

Analysts' Briefing

August 1, 2023
2:30 PM PHT



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

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Agenda



Johnson Sia
Treasurer and
Head of Global Markets

1. Macroeconomic and Industry Outlook



Dmi Lozano
Chief Financial Officer

2. Financial Performance



Manoj Varma
Head of Consumer Banking

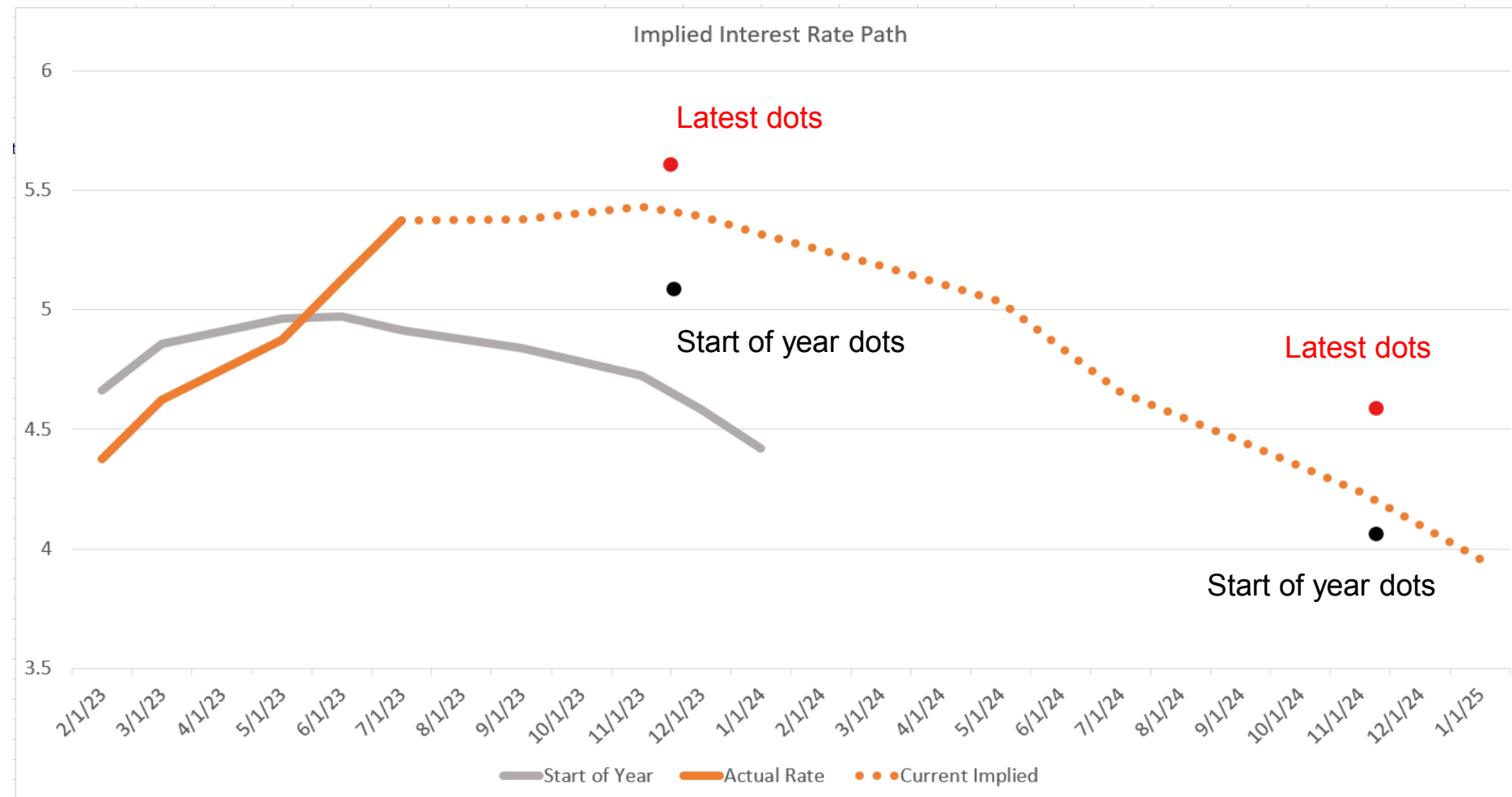
3. Strategy Updates – Consumer Banking

Macroeconomic and Industry Outlook

Fed hiked 25bps to 5.25-5.50% as expected, left door open for more

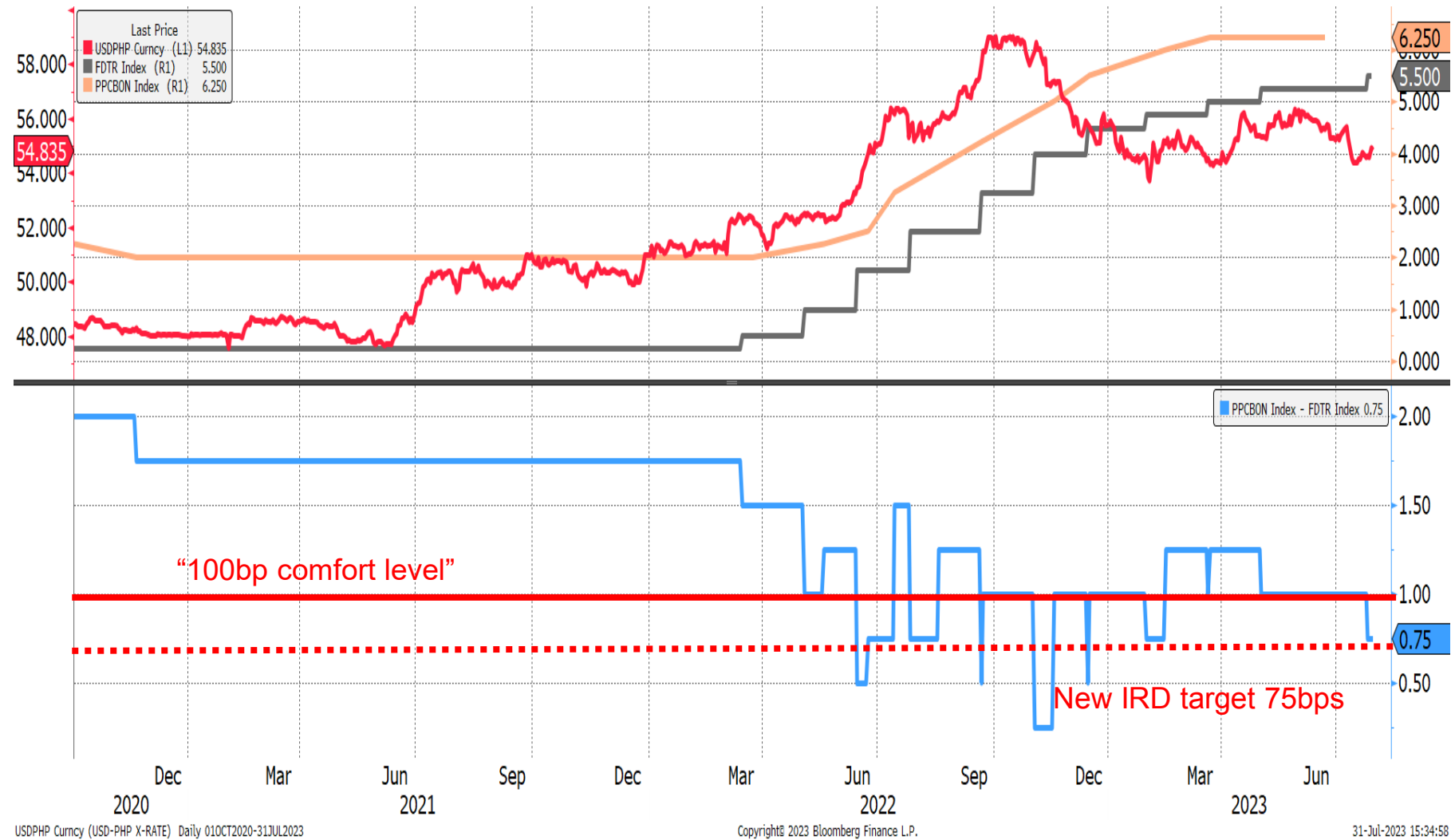
- **Powell said further hikes will be data-dependent**
 - “It's certainly possible the committee will move in September but it's possible that we choose to hold”
 - The chair acknowledged the drop in inflation but noted that core prices remain "pretty elevated”
 - The Fed is no longer forecasting a recession
- **US Headline CPI falls for the 12th consecutive month in June to 3.0% vs. 3.1% expected**
 - Month on month headline prices slowed to 0.2% vs. 0.3% expected
 - Core CPI rose 4.8% y/y and 0.2% m/m. Slower than estimates of 5.0% and 0.3% respectively
 - Shelter costs a big component of the CPI rose 0.4% m/m; 7.8% y/y.
- **June NFP below expectations, 209k vs. 224k exp. 110K downward revisions in the past two months**
 - Private payrolls rose only 149k versus the 200k expected, the weakest since December 2020 and is the biggest surprise in the report
 - Report showed job gains came alongside steady wage growth. Average hourly earnings, rose by 0.4% in June (the same pace as May, which was revised slightly higher)

Interest Rate Path (End 2022 vs Now)



Higher for longer evident, rate cut projections push back

Interest differential between the US and PH narrowed to 75bps coming from 175bps for most of the pandemic



USD Strength has dissipated



- CNH finally joined the club lower this month as PBOC recent CNY fixes indicate a downward bias as Beijing pledges to support growth by likely cutting rates further

Philippine peso remains within a narrow trading range



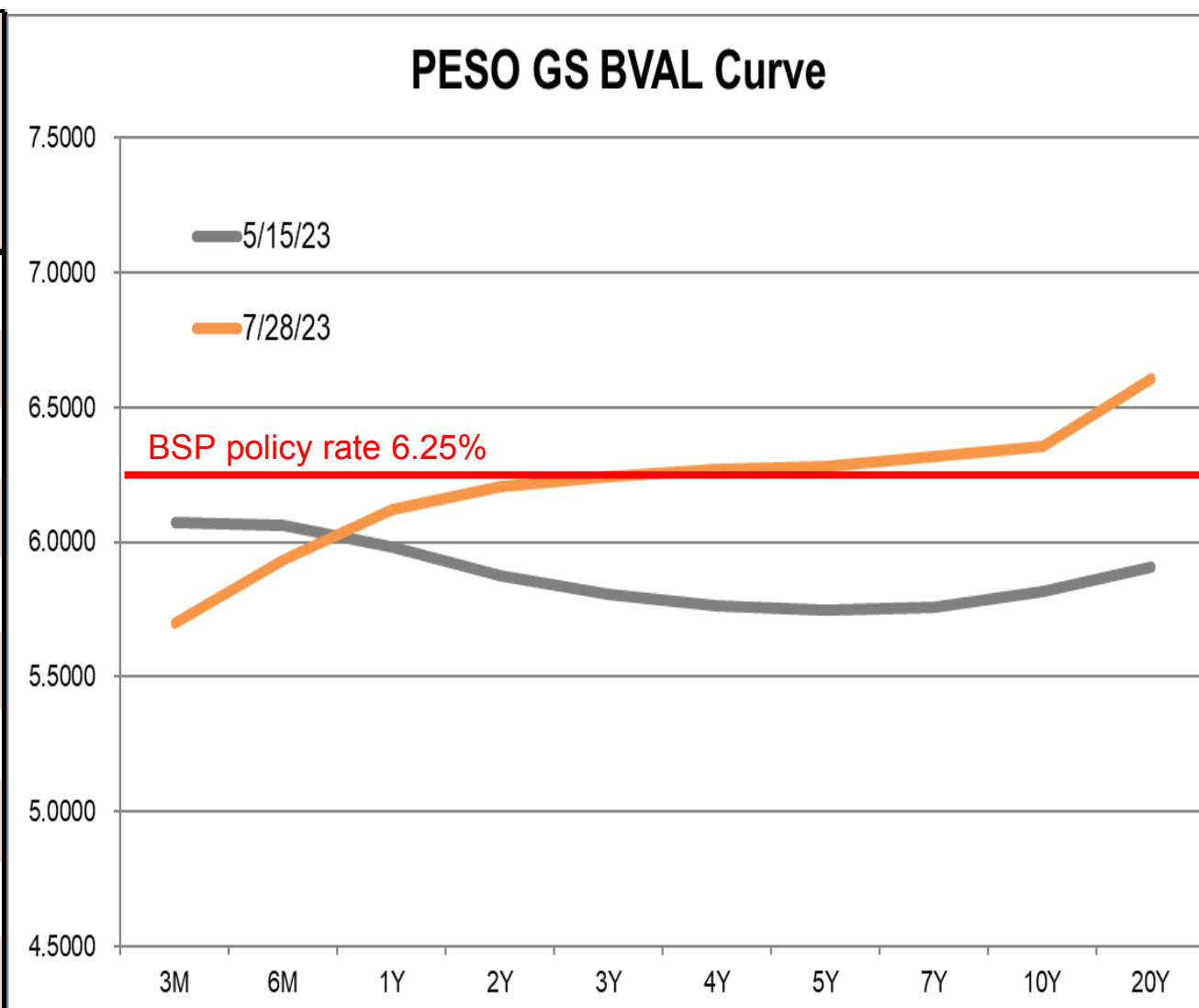
BSP ready to resume rate hikes if data warrants

- **BSP Governor Eli Remolona signaled further monetary policy tightening is still on the table for the economy**
 - New Governor - significant policy continuity, but early comments were slightly hawkish than Medalla
 - “Premature” to talk about cutting the key interest rate
 - BSP remains “more on the tightening side”
 - “For now, we’re contemplating whether to hike or not to hike”
- **Inflation slows down for 5th straight month in June**
 - June CPI at 5.4% y/y a 13th month low, due to slower increases in food and beverages
 - Core inflation decelerated to 7.4% y/y in June vs. 7.7% y/y in May
 - BSP: CPI outlook balance of risks still on upside
 - Philippine Statistics Authority: Inflation slowing but rice price gains a risk
- **BTr increased its weekly borrowing program from 25Bn to 30Bn**
 - Rationale behind the move is to cover jumbo maturities totaling to ≈300Bn in August and September

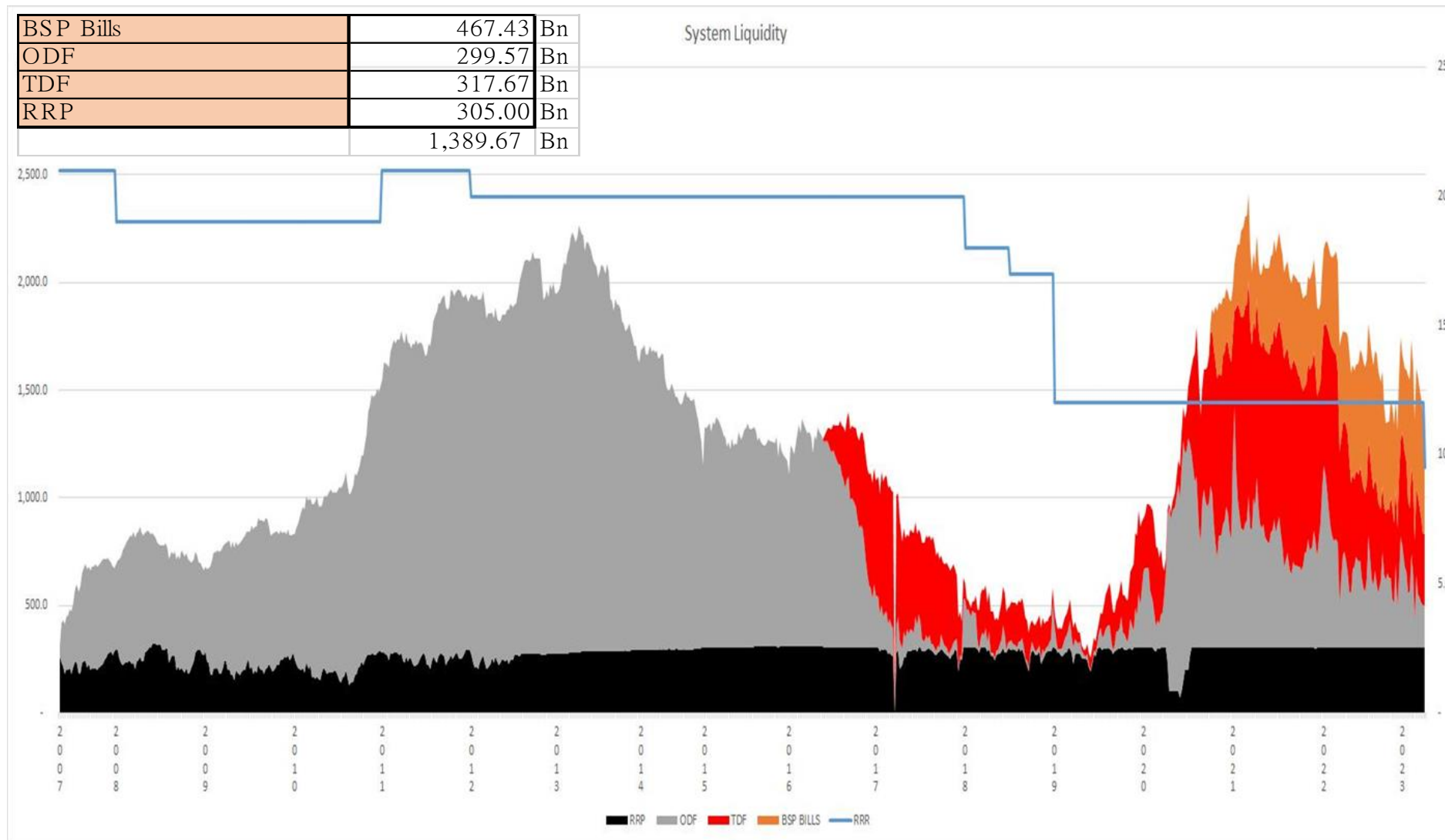
	2023 Maturities	<i>in billions</i>
20Y	01/05/2023	0.00
3Y	02/11/2023	310.83
20Y	02/20/2023	4.59
5Y	03/08/2023	76.78
7Y	04/21/2023	181.77
20Y	05/29/2023	2.65
10Y	08/15/2023	141.42
3Y	09/10/2023	148.88
20Y	10/23/2023	1.73
2023 Maturities		868.65

BVAL Curve: YTD lows vs. current

PESO GS BVAL RATES			
Tenor	5/15/23	7/28/23	Change
3M	6.0730	5.6997	-0.37
6M	6.0630	5.9347	-0.13
1Y	5.9840	6.1188	0.13
2Y	5.8750	6.2067	0.33
3Y	5.8040	6.2451	0.44
4Y	5.7640	6.2670	0.50
5Y	5.7460	6.2805	0.53
7Y	5.7580	6.3173	0.56
10Y	5.8140	6.3562	0.54
20Y	5.9060	6.6045	0.70



System liquidity ample to support growth; RRR cut to 9.5% (to replace MSME pandemic-era concession) and further cuts expected once monetary policy turns



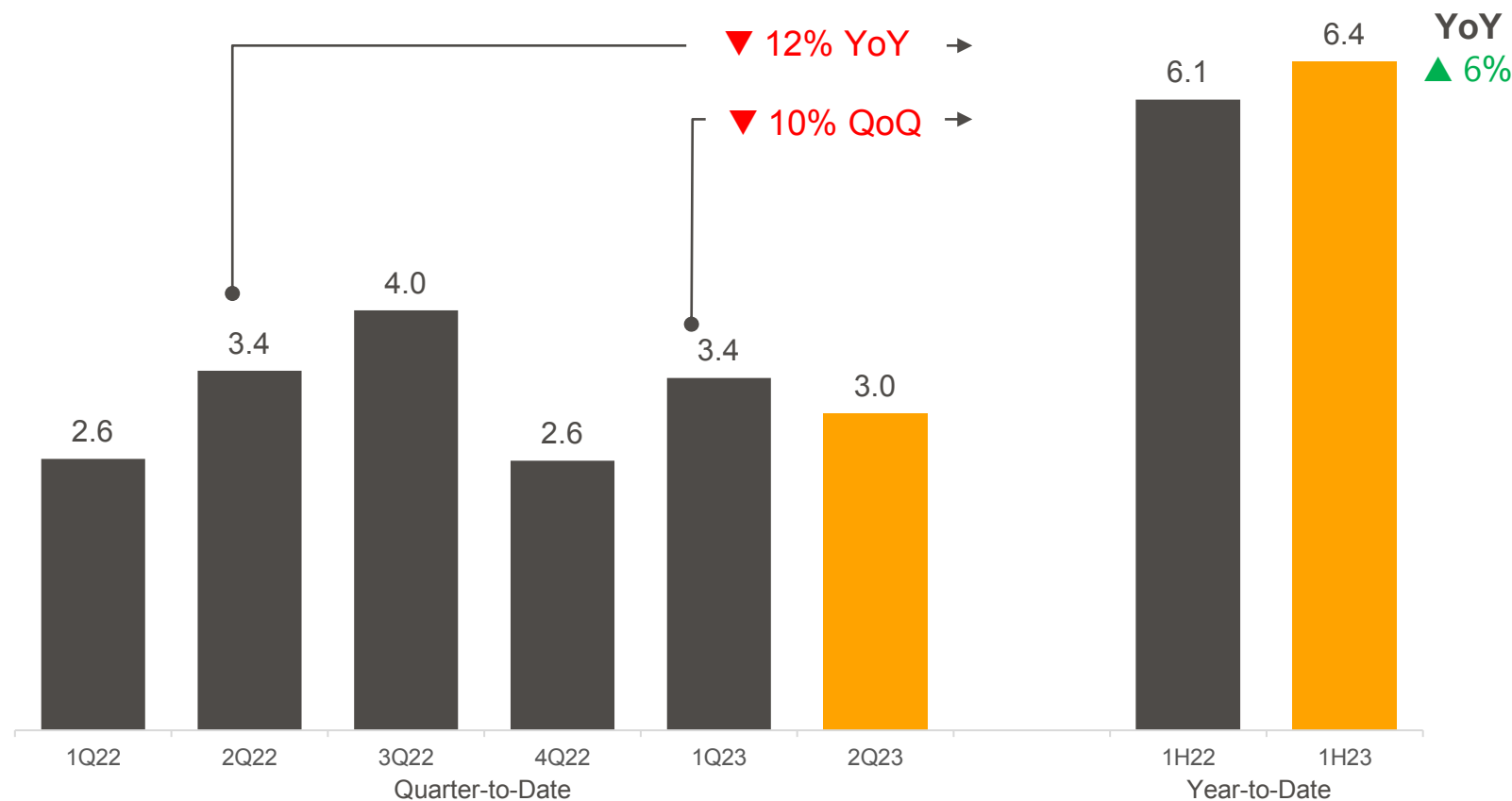
Financial Performance

1H/2Q 2023

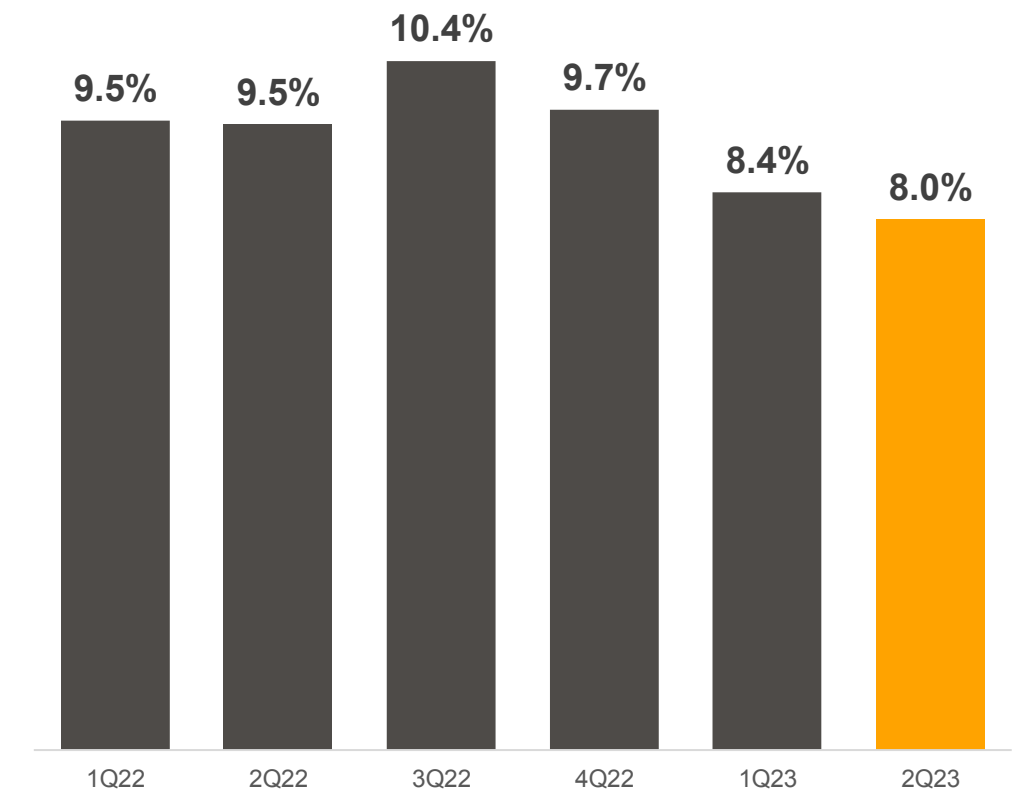
UnionBank 1H2023 net income at P6.4 bn

- ▶ Net income growth mainly driven by core recurring income, but offset by one-time integration cost of acquired Citi portfolio
- ▶ Net interest income is higher due to earning asset growth and NIM expansion
- ▶ Fee and other income more than doubled due to increase in customer transactions

Net Income (in PHP Bn)



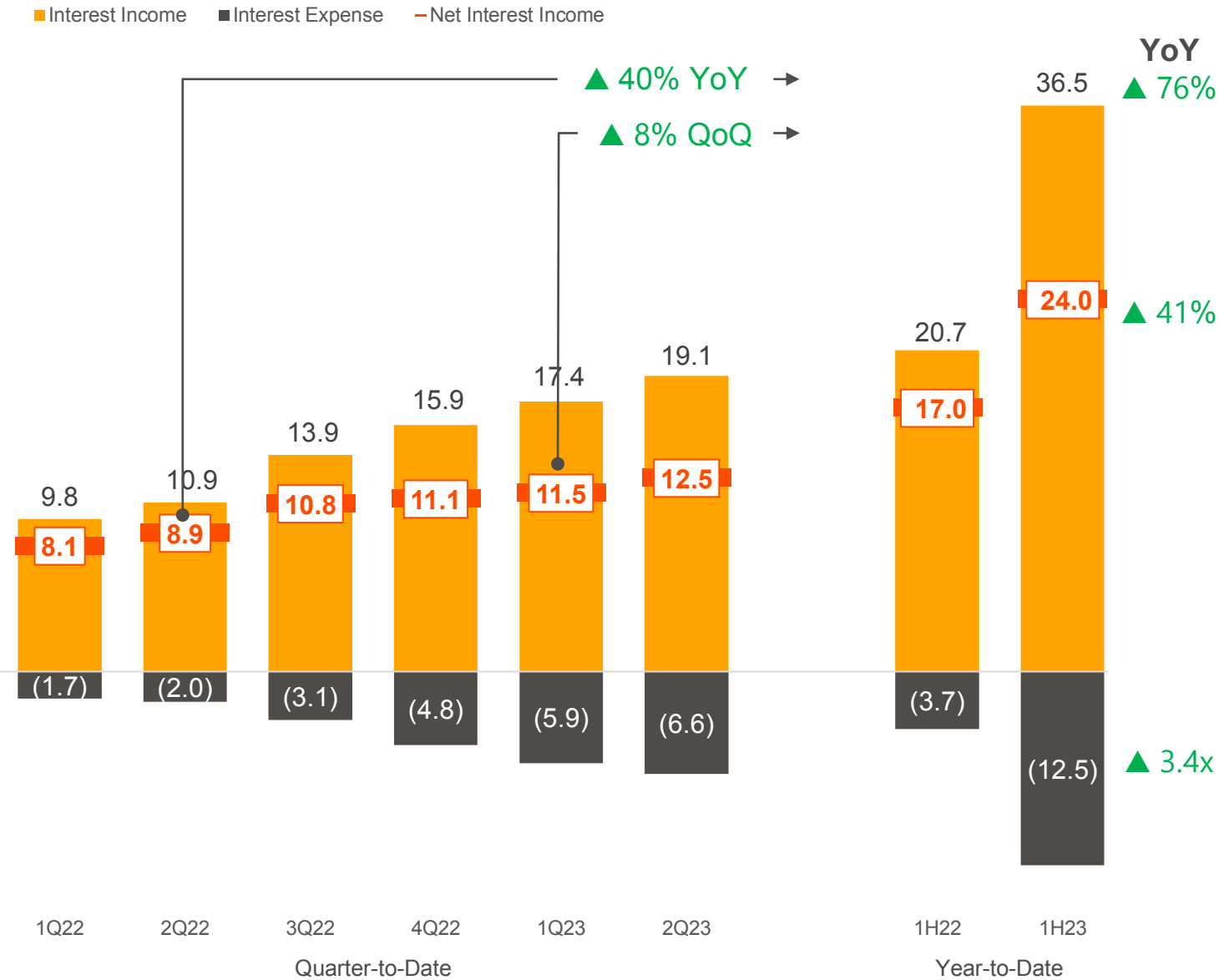
Return on Equity (Ave)



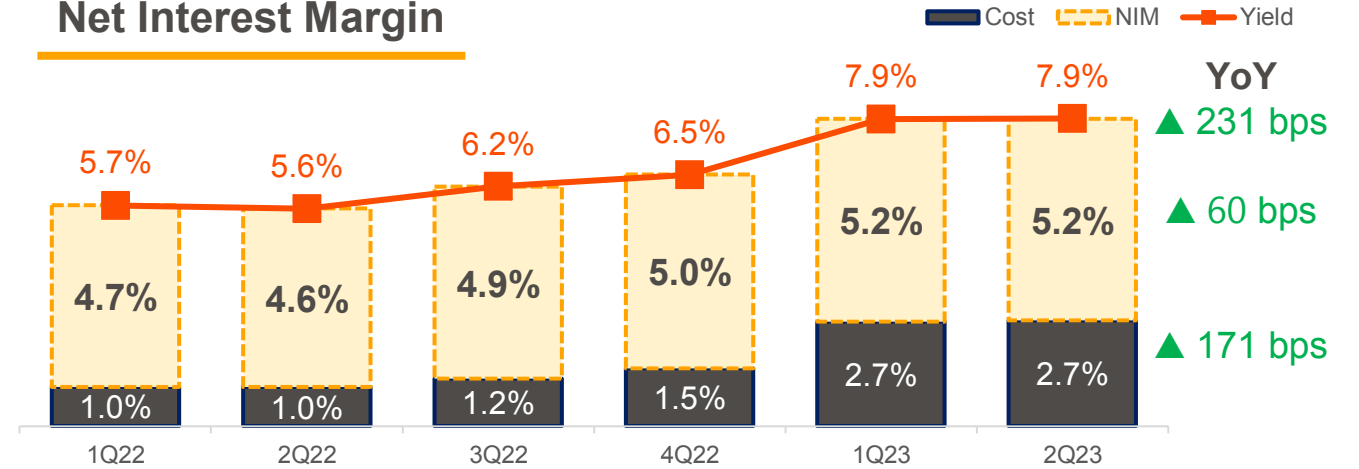
YTD NII up 41% due to strong margins and earning assets

Net Interest Income

(in PHP Bn)

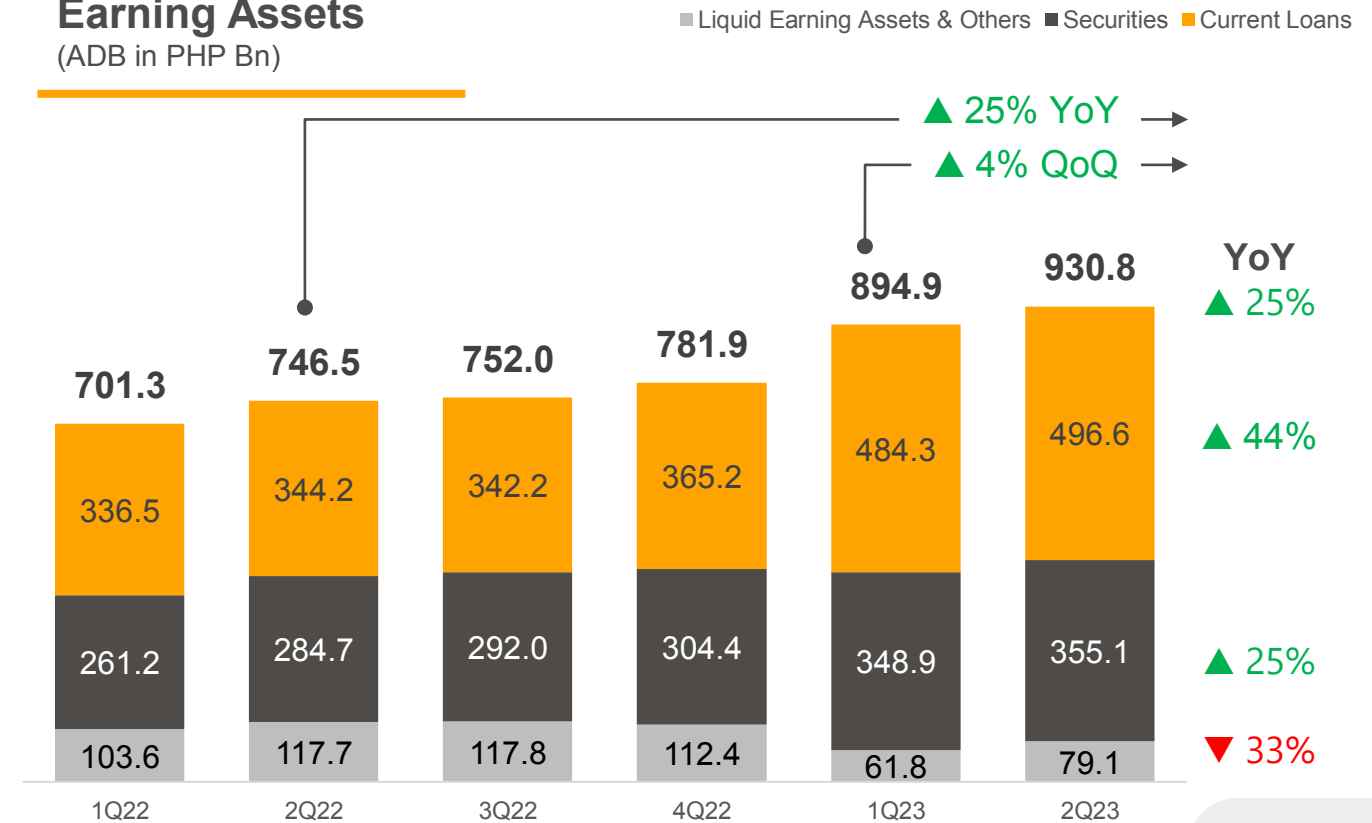


Net Interest Margin



Earning Assets

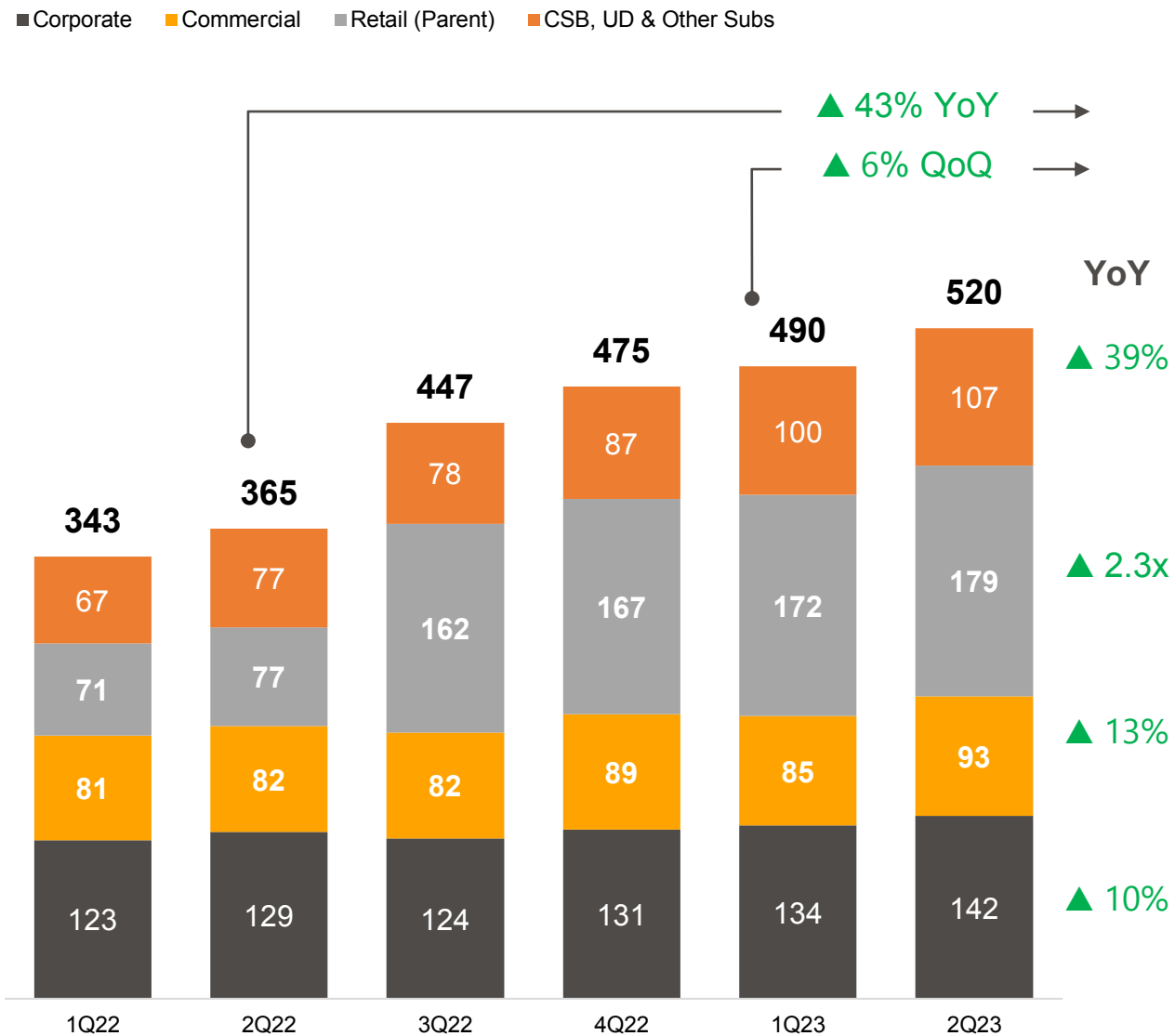
(ADB in PHP Bn)



Diversified consumer loans post double-digit growth

Gross Loans

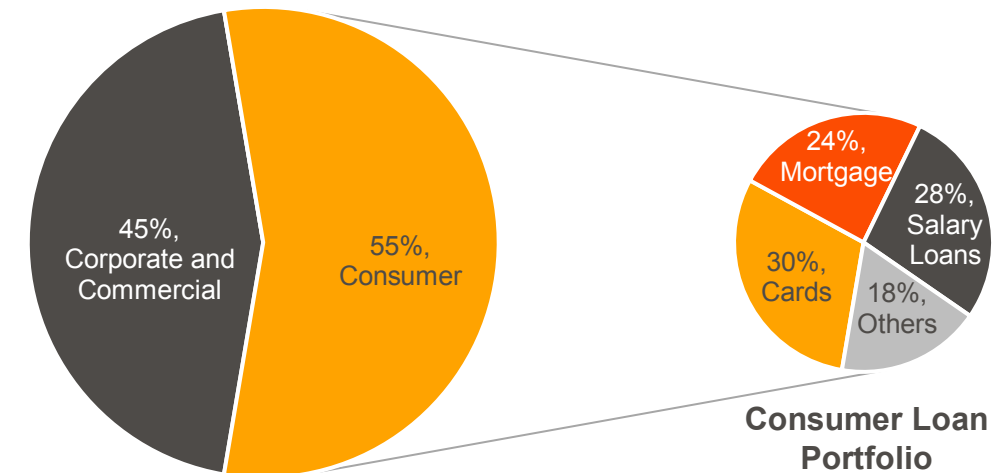
(OSB in PHP Bn)



Loan Mix

(%)

Industry's Consumer Loans – 19%
Based on BSP data as of March 2023

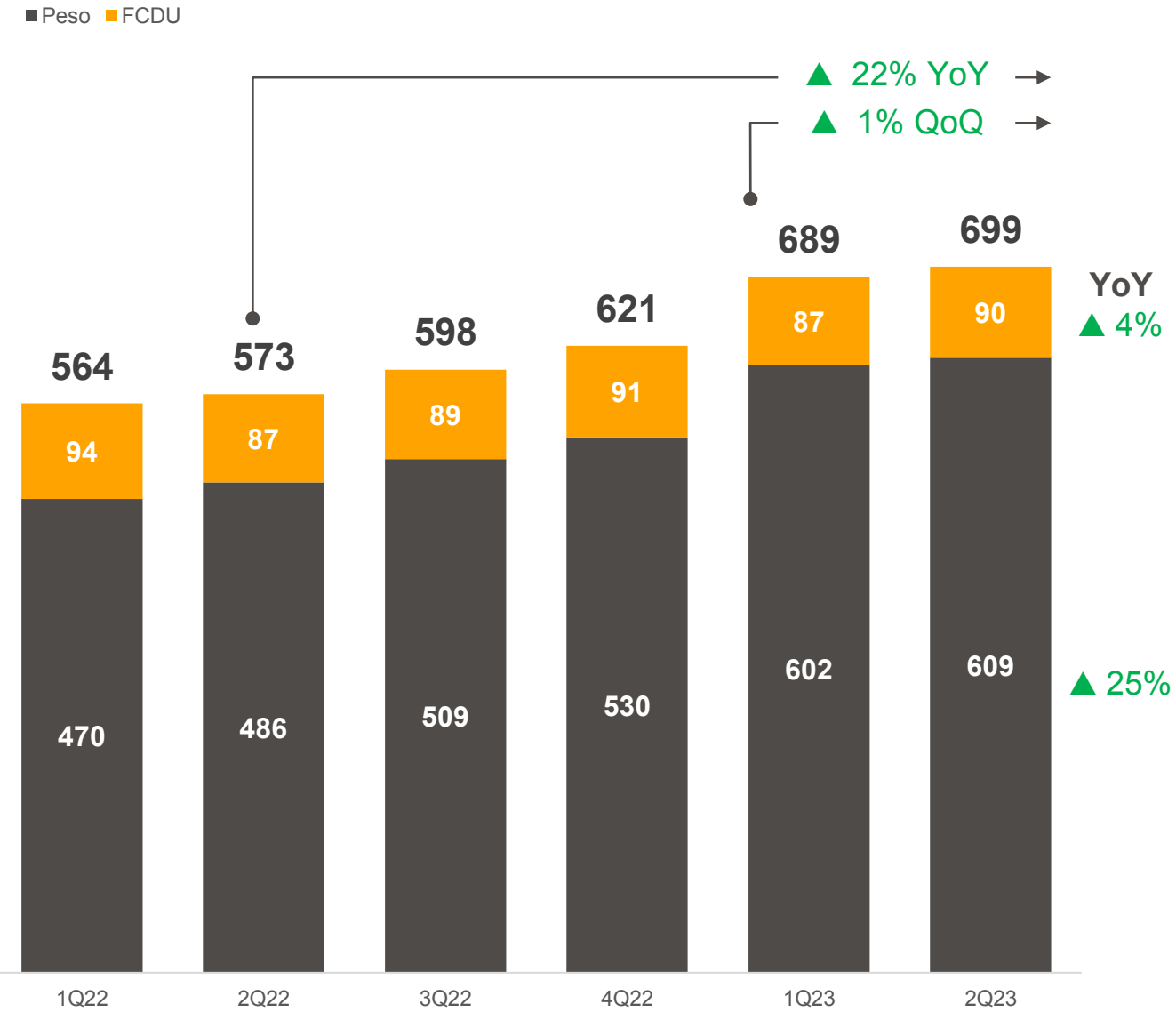


Gross Loans (OSB in PHP Bn)	2Q22	2Q23	Variance	%
Corporate	129	142	13	10%
Commercial	82	93	10	13%
Consumer	77	179	102	133%
Credit Card	9	87	79	915%
Home Loans	61	69	7	12%
Other Consumer Loans	7	23	16	235%
Total Gross Loans of Parent	288	413	125	43%
CitySavings and Subsidiaries	77	97	20	26%
UnionDigital	-	13	13	-
Total Gross Loans of Subs	77	110	33	43%
Total Gross Loans	365	523	158	43%
% Consumer Loans	42%	55%		

Sustained CASA growth

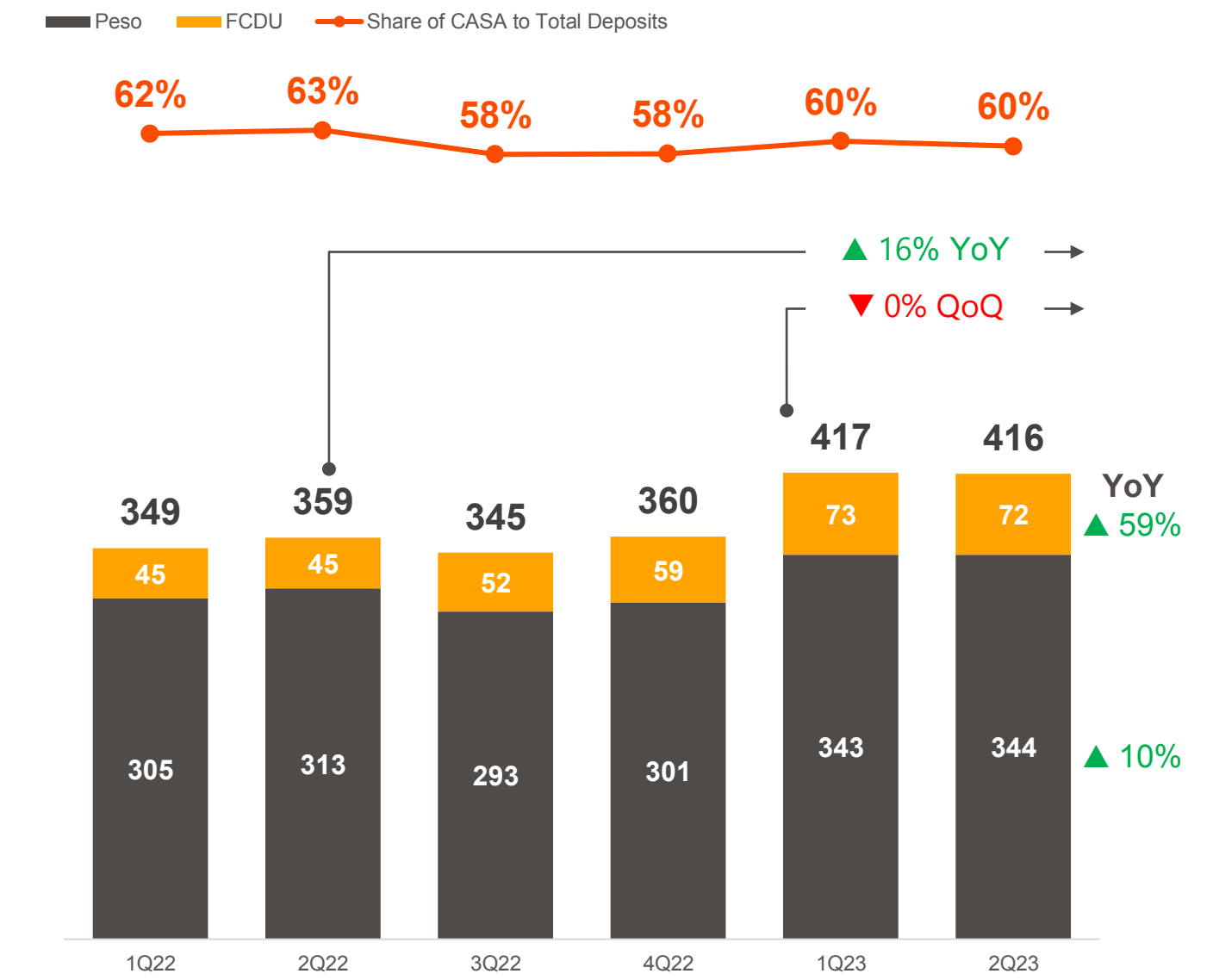
Total Deposits (Consolidated)

(ADB in PHP Bn)



CASA Deposits (Consolidated)

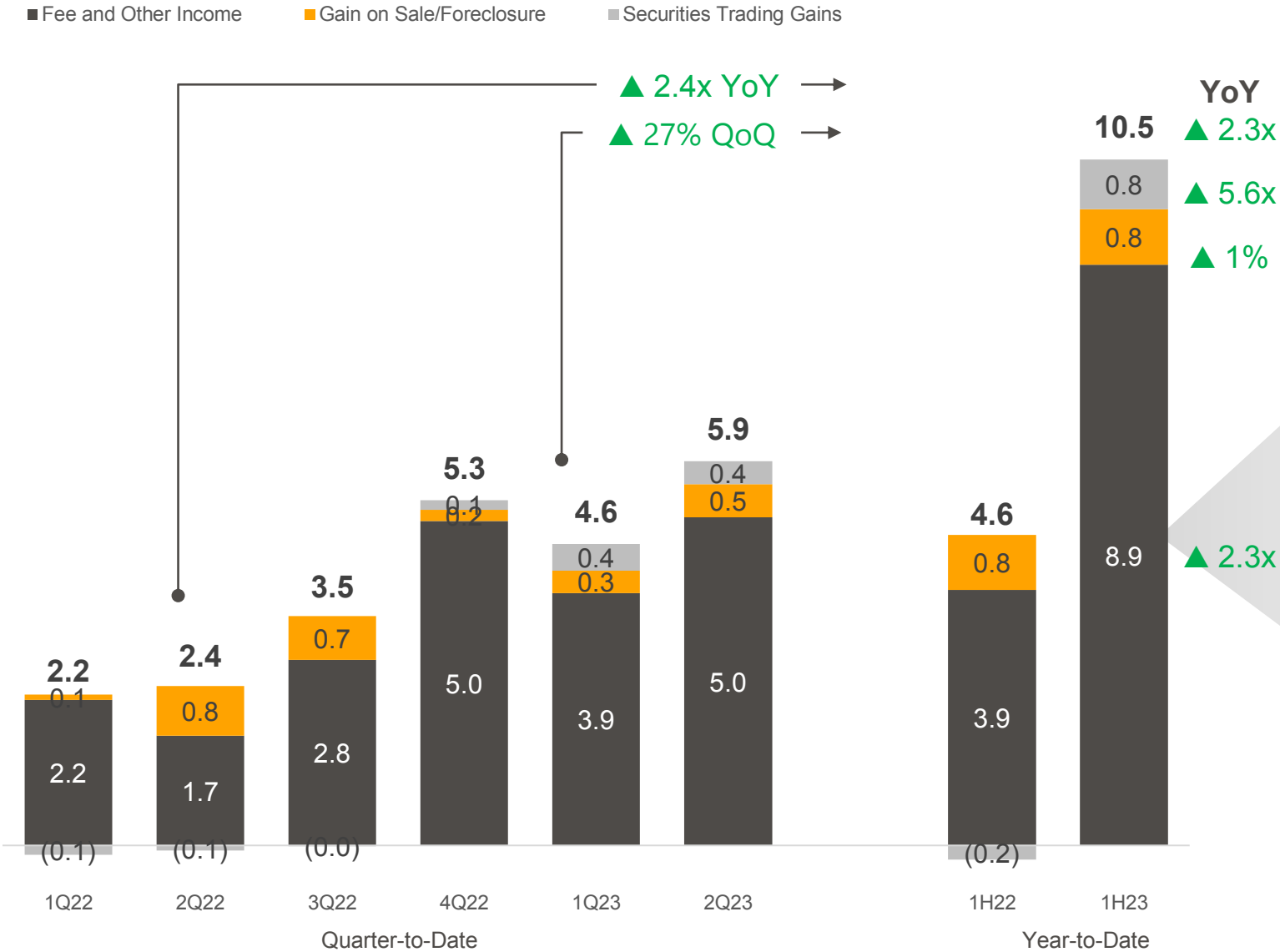
(ADB in PHP Bn)



Customer transactions driving fee-income

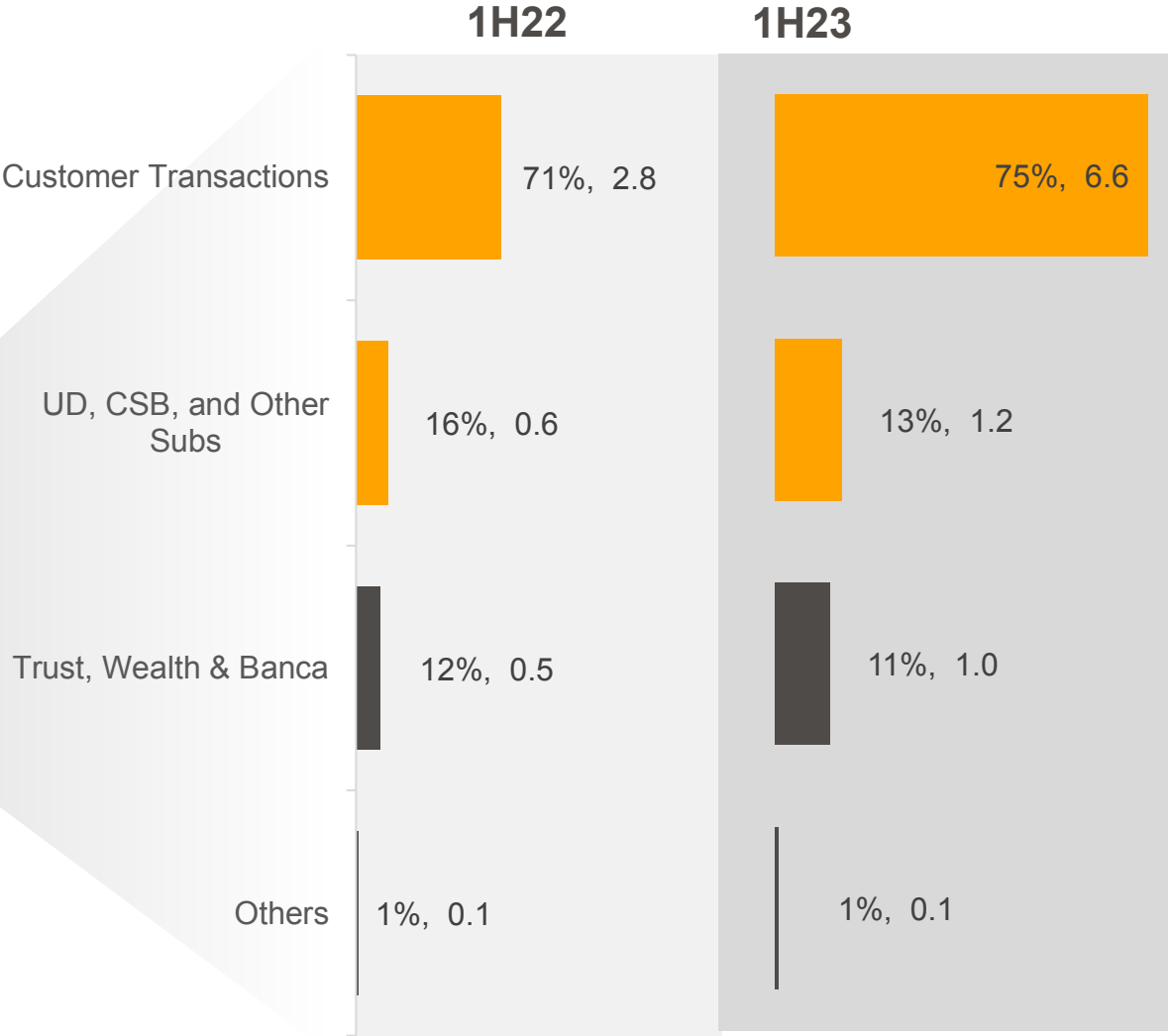
Non-Interest Income

(in PHP Bn)



YTD Fee and Other Income

(in PHP Bn)

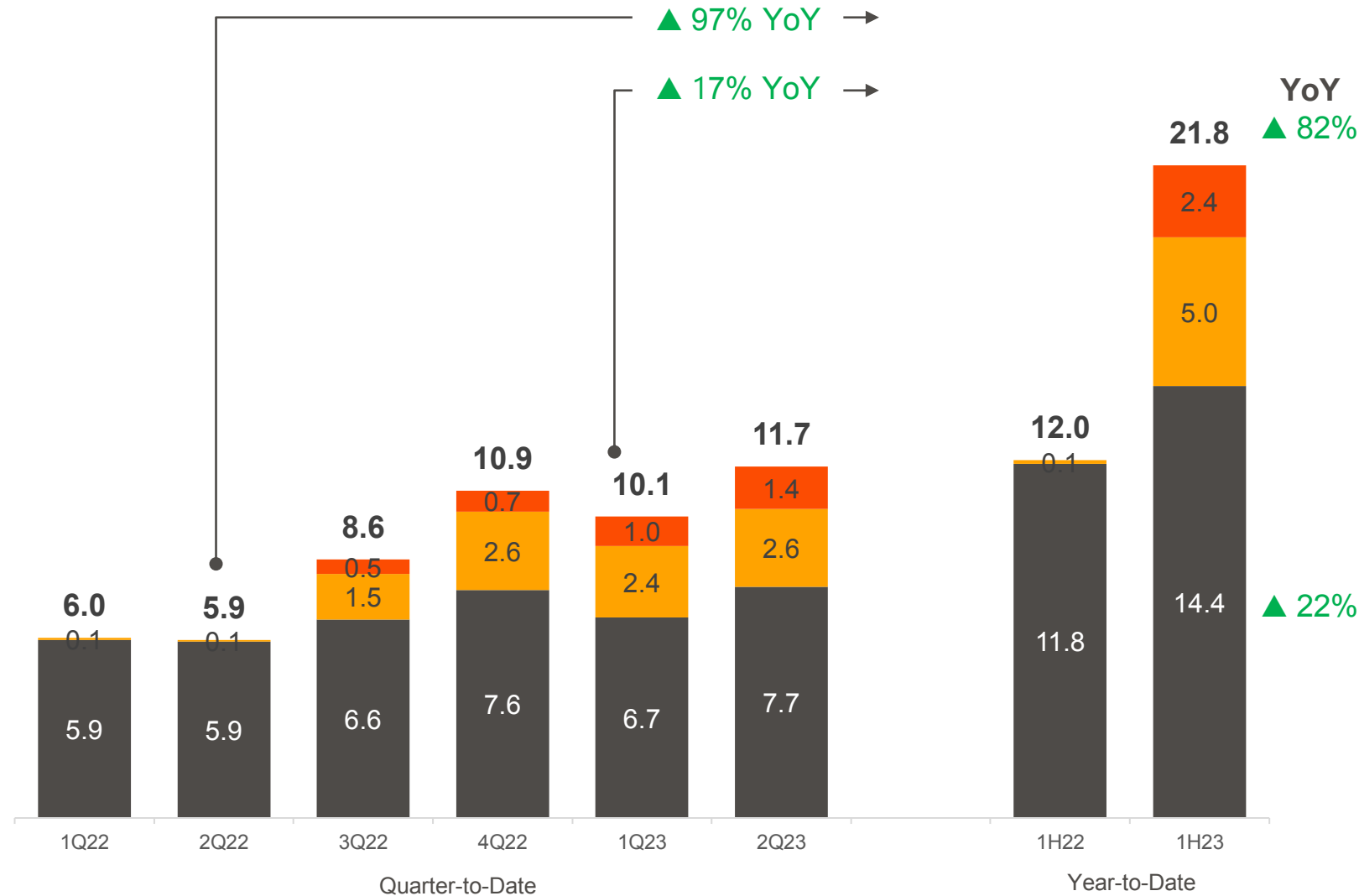


OPEX growth mainly due to new businesses and one-time cost

Operating Expenses

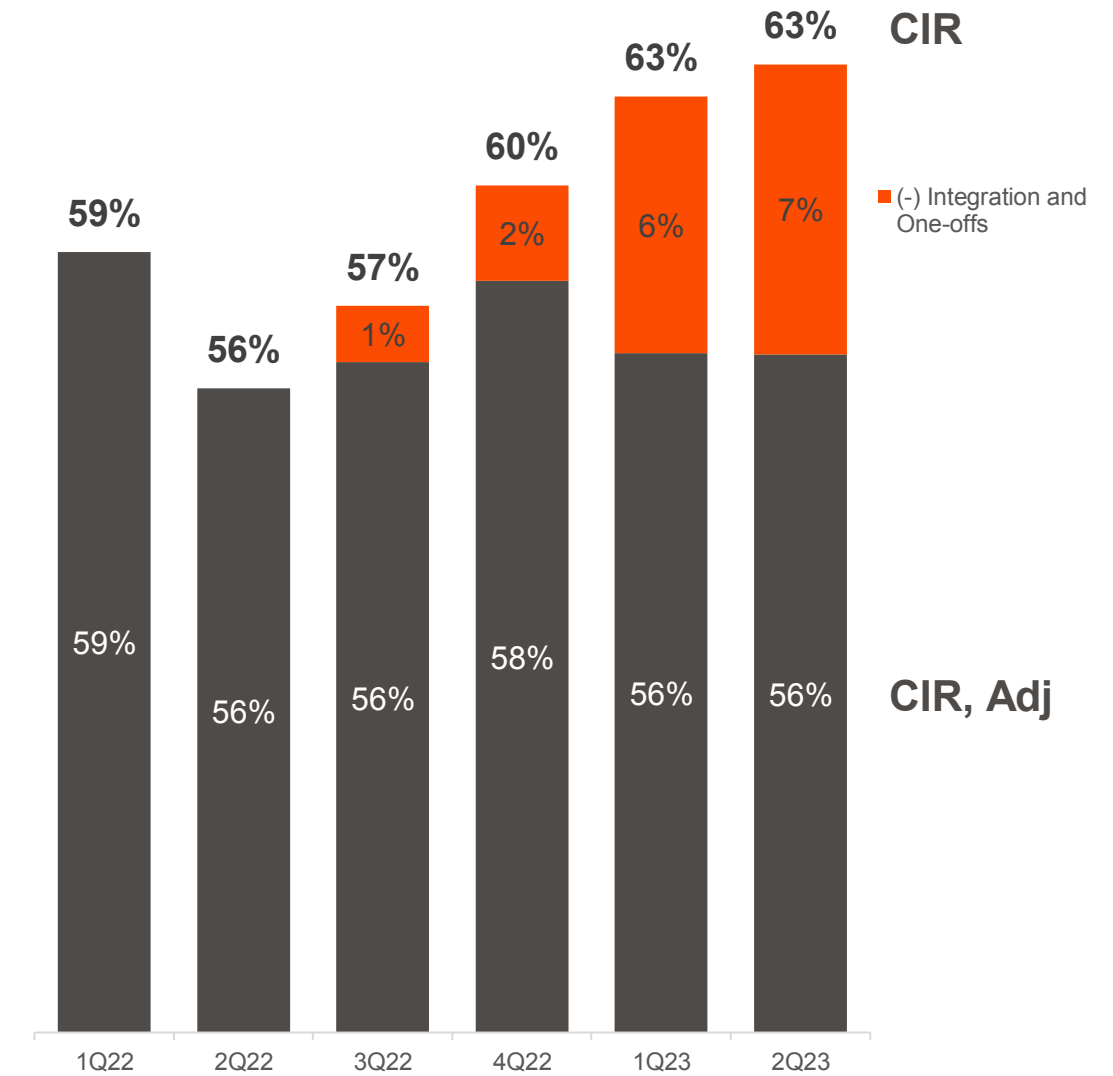
(in PHP Bn)

■ Core OPEX ■ New Businesses ■ Integration and One-offs

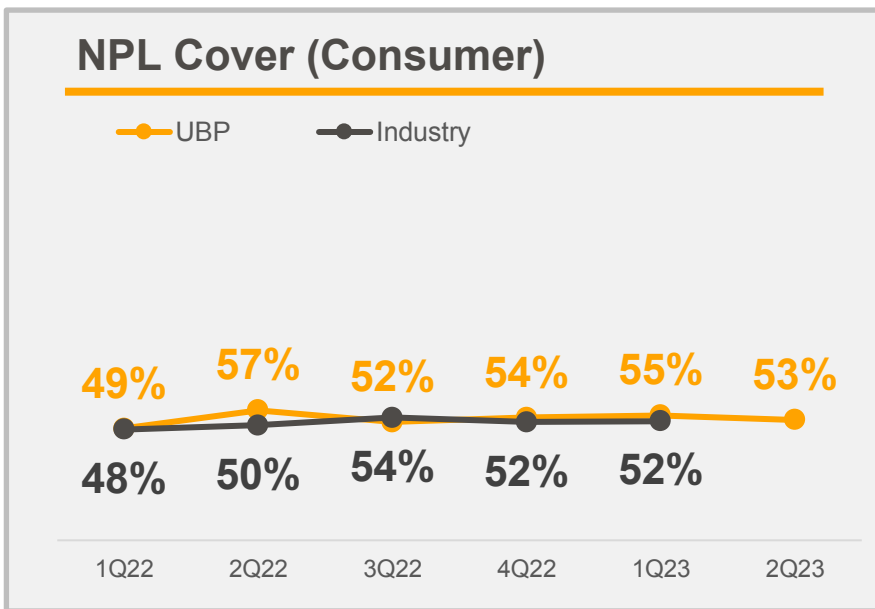
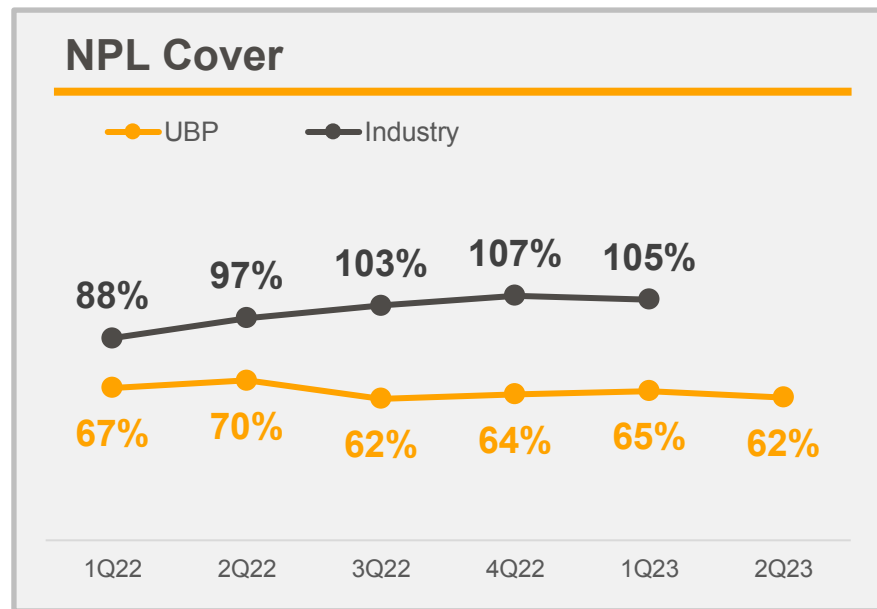
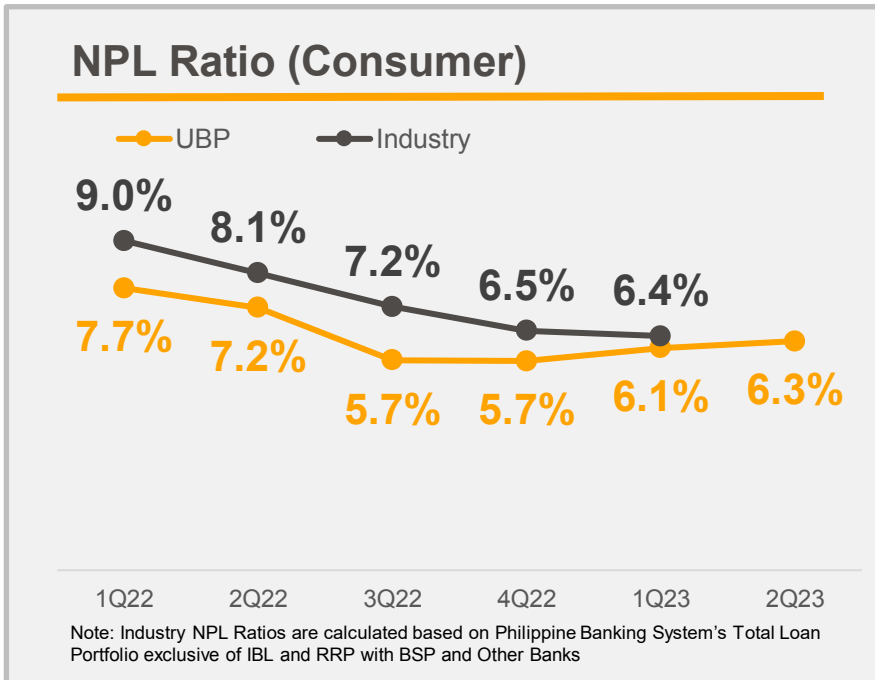
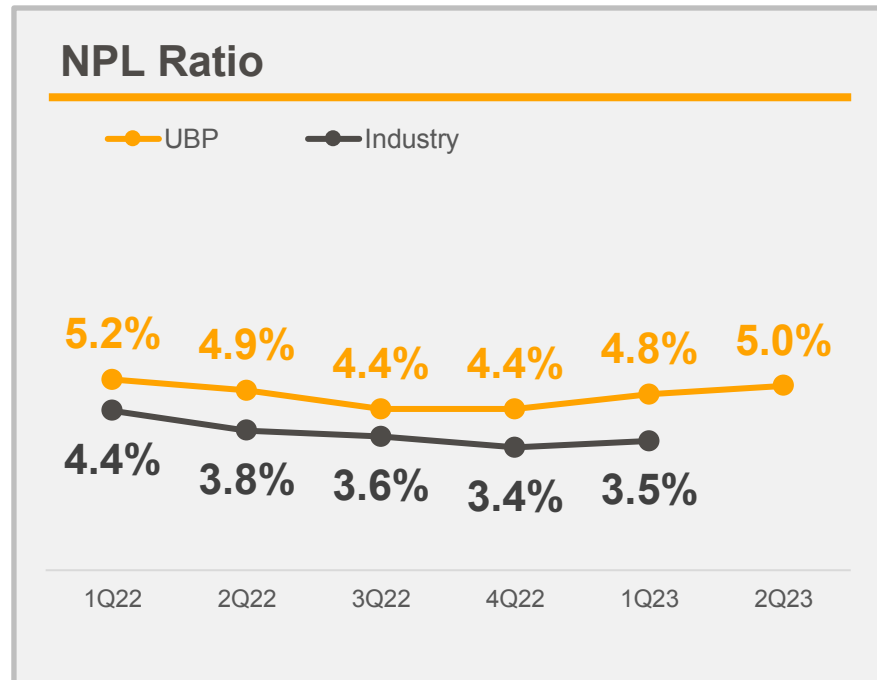


Cost-to-Income Ratio

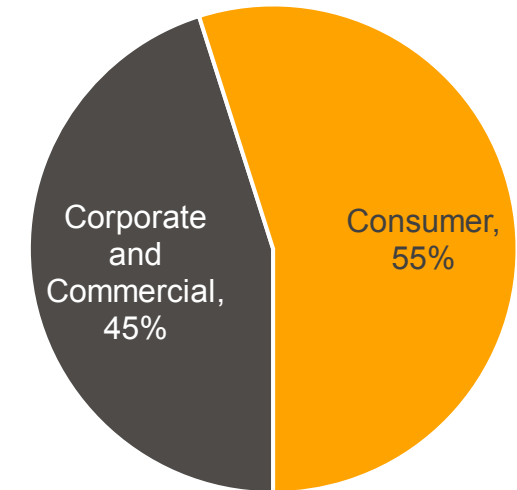
(%)



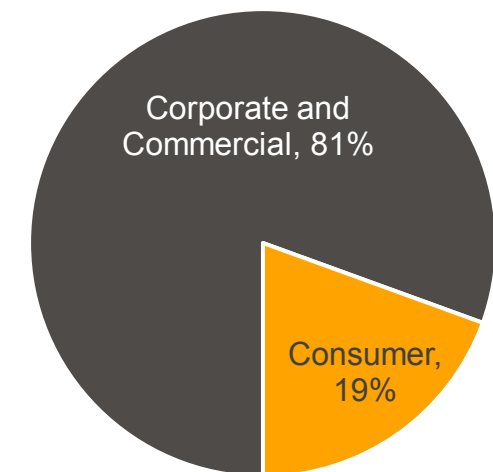
Consumer NPL Ratios are in line with industry average



UnionBank Loan Mix

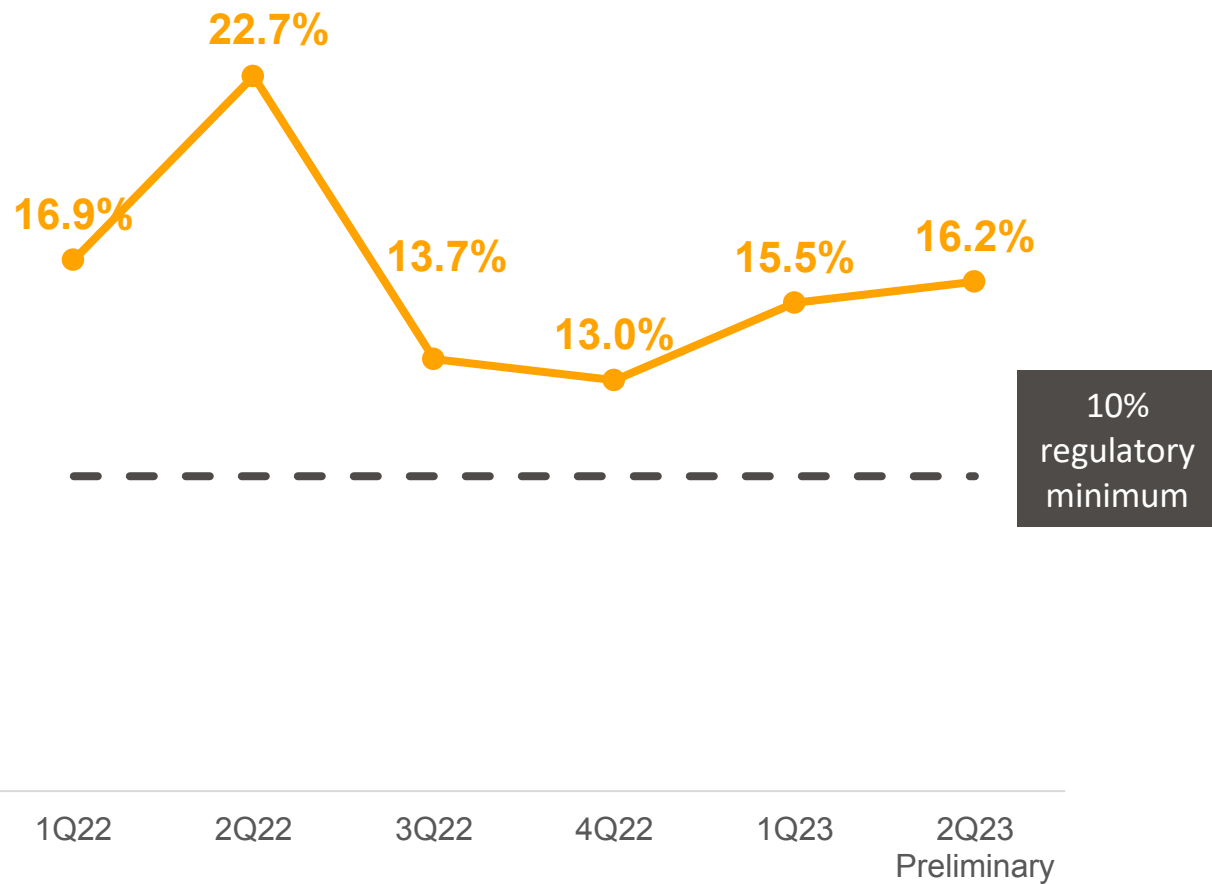


Industry Loan Mix

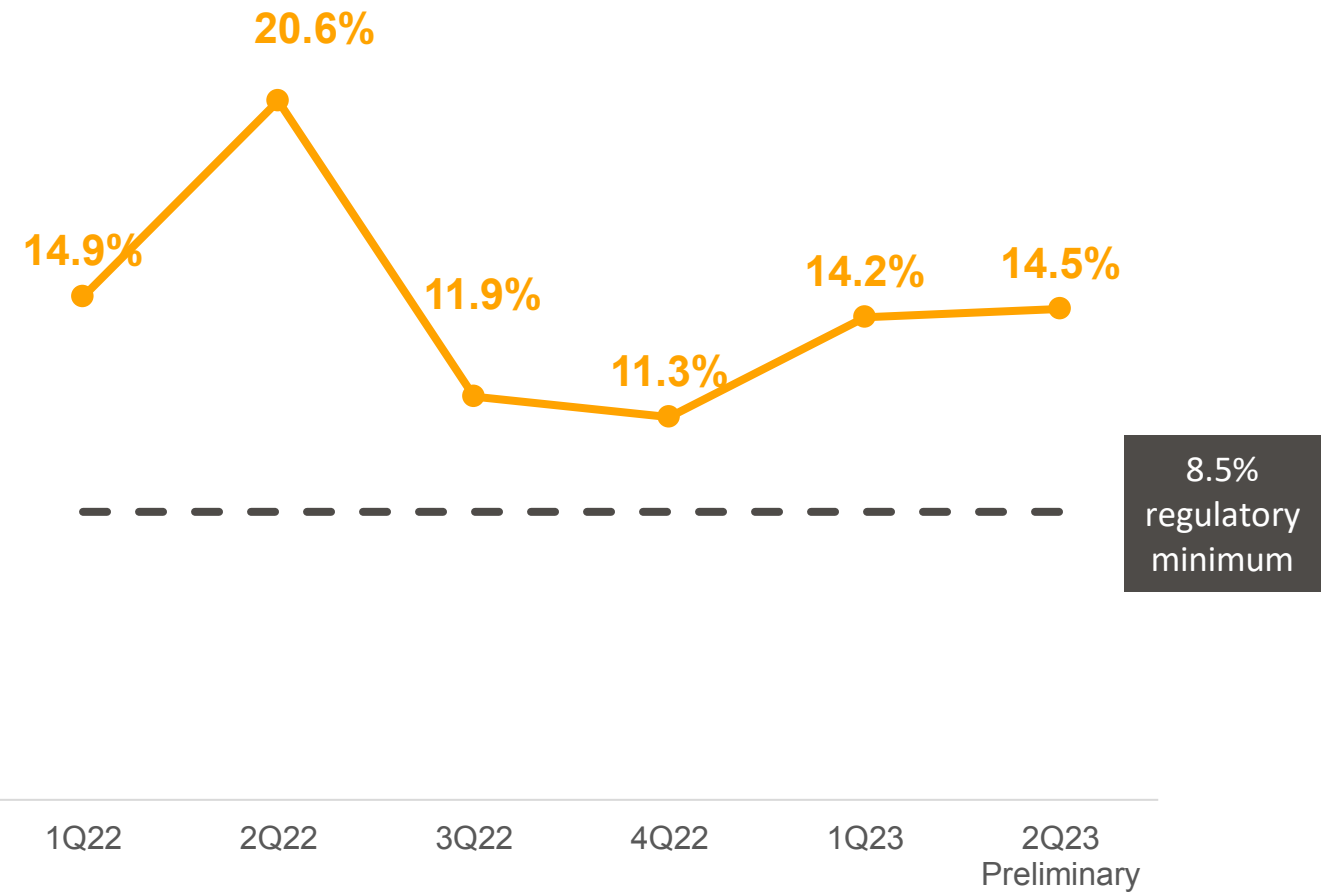


Capital ratios provide room for growth

Capital Adequacy Ratio (CAR)



Common Equity Tier 1 Capital Ratio (CET1)



Strategy Updates

Consumer Banking

Where we were on Legal Day 1



UnionBank of the Philippines became the legal owner of the Citi Consumer Business (operating under TSA) on August 1, 2022

>1,500

Employees including
all senior leadership

P99.4b

Total Assets

P69.5b

Loans

P85.4b

Asset Under Management

P63.8b

Deposits

89%

CASA Ratio

<1%

Attrition
Depositors

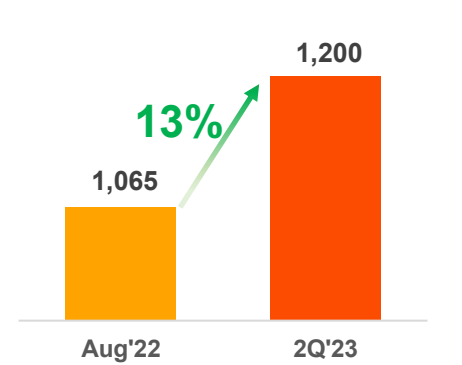
0%

Attrition
Borrowers

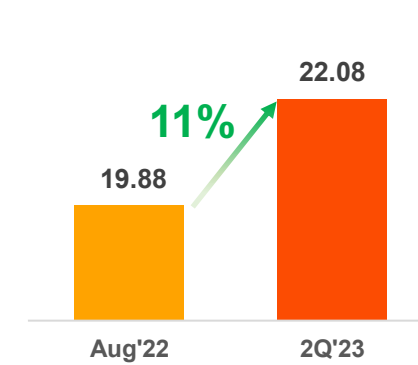
The Citi Integration: Off to a great start

HIGHLIGHTS

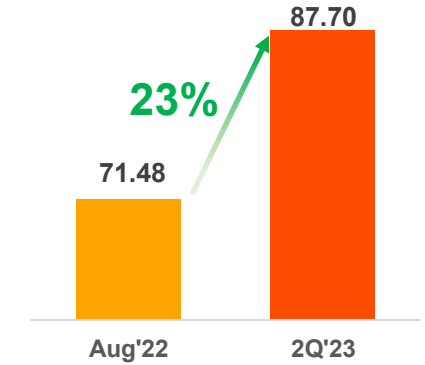
- ✓ Integration activities are underway and progressing well
- ✓ Business momentum is strong; record high drivers achieved post-acquisition
- ✓ 1 of 3 new credit card accounts in the Philippines is a UnionBank credit card
- ✓ Cards and Loans sales and balances have grown double-digits
- ✓ Wealth Assets Under Management is flat despite difficult market conditions
- ✓ Cross-sell synergies have already commenced



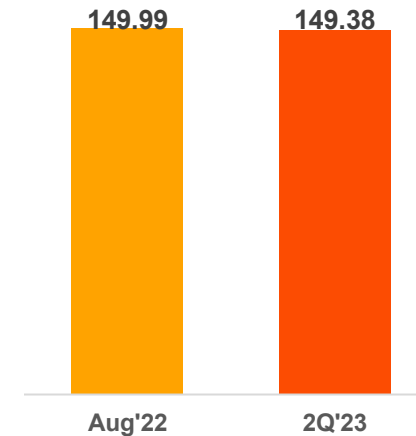
End of Period Consumer Accounts ('000)



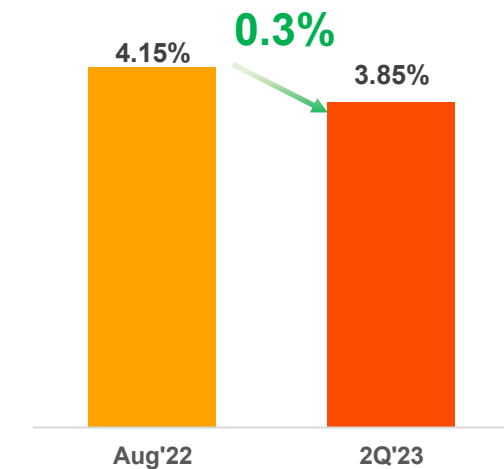
Credit Card and Loans Purchase Sales (PHP Bn)
Monthly Ave



Credit Card and Loans Ending Net Receivables (PHP Bn)



Assets Under Management (PHP Bn)



Past Due Loans (%)


Continued focus on our clients & on risk and controls



Highest Active Credit Card Growth
Highest Consumer Credit Payment Volume Growth
Highest Consumer Credit Cards Growth
Top Consumer Debit Card Issuer



Best Retail Bank in the Philippines 2023

↑ 74.4 Credit Cards 

↑ 69.3 Wealth Management

↑ 82.6 Digital

Net Promoter Score



22% improvement

<1% per million customers

Complaints



100% of issues are resolved on time

~90% of issues are self-identified

Controls



Full integration into UBP within reach; Consumer Business now laser-focused on growth objectives



Complete migration of Citi legacy accounts into UBP systems and products



Leverage greater Aboitiz network to deepen our relationship with our clients



Onboard new partners to grow our business with



Expand to new segments



Continuously innovate products and solutions to maintain our digital leadership

UnionBank CEO assures Citi clients of continued superior customer experience



"...We won't let you down. We're going to offer something that at the minimum is what you're enjoying today, if not better. And that's a promise."

Edwin R. Bautista
President & Chief Executive Officer
UnionBank of the Philippines

OUR 2-PRONGED STRATEGY:

HARNESS THE STRENGTHS OF 2 POWER BRANDS



- Digital Banking Trailblazer
- Prime mover of "TechUp Pilipinas"
- Financial Solutions Innovator



- Global Banking Innovator
- Wealth Management Expert
- Best-in-Class Customer Service

ELEVATE THE EXPERIENCE, NOT JUST INTEGRATE



Elevate your wealth to unbelievable heights.

UnionBank
ELITE



The image shows the UnionBank ELITE product packaging, which is a dark blue box with a large, metallic, 3D 'UB' logo. Next to the box is a UnionBank ELITE World Debit card, which is black with a gold 'UB' logo and the name 'SAM CRUZ'. To the right is a vertical promotional image for the ELITE account, featuring a person in a white dress standing on a beach at sunset, with a large, glowing 'UB' logo overlaid on the scene.

UnionBank
ACCESS



The image shows the UnionBank ACCESS product packaging, which is a dark grey box with a large, colorful, 3D 'UB' logo. Next to the box is a UnionBank ACCESS Platinum Debit card, which is grey with a colorful 'UB' logo and the name 'SAM CRUZ'. To the right is a vertical promotional image for the ACCESS account, featuring a smiling man in a white shirt holding a colorful, flowing banner, with a large, glowing 'UB' logo overlaid on the scene.

WHAT'S NEW



Real-time digital account opening



Ability to buy USD at market leading rates on mobile



Real-time local online fund transfers via InstaPay

WHAT'S UPGRADED



Expanding FREE withdrawals to all ATMs around the world

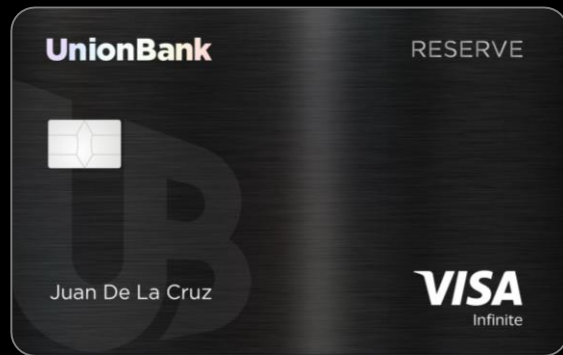


Customizable Php500K PESOnet transfer limit up to P10 Million

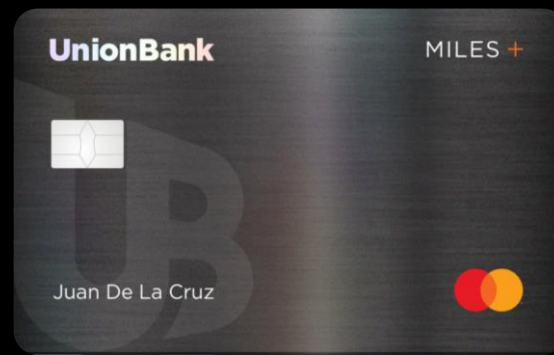


Access to 198 branches and 470 ATMs; Only local bank that can dispense USD via ATMs

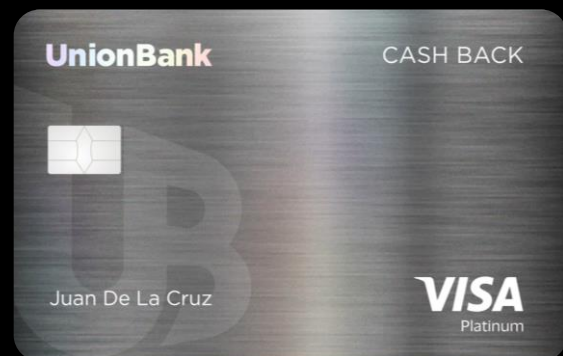
With Unbelievable Benefits, U Experience More.



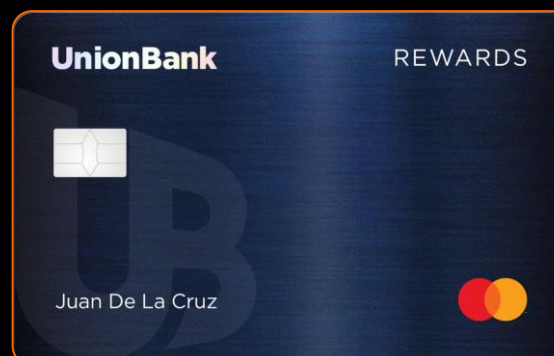
UnionBank Reserve
Visa Infinite / Mastercard World Elite



UnionBank Miles+
Visa Signature / Mastercard World



UnionBank Cash Back
Visa Platinum / Mastercard Titanium



UnionBank Rewards
Visa Platinum / Mastercard Platinum

WHAT'S NEW



Our first fully Metal Card is here with UnionBank Reserve



Pay with points anywhere in the world.



Shop with points instantly as you check out your favorite merchant



Redeem travel with over 60 airlines through 8 frequent flyer programs

WHAT'S UPGRADED



Our premium cards come with exclusive lounge access at airports both here and abroad

OUR STORY:

Unbelievable?

Believe it!



Key Conclusion



Citi integration is on track and progressing well

Business momentum is strong and ahead of plan, despite integration costs



Primary focus is to complete the migration and implement growth initiatives and synergies

The Consumer Business is driving an increasing portion of the overall balances and growth of the Bank

Our Vision: To become the Largest and Most Profitable Retail Bank in the Philippines!

Thank You!

