱6.3 billion, given the significant hike in interest expense. Interest expense jumped by 30.2% from ₱5.2 billion in FY2023 to ₱6.8 billion in FY2024. Such growth in interest expense could be attributed to the Company's higher debt level amid the elevated interest rate environment. It should be noted that the BSP's reverse repurchase rate ranged from 6.25% to 6.5% during the Company's fiscal year, with 6.5% being the highest in the past 16 years. Notwithstanding this, service fees and other income almost doubled in FY2024 reaching ₱608 million, from ₱296 million in FY2023. This increase supported the modest 6.7% growth in revenues, from ₱6.5 billion in FY2023 to ₱6.9 billion in FY2024.

Operating profit margin (OPM) was slightly lower at 36.7% in FY2024, from 37.2% in FY2023, due to the 7.7% hike in operating expenses. Operating expenses went up from ₱4.1 billion to ₱4.4 billion in FY2024. Operating efficiency ratio was unchanged at 0.6x.

TFSPH's net income was relatively unchanged at ₱1.8 billion in FY2024. Net profit margin (NPM) and NIM were slightly lower at 26.8% and 4.7%, respectively. PhilRatings notes, however, that TFSPH's FY2024 revenues and net income were the highest recorded by the Company since 2016.

#### FY2025

TFSPH's revenues increased by 9.0% in FY2025, from ₱6.9 billion in FY2024 to ₱7.5 billion. This was attributable to the continued expansion of the loan portfolio, which grew by 10.2% to ₱154.4 billion. Interest expense, however, grew at a faster rate of 27.3%, from ₱6.8 billion in FY2024 to ₱8.6 billion in FY2025. Such was due to the Company's increased debt level. Similarly, operating expenses grew by

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<sup>11</sup> Beginning FY2023, gain or loss on disposal of assets held for sale are included in Service Fees and Other Income.

17.3%, from ₱4.4 billion in FY2024 to ₱5.1 billion in FY2025, primarily driven by the higher provision for losses due to the change in the Company's expected loss methodology. Higher taxes and license fees also contributed to the increased operating expenses.

As a result, operating income of the Company amounted to ₱2.4 billion, down by 5.2% from ₱2.5 billion in FY2024. Bottom line declined by 8.1%, from ₱1.8 billion in FY2024 to ₱1.7 billion in FY2025. The declines in operating and net incomes depressed margins. Operating and net profit margins were 31.9% and 22.6%, respectively.

#### Projected Period (FY2025 to FY2028)

TFSPH's revenues are seen to post double-digit growth over the projected period on account of sustained loan book growth. The expected steady demand for automobile financing, supported by the country's relatively young demographics, expansion of fleet business, and improved market penetration, is seen to drive revenue growth. Moreover, the release of several variants of the Toyota brand, including the All-New Tamaraw (launched in December 2024) and the expected launch of the All-New Wigo and Vigo in 2025, are seen to boost TFSPH's top line. Margins and returns will also be relatively steady going forward.

### **Asset-Liability Management**

#### FY2020 to FY2023

The Company's total assets showed an increasing trend from ₱82.0 billion as of end-FY2020 to ₱134.9 billion as of end-FY2023, representing a CAGR of 18.0%. The growth was mainly attributable to the expansion of the loans and receivables portfolio, which steadily grew from ₱75.4 billion as of end-FY2020 to ₱122.9 billion as of end-FY2023. The loans and receivables account grew the highest in FY2021, which also covered the first year of the pandemic. Amid the significant slowdown in economic activity and banks taking a cautious stance on consumer loans, TFSPH continued to extend loans to buyers of Toyota vehicles. Amid the pandemic, the Company kept its mandate of supporting the sale of Toyota vehicles and maintained normal operations to show its commitment to internal and external stakeholders. As a result, TFSPH's market penetration reportedly reached 55% during the pandemic, from 20% pre-pandemic. Loans and receivables were the biggest asset component of total assets, with an average share of 91.4% from FY2020 to FY2023.

Total liabilities grew in line with asset growth, also recording a CAGR of 18.0%, from ₱72.4 billion in end-FY2020 to ₱118.9 billion in end-FY2023. Such was driven by the Company's increasing loans/borrowings, which was TFSPH's primary source of funding. Loans payable was equivalent to at least 85% of total assets, from FY2020 to FY2023. TFSPH's borrowings included banks loans, retail notes, and private bonds issued to various local and international banks. Domestic and foreign bank loans accounted for 73%, on average, of the total borrowings from FY2020 to FY2023. The Company also entered into various private bond purchase agreements with Bank of Tokyo – Mitsubishi UFJ, Ltd. (BTMU) and Sumitomo Mitsui Banking Corporation (SMBC) over the period and has issued retail fixed rate notes amounting to ₱4.0 and ₱8.0 billion in FY2021 and FY2022, respectively.

PhilRatings notes that the Company had become more aggressive in terms of borrowing, primarily to fund the robust growth of its loan book. The Company's QB license is seen as supportive of TFSPH's capital-raising efforts, allowing the Company access to a greater number of fund providers.

FY2024

The Company's total assets grew further by 13.7% to ₱153.4 billion, in line with the growth in its loan portfolio. Following the expansion in assets, TFSPH's total liabilities similarly grew to reach ₱135.4 billion as of end-FY2024. Such growth was supported by additional borrowings, which stood at ₱130.0 billion as of end-March 2024. It is worth noting, however, that all of TFSPH's outstanding loans are unsecured, indicating the Company's strong credit standing with its lenders. Of its total debt, 74% or ₱95.8 billion were bank loans (59% domestic; 15% foreign), 12% were private bonds issued or payable to BTMU and SMBC, and the balance were fixed-rate notes and notes payable, with each accounting for 7%-8% of total borrowings.

The Company's liquidity management includes considering the maturity profile of its outstanding loans. As of end-March 2024, approximately 35% (₱44.6 billion) of total borrowings will mature within one year (until end-March 2025). Receivables from customers within one year, on the other hand, stood at ₱46.8 billion.

The Company's borrowings had fixed interest rates, as of end-December 2024. Domestic bank loans in FY2024 had annual interest rates ranging from 3.7% to 7.2%. The interest rates of the Company's loans were generally higher compared to FY2023 due to elevated interest rates, which reached an all-time high in FY2024. Similarly, TFSPH earned fixed interest, ranging from 6.02% to 18.44% in FY2024, from its receivables financed and finance lease receivables.

**Table 1. Interest Rates of Loans and Receivables**

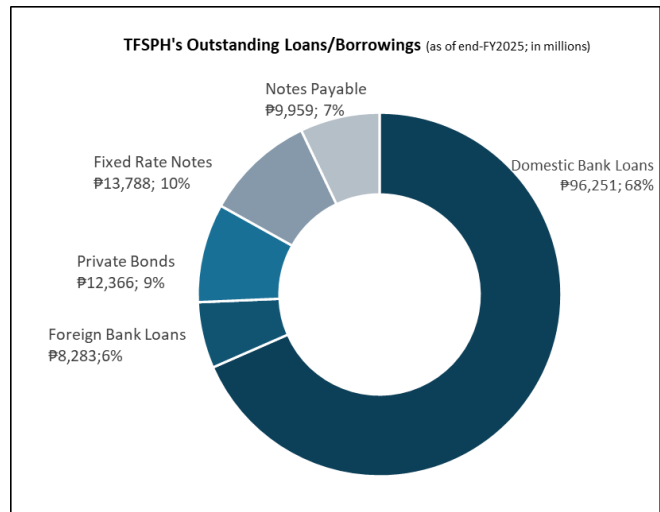
	FY2020	FY2021	FY2022	FY2023	FY2024
Borrowing Rate	3.60% - 8.70%	2.50% - 8.70%	2.50% - 8.70%	2.97% - 8.70%	3.70% - 7.20%
Lending Rate	4.51% - 20.33%	4.58% - 20.33%	4.51% - 19.02%	4.51% - 18.44%	6.02% - 18.44%

The Company has entered into currency swap agreements with domestic banks to hedge the foreign exchange risk arising from foreign currency loans availed from its foreign banks. As a rule, TFSPH is not allowed to have a foreign exchange position; hence, all foreign borrowings must be fully hedged from inception until maturity.

FY2025

As of end-March 2025, TFSPH's total assets stood at ₱165.5 billion, slightly up by 7.9% as of end-FY2024, backed by the continued expansion of its loan book which stood at ₱154.4 billion.

Total liabilities grew by 7.1% to ₱145.1 billion as of end-March 2025, as loans payable went up by 8.2% to ₱140.6 billion. As of end-March 2025, approximately 34% (₱47.5 billion) of total borrowings will mature within one year, while receivables from customers within one year stood at ₱52.6 billion. Bank loans, accounting for 74% of total loans payable, remained as the main source of the Company's funding requirements.

**Figure 4. Breakdown of Loans Payable**Projected Period (FY2025 to FY2028)

TFSPH aims to sustain the double-digit growth in its loan book. Such is anchored on sustained vehicle demand, the planned diversification of the business, and the projected increase in market penetration. Loan book growth will be supported by additional borrowings, including the issuance of the proposed bonds. Loans payable will continue to account for bulk of TFSPH's liabilities. The Company is also seen to maintain a debt level aligned with its asset growth.

TFSPH intends to pursue a ₱20.0 billion fixed rate bond programme, with the first tranche expected to be issued in the fourth quarter of 2025 (4Q2025). The first tranche will have a base amount of ₱2.0 billion, with an option to upsize.<sup>12</sup> Proceeds of the bond issuance will be used to sustain asset growth and diversify funding sources.

Additionally, the reduction in reserve requirement ratio (RRR) to 5.0% for NBQBs is expected to boost the Company's lending capacity, which in turn could further boost the expansion of its loan base. *(Please refer to the Economic Review portion of the report for more information on the reduced RRR.)*

**Capital Adequacy**FY2020 to FY2023

Total equity recorded CAGR of 18.2%, from ₱9.6 billion as of end-FY2020 to ₱16.0 billion as of end-FY2023. Such growth was driven by capital infusions in FY2021 and FY2022, each amounting to ₱2.0 billion, from the Company's shareholders. Equity growth was also supported by the continued retention of earnings over the years. Retained earnings grew from ₱5.3 billion as of end-FY2020 to ₱8.1 billion as of end-FY2023. PhilRatings notes that there was no cash dividend in the last four years; such may be viewed as indication of strong shareholder commitment to TFSPH's growth.

<sup>12</sup> Subject to change depending on market condition.

Debt was the Company's main source of funding, given the nature of its business. Average equity to assets ratio was 11.5%, considered low relative to its peers, from FY2020 to FY2023. The Company's capital adequacy ratio (CAR) of 13.0% as of end-FY2023, however, was well above the 10.0% minimum regulatory requirement of the BSP.

TFSPH's capital management is monitored through its debt to equity (DE) ratio. The Company has established a ceiling of 10.0x for its DE ratio. TFSPH's DE ratio from FY2020 to FY2023 ranged from 7.2x to 8.0x. PhilRatings notes that while this was on the high side, it showed an improvement from the 7.7x to 9.8x range for FY2016 to FY2019. Management also pointed out that it has never reached its 10x DE ceiling.

#### FY2024

Total equity grew by 12.7% to ₱18.0 billion, backed by the full retention of the ₱1.8 billion earnings during the period. Retained earnings as of end-FY2024 grew to ₱9.9 billion, while capital stock was unchanged at ₱8.7 billion.

Equity to assets was slightly lower at 11.7%. CAR inched down to 12.13%, although such continued to exceed the minimum regulatory requirement. DE ratio was unchanged at 7.2x as of end-FY2024.

#### FY2025

The continued plowback of earnings into operations continued to support equity expansion. Retained earnings grew by 17.1% to ₱11.6 billion as of end-FY2025, while capital stock was unchanged at ₱8.7 billion. TFSPH's total equity reached ₱20.4 billion, as of end-March 2025.

As of end-FY2025, TFSPH's DE ratio stood at 6.9x, slightly improving from the 7.2x as of end-FY2024.

Under the Financing Company Act, TFSPH is mandated to maintain a minimum paid up capital of ₱10.0 million, and additional capital requirement for each branch: ₱1.0 million for branches established in Metro Manila, ₱500,000 for branches established in other cities, and ₱200,000 for branches established in municipalities. As of March 31, 2025, TFSPH was in compliance with the foregoing.

TFSPH does not have off-balance sheet assets and contingent liabilities as of end-FY2025.

#### Projected Period (FY2025 to FY2028)

Retention of earnings will continue to drive equity growth over the projected period. Moreover, TFSPH's capital stock is expected to increase on account of a possible capital infusion to meet capital adequacy requirements given the expansion in assets. TFSPH, however, prefers to organically grow its equity by increasing its net income/retained earnings. The planned capital infusion may be postponed to a later date, if net income performance is better than expected and the required or target capital adequacy is met.

Equity to assets ratio will be slightly lower over the projected period. TFSPH's asset expansion will be backed by the double-digit growth in its loan portfolio; the latter will be mainly funded by additional debt.

## Financial Flexibility

As of December 31, 2024, TFSPH had a significant amount of undrawn credit facilities. All of the facilities are on clean basis, reflecting the Company's strong credit standing with its lenders.

## **ECONOMY AND INDUSTRY**

### **Economy<sup>13</sup>**

#### 2024<sup>14</sup>

The country's Gross Domestic Product (GDP) grew by 5.2% in 4Q2024, unchanged from the previous quarter. The expected boost in economic activity in 4Q2024 due to the holiday season was dampened by the impact of destructive storms and other climate-related disruptions. Such brought full-year 2024 GDP growth to 5.6%, lower than the government's revised full-year target of 6.0%-6.5%. Nonetheless, the Philippines remained as one of the fastest-growing economies in the Asia Pacific region, following Vietnam (7.5%) and China (5.4%).<sup>15</sup>

The Industry and Services sectors grew by 5.6% and 6.7%, respectively. In contrast, Agriculture, Forestry and Fisheries (AFF) contracted by 1.6%, and which was attributed to the record-breaking typhoon season – six typhoons struck the country from the end of October until the middle of November.

Household Final Consumption Expenditure (HFCE) expanded by 4.8% in 2024, slower compared with the 5.6% growth recorded in 2023. Government Final Consumption Expenditure (GFCE), on the other hand, grew by 7.2%, notably higher than its marginal 0.6% growth in 2023.

#### 2Q2025<sup>16</sup>

In 2Q2025, the Philippine GDP expanded by 5.5%, slightly up from the 5.4% growth recorded in 1Q2025 but slower than the 6.5% posted in 2Q2024. The main contributors to growth were: Wholesale and retail trade, repair of motor vehicles and motorcycles (5.1%); Public administration and defense, compulsory social security (12.8%); and Financial and insurance activities (5.6%). All major economic sectors registered growths: AFF, 7.0%; Services, 6.9%; and Industry, 2.1%. On the demand side, HFCE grew by 5.5% in 2Q2025. Government spending likewise rose by 8.7%.

### Outlook<sup>17</sup>

In June 2025, the Development Budget Coordination Committee (DBCC) revised the country's 2025 to 2028 GDP growth target. Target for 2025 was lowered to 5.5% to 6.5%, from the previous range of 6.0% to 8.0%. Similarly, DBCC also trimmed its 2026 to 2028 target to 6.0% to 7.0%, from 6.0% to 8.0%. According to DBCC Secretary Amenah Pangandaman, the revisions factored in the heightened global uncertainties such as the ongoing tension in the Middle East and reciprocal tariffs imposed by the United

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<sup>13</sup> Philippine Statistics Authority

<https://www.rappler.com/business/gross-domestic-product-philippines-q4-2023/>

<sup>14</sup> <https://psa.gov.ph/content/gdp-expands-52-percent-fourth-quarter-2024-brings-full-year-2024-gdp-year-year-growth-rate>

<sup>15</sup> <https://www.philstar.com/headlines/2025/01/30/2417970/philippines-ends-2024-56-economic-growth-missing-govt-target>

<sup>16</sup> <https://psa.gov.ph/content/gdp-expands-55-percent-second-quarter-2025>

<sup>17</sup> <https://www.rappler.com/business/dbcc-revised-economic-targets-philippines-june-2025/>

States (U.S.). The government is optimistic that the country's economic growth will reach the new 2025 target amid the expected lower trade deficit and a boost in domestic consumption driven by the low interest rates, easing inflation, and the robust labor market.

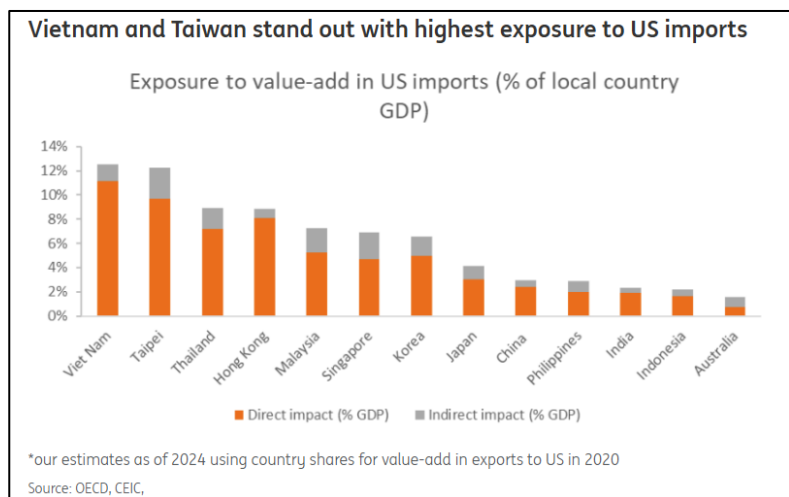
In April 2025, the International Monetary Fund (IMF), Asian Development Bank (ADB), World Bank, and Asean Macroeconomic Research Office (AMRO) all trimmed their 2025 GDP growth forecasts for the Philippines. The IMF, World Bank, and AMRO, whose forecasts fall below the government's target at that time, attributed the downgrades primarily to global trade uncertainty, particularly the reciprocal tariffs imposed by the U.S.

The World Bank lowered its GDP growth forecast from 6.1% early this year to 5.3%. According to the World Bank, the possible slowdown in the economy of U.S. and China (the Philippines' key trading partners) brought about by the trade war could weaken external demand for export-oriented countries like the Philippines.

The IMF sees the Philippines' GDP growing by 5.5% in 2025, also a steep downgrade from its previous forecast of 6.1%. In addition to the global trade uncertainty, the downgrade also considers the lower-than-expected GDP growth in 4Q2024. Nonetheless, despite the cut, the IMF reported that the country's economic growth would remain robust, with the Philippines poised to become the second-fastest growing economy in emerging and developing Asia, next to India. In its latest World Economic Outlook in July 2025, the IMF maintained its forecast for 2025 at 5.5%, but upwardly revised its 2026 projection to 5.9%.

In April 2025, AMRO also cut its GDP growth forecast to below 6.0%, from its previous forecast of 6.3%. AMRO's Chief Economist Hoe Ee Khor, however, acknowledged that the Philippines will be less affected by the tariffs compared with regional peers, given the country's relatively smaller manufacturing sector versus other ASEAN countries.<sup>18</sup> Vietnam, Taiwan, and Thailand are expected to be markedly affected by the tariffs, given their high exposure to U.S. imports as well as exports to the U.S.<sup>19</sup> In July 2025, AMRO further reduced its projections for 2025 and 2026 to 5.6% and 5.5%, respectively.

**Figure 5. Exposure to U.S. Imports**



The ADB, on the other hand, attributed its GDP growth downgrade, from 6.2% to 6.0%, to the slower-than-expected household spending growth in 4Q2024. Nonetheless, the ADB expects household consumption and investment will continue to drive the economy, with moderating inflation and government's more accommodative monetary policy to boost growth. It should be noted, however, that this forecast was made by the ADB prior to the announcement of new tariffs by the current U.S.

<sup>18</sup> Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam

<sup>19</sup> <https://think.ing.com/snaps/apac-hit-by-tariffs-in-the-range-of-10-49/>

administration. In July 2025, the ADB further reduced its forecast for 2025 and 2026 to 5.6% and 5.8%, respectively, citing external headwinds.

Dindo Manhit, President and CEO of Stratbase Group and Managing Director of BGA Philippines, stated in a policy paper for Bower Group Asia that the arrest of former President Rodrigo Duterte by the International Criminal Court (ICC) is expected to have minimal impact on the Philippines’ financial markets and economic stability, with no anticipated immediate disruptions to policies or business operations. Mr. Manhit also stated that widespread violence is unlikely because former President Duterte is no longer as popular as he was during his presidency, and lacks military support at this time. He noted that while followers of the former President remain influential on social media, particularly through the proliferation of so-called “troll armies”, such followers face limitations in mobilizing large-scale protests or uprisings, even in Mindanao, which is the Duterte family’s stronghold. Rizal Commercial Banking Corp. chief economist Michael Ricafort shared the same view, saying that the arrest of former President Rodrigo Duterte has had little impact on the country’s economic outlook. Mr. Ricafort noted the current political noise has remained manageable so far. He also noted the Philippines’ favorable credit ratings, kept at one to three notches above the minimum investment grade rating, despite political uncertainties and ongoing tensions with China.<sup>20</sup>

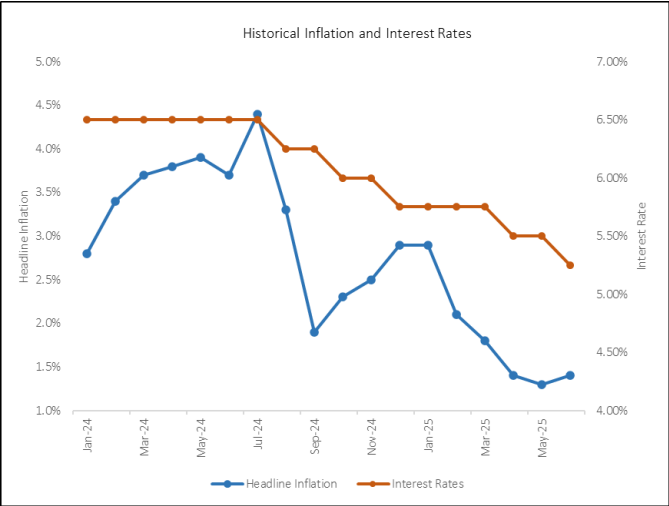
Inflation and Interest Rates<sup>21</sup>

Headline inflation slightly inched up in June 2025 to 1.4%, from 1.3% in May 2025 which was the lowest inflation in more than five years. The uptick in inflation was driven by the faster price increase in education, transportation, and housing, water, electricity, gas and other fuels. The increase, however, was tempered by the deceleration in food prices, particularly rice.

According to the Philippine Statistics Authority (PSA), housing, water, electricity, gas and other fuels accounted for 63.3% of June's headline inflation. The largest uptick under this index was electricity, which rose to a two-year high of 7.4%, from 2.8% in May. Transportation and education index also contributed to June’s inflation uptick, driven by the slower decline in gasoline and diesel prices and the uptick in tuition fees following the school reopening.

The heavily weighted food and nonalcoholic beverages, which accounted for approximately 40% of the country’s basket of goods and services, eased to 0.4% in June from 0.9% in May. Food index alone eased to its slowest decline in more than five years to 0.1% in June. Rice inflation contracted for the sixth straight month to 14.3% in June. This was the biggest drop since 1995.

**Figure 6. Historical Inflation and Interest**



<sup>20</sup> <https://www.bworldonline.com/top-stories/2025/07/04/683323/inflation-inches-up-in-june/>

<sup>21</sup> <https://psa.gov.ph/price-indices/cpi-ir>

The current inflation target for 2025 and 2026 remained at 2%-4%. Moreover, the BSP is also reviewing the possibility of adjusting the midpoint of the target band to 2.5%.<sup>22</sup> Headline inflation for the 1H2025 averaged 1.8%, lower than the target for the year and also lower compared with the average inflation in 1H2024 of 3.6%. The BSP stated that it is studying setting an inflation target in a single digit instead of a range, as it strives to keep prices of goods and services low. BSP Governor Eli Remolona, Jr. said the single-digit target, which some countries like the US implement, arose from his talks with IMF representatives.<sup>23</sup>

After peaking at 6.5% in 4Q2023 and following the consistent deceleration in inflation, the BSP implemented a series of rate cuts in 2024. Such brought the benchmark interest rate to 5.75% by end-2024. The BSP has since further implemented a total of 50 basis points (bps) reduction in the benchmark rates. As such, policy rate currently stands at 5.25%. This was the lowest level in two and a half years.

According to BSP Governor Remolona, there could be at least one more rate cut (25 bps) this year to further support economic growth. Based on the latest data from the Philippine Statistics Authority (PSA), headline Inflation further eased to 0.9% in July 2025, bringing the average for the first seven months of 2025 to 1.7%.<sup>24</sup>

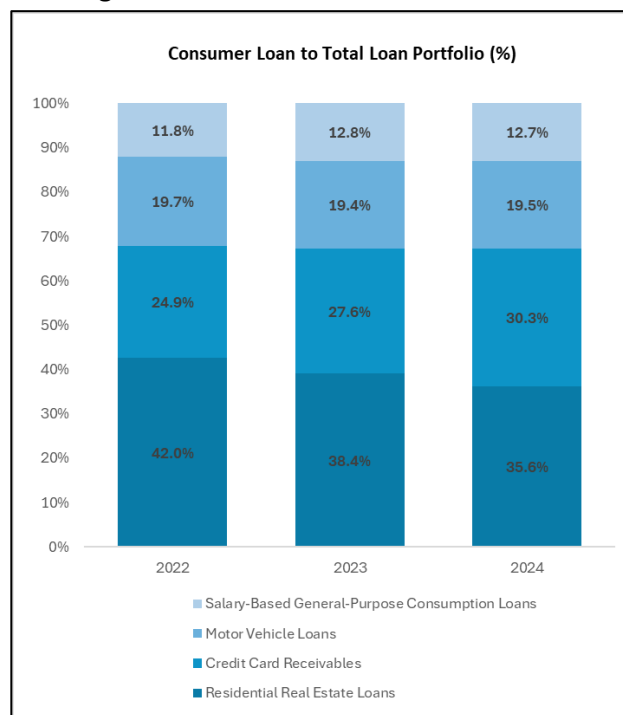
Effective March 2025, the bank's RRR was reduced by 200 basis points (bps) for universal and commercial banks (UKB) and NBQBs, 150 bps for digital banks, and 100 bps for thrift banks. As such, the RRRs were reduced to 5.0% for UKBs and NBQBs and 2.5% for digital banks. Thrift banks, on the other hand, are no longer required to hold any reserves against their deposits. The reduced RRR is expected to boost banks and NBQBs' lending capacity, which in turn could help expand their loan base.

## Industry

### Consumer Finance

Consumer loans continued to grow, posting an 18.0% increase to reach ₱3.1 trillion as of end-2024, from ₱2.6 trillion as of end-2023. The sector's NPL ratio improved to 5.3%, from 5.7% as of end-2023. Residential Real Estate Loans and Credit Card Receivables accounted for bulk (65.9%) of consumer loans. From 2022 to 2024, the share of Credit Card Receivables increased steadily, growing from 24.9% to 30.3%. In contrast, the share of Residential Real Estate Loans declined over the same period, from 42.0% to 35.6%. Meanwhile, the shares of Motor Vehicle Loans and Salary-Based General-Purpose Consumption Loans remained relatively stable, at 19.5% and 12.7% as of end-2024, respectively.

**Figure 7. Breakdown of Consumer Loans**



<sup>22</sup> <https://business.inquirer.net/519348/bsp-reviews-2-4-inflation-target>

<sup>23</sup> <https://tribune.net.ph/2025/05/25/bsp-plans-single-inflation-target>

<sup>24</sup> <https://psa.gov.ph/content/summary-inflation-report-consumer-price-index-2018100-july-2025>

Total consumer loans accounted for 21.1% of the banking industry's total loan portfolio as of end-2024. According to Moody's, consumer/retail loans are expected to post rapid growth over the next three years, with their share to total loans projected to reach 25%, as lenders pursue this higher-yielding, albeit riskier, segment. While this is expected to boost margins, Moody's noted that the rapid expansion of consumer loans could increase asset quality risks, as it may attract new borrowers without established credit histories.<sup>25</sup>

### Automotive<sup>26</sup>

In 2024, the country's total vehicle sales grew by 8.0% to 475,094 units, from 441,393 units in 2023. Such growth, however, fell short of the industry's 500,000 target. The growth of the automotive industry in 2024 was driven by new brand entrants and expanded model offerings, increased economic activity, and improved financing accessibility. Moreover, the automotive industry saw an influx of Chinese brands such as BYD, GAC Motor, Jetour, and MG. The composition of the top five players in the market remained unchanged from the previous year. TMP continued as the dominant player with a 46% market share. Mitsubishi Motors Philippines Corp. was a distant second with 19%, followed by Ford Group Philippines and Nissan Philippines, Inc. (Nissan), each holding a 6% market share. Toyota has been the top selling automotive brand in the Philippines since 2002, in terms of units sold. With the record-breaking sales in 2024, the Philippines became one of Toyota's top ten global markets. Lexus sold 2,263 cars in 2024, continuing to lead in the premium segment.

In terms of car type, commercial vehicles remained as the primary growth driver, with sales totaling 353,998 units, and accounting for 75% of total sales. Passenger cars made up the remaining 25%, with 121,096 units sold.

The Philippine automotive industry is projected to experience modest growth in 2025. The Chamber Automotive Manufacturers of the Philippines, Inc. (CAMPI) and Truck Manufacturers Association (TMA) forecast car sales to reach 512,000 units, an 8% increase from 2024. This optimistic outlook is attributed to the expected growth in remittances, business process outsourcing (BPO) earnings, a sound financial sector, government spending, and the election-related expenditures, all of which are expected to drive demand. The continued introduction of new models and brands is also anticipated to fuel growth in 2025. The sale of EVs is expected to increase by 7%, with the volume reaching 20,000 units for the first time, and accounting for 4% of the industry's target of about 500,000 vehicle sales. .

The domestic automobile market had a good start in 1Q2025. In March 2025, a total of 40,306 vehicle were sold, up from the 39,164 units sold in the previous month and the 37,474 units sold in March 2024. Year-to-date sales was 117,074 units, a 6.8% increase from 109,606 units sold in the 1Q2024. Commercial vehicles continued to account for the bulk (79%) of the sales. EVs accounted for 5.73%, with hybrid EVs accounting for 85% of EV sales.<sup>27</sup>

In early 2024, Special Assistant to the President for Investments and Economic Affairs Secretary Frederick Go said the government is preparing another program similar to the previous Comprehensive Automotive Resurgence Strategy (CARS) program.<sup>28</sup> The government will earmark ₱9.0 billion as fiscal support for

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<sup>25</sup> <https://business.inquirer.net/521585/ph-banks-facing-loan-quality-risks-moodys>

<sup>26</sup> <https://www.autoindustriya.com/features/philippine-auto-sales-2024-475-094-vehicles-sold-7-58-percent-growth.html>

<sup>27</sup> <https://www.topgear.com.ph/news/industry-news/philippine-car-sales-q1-2025-a2619-20250421>

<sup>28</sup> <https://www.pna.gov.ph/articles/1244537>

participating car makers (PCM) under the proposed Revitalizing the Automotive Industry for Competitiveness Enhancement (RACE) program, which will be implemented through a Joint Administrative Order (JAO). To qualify for this financial incentive, automotive manufacturers must pledge to locally produce at least 100,000 of three specific models of four-wheeled internal combustion engine (ICE) vehicles. This rule is more relaxed than the 200,000-unit minimum requirement of the CARS program. Under the RACE program each qualified PCB is entitled to get a maximum fiscal support of ₱3.0 billion.<sup>29</sup>

#### *Metro Manila Development Authority's (MMDA) Odd-Even Scheme*

On May 26, 2025, the MMDA announced that a brief dry run of the new odd-even scheme will be implemented along EDSA beginning June 16, 2025. The odd-even scheme will replace the current number coding. In the odd-even scheme, vehicles with license plates ending in odd numbers will not be allowed on EDSA on Mondays, Wednesdays and Fridays, while vehicles with even-number license plates will be banned on Tuesdays, Thursdays, and Saturdays. It should be noted that EVs and other hybrids, motorcycles and non-motorized vehicles, emergency vehicles, public utility vehicles, and authorized marked government vehicles with official plates used in the delivery of essential services, will be exempted from the odd-even scheme. The odd-even scheme aims to limit the number of private vehicles on EDSA in response to the anticipated traffic congestion due to the upcoming EDSA rehabilitation project. The EDSA rehabilitation is initially scheduled to begin on June 13 and is expected to be completed by 2027. This development may possibly result in an increase in car sales, particularly for hybrids and EVs, as people might be encouraged to purchase an additional vehicle to avoid the new odd-even traffic scheme. PhilRatings nevertheless notes that an increase in car sales in 2025 is already anticipated by CAMPI, as well as by TFSPH's management, prior to the announcement of the new odd-even scheme.

In June 2025, however, the MMDA stated that they will no longer push through first with the odd-even scheme given the postponement of the start of the EDSA rehabilitation project. President Ferdinand Marcos, Jr. said that the project needs to be studied further to determine if there are new technologies that could be used to speed up the rehabilitation. The project was initially postponed for a month.

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<sup>29</sup> <https://www.pna.gov.ph/articles/1244467>