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ABOUT THIS ISSUE

The fourth quarter once again proved to be a challenging period for the country's universal and commercial banks (U/KBs). In the final months of 2020, aggregate loans of these U/KBs posted a 3.96% decline to P9.582 trillion, the biggest since the 4.17% contraction recorded way back in the fourth quarter of 2003. This also marked the second decline in almost 11 years following the slump in the previous quarter.

Unsurprisingly, profitability also took a hit as the median return on equity further declined to 3.66% from 4.13% in the third quarter of 2020 and 6.75% in the fourth quarter of 2019.


Meanwhile, the U/KBs' gross nonperforming loans (NPLs) jumped by nearly double to P308.83 billion as of end-December 2020 from P156.53 billion a year ago, Bangko Sentral ng Pilipinas (BSP) data showed. This brought the gross NPL ratio in the fourth quarter to 3.68%, a new record high since the BSP introduced a new reporting standard that took effect in the first quarter of 2013. For comparison, the bad loan ratio in the third quarter of 2020 and fourth quarter of 2019 were 3.57% and 1.88%, respectively.

Analysts and bank executives have already expected these NPLs to increase once the one-time 60-day loan moratorium provided by Republic Act No. 11494, or the Bayanihan to Recover as One Act (better known as Bayanihan II) expires on Dec. 19.

Thus banks continued to boost loan loss reserves in the fourth quarter to P322.568 billion, bigger than the P294.805 billion in the third quarter and P170.445 billion in the fourth quarter of 2019. This brought the big banks' bad loan coverage ratio, which is the ratio of the total loan loss reserves to gross NPLs, to 104.45% from 102.76% in the third quarter, albeit still lower compared with the previous year's 108.89%.

Aggregate assets grew by 5.6% to P18.937 trillion during the period, faster than the record-low 5.13% expansion in the third quarter of 2020. This was still, however, slower compared with the 8.16% print posted in the fourth quarter of 2019.

The articles featured for this edition focus on the area of cybersecurity and consumer assistance amid the increasing volume of digital banking transactions. The first feature talks about the efforts made by the central bank and two private banks in boosting their cybersecurity capabilities. Meanwhile, the second zeroes in on the progress made in addressing consumer complaints ranging from credit card concerns, electronic fund transfers, and adjustments made for loan repayment amortization schedules.

BusinessWorld Research has been tracking the financial performance of the country's big banks on a quarterly basis since the late 1980s using banks' published statements. 

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