system has reached a "breakthrough" in using online banking services during the lockdown.

"While most banks already provide online banking channels, the 'new normal' encourages more utilization of digital services," Mr. Castillo said.

"We expect more investments in online banking infrastructure whether it be improvement of apps, new online products or services, and most importantly supported by adequate cybersecurity capability. The new normal will also help boost financial inclusion in the country," he said.

Bank of the Philippine Islands President and Chief Executive Officer (CEO) Cezar P. Consing, who said the emerging trend in banking would be that of a "high-tech, low-touch" process, said the use of digital channels will be more "pervasive" as customers will look toward doing their banking transactions at home.

"Filipinos are such wonderful 'high-touch' people, so this will be quite an adjustment for everyone," Mr. Consing said.

In an e-mail to *BusinessWorld*, the Bangko Sentral ng Pilipinas (BSP) said physical distancing "presents an opportunity both for businesses and consumers."

"The BSP is expecting a low-touch economy that is shifting towards e-payments immediately after the crisis eases. This has also highlighted the importance of banks to embark on digital transformation to maintain relevance and ensure operational resilience," it said.

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The central bank also quoted Governor Benjamin E. Diokno as saying that the "new economy" should be "better, safer, and technologically ready."

"[T]he Philippine financial system, with banking system at the core, has been exhibiting safety, soundness, and resilience to be able to withstand the adverse effects and uncertainties brought by COVID-19 global pandemic based on latest available data," the BSP said.

"Credit quality has been satisfactory amid upbeat loan growth on sound credit underwriting standards and provisioning culture. Bank capitalization, mainly comprised of common equity and retained earnings, remained well-above domestic and global benchmarks. Similarly, their strong liquidity position enabled the banks to withstand short-term liquidity shocks while providing adequate stable funding for the medium term," the central bank said, adding profits generated from lending operations continue to be "robust."

Financial data on universal and commercial banks (U/KBs) compiled by *BusinessWorld* as of the first quarter on a solo basis (head office plus branches) show capital adequacy ratio (CAR) at 18.33% and common equity tier 1 capital at 17.71%, well above the BSP requirements of 10% and 7.5%, respectively.

In terms of asset quality, the nonperforming loans (NPL) ratio — or the ratio of NPLs to total loans (gross of allowance for credit losses) and inclusive of interbank loans — went up to 1.93% as of end-March 2020, coming from 1.88% in the previous quarter and 1.53% in the comparative period last year. Nevertheless, the BSP said Philippine banks have continued to keep the NPL ratio under four percent for the last 10 years.

Profitability, as measured by return on equity (RoE) figured in at 5.17%. Meanwhile, banks' coverage ratio — which is the ratio of the total loan loss reserves to gross NPL — was 101.94% during the quarter from 108.89% in the fourth quarter, enough to cover the entire value of bad loans held by U/KBs as loan loss reserves totaled some P193.631 billion.

BAP's Mr. Castillo said the banking sector's profitability will be affected mainly due to the slowdown of the economy due to the pandemic and credit accommodations extended to borrowers.

"While the banking industry remains stable, sufficiently capitalized and with sound financial ratios, the health crisis is expected to impact the banks' earnings and RoE," he added.

Chamber of Thrift Banks (CTB) Executive Director Suzanne I. Felix was optimistic on the resilience of thrift banks: "[W]e believe the industry (thrift banks included) can surmount the challenge since thrift banks are well capitalized, and ample provisions for loan losses and liquidity should help overcome/mitigate the challenges posed by a difficult economic environment moving forward, combined with necessary regulatory support."

"[O]ur member banks have come up with operational resilience standards to address operational challenges posed by the COVID-19 pandemic, and continue to inform their customers of the availability of services and operating hours, providing the necessary customer support," Ms. Felix said.