

Press Release

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BDO Unibank is strongest bank by balance sheet in the Philippines

- BDO Unibank has the strongest balance sheet in the Philippines
- Asia Pacific banking industry's overall balance sheet growth slowed
- Increase in non-performing loans signals weaker credit conditions

Singapore, 30 September 2014 – BDO Unibank has been named the Strongest Bank in the Philippines in the Asian Banker 500 (AB 500) Strongest Bank by Balance Sheet Ranking 2014. The announcement was made at a recognition ceremony held in conjunction with SWIFT's SIBOS convention at the Boston Convention and Exhibition Center from 29 September to 2 October 2014 in Boston, USA.

The AB 500 ranking is the most comprehensive annual evaluation that captures the quality and sustainability of the balance sheets of banks in the region. It tracks the relative financial strengths of banks in response to their respective market conditions, based on a common scorecard.

It is modeled on a transparent balanced scorecard approach, weighted against six crucial elements, such as: scale of operations, balance sheet growth, risk management, profitability, asset quality and liquidity.

BDO Unibank has the strongest balance sheet in the Philippines

BDO Unibank topped the ranking in the Philippines this year on the back of its strong performance across the six parameters in the evaluation.

“BDO Unibank demonstrated overall strength and growth of its balance sheet with improvements to its profitability, while keeping NPL in control and overall capital strength,” said Foo Boon Ping, managing editor of The Asian Banker.

The Philippines' banking sector outlook remained stable as consumption-led demand continued to thrive. Sustained expansion in bank lending reflects the strong underpinnings of the domestic economy. Meanwhile, the NPL ratio of universal and commercial banks remained relatively low. An indication that sustained loan growth may not have yet come at the expense of credit quality.

Asia Pacific banking industry's overall balance sheet growth slowed

The Asia Pacific region's banking sector failed to sustain the growth seen in FY2012 and the downward momentum has continued into FY2013 with few signs of improvement. The decline in both score of strongest bank from 4.19 to 4.15 and average score of 500 largest banks from 2.49 to 2.42 suggests that overall financial performance of banks in the region weakened in FY2013.

The banking sector of Singapore and Hong Kong remain top two strongest, while South Korea had the lowest score, with a drop from the 19.8 a year earlier, down to 1.73. Banks in Australia, Japan and Macau scored better this year, while banks in China, Indonesia and Sri Lanka fell.

Based on the asset-weighted average figures of top 500 banks, average assets grew by 10.2%, compared to 11.6% in last year's evaluation. Loans and deposits also had a slower pace of growth in 2013. Among all countries, the Philippines achieved the highest balance sheet growth, with assets, loans and deposits up by 31%, 25% and 38%, respectively.

Income growth was much weaker than the year earlier, with a decline in average total operating income growth rate to 12% from 25%. South Korean banks recorded a drop in operating income and net profit by 14.7% and 27.7%, respectively. Asset quality of banks remains a key risk.

Increase in non-performing loans signals weaker credit conditions

More than half of countries in the region experienced higher bank NPL ratios in 2013. "2013 marks the start of a credit cycle reversal as the amount of bad debt that banks have on their books has started to increase after many years of decline and is expected to worsen in the year ahead." said Foo. The continuing slowdown in regional economic growth combined with the potential bursting of credit bubbles built up during the period of aggressive loan growth in the last few years will no doubt exacerbate the situation.

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