

Analysts' Briefing

29 April 2024
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

1. Financial Performance



Manoj Varma
Head of Consumer Banking

1. Strategy Updates – Consumer Banking

Macroeconomic and Industry Outlook

Policy expectations in US/PH moving towards later cuts on resilient US economy

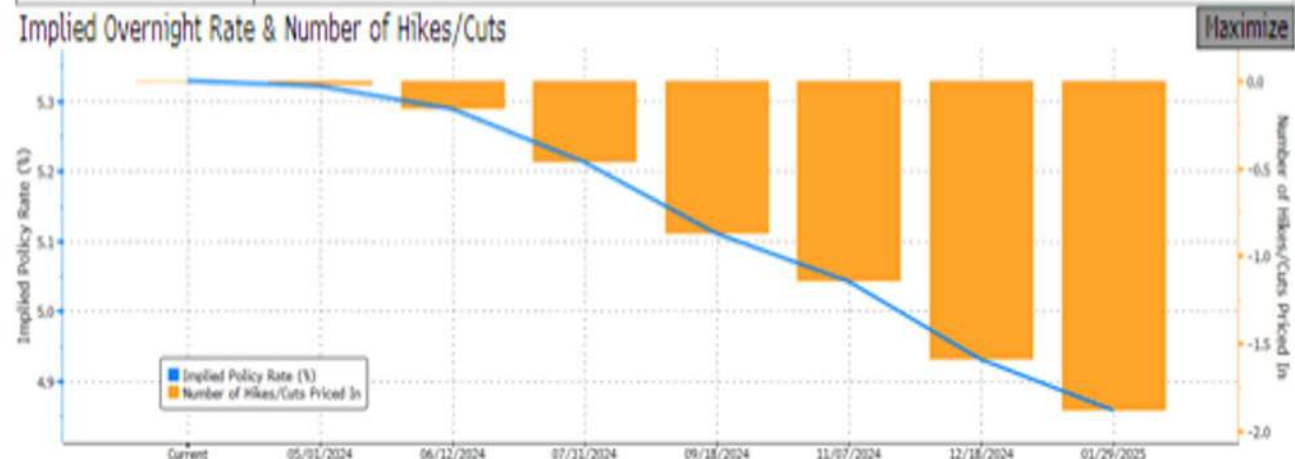
- At start of 2024, rate cuts heavily priced in with expectations of as many as 6.7 cuts for the year
- Since then, rates have moved higher as rate cut expectations moderate
 - Fed speakers consistently trying to walk back cut expectations
 - Market currently pricing in 2 rate cuts in 2024 from Fed
- Resilient US labor market and consumer spending coupled with bounce in manufacturing data enough to dial back expectations
- Other global central banks signaling dovish shift
 - ECB expected to communicate cut in June
 - BOE hawks drop call for more hikes

Market expecting 1.6 cuts vs. Fed Dots at 3.0 cuts

Current Market Expectations

Region: United States » Instrument: Fed Funds Futures »
 Target Rate 5.50 Pricing Date 04/23/2024
 Effective Rate 5.33 Cur. Imp. O/N Rate 5.329

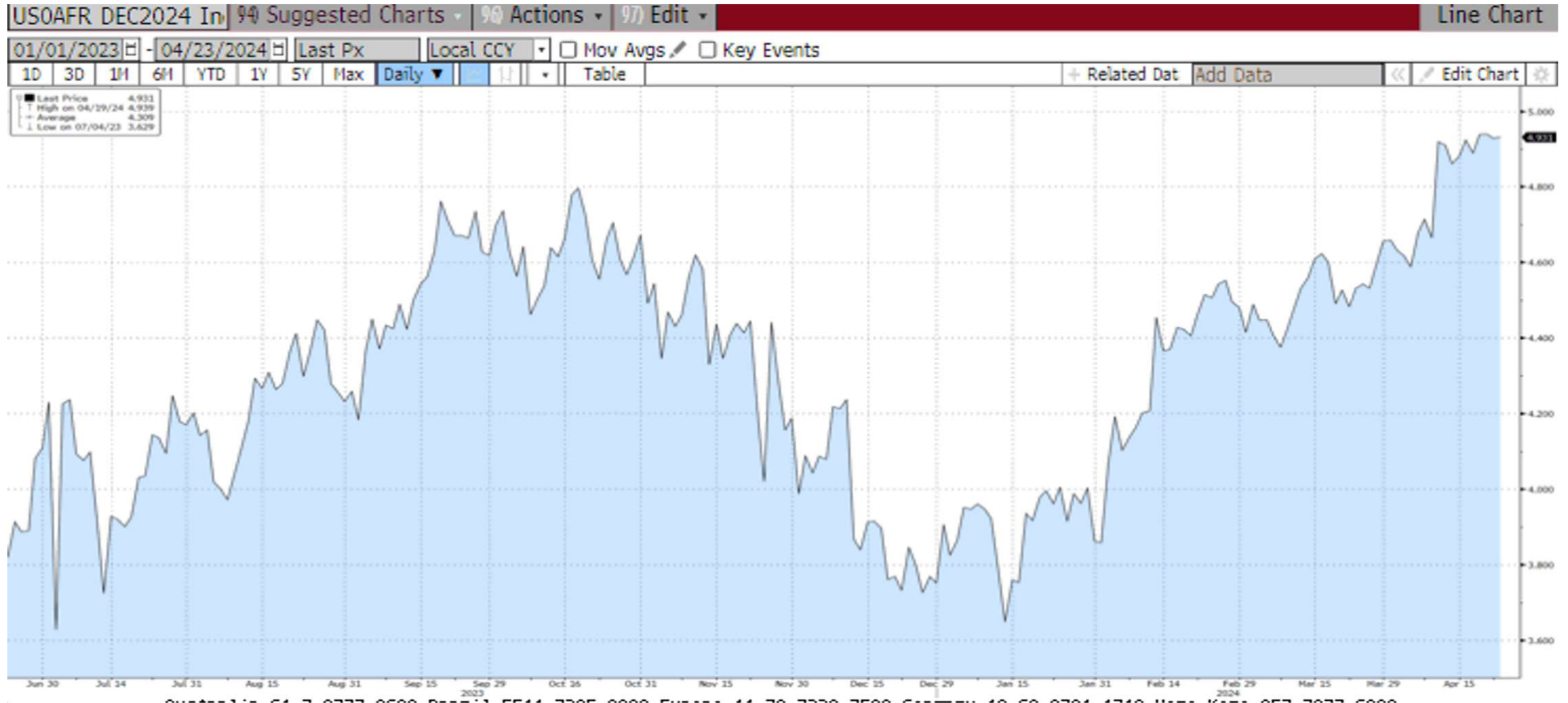
Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate Δ	Implied Rate	A.R.M.
05/01/2024	-0.026	-2.6%	-0.006	5.322	0.250
06/12/2024	-0.161	-13.6%	-0.040	5.288	0.250
07/31/2024	-0.465	-30.4%	-0.116	5.213	0.250
09/18/2024	-0.875	-41.0%	-0.219	5.110	0.250
11/07/2024	-1.146	-27.1%	-0.286	5.042	0.250
12/18/2024	-1.591	-44.5%	-0.398	4.931	0.250
01/29/2025	-1.885	-29.4%	-0.471	4.858	0.250



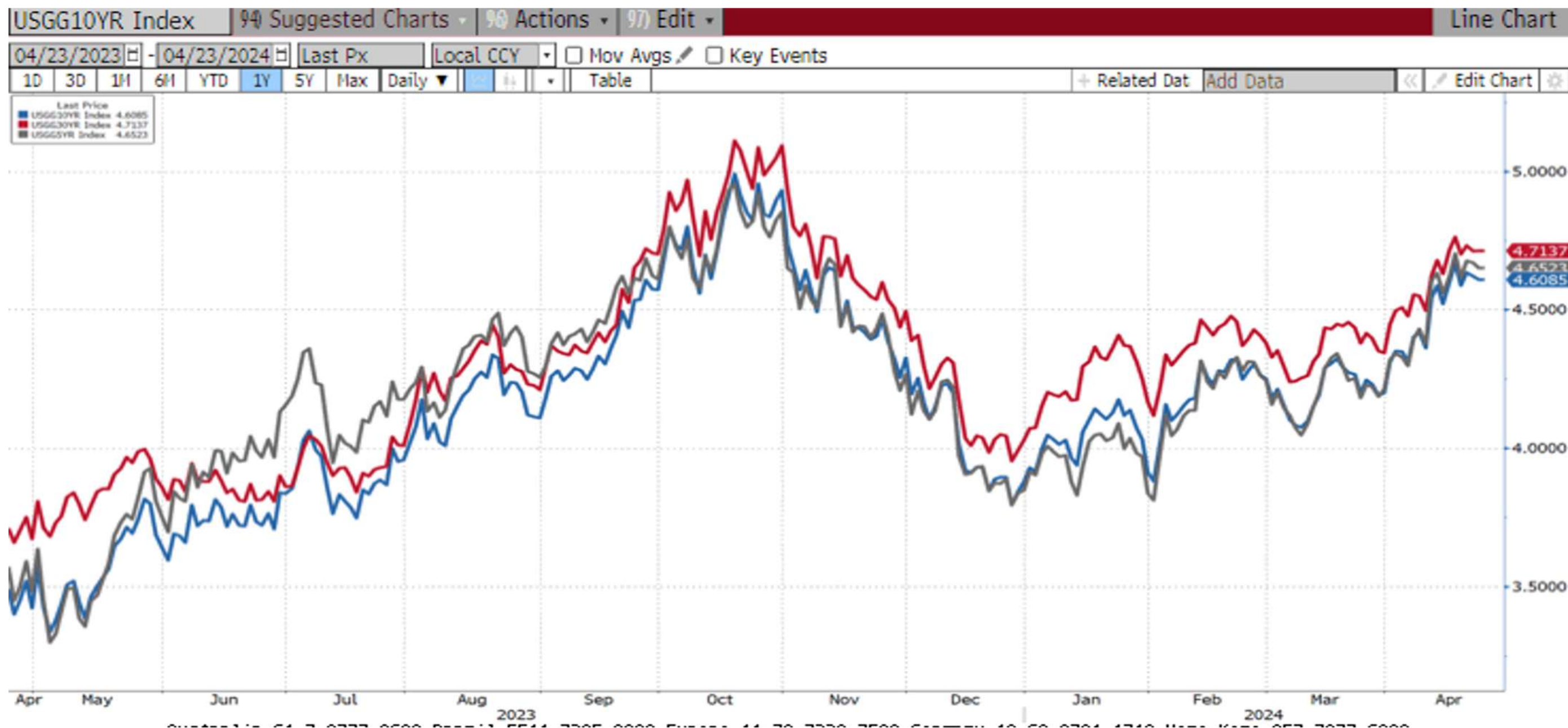
Fed Dots



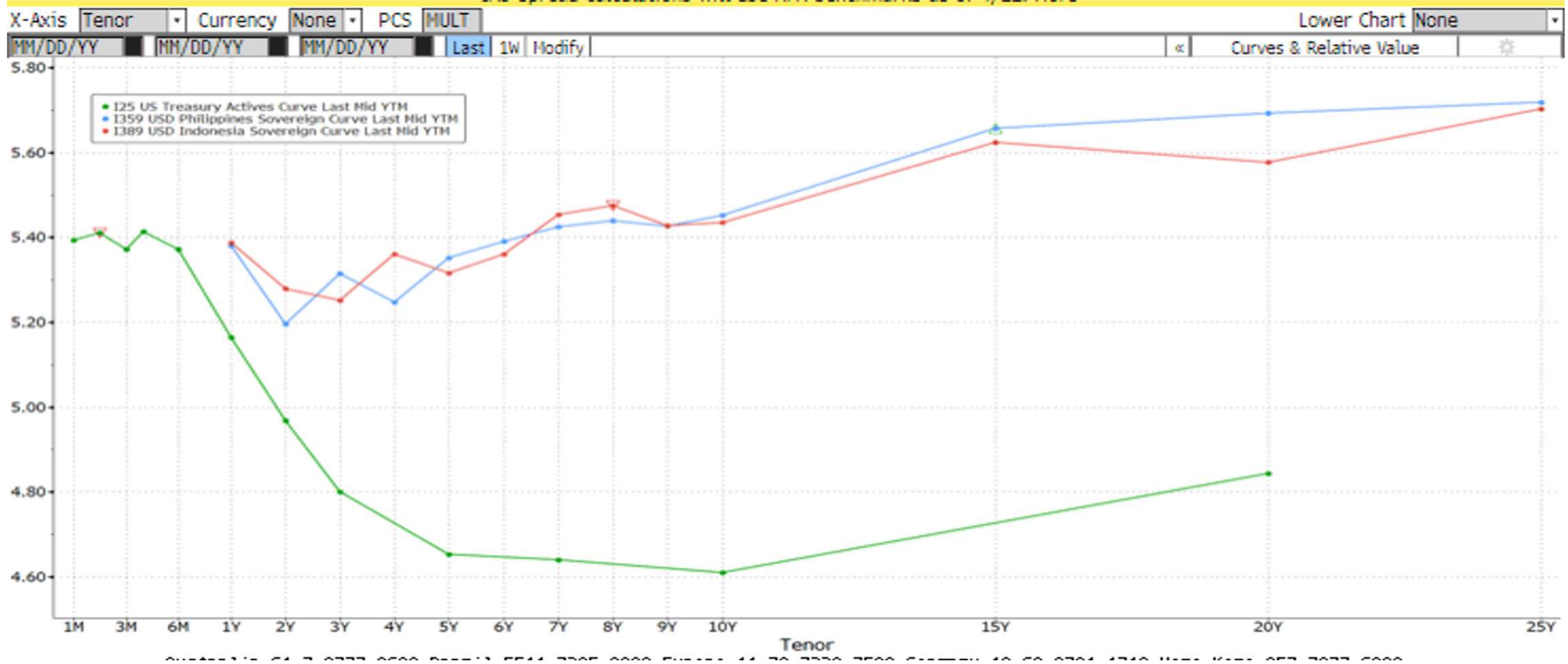
EOY 2024 at 4.93 (1.6 cuts) clearing Oct 2023 highs



Despite higher policy expectations, USTs 40-50 bps off 2023 highs



USD Asian EM Bond space leaves some room for yield pickup



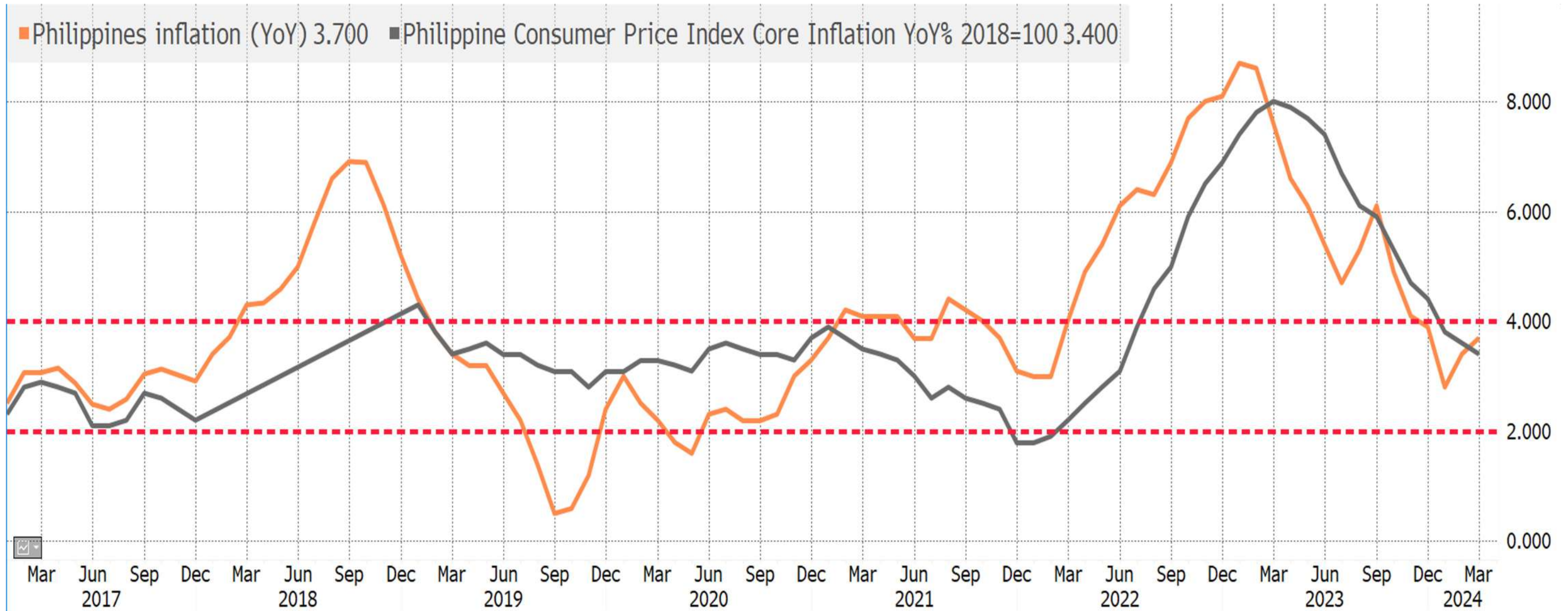
Oil elevated due to Iran-Israel conflict, OPEC+ supply cuts



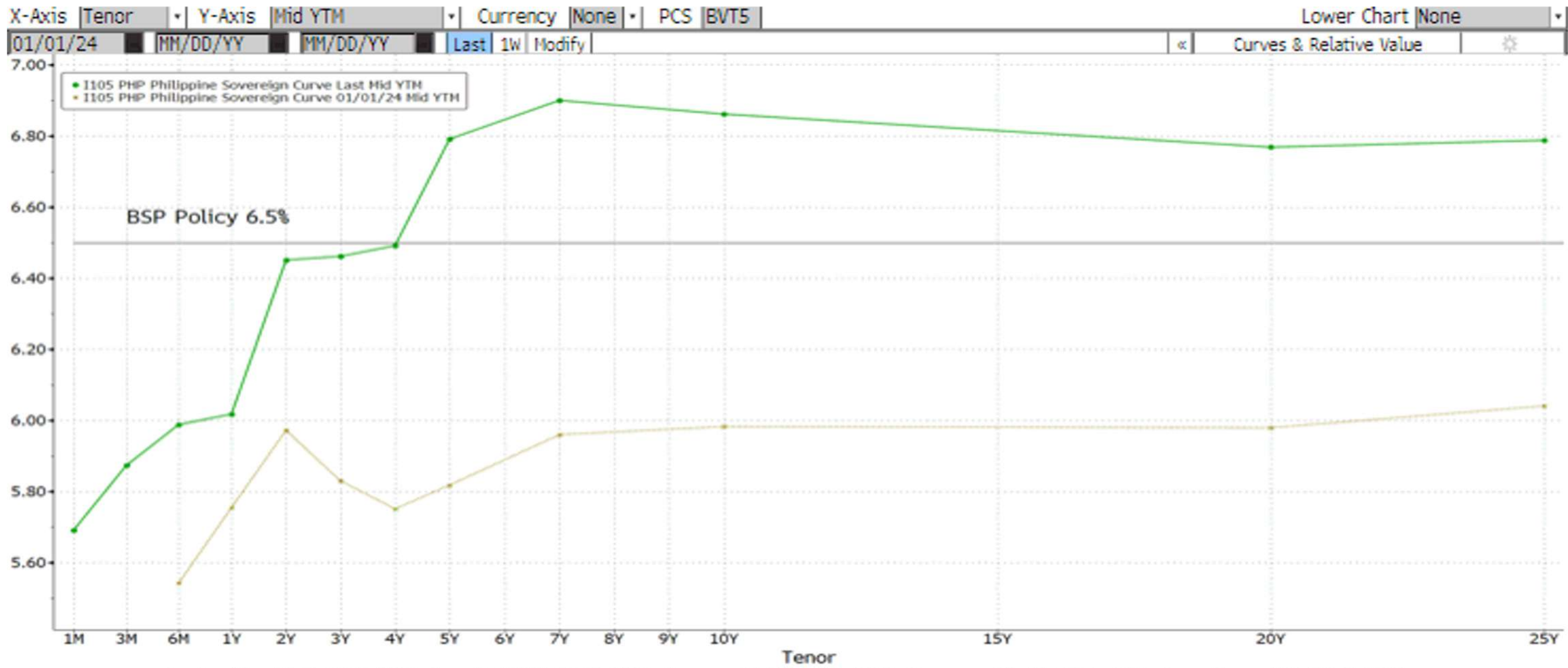
BSP says first rate cut may come in Q4 of this year

- The window for BSP to start cutting rates in 2H 2024 is narrowing as inflation may breach target for a third straight year
 - “We have plenty of time. I would say the central scenario would be fourth quarter we ease. If things are worse, then we might postpone to first quarter 2025” said Remolona
- Over 50% chance inflation may breach target for a third year
 - Odds are “over 56%” that inflation may breach the BSP’s 2%-4% target this year according to Remolona
 - “Things have gotten worse in terms of inflation. So yes, if the trend continues, it won’t happen this year”
 - “That has to change significantly before we decide to cut” the governor said
- The weakness in the peso “has not been large enough to affect inflation expectations”
 - “It is not a case of a weak peso, it is a case of a strong dollar” said Remolona
- According to Remolona, an “extraordinarily weak” economy would increase the need for a rate cut
 - He pointed out that the BSP’s latest growth estimate (undisclosed) for 2024 was better than the 4.5% forecast he gave last year

Headline inflation accelerated for the second straight month to 3.7% amid rising food cost



GS curve bear steepens from end-2023 levels



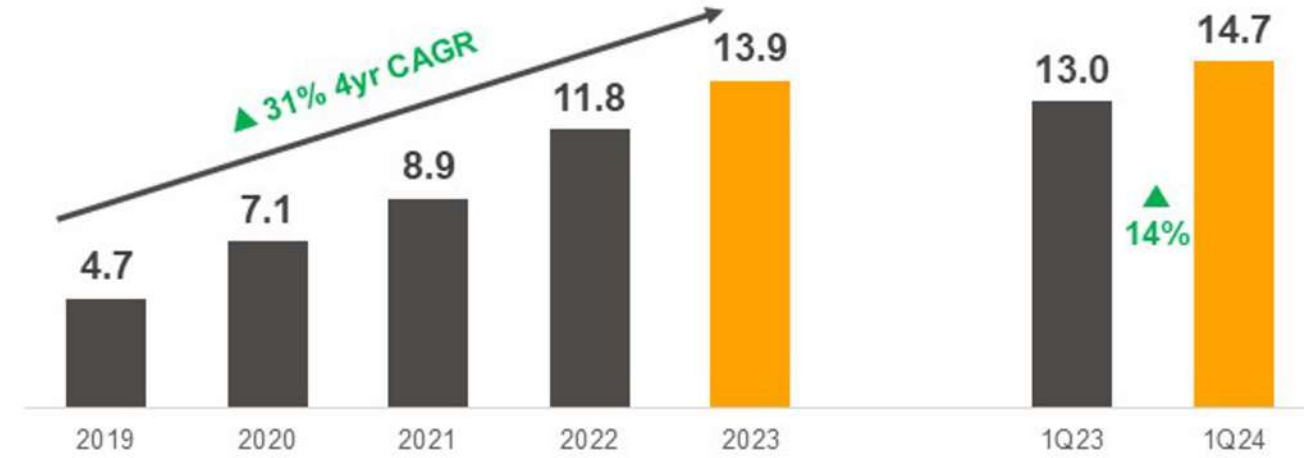
Financial Performance

FY 2023

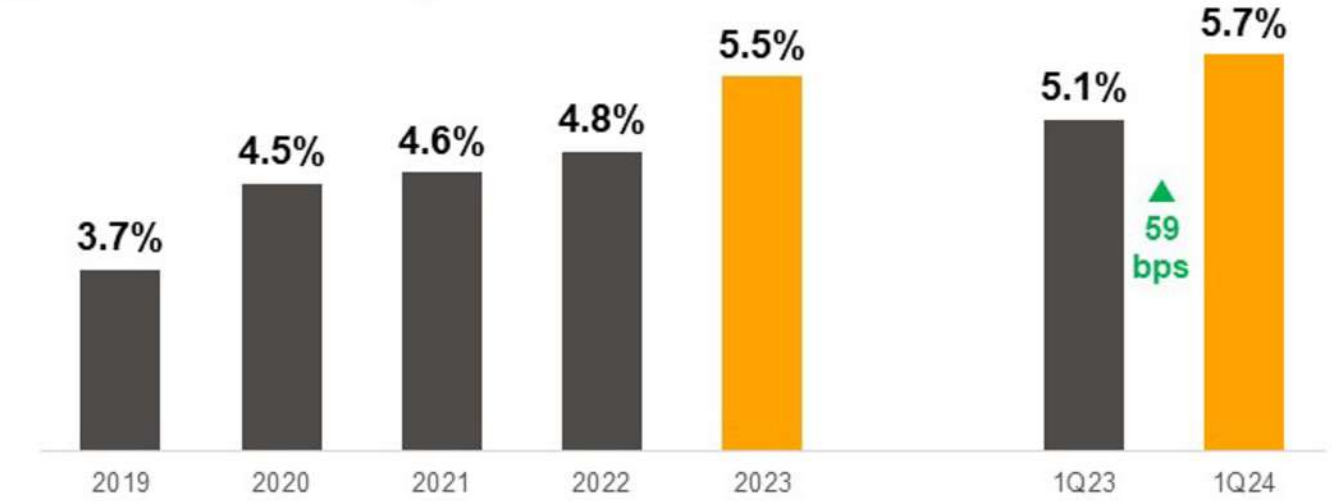
Strong growth in customers & revenues

Customer Growth

(in #, Mn)

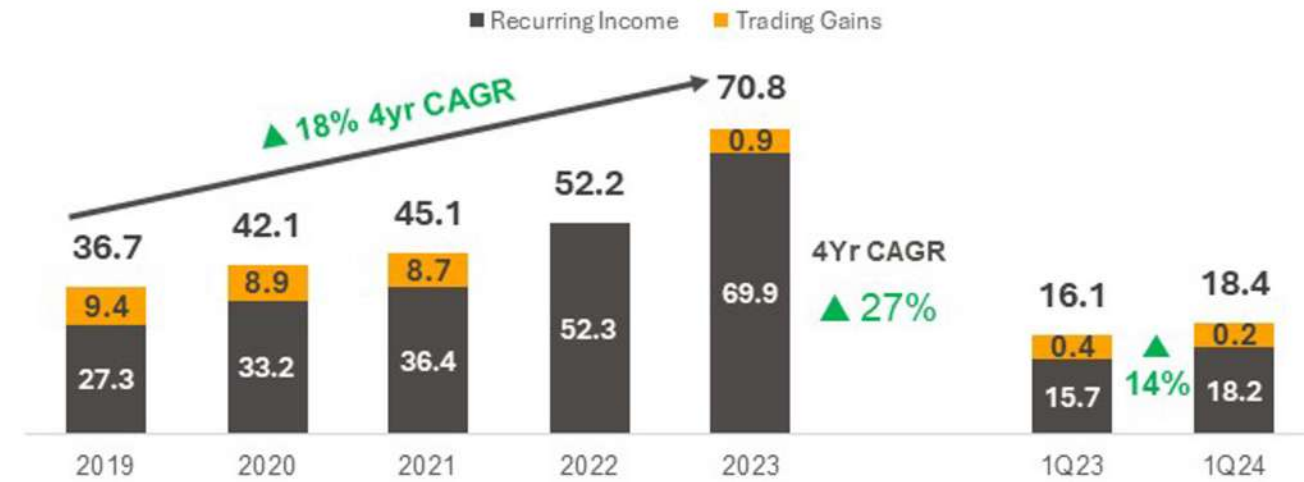


Net Interest Margin

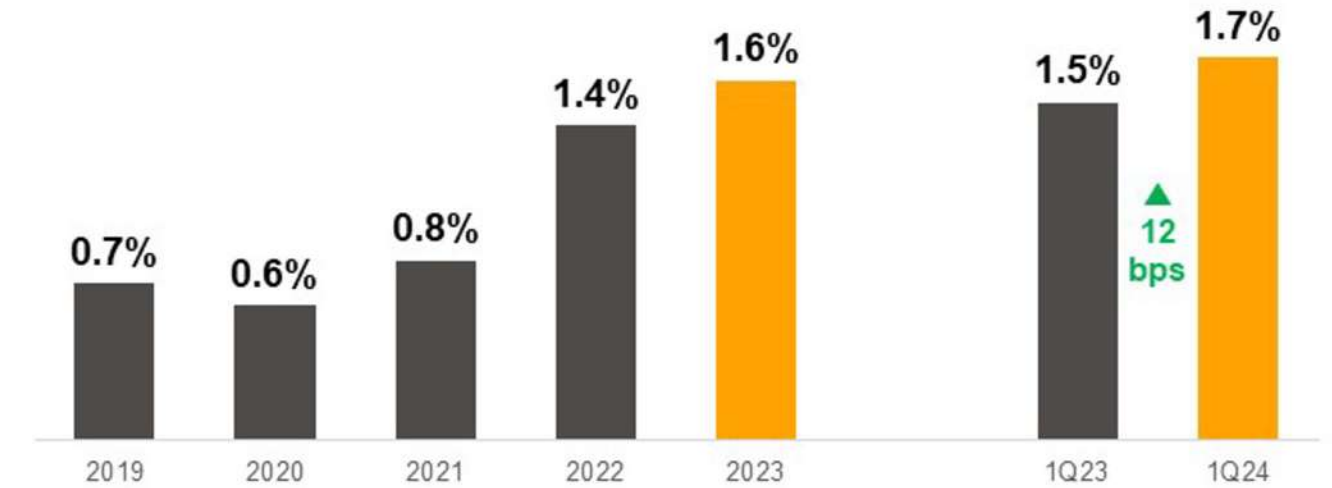


Net Revenues

(in P, Mn)



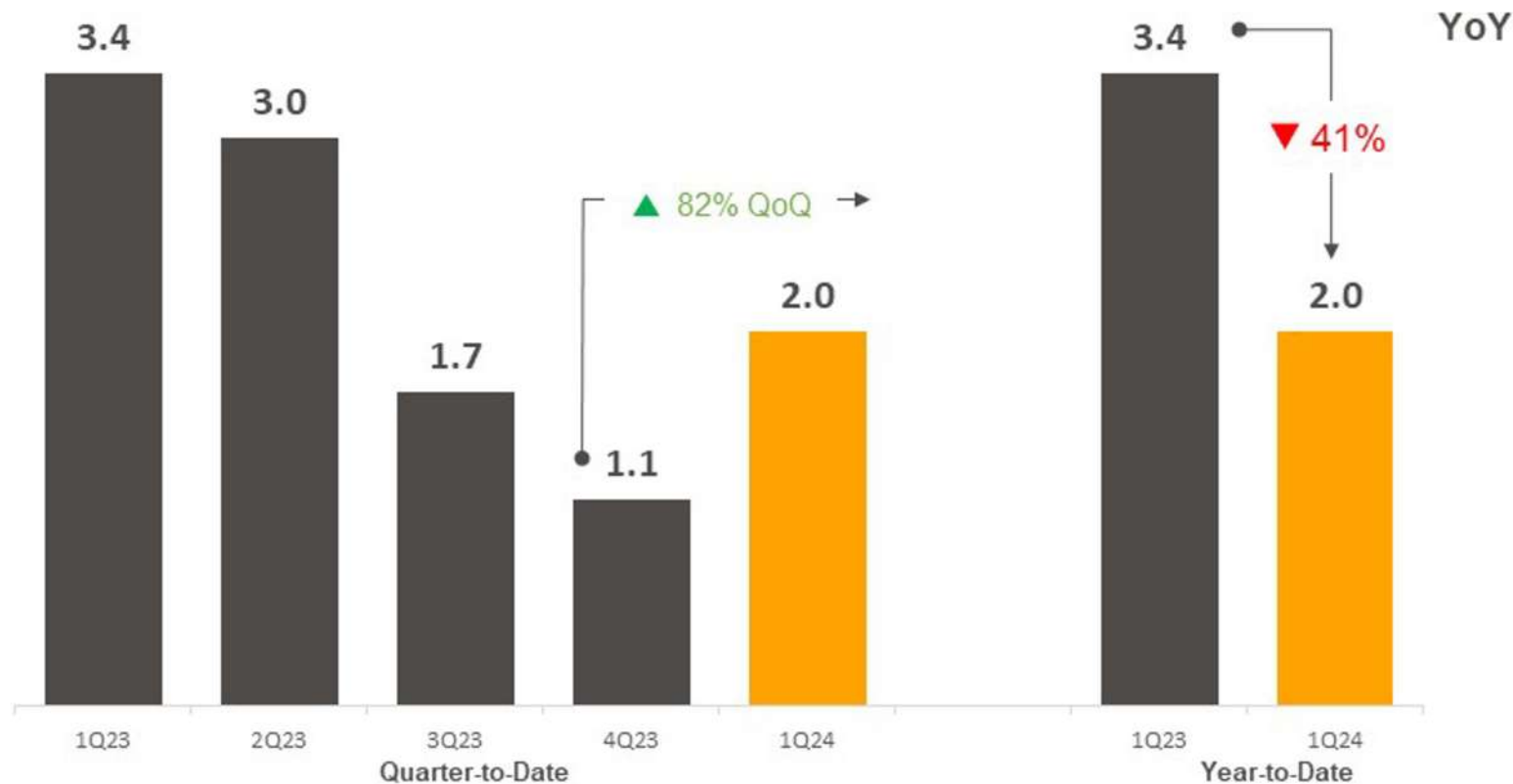
Fees and other income (net of trading) to Assets



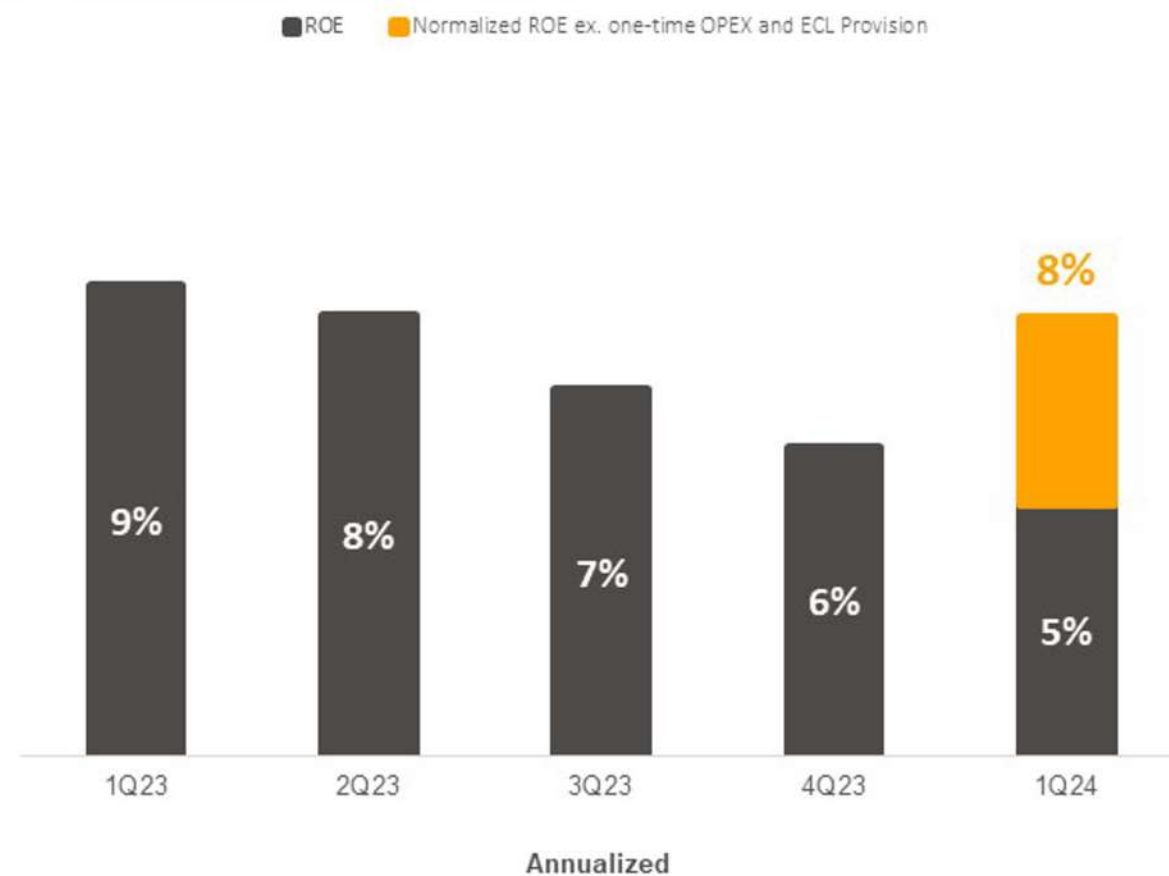
UnionBank 1Q24 net income at P2 bn

- ▶ The parent bank is pivotal in driving group's net income, with higher net interest margins (NIMs), improved CASA ratio, and increased customer transactions.
- ▶ The decrease in net income is due to UnionDigital temporarily pausing its lending activities to enhance internal processes.
- ▶ Business fundamentals remain strong, and the Bank's topline revenues continue to record robust growth.

Net Income (in PHP Bn)



Return on Equity (Ave)



NII up 17% due to higher margins and earning assets growth

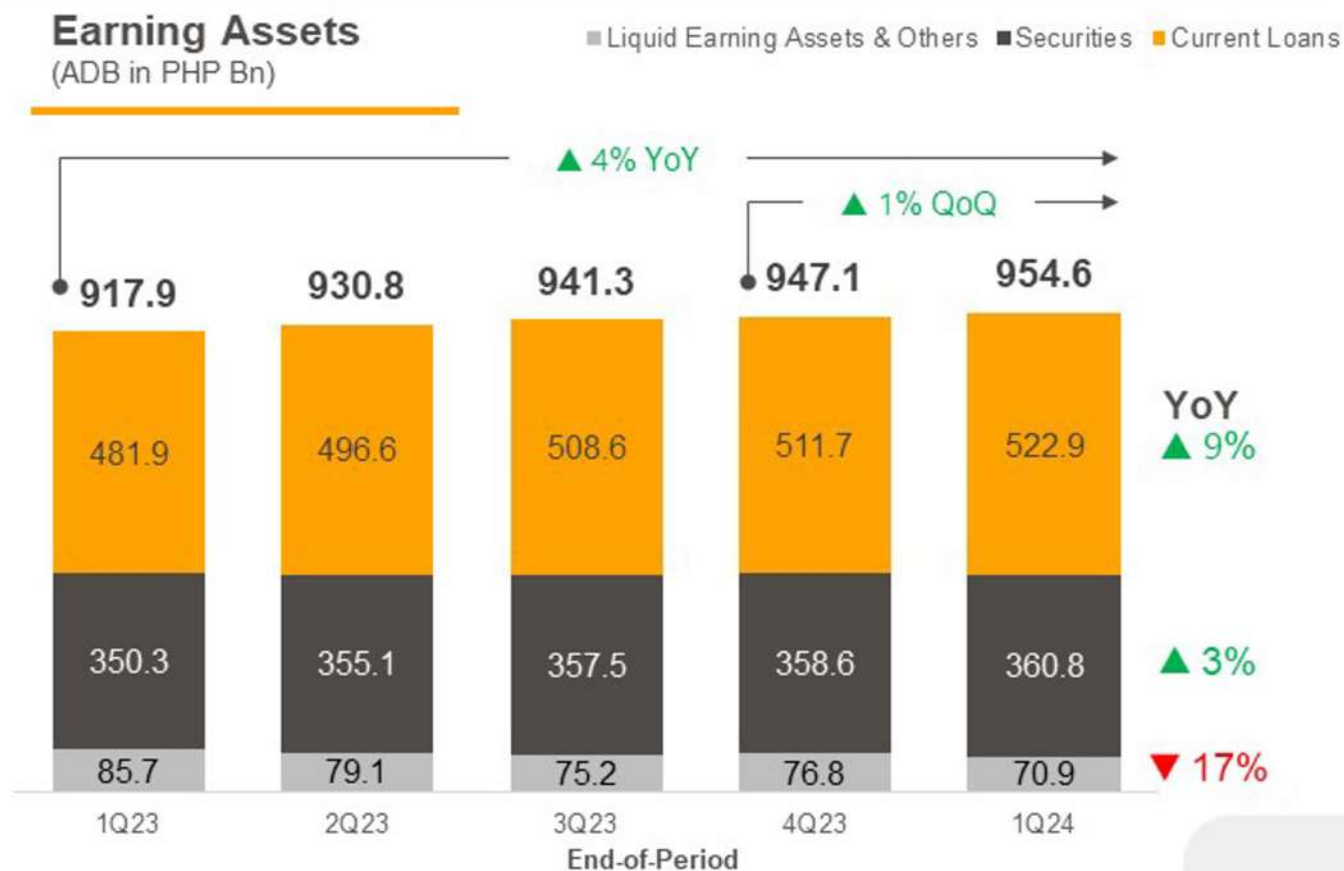
Net Interest Income (in PHP Bn)



Net Interest Margin

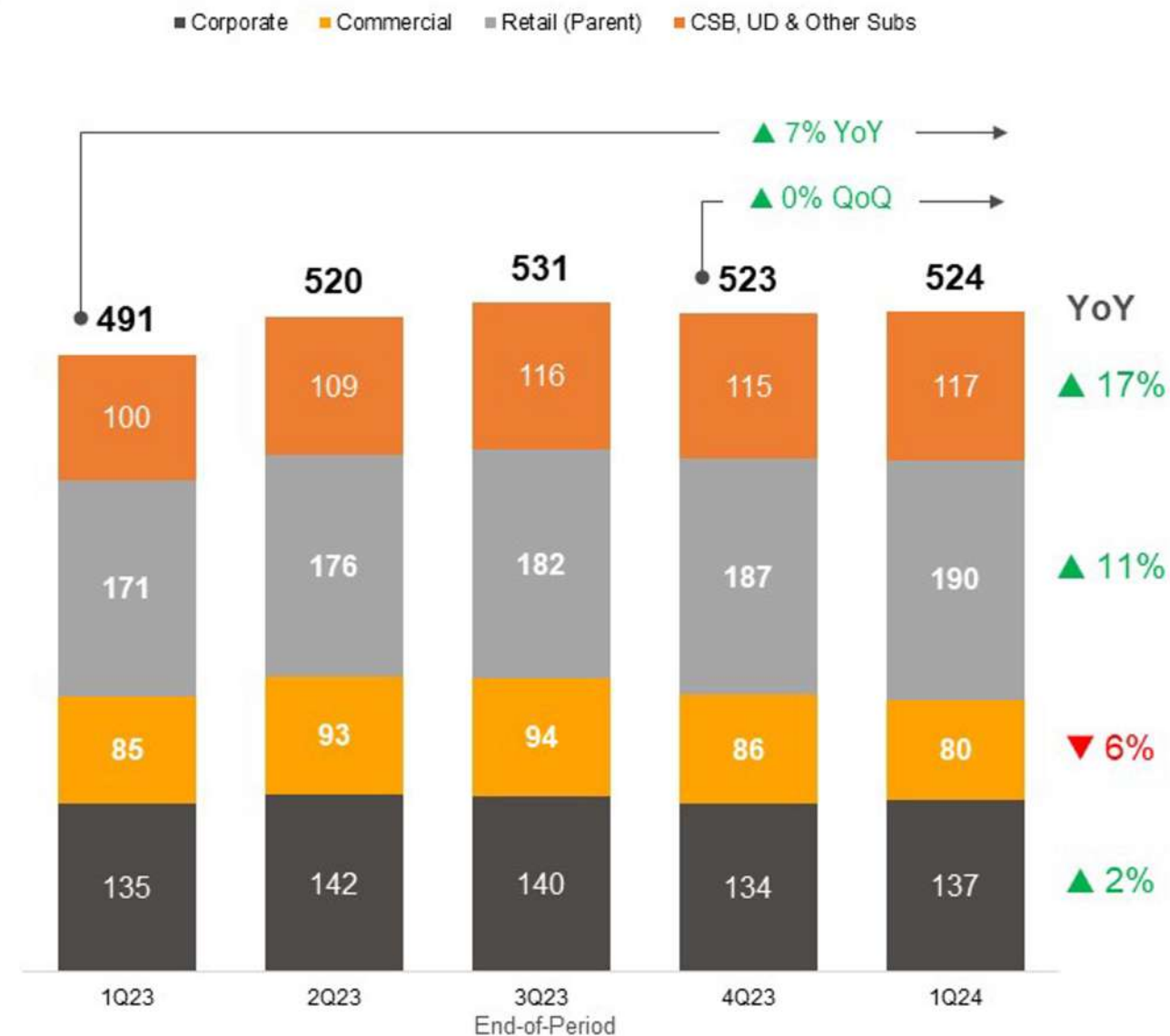


Earning Assets (ADB in PHP Bn)



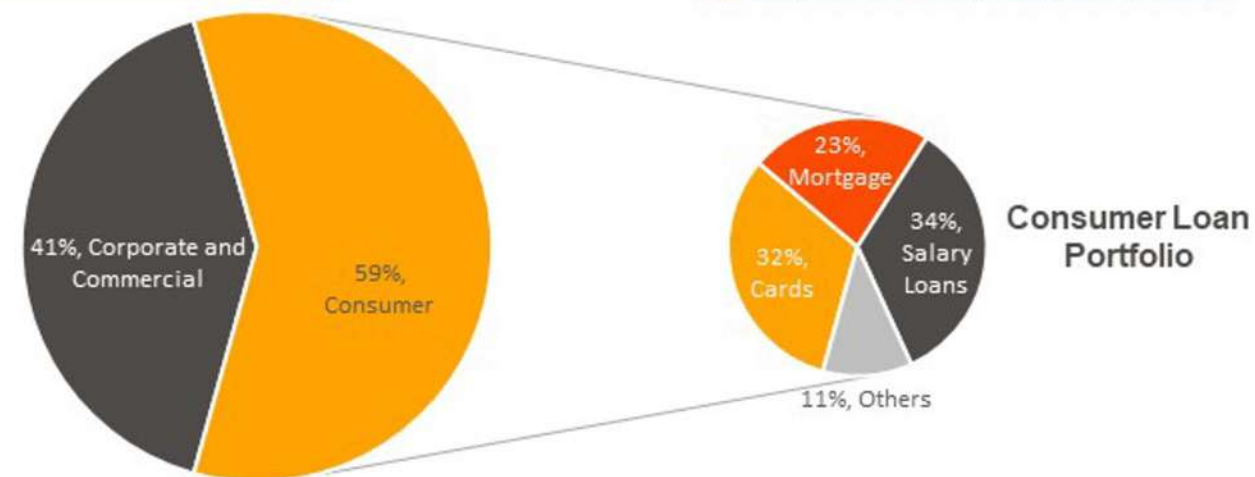
Diversified consumer loans ~3x higher than industry

Gross Loans (OSB in PHP Bn)



Loan Mix (%)

Industry's Consumer Loans – 20%
Based on FY 2023 BSP data

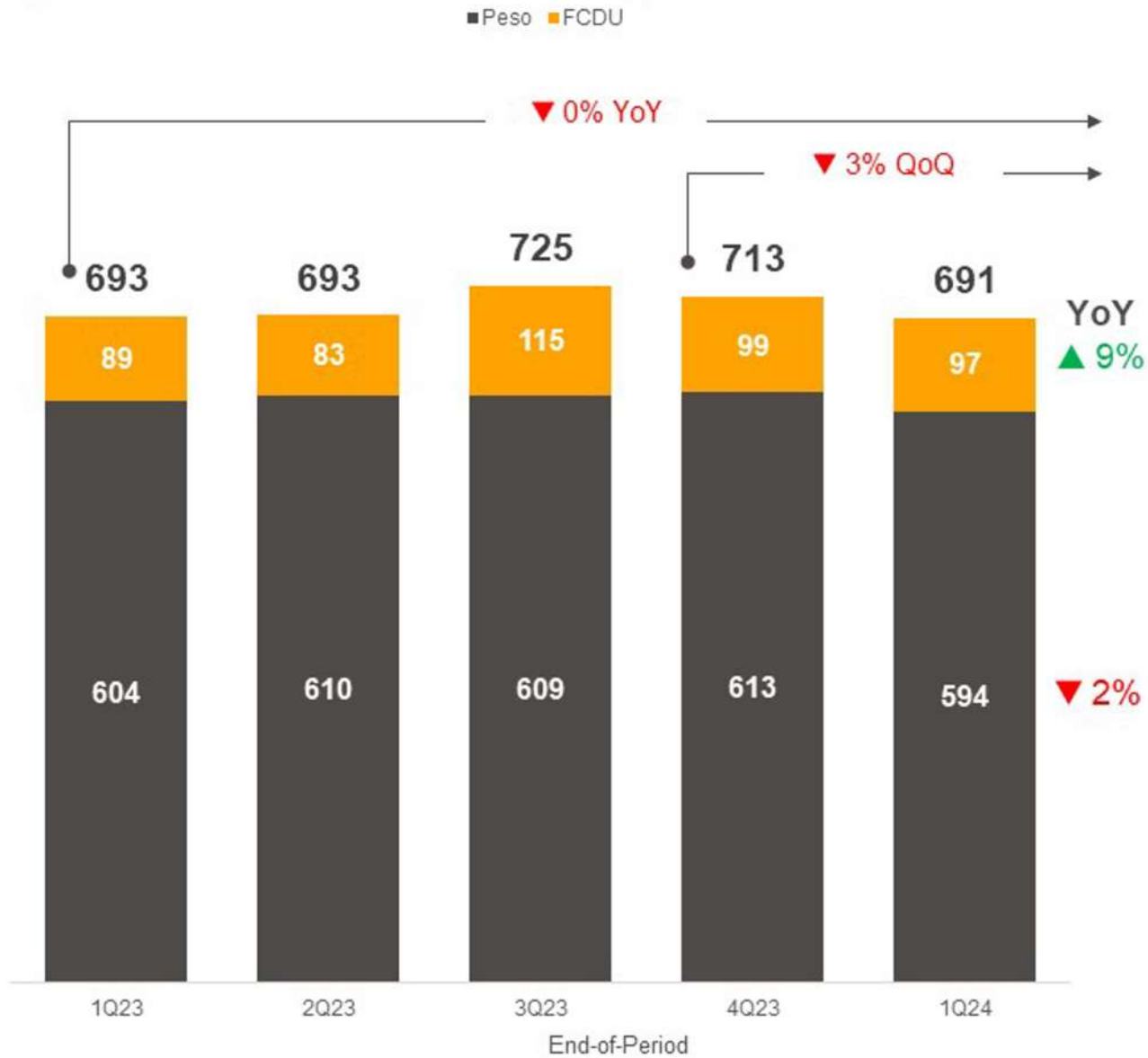


Gross Loans (OSB in PHP Bn)	Mar 2023	Mar 2024	Variance	%
Corporate	135	137	2	2%
Commercial	85	80	-5	-6%
Consumer	171	190	19	11%
Home Loans	69	70	1	2%
Credit Card	82	98	16	20%
Other Consumer Loans	20	22	2	9%
Total Gross Loans of Parent	390	407	17	4%
CitySavings and Subsidiaries	91	106	15	17%
UnionDigital	9	11	2	16%
Total Gross Loans of Subs	100	117	17	17%
Total Gross Loans	491	524	33	7%
% Consumer Loans	55%	59%		

Sustained CASA growth

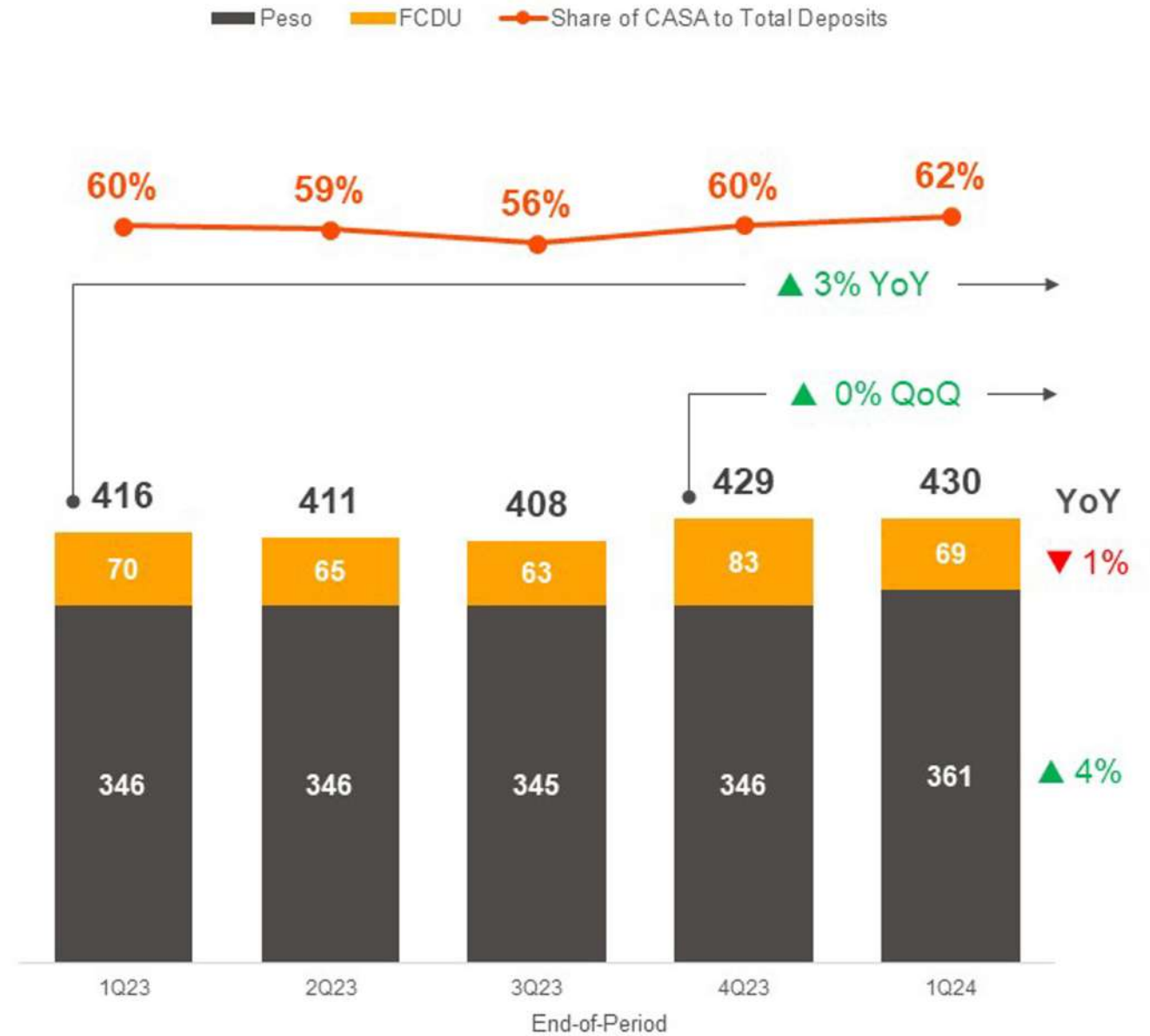
Total Deposits (Consolidated)

(OSB in PHP Bn)



CASA Deposits (Consolidated)

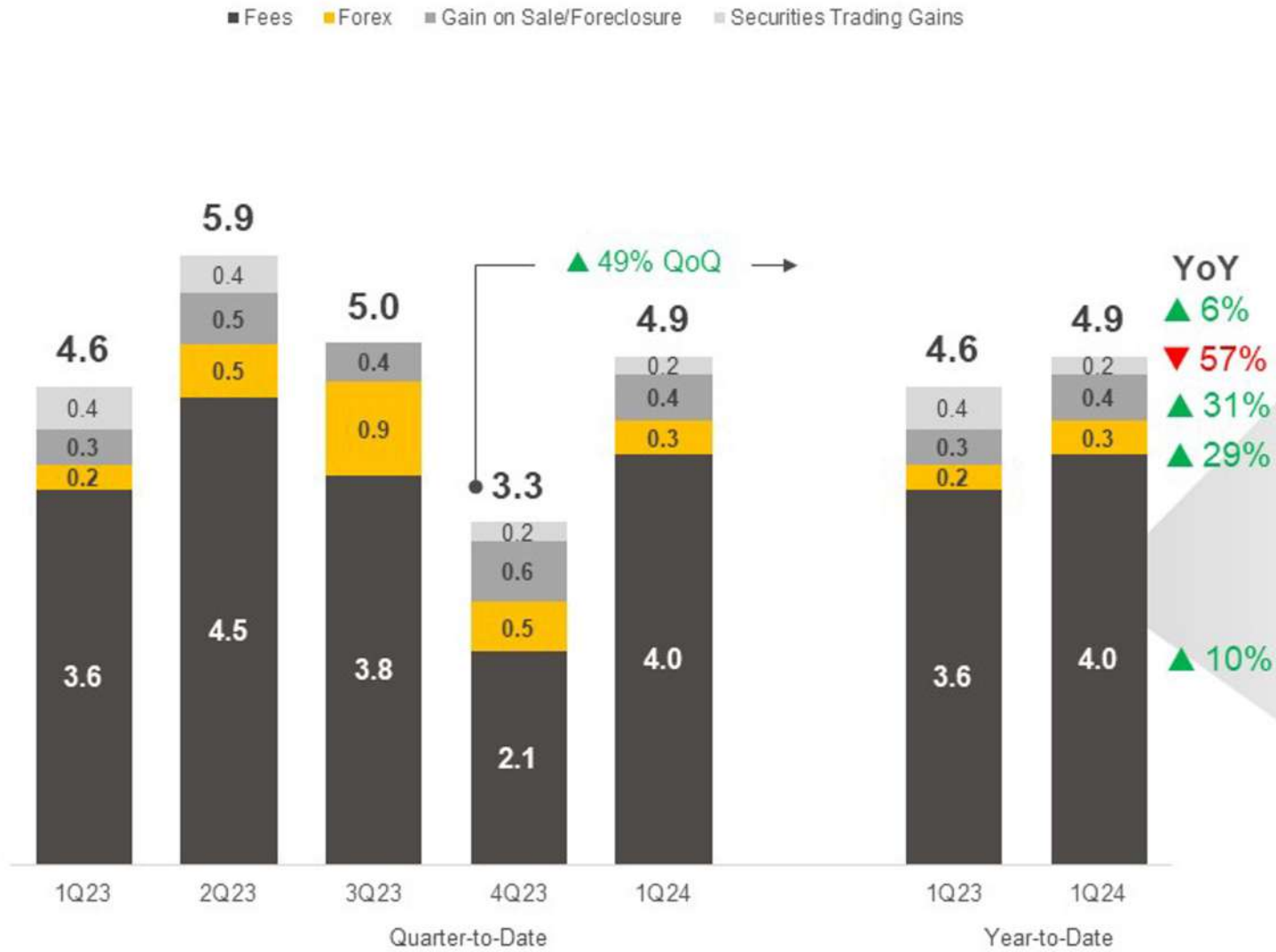
(OSB in PHP Bn)



Retail customer transactions driving fee income

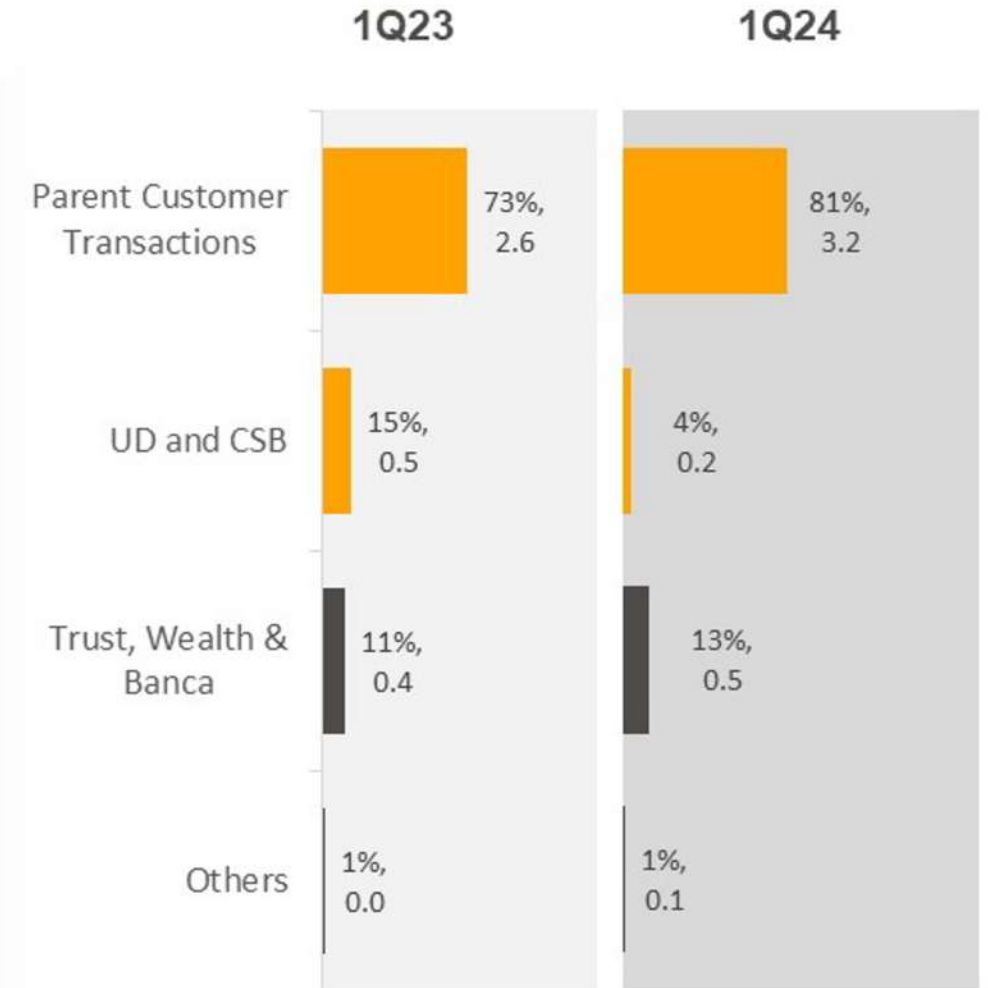
Non-Interest Income

(in PHP Bn)



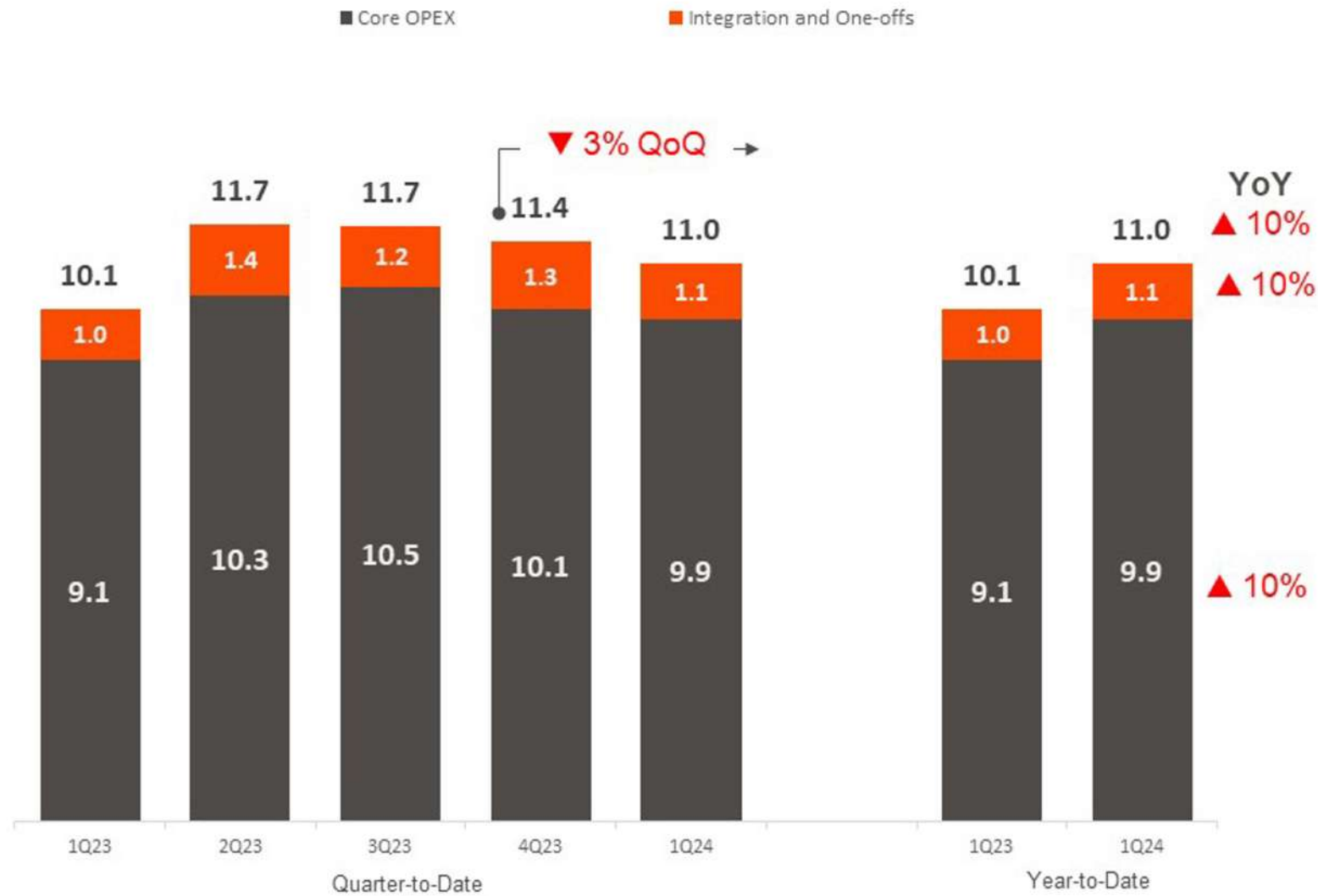
YTD Fees

(in PHP Bn)

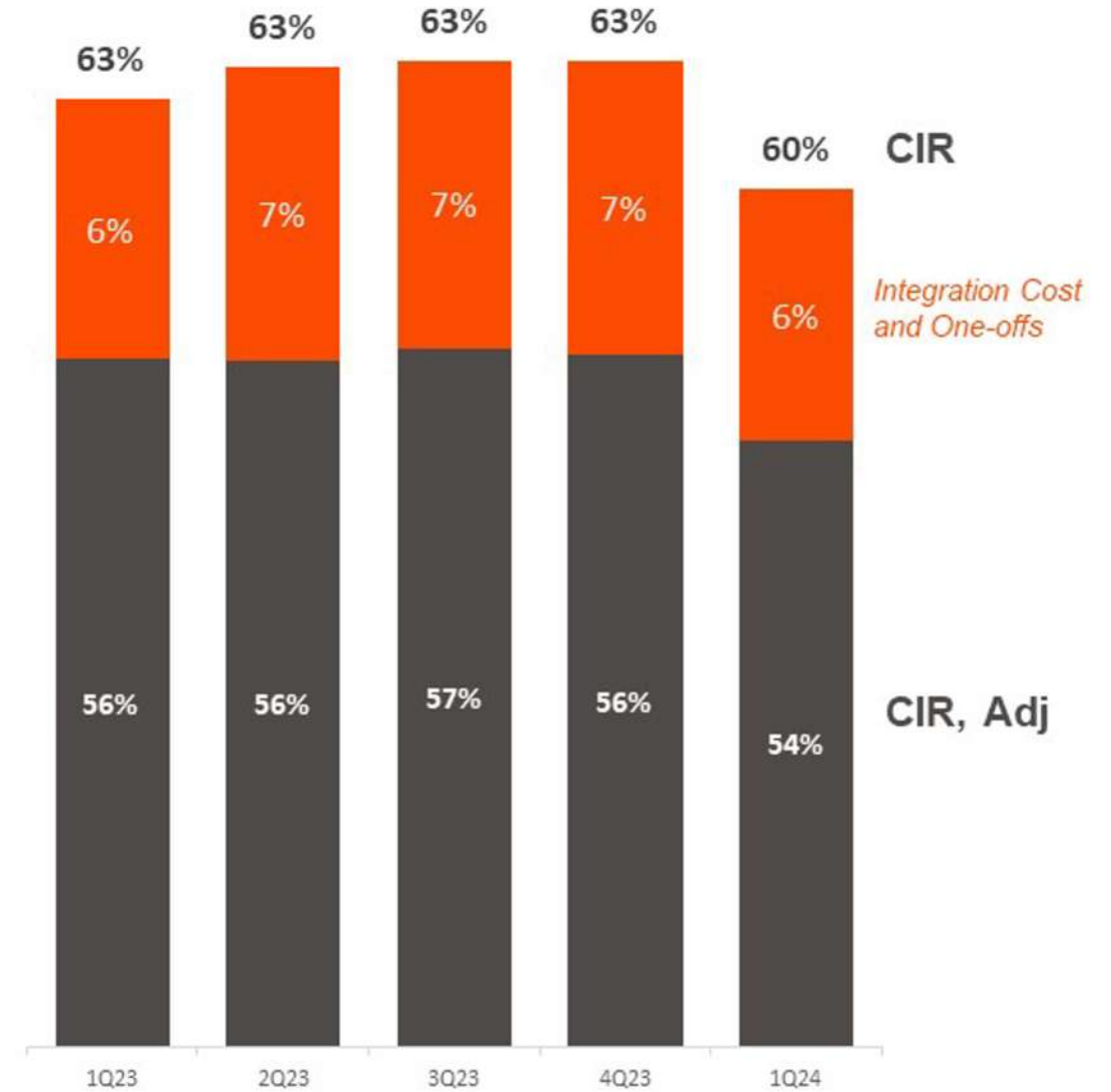


OPEX growth mainly due to customer growth

Operating Expenses
(in PHP Bn)



Cost-to-Income Ratio
(%)



Credit cost inc. due to growing consumer portfolio

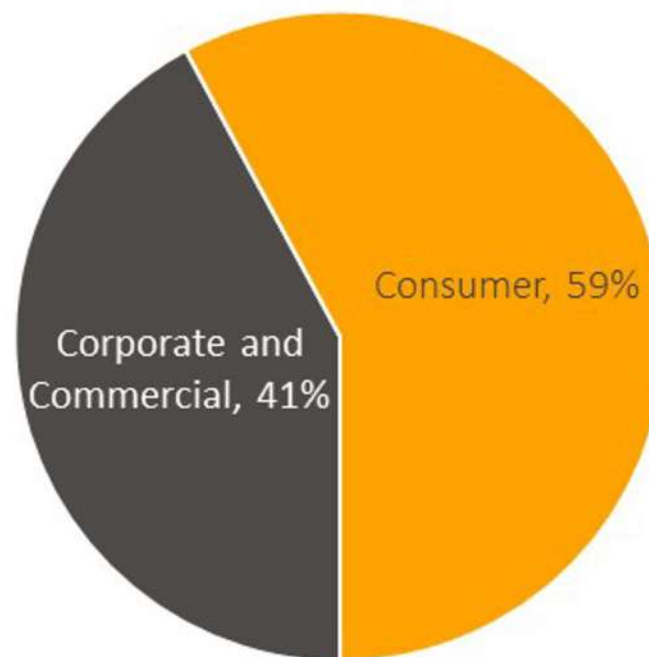
Credit Cost

■ One-offs ■ Parent bank ■ Subsidiaries

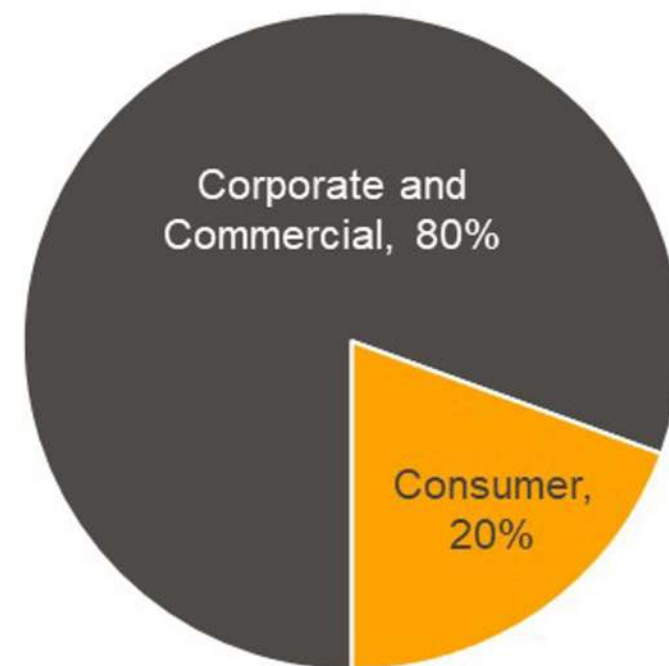


Loan Mix

UnionBank



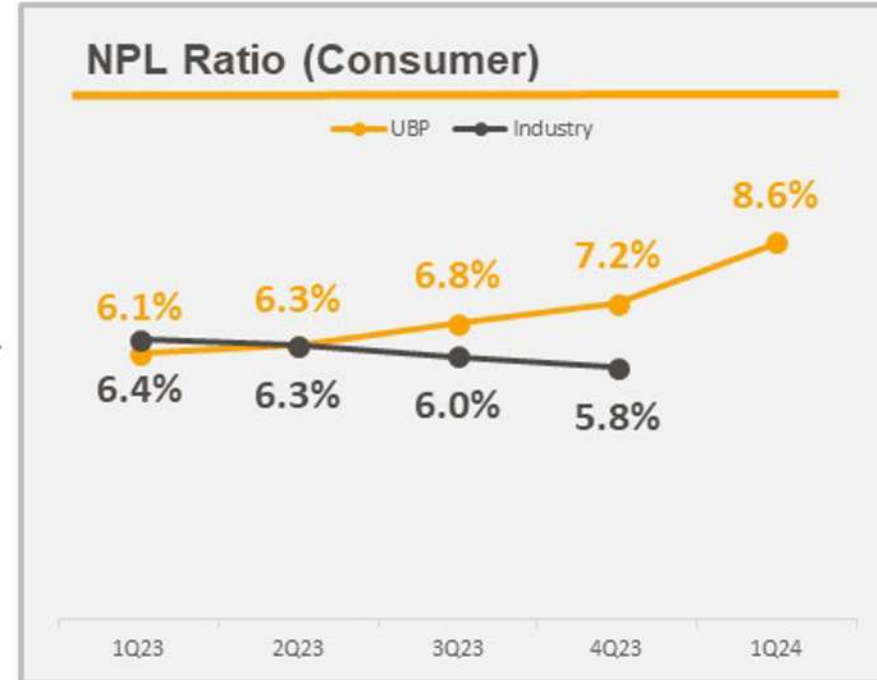
Industry



vs

Source: FY 2023 BSP Data

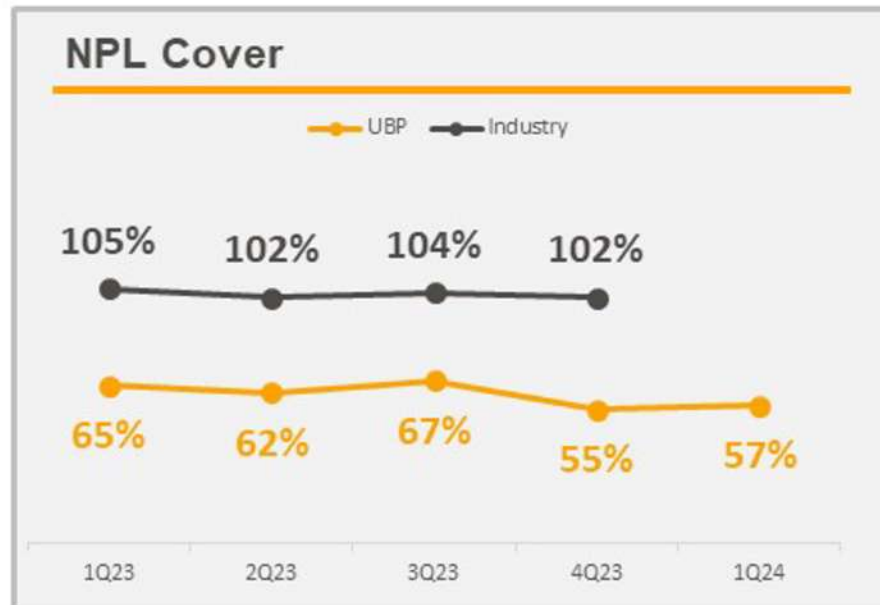
NPL ratio reflect growing consumer portfolio



5.5%

Parent Consumer
NPL Ratio

▼ 23bps
Vs FY 2023
Industry



68%

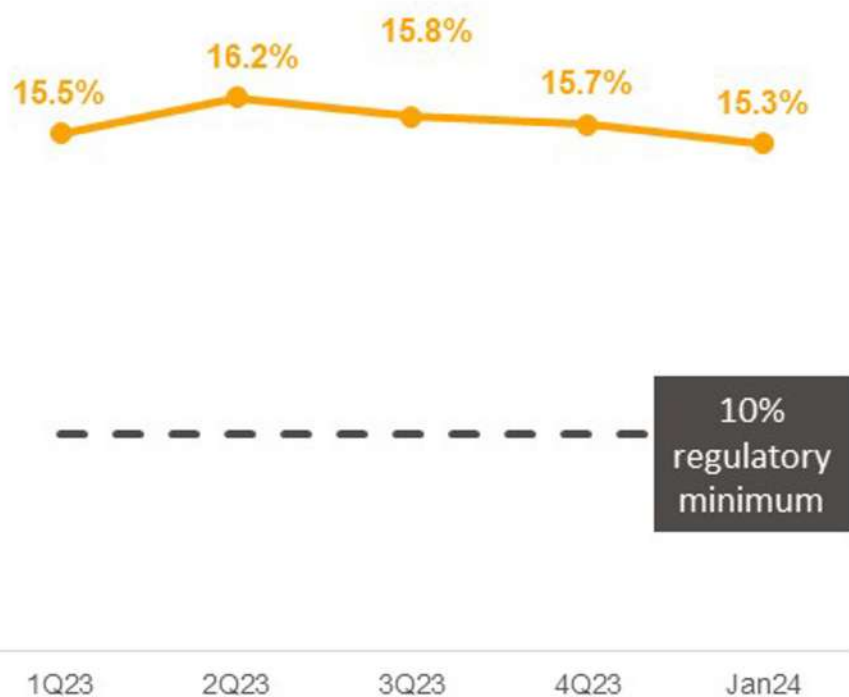
Parent Consumer
Coverage Ratio

▲ 12%
Vs FY 2023
Industry

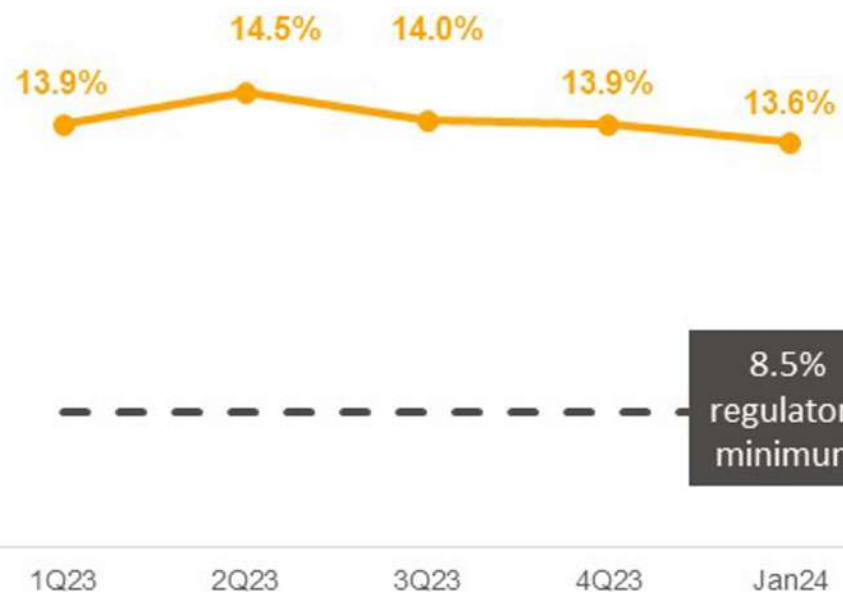
Note: Industry NPL Ratios are based on FY 2023 data and calculated based on Philippine Banking System's Total Loan Portfolio exclusive of IBL and RRP with BSP and Other Banks.

Capital ratios above regulatory limits

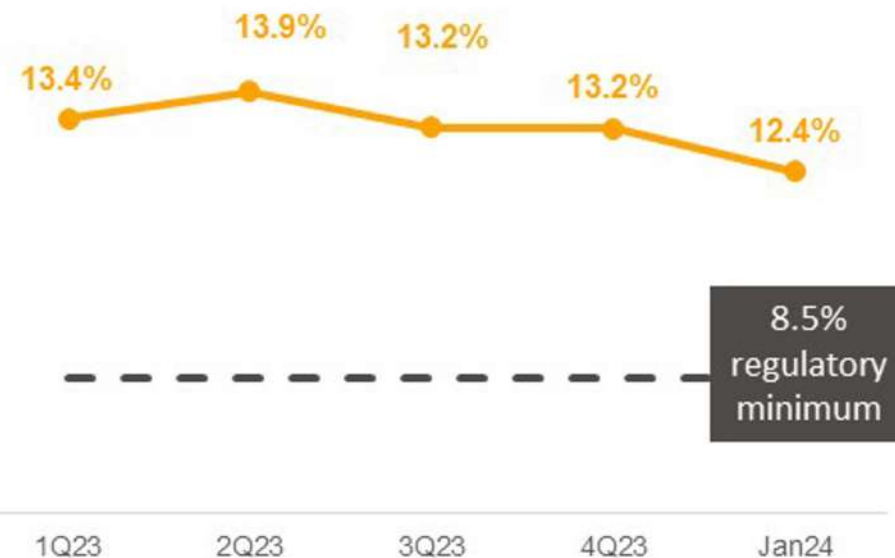
Capital Adequacy Ratio Group (CAR)



Common Equity Tier 1 Capital Ratio Group (CET1)



Common Equity Tier 1 Capital Ratio Parent (CET1)



Key Takeaways

Recent Developments

The bank has completed the Citi integration and has exited in the TSA in March 2024

SRO is approved and will be done by the 2nd quarter of the year amounting up to P10 billion

Moody re-affirmed credit rating of Baa2

Outlook

Expected reduction in expenses starting April onwards

Sufficient capital to support the growth of the bank's high yielding consumer business segment

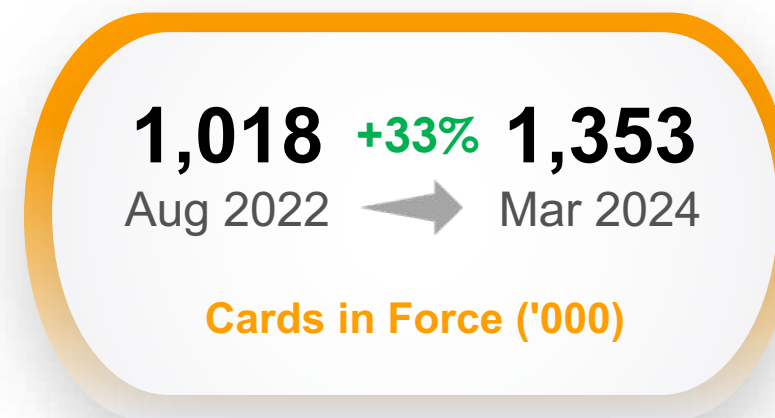
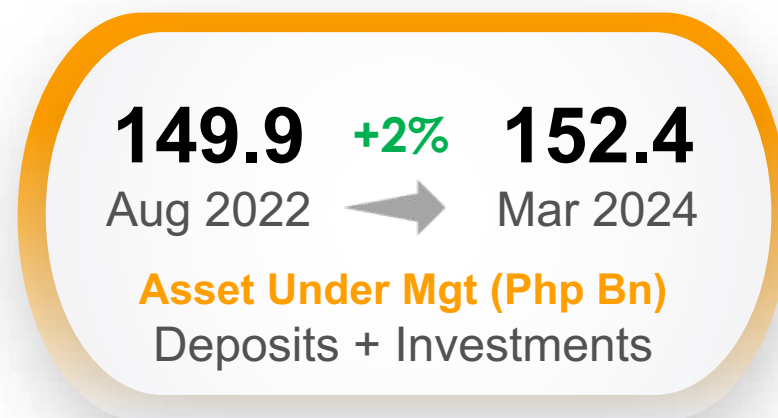
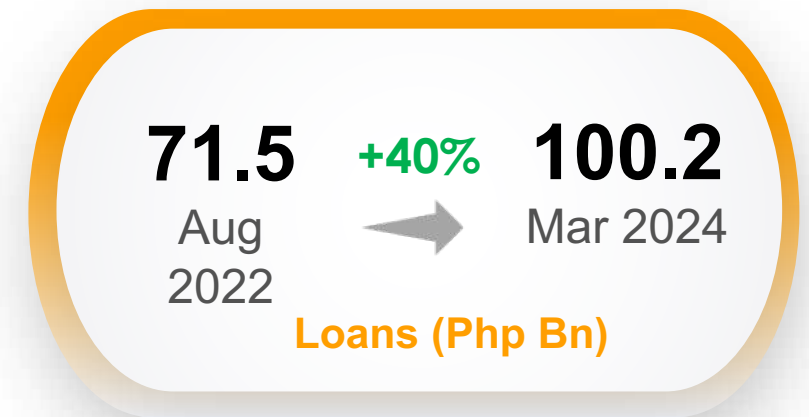
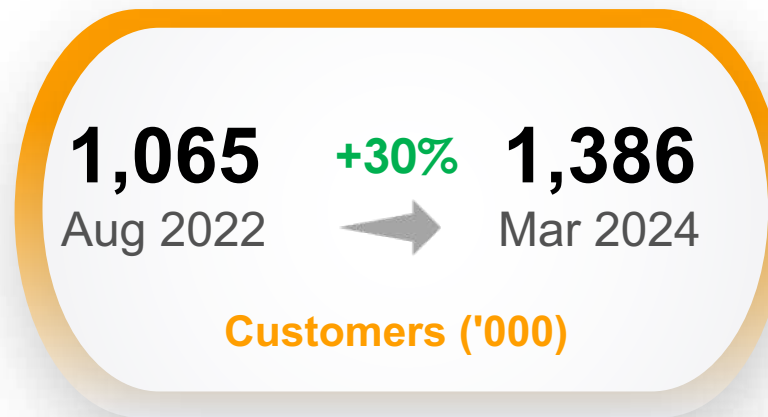
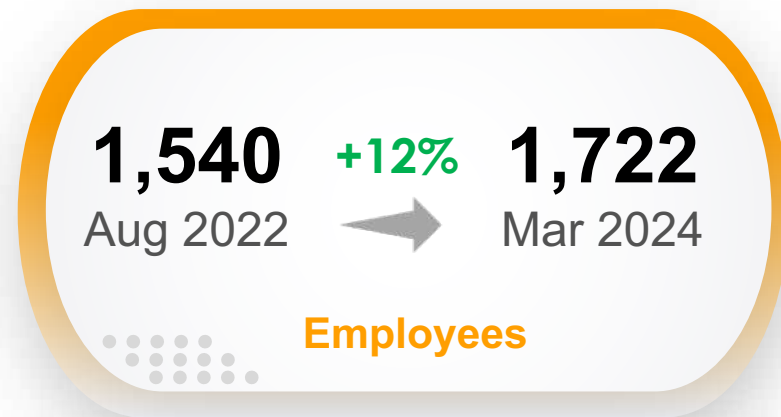
Upward expectation on the bank's capital adequacy, profitability and asset quality

Strategy Updates

Consumer Banking

Citi Business Integration: Portfolio Snapshot

The acquired Citi portfolio has grown double digits since Legal Day 1 (LD1)



Citi Business Integration: Strong portfolio growth and trajectory

HIGHLIGHTS

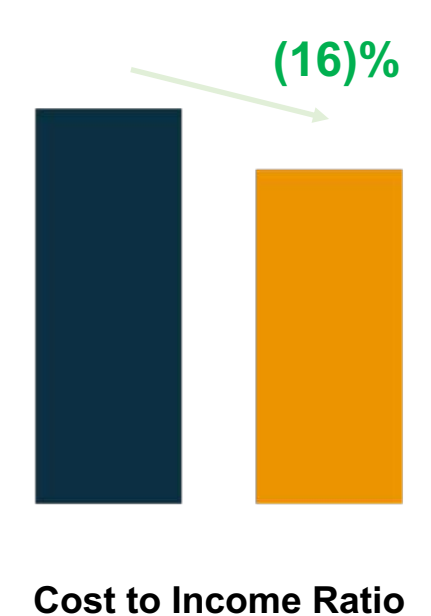
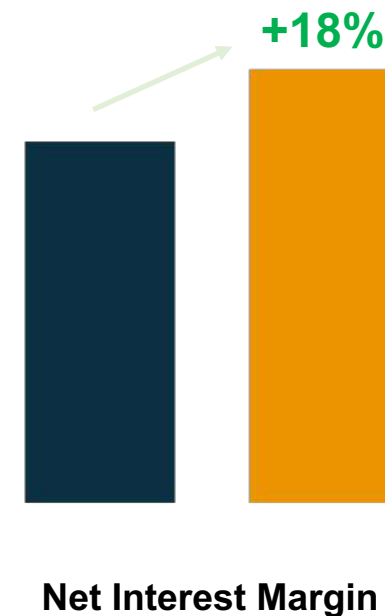
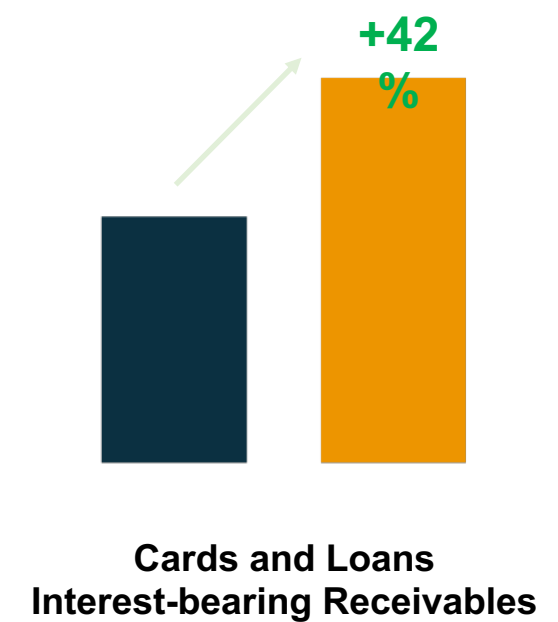
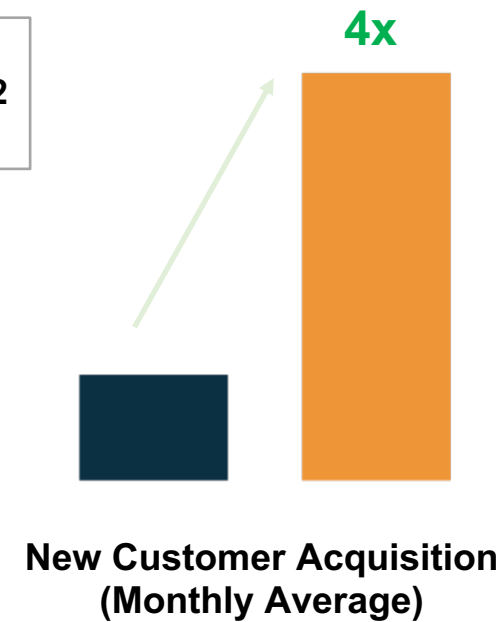
Business momentum is strong; record high drivers achieved post-acquisition

New customer acquisition has grown 4 times since Legal Day 1

Cards and Loans sales and balances have grown double-digits

Net Interest Margin, Net Credit Margin, and Cost-to-income Ratio have improved as portfolio size increased

Acquired portfolio is bigger and more profitable than it was on Legal Day 1



Continued focus on our clients

One of the most-awarded Retail Banks in the country



Net Promoter Score

	Aug 2022	Feb 2024	
↑	69	81	Credit Cards
↑	66	72	Wealth Management
↑	83	85	Digital

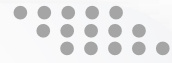
Complaints

48% improvement vs LD1

57% improvement vs PY

Citi Integration Priorities

1



Complete migration of Citi legacy accounts into UBP systems and products

2

aboitiz



Leverage greater Aboitiz network to deepen our relationship with our clients

3



Onboard new partners to accelerate growth

4



Expand to new segments

5



Continuously innovate products and solutions to maintain our digital leadership

1 Platform migration onto UBP systems completed in Mar 2024



All new consumer accounts were opened in UBP systems



Legal Day 1



Mar 2024: Platform Migration

Improves customer experience

Reduces operational complexity

Reduces operating expenses

- Exit from TSA expenses
- Lower tech delivery costs by 60%

Maintained & even added new customer value proposition and feature / functionality

Overall smooth migration; initial surge in calls related to UBO registration and payments managed

2 Cross-sell initiatives have commenced with successful initial results



Initial Phase: Cross-sell to UBP Depositors

13M depositor base available for cross-sell to cards, loans, and wealth products

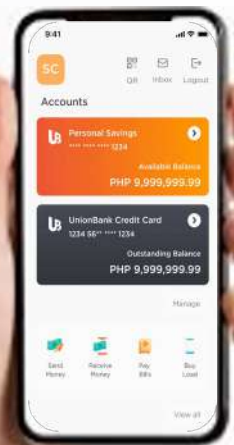
Easy 1-click opt-in process

Lower acquisition costs

23+% share of new customers in the last few months from cross-sell

Cross-sell contribution expected to further improve in the coming months

Next Phases: Leverage Aboitiz ecosystem



Expansion into new partnerships and segments

3 Two New Partners Onboarded!

1,500+ new distribution points

20% of new customer acquisition is from partner channels

4 Expansion into the New-to-Card segment

Leverage depositor and partner data and capabilities to inform credit score and underwriting strategy

15% of new credit card acquisition is from the new-to-card customers

Significantly lower acquisition cost



- 3% unlimited rebates on S&R purchases
- 1% unlimited rebates on dining & shopping spend
- Free S&R pizza for every 30,000 out-store spend
- Free S&R membership renewal



Rewards card offer to Smart & PLDT pre-paid & post-paid customers



Your first bill on us!



As low as 0%
Downpayment



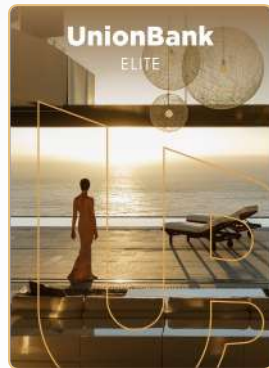
0% Interest
Rate



Zero Processing
Fee

5 New products, features and functionalities launched and more to come!

Wealth Management



New Wealth Offerings

Real-time account opening
Free ATM withdrawals!
Free international funds transfers!
~200 UBP branches!

Free Cyber Fraud Insurance

An exclusive benefit for UnionBank Wealth Management customers like U:

FREE CYBER FRAUD PROTECTION ON YOUR DEPOSITS.



Mobile Check Deposit

MAKE BANKLESS CHECK DEPOSITS WITH UNIONBANK ONLINE!
#TheFutureBeginNow



InstaPay



Credit Cards

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



First Co-brand Re-launch with Shell
Celebrated 25 years of Partnership

Key Conclusion



**Platform migration from Citi successfully completed;
Exit from TSA expenses**

Strong business momentum and trajectory



**Implementation of key integration priorities is bringing in
desired results, continued pursuit will enhance
profitability & growth**

**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!