



# **RCBC FY 2022 ANALYSTS' BRIEFING**

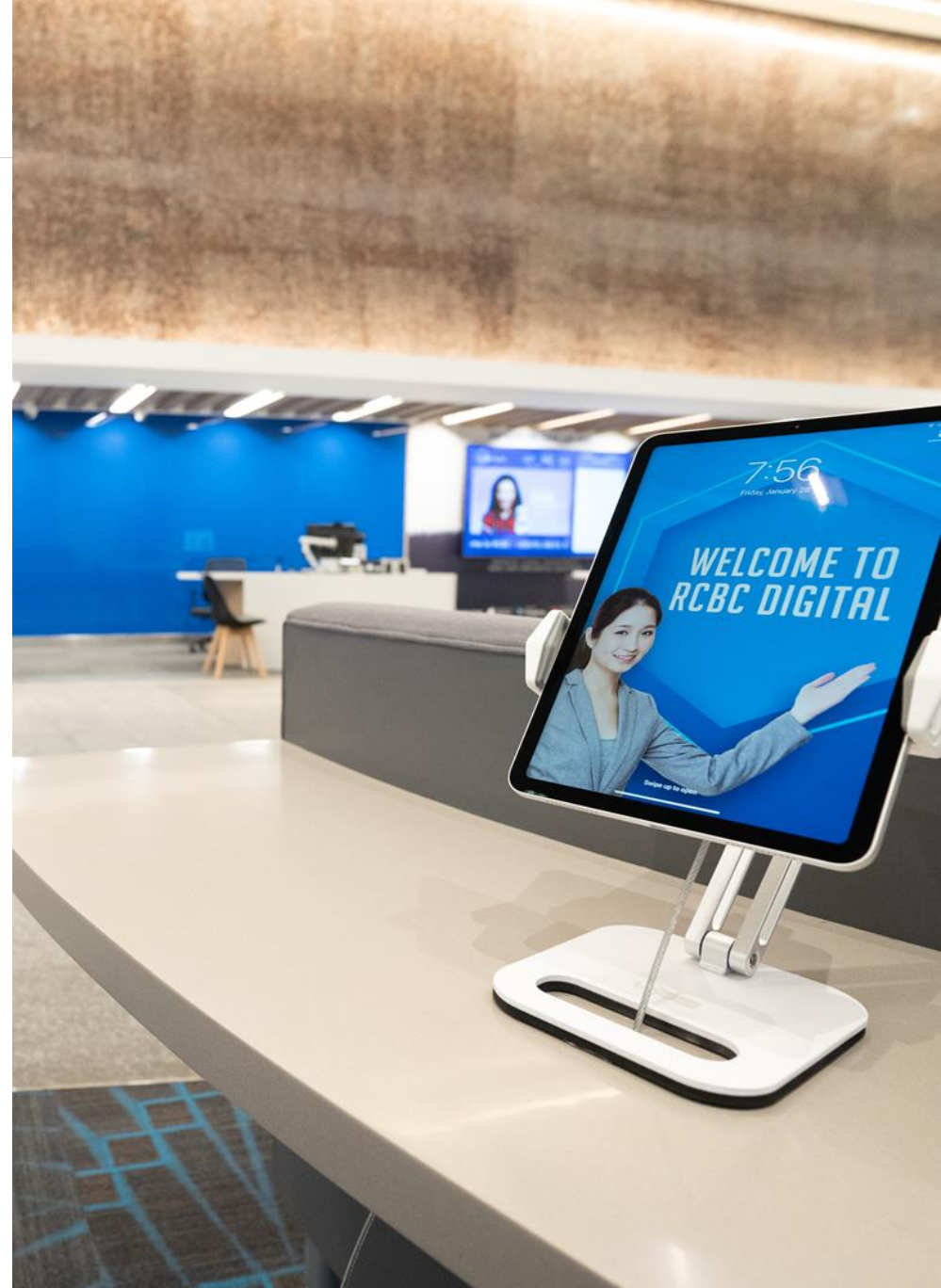
03 Mar 2023

4:00 PM

# Agenda

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- 01** Economic Outlook  
Michael L. Ricafort, RCBC Chief Economist
- 02** RCBC FY 2022 Performance  
Chrissy P. Alvarez, RCBC Corporate Planning Head & CIO
- 03** Q&A



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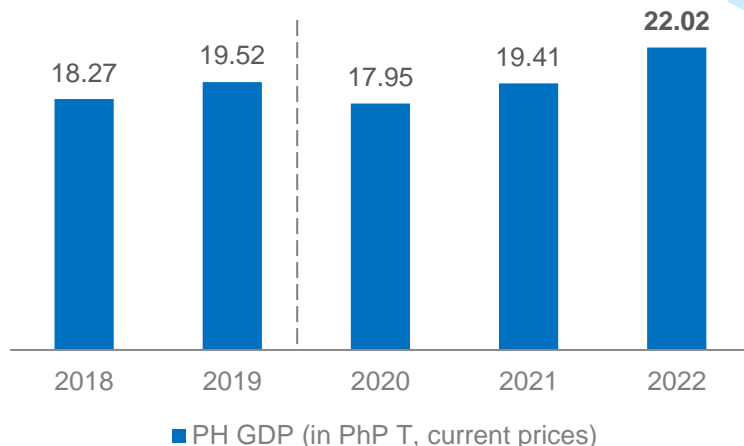
# **Economic Outlook**

Mr. Michael L. Ricafort  
RCBC Chief Economist

# Better-than-expected economic upturn despite higher inflation

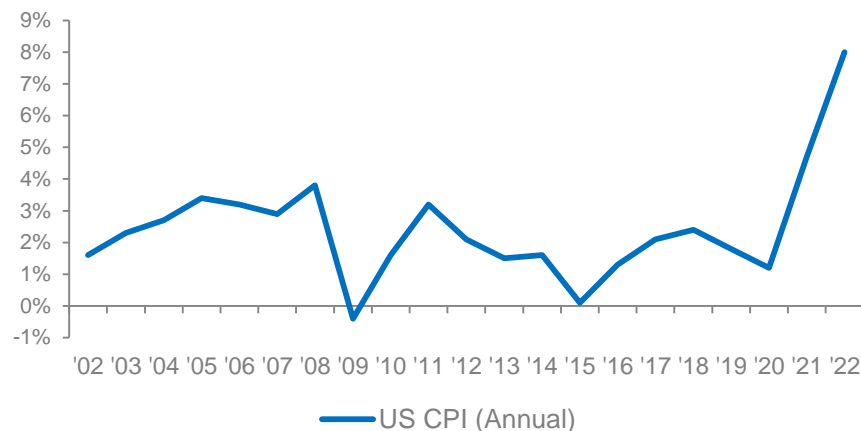
PH GDP now higher than pre-pandemic levels

+7.6%  
GDP growth  
(2022)<sup>[1]</sup>



- **Mobility restrictions further eased and businesses returned to their full capacity** as COVID-19 cases remained muted.
- **Consumer spending** grew remarkably by its fastest on record, surpassing its pre-pandemic levels.
- On the supply side, growth was mainly driven by the recovery in industries such as **wholesale and retail trade, manufacturing, and construction**.

Inflation was elevated globally in 2022 as Russia-Ukraine war dealt a major shock



- **US CPI** reached new 40-year highs, which prompted Fed to aggressively tighten monetary policy, raising interest rates by a total of 425 basis points in 2022. This led to stronger US dollar and higher global interest rates.
- **Global crude oil prices** went up, especially during early-2022, ending the year 6.7% higher than the previous year.
- **Domestic inflation** was higher amid higher input prices and supply chain disruptions. BSP raised key policy rate by a total of 350 basis points in 2022.
- **Local interest rates** (PHP BVAL yields) ended the year higher by 200-300 basis points vs. end-2021.

<sup>[1]</sup> in constant 2018 prices (real GDP growth)

# Economic growth to moderate as base effects dissipate; interest rates to still rise and plateau until US CPI eases

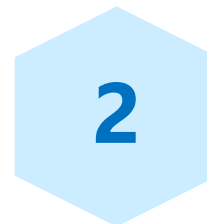
Economic Indicators	2023 Forecast	2022 Actual	2021 Actual
<b>GDP Growth</b>	5.5%-6.5%	7.6%	5.7%
<b>USD/PhP</b> (year-end)	55.00-56.00	55.755	50.999
<b>USD/PhP</b> (average)	55.25-56.25	54.48	49.25
<b>Inflation</b> (average)	5.5%-6.5%	5.8%	3.9%
<b>BSP Policy Rate</b>	6.00%-6.50%	5.50%	2.00%
<b>Fed Funds Rate</b>	5.00%-5.50%	4.50%	0.00%-0.25%
<b>PSEi</b>	7,100-7,600	6,566.39	7,122.63

## Key Market Catalysts for 2023:



### Complicated economic reopening in China

New COVID cases could slow down global recovery



### Easing trend in US inflation

Easing global crude oil price  
Profit-taking in financial markets



### Fed rates estimated to peak at above 5% in early 2023

Continued decline in US Treasury yields  
Risk of US recession



### Continued Russia-Ukraine war

Main cause of elevated global inflation





# **RCBC FY 2022 Performance**

Ms. Chrissy P. Alvarez  
RCBC Corporate Planning Head  
and Chief Information Officer



# RCBC accelerates solid momentum



**+20%**  
in total assets


Asset growth strategy paid off, making RCBC PH's 5<sup>th</sup> largest privately-owned bank with P1.2T assets on the back of better-than-industry growth in earning assets, deposits and solid NIM.

**+27%**  
in total deposits

Deposits shattered records in 2022 reaching P857B outpacing industry for both CASA and time deposits.

**+71%**  
in net income

Return on equity reached 11.2% supported by double-digit expansion in core business income despite cost-side pressures from rising interest rates.



**+41%**  
in gross transaction value

RCBC's digital platforms achieved fintech-like growth. Data and digital are transforming the way the Bank does business with solid results in SME and cards





# RCBC is PH's 5th largest privately-owned bank

Incorporated in 1960, RCBC is a leading financial services provider in the Philippines with a market capitalization of PhP48.3B as of end-December 2022. RCBC was a **repeat winner of industry accolades in Digital** and have received recognition as **Best Retail Bank** and **Best Corporate Bank** and **Best SME Bank** in the Philippines in 2022 by various award-giving bodies.



Note: Percentage growth numbers are based on YoY Growth: Dec 2022 vs. Dec 2021

## Main Business Lines

Corporate Banking	SME Banking	Retail Banking
Trust and Investments	Consumer Loans (Auto, Housing, Salary)	Credit Cards
Bancassurance	Foreign Exchange	Microfinance
Investment Banking	Leasing	Securities Brokerage



**462** branches



**2,911** ATMs<sup>3</sup>



**5,944** employees



RCBC's industry-leading all-in-one mobile banking app with the most comprehensive features



RCBC's financial inclusion super app and PH's first finance app in Taglish and other local languages



The country's first neighborhood ATM; bringing formal banking to rural community establishments

[1] Including trading and FX gains

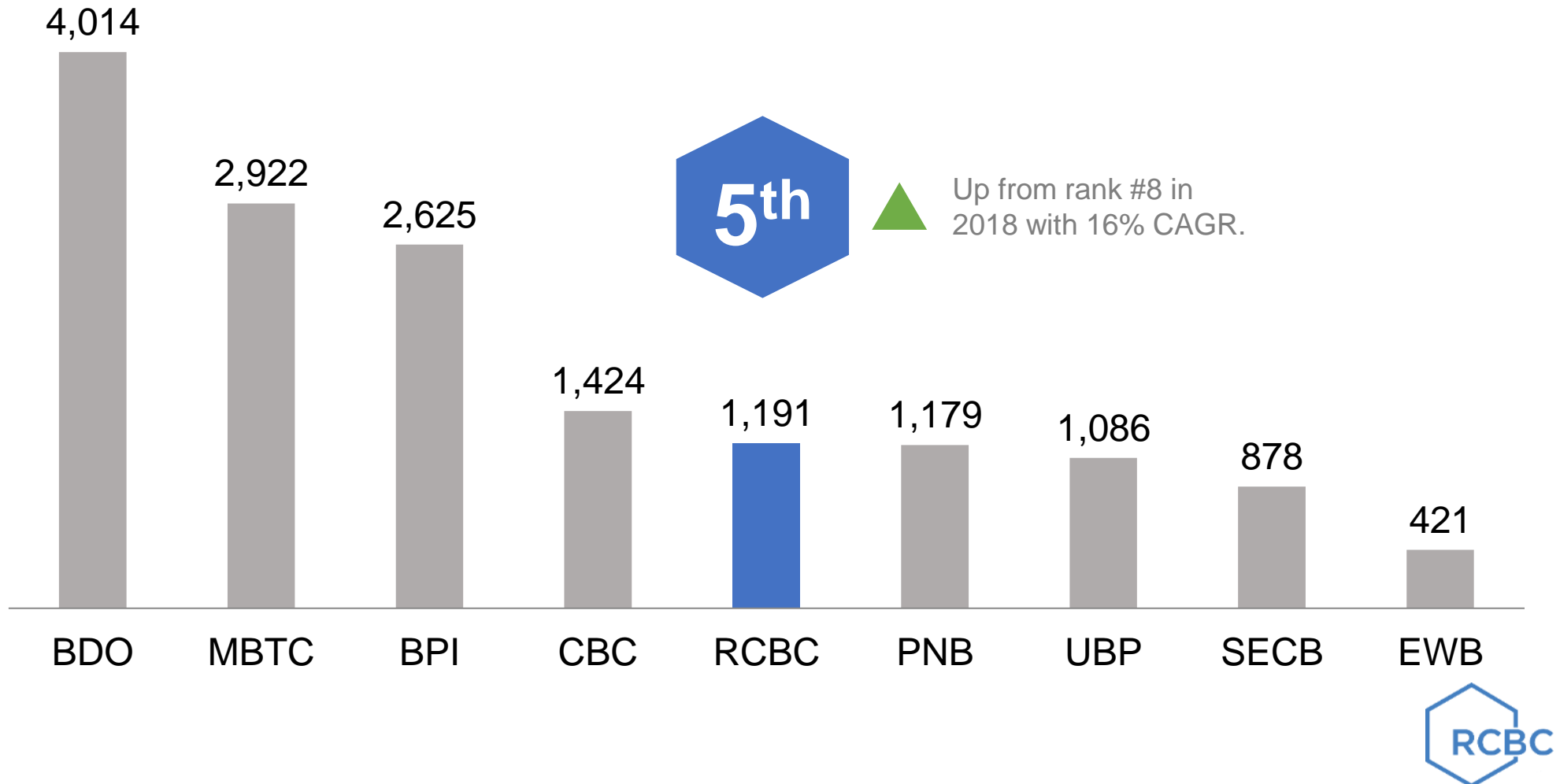
[2] Loans and receivables net of allowances and interbank loans

[3] Includes 1,352 ATMs and 1,559 ATM Go terminals--RCBC's handheld ATM facility that enables banking transactions outside branches and ATMs, and through partner merchants.

# On track to become the undisputed challenger bank

## Total assets

In PhP billions



# Profits rose by 71% in 2022 to over P12B

	FY 2022	FY 2021	Change	% Change
<b>INCOME STATEMENT</b>				
<b>Gross Income<sup>1</sup></b>	44,454	36,394	8,060	22.1%
<b>Net Interest Income</b>	31,216	28,831	2,385	8.3%
<b>Fee Income</b>	5,884	4,941	943	19.1%
<b>Operating Expenses</b>	25,100	22,535	2,565	11.4%
<b>Impairment Losses</b>	5,706	6,048	(342)	(5.7%)
<b>Net Income</b>	12,080	7,083	4,997	70.5%
<b>BALANCE SHEET</b>				
<b>Assets</b>	1,154,108	959,133	194,975	20.3%
<b>Loans<sup>2</sup></b>	531,124	507,302	23,822	4.7%
<b>Investment Securities</b>	374,365	219,235	155,130	70.8%
<b>Deposits</b>	857,244	672,459	184,785	27.5%
<b>Capital</b>	116,361	111,080	5,281	4.8%



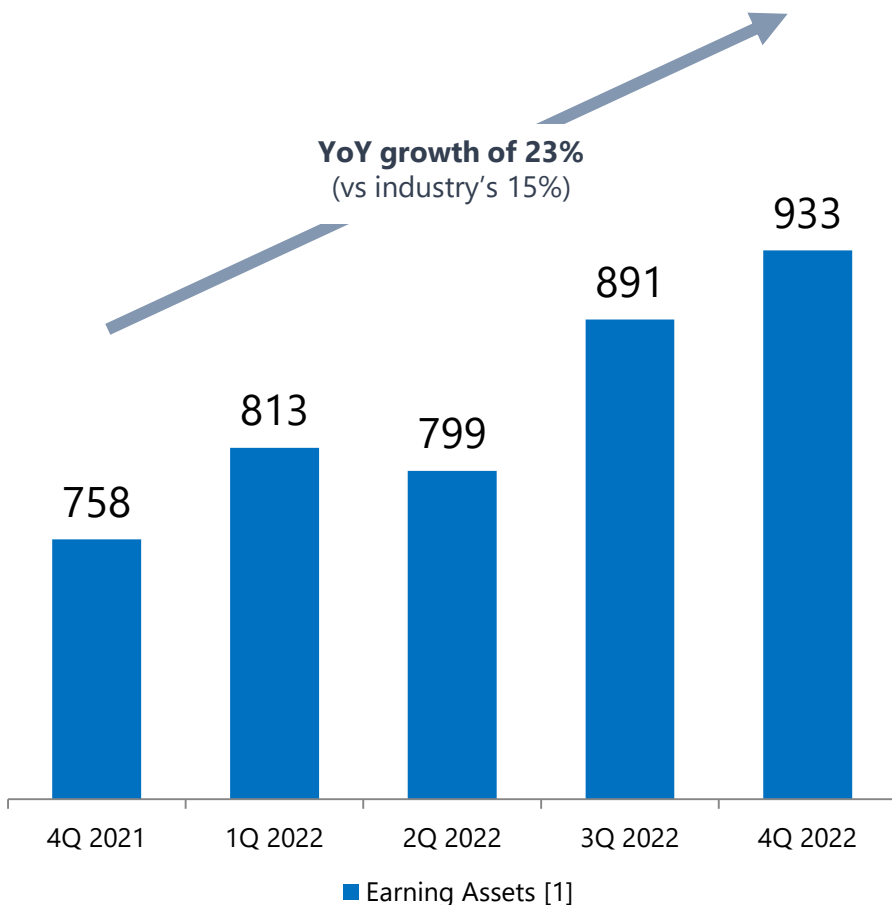
\*Amounts in PhP Millions, except % and ratios

[1] Including trading and FX gains

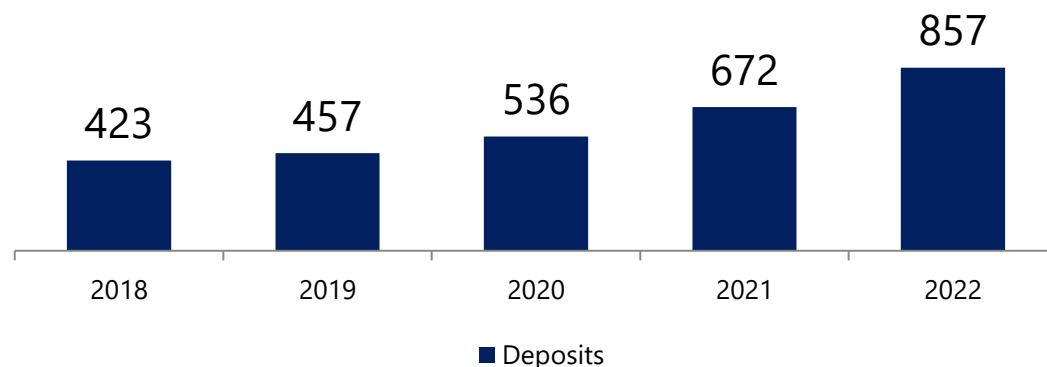
[2] Loans and Receivables net of Allowances and Interbank Loans

# Earning assets drove 90% of increase in total assets

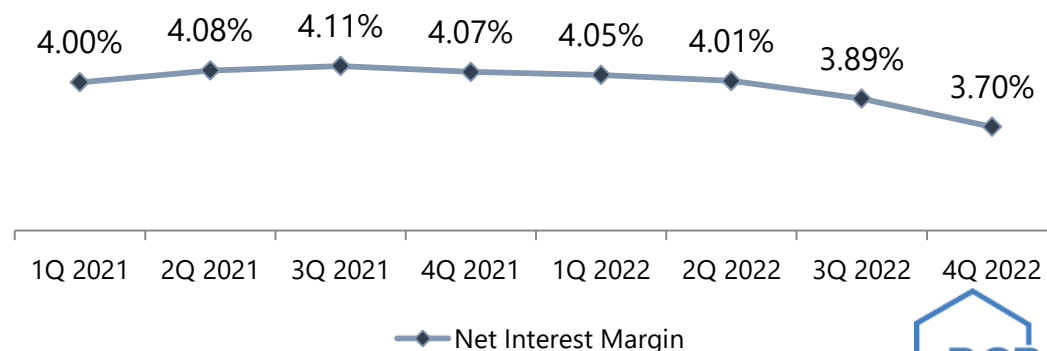
Asset expansion supported by higher-than-industry growth in interest-earning assets



On the back of record-high deposits which climbed 27% from previous year level (versus 12% industry benchmark)



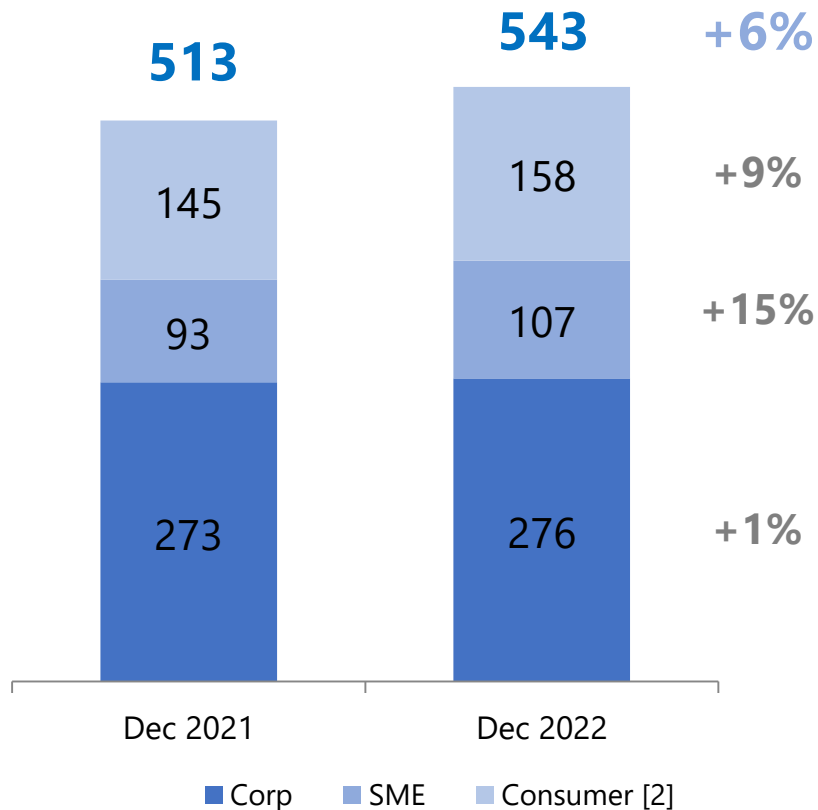
NIM continued to beat industry average of 3.4% despite rising interest rate pressures on funding cost



# Double-digit growth in SME and credit card segments

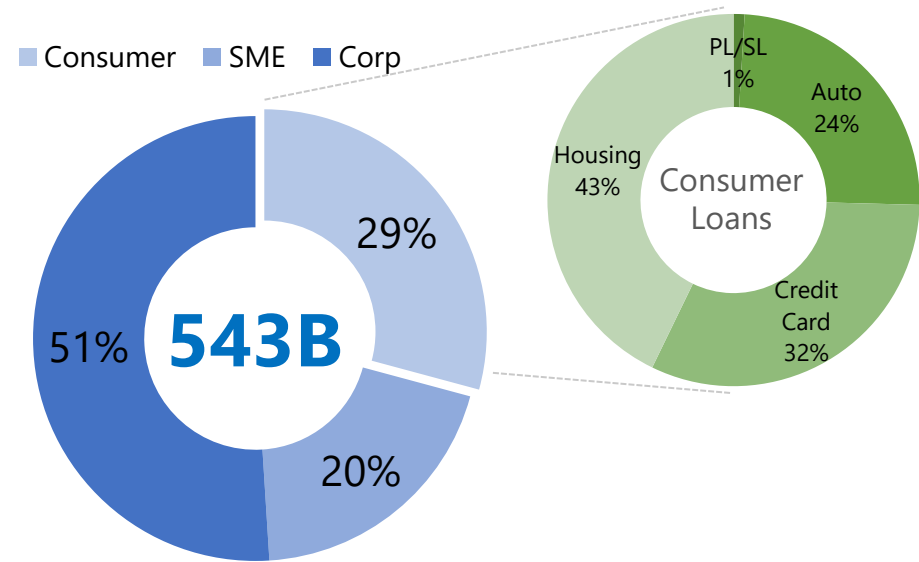
## Loan Portfolio<sup>1</sup>

In Php Billions, except %



## Loan Mix

As of December 2022



Credit card led the expansion of consumer loans with a massive 42% hike, boosting credit card's share to 32% from 25% in the previous year.

Housing continued to make up bulk (43%) of the segment with a modest 8% growth year-on-year.



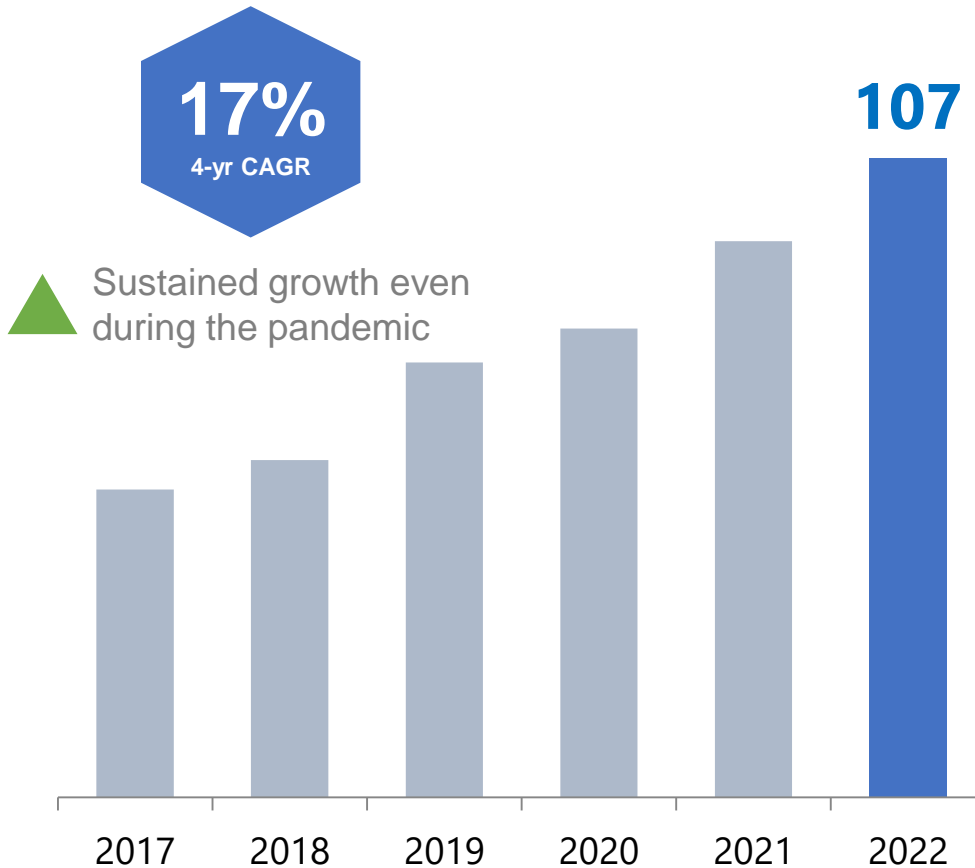
[1] Total loan portfolio includes microfinance loans amounting to PhP 1.4B as of December 2021, and PhP 1.3B as of December 2022.

[2] Consumer refers to Auto, Mortgage, Credit Card and Personal/Salary Loans

# SME accounted for 46% of increase in total loans

## Historical SME Loans

In Php Billions



**15%**

YoY SME loan growth

Spurred by key areas outside Metro Manila

**79%**

CASA to loans ratio

Supporting CASA push and protecting margins

**34**

Offices supporting our SME businesses

Expanding our presence in priority areas / provinces

**4.3%**

RORA

Above-target despite macro headwinds



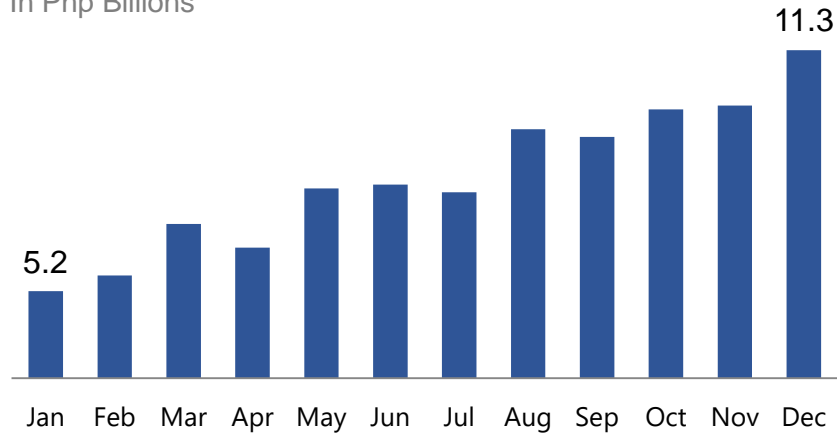


# 2022 has been a breakout year for credit cards

## Faster-than-industry growth in billings driven by data & digital strategies

### Monthly Billings

In Php Billions

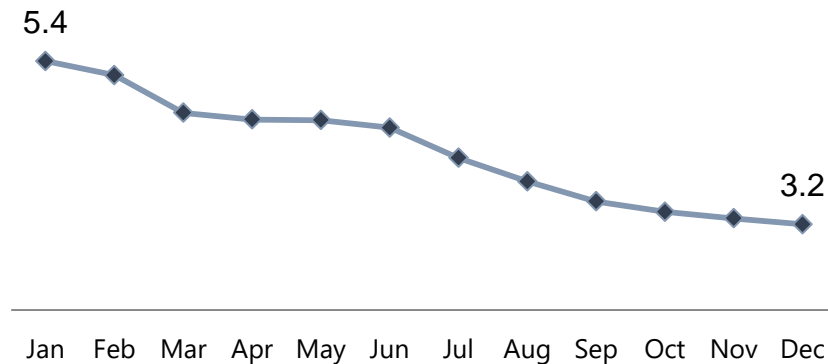


**increase in billings at P97B;**  
fastest among major players  
and industry's 37%

## Smarter portfolio actions to drive down overall credit risk

### Delinquency

In %



**cards-in-force** with 164K new  
cards issued in 2022



### Unli Installment

Convert straight purchases to installment through the app;

P10B, +54% YoY



### UnliPay

Use available limit to pay any bank account or e-wallet;

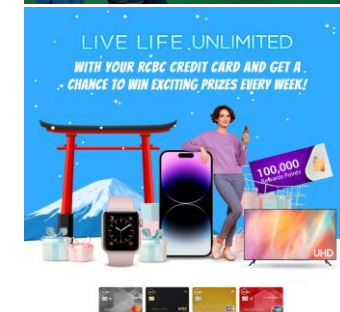
P2.9B in 4 months of launch



### Digital Cash Loans

Convert available limit to cash with repayment of up to 60 mos.

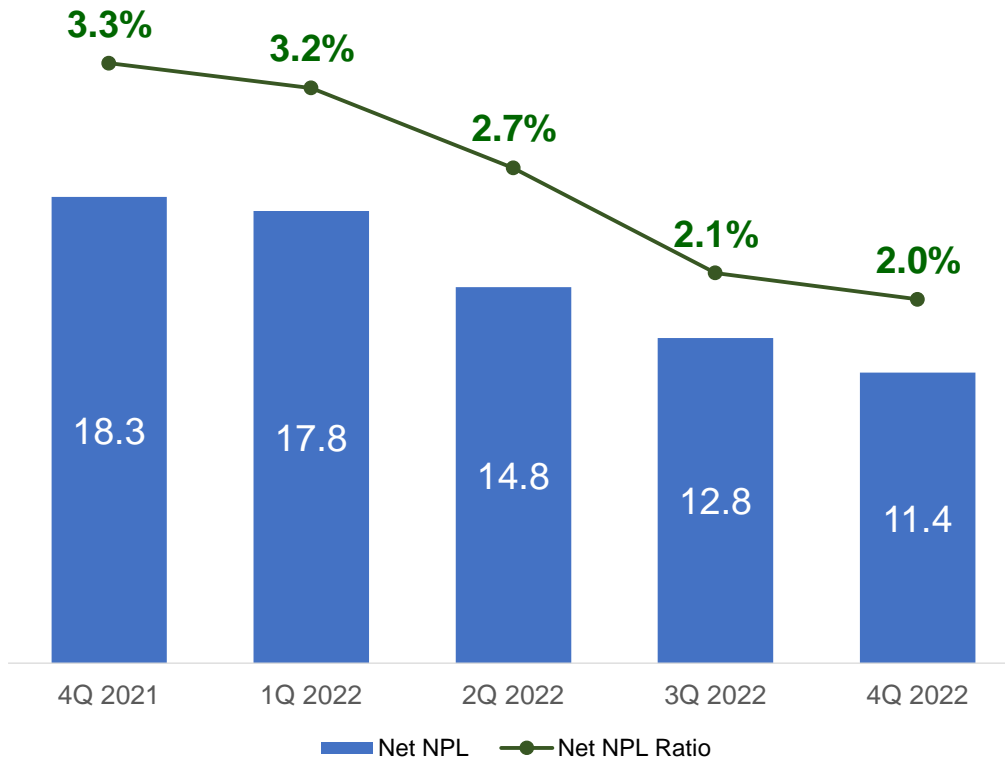
P4.1B in 2022



# Marked improvement in NPL from year-ago level

## Net NPL Amount and Ratio

In Php Billions, except %



## Net NPL ratio per Segment

As of December 2022

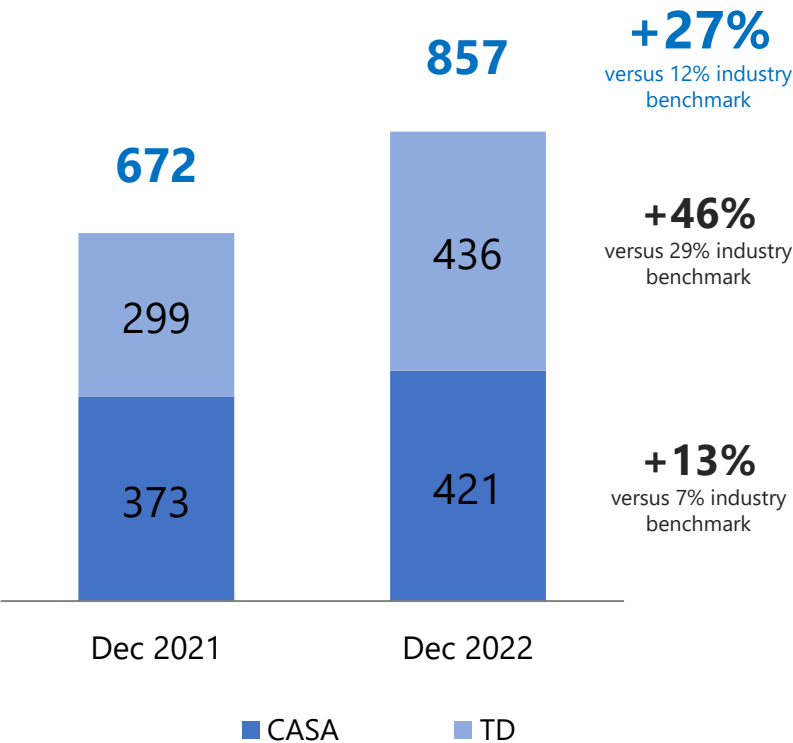
Corporate	0.4%
SME	2.0%
Consumer	6.4%
Credit Card	0.8%

We launched the COVID Assistance and Recovery (CARE) Program to provide pre-emptive refinancing support to customers severely affected by the pandemic and may take time to recover. Those qualified under CARE were customers in good standing as of March 2020 when the Enhanced Community Quarantine was first enforced.

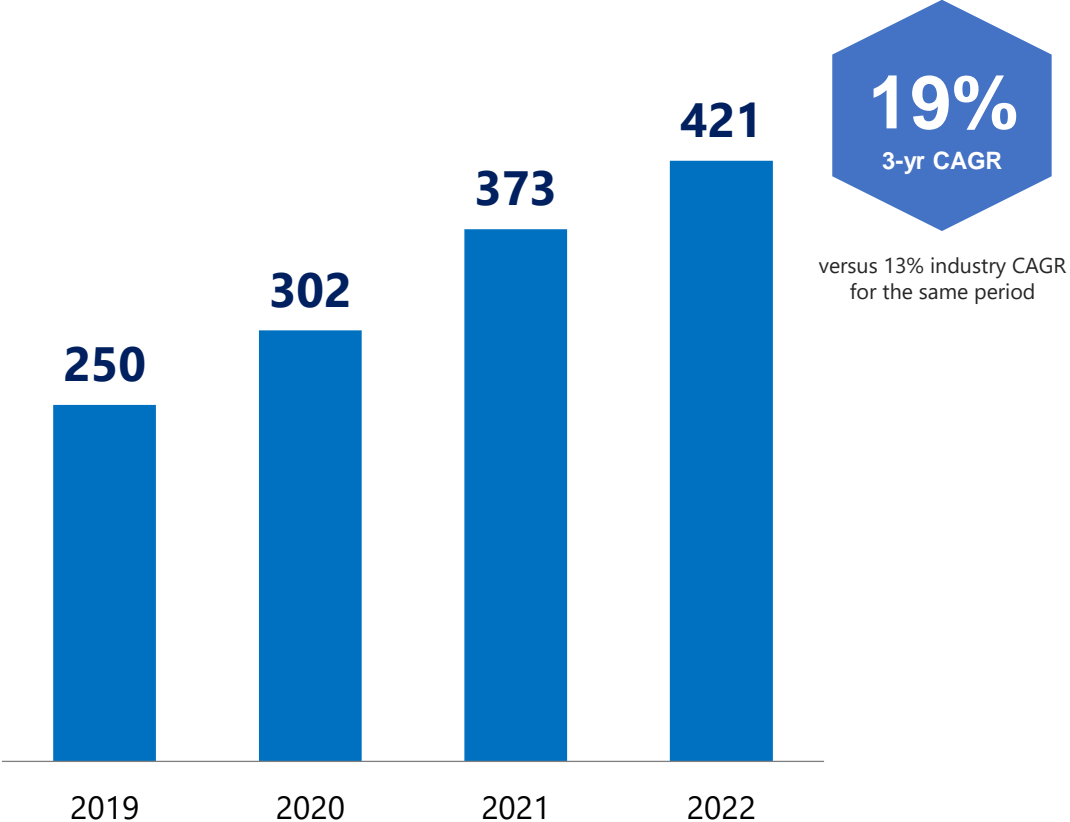


# Record-high deposits outpaced industry

Deposit breakdown  
In PhP Billions



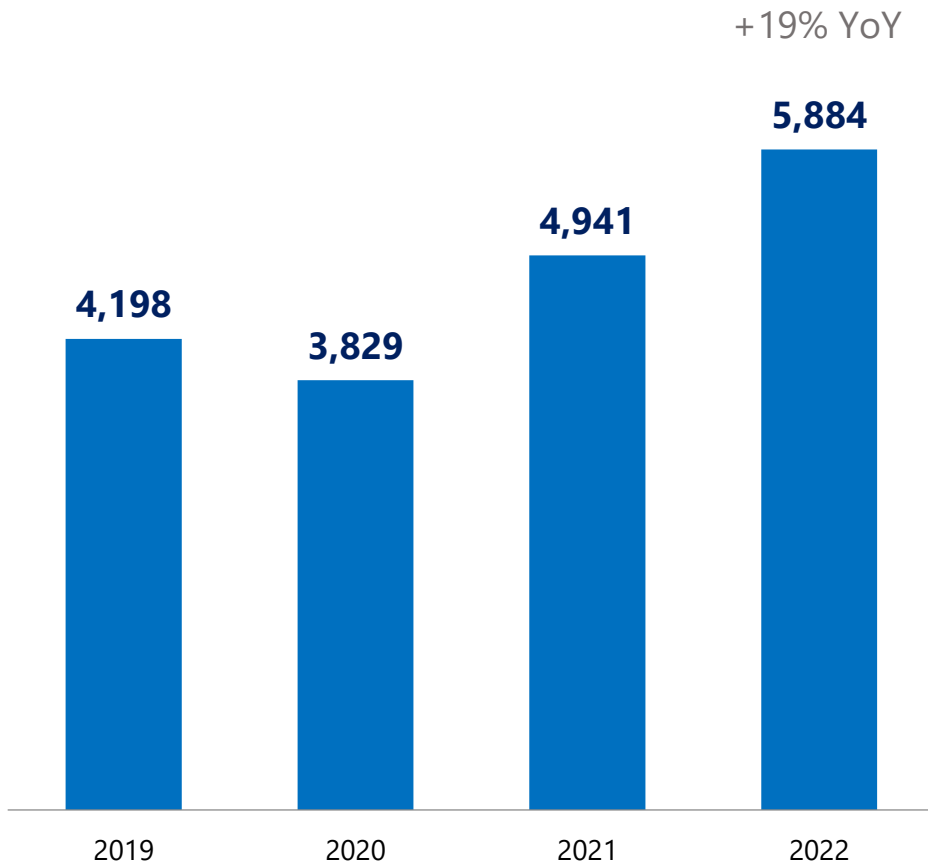
CASA deposits  
In PhP Billions



# Retail and insurance pushed fee income up nearly 20%

## Fee income

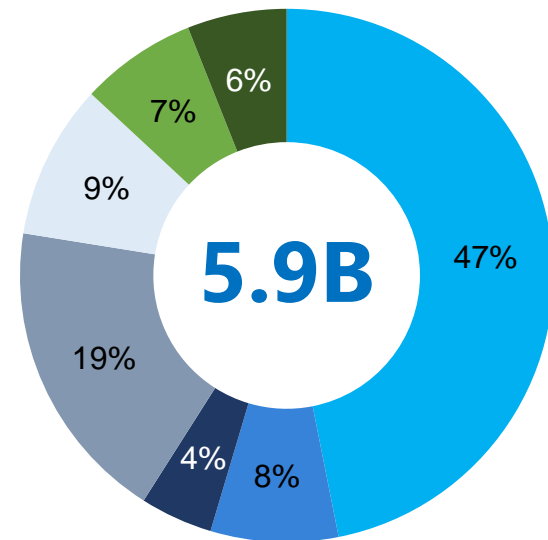
In Php Millions, except %



## Fee income breakdown

In %

- Debit & Credit Cards
- Bancassurance
- Digital
- Loans
- Deposit & Branch
- Trust
- Securities & Brokerage



5.9B

64%

of increase in fee income was attributable to **debit & credit cards** which grew 28% year-on-year

29%

of improvement in fees was on account of a stellar 2.5x increase in fees from **bancassurance** business

# Frontrunner in sustainable finance in PH

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We are the first Philippine universal bank to issue sustainable financing instruments under ASEAN bond standards

RCBC is also the first local bank to participate in PCAF, an initiative among financial institutions worldwide to harmonize assessments and disclosures of GHG emissions



**PhP 72B**

Loans under our  
Sustainable Portfolio

**3%**

Remaining exposure to  
coal as a % of total assets

**PhP 14.8B**

Raised from the ASEAN  
sustainability bond in Feb 2022



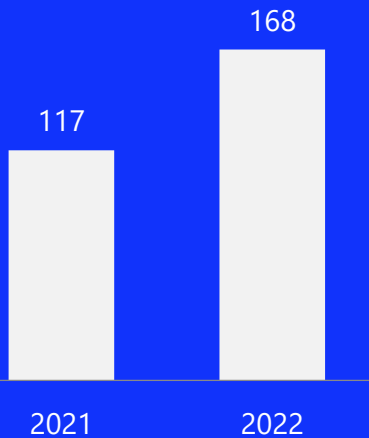
# Digital solution supporting contextual banking thrust



**+44%**

YoY growth in gross transaction value

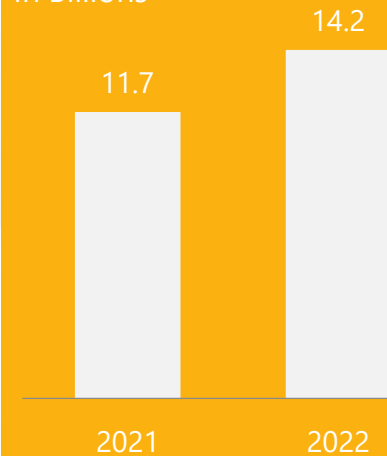
Gross transaction value  
In Billions



**+22%**

YoY growth in gross transaction value

Gross transaction value  
In Billions



**+31%**

YoY growth in gross transaction value

**>1000**

ATM Go merchants nationwide

**100%**

nationwide coverage in all 82 provinces





# Revving up RCBC's growth engine



SMBC is one of the largest banks globally with presence in approximately 40 countries and regions.

Together with its group companies, the financial giant is engaged in retail banking, corporate banking, and investment banking, leasing, securities, credit card, investment, mortgage securitization, venture capital and other credit related businesses.

SMBC's Credit Ratings*	
S&P	A
Moody's	A1
Fitch Ratings	A

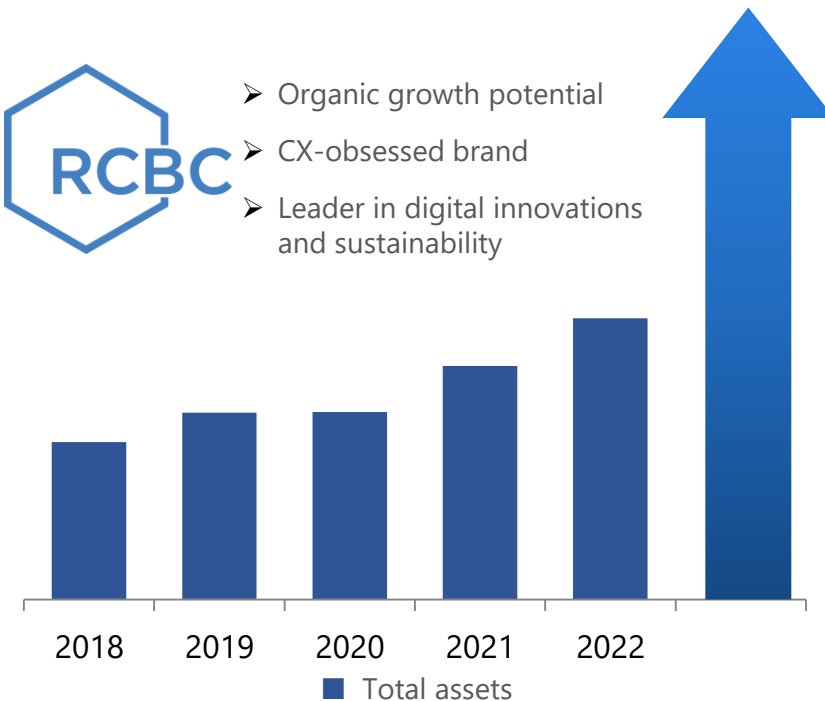
SMBC's capital support and global best practices



- Organic growth potential
- CX-obsessed brand
- Leader in digital innovations and sustainability

**P27B**

Capital infusion



# Consolidated key financial indicators

	Dec 2022	Dec 2021	Change
<b>PROFITABILITY</b>			
Return on Equity	11.2%	6.7%	4.5%
Return on Assets	1.2%	0.8%	0.3%
Net Interest Margin	3.7%	4.1%	-0.4%
<b>COST EFFICIENCY</b>			
Cost-to-Income Ratio	56.5%	61.9%	-5.5%
<b>ASSET QUALITY</b>			
Net NPL Ratio	2.0%	3.3%	-1.3%
NPL Coverage Ratio	84.4%	63.7%	20.6%
Credit Cost	1.1%	1.2%	-0.1%
<b>CAPITAL</b>			
Capital Adequacy Ratio	15.3%	15.2%	0.1%
CET1	12.3%	12.2%	0.2%



For more information about RCBC,  
please contact  
**[Investor\\_Relations@rcbc.com](mailto:Investor_Relations@rcbc.com)**





**RCBC FY 2022  
ANALYSTS' BRIEFING**