

Bank of Philippine Islands (BPI PM)

FUNDAMENTAL VIEW ¹

As of 14 May 2025

- Bank of the Philippine Islands (BPI) is the 3rd largest bank in the Philippines by assets.
- We view the bank as too big to fail given its systemic importance in the country. There is also a strong probability of support from the government in addition to its main shareholder, the Ayala Corporation if needed.
- BPI has a long history, and we view it as a fundamentally sound bank with strong and improved profitability, and comfortable liquidity. Capital management however has become less conservative, and while asset quality is relatively well managed, we are keeping an eye on strong growth in the non-wholesale book.

RISKS & CATALYSTS

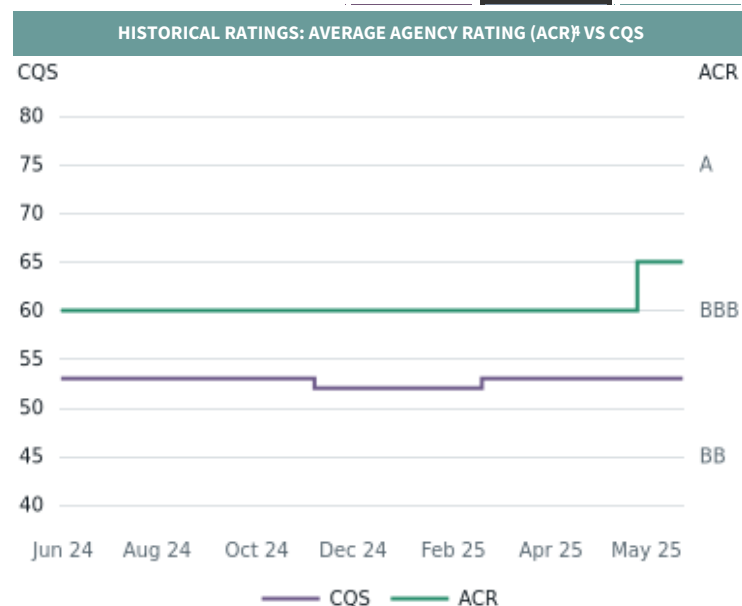
As of 14 May 2025

- Any rating downgrade of the Philippine sovereign would have a negative impact on BPI.
- Direct impact from US tariffs is limited given that the Philippines is not a major goods exporter, but there will be second order effects from a slowdown in regional and global growth. Loan growth will continue to be retail/MSME driven in FY25 particularly as some businesses put borrowing plans on hold.
- BPI's strong focus on unsecured retail and MSME growth has put pressure on asset quality, and provision reserves have also been pared down. We see asset quality risks, but BPI's large corporates-focused book (71% of total loans) provide comfort and provisioning capacity is strong.
- We also expect increased margin pressure with more rate cuts anticipated from the BSP now in 2025 to support growth. However, management expects to maintain a flattish FY25 NIM, supported by RRR reductions and a continued pivot towards better yielding retail/MSME.

CREDIT QUALITY SCORE (CQS) ²

As of 30 May 2025

CURRENT CQS



KEY METRICS

As of 14 May 2025

PHP MN	FY21	FY22	FY23	FY24	1Q25
PPP ROA	2.01%	2.41%	2.52%	2.78%	2.96%
Reported ROA (Cumulative)	1.10%	1.59%	1.93%	1.98%	2.05%
Reported ROE (Cumulative)	8.4%	13.1%	15.4%	15.1%	15.4%
Net Interest Margin	3.30%	3.59%	4.09%	4.31%	4.49%
CET1 Ratio	15.8%	15.1%	15.3%	13.9%	14.7%
Total Equity/Total Assets	12.1%	12.2%	12.4%	13.0%	13.7%
NPL Ratio	2.49%	1.76%	1.84%	2.13%	2.26%
Provisions/Loans	0.91%	0.58%	0.22%	0.32%	0.53%
Liquidity Coverage Ratio	221%	195%	207%	159%	n/m
Net Stable Funding Ratio	155%	149%	154%	146%	n/m

BUSINESS DESCRIPTION

As of 14 May 2025

- The history of the Bank of the Philippine Islands traces back to 1851. It is the oldest bank in the Philippines and South East Asia. It was first listed on the Philippine Stock Exchange in 1971, and became a universal bank in 1982.
- Ayala Corporation, one of the biggest conglomerates in the country, became BPI's dominant shareholder in 1969. Ayala Corp still holds a 49% stake in the bank.
- BPI has been acquisitive across the years. It merged with Far East Bank and Trust Company and acquired Ayala Insurance Holdings Corp in 2000. It acquired DBS Bank Philippines in 2001 and Prudential Bank Philippines in 2005. DBS was a shareholder of BPI but exited its position in 2013. More recently in January 2024, it completed the acquisition of the Gokongwei conglomerate's Robinsons Bank.
- The bank is predominantly a corporate bank with 71% of its loan book outstanding to corporates, and the balance to MSME and retail as of 1Q25. The bank's target is to grow the MSME and retail segment to a 30% share of loans.

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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