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ABOUT THIS ISSUE

The impact of the ongoing coronavirus pandemic continued to challenge banks in the second quarter. During the period, assets of 42* universal and commercial banks (U/KBs) rose 2.71% year on year, the most sluggish growth observed in 15 years, or since the 1.02% growth in the first quarter of 2006.

Moreover, the aggregate loans of these U/KBs fell for the fourth consecutive quarter. In the April-June period, loans fell by 5.60%, albeit slower than the 5.98% decline posted in the preceding three-month period.

Asset quality also continued to take a hit in the second quarter as bad loans, also known as nonperforming loans (NPL), rose by 7.53% year on year to P389.16 billion from P361.89 billion in the first quarter of 2021. Compared with the same period last year, soured loans surged by 83.32%.

This brought the NPL as a portion of the total loan portfolio to 4.67% in the second quarter, more than the 2.02% in the second quarter of last year and the record 4.12% in the first quarter. Similarly, the U/KBs' nonperforming asset (NPA) ratio — or the NPLs and foreclosed properties in proportion to total assets — stood at 1.46% in the second quarter, higher than the previous quarter's 1.38% and last year's 0.91%.

These figures paint a clear picture on the challenges the country's big banks are currently facing. With more than a year into the pandemic, we look at two developments that may help shape the banking sector in the emerging new normal: the rise of all-digital banks and the growth of credit information culled by the state-run public credit registry Credit Information Corp. and the private credit bureaus operating in the country. These two make up this edition's feature stories.

Rounding the roster of articles for this report include the outlook for the domestic financial markets given current developments, recommendations for bank stocks, and two separate Q&A sessions with Manish Bhai, CEO and Co-Founder of newcomer all-digital bank UNObank, and Pia Arellano, President and CEO of credit bureau and information solutions provider TransUnion Philippines.

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.

**Four U/KBs not included in the report because its statement of condition had not been available when the compilation of financial data was concluded on Aug. 25.*

LEO JAYMAR G. UY
Research Head

