

“There are more productive (profit-generating) ventures that these banks can take using the resources allocated for Philippine operations by simply leaving. These ventures can cover the costs of leaving and its accompanying opportunity costs.”

For Mr. Rivera, this shows a greater market for UnionBank and opportunities to leverage on what Citi has left behind.

The total assets that will contribute to UnionBank is close to a hundred billion pesos, Mr. Eñanosa said. This will consist of P65 billion of net loans, largely in credit cards, about P30 billion of cash, as well as other assets like the real estate property that houses their operations.

“With the Citi consumer business, our recurring income will increase in a major way. Our current net interest margin is at 4.7% and this will increase to 5.5% because of the Citi consumer banking business,” Mr. Eñanosa said.

Central banks around the world, including the Philippines, continued tightening their policy rates to temper rising inflation. Should this continue, Mr. Eñanosa said, this could impact the consumers except for products where there is a rate cap.

“Having said that, we think that the rate cycle might be approaching its peak,” Mr. Eñanosa said.

“There are other factors that banks consider in their pricing — such as competitive landscape, regulations, and market liquidity. It does not mean that as rates rise, we automatically pass the same level of increase to the consumers,” he added.

Credit rating agency Fitch Ratings said in a report, rising interest rates will put more pressure on consumers and small businesses.

In its report “Impact of Rising Interest Rates on APAC Banks,” Fitch Ratings said that most banks will benefit from higher interest rates and that lending rates are likely to adjust more quickly than deposit rates.

“In the most competitive markets, such as Indonesia, the Philippines, and Taiwan, banks will have a weaker scope to pass on higher rates to borrowers, limiting the upside,” it said.

Moving further, UnionBank recently launched UnionDigital Bank, Inc. which is among the six digital banks that has been given digital banking licenses by the central bank alongside Overseas Filipino Bank, Tonik Digital Bank, UNO Digital Bank, GOtyme Bank and Maya Bank, Inc. As per BSP’s regulation, digital banks in the country must have a minimum capitalization of P1 billion.

The launch of UnionDigital completes its strategy of becoming a Great Retail Bank, said Mr. Eñanosa.

“A large universal bank would probably have less than 10 million customers on average and most banks are servicing the same customers. So, there is a large segment that remains to be