

Security Bank

Sector: Financial Services

Country: Philippines

Bond: SECBPM 5.5 29

Sub Sector: Banks

Fundamental View

- We continue to remain comfortable with the credit outlook of Security Bank given its strong loan growth and adequate capital buffers. Its total capital ratio is 14.20%, which is 400 basis points above the minimum regulatory hurdle, which can buffer modest credit losses in its loan portfolios should macroeconomic headwinds worsen.

Business Description

- Security Bank is the 7th largest bank in the Philippines by total assets and was established on June 18, 1951. Security Bank's businesses include wholesale banking, financial markets, and retail banking. The bank provides commercial banking services such as deposit products, loans and trade finance, domestic and foreign fund transfers, treasury, foreign exchange, and trust services.
- Security Bank's loan portfolio is 32% consumer & MSME, 28% middle market, and 40% corporate as of 3Q 2024.

Risk & Catalysts

- Any rating downgrade of the Philippine sovereign would have a negative impact on Security Bank.
- Given the current rate cut environment that drives funding costs lower, its strategy to aggressively capture market share in the retail and MSME segment might allow the bank to deliver faster growth and higher net interest income margin.
- Rapid expansion on higher yielding retail and MSME segments could worsen asset quality and increase credit costs.

Key Metrics

| | FY2021 | FY2022 | FY2023 |
|---------------------|--------|--------|--------|
| Debt to Capital | 21.04% | 41.59% | 42.57% |
| Net Debt to Capital | 4.76% | 10.64% | 15.53% |
| ROA | 1.02% | 1.37% | 1.06% |
| ROE | 5.57% | 8.42% | 6.95% |
| NPL Ratio | 4.22% | 3.07% | 3.38% |
| CET1 Ratio | 19.09% | 16.11% | 15.30% |
| Net Income Margin | 19.57% | 27.78% | 21.91% |

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