

BDO Unibank (BDO PM)

FUNDAMENTAL VIEW ¹

As of 07 May 2025

- BDO Unibank (BDO) is the largest bank in the Philippines in terms of assets & market share.
- Given its size and systemic importance, BDO is considered too big to fail and is strongly likely to be supported by its controlling shareholder SM Investments, as well as the Philippine government in times of stress.
- BDO is widely viewed as the soundest bank in the country given its strong fundamentals, well-diversified businesses, and good management.

RISKS & CATALYSTS

As of 07 May 2025

- Direct impact from US tariffs is limited given that the Philippines is not a major goods exporter, but the second order effects from a slowdown in regional and global growth are not insignificant.
- Loan growth is thus likely to continue to be retail-led in FY25 as businesses put borrowing plans on hold. We see few asset quality risks for BDO given a comfortable NPL cover (1Q25: 143%) and build up of the CET1 ratio (1Q25: 14.4%), as well as BDO's large corporates book (50% of total loans) and underwriting track record.
- We see increased margin pressure with more rate cuts anticipated from the BSP now in 2025 to support growth. An overall NIM reduction in FY25 is likely despite reserve requirement ratio (RRR) cuts and an increasing retail share in the overall loan mix.
- Any rating downgrade of the Philippine sovereign would negatively impact BDO.

CREDIT QUALITY SCORE (CQS) ²

As of 02 Jun 2025

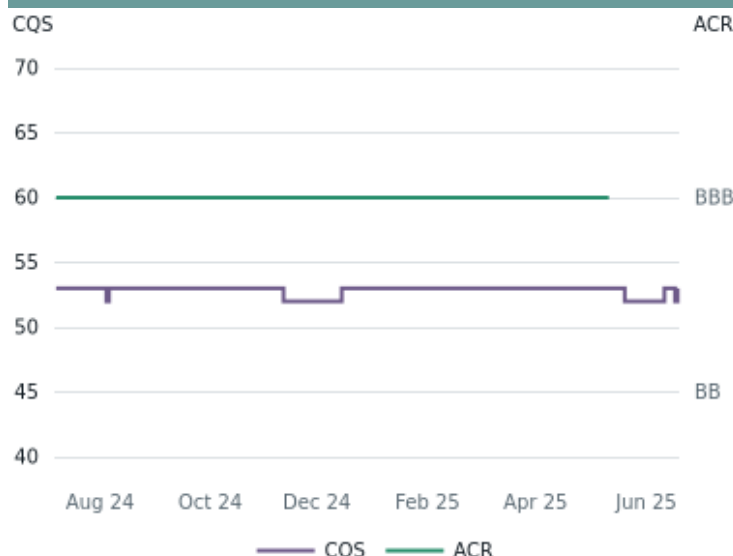
CURRENT CQS

53

CQS OUTLOOK ³

NO OUTLOOK

HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR) ⁴ VS CQS



KEY METRICS

As of 07 May 2025

PHP MN	FY21	FY22	FY23	FY24	1Q25
NIM	4.05%	4.14%	4.37%	4.35%	4.31%
Reported ROA (Cumulative)	1.2%	1.5%	1.7%	1.8%	1.6%
Reported ROE (Cumulative)	10.4%	13.0%	15.2%	15.1%	13.8%
Equity/Assets	11.7%	11.3%	11.5%	11.8%	12.1%
CET1 Ratio	13.6%	13.4%	13.8%	14.1%	14.4%
NPL ratio	2.8%	2.0%	1.9%	1.8%	1.8%
Provisions/Loans	0.72%	0.64%	0.59%	0.46%	0.37%
PPP ROA	2.1%	2.3%	2.7%	2.5%	2.2%
Liquidity Coverage Ratio	145%	141%	123%	132%	131%
Net Stable Funding Ratio	124%	124%	124%	122%	n/m

BUSINESS DESCRIPTION

As of 07 May 2025

- BDO Unibank was established as Acme Savings Bank in 1968, and was then acquired by SM Investments in 1976. It became a commercial bank in 1994 and a universal bank in 1996.
- BDO was listed in May 2002. SM Investments remains the bank's largest shareholder with a 41% stake.
- BDO has expanded through a series of M&As. Among its key transactions, it merged with Dao Heng Bank Philippines in 2001, Banco Santander Philippines in 2003, UOB Philippines in 2005, Equitable PCI Bank in 2007, GE Money Bank in 2009, Citibank Savings, DB Trust and Real Bank in 2014, One Network Bank in 2015 (the largest rural bank in the Philippines), and RB Pandi's banking business in 2019. It also acquired the insurance business of Generali in the Philippines in 2016.
- BDO has the largest distribution network in the country and is ranked the largest bank in terms of consolidated resources, total assets, loans, deposits and trust funds under management.
- Its loan book is split 50% large corporates, 25% middle market, and 25% consumer at 1Q25. 42% of the consumer book comprises mortgages, 27% are credit cards, 13% are auto loans and the remaining are personal loans (13%) and others (5%).

GLOSSARY

¹ The **Fundamental View** is our current assessment of credit quality and our expectation of how credit quality will trend over the next year or longer.

² The **Credit Quality Score (CQS)** is a number between 5 and 100. It is a medium-term credit score for corporates and financial institutions that utilizes a combination of sector fundamental scores and equity market signals. Values of CQS above 50 generally indicate investment grade credit quality.

³ The **Credit Quality Score (CQS) Outlook** is the near-term (3 month) outlook for the CQS, based on its trend, volatility and distance from the adjacent CQS risk bucket.

⁴ The **Agency Composite Rating (ACR)** is the average senior unsecured rating from one or more major rating agencies.

Quantitative scores provided by CreditSights Analytics, LLC. Scores are shown are for the lesser of (1) 2 years and (2) date of CreditSights inception of quantitative coverage.

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