

Bank of Commerce Gets High Credit Rating

Bank of Commerce (BankCom), the banking arm of conglomerate San Miguel Corporation (SMC), was assigned an Issuer Credit Rating of **PRS Aa plus (corp.)**, with a **Stable Outlook**, by Philippine Rating Services Corporation (PhilRatings).

An Issuer Credit Rating is an opinion on the general and overall creditworthiness of the company, evaluating its ability to meet all its financial obligations within a time horizon of one year. A company rated PRS Aa (corp.) differs from the highest rated corporates only to a small degree, and has a **strong** capacity to meet its financial commitments relative to that of other Philippine corporates. The “plus” further qualifies the assigned rating. A Stable Outlook, on the other hand, indicates that the rating is likely to be maintained or to remain unchanged in the next 12 months.

The assigned rating and Outlook take into account the following key considerations: (1) the opportunities arising from BankCom’s universal banking license; (2) BankCom’s synergies with the San Miguel Group; (3) the bank’s satisfactory asset quality; and (4) the sustained improvement in BankCom’s profitability.

PhilRatings based its assessment on available information and projections at the time that the rating review was performed. PhilRatings shall continuously monitor developments relating to BankCom and may change the rating and Outlook at any time, should circumstances warrant a change.

BankCom is one of the country’s newest universal banks (unibanks), having received its certificate of authority to operate as a unibank in November 2022. BankCom established its Investment Banking Group in 2022 as its first venture under its unibank license. The bank also plans to foray into bancassurance going forward, with fee income from this business expected to come in in the near future. Its unibank license is seen as a key catalyst in BankCom’s long-term growth and further diversification of its income streams, given the new products and services that the bank can now offer.

BankCom is an affiliate of San Miguel Corporation (SMC), one of the country’s largest and most diversified conglomerates. As part of its growth strategy, the bank plans to continue to leverage its access to SMC’s ecosystem. BankCom has developed new loan programs that caters to SMC’s network of customers, trade partners, suppliers, vendors, distributors, contractors, and employees, among others. As of end-September 2024, loans to the SMC ecosystem accounted for a modest share of BankCom’s loan portfolio, indicating that there is ample room to further tap this particular market. Moving forward, the bank aims to further deepen its penetration of the SMC ecosystem via loan products that are uniquely tailored for such borrowers.

PhilRatings positively notes that BankCom’s gross non-performing loans (NPL) ratio further improved, from 2.3% as of end-2022 to 1.7% as of end-September 2024. The latter also compared favorably against the 2019 pre-pandemic ratio of 2.1%. The improvement was supported by a favorable combination of declining NPLs and loan portfolio expansion. In addition, the share of investment properties to total assets was relatively stable and minimal at 1.6% as of end-2023 and 1.7% as of end-September 2024. The bank’s

loan portfolio was well-diversified in terms of industry exposure and individual borrowers, as of end-September 2024.

BankCom sustained its growth momentum in 2023, posting a significant increase of 55.8% in its net income to P2.8 billion. Bottom line further grew in the first nine months of 2024 (9M2024), with earnings climbing by 10.0% to P2.2 billion, versus a net income of P2.0 billion in 9M2023. The expansion in the bank's earnings was supported by higher revenues, coupled with controlled growth in operating expenses. In addition, BankCom's provisions for credit and impairment losses were significantly reduced in line with the improvement in the bank's asset quality. Return on average assets (ROAA) further rose to 1.2% in 2023 and 1.3% in 9M2024. The bank anticipates healthy growth in its earnings going forward, supported by sustained loan portfolio expansion and increase in fee-based income.

Note: Ratios were based on PhilRatings' calculations which may differ from those of BankCom.