

April 2024

PSE SPOTLIGHT

FEATURING:

Bank of Commerce



A San Miguel Corporation (SMC) affiliate since 2008, Bank of Commerce ("BankCom", licensed short name) is a universal bank focused on delivering the best choice of financial services to clients and conglomerate partners. BankCom traces back to Overseas Bank of Manila which opened in 1963.

Stock Code	BNCOM
Listing Board	Main Board
Sector – Subsector	Financials – Banks
Listing Date	Mar 31, 2022
Outstanding Shares	1,403,013,920
Free Float Level	23.77%
Market Capitalization	P9,119,590,480
P/E Ratio	3.93x
Dividend Yield	0.00%

As of 12 April 2024
Source: PSE Data

[Company Profile](#)

1. What makes the BNCOM an attractive investment for potential investors?

Bank of Commerce is the financial services arm of the San Miguel Corporation. It is a universal bank focused on delivering the best choice of financial services to clients and conglomerate partners. Its main focus at present is deepening its penetration of the SMC ecosystem. The Bank defines the SMC ecosystem as SMC's distributors and suppliers as well as their employees and the employees of SMC's various subsidiaries and affiliates. SMC ecosystem lending is separate from the lending to the SMC subsidiaries and affiliates.

At present, the Bank's price (P6.59 as of April 3) to book of only 0.36 shows a significant undervaluation of its stock. Its book value per share stood at P18.14 as of year-end 2023. Since 2019, the Bank has continually grown its Net Income performance and looks to continue this in the coming years.

The Bank has also generated sizeable income from its new (2022) revenue stream in Investment Banking. It generated underwriting and arranger's fees of P95.9 million in 2022 and P148.7 million in 2023.

For the year ended 2023, the Bank posted the highest growth (56%) in Net Income amongst listed banks. Its Net Income of P2.8 billion is the highest since the Bank was acquired by SMC.

2. What challenges has BNCOM encountered, and what strategies were employed to overcome them effectively?

Firstly, the Bank encountered challenges in its goal of declaring dividends. As disclosed in the Bank's IPO prospectus the Bank could not declare dividends until the balance of the remaining TRB miscellaneous assets were fully provisioned in its regulatory books (these assets were fully provisioned in its audited FS prior to the IPO). With continued good Net Income performance and ploughed back earnings, the bank was able to book these regulatory provisions in 2022. Having complied with this requirement in 2022 and achieving positive retained earnings available for dividend declaration by September 2023, the Bank has been working to receive regulatory approval to issue dividends.

Secondly, the Bank encountered operational and business challenges during the COVID 19 pandemic. Since then the Bank has been able to continue business operations and come out of the pandemic with good and further improving asset quality (NPL-net ratio as of end 2022 was 0.60% while end 2023 was 0.44% - below industry average; NPL-gross ratio as of end 2022 was 2.10% while end 2023 was 1.54% - below industry average; NPL coverage continues to be above 90%).

3. What sustainability initiatives does BNCOM have in place? How do they align with your long-term goals?

BankCom sees sustainability as our responsibility to manage environment and social impacts of our business activities and operations as well as an opportunity to create value that benefits not only our direct stakeholders but also contribute to the greater sustainable development agenda.

As we operate in a tightly regulated industry, our ESG and Sustainability Framework, which embodies our environmental and social (E&S) risk management system, is grounded on what the BSP and SEC prescribe, and is implemented with meticulous direction by our Board and diligent oversight by our senior management team. This means that our application of ESG and sustainability principles both in our internal operations and in our dealings with suppliers, borrowers, and depositors are guided by these regulators. As such, in reference to our role in the achievement of the National Government's targets under the Philippine Energy Plan, we adhere to the principle of aligning with the Government's mandates.

Corollarily, we have maintained our lines open to support the funding needs of companies dealing in clean or renewable energy projects such as natural gas, bio-ethanol, hydropower, solar power, battery energy storage systems, and the like.

Attuned with the core sustainability goals of the San Miguel Group, we acknowledge our part in creating and protecting value for our customers, investors, and financial consumers in general. Some of the Bank's initiatives to manage our own sustainability impacts include launching a sustainability questionnaire as part of its supplier accreditation process, programs to reduce the use of paper in branches and client transactions, and activities to raise awareness of stakeholders, such as suppliers, and customers, and build the internal capability of employees on sustainability, ensuring a culture that fosters environmentally and socially responsible business decisions throughout support units and operations.

4. What are your companies strategic priorities for the next two to three years?

The Bank aims to sustain its growth in the core business lines through automation and digitalization, product and service innovation, the development of the SMC ecosystem and affiliates to increase deposit levels to support loan expansion, and robust investment banking deals.

To continue to grow loan portfolio with high quality credit turn ins from the Bank's key market sections: Corporate accounts, Consumer Loan Accounts and credit cards.

To attract and widen the scope of the Deposit customer base through creation and innovation of products and services.

To grow non-interest income (fees) by optimizing synergy among the Bank's internal business units to increase cross-selling and give customers the products they need.

5. What are the key performance indicators (KPIs) that your company utilizes to measure its performance and track progress towards achieving its targets?

The Bank's medium-term goal is to achieve above average Return on Equity compared to other local banks. The Bank will try to sustain the profit growth achieved in recent years by finding higher yielding loan assets in SMC ecosystem and increasing fee income and other non-interest revenue.

PSE Spotlight is a short feature about listed companies that are part of PSE STAR Investor Day. The report, which offers a quick overview of a company, includes a description of its business, stock information, as well as answers to five interview questions provided by the company's management team. The interview questions typically revolve around the company's value proposition, business operations and landscape, challenges and opportunities, and strategic initiatives.

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