

## **[ BSP CIRCULAR NO. 613, June 18, 2008 ]**

### **GUIDELINES ON THE COMPUTATION OF THE LOANS-TO-DEPOSITS RATIO AND PROPOSED AMENDMENTS TO THE BRANCH REPORTORIAL REQUIREMENTS**

The Monetary Board, in its Resolution No. 653 dated 29 May 2008, approved the following guidelines on: (a) the computation of the loans-to-deposits ratio of banks amending Section X393 and its Subsections X393.1 to X393.5 of the Manual of Regulations for Banks (MORB); and (b) the amendments to the branch reportorial requirements:

Section 1. Section X393 and its Subsections X393.1 to X393.5 of the MORB are hereby amended to read, as follows:

"Section X393 Loans-to-Deposits Ratio (LDR). The following policies and guidelines shall govern the LDR of head offices and branches.

"Subsection X393.1 Statement of Policy. It is the policy of the BSP to promote healthy competition within the banking system as well as provide enhanced banking statistics necessary for informed decision-making. It is in this view that amendments to existing regulations on the LDR and reportorial requirements are hereby issued.

"Subsection X393.2 Regional LDR. An individual bank's regional LDR is a measure of the extent of its lending activity vis-a-vis deposits generated in a region. On an aggregate basis, the regional LDR for the banking system is an indicator of the level of bank deposits which have been transformed into investments in a region. The latter may be used by banks as benchmark in assessing their regional lending and deposit operations as against that of the industry and their peer group.

"Subsection X393.3 Computation of the Regional LDR. The individual bank's regional LDR shall be computed by dividing a bank's aggregate loans by its aggregate deposit liabilities on a per region basis as the same reporting cut-off date. A bank shall be guided by the following in computing for its regional LDR:

- a. Loans shall be reported by a bank in the region where the loan proceeds were utilized or channeled to, i.e., location of the end-users.
- b. Deposits, on the other hand, shall be reported by a bank in the region wherein these were generated.

For purposes of this Section, loans shall refer to the amortized cost of a bank's total loan portfolio, excluding "Loans to BSP", "Interbank Loans