

# Analysts' Briefing

May 2, 2023  
3:00 PM PHT



Together we are building the PH's first **techglomerate**

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# Agenda



**Dmi Lozano**  
Chief Financial Officer

## 1. Financial Performance

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**Johnson Sia**  
Treasurer and  
Head of Global Markets

## 2. Macroeconomic and Industry Outlook

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**Carlo Eñanosa**  
Head of Corporate Planning  
and Investor Relations

## 3. Strategy Updates

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THE REVOLUTION  
IS COMING.



HAMILTON

UNIONBANK IS THE OFFICIAL  
SPONSOR AND PRE-SALE PARTNER  
OF HAMILTON PHILIPPINES



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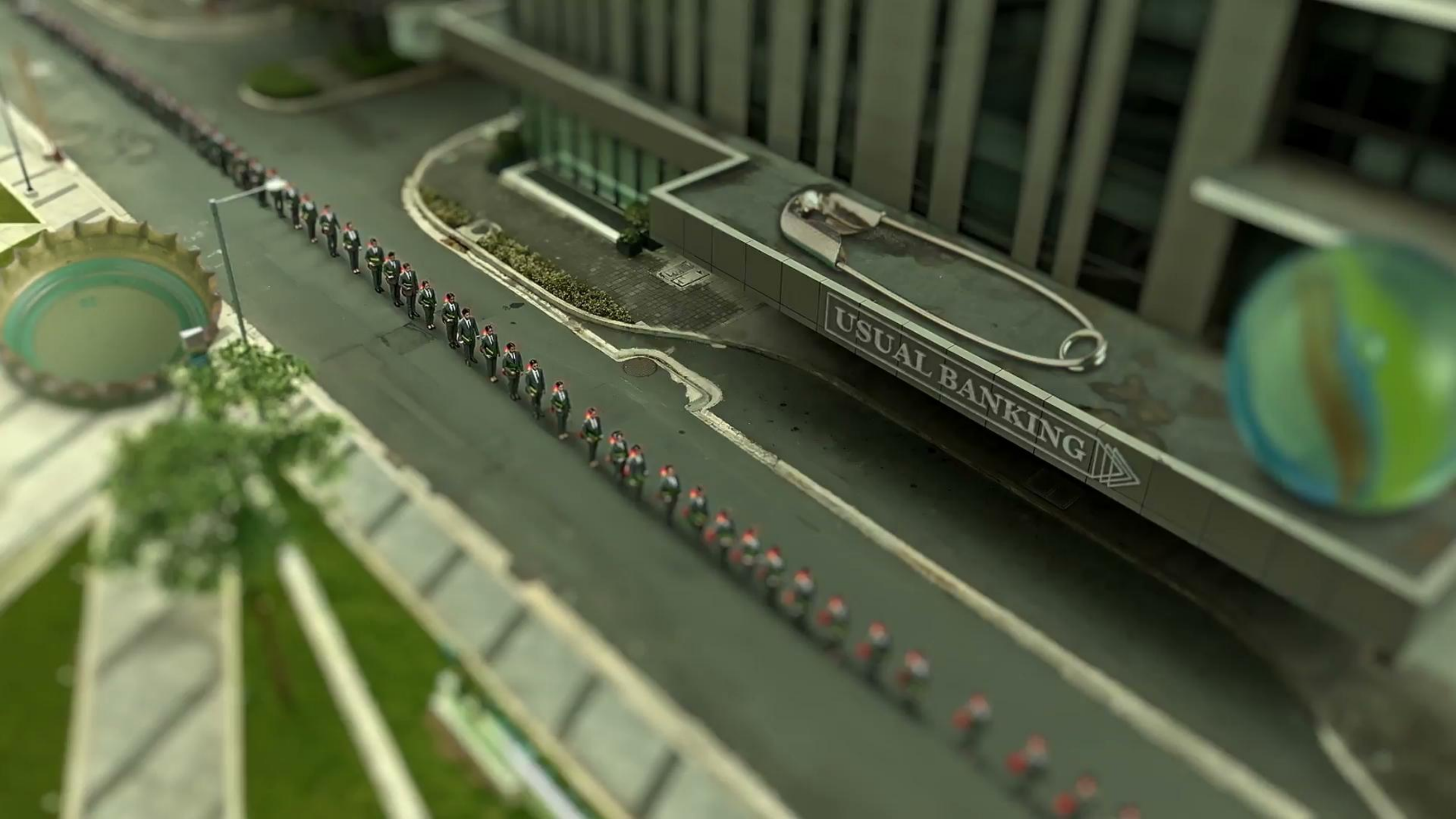


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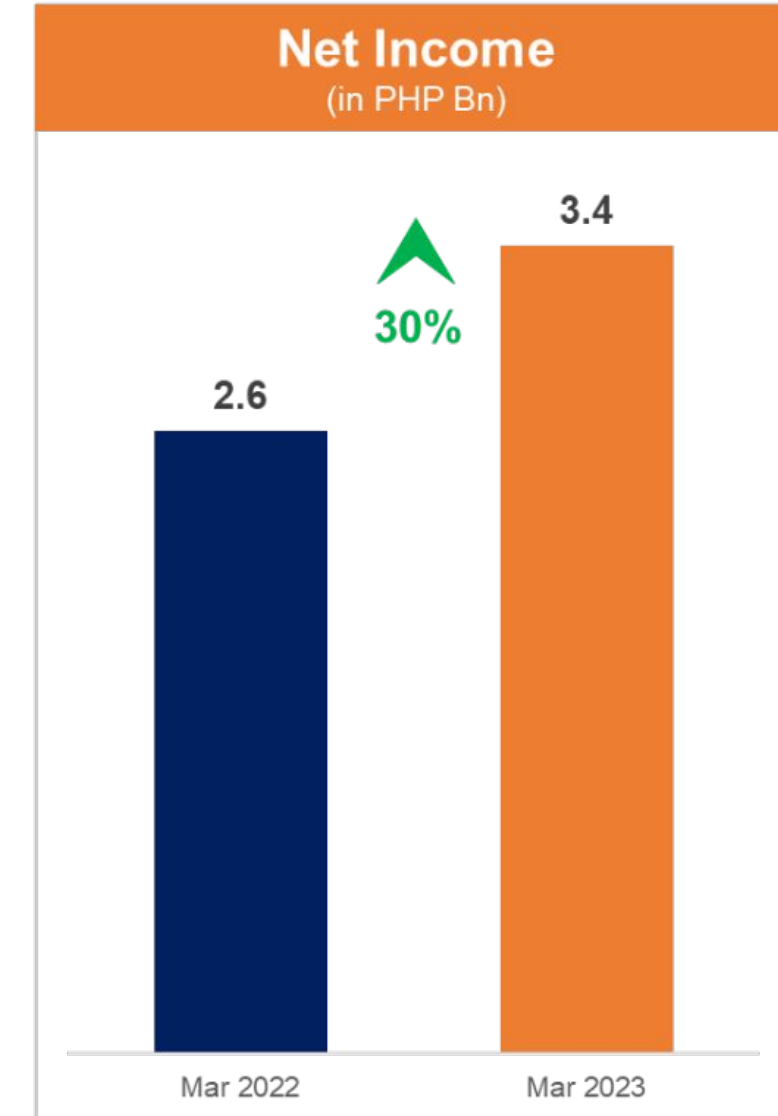
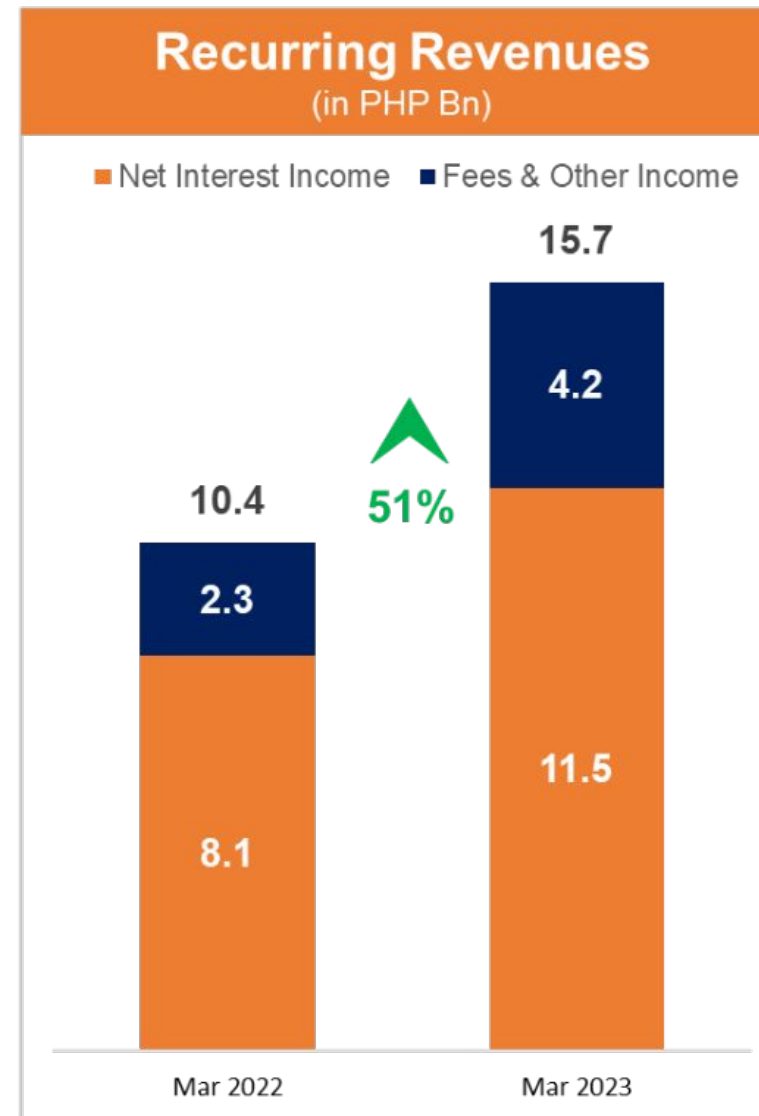
# Financial Performance

## 1Q2023

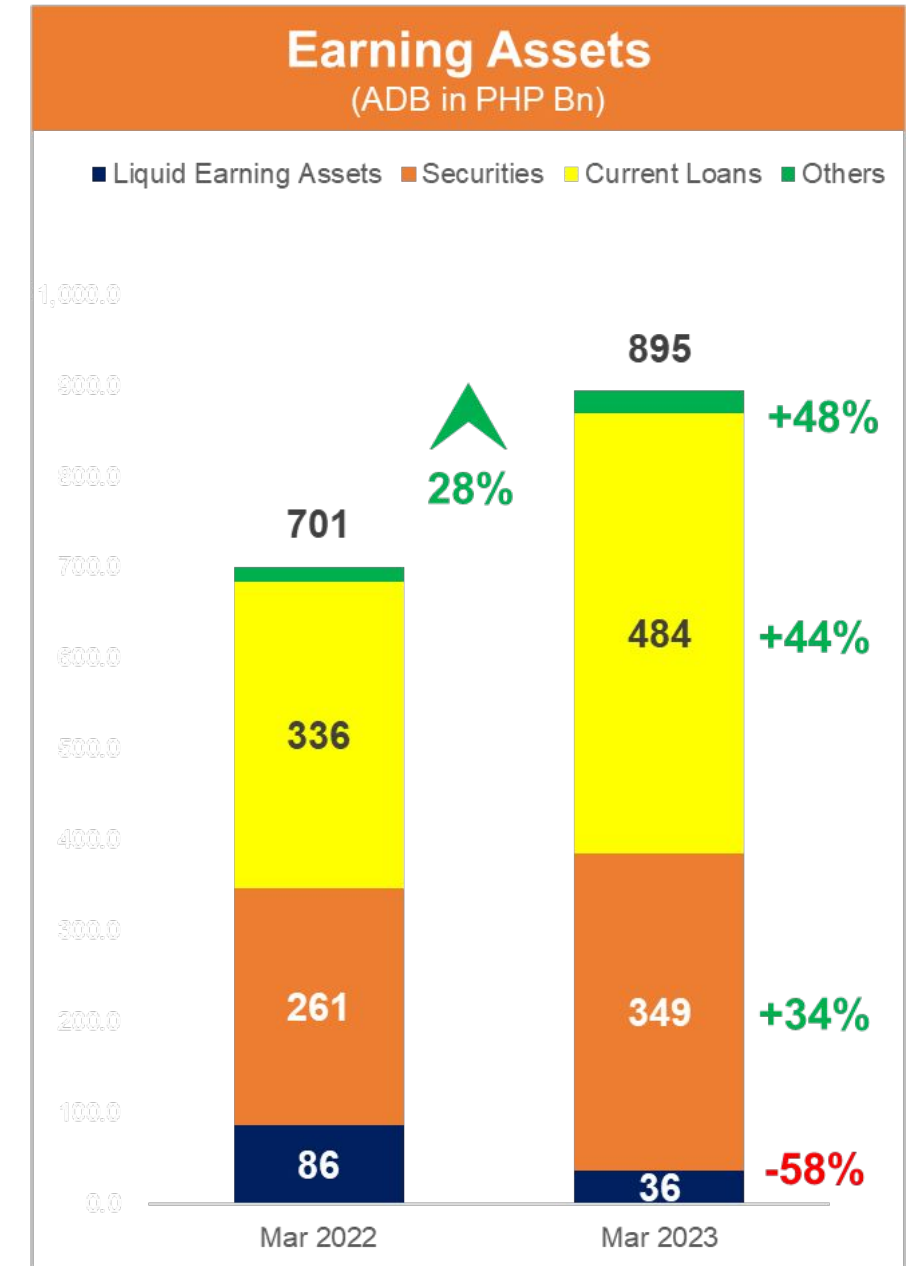
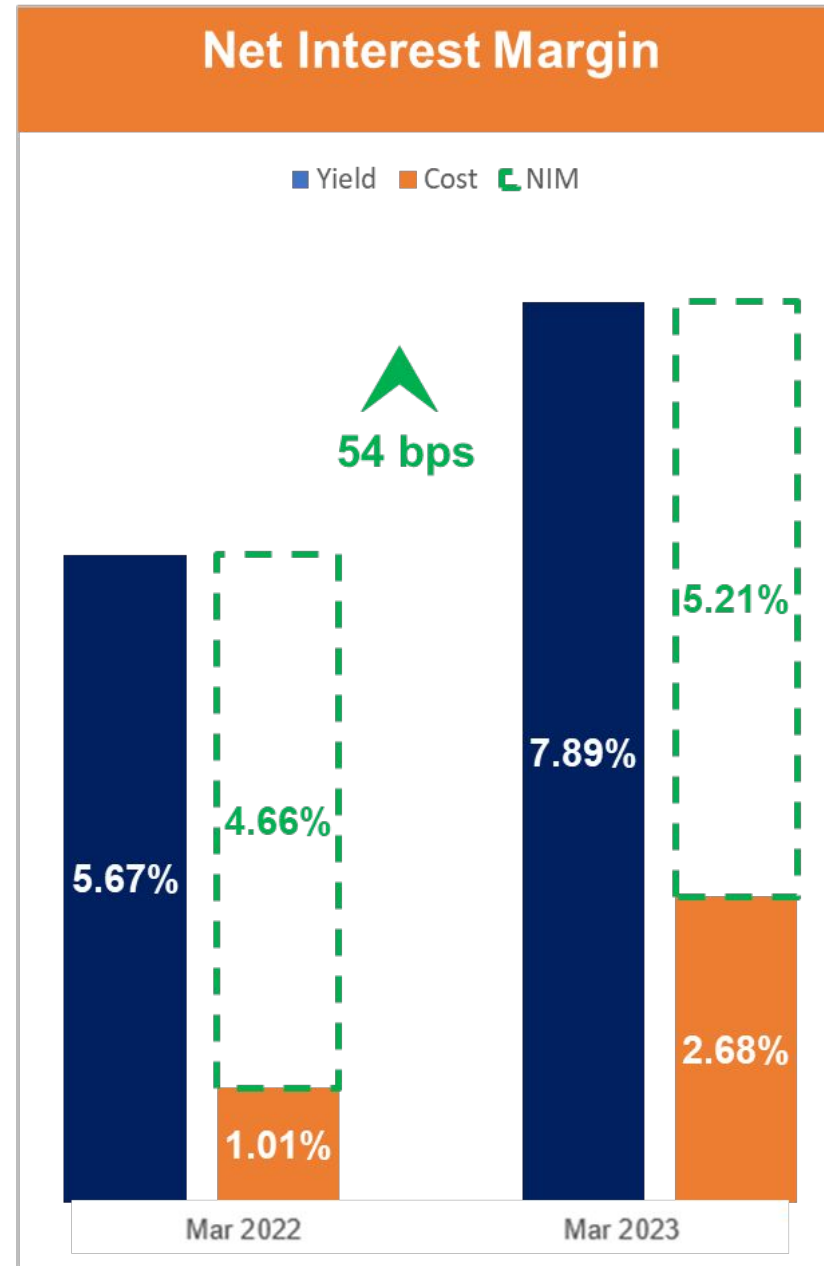
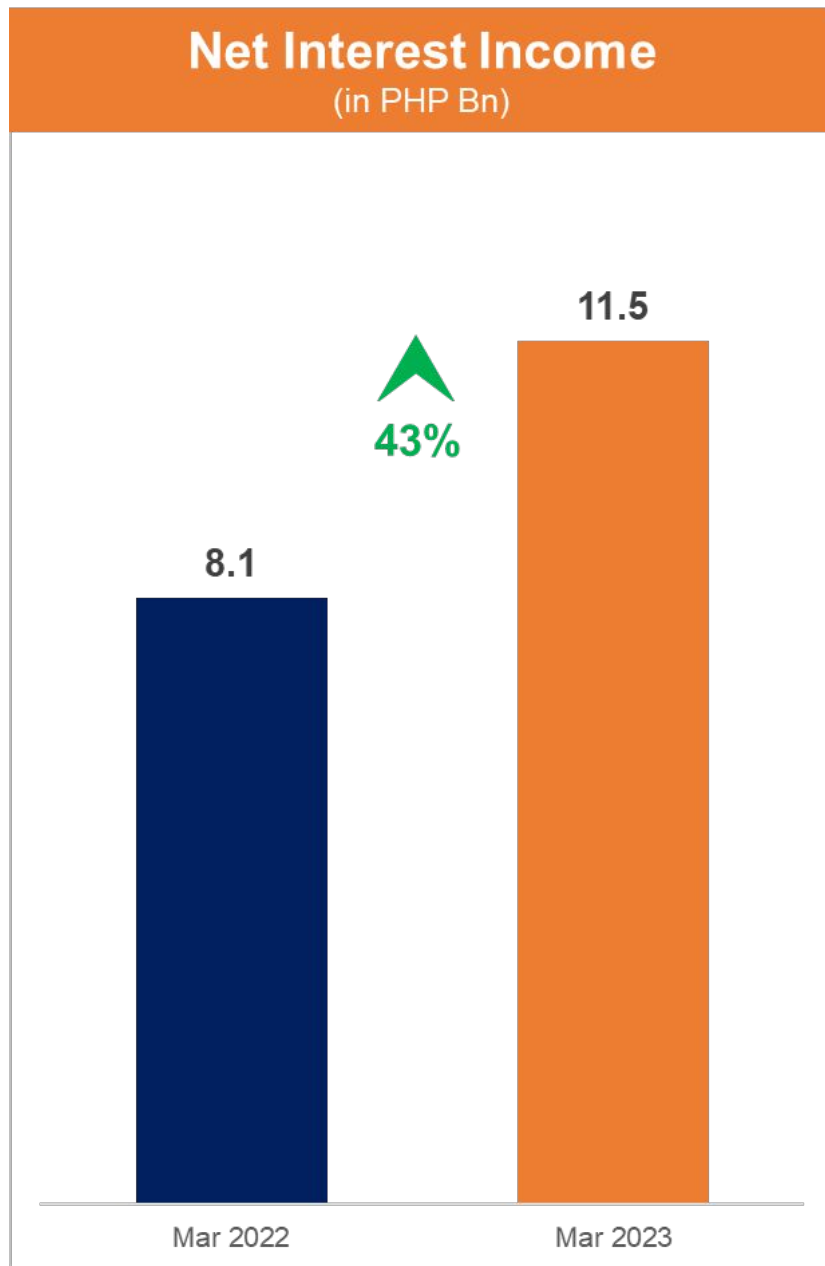
# UnionBank 1Q2023 net income at P3.4 billion, up 30% YoY

## Strong growth in core recurring revenues due to:

- P4.7 billion contribution of the acquired Citi consumer business
- 5.21% solid margins due to retail focus
- 57% gross consumer loans to total loan portfolio
- 82% jump in fee and other income (excluding trading income) due to growing retail customers and digital transactions

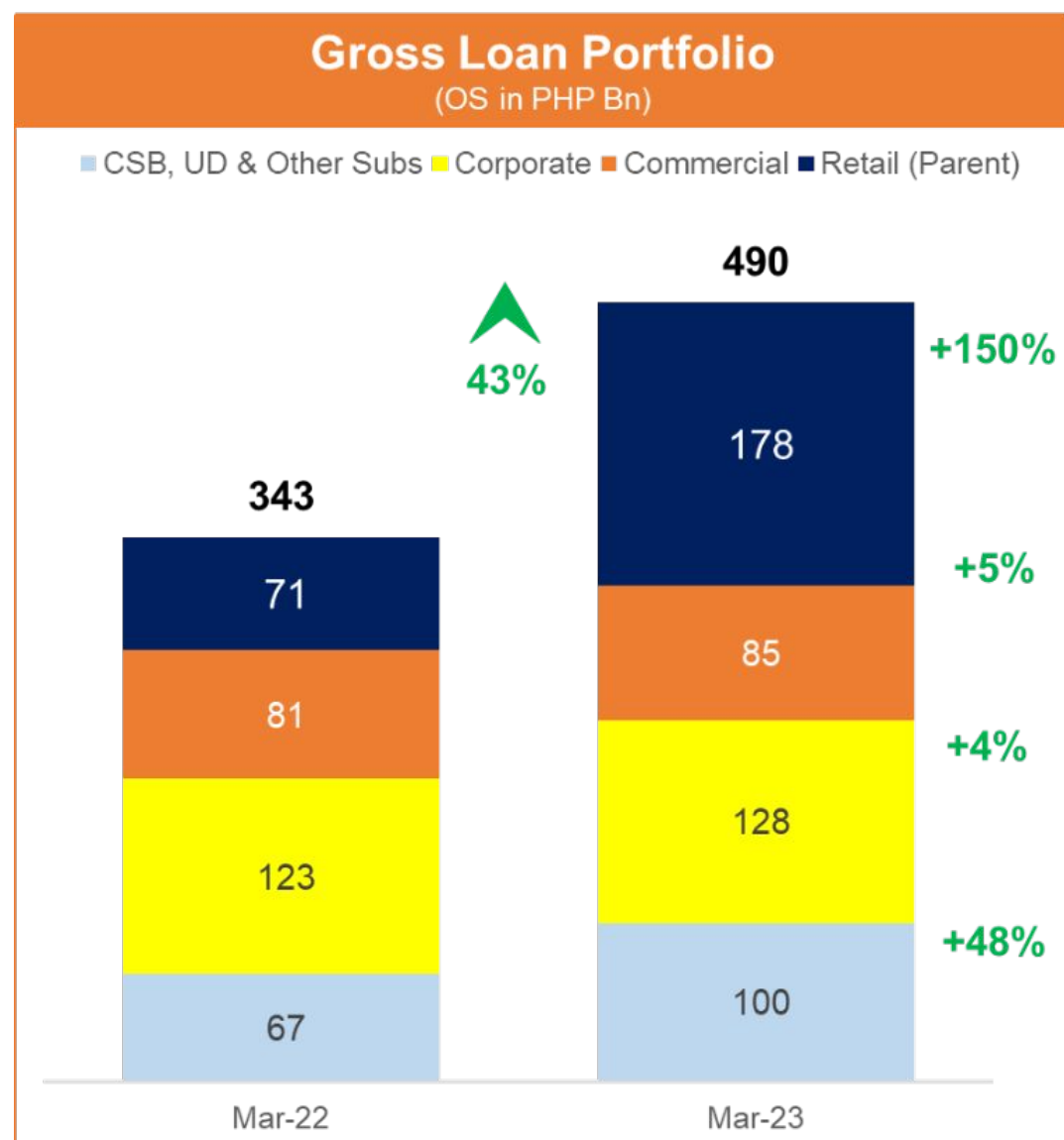


# Net interest income up on higher margins and earning assets growth



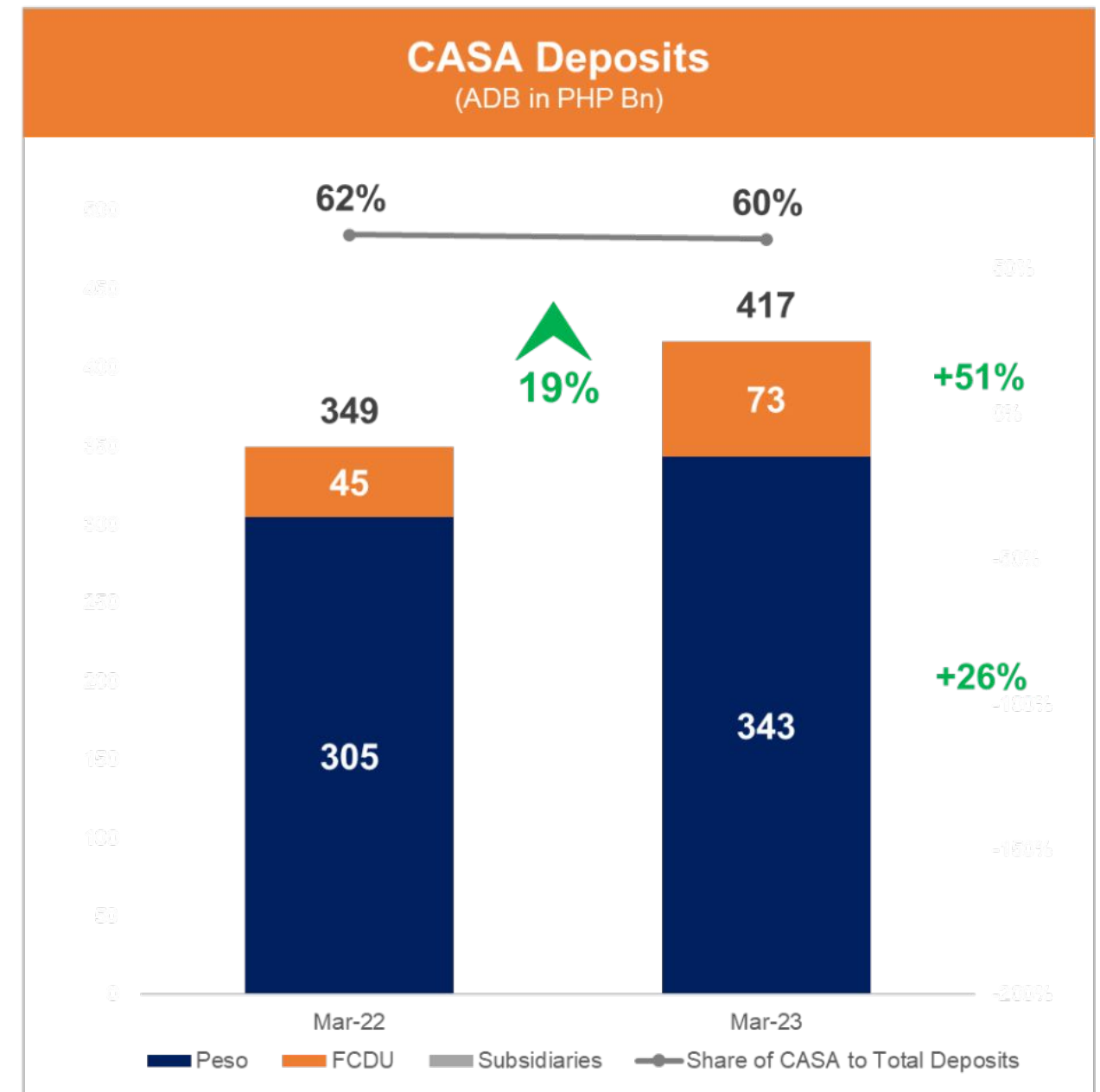
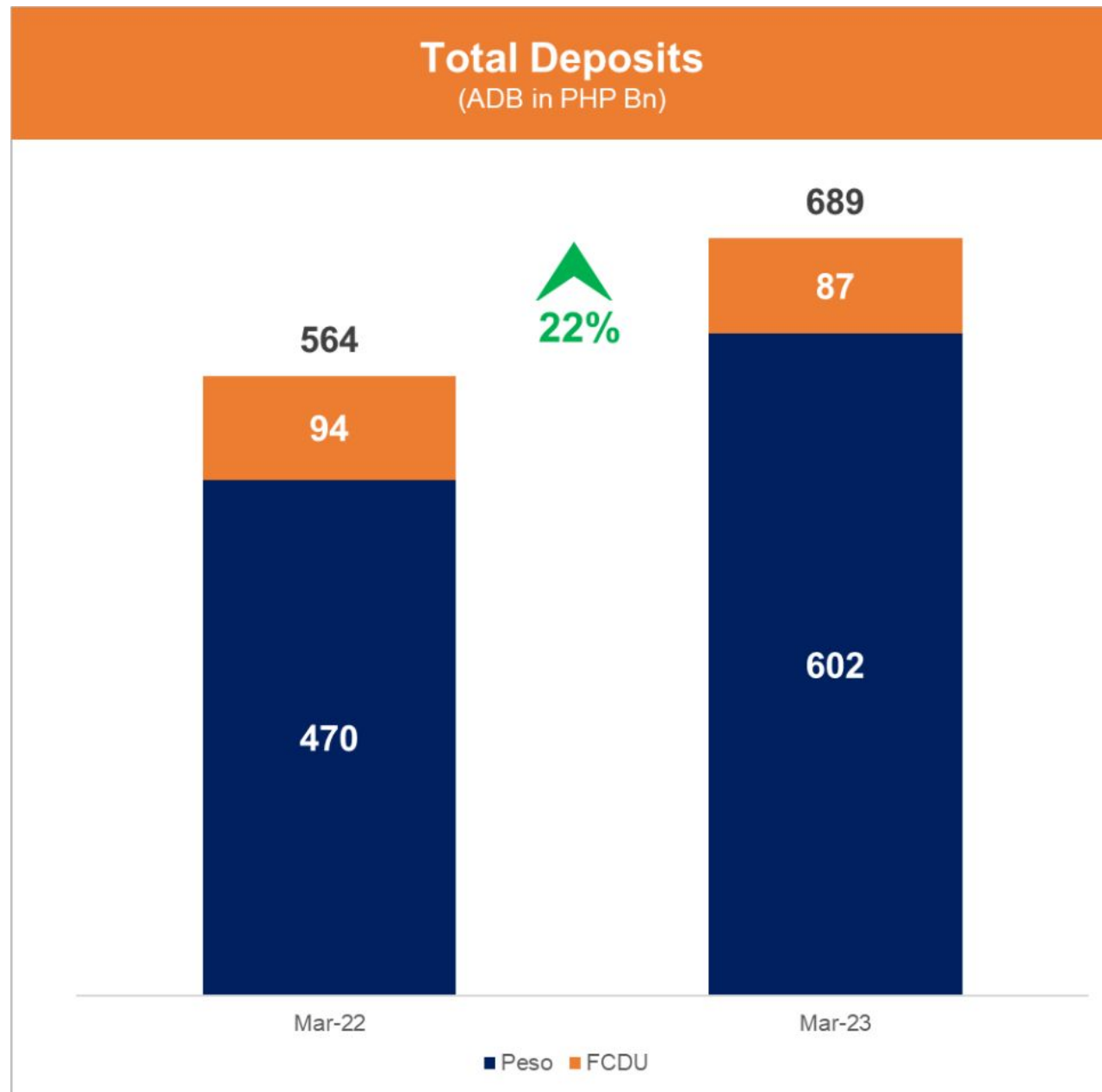


# Consumer loans lead portfolio growth



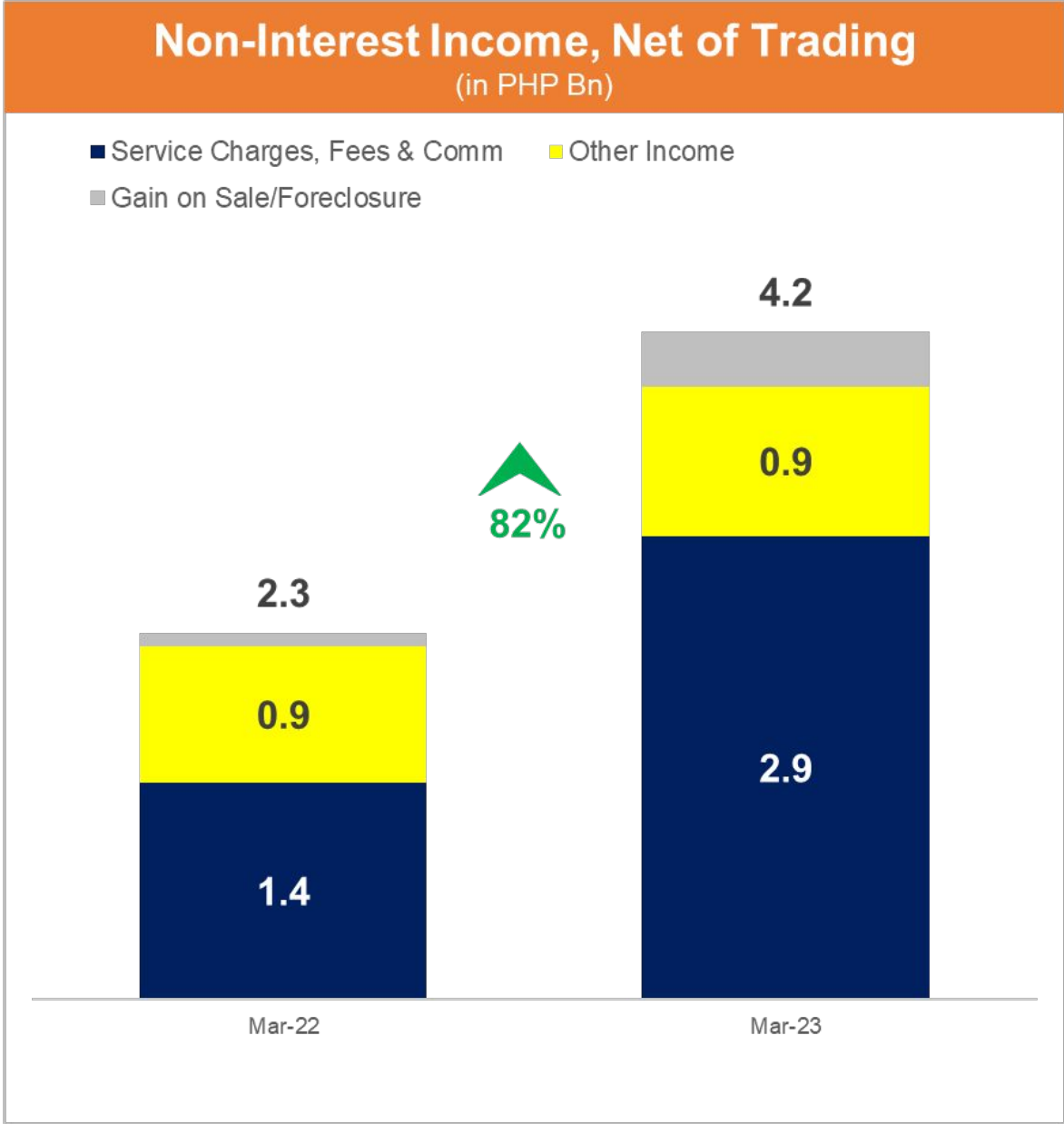
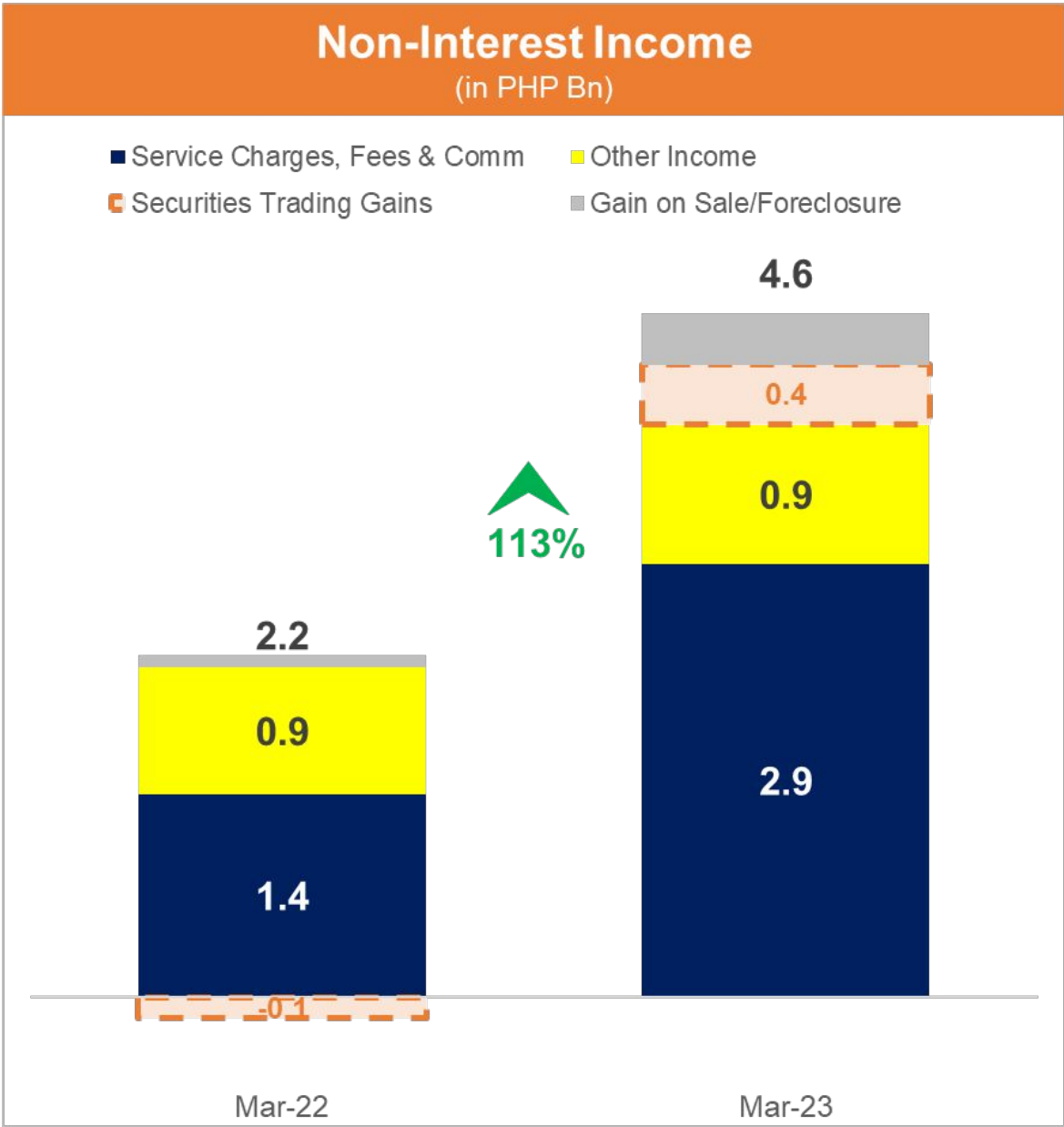
	Mar-22	Mar-23	Variance	%Growth
<b>Corporate</b>	<b>123</b>	<b>128</b>	<b>5</b>	<b>4%</b>
<b>Middle Market and SME</b>	<b>81</b>	<b>85</b>	<b>4</b>	<b>5%</b>
<b>Consumer</b>	<b>71</b>	<b>178</b>	<b>107</b>	<b>150%</b>
Credit Card (Legacy)	8	11	3	35%
Credit Card (New)	-	71	71	n/a
Personal Loans (New)	-	10	10	n/a
Other Consumer Loans	63	86	23	37%
<b>Total Gross Loans of Parent</b>	<b>275</b>	<b>391</b>	<b>115</b>	<b>42%</b>
CitySavings	65	87	22	35%
UnionDigital	-	9	9	n/a
Other Subsidiaries	2	3	1	20%
<b>Total Gross Loans of Subs</b>	<b>67</b>	<b>100</b>	<b>32</b>	<b>48%</b>
<b>Total Gross Loans</b>	<b>343</b>	<b>490</b>	<b>148</b>	<b>43%</b>
<b>% Consumer Loans</b>	<b>40%</b>	<b>57%</b>		

# Cash management and retail customer growth drive CASA growth

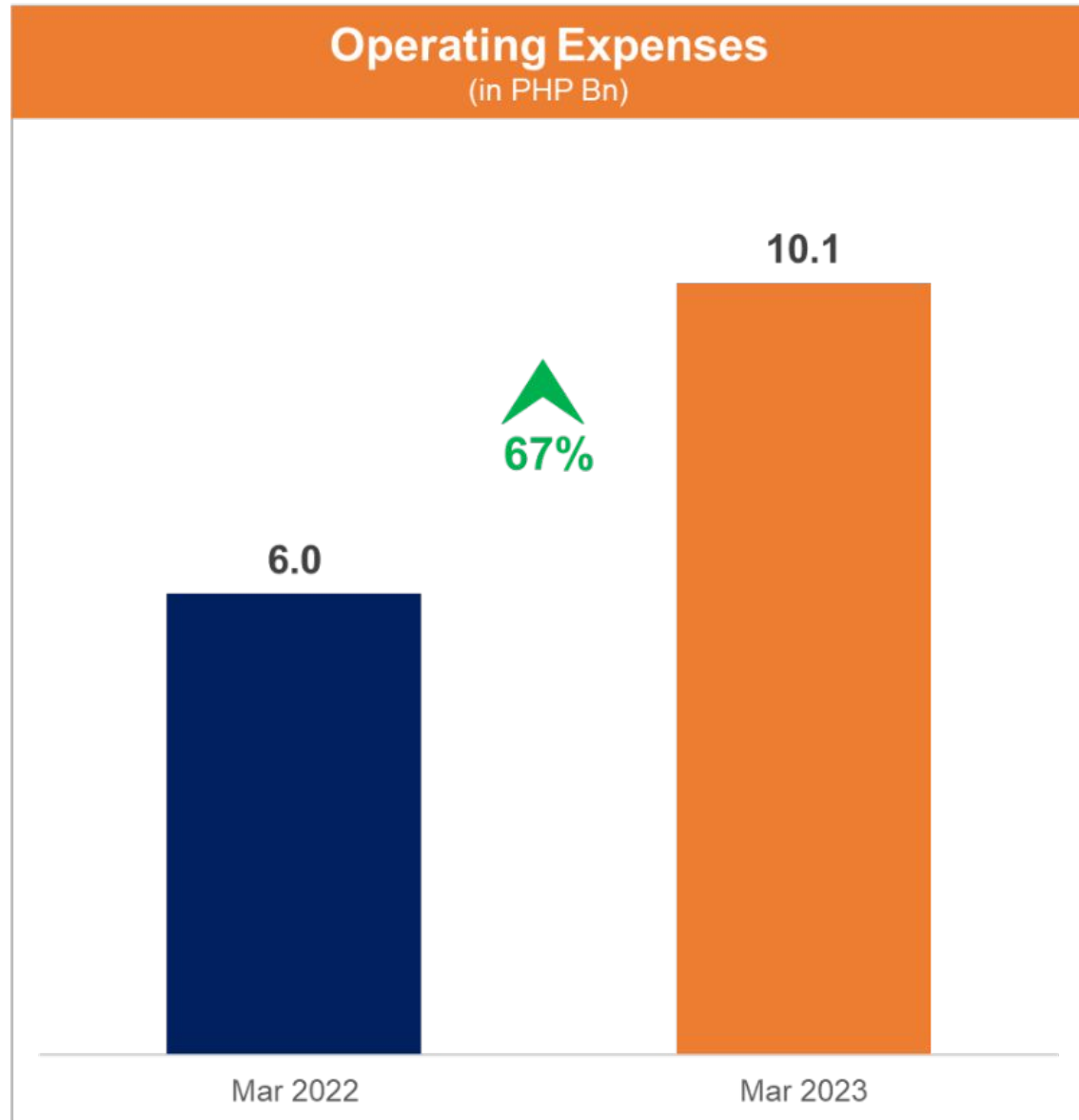




# Fees from customer growth and digital transactions boost non-interest income



# Core OPEX growth remains manageable

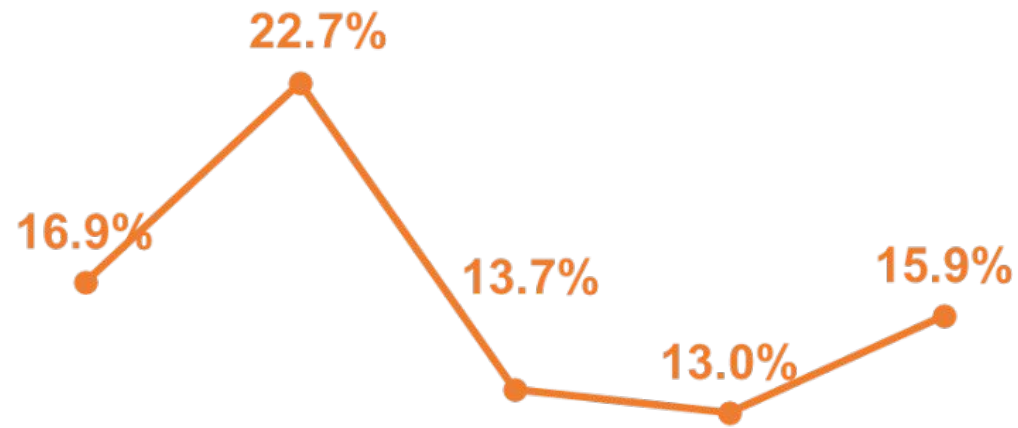


(in PHP million)	Mar-22	Mar-23	Var.	Growth
<b>Total OPEX</b>	<b>6,016</b>	<b>10,070</b>	<b>4,054</b>	<b>67%</b>
One-offs and New Businesses	-116	3,095		
<b>Net of Adjustments</b>	<b>6,133</b>	<b>6,975</b>	<b>843</b>	<b>14%</b>
Manpower and Controllable	4,045	4,491	446	11%
Noncontrollable and Volume-related	2,088	2,484	592	28%



# Capital ratios provide room for growth

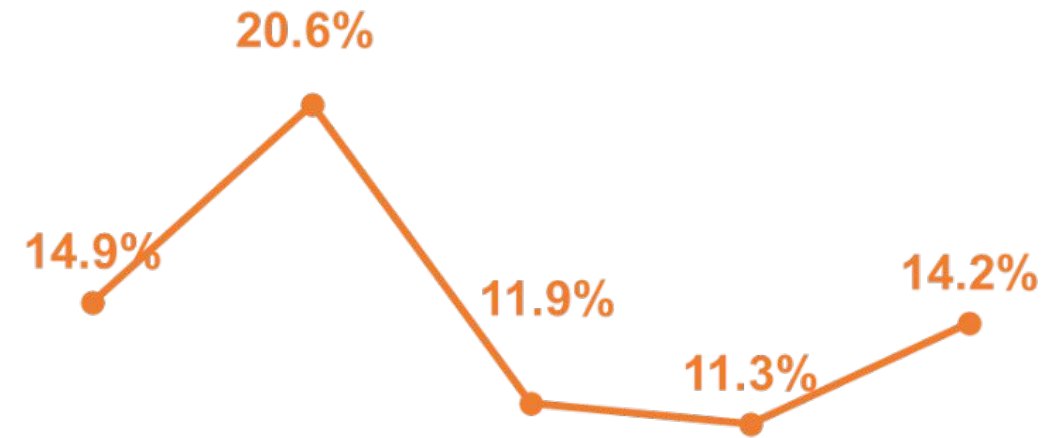
## CAR



10%  
regulatory  
minimum

Mar-22 Jun-22 Sep-22 Dec-22 Mar-23 Preliminary

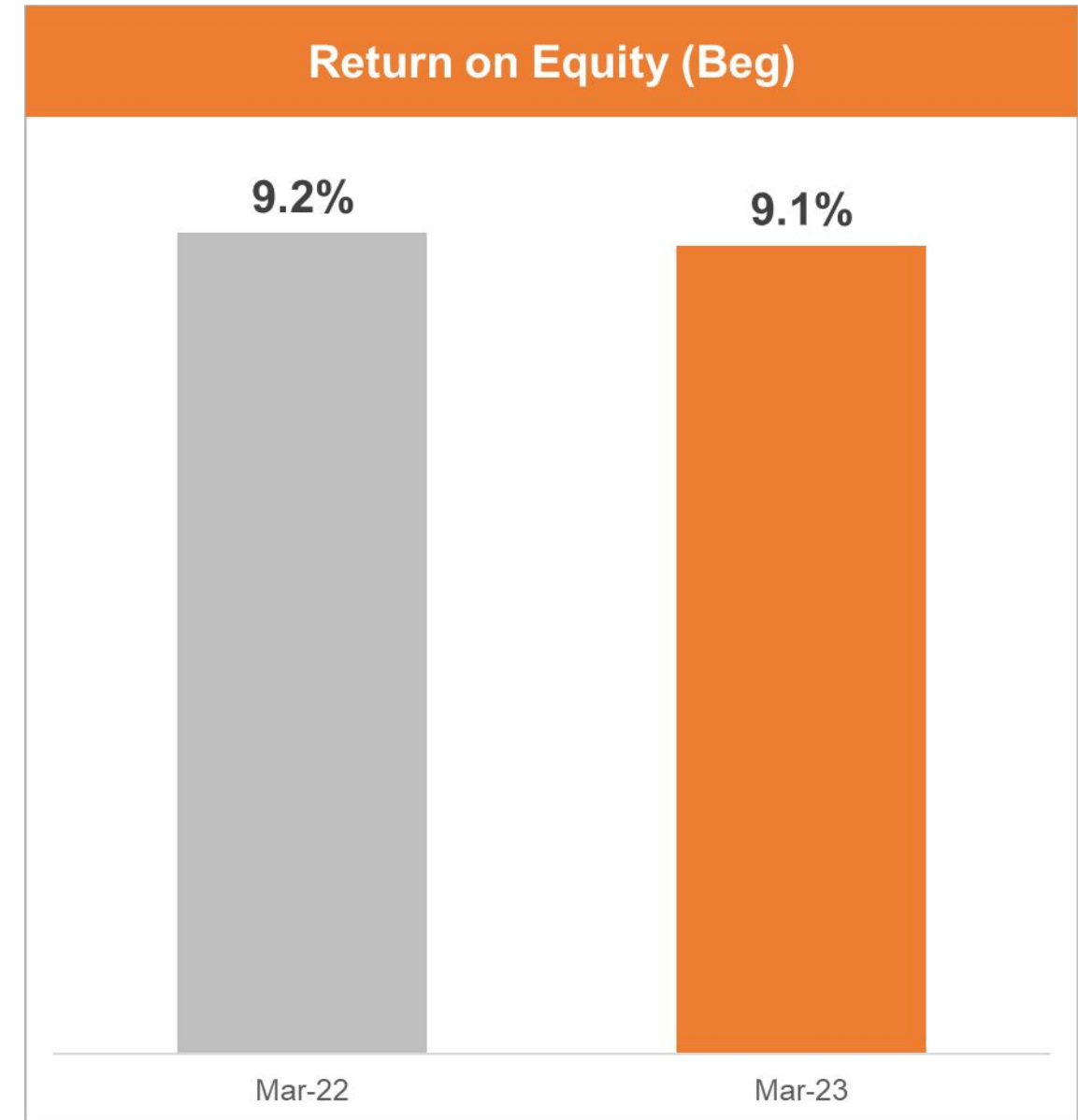
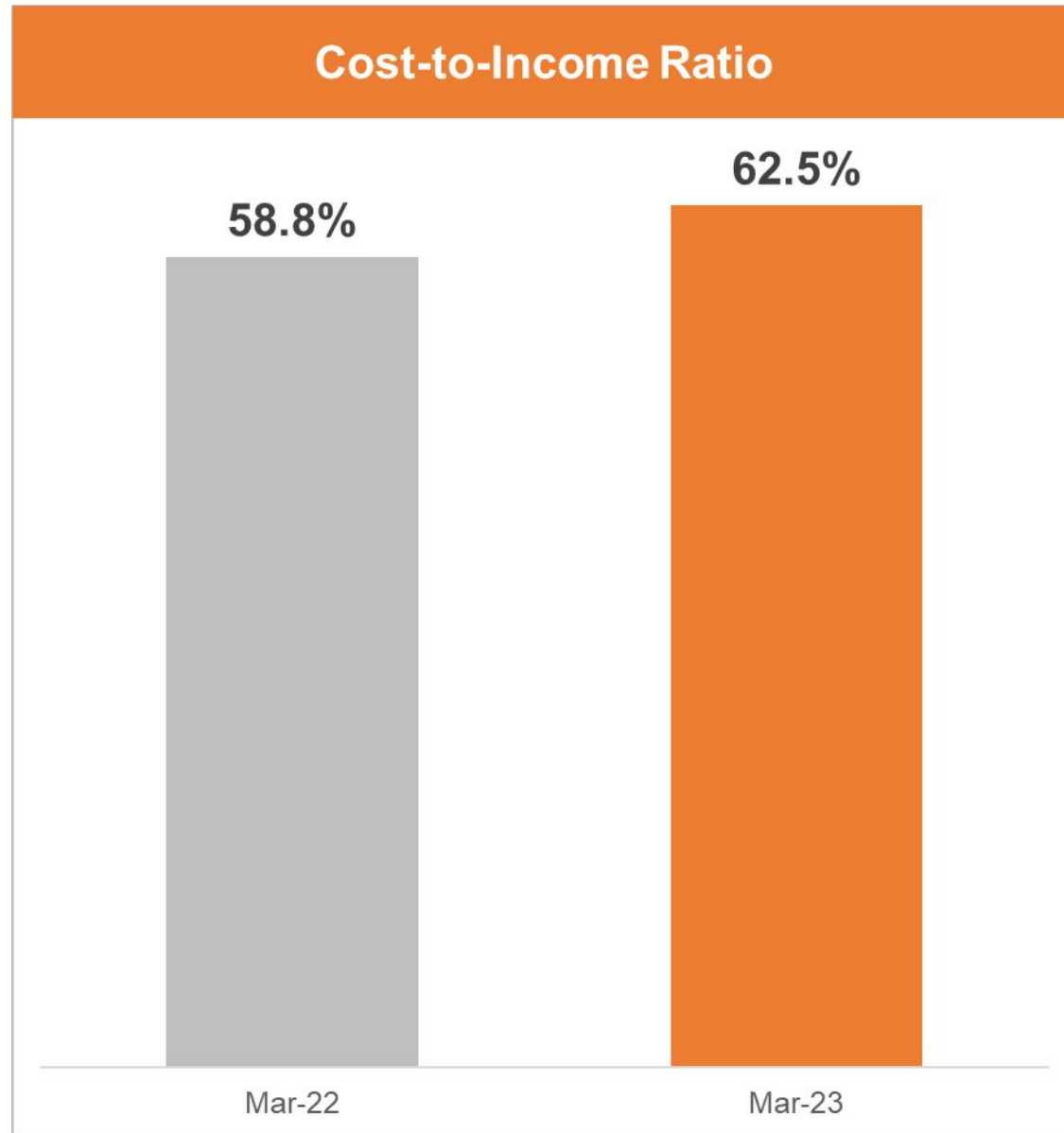
## CET1



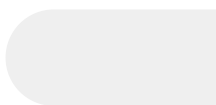
8.5%  
regulatory  
minimum

Mar-22 Jun-22 Sep-22 Dec-22 Mar-23 Preliminary

# Our key ratios will bounce back as we fully integrate new businesses



Return on Ave. Equity: 9.5% (2022) vs. 8.4% (2023)



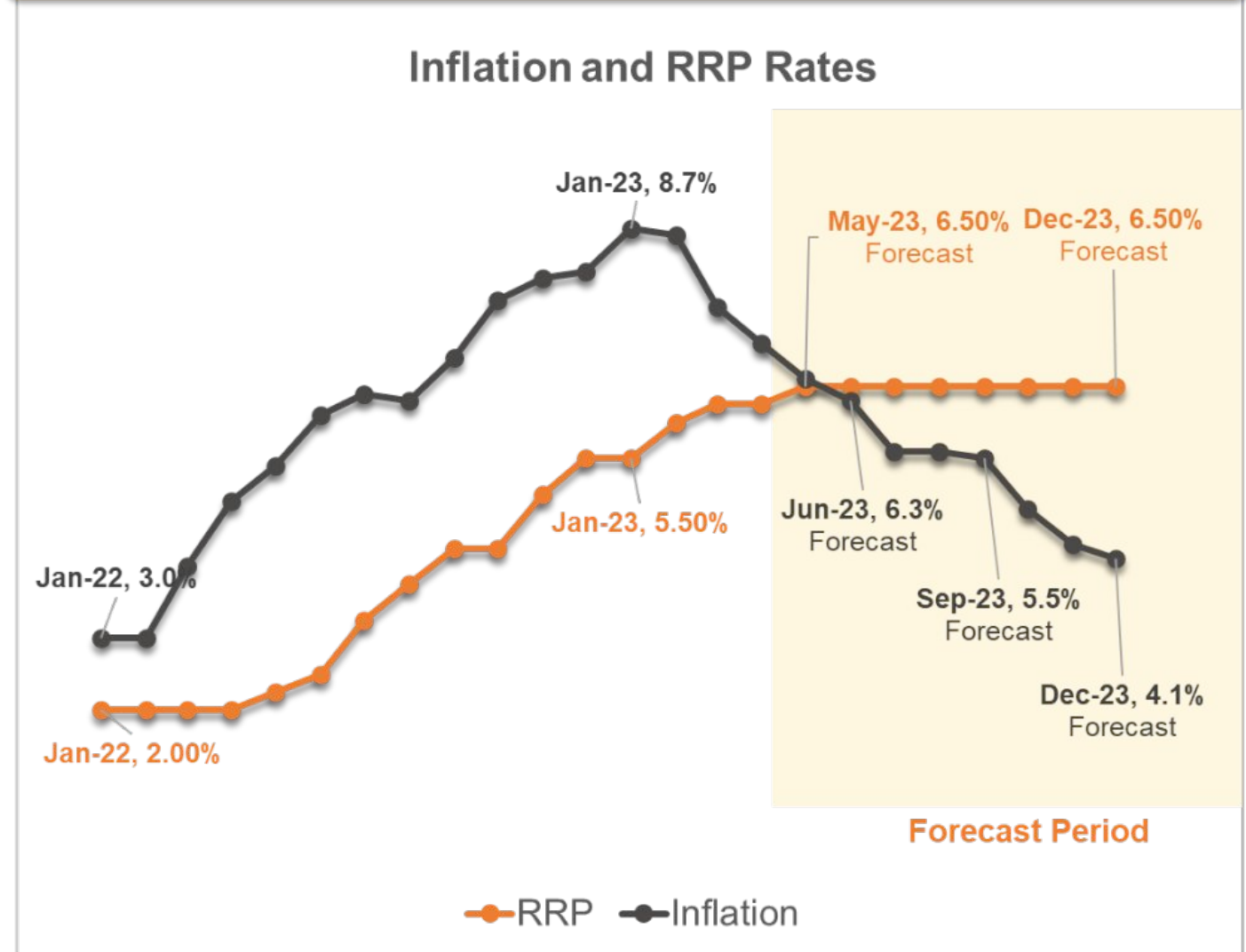




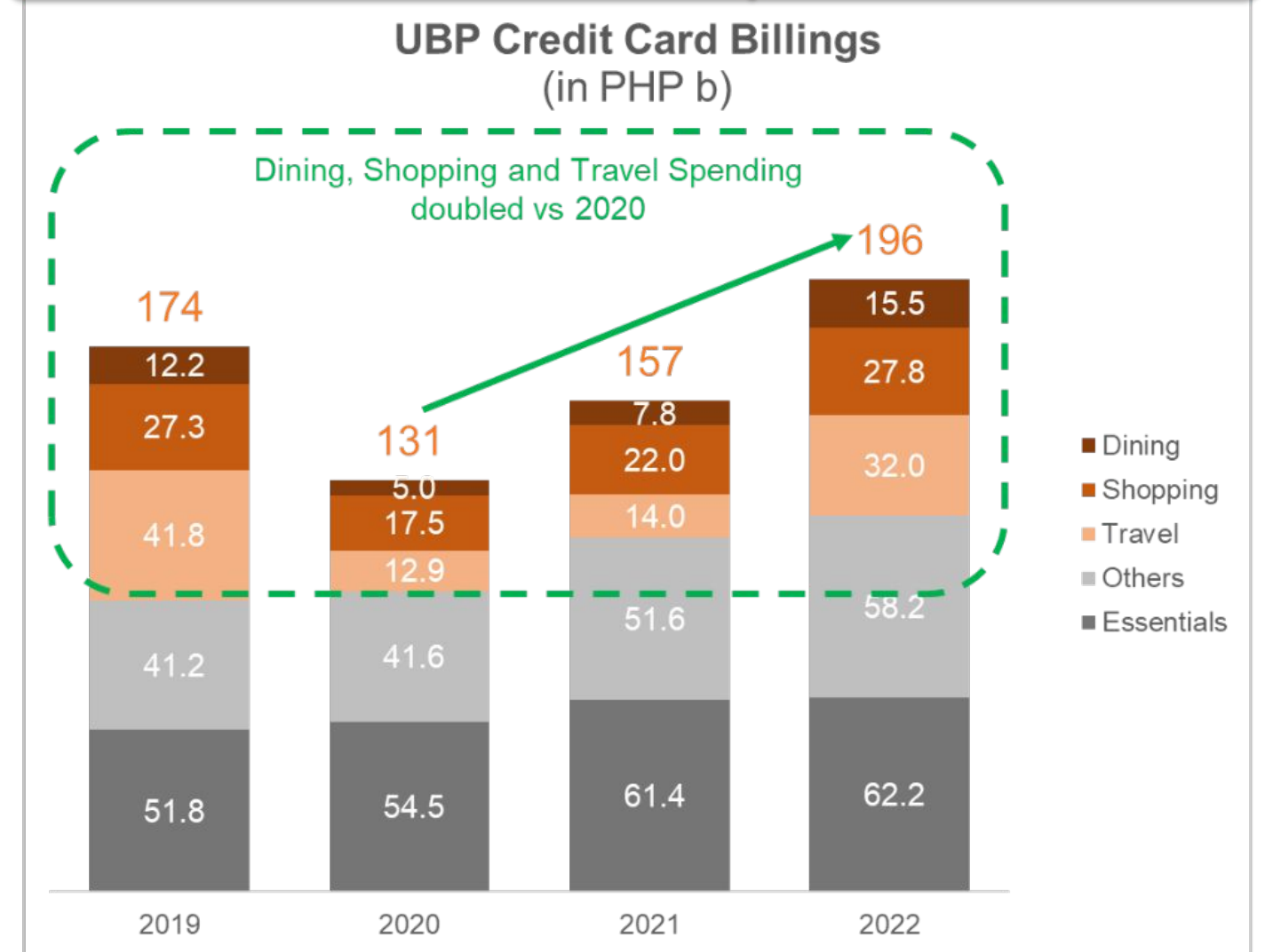
# Macroeconomic and Industry Outlook

# We see rates stabilizing in 2H2023 as economic recovery continues

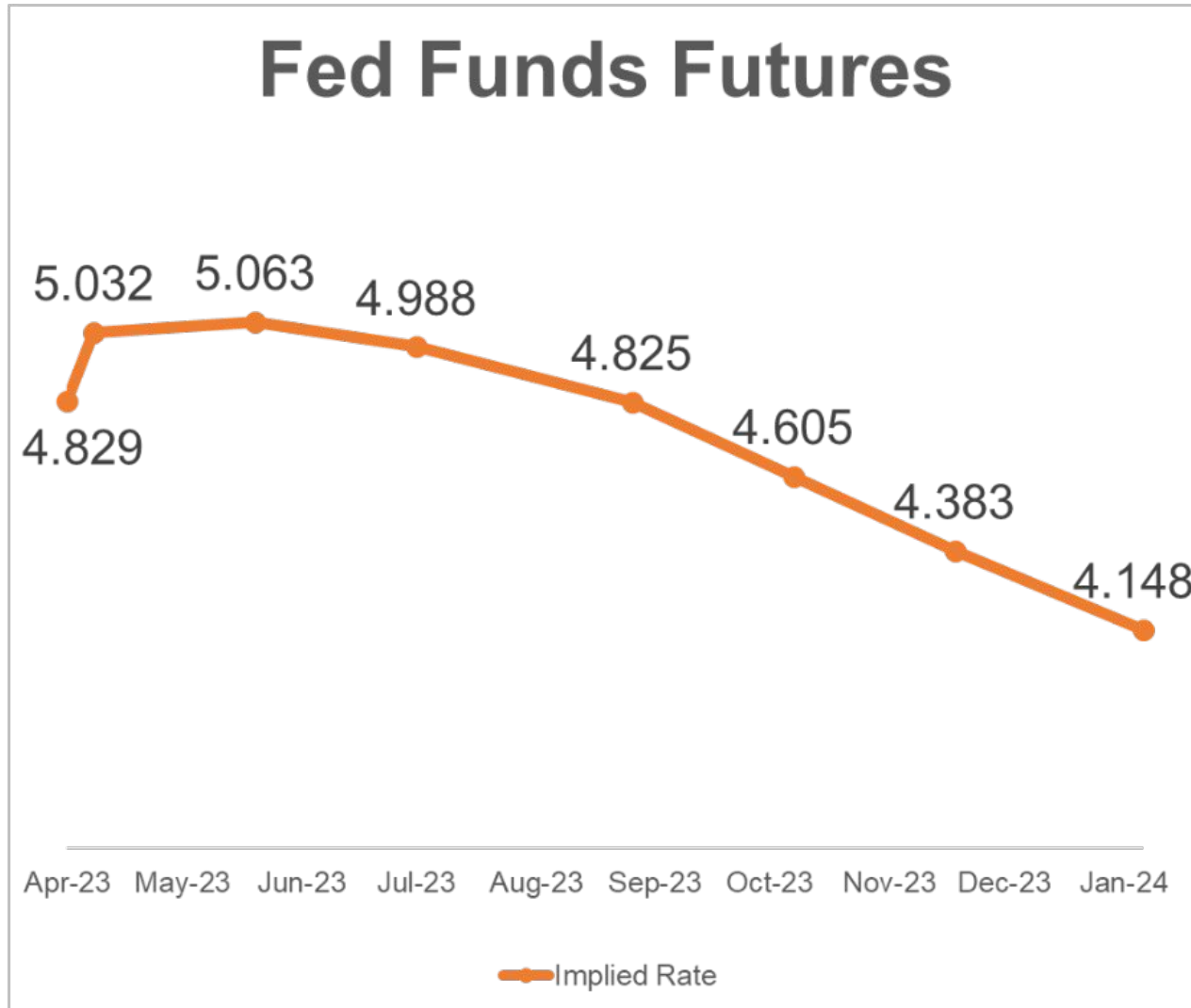
**We expect 6.50% RRP rate for May-Dec 2023**



**Rising leisure spending indicates rebounding consumer demand despite inflation**



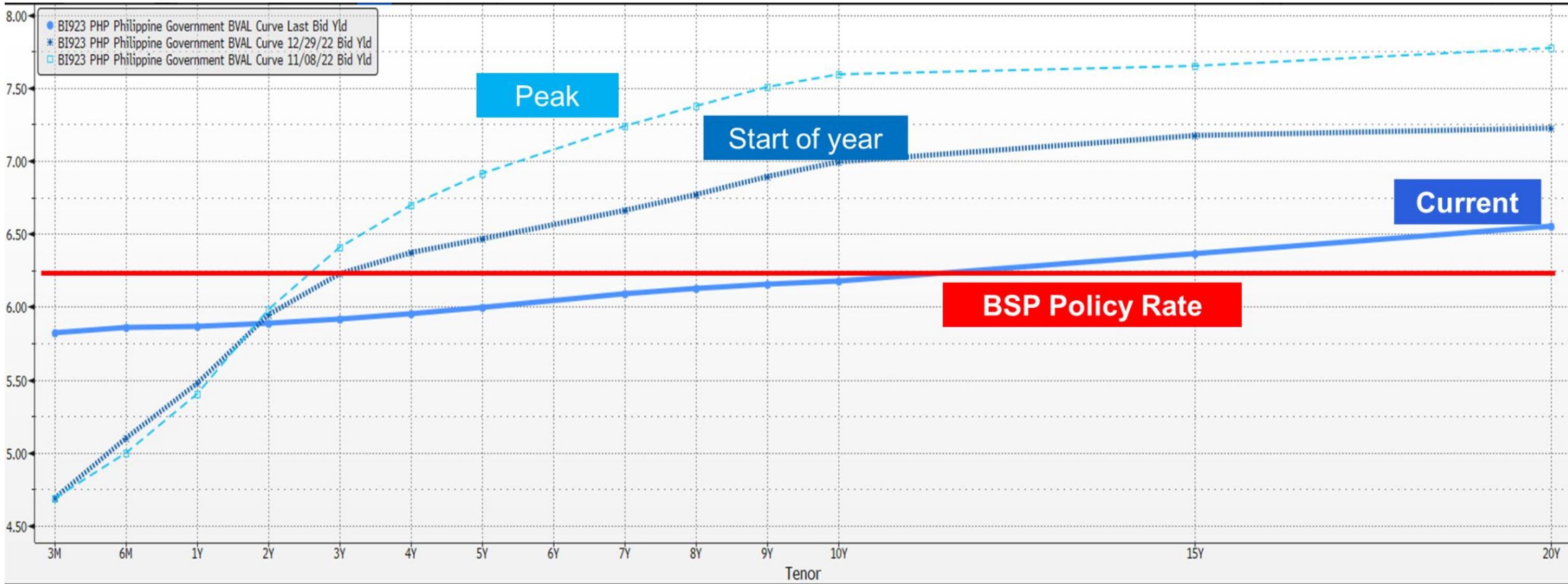
# Futures market expecting one more hike, then 3 cuts by end of the year



Region: United States »		Instrument: Fed Funds Futures »			
Target Rate	5.00	Pricing Date	04/26/2023		
Effective Rate	4.83	Cur. Imp. O/N Rate	4.829		
Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate Δ	Implied Rate	A.R.M.
05/03/2023	+0.814	+81.4%	+0.203	5.032	0.250
06/14/2023	+0.937	+12.3%	+0.234	5.063	0.250
07/26/2023	+0.635	-30.2%	+0.159	4.988	0.250
09/20/2023	-0.015	-65.0%	-0.004	4.825	0.250
11/01/2023	-0.895	-88.0%	-0.224	4.605	0.250
12/13/2023	-1.784	-89.0%	-0.446	4.383	0.250
01/31/2024	-2.725	-94.1%	-0.681	4.148	0.250

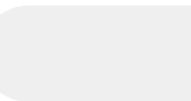


# No futures market for the Philippines; Flattening curve shows market is pricing in similar movement





# Strategy Updates





# Go for Gold 2025

Largest and Most Profitable Retail Bank by 2025

## Transformation Roadmap

2016-2018

### Digital Transformation

A

#### Phase 1. Build the Core



Infrastructure & Organization Culture

#### Phase 2. Launch Digital Channels



Branch Transformation

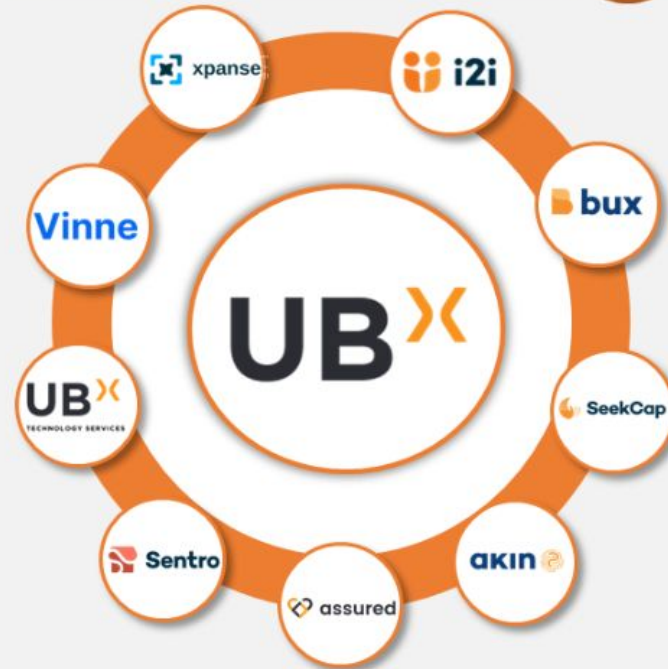
Online Banking Apps, Platforms & Tools

#### Phase 3. Rollout & Commercialization

2019

### UBX Open Finance Platform

B



2021

### Deal of the Decade

C

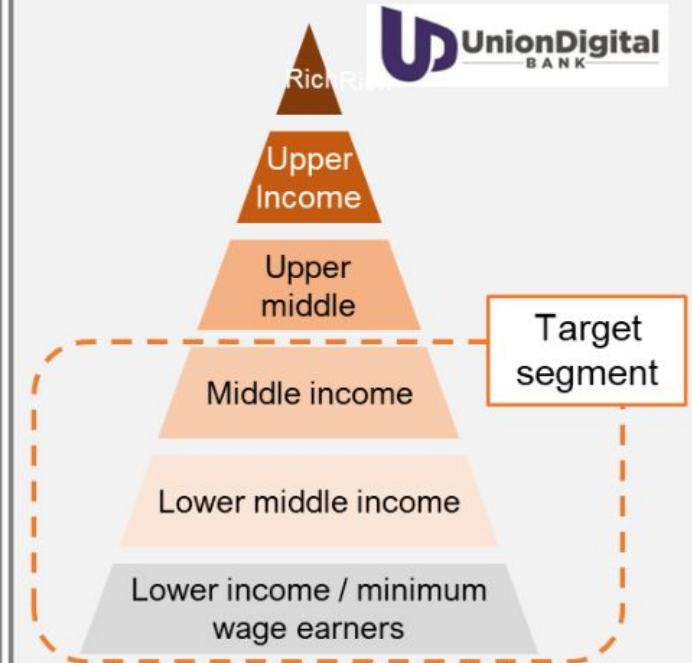


Added ~1 million middle to high net-worth customers

2022

### Launch of UnionDigital

D



E

### Harnessing ecosystems



**Suppliers & dealers**  
Financing products to those surrounding the anchor clients



**Corporate clients**  
Distributing foreign exchange and treasury products



**Employees**  
Introducing payroll programs





# A

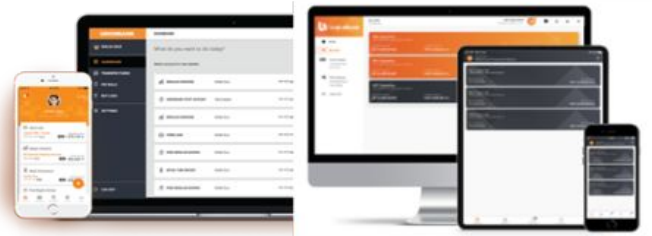
# We continue to scale up the retail banking base



Infrastructure & Organizational Culture

**24/7**  
availability

**6σ**  
reliability

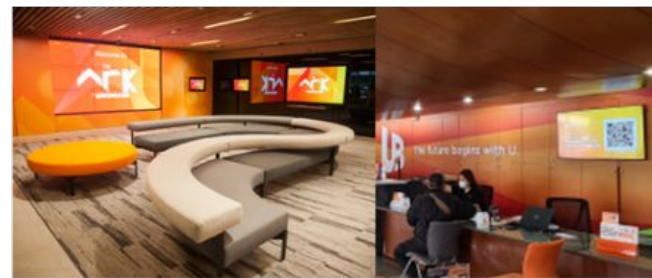


Online Banking Apps, Platforms & Tools

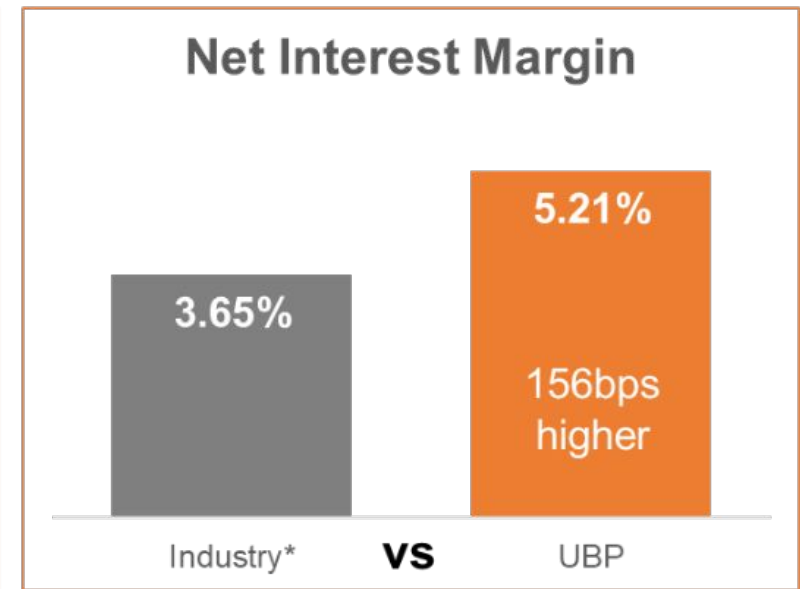
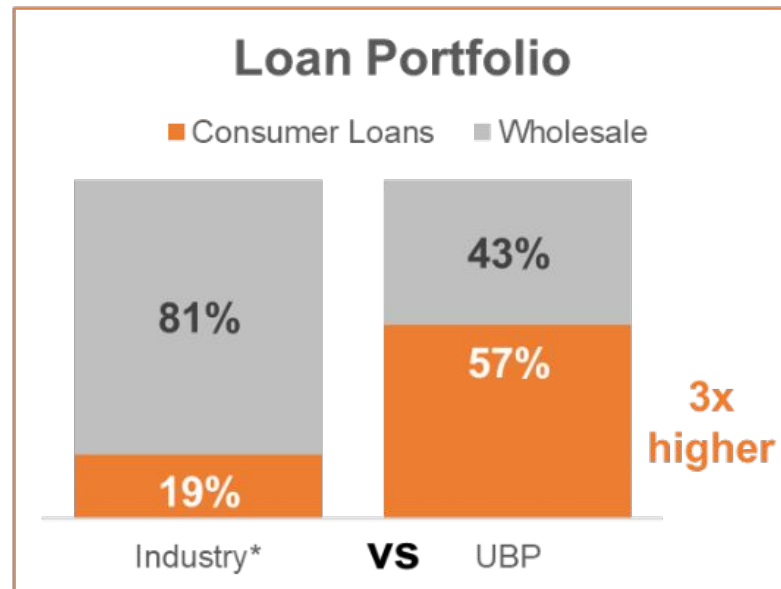
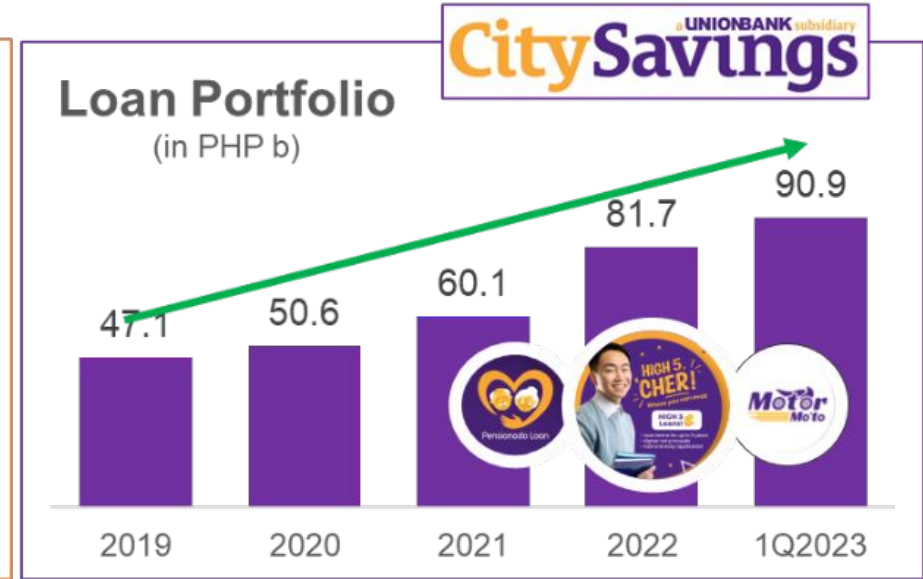
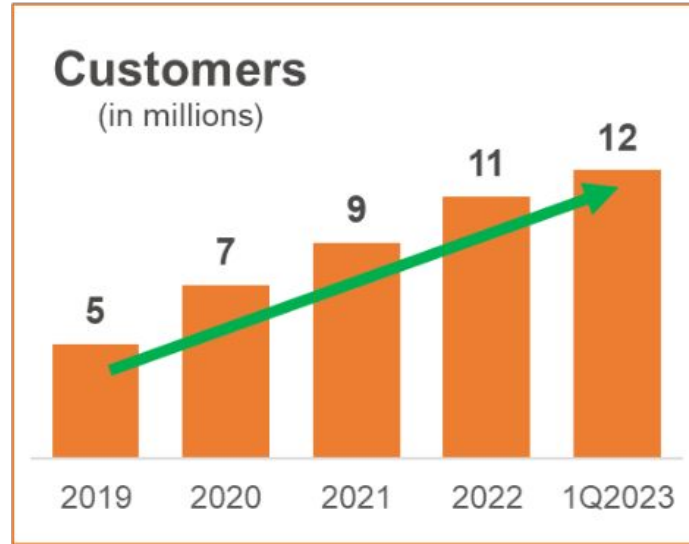
**T+0**  
transactions

**Safe & Secure**

Basic Hygiene

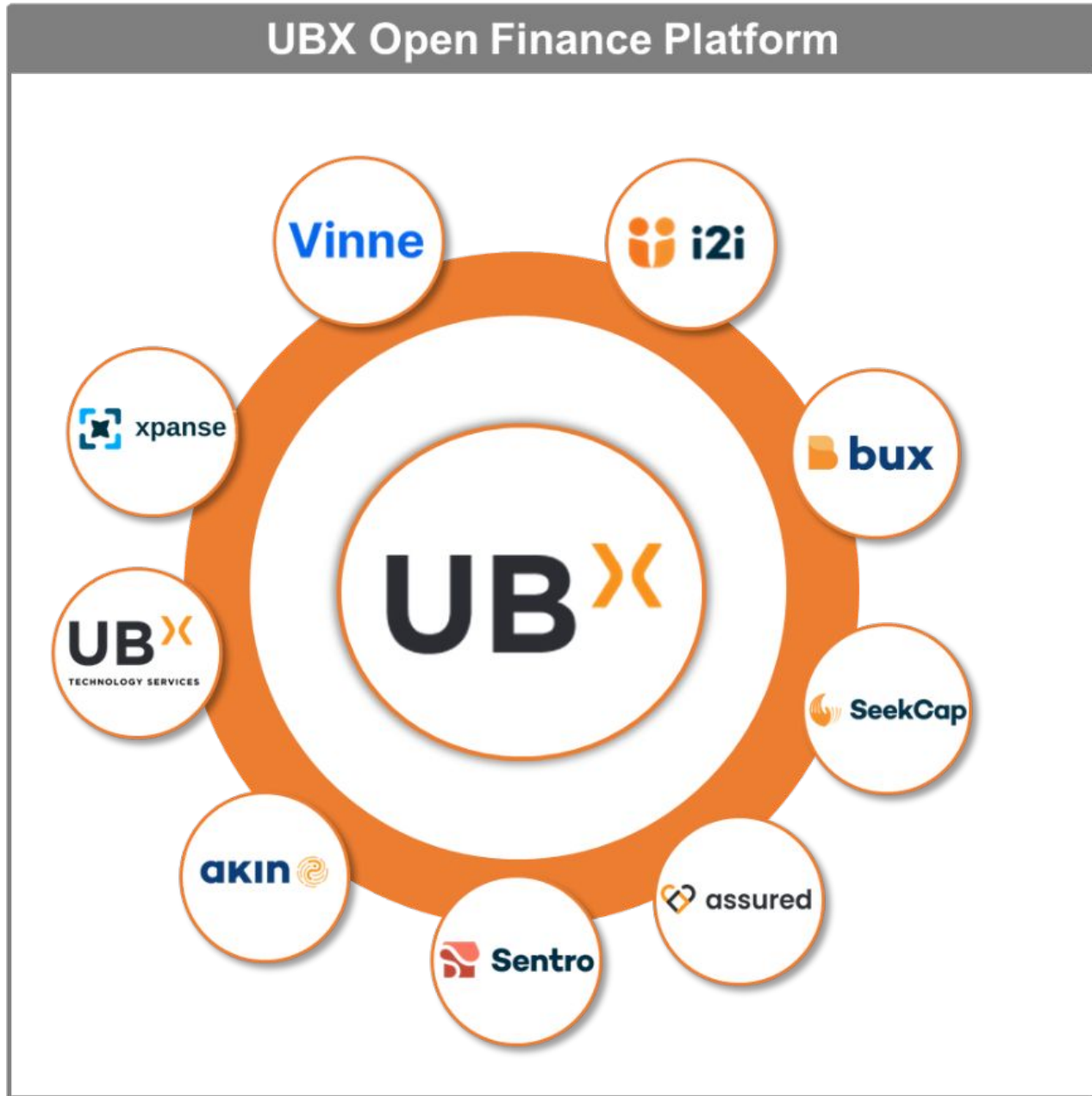


Branch Transformation



Note: \*Based on latest available data of BSP (As of December 31, 2022)

# UBX starts the year strong



**MSME lending marketplace**  
(open to other lenders like banks and fintechs)



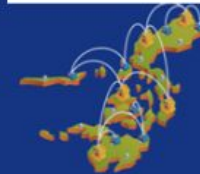
**82k MSMEs**  
community

**P1 billion**  
Q1 loan disbursements

**P35m**  
Q1 Revenue



**Fast-growing agency banking network**



**~4K+**  
Mobile ATM Agents

**Financial Network on the Blockchain**

**P25m**  
Q1 Revenue



**All-in-one Payment and Delivery Platform**



**2.8 million**  
FY 2022 monthly payment transactions

**P42m**  
Q1 Revenue



**Digital transformation and technology solutions venture**

**P17m**  
Q1 Revenue





# Legacy Citi leading indicators are ahead of plan

## Deal of the Decade



### Timeline



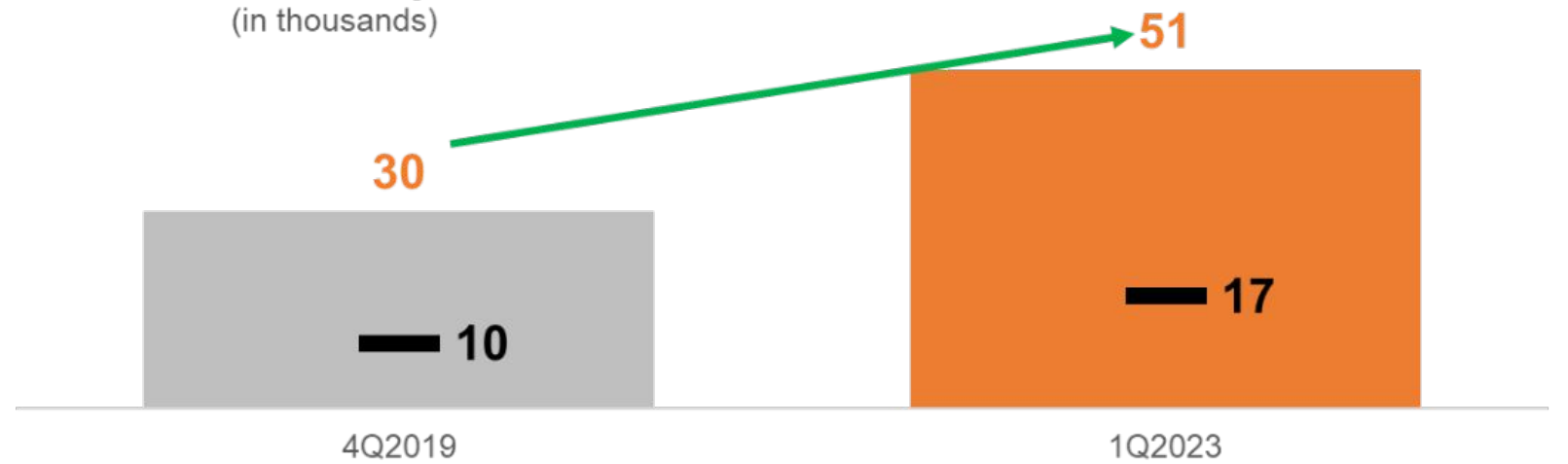
## Record-high acquisition in cards and loans

17,000 ave. clients per month

### New Cards Acquisition

(in thousands)

■ New To Bank — Ave Clients per Month



### Citi loans (in Php B)

■ Cards ■ Personal Loans

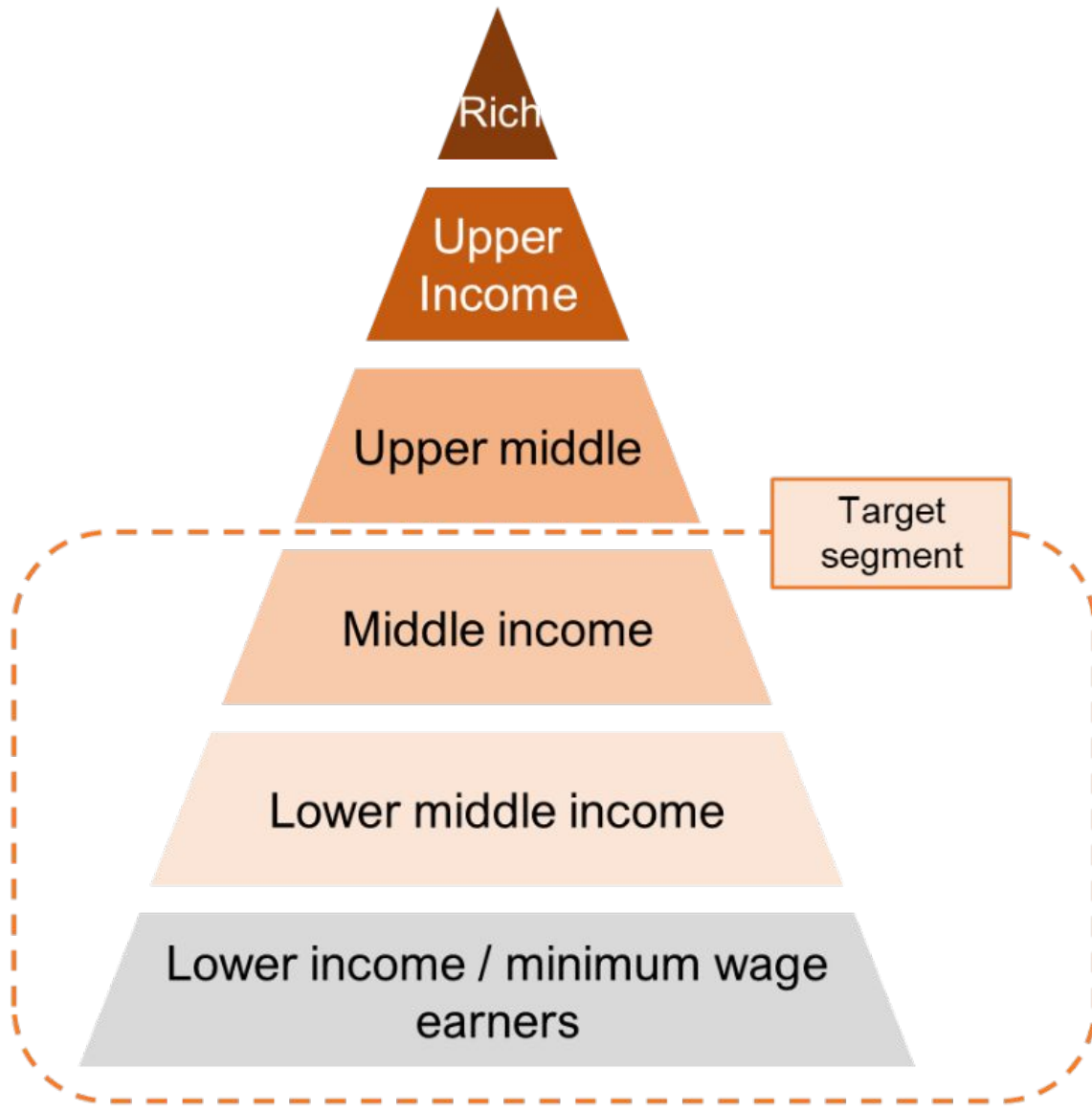




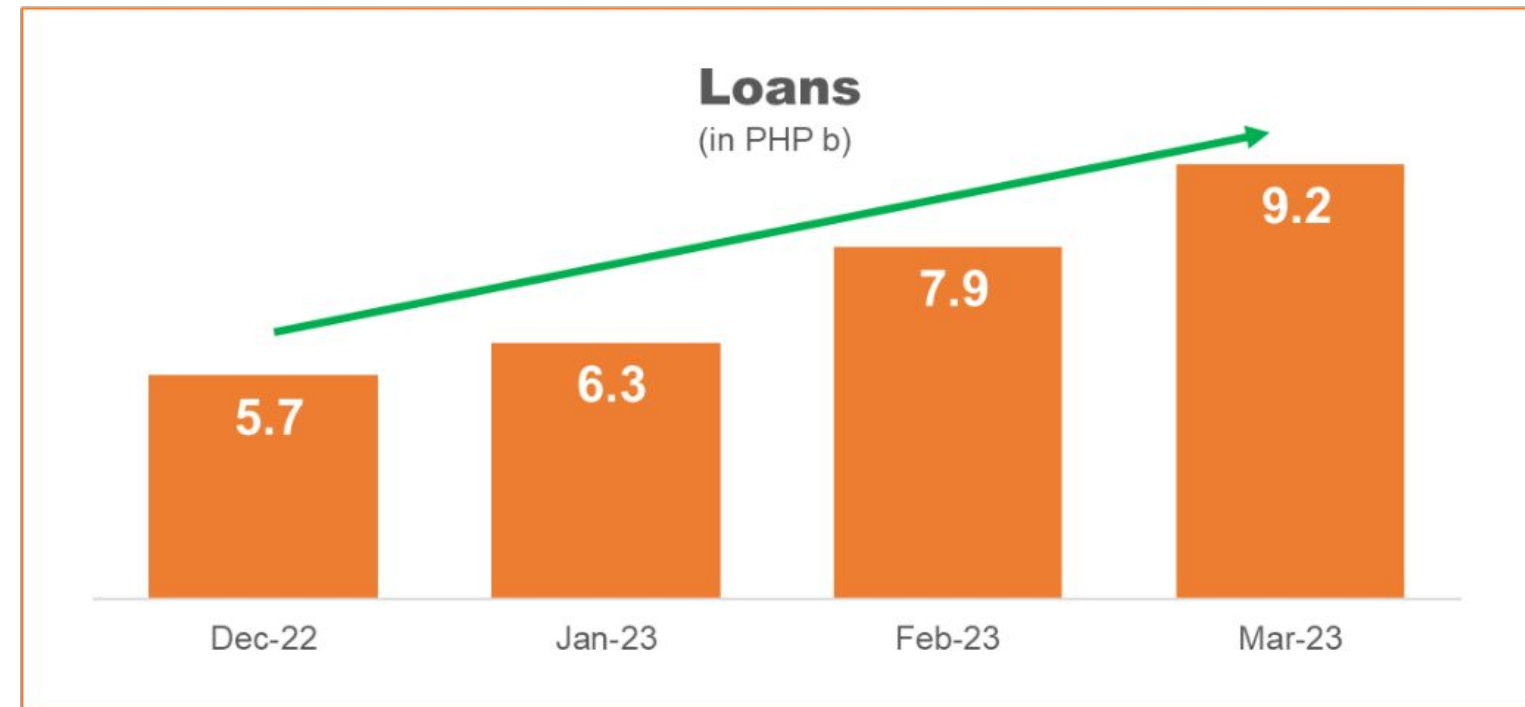
D

# UnionDigital is already profitable

UD taps a large underserved population



**6 / 6**  
months to build      months to turn profitable



# SUMMARY



- 1 The Bank has solid recurring income growth coming from net interest margins and fees
- 2 The acquired Citi consumer business is outperforming our expectations. Full synergy impact will be realized in 2024.
- 3 All UnionBank subsidiaries are now profitable.
- 4 We expect to continue growth trajectory in earning assets base supported by sufficient capital ratios.





Together we are building the PH's first **techglomerate**