

RAUL L. LOCSIN⁺
Founder

WILFREDO G. REYES
Editor-in-Chief

CATHY ROSE A. GARCIA
Managing Editor

JOSE NIÑO D. NICOLAS III
Head of Digital Services

MARK T. AMOGUIS
Research Head

MARIEDEL IRISH U. CATILOGO
Project Lead Researcher

LOURDES O. PILAR
ABIGAIL MARIE P. YRAOLA
BERNADETTE THERESE M. GADON
ANA OLIVIA A. TIRONA
Researchers

MARISSA B. DIANA
Senior Research Assistant

DINDO F. PARAGAS
Research Assistant

CRECENCIO I. CRUZ
Creative Director

JOY DELA CRUZ-DAGUN
Art Director

SHERYL C. ALEGRE
Graphic Artist

MIGUEL G. BELMONTE
President and CEO

LUCIEN C. DY TIOCO
Executive Vice President

JAY R. SARMIENTO
Sales and Marketing Head

JEANETTE F. DOMINGUEZ
Advertising Manager

ABOUT THIS ISSUE

The first quarter of 2022 showed signs of recovery from the slump brought by the coronavirus pandemic. Total loans held by the country's 45* universal and commercial banks (U/KBs) rose 6.21% year on year to P9.93 trillion, its fastest in eight quarters or since the 9.73% growth in the first quarter of 2020.

Total assets also jumped 7.37% to P20.27 trillion in the first three months of the year. However, this was the slowest pickup in three straight quarters, or since 2.71% in the second quarter last year.

Meanwhile, asset quality remained a problem in the first three months of the year as bad loans increased 6.19% quarter on quarter to P394.63 billion from P371.65 billion in the fourth quarter last year. On an annual basis, nonperforming loans (NPL) picked up 9.05%.

This brought the share of bad loans to total loan portfolio to 4.03% in the first quarter, higher than 3.95% in the preceding quarter but lower than more than the 4.12% last year. Meanwhile, the big banks' nonperforming asset (NPA) ratio – or the NPLs and foreclosed properties in proportion to total assets – reached 1.31% in the third quarter, rising from the previous quarter's 1.31% but still a bit lower than 1.38% from the January-March period last year.

After the economy slowly recovered from the pandemic-induced recession, it is now battered by soaring consumer prices as the ongoing Russia-Ukraine conflict disrupted the global supply chain.

Various central banks, including the Bangko Sentral ng Pilipinas (BSP), are now grappling to balance containing fast-rising inflation and maintaining economic growth.

In this issue, we looked at the plight of rural banks after the BSP released a draft circular seeking to hike the minimum capital required for these small lenders. We also checked the banks' progress to the central bank's call for sustainable financing.

Other stories in this report include the economists' local financial markets outlook as central banks tighten their monetary policy settings, analysts' recommendations for bank stocks, and a Q&A with BillEase to get to know the current state of the buy now, pay later scheme in the country.

Since 1987, BusinessWorld has been tallying the quarterly performance of the country's U/KBs based on their published statements of condition. Apart from asset size, the Quarterly Banking Report provides other key ratios used in measuring bank performance, such as capital adequacy, earnings, and liquidity.

**Effective March 1, the United Coconut Planters Bank merged with Land Bank of the Philippines.*

MARK T. AMOGUIS
Research Head