

 PhilRatings PHILIPPINE RATING SERVICES CORPORATION	RATING REPORT
	BANK OF COMMERCE

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ASSIGNED ISSUER CREDIT RATING: PRS Aa plus (corp.)

ASSIGNED OUTLOOK: Stable Outlook

An Issuer Credit Rating is a measure of the general creditworthiness of a company over a one-year period. A company rated '**PRS Aa**' 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 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 Issuer Credit Rating is assigned in relation to Bank of Commerce's (BankCom) planned additional bond issuance of ₱5.0 billion, with an option to upsize. The planned issuance will be the fourth tranche of the bank's current ₱80.0 billion Bond Program. Proceeds from the issuance will be used to raise liquidity to pre-fund loans and debt refinancing.

RATIONALE

1. Synergies with the San Miguel Group

BankCom is an affiliate of San Miguel Corporation (SMC), serving as the San Miguel Group's banking arm. SMC is one of the largest and most diversified conglomerates in the Philippines, reportedly accounting for 5.3% of the country's Gross Domestic Product (GDP) in 2025. SMC's core businesses are equipped with strong brand recognition and well-entrenched market leadership in their respective industries. BankCom's ability to leverage its access to the SMC ecosystem is seen as a key driver for its growth. SMC's outstanding bonds of ₱144.9 billion have an Issue Credit Rating of PRS Aaa, with a Stable Outlook.

Going forward, the bank will continue to take advantage of its access to the SMC ecosystem as part of its growth strategy. Acknowledging the need to control the bank's exposure to SMC affiliates, BankCom is actively enhancing its product offerings intended to cater to SMC's network of customers, trade partners, suppliers, vendors, distributors, contractors, and employees, among others. Relatively newer loan programs in relation to the foregoing include SMC Ecosystem Financing and Petron Dealers' Financing Program.

2. Highly-experienced management team

The bank's management is led by Michelangelo R. Aguilar, its President and Chief Executive Officer (CEO) since July 2018. Mr. Aguilar has over 40 years of banking experience, particularly in the areas of Corporate and Investment Banking, Global Markets and Treasury. Before joining BankCom, he held senior management positions in various international and domestic banks, such as Standard Chartered Philippines and Rizal Commercial Banking Corporation. Mr. Aguilar obtained a Bachelor's degree in Mechanical Engineering from De La Salle University and a Master in Business Management degree from the Asian Institute of Management.

Antonio S. Laquindanum has served as the bank's Chief Financial Officer (CFO) since 2018 and as Executive Vice President since 2022. He brings over 28 years of experience in the finance and banking industries. Mr. Laquindanum was previously the CFO and acting Chief Operating Officer of the Manila Branch of the Australia and New Zealand Banking Group. He has also held consulting positions with Andersen Consulting (Philippines) and Ernst & Young (New York). Mr. Laquindanum obtained his Bachelor's degree in Management Economics from Ateneo de Manila University and his Master's degree in Business Administration from the Darden Graduate School of Business Administration at the University of Virginia.

3. More than satisfactory asset quality and capitalization

BankCom's total loan portfolio generally climbed by 40.2% from ₱109.6 billion as of end-2023 to ₱153.6 billion as of end-June 2026, driven by the robust lending activity across both corporate and consumer segments. Total gross non-performing loans (NPL) amounted to ₱2.2 billion as of end-June 2026, unmoved from end-2025 levels. As such, gross NPLs represented a minimal share of the bank's gross loan portfolio. Gross NPL ratio was at 1.4% as of end-June 2026, an improvement from the 1.5% during the comparable period. This was also comfortably lower than the 3.0% industry average for the country's universal and commercial banks (UKBs) as of end-June 2026. BankCom expects asset quality to continue improving, with NPL levels likely to decline further going forward.

The bank's capital adequacy ratio (CAR) was at 17.1% as of end-June 2026. This was higher than the 16.5% recorded as of end-2025, and was also well above the minimum regulatory requirement of 10.0% set by the Bangko Sentral ng Pilipinas (BSP). BankCom expects its CAR to remain above the regulatory requirement in the medium term.

4. Sustained growth in profitability

BankCom's net interest income was on an uptrend from ₱8.3 billion in 2023 to ₱10.8 billion in 2025, which was equivalent to a CAGR of 14.0%. Growth was driven by sustained increases in interest income from the bank's loans, receivables, and investment securities. Interest expenses registered a slightly faster CAGR of 14.4%, from ₱3.5 billion to ₱4.5 billion over the same period. Despite higher funding costs, net interest margin (NIM) was relatively stable, ranging from 4.2% to 4.4% during the period.

Other income contracted slightly by 2.0% to ₱1.6 billion in 2024, due to lower gains in foreclosures and sale of property and equipment, as well as miscellaneous income. Such, however, rebounded

by 11.2% to ₱1.8 billion in 2025. As a result, total revenues expanded at a CAGR of 12.4%, increasing from ₱10.0 billion in 2023 to ₱12.6 billion in 2025.

Operating expenses (excluding provisions) climbed from ₱6.2 billion in 2023 to ₱7.4 billion in 2025, partly driven by the growth in compensation and fringe benefits. Provision for credit and impairment losses jumped by a CAGR of 120.2%, from ₱78.8 million in 2023 to ₱382.2 million in 2025, in line with the growth in the bank's unsecured lending activities.

BankCom's net income expanded from ₱2.8 billion in 2023 to a record-high of ₱3.5 billion in 2025, representing a CAGR of 12.4%. Return on average assets (ROAA) marginally improved from 1.2% in 2023 to 1.3% in 2025.

In the first half of 2026 (1H2026), BankCom's interest income increased by 13.4% to ₱8.3 billion, from ₱7.3 billion in 1H2025, driven by strong contributions from the bank's loan portfolio and investment securities. NIM increased from 4.3% in 1H2025 to 4.7% in 1H2026. This supported the 18.8% growth in net interest income, from ₱5.1 billion in 1H2025 to ₱6.1 billion in 1H2026. Led by the sustained performance of the bank's core revenue streams, bottom line expanded by 13.3% from ₱1.9 billion in 1H2025 to ₱2.1 billion in 1H2026. ROAA slightly improved to 1.5% in 1H2026.

Going forward, BankCom expects earnings to sustain its upward momentum, which will be supported by the anticipated growth in bank's loan portfolio. NIM and ROAA will remain within historical levels over the projected period.

BUSINESS RISK

Company Profile

BankCom, the banking arm of the San Miguel Group, received its license of authority to operate as a unibank in November 2022. The bank has been operating since 1963, tracing its origins to the Overseas Bank of Manila. In 2008, the San Miguel Group bought into the bank and became a major stakeholder. The entry of the San Miguel Group, one of the largest and most diversified conglomerates in the Philippines, is seen as positively contributing to BankCom's credit profile.

With BankCom's unibank license, the bank can: (1) exercise the powers of an investment house; (2) invest in the equity of businesses not related to banking; and (3) own up to 100% of the equity in a thrift bank, rural bank or a financial allied or non-allied enterprise. Given that the bank will be able to carry a wider range of products that will cater to companies under expansion (e.g., financial advisory, mergers and acquisitions, project finance), the bank anticipates enhanced marketing relationships with its existing and prospective clients in the large corporate and middle market segments.

BankCom offers an extensive range of products and services including deposits, commercial loans, credit card services, consumer banking, transaction banking, corporate banking, investment banking, treasury, asset management, and trust and investments. These are delivered through the bank's nationwide

network of 142 branches, inclusive of two branch-lite units (BLUs),¹ and 278 automated teller machines (ATMs), as of end-2025. Of the bank's branches, 63 are located in Metro Manila, 43 in Luzon (outside of Metro Manila), 23 in Visayas, and 13 in Mindanao. The bank's expansive geographical footprint is in line with the nationwide reach of the SMC ecosystem, allowing the bank to maximize its synergies and cross-sell with the SMC Group and the broader SMC ecosystem. Moreover, 56% of BankCom's branches are located outside Metro Manila, particularly in emerging high growth regions, enabling the bank to capitalize on the flourishing economies of these areas. Going forward, BankCom plans to expand its branch network over the medium term.

The bank's products and services are also delivered through its personal and web application BankCom [Personal]. Key features include account inquiry, funds transfer via Instapay or Pesonet, and bills payment, among others. It is also equipped with security measures, such as multi-factor authentication, mobile PIN, and mobile app shielding, to help protect users against fraud. As of August 2026, BankCom [Personal] had around 230,000 users, up by 12.2% from the 205,000 users recorded as of end-2025.

BankCom does not have any subsidiaries. The bank, however, has a 24.3% equity investment in BIC Management and Consultancy, Inc. (formerly BIC Investment and Capital Corporation). BIC, which had an asset size of ₱144.7 million as of end-2025. BIC is primarily engaged in financial management and consultancy. Based on unaudited financial results, BIC incurred a net loss of ₱3.5 million in 2025; the loss, however, was 4.4% lower than the net loss of ₱3.6 billion in 2024. BankCom has significant influence but no control and participation in the operations of BIC.

The bank also has a 3.1% equity interest in Banco Nacional de Guinea Equatorial (BANGE), which is a partnership with the national government of the Republic of Equatorial Guinea. BANGE, established as a unibank, has a large presence in Equatorial Guinea. The State of the Republic of Equatorial Guinea is the predominant shareholder of the bank.² Similar to BIC, BankCom does not have control nor participation in BANGE's operations.

BankCom remained a mid-sized player in the domestic banking industry. In terms of asset size, the bank ranked 14th among universal and commercial banks (UKBs) as of end-March 2026, one rank higher from the bank's last rating review. The bank's share to the total assets of domestic UKBs remained minimal at 1.0%, as the industry continued to be dominated by the industry's four largest banks,³ which had combined share of 56.7% of Philippine UKB's total assets of ₱28.3 trillion as of end-March 2026. Moreover, BankCom's asset base for the period was only 5.5% of BDO Unibank Inc.'s (BDO) total assets of ₱5.5 billion. It also ranked 13th in terms of deposits, loans, and capital as of end-March 2026.

Ownership

As of end-June 2026, San Miguel Properties, Inc. (SMPI) and San Miguel Corporation Retirement Plan (SMCRP) owned 31.9% and 30.8% of BankCom's common shares, respectively. SMPI, which is 99.9%-owned by SMC as of end-March 2026, is primarily engaged in the acquisition, development, sale or lease of properties. On the other hand, SMCRP is the registered retirement plan of SMC Group employees. SMC

¹ A BLU operates as a simplified, albeit smaller, version of a full-service branch, enabling the bank to expand quicker at a lower cost. BLUs act as access points for basic banking services, growing the bank's reach to underserved markets.

² https://es.wikipedia.org/wiki/Banco_Nacional_de_Guinea_Ecuatorial

³ BDO, Land Bank of the Philippines (Landbank), Bank of the Phil. Islands (BPI), and Metropolitan Bank & Trust Company (Metrobank)

Equivest Corporation (SMCEC), a wholly-owned subsidiary of SMC, held 100% ownership of the bank's non-voting preferred shares as of the same period.

SMC is one of the largest and most diversified conglomerates in the Philippines. It has business interests in various sectors, such as food and beverage, packaging, energy, fuel and oil, infrastructure, cement, property, and banking services. Its portfolio includes companies with strong brand recognition and well-entrenched market leadership in their respective industries. In 2025, the SMC Group's ₱1.5 trillion revenues represented approximately 5.3% of the country's GDP.⁴ Consolidated assets of the SMC Group stood at ₱3.0 trillion as of end-June 2026. As of report writing date, SMC's ₱144.9 billion outstanding bonds have issue credit ratings of PRS Aaa, with a Stable Outlook.

Based on latest publicly available financial statements, SMPI's total assets stood at ₱57.2 billion as of end-2025, 5.6% lower from a year ago. Consolidated net income fell by 57.3% to ₱966.7 million in 2025. The net income of ₱2.3 billion in 2024 was supported by a high Other income base of ₱1.9 billion in relation to a deconsolidation gain. Revenues, however, rose by 11.2% to ₱3.4 billion in 2025, backed by higher real estate sales and service income. Return on assets and net profit margin contracted in 2025, following the decrease in bottom line. On the other hand, operating margin improved from 23.8% in 2024 to 32.5% in 2025. Reported interest coverage ratio was 2.2x, lower than the previous year but still considered as more than adequate. Current ratio stood at 0.9x, while debt to equity ratio remained conservative at 0.2x, as of end-2025.⁵

BankCom had no outstanding loans to directors, officers, stockholders, and related interests (DOSRI) as of end-June 2026.

Management

In May 2025, Benedicta Du-Balabad was appointed as the Chairperson of BankCom's Board of Directors, following the resignation of Ambassador Francis C. Chua, due to personal reasons. Ms. Du-Balabad is a Founding Partner and CEO of Du-Balabad and Associates (DBD Law). She has been with BankCom for more than 12 years, and brings in more than 30 years of professional experience. Prior to joining BankCom, she served as a Tax Partner at Punongbayan & Araullo and as a Head Revenue Executive at the BIR. Ms. Du-Balabad holds a Bachelor's Degree in Accountancy from St. Louis University and Bachelor of Laws degree from the University of Santo Tomas. She also obtained a Master of Laws degree from Harvard University, and finished the Advanced Management Program at the Wharton School – University of Pennsylvania.

The bank's management is led by Michelangelo R. Aguilar, its President and CEO since July 2018. Mr. Aguilar has over 40 years of banking experience, particularly in the areas of Corporate and Investment Banking, Global Markets and Treasury. Before joining BankCom, he held senior management positions in various international and domestic banks, such as Standard Chartered Philippines and Rizal Commercial Banking Corporation. Mr. Aguilar obtained a Bachelor's degree in Mechanical Engineering from De La Salle University and a Master in Business Management degree from the Asian Institute of Management.

Antonio S. Laquindanum has served as the bank's CFO since 2018 and its Executive Vice President since 2022. Mr. Laquindanum brings over 28 years of experience in the finance and banking industry. Previously, he was the CFO and acting Chief Operating Officer of the Australia and New Zealand Banking Group –

⁴ <https://www.sanmiguel.com.ph/our-story/our-company>

⁵ Ratios are based on PhilRatings' calculations, which may differ from that of the company.

Manila Branch. He has also held consulting positions with Andersen Consulting (Philippines) and Ernst & Young (New York). Mr. Laquindanum obtained his Bachelor's degree in Management Economics from Ateneo de Manila University and his Master's degree in Business Administration from the Darden Graduate School of Business Administration at the University of Virginia.

BankCom had a total of 2,113 employees as of end-2025. Of the total, 1,100 were engaged in a professional management capacity and classified as bank officers, while 1,013 were rank and file employees. Staff employees are members of the Bank of Commerce Employees Union (BCEU). There was no record of bank strikes in the past three years. To the best knowledge of management, there are no outstanding threats to strike from BCEU, as of report writing date.

While BankCom is involved in various pending legal proceedings, claims, and investigations, none of these are seen by the bank as having a material adverse effect on its operations or financial position.

Strategy

BankCom's growth strategy aims to achieve economies of scale, improve efficiency, and be at par with the country's leading domestic banks. The bank envisions a new era of growth with the upgrade of its status, maximizing opportunities in relation to additional products, services, and functions allowed under its unibank license. BankCom identified the following strategies to achieve its objectives:

1. Achieve scale and sustainable growth/client expansion by leveraging the broader SMC ecosystem, including small and medium-sized enterprises (SMEs)
2. Leverage its universal banking license to expand product suites and service offerings
3. Build deeper relationships and activate cross-sell opportunities by focusing on customer needs
4. Upgrade IT infrastructure and financial technology to improve customer service and touchpoints
5. Increase profitability through return-on-equity expansion as well as growth of the bank's fee-income business
6. Commitment by shareholders to environment, social and governance (ESG) framework, regulatory compliance, and the culture of "malasakit"

The bank will continue to leverage its access to the SMC ecosystem as part of its growth strategy. Acknowledging the need to control the bank's exposure to SMC affiliates, BankCom is actively enhancing its products offerings intended to cater to SMC's network of customers, trade partners, suppliers, vendors, distributors, contractors, and employees, among others. Relatively newer loan programs include SMC Ecosystem Financing and Petron Dealers' Financing Program.

As part of its initiative to ramp up its digitalization efforts, BankCom fully migrated its legacy core banking system to the modern integrated banking Finacle system by Infosys and International Business Machines Corporation (IBM). Such upgrade enhanced the bank's system reliability, improved processing efficiency, and supported the bank's path to digitization moving forward. This comes after the bank finished re-fleeting its ATM network, which equipped the ATMs with advanced security features and a more user-friendly interface.

ESG Initiatives⁶

BankCom has established an ESG Framework according to its Board-approved transition plan. Its ESG priority areas are as follows:

1. **Business Model and Innovation** – The bank commits to deliver banking services through client-focused employees, innovative digital solutions, and segment-driven programs that prioritizes the customers' needs.
2. **Human Capital** – BankCom provides skills training and focuses on employee engagement, with the aim of nurturing an innovative, customer-focused, and resilient team.
3. **Leadership and Governance** – The bank strives to be vigilant in maintaining sound banking practices through a rigorous system of checks and balances based on risk management programs that are continually reassessed and updated.
4. **Environment** – BankCom aims to responsibly manage resources and continue to improve its operational efficiency. Through this, the bank will minimize the impact of its internal processes to the environment.
5. **Social** – The bank endeavors to make banking inclusive, fair, and accessible to financial consumers while ensuring that its products and services are developed and operated in the best interest of its depositors and other stakeholders.

Asset Quality and Composition

Analyst's Note: PhilRatings' calculation of certain ratios may differ from that of the bank.

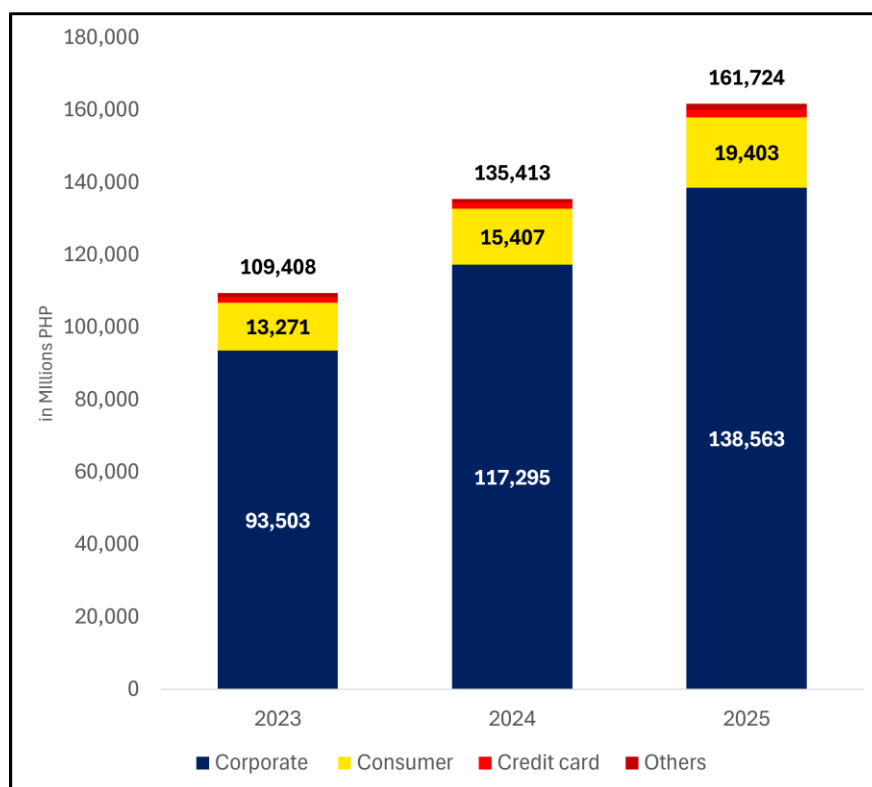


Figure 1. Gross Loan Portfolio Breakdown

⁶ <https://www.bankcom.com.ph/about-us/esg-sustainability-csr/>

2024

BankCom's total net loans and receivables recorded a robust increase of 24.6% to ₱136.5 billion as of end-2024, from ₱109.6 billion as of end-2023. The bank's loan book still represented more than half of its asset base, accounting for 51.4% for the year.

Similar to previous years, loans to corporate clients continued to account for the majority (86.6%) of the bank's total gross loan portfolio as of end-2024, amounting to ₱117.3 billion. This was 25.4% higher than the ₱93.5 billion recorded as of end-2023, driven by the stronger contribution of clients within the SMC ecosystem. Consumer loans, which comprised 11.4% of gross loans, increased by 16.1% to ₱15.4 billion as of end-2024. This was supported by the growth in the bank's housing and auto loan portfolios.

Based on industry concentration, the bank's loan portfolio was well-diversified, as of end-2024. BankCom's largest exposures were in the following industries: Electricity, Gas, Steam, and Air-Conditioning Supply; Real Estate Activities; Construction; and Manufacturing.

The share of unsecured loans to the bank's gross loan portfolio jumped from 44.3% as of end-2023 to 59.8% as of end-2024. This was driven by a 67.3% year-on-year (YoY) increase in unsecured loans to ₱81.0 billion, in line with the growth in the bank's loan portfolio. The sustained growth in the bank's unsecured loans was consistent with the findings of the BSP's Financial Stability Report released in December 2025, which noted that unsecured lending, particularly through credit cards and personal loans, has been rising since 2021 at a rate that outpaces GDP growth.⁷ In contrast, secured loans contracted by 10.7% to ₱54.4 billion as of end-2024, primarily due to lower loans secured by deeds of pledge and other forms of collateral.⁸

Gross NPLs decreased by 13.6%, from ₱2.0 billion as of end-2023 to ₱1.7 billion as of end-2024. As a result, the bank's gross NPL ratio improved, from 1.7% as of end-2023 to 1.2% as of end-2024.

2025

Total net loans and receivables sustained its growth momentum, increasing by 19.3% to ₱162.8 billion as of end-2025. Such growth translated to a CAGR of 21.9% from end-2023. Its share to the bank's total asset base expanded to 56.8% for the year. Loan book growth was supported by robust lending activity across both corporate and consumer segments, reflecting the bank's continued focus on serving its client base within the SMC ecosystem.

Corporate loans remained the primary component of the bank's gross loan portfolio, accounting for 85.7% or ₱138.6 billion as of end-2025. This was 18.1% higher than the end-2024 level. Meanwhile, consumer loans, which comprised 12.0% of gross loans, increased at a faster rate of 25.9% to ₱19.4 billion as of end-2025. Such uptrend was prompted by the jump in auto and housing loan availments.

Based on industry concentration, the bank's loan portfolio was well-diversified, as of end-2025. BankCom's largest exposures were in the following industries: Electricity, Gas, Steam, and Air-Conditioning Supply; Real Estate Activities; Construction; and Manufacturing.

⁷ https://www.bsp.gov.ph/Media_And_Research/FSR/FSR2025.pdf

⁸ Others include post-dated checks and various collaterals on omnibus loan and security agreement

Unsecured loans grew by 10.5% to ₱89.5 billion as of end-2025, representing 55.3% of the bank's total loan portfolio, lower than the 59.8% share in the prior year. Secured loans, meanwhile, grew at a faster pace of 32.7% to ₱72.3 billion, supported by higher volumes of loans secured through security agreements, deeds of pledge, and deeds of assignment.

Gross NPLs rose by 31.1%, from ₱1.7 billion as of end-2024 to ₱2.2 billion as of end-2025. Correspondingly, gross NPL ratio marginally increased from 1.2% to 1.3% during the period.

End-March 2026

Total net loans and receivables were relatively flat at ₱162.8 billion as of end-March 2026. The bank's loan book continued to be supported by clients within the SMC ecosystem. Corporate loans remained the largest component of the bank's gross loan portfolio. Consumer loans, on the other hand, remained steady for the period, supported by the growth in housing and auto loans. The Electricity, Gas, Steam, and Air-Conditioning Supply sector continued to be the bank's largest exposure.

Gross NPLs inched up by 1.6% to ₱2.3 billion as of end-March 2026, resulting in a marginal increase in gross NPL ratio to 1.4%. Despite such, the ratio remained comfortably below the 3.0% gross NPL ratio of UKBs as of the same period. Despite the marginal uptick in gross NPL ratio, asset quality is considered sound.

BankCom's loan book was also highly-diversified in terms of individual borrowers, with the biggest exposure having a minimal share of the portfolio. PhilRatings positively notes that the loans of the bank's top ten borrowers were all current, as of end-March 2026.

Going forward, BankCom anticipates the sustained expansion of its loan book, supported by the bank's continued focus on its core markets, particularly the SMC ecosystem. Gross NPL ratio is forecasted to improve over the period.

FINANCIAL RISK

Profitability

Analyst's Note: PhilRatings' calculation of certain ratios may differ from that of the bank.

2024

BankCom's gross interest income rose by 11.9%, from ₱11.8 billion in 2023 to ₱13.2 billion in 2024, albeit such growth was moderated compared with the 47.7% increase in the prior year. The growth was driven by the 14.4% hike in interest income from the bank's loans and receivables to ₱9.4 billion, reflecting the continued expansion of the bank's loan portfolio.

Interest expense, however, grew at a faster pace of 16.9% in 2024 to ₱4.1 billion, from ₱3.5 billion in 2023. This was attributed to higher interest costs on deposit liabilities and bonds payable. BankCom's net interest income increased by 9.8%, from ₱8.3 billion in 2023 to ₱9.1 billion in 2024. NIM, however, marginally declined to 4.2% in 2024, from 4.3% in 2023.

Other income slightly contracted by 2.0%, from ₱1.8 billion in 2023 to ₱1.6 billion in 2024. This was on account of the dip in gains on foreclosures and sale of property and equipment and miscellaneous income,

which offset the jump in service charges, fees, and commissions. As a result, BankCom's total revenues grew by 7.8%, from ₱10.0 billion in 2023 to ₱10.8 billion in 2024.

Operating expenses (excluding provisions) grew by 8.3%, from ₱6.2 billion in 2023 to ₱6.7 billion in 2024, led by the increase in compensation and fringe benefits and depreciation and amortization. After declining in the prior year, the bank's provision for credit and impairment losses expanded by 76.8% to ₱139.4 million in 2024. This was due to the bank's prudent management of its balance sheet, in line with the increase in loan volumes.

Given the foregoing, BankCom's net income increased by 7.9%, from ₱2.8 billion in 2023 to ₱3.0 billion in 2024. ROAA was maintained at 1.2% in 2024.

2025

BankCom's net interest income rose by 18.3% to ₱10.8 billion in 2025, prompted by the sustained growth in interest income from the bank's loan portfolio and investment securities. Gross interest income was up by 16.4% to ₱15.3 billion in 2025, while interest expense grew by 12.0% to ₱4.5 billion. The increase in interest expense was primarily attributable to the 1.7x jump in interest on bonds payable, which reached ₱1.4 billion in 2025 from ₱532.9 million in the prior year. This was attributed to the dual-tranche issuance of the bank's Series C Bonds and Series D Bonds in February 2025. The bank raised a total of ₱18.0 billion from the issuance, which is also the largest in its history.⁹ NIM improved from 4.2% in 2024 to 4.4% in 2025, which was also the bank's highest recorded margin since 2009. Net interest income CAGR from 2023 to 2025 was 14.0%.

Other income grew by 11.2% to ₱1.8 billion in 2025, due to gains from foreign exchange, trading and investment securities, and foreclosed properties and sale of property and equipment. As a result, BankCom's total revenues climbed by 17.2% to ₱12.6 billion in 2025 (12.4% CAGR from 2023).

Operating expenses (excluding provisions) increased by 11.2% to ₱7.4 billion in 2025. This was spurred by higher compensation and fringe benefits, rent and utilities, and miscellaneous expenses, reflecting greater business activity as well as BankCom's continued investment in human capital and technology. Provision for credit and impairment losses more than doubled, from ₱139.4 million in 2024 to ₱382.2 million in 2025, in line with loan portfolio growth.

Backed by its strong operating performance, BankCom posted a robust 17.0% growth in net income to ₱3.5 billion in 2025. This was notably the bank's highest recorded bottom line and nearly double the ₱1.8 billion reported during its initial public offering (IPO) year in 2022. The bottom line expansion from 2023 to 2025 was equivalent to a 12.4% CAGR. ROAA also improved to 1.3%.

First Quarter of 2026 (1Q2026)

BankCom's interest income went up by 17.1% to ₱4.1 billion in 1Q2026, from ₱3.5 billion in 1Q2025. The growth was driven by higher volume of loans and investment securities. Total interest expense expanded by 10.6%, from ₱1.0 billion to ₱1.1 billion over the same period. NIM was higher at 4.4% from 4.2% in the same period last year. These favorable developments propped up net interest income, which notably grew by 19.8%, from ₱2.5 billion in 1Q2025 to ₱3.0 billion in 1Q2026.

⁹ <https://www.bankcom.com.ph/news/bank-of-commerce-lists-largest-bond-issue-to-date-at-php18-billion/>

Other income contracted by 39.5%, from ₱503.1 million in 1Q2025 to ₱304.5 million in 1Q2026, mainly on account of the ₱153.1 million losses from trading and investment securities. This was attributed to the market volatility following the breakout of the Middle East crisis. As such, BankCom's total revenues recorded a 9.8% increase, from ₱3.0 billion in 1Q2025 to ₱3.3 billion in 1Q2026.

Operating expenses (excluding provisions) registered a 5.4% YoY uptick to ₱2.0 billion in 1Q2026, prompted by the growth in compensation and fringe benefits, taxes and licenses, and miscellaneous expenses. A ₱27.5 million reversal of provision for credit and impairment losses was recorded for the period. Credit losses are expected to be lower, on account of the improvement in the credit quality of the loan portfolio.

Driven by the sustained favorable performance of the bank's core revenue streams, BankCom's bottom line expanded by 12.6%, from ₱866.8 million in 1Q2025 to ₱976.2 million in 1Q2026. ROAA remained at 1.3%.

Projected Period

Over the projected period, BankCom expects its profitability to further improve, with interest income remaining the main driver of revenue growth supported by the bank's loan portfolio expansion. Meanwhile, interest expense is expected to increase alongside the planned bond issuance. The bank's bottom line is projected to sustain its growth momentum, underpinned by prudent management of operating expenses. Provisions for credit losses are likewise seen to grow in line with the bank's forecasted loan book growth.

ROAA and NIM are expected to remain within historical levels.

Asset-Liability Management

End-2024

Deposits liabilities stood at ₱212.0 billion as of end-2024, 14.0% higher than the ₱185.9 billion recorded from the prior year. This marked the first time in the bank's history that total deposits surpassed the ₱200.0 billion threshold. Growth was driven by the 14.1% increase in savings deposits to ₱125.1 billion as of end-2024. The bank introduced its Accelerate Your Savings (AYS) initiative, which incentivizes customers to maintain a target average daily balance for a chance to win prizes such as cash, vehicles and travel packages. Demand deposits likewise contributed to total deposit growth, climbing by 17.2% to ₱64.0 billion, while time deposits rebounded with a 7.7% expansion to ₱17.9 billion after its contraction in 2023. Given the foregoing, CASA to total deposit ratio recorded a slight uptick, from 88.3% as of end-2023 to 89.2% as of end-2024.

The bank's bonds payable decreased by 12.6% to ₱6.5 billion as of end-2024 following the maturity of its two-year ₱7.5 billion bonds. Other liabilities, however, more than doubled, from ₱4.2 billion as of end-2023 to ₱11.1 billion, attributed to higher lease liabilities and accounts payable. As such, deposits to liabilities ratio was at 91.3% as of end-2024, continuing its downward trend from 97.4% as of end-2021.

The bank's total net loans and receivables climbed by 24.6%, from ₱109.6 billion as of end-2023 to ₱136.5 billion as of end-2024, supported by the robust expansion of its corporate and consumer segments. Loan

growth translated to a higher LDR ratio of 64.4% as of end-2024 from 58.9% a year earlier. Notably, this was the bank's highest LDR ratio since its end-2022 levels at 59.6%.

End-2025

BankCom continued to expand its deposit balance in 2025, with growth still largely funded by core deposits. Total deposits inched up by 5.3% to ₱223.3 billion, accounting for 89.2% of total liabilities. Growth was attributed to the impact of the bank's promotions and targeted marketing campaigns rolled out during the year. Demand deposits registered a 25.2% increase to ₱80.1 billion, while time deposits expanded by 38.6% to ₱24.8 billion. These increases were counterbalanced by the 5.3% contraction in savings deposits to ₱118.4 billion as of the same year. The bank's long-term negotiable certificate of deposit (LTNCD) of ₱5.0 billion also matured in 2025. As a result, CASA to total deposits ratio fell to 88.9% as of end-2025.

Bonds payable sharply increased by 173.6%, from ₱6.5 billion as of end-2024 to ₱17.9 billion as of end-2025, due to the dual-tranche fixed-rate bond issuance amounting ₱18.0 billion in February 2025. This was the bank's largest bond issuance to date. With the bond issuance, deposits to liabilities ratio slid further to 89.2% as of end-2025.

The bank's loan portfolio sustained its uptrend, rising by 19.3% to ₱162.8 billion as of end-2025. This was supported by sustained lending activity across all segments, particularly in the bank's corporate and consumer loan portfolios. LDR markedly went up from 64.4% as of end-2024 to 72.9% as of end-2025.

In terms of foreign exchange risk, the bank's net exposure was minimal at 0.7% of total assets as of end-2025.

End-March 2026

Total deposits continued to expand by 8.3% to ₱241.9 billion as of end-March 2026. CASA deposits posted a 13.2% growth to ₱224.7 billion as of end-March 2026, on account of the bank's continued rollout of its promotional strategies and initiatives to further boost its deposits base. Time deposits, however, fell by 30.7% to ₱17.2 billion. PhilRatings notes that CASA, which are considered a more stable and lower cost funding source, continued to comprise bulk of the bank's deposit base. As of end-March 2026, CASA to total deposits ratio stood at 92.9%.

Other liabilities, meanwhile, went up by 24.9% to ₱7.4 billion, driven by the rise in accounts payable for the period. Deposits to liabilities ratio was higher at 89.6%, as of end-March 2026. LDR was lower at 67.3% during the period, given the almost flat growth loans and receivables, which stood at ₱162.8 billion as of end-March 2026.

Projected Period

BankCom expects to sustain its funding momentum by growing its deposit base, coupled with a bond issuance, over the projected period. The bank plans to selectively expand its retail banking business to diversify its funding sources. It also expects deposits growth to be partly supported by the removal of online banking fees, which could potentially boost volume in its low-cost funding base.

CASA will continue to account for most of the deposits. Deposit to liabilities ratio will decline on account of the bank's planned bond issuance in 2026. Proceeds from such, along with the bank's deposit base, will be used to settle the ₱10.0 billion Series C Bonds due in 2027.

Loans will continue to comprise bulk of the bank's assets over the projected period. LDR would slightly rise above its historical levels.

Capital

End-2024

BankCom's total assets amounted to ₱265.4 billion as of end-2024, up by 14.6% from ₱231.7 billion as of end-2023. This expansion was mainly driven by the 24.6% growth in the bank's loans portfolio, as well as the 97.4% hike in Due from BSP on the back of the increase in the bank's overnight deposit facility (ODF) placements. Financial assets at fair value through other comprehensive income (FVOCI) and through profit and loss (FVPL) similarly recorded a steep increases for the year, growing to ₱19.1 billion (+72.8%) and ₱2.9 billion (+621.1%), respectively, on account of the additional purchases of government securities. Conversely, interbank loans receivables and securities purchased under resale agreements (SPURA) dropped by 82.8% to ₱3.6 billion as of end-2024, from ₱20.1 billion as of end-2023, as the bank focused on its loan book growth.

BankCom's total equity slightly increased by 7.7% to ₱33.2 billion as of end-2024, supported by the plowback of earnings.

Equity-to-assets ratio decreased from 13.3% as of end-2023 to 12.5% as of end-2024, given marginal growth in equity. CAR was at 17.6% as of end-2024, lower than the previous year's 19.9%, but remained well-above the regulatory minimum of 10.0%.

End-2025

BankCom's total assets grew by 8.1% to ₱286.9 billion as of end-2025, attributable to the continued expansion of the bank's total loan portfolio. Interbank loans receivables and SPURA posted a more than twofold growth to ₱7.6 billion as of end-2025, on the back of expanded interbank lending activities. Financial assets at FVOCI ballooned by 83.5% to ₱35.0 billion. Similar to 2024, this jump was mainly due to the additional purchases of government securities. Investment securities at amortized costs grew by 13.0% to ₱41.4 billion, as the bank expanded its positions across portfolios in anticipation of further yield declines. The aforementioned increases were partly offset by the 62.3% reduction in dues from the BSP to ₱18.1 billion as of end-2025, attributable to the drop in overnight deposit facility (ODF) placements, as the bank shifted to higher yielding assets.

Total equity increased by 10.1% to ₱36.6 billion as of end-2025, on account of higher earnings retention.

Equity-to-assets ratio slightly increased to 12.8% as of end-2025. Reflecting the increase in the bank's credit and market risk-weighted assets due to higher loan and securities exposures, CAR declined but remained more than adequate at 16.5%.

End-March 2026

Total assets grew by 6.7% to ₱306.1 billion as of end-March 2026, as interbank loans receivables and SPURA continued to significantly grow. These accounts recorded a near fourfold increase of 294.5% to ₱30.2 billion, on the back of higher volume of loans from reverse repurchase agreements with the BSP. Loans and receivables were flat at ₱162.8 billion as of end-March 2026.

Total equity fell by 1.2% to ₱36.1 billion, mainly due to the ₱1.3 billion net unrealized losses of financial assets as FVOCI, which offset the earnings plowback for the period.

Equity-to-assets ratio stood at 11.8%. CAR further dropped to 16.1%, but such remained well above the 10% regulatory minimum threshold.

Projected Period

Total assets are forecasted to progressively increase, in line with the expansion of the bank's loan portfolio. Capital is similarly seen to climb, albeit at a slower pace, in the coming years, backed by earnings retention. As such, equity-to-assets ratio is expected to decline over the projected period. Nonetheless, the bank's CAR is foreseen to remain at more than comfortable levels.

Latest Interim Updates (1H2026)

BankCom's gross interest income rose by 13.4% from ₱7.3 billion in 1H2025 to ₱8.3 billion in 1H2026, spurred by stronger contributions from its loan book and investment securities. Interest expense was flat at 0.6% YoY to ₱2.2 billion in 1H2026, partly attributable to the 11.3% decline in interest expense from bond payables. On the other hand, other income decreased by 13.9% YoY to ₱785.4 million in the same period, on account of the ₱137.1 million losses from trading and investment securities. As a result, the bank's total revenues increased by 13.8% from ₱6.1 billion in 1H2025 to ₱6.9 billion in 1H2026. NIM improved to 4.7%.

Operating expenses (excluding provisions) grew by 12.5% from ₱3.6 billion in 1H2025 to ₱4.1 billion in 1H2026, led by higher compensation and fringe benefits and taxes and licenses. Provision for credit and impairment losses was ₱8.0 million in 1H2026, down by 13.2% YoY. Driven by the strong performance of its core businesses, BankCom's net income expanded by 13.3% from ₱1.9 billion in 1H2025 to ₱2.1 billion in 1H2026. ROAA inched upwards from 1.4% to 1.5%.

BankCom slightly lagged behind its full-year revenue target of ₱14.8 billion for 2026, attaining 46.8% in 1H2026. This was attributed to the lower-than-expected non-interest income of ₱785.4 million for the period, which was only 28.3% of the ₱2.8 billion target. The bank was nonetheless on track to reach its full-year bottom line budget of ₱4.0 billion for 2026, attaining 52.1% in 1H2026.

Total loan portfolio dipped by 5.7% to ₱153.6 billion as of end-June 2026, due to schedule repayments and maturities during the period. The bank nonetheless sustained lending momentum, particularly from its client base within the SMC ecosystem. Gross NPLs were at ₱2.2 billion as of end-June 2026, unmoved from end-2025 levels. Gross NPL ratio remained minimal at 1.4%. The bank's loan portfolio accounted for 53.4% of total assets for the period. On the other hand, the bank's total deposits were also flat at ₱223.6 billion as of end-June 2026 (from ₱223.3 billion as of end-2025). CASA to total deposits ratio improved from 88.9% as of end-2025 to 90.8% as of end-June 2026. LDR meanwhile declined from 72.9% to 68.7%.

Total assets were posted at ₱287.5 billion as of end-June 2026, marginally up by 0.2% from end-2025 levels. The dip in loans and financial assets at FVOCI were offset by the 18.9% growth in investment securities at amortized costs and the 24.8% increase in dues from BSP. Equity-to-assets ratio was at 12.7% as of end-June 2026. CAR meanwhile increased to 17.1% for the period, higher than the 16.5% from end-2025 and well above BSP's minimum regulatory requirement.

ECONOMY

GDP¹⁰

The country's GDP growth slowed to 4.4% in 2025, missing the government's target range of 5.5%–6.5% and marking the third consecutive year that it has fallen short of the target. Department of Economy, Planning, and Development (DEPDev) Secretary Arsenio Balisacan cited the impact of weather-related disturbances for the year and the corruption scandal surrounding flood control projects as reasons for the missed growth target. The latter reportedly dampened investments and eroded consumer confidence in 2H2025.

On the supply side, full-year growth was anchored by Services (+5.9%) and a modest recovery in Agriculture, Forestry, and Fishing (AFF; +3.1%), while Industry lagged behind at 1.5%.

On the demand side, Household Final Consumption Expenditure (HFCE) slowed to 4.6% in 2025 (down from 4.9% in 2024), while Government Final Consumption Expenditure (GFCE) accelerated to 9.1% (up from 7.3% in 2024). Gross capital formation (GCF) contracted by 2.1% in 2025, a sharp reversal from the 7.7% growth in 2024, driven by the government's aggressive freeze on project disbursements and a strict anti-corruption clampdown in the last quarter of the year following the flood control scandal.

In 2Q2026, the Philippine GDP expanded by 2.3% YoY, slower than the 2.8% growth in 1Q2026 and the 5.4% recorded in the same period in 2025. This brought GDP growth for 1H2026 to 2.6%, below the government's 3.5%–4.5% full-year growth target. The 2Q2026 outturn was the country's weakest quarterly growth since the onset of the pandemic. The Philippines also lagged behind other major Southeast Asian economies that had reported second-quarter results, including Vietnam, which grew by 8.4%; Malaysia, 5.8%; and Indonesia, 5.3%.

According to DEPDev Secretary Arsenio Balisacan, domestic demand remained subdued mainly because total investment continued to contract as public construction declined. Household consumption growth also moderated amid higher inflation, job losses, and lower remittance receipts arising from the Middle East conflict. The oil shock associated with the Middle East conflict also increased inflation and slowed household consumption during the quarter.

¹⁰ Philippine Statistics Authority

<https://business.inquirer.net/571342/philippine-gdp-growth-down-to-3-in-q4-2025>

<https://www.abs-cbn.com/news/business/2026/5/7/gdp-growth-skids-to-2-8-percent-in-first-quarter-of-2026-1007>

<https://psa.gov.ph/statistics/national-accounts>

<https://bworldonline.com/top-stories/2026/08/07/768829/philippine-q2-growth-slumps-to-new-post-pandemic-low-amid-oil-shock/>

<https://www.abs-cbn.com/news/business/2026/8/7/gdp-growth-further-skids-to-2-3-percent-in-second-quarter-1006>

Inflation¹¹

Inflation averaged 1.7% in 2025, marking the slowest annual pace of price growth since 2016 and remaining below the Bangko Sentral ng Pilipinas' (BSP) 2–4% target range. The low inflation outturn was driven by easing rice prices and generally stable commodity costs, although food prices edged up toward year-end due to weather-related supply disruptions and stronger holiday demand.

Headline inflation eased to 6.1% in August 2026 from 6.2% in July 2026, marking the fourth consecutive month of slower inflation and the lowest rate in five months. This brought the average year-to-date inflation rate for January-August 2026 to 5.2%, remaining above the BSP's 2%–4% target range for the year. The slowdown was mainly driven by slower price increases in food and non-alcoholic beverages, particularly in vegetables and fish, which accounted for 75% of the overall deceleration in inflation. The moderation in food inflation was offset by the quicker price increase in transportation, which went up from 11.9% in July to 13.5% in August. This was attributable to YoY price hikes in gasoline and diesel.

Core inflation also slightly eased from 4.2% in July 2026 to 4.1% in August 2026, although it remained higher than the 2.7% recorded in August 2025. Despite the recent moderation, inflationary pressures remain elevated. The government maintained its 6.0%–7.0% inflation projection for 2026, considering elevated global fuel prices, persistent supply-side pressures, and emerging second-round effects from the Middle East conflict. Risks to food and energy prices also remain amid lingering geopolitical tensions and the potential impact of El Niño.

Interest Rates¹²

Considering the subdued inflationary environment in 2025, the BSP implemented a series of 25-basis-point cuts during the year that brought the key policy rate down from 5.75% to a low of 4.5% by December 2025.

Year-to-date in 2026, however, the BSP shifted from monetary easing to monetary tightening. After bringing the policy rate to a low of 4.25% in February, the BSP implemented several rate hikes that brought the policy rate to 5.0% by August 2026. The central bank highlighted that while inflation moderated, oil prices remained volatile. The BSP also flagged the possible impact of the severe El Niño and potential wage increases.

Foreign Exchange Rate¹³

The Philippine peso continued to weaken against the US dollar (USD) in 2026, with the monthly average exchange rate rising from ₱59.2 per USD in January to ₱61.3 per USD in August. The depreciation was more pronounced in 2Q2026, amid elevated oil prices and heightened geopolitical tensions. The peso subsequently reached a record low of ₱62.57 per USD on September 2, 2026. Recent forecasts suggest that the Philippine peso could weaken to close to ₱63 per USD in the coming months.

¹¹ <https://business.inquirer.net/567690/philippine-2025-inflation-slows-to-1-7-a-9-yr-low>

<https://www.rappler.com/business/inflation-rate-philippines-august-2026/>

¹² <https://www.pna.gov.ph/articles/1282815>

¹³ https://www.bsp.gov.ph/statistics/external/day99_data.aspx

<https://business.inquirer.net/597213/peso-seen-weakening-to-631-by-end-2026>

In its latest Asia Economic Outlook (dated June 25, 2026), ANZ Research said that the peso could weaken to 63-per-dollar by the end of 2026 as support for the currency declines. While acknowledging that a possible US-Iran deal boosted the peso, ANZ Research believes that the gains would be temporary on account of the Philippines' external deficit. Other factors weighing on investor confidence and the peso include domestic political uncertainty and a more hawkish US federal Reserve.

Outlook¹⁴

In July 2026, major multilateral institutions further revised their Philippine economic growth forecasts.

The International Monetary Fund (IMF) lowered its GDP growth forecast for the country, citing the weaker-than-expected economic performance and the larger-than-anticipated impact of the Middle East conflict on domestic prices and economic activity.

The Asian Development Bank (ADB) likewise lowered its Philippine growth forecasts due to the delayed investments, softer private consumption amid higher commodity prices, and climate-related risks.

Meanwhile, the World Bank maintained its 2026 growth forecast but lowered its 2027 forecast, indicating a slower recovery than previously expected. The World Bank expects economic growth to remain subdued in 2026 amid weaker fixed investment and private consumption before improving in 2027 as investment conditions gradually recover.

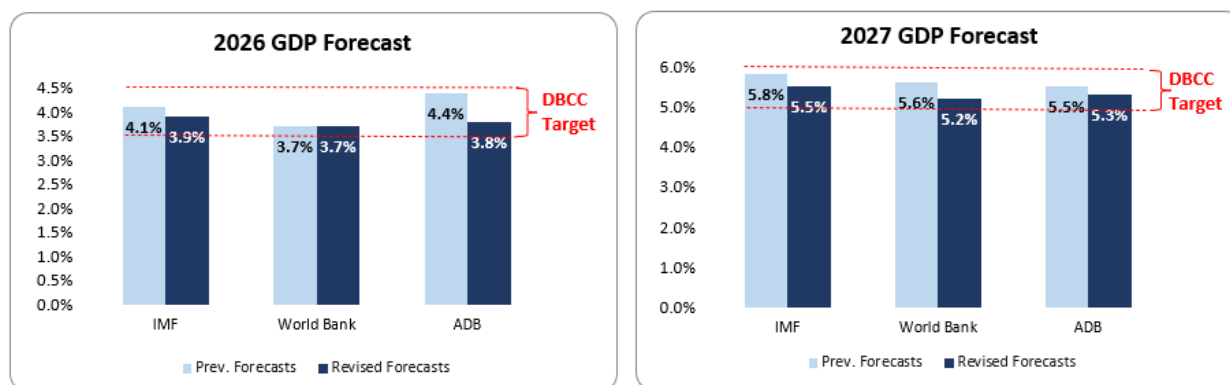


Figure 2. Revised GDP Forecasts for 2026 and 2027

The latest 2026 forecasts of the aforementioned institutions remain within the Development Budget Coordination Committee's (DBCC) revised GDP growth target of 3.5%–4.5%. In July 2026, the DBCC lowered its 2026 target from the previous 5.0%–6.0% range. The DBCC likewise lowered the GDP growth target for 2027 to 5.0%–6.0%, from 5.5% to 6.5%. The revised macroeconomic assumptions considered domestic and external uncertainties, including the impact of the Middle East conflict, higher commodity prices, and slower government spending.

¹⁴ <https://www.bworldonline.com/top-stories/2026/04/09/741674/world-bank-slashes-phl-growth-forecast-to-3-7/>
<https://business.inquirer.net/596658/dbcc-cuts-ph-2026-growth-target-to-3-5-4-5>
<https://business.inquirer.net/584588/adb-cuts-2026-ph-gdp-growth-forecast-to-4-4>
<https://business.inquirer.net/597055/sp-cuts-ph-growth-outlook-to-4-1>
<https://tribune.net.ph/2026/04/21/fitch-cuts-philippines-outlook-to-negative-govt-responds>
<https://www.gmanetwork.com/news/money/economy/993892/philippine-economic-growth-to-pick-up-in-second-half-of-2026-balisacan/story/>

DEPDev Secretary Arsenio Balisacan said the economy would need to grow by at least 4.4% in 2H2026 to achieve the lower end of the target range. The government expects economic activity to improve in the second half as public infrastructure spending recovers, while the pace of investment recovery and external developments remain key factors affecting the outlook.

S&P Global Ratings (S&P), meanwhile, maintains the Philippines' 'BBB+' investment-grade sovereign credit rating with a Stable Outlook, following its revision of the outlook from Positive in April 2026. The outlook revision reflected increased external and fiscal risks that reduced the likelihood of a near-term rating upgrade. Moody's Ratings also affirmed its Baa2 rating and maintained its Stable Outlook, citing the country's resilient fundamentals, strong access to domestic and international funding markets and sufficient foreign-currency reserves. Fitch Ratings likewise maintains the country's 'BBB' long-term foreign-currency issuer default rating with a Negative Outlook.

The Iran War¹⁵

The continuing US–Israel and Iran conflict may adversely affect the Philippine economy through elevated oil prices, inflationary pressures, and heightened global uncertainty. Volatility in global energy markets and disruptions involving the Strait of Hormuz have contributed to fluctuations in domestic fuel prices and increased uncertainty in monetary policy expectations, which may affect consumer spending, tourism, investment activity, and operating costs. Ongoing tensions may also affect overseas Filipino deployment and remittance flows from the Middle East, potentially impacting broader economic activity.

INDUSTRY¹⁶

The Philippine banking sector operated under stable regulatory conditions in 2025, according to the Financial Stability Coordination Council (FSCC) 2025 Financial Stability Report. Banks continued to comply with capital adequacy requirements and maintain loan loss provisions under BSP supervision, with credit growth broadly aligned with economic activity.

Bank lending growth increased to 12.1% YoY in May, driven by business loans, which grew 11.7% (from 10.7% in April). Real estate-related lending also contributed to business loan expansion. Consumer lending continued to expand, although growth slightly moderated to 19.0% from 19.6%, reflecting slower growth in credit card and motor vehicle loans. According to the BSP, strong demand for consumer loans continued

¹⁵<https://businessmirror.com.ph/2026/03/06/the-iran-war-and-the-domestic-economy/>
<https://www.aljazeera.com/news/2026/3/26/as-trump-claims-us-winning-tehran-asserts-legal-right-over-hormuz-strait>
<https://abcnews.com/Business/philippines-declares-national-energy-emergency-asia-risks-energy/story?id=131397194>
<https://www.gmanetwork.com/news/money/economy/982088/pump-price-increase-middle-east-war/story/>
<https://www.reuters.com/world/asia-pacific/trump-agrees-two-week-ceasefire-iran-says-safe-passage-through-hormuz-possible-2026-04-08/>
<https://www.abs-cbn.com/news/business/2026/4/16/big-rollbacks-expected-again-next-week-1438>
<https://www.bbc.com/news/articles/c626zywxjno>
<https://www.aljazeera.com/news/2026/5/21/trump-shifts-between-diplomacy-and-threats-in-iran-standoff>
<https://www.gmanetwork.com/news/money/companies/988002/oil-price-adjustment-may-19-2026/story/>
¹⁶ <https://business.inquirer.net/602435/bad-loans-fell-to-6-month-low-in-june>
<https://insiderph.com/ph-banking-sector-stable-despite-headwinds-says-bdo-exec>
<https://www.pna.gov.ph/articles/1276790>
<https://asianbankingandfinance.net/lending-credit/news/ph-bank-lending-accelerates-114-in-april-business-demand>
BSP Report on the Philippine Financial System for the second semester of 2025

to be supported by household consumption, although risks associated with unsecured consumer lending warrant continued monitoring.

Despite prevailing market uncertainties, the country's banking sector showed positive asset quality indicators. The industry's NPL ratio was at 3.3% as of end-June 2026, the lowest since the 3.1% from end-December 2025. Banks continued to strengthen their bad loan buffers, as the industry's coverage ratio reached 92.5% as of end-June 2026.

Fitch Cites Rising Near-Term Risks for Philippine Banking Sector

Fitch Ratings (Fitch) stated that Philippine banks are expected to face higher asset quality risks and lower profitability in the near term due to slowing economic growth, elevated inflation, higher energy prices, disruptions in public investments, and increased macroeconomic uncertainty. The ratings agency noted that these conditions could lead to higher credit impairments and increased provisioning, particularly as banks manage growing risks from unsecured consumer lending.

According to Fitch, the rapid expansion of unsecured consumer loans, particularly credit card receivables, represents a key vulnerability for the banking sector. Credit card loans have tripled since the end-2020 and accounted for around 8% of total banking system loans by end-2025. Fitch expects the deterioration in credit quality to be reflected primarily through higher write-offs and credit costs rather than a significant increase in reported impaired loan ratios, partly due to regulatory relief measures implemented by the BSP. As a result, banks are expected to increase provisions in anticipation of higher defaults, which could weigh on earnings in 2026.

Fitch also revised its outlook on the Philippine banking sector from "neutral" to "deteriorating" and lowered its forecast for system-wide loan growth in 2026 to 9% from 12%, citing macroeconomic uncertainty, higher long-term interest rates, and weaker demand for credit. Despite these challenges, Fitch noted that the country's major private banks are expected to maintain adequate capital buffers, stable funding profiles, and sufficient earnings capacity to absorb higher credit costs.

In response to Fitch, the BSP stated that it continues to closely monitor risks to credit quality, profitability, liquidity, and capital adequacy. The central bank emphasized that Philippine banks remain well-positioned to withstand potential shocks, supported by ample liquidity, adequate capital buffers, and manageable asset quality. While some pressure may emerge in specific borrower segments, the BSP stated that risks remain contained and that there is no evidence of broad-based deterioration in the domestic banking sector.

BSP Circular No. 1238¹⁷

On June 17, 2026, BSP Governor Eli Remolona Jr. signed the BSP Circular No. 1238 Series of 2026, which amended the rules on pricing mechanisms of online transaction fees of banking-supervised financial institutions. Under the Circular, digital fund transfer fees like InstaPay and PESONet are no longer under a flat price cap, requiring banks to price transfer fairly based on actual switch costs. According to the BSP,

¹⁷ <https://opinion.inquirer.net/193098/waiving-digital-banking-fees>

<https://www.gmanetwork.com/news/money/companies/994546/explainer-why-some-banks-now-have-zero-fee-transfers/story/>

<https://business.inquirer.net/601435/bsp-stands-firm-on-transfer-fee-rules>

fund transfer costs between accounts from different banks should not materially differ from transfer costs between accounts under the same bank. It further stipulated that service fees for electronic payments must be lower than those charged for over-the-counter transactions, as the former is considered to be more efficient and cost-effective. Banks must also be able to prepare their cost analysis that justifies their fee structure if required by the BSP.

As of July 17, 2026, among the banks that have reduced or waived their interbank transfer fees include the following: BDO, LandBank, BPI, Metrobank, Security Bank Corporation (SCB), Philippine Savings Bank (PSBank), EastWest Banking Corporation (EastWest), Rizal Commercial Banking Corporation (RCBC), Union Bank of the Philippines, Inc. (UnionBank), Philippine National Bank (PNB), and BankCom. BSP added that digital fund transfer transactions climbed from 10% to 50% since banks and e-wallet providers cut their fees.

The BSP continues to stand firm on its transfer fee rules, stating that banks and e-wallets that may be struggling to comply with rules requiring lower fund transfer fees should rethink their business models and not expect regulatory concessions. The BSP added that it would not create separate pricing for different sectors despite their varying strategies, believing that such would create “congestion” in the payments network.