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ABOUT THIS ISSUE

Since 1987, *BusinessWorld* has been tallying the quarterly performance of the country's universal and commercial banks (U/KBs) based on their published statements of condition (SOC). Apart from asset size, the Quarterly Banking Report (QBR) provides other key ratios used in measuring bank performance, such as capital adequacy, earnings and liquidity — all key components of the “CAMELS” (capital adequacy, asset quality, management, earnings, liquidity, and sensitivity) system used internationally in evaluating a lender's health.

The effects of limited economic activity caused by the coronavirus pandemic carried over into the second quarter as U/KBs continued to report lower profits and slower asset and loan growth compared to the same period last year. The combined assets of 46 U/KBs grew 7.56% to P18.165 trillion in the second quarter, from P17.837 trillion in the same period last year. This was slightly faster than the 7.06% recorded in the first quarter, but still slower compared to the 9.71% growth in the second quarter of 2019.

Meanwhile, the combined value of issued loans amounted to P9.770 trillion, up 5.37% from last year's P9.272 trillion. This was the slowest loan expansion among U/KBs in seven years, or since the second quarter of 2013 when it grew by 4.38%.

The UK/Bs' median return on equity (RoE) — which measures how well a firm makes use of the money from shareholders to generate income — slipped to 4.89% in the second quarter


from 5.17% in the preceding quarter and 9.13% in 2019's comparable three months.

Asset quality continues to slip in the second quarter as shown by the higher nonperforming ratio (0.91% from 0.86% three months prior) and nonperforming loans ratio (2.02% from 1.93%) during the period.

Current economic conditions also reflect the UK/Bs' increase in their loan loss reserves. In the second quarter, this totaled some P261.538 billion, more than the P191.631 billion in the first quarter and P162.777 billion in the second quarter of 2019.

Consequently, the banks' coverage ratio, which is the ratio of the total loan loss reserves to gross NPL, increased to 123.2% from 101.94% the previous quarter and 113.2% last year.

The banks' median capital adequacy ratio — or the ability to absorb risk-weighted assets — rose to 20.65% in the second quarter from the previous quarter's 18.33% and the previous year's 19.50%. This is well above the required minimum of 10% set by the Bangko Sentral ng Pilipinas and the international standard of eight percent.

The feature articles for this edition include the prospects of capital raising amid the ongoing coronavirus crisis and how rural banks have been adjusting to the “new normal” based on interviews from Surigao del Sur-based Cantilan Bank and Davao-based BDO Network Bank (formerly One Network Bank). Rounding the roster of articles for this report include the outlook for financial markets, recommendations for bank stocks, and a Q&A session with Maybank Philippines, Inc. 

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