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ABOUT THIS ISSUE

The third quarter of 2021 saw a respite amid the ongoing pandemic. Assets of the country's 44* universal and commercial banks (U/KBs) rose by 8.97% year on year during the period, the fastest pace in eight quarters or since the 9.89% growth logged in the third quarter of 2019.

Total loans held by the country's largest banks likewise recovered. Aggregate loans in the three months to September went up by 3.24%, snapping four consecutive quarters of decline. Still, this was a far cry from double-digit expansions in loans recorded before the pandemic.

On the other hand, asset quality remained deteriorating in the third quarter as bad loans picked up by 2.8% to P400.08 billion from P389.16 billion in the second quarter. Compared with the same period last year, bad loans — also known as nonperforming loans (NPLs) — surged by 39.5%.

This brought the NPL as a portion of the total loan portfolio to 4.49% in the third quarter, more than the 3.57% last year. Meanwhile, the big banks' nonperforming asset (NPA) ratio — or the NPLs and foreclosed properties in proportion to total assets — stood at 1.43% in the third quarter, lower than the previous quarter's 1.46% but still elevated from 1.24% from last year.

As the government sees economic recovery to be on the horizon, we look at how will the lenders tweak their relief measures as some of those extended by the central bank at the height of the pandemic have already lapsed or will be lifted by end of this year. Separately, we talk to households and bankers on what to look forward to in the coming year.

Other stories in this report include the economists' local financial markets outlook, analysts' recommendations for bank stocks, and a Q&A with Small Business Corp., the financing arm of the Department of Trade and Industry, to get its current and future offerings for the Filipino micro-, small-, and medium-sized enterprises.

Since 1987, *BusinessWorld* has been tallying the quarterly performance of the country's 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.

**Two U/KBs were not included in the report because their statements of condition were not available when the compilation of financial data was concluded on Nov. 26.*

LEO JAYMAR G. UY
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