383 LOANS-TO-DEPOSITS RATIO

The following policies and guidelines shall govern the loans-to-deposits ratio (LDR) of head offices and branches.

Policy statement. It is the policy of the Bangko Sentral to promote healthy competition within the banking system as well as provide enhanced banking statistics necessary for informed decision-making.

Regional loans-to-deposits ratio. An individual bank's regional LDR is a measure of the extent of its lending activity vis-à-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 a benchmark in assessing their regional lending and deposit operations as against that of the industry and their peer group.

Computation of the regional loans-to-deposits ratio. 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 of the same reporting cut-off date. A bank, in computing its regional LDR, shall be guided by the following:

a. Loans shall be reported by a bank in the region where the loan proceeds were utilized or channelled 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 Bangko Sentral", "Interbank Loans Receivable" and loans granted by a bank's FCDU/EFCDU. Deposits, on the other hand, shall refer to a bank's total deposit liabilities, excluding FCDU/EFCDU deposits.