

### 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.