

Bigger banks share this outlook, even as they expect profitability to take a hit this year as pandemic woes persist.

"We posted a 19% increase in net profits in the first quarter to P2.2 billion, but we are cautious about the profits outlook for the full year as the economic fallout spreads. We are resetting our revenue outlook and focusing our priorities on managing loan stress and customer expectations," said China Banking Corp. (China Bank) Executive Vice-President and Chief Finance Officer Patrick D. Cheng.

"The pandemic has upended all projections, but the good thing is, with the efforts of the BSP and the banking industry in general... we entered the crisis period well capitalized and prepared for shocks," he added.

Security Bank Corp. President and CEO Sanjiv Vohra said the bank is on a healthy financial position.

"While we entered this challenging period from a position of strength, we do expect the credit environment to remain challenging for the balance of this year as the economy restarts following quarantine protocols ease," Security Bank's Mr. Vohra said.

With this, Mr. Vohra identified four key opportunity areas for the bank to work on: improving the capacity and capability of their contact centers; refreshing their collections framework; speeding up the delivery of their retail digital platform; and upgrading the cash portal for their wholesale clients.

"We are learning as we go along. We are just trying to stay ahead of the curve, anticipating and preparing for any challenges," he said.

BPI's Mr. Consing expects the bank's profitability to be down this year as it is taking higher loan provisions in anticipation of an increase in NPLs.

"I think nonperforming loans won't peak until late next

year. We have always been well provisioned for loan losses, but the extent of the economic downturn that we are seeing now tells us that we should be prepared for a significant increase in loan defaults," Mr. Consing said.

RELIEF

To mitigate the pandemic's adverse impact on the effect, the BSP has implemented measures to promote the continued access to credit and financial services.

On top of bringing borrowing costs to record lows since the BSP shifted to an interest rate corridor in 2016, the BSP has cut the reserve requirement ratio of big banks by 200 basis points on March 24, releasing P180-200 billion in additional liquidity that can be used to support lending activities.

The central bank also deferred the implementation of revised risk-based capital framework for stand-alone thrift, rural, and cooperative banks, reduced the minimum liquidity requirement (MLR) to 16% from 20% until the end of the year to help stand-alone smaller banks to meet the credit and liquidity needs of their clients, and relaxed know-your-customer requirements to facilitate the delivery of welfare funds to beneficiaries.

"[T]he... reduction of stand-alone thrift banks' MLR... is expected to release an additional P9.52 billion, which the industry can use to foster greater financial inclusion and economic growth for its main target market, which are the MSME (micro, small, and medium enterprises) and consumer sectors," CTB's Ms. Felix said.

Among other regulatory relief measures put in place include temporarily raising the single borrowers limit; relaxing the conditions on the use of the BSP's rediscount facility; and staggering the booking of allowance for credit losses for loans extended to affected borrowers.

GOING DIGITAL

If there's any silver lining to this "new normal," it is the increasing use of digital platforms in banking transactions.

With weeks in lockdown, consumers have started to shift to digital transactions out of necessity. According to the BSP, there has been a "noticeable uptick" in the onboarding of digital-only accounts and the use of electronic fund transfer facilities such as InstaPay and PESONet. At the same time, the value and volume of cheque transactions and ATM withdrawals declined.

"[I]t will be worth monitoring whether such trend continues as community quarantines are eventually lifted," the central bank said.

BSP data showed combined number of transactions done via these platforms from January to May reached 53.28 million, 4.5 times higher than the 11.86 million transactions recorded last year.

