Analysts’ Briefing

August 1, 2023
2:30 PM PHT
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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

<table>
<thead>
<tr>
<th>2023 Maturities</th>
<th></th>
<th>in billions</th>
</tr>
</thead>
<tbody>
<tr>
<td>20Y</td>
<td>01/05/2023</td>
<td>0.00</td>
</tr>
<tr>
<td>3Y</td>
<td>02/11/2023</td>
<td>310.83</td>
</tr>
<tr>
<td>20Y</td>
<td>02/20/2023</td>
<td>4.59</td>
</tr>
<tr>
<td>5Y</td>
<td>03/08/2023</td>
<td>76.78</td>
</tr>
<tr>
<td>7Y</td>
<td>04/21/2023</td>
<td>181.77</td>
</tr>
<tr>
<td>20Y</td>
<td>05/29/2023</td>
<td>2.65</td>
</tr>
<tr>
<td>10Y</td>
<td>08/15/2023</td>
<td>141.42</td>
</tr>
<tr>
<td>3Y</td>
<td>09/10/2023</td>
<td>148.88</td>
</tr>
<tr>
<td>20Y</td>
<td>10/23/2023</td>
<td>1.73</td>
</tr>
<tr>
<td>2023 Maturities</td>
<td></td>
<td>868.65</td>
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### PESO GS BVAL RATES

<table>
<thead>
<tr>
<th>Tenor</th>
<th>5/15/23</th>
<th>7/28/23</th>
<th>Change</th>
</tr>
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<tbody>
<tr>
<td>3M</td>
<td>6.0730</td>
<td>5.6997</td>
<td>-0.37</td>
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<tr>
<td>6M</td>
<td>6.0630</td>
<td>5.9347</td>
<td>-0.13</td>
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<tr>
<td>1Y</td>
<td>5.9840</td>
<td>6.1188</td>
<td>0.13</td>
</tr>
<tr>
<td>2Y</td>
<td>5.8750</td>
<td>6.2067</td>
<td>0.33</td>
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<td>3Y</td>
<td>5.8040</td>
<td>6.2451</td>
<td>0.44</td>
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<tr>
<td>4Y</td>
<td>5.7640</td>
<td>6.2670</td>
<td>0.50</td>
</tr>
<tr>
<td>5Y</td>
<td>5.7460</td>
<td>6.2805</td>
<td>0.53</td>
</tr>
<tr>
<td>7Y</td>
<td>5.7580</td>
<td>6.3173</td>
<td>0.56</td>
</tr>
<tr>
<td>10Y</td>
<td>5.8140</td>
<td>6.3562</td>
<td>0.54</td>
</tr>
<tr>
<td>20Y</td>
<td>5.9060</td>
<td>6.6045</td>
<td>0.70</td>
</tr>
</tbody>
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**BSP policy rate 6.25%**
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

<table>
<thead>
<tr>
<th>BSP Bills</th>
<th>467.43 Bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>ODF</td>
<td>299.57 Bn</td>
</tr>
<tr>
<td>TDF</td>
<td>317.67 Bn</td>
</tr>
<tr>
<td>RRP</td>
<td>305.00 Bn</td>
</tr>
<tr>
<td>Total</td>
<td>1,389.67 Bn</td>
</tr>
</tbody>
</table>
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
YTD NII up 41% due to strong margins and earning assets

**Net Interest Income** (in PHP Bn)

- Interest Income
- Interest Expense
- Net Interest Income

**Net Interest Margin**

- Cost
- NIM
- Yield

**Earning Assets** (ADB in PHP Bn)

- Liquid Earning Assets & Others
- Securities
- Current Loans

**Interest Income**

- 1Q22: 9.8
- 2Q22: 10.9
- 3Q22: 13.9
- 4Q22: 15.9
- 1Q23: 17.4
- 2Q23: 19.1

**Interest Expense**

- 1Q22: 8.1
- 2Q22: 8.9
- 3Q22: 10.8
- 4Q22: 11.1
- 1Q23: 11.5
- 2Q23: 12.5

**Net Interest Income**

- 1Q22: 1.7
- 2Q22: 2.0
- 3Q22: 3.1
- 4Q22: 4.8
- 1Q23: 5.9
- 2Q23: 6.6

**Year-to-Date**

- 1H22: 20.7
- 1H23: 24.0

**Quarter-to-Date**

- 1Q22: 9.8
- 2Q22: 10.9
- 3Q22: 13.9
- 4Q22: 15.9
- 1Q23: 17.4
- 2Q23: 19.1

**Year-over-Year**

- 40% YoY
- 8% QoQ

**Net Interest Margin**

- 1Q22: 5.7%
- 2Q22: 5.6%
- 3Q22: 6.2%
- 4Q22: 6.5%
- 1Q23: 7.9%
- 2Q23: 7.9%

**YoY**

- 231 bps
- 60 bps
- 171 bps

**Earning Assets**

- 1Q22: 701.3
- 2Q22: 746.5
- 3Q22: 752.0
- 4Q22: 781.9
- 1Q23: 894.9
- 2Q23: 930.8

**Year-over-Year**

- ▲ 25% YoY
- ▲ 4% QoQ

**Quarter-to-Quarter**

- ▲ 171 bps
Diversified consumer loans post double-digit growth

Gross Loans (OSB in PHP Bn)

- Corporate
- Commercial
- Retail (Parent)
- CSB, UD & Other Subs

Gross Loans

- ▲ 43% YoY
- ▲ 6% QoQ

Loan Mix (%)

- 45%, Corporate and Commercial
- 55%, Consumer
- 30%, Cards
- 24%, Mortgage
- 28%, Salary Loans
- 18%, Others

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

Consumer Loan Portfolio

Gross Loans (OSB in PHP Bn)

<table>
<thead>
<tr>
<th></th>
<th>2Q22</th>
<th>2Q23</th>
<th>Variance</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate</td>
<td>129</td>
<td>142</td>
<td>13</td>
<td>10%</td>
</tr>
<tr>
<td>Commercial</td>
<td>82</td>
<td>93</td>
<td>10</td>
<td>13%</td>
</tr>
<tr>
<td>Consumer</td>
<td>77</td>
<td>179</td>
<td>102</td>
<td>133%</td>
</tr>
<tr>
<td>Credit Card</td>
<td>9</td>
<td>87</td>
<td>79</td>
<td>915%</td>
</tr>
<tr>
<td>Home Loans</td>
<td>61</td>
<td>69</td>
<td>7</td>
<td>12%</td>
</tr>
<tr>
<td>Other Consumer Loans</td>
<td>7</td>
<td>23</td>
<td>16</td>
<td>235%</td>
</tr>
<tr>
<td>Total Gross Loans of Parent</td>
<td>288</td>
<td>413</td>
<td>125</td>
<td>43%</td>
</tr>
<tr>
<td>CitySavings and Subsidiaries</td>
<td>77</td>
<td>97</td>
<td>20</td>
<td>26%</td>
</tr>
<tr>
<td>UnionDigital</td>
<td>-</td>
<td>13</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Gross Loans of Subs</td>
<td>77</td>
<td>110</td>
<td>33</td>
<td>43%</td>
</tr>
<tr>
<td>Total Gross Loans</td>
<td>365</td>
<td>523</td>
<td>158</td>
<td>43%</td>
</tr>
<tr>
<td>% Consumer Loans</td>
<td>42%</td>
<td>55%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Sustained CASA growth

Total Deposits (Consolidated) (ADB in PHP Bn)
- Peso
- FCDU

- ▲ 22% YoY ▲ 1% QoQ

CASA Deposits (Consolidated) (ADB in PHP Bn)
- Peso
- FCDU
- Share of CASA to Total Deposits

- ▲ 16% YoY ▼ 0% QoQ

YoY  ▲ 25%

1Q22  2Q22  3Q22  4Q22  1Q23  2Q23

Peso  FCDU  Share of CASA to Total Deposits

1Q22  2Q22  3Q22  4Q22  1Q23  2Q23

Peso  FCDU  Share of CASA to Total Deposits

1Q22  2Q22  3Q22  4Q22  1Q23  2Q23

Peso  FCDU  Share of CASA to Total Deposits
Customer transactions driving fee-income

Non-Interest Income (in PHP Bn)

- Fee and Other Income
- Gain on Sale/Foreclosure
- Securities Trading Gains

<table>
<thead>
<tr>
<th>Year-to-Date</th>
<th>1Q22</th>
<th>2Q22</th>
<th>3Q22</th>
<th>4Q22</th>
<th>1Q23</th>
<th>2Q23</th>
<th>1H22</th>
<th>1H23</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q22</td>
<td>2.2</td>
<td>0.8</td>
<td>0.7</td>
<td>5.3</td>
<td>0.3</td>
<td>0.4</td>
<td>0.8</td>
<td>0.8</td>
</tr>
<tr>
<td>2Q22</td>
<td>2.4</td>
<td>1.7</td>
<td>2.8</td>
<td>5.0</td>
<td>3.9</td>
<td>5.0</td>
<td>3.9</td>
<td>8.9</td>
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<tr>
<td>3Q22</td>
<td>3.5</td>
<td>0.0</td>
<td>0.0</td>
<td>4.6</td>
<td>0.4</td>
<td>0.5</td>
<td>4.6</td>
<td>10.5</td>
</tr>
<tr>
<td>4Q22</td>
<td>5.3</td>
<td>0.3</td>
<td>0.3</td>
<td>5.9</td>
<td>0.5</td>
<td>0.5</td>
<td>0.8</td>
<td>0.8</td>
</tr>
<tr>
<td>1Q23</td>
<td>4.6</td>
<td>0.4</td>
<td>0.4</td>
<td>5.9</td>
<td>0.5</td>
<td>0.5</td>
<td>0.8</td>
<td>0.8</td>
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<tr>
<td>2Q33</td>
<td>2.2</td>
<td>0.1</td>
<td>0.1</td>
<td>2.8</td>
<td>0.0</td>
<td>0.0</td>
<td>0.2</td>
<td>0.2</td>
</tr>
</tbody>
</table>

YTD Fee and Other Income (in PHP Bn)

- Customer Transactions
- UD, CSB, and Other Subs
- Trust, Wealth & Banca
- Others

<table>
<thead>
<tr>
<th>Year-to-Date</th>
<th>1H22</th>
<th>1H23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fee and Other Income</td>
<td>71%, 2.8</td>
<td>75%, 6.6</td>
</tr>
<tr>
<td>Non-Interest Income</td>
<td>0.6</td>
<td>1.2</td>
</tr>
<tr>
<td>Gain on Sale/Foreclosure</td>
<td>12%, 0.5</td>
<td>11%, 1.0</td>
</tr>
<tr>
<td>Securities Trading Gains</td>
<td>1%, 0.1</td>
<td>1%, 0.1</td>
</tr>
</tbody>
</table>
Operating Expenses (in PHP Bn)

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

Cost-to-Income Ratio (%)

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

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

Operating Expenses

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

Cost-to-Income Ratio

- CIR, Adj
- (-) Integration and One-offs

Quarter-to-Date

Year-to-Date

CIR, Adj

1Q22 2Q22 3Q22 4Q22 1Q23 2Q23 1H22 1H23

11.8 14.4 21.8

2.4 5.0

YoY 82% 17% 97% YoY

YoY ▲ 22%
Consumer NPL Ratios are in line with industry average

**NPL Ratio**

<table>
<thead>
<tr>
<th></th>
<th>UBP</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q22</td>
<td>5.2%</td>
<td>4.4%</td>
</tr>
<tr>
<td>2Q22</td>
<td>4.9%</td>
<td>3.8%</td>
</tr>
<tr>
<td>3Q22</td>
<td>4.4%</td>
<td>3.6%</td>
</tr>
<tr>
<td>4Q22</td>
<td>4.4%</td>
<td>3.4%</td>
</tr>
<tr>
<td>1Q23</td>
<td>4.8%</td>
<td>3.5%</td>
</tr>
<tr>
<td>2Q23</td>
<td>5.0%</td>
<td>4.4%</td>
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</table>

**NPL Cover**

<table>
<thead>
<tr>
<th></th>
<th>UBP</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q22</td>
<td>88%</td>
<td>67%</td>
</tr>
<tr>
<td>2Q22</td>
<td>97%</td>
<td>70%</td>
</tr>
<tr>
<td>3Q22</td>
<td>103%</td>
<td>62%</td>
</tr>
<tr>
<td>4Q22</td>
<td>107%</td>
<td>64%</td>
</tr>
<tr>
<td>1Q23</td>
<td>105%</td>
<td>65%</td>
</tr>
<tr>
<td>2Q23</td>
<td>105%</td>
<td>62%</td>
</tr>
</tbody>
</table>

Source: BSP Data as of March 31, 2023
Capital ratios provide room for growth

Capital Adequacy Ratio (CAR)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>1Q22</th>
<th>2Q22</th>
<th>3Q22</th>
<th>4Q22</th>
<th>1Q23</th>
<th>2Q23</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAR</td>
<td>16.9%</td>
<td>13.7%</td>
<td>13.0%</td>
<td>15.5%</td>
<td>16.2%</td>
<td></td>
</tr>
<tr>
<td>CET1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Common Equity Tier 1 Capital Ratio (CET1)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>1Q22</th>
<th>2Q22</th>
<th>3Q22</th>
<th>4Q22</th>
<th>1Q23</th>
<th>2Q23</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAR</td>
<td>14.9%</td>
<td>11.9%</td>
<td>11.3%</td>
<td>14.2%</td>
<td>14.5%</td>
<td></td>
</tr>
<tr>
<td>CET1</td>
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<td></td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>
Strategy Updates
Consumer Banking
UnionBank of the Philippines became the legal owner of the Citi Consumer Business (operating under TSA) on August 1, 2022.

Where we were on Legal Day 1:

- **>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
Continued focus on our clients & on risk and controls

- 100% of issues are resolved on time
- ~90% of issues are self-identified

Net Promoter Score

- Credit Cards: 74.4
- Wealth Management: 69.3
- Digital: 82.6

Best Retail Bank in the Philippines 2023

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

Complaints

- 22% improvement
- <1% per million customers

Controls

- 100% of issues are resolved on time
- ~90% of issues are self-identified
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
“…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

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

ELEVATE THE EXPERIENCE, NOT JUST INTEGRATE
Elevate your wealth to unbelievable heights.

### 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!