



RCBC 1H 2023 ANALYSTS' BRIEFING

10 August 2023

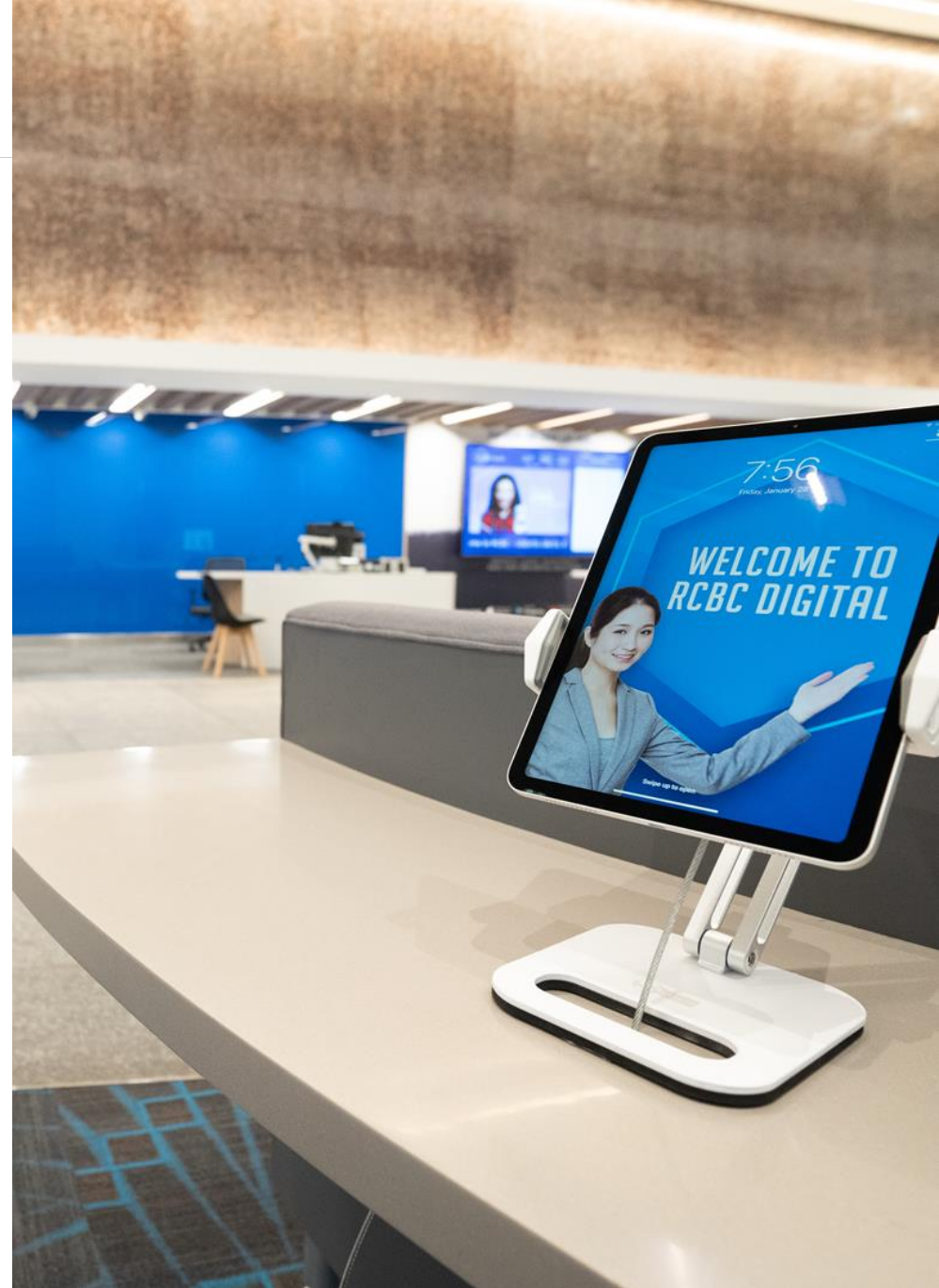
4:00 PM

Agenda

01 Economic Outlook
Michael L. Ricafort, RCBC Chief Economist

02 RCBC 1H 2023 Performance
Chrissy P. Alvarez, RCBC Corporate Planning Head & CIO

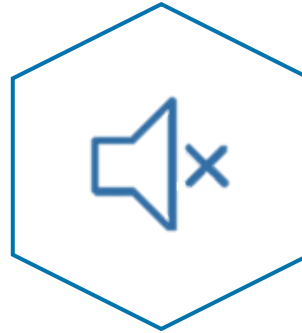
03 Q&A



A few reminders...



If your connection gets cut, you may use the same link or meeting details to get back in.



Microphones will remain on mute during the briefing proper and will be unmuted during the question and answer portion.



If you have any concerns during the briefing, you may send us a message using the chatbox.

Meeting ID: 849 0217 1299
Passcode: RCBC2Q2023

A few reminders...



For easier identification, kindly set your meeting name to include your **company or organization** followed by your **registered name**.

e.g., RCBC – Juan dela Cruz



Queue your name using the chatbox for your questions.

Each participant may ask two questions at a time. If you have more questions, kindly queue your name again.

RCBC is recognized for its strong franchise across business lines





Economic Outlook

Mr. Michael L. Ricafort
RCBC Chief Economist

Market forecasts and catalysts for 2023

Economic Indicators	2021 Actual	2022 Actual	2023 Forecast
GDP Growth	5.7%	7.6%	5.5%-6.5%
USD/PhP (Year-End)	50.999	55.755	55.00-56.00
USD/PhP (Average)	49.25	54.48	55.25-56.25
Inflation (Average)	3.9%	5.8%	5.5%-5.8%
BSP Policy Rate	2.00%	5.50%	6.25%-6.50%
Fed Funds Rate	0.00%-0.25%	4.50%	5.25%-5.50%
PSEi	7,122.63	6,566.39	7,100-7,600

Key Market Catalysts:



Possible Fed rates cuts to be matched by BSP in 2024.

By end of 2023, possible +0.25 hike or pause after mixed US economic data; after recent hikes by other developed countries.



Crude oil prices at new 3-months highs

After recent output cuts by Saudi Arabia, Russia; but still among 1.5 year lows.



Inflation higher than pre-pandemic levels

As of June 2023, inflation rate is at 5.4%. BSP estimates 2.9% inflation in 2024 and 3.2% in 2025.



Better employment rate

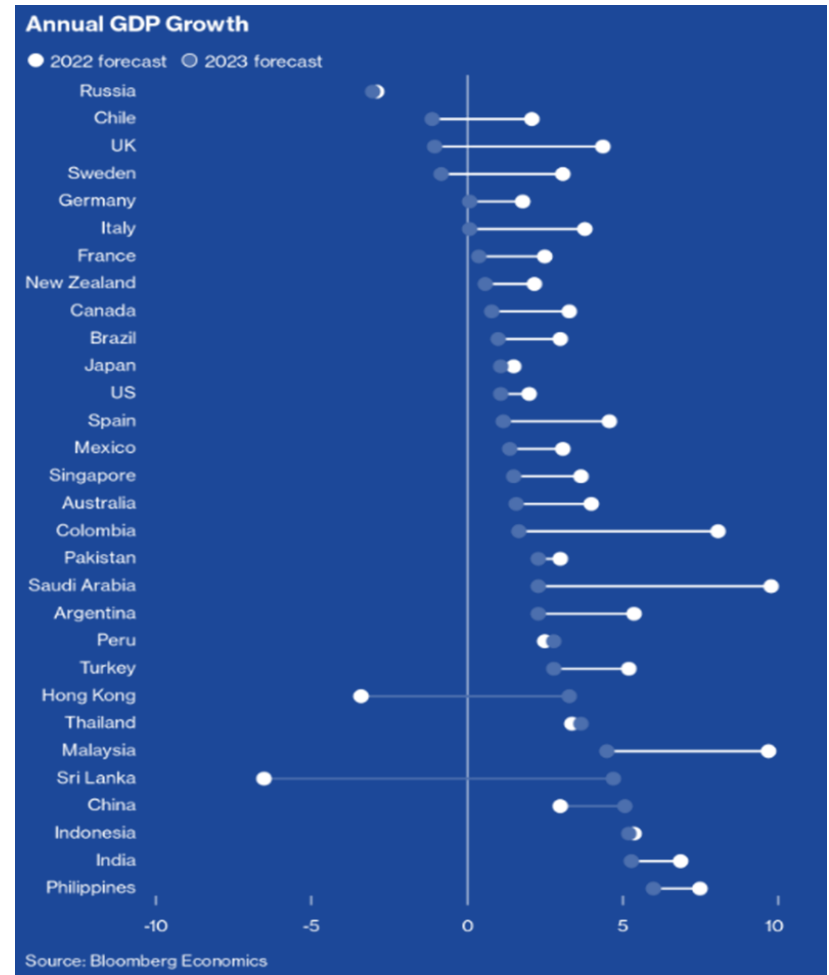
As of May 2023, employment rate is at 95.7%, the highest/best since December 2022.

Philippine GDP growth estimates (2023-2024)

Philippine GDP Growth Estimates* (2023-2024)

Multilateral Institutions	2023 Forecast	2024 Forecast
IMF**	6.2% (from 6.0%)	5.5% (from 5.8%)
ADB	6.0%	6.2%
World Bank	6.0% (from 5.6%)	5.9% (up to 2025)
AMRO	6.2%	6.5%
S&P Global Ratings	5.8%	
Moody's Analytics	6.1% (from 5.7%)	5.4% (from 6.0%); 6.4% in 2025
Fitch Ratings	5.5%	
PH Government	6.0%-7.0%	6.5%-8.0%

Philippine GDP Growth Expected to be Among the Fastest For 2023

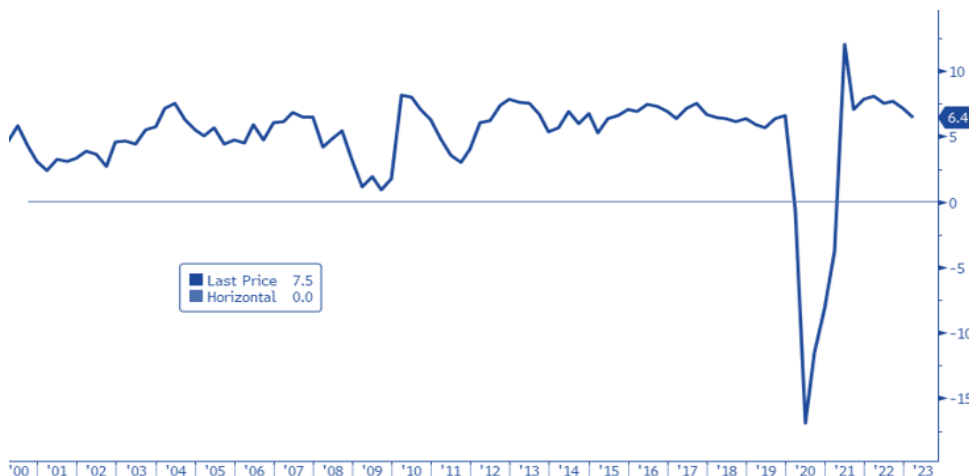


*As of July 25, 2023

**Latest forecast

Better-than-expected inflation rate; interest rates still rise until potential Fed rate cuts

Philippine economic/GDP growth for 1Q 2023: 6.4% year-on-year



- In July 2023, **inflation slowed to 4.7%**. Meanwhile **core inflation slowed to 6.7% YoY** from 7.4% in June.
- **Spread of the Key BSP Overnight Rate** vis-à-vis the Comparable Fed Funds Rate (Upper Range): Currently at +75 Basis Points

US CPI/inflation for the month of June 2023 eased further to 3%, after 4% in May 2023.



- **US GDP Growth** (2Q 2023) improved by +2.4% annually, faster than market estimates
- US Govt. additional purchases of **6mn barrels of oil** for the US Strategic Petroleum Reserves (for Oct.-Nov. 2023) to a total of 12mn barrels for 2023 and after output cuts.
- **USD/PhP** currently at **56.02*** remains one of the best performers in ASEAN.



RCBC 1H 2023 Performance

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

Performance Highlights and Business Updates

P6.2B

in net income

1H profits reached an all-time high of P6.2B for the first 6 months of 2023 on the back of a solid 14% growth in total loans. Return on equity hit 11%, a massive improvement from previous years.



+17%

in total assets

Loans rose double-digit across all segments. Corporates posted massive improvement year-on-year while SME and consumer sustained strong momentum in high-teens.

+22%

in total deposits

Deposits reported 22% increase from previous year, supported by strong CASA growth. “Phygital” cash management solutions, data and extensive lending relationships drove CASA balances.



+P27B

in CET 1 post SMBC
capital infusion

RCBC completed the sale of an additional 15% stake to SMBC, boosting the Bank’s capital ratios by over 300 bps and earning us a positive outlook from Moody’s.



1H profits reached all-time high of P6.2B

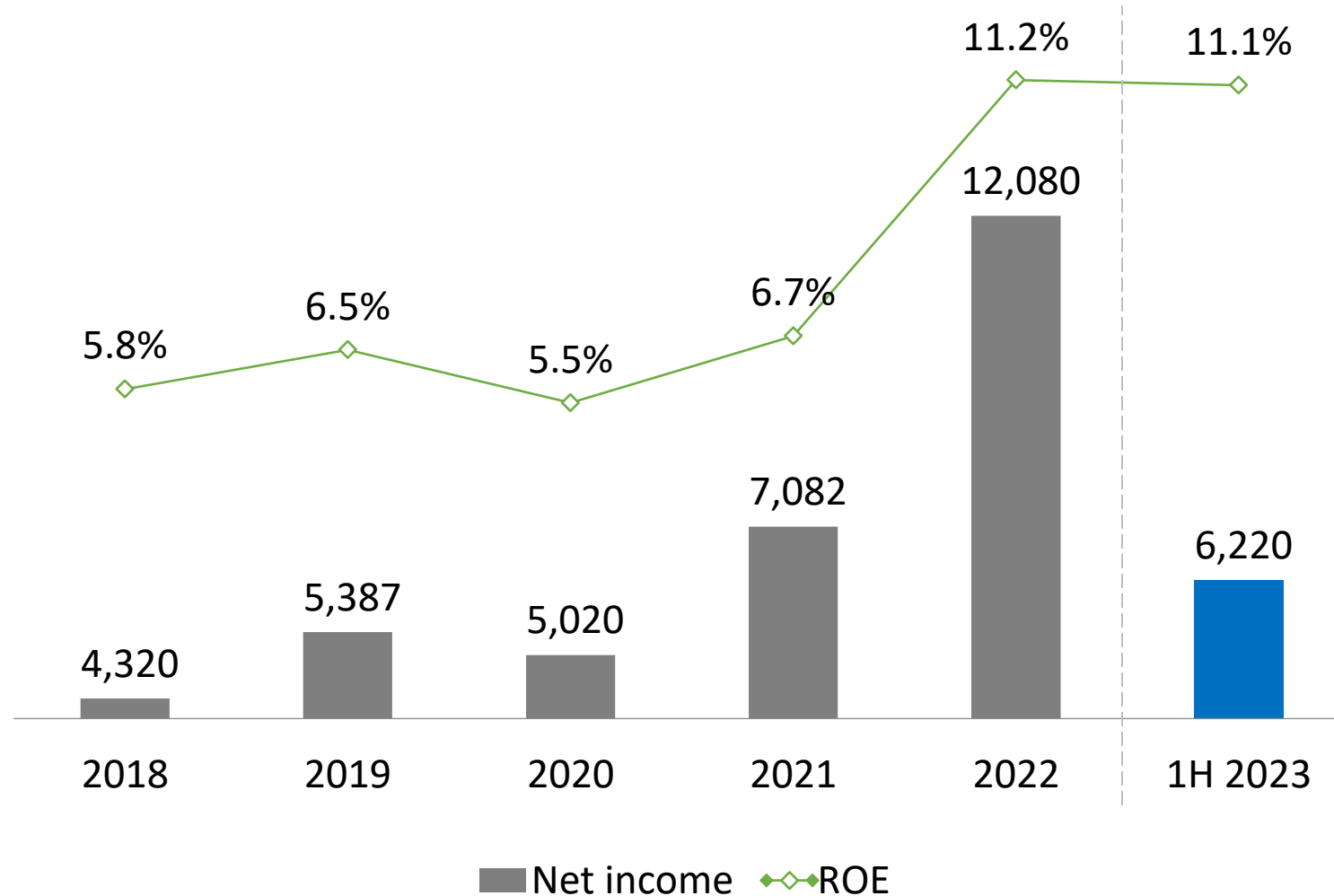
	1H2023	1H2022	Change	% Change
INCOME STATEMENT				
Gross Income [1]	23,455	21,231	2,224	10.5%
Net Interest Income	15,351	15,986	(635)	(4.0%)
Fee Income	3,170	2,908	262	9.0%
Operating Expenses	14,318	12,231	2,087	17.1%
Net Income	6,220	6,135	85	1.4%
BALANCE SHEET				
Assets	1,174,267	1,003,305	170,962	17.0%
Loans [2]	576,772	506,589	70,184	13.9%
Investment Securities	339,318	283,354	55,964	19.8%
Deposits	899,741	739,511	160,230	21.7%
Capital	118,393	112,048	6,345	5.7%



Profitability significantly improved in recent years

Historical net income & ROE

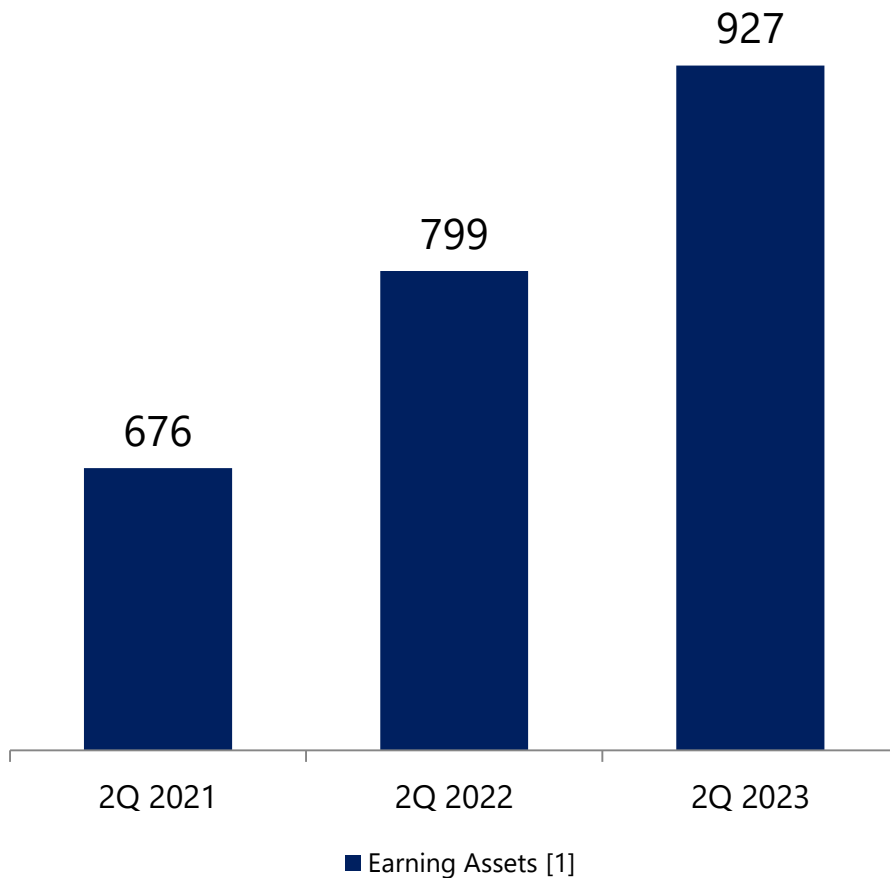
In Php Billions, except %



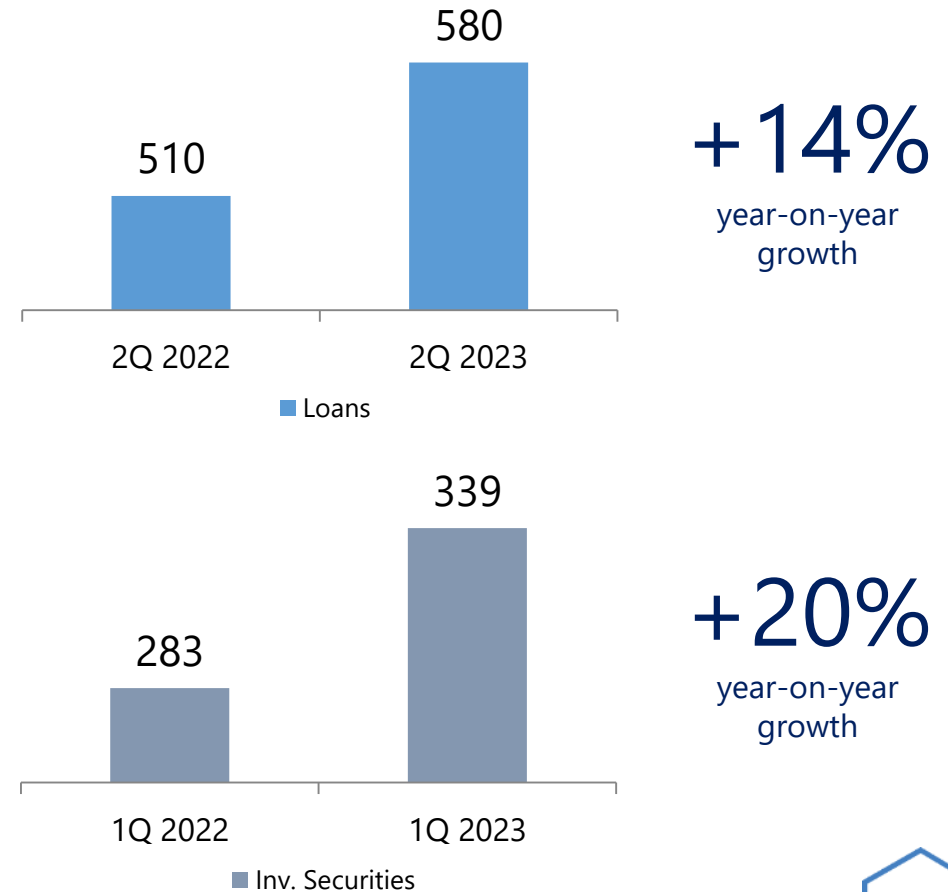
+29%
Net Income
CAGR 2018-2022

Assets up 17% on the back of 14% increase in loans

Earning assets rose 16% year on year

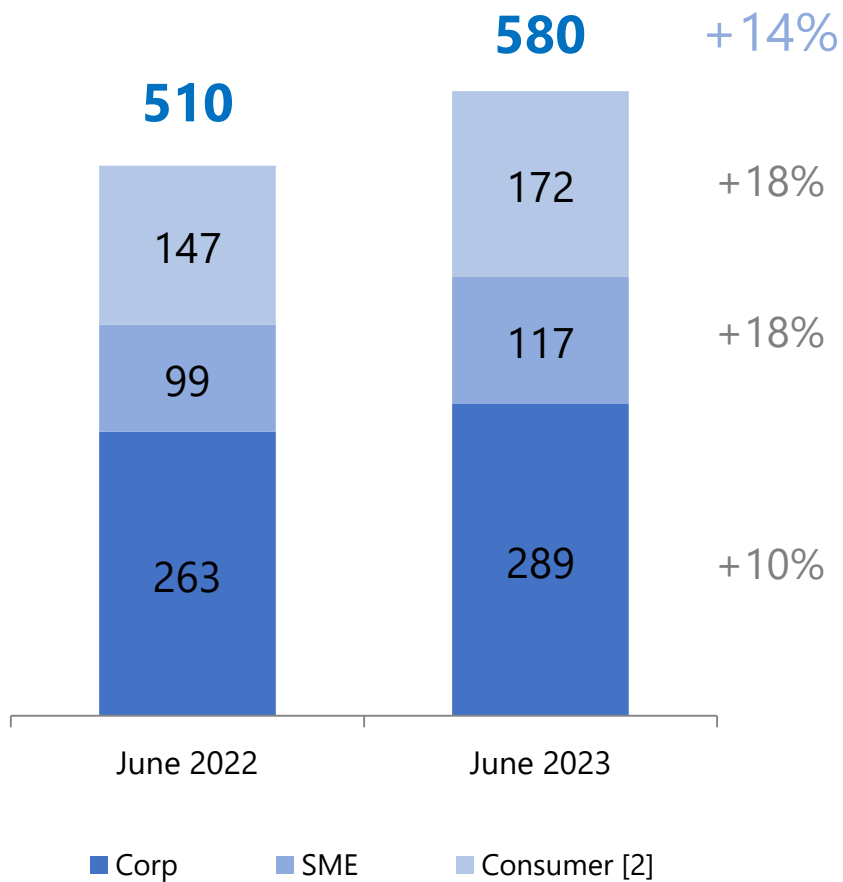


This was on the back of double-digit increase in customer loans and investment securities

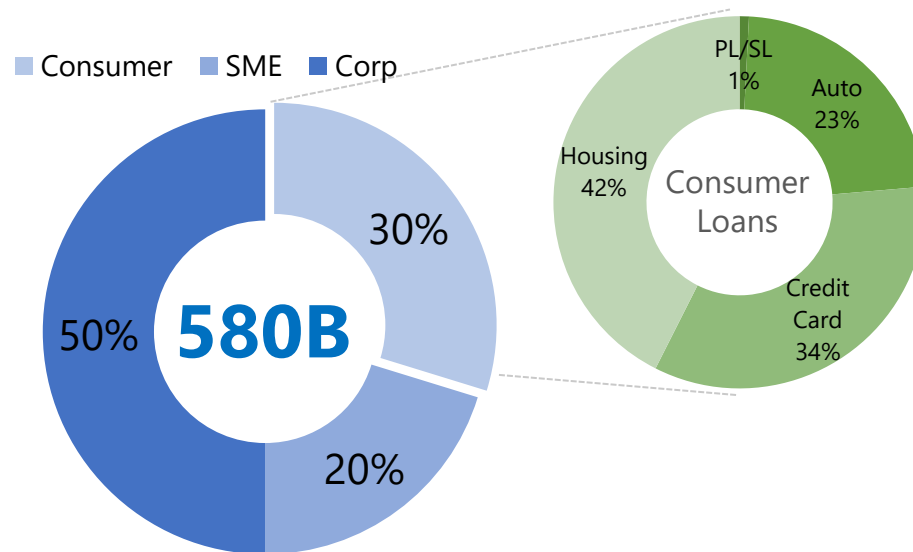


Double-digit growth across all segments

Loan Portfolio¹
In Php Billions, except %



Loan Mix
As of June 2023



Corporate improved significantly in 2Q 2023, accounting for 37% of loan growth, while SME and consumer sustained their solid momentum

Meanwhile, credit card continued to lead the rally in the retail segment with 49% jump and now making up over a third of the consumer portfolio.



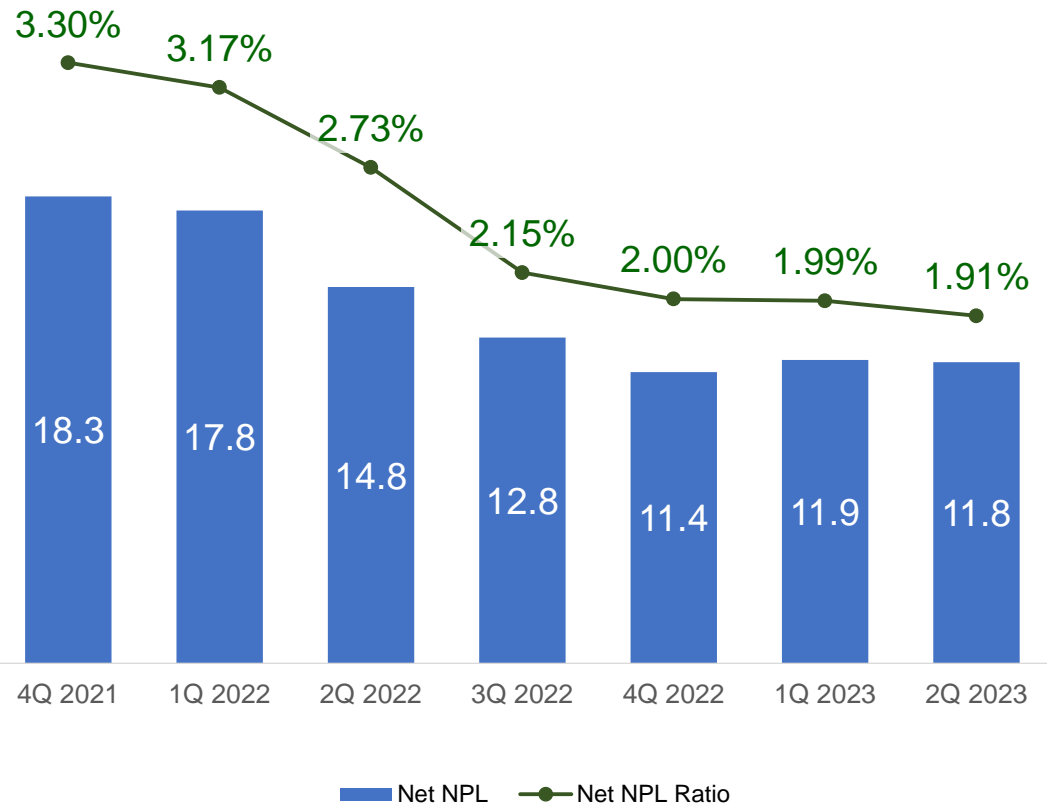
[1] Total loan portfolio includes microfinance loans amounting to PhP 1.4B as of March 2022, and PhP 1.7B as of March 2023.

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

Improved NPLs despite growth in assets

Net NPL Amount and Ratio

In Php Billions, except %



Net NPL ratio per Segment

As of June 2023

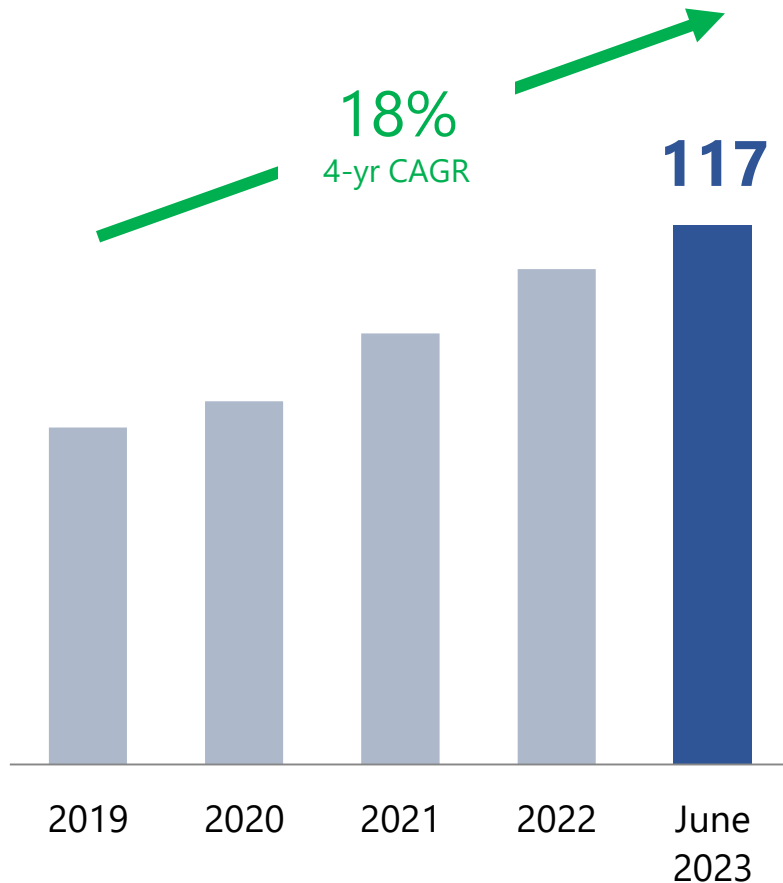
Corporate	0.8%
SME	1.7%
Consumer	5.1%
Credit Card	0.7%

The Bank's data and digital strategies, tightened credit and proactive remedial management paid off, with marked improvement in NPLs across most loan segments.



SME focused on high-growth sectors outside NCR

Historical SME Loans
In Php Billions



6.9%
Solid average yield;
better than budget



125%
High total deposit
to loan ratio



1.7%
Improving net NPL
despite growth



81%

of increase in loans came
from outside Metro Manila
in 1H 2023

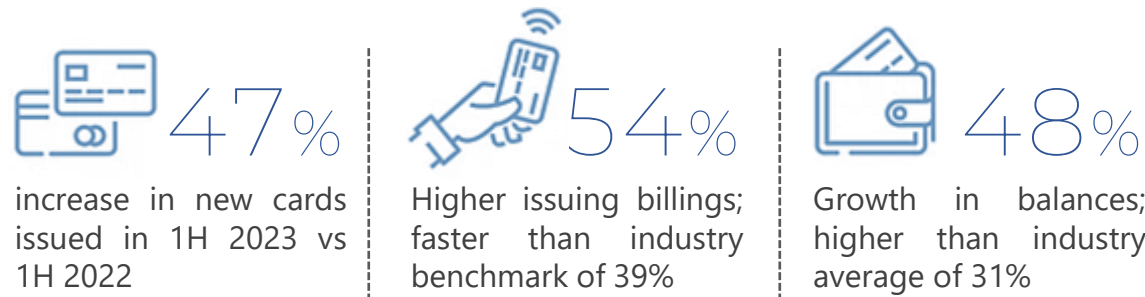
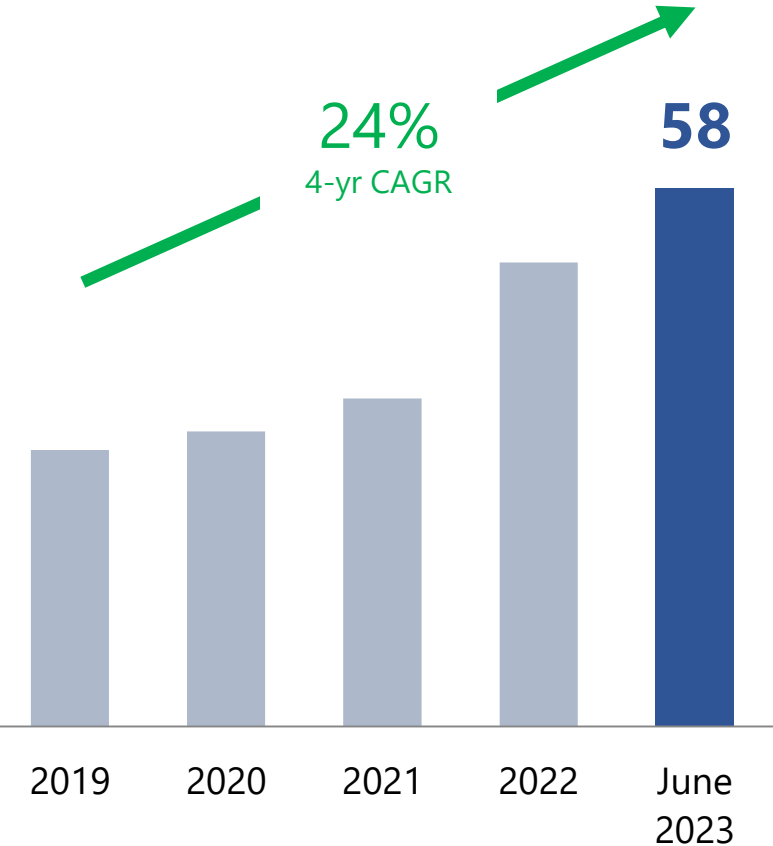
Provincial Tycoons

Cooperatives

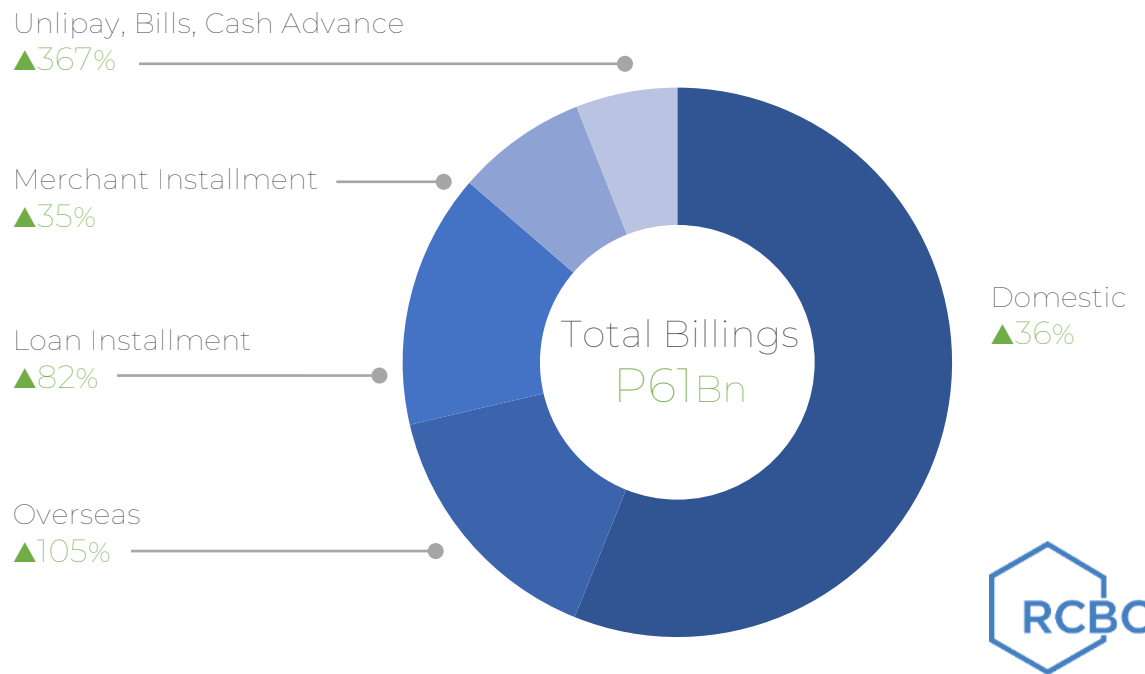


Data & digital use cases boosted credit cards

Historical Credit Card Balances
In Php Billions

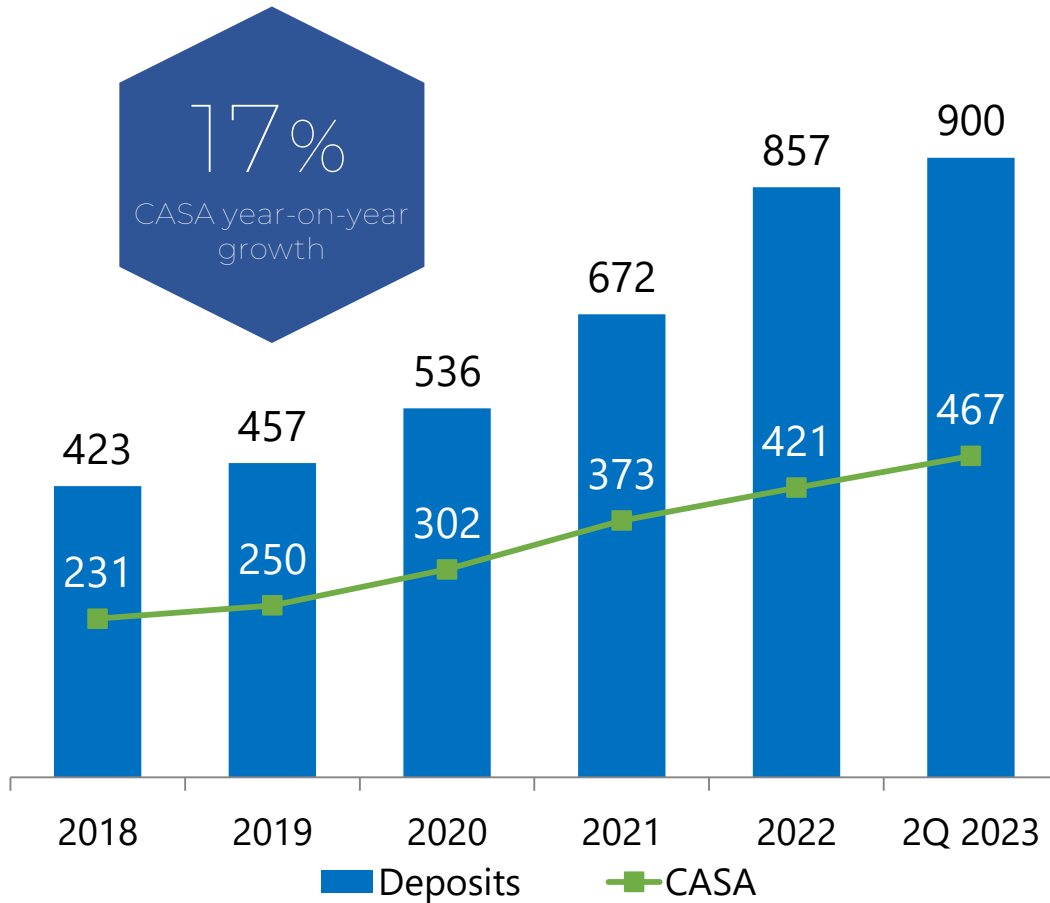


Relevant and disruptive use cases drove card usage



Solid momentum in deposits, CASA up by 17%

Historical Deposits and CASA
In Php Billions



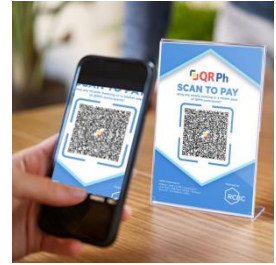
Cash management solutions continued to provide uplift for deposits...



Cash Cube



CheckScan



QR Pay

on top of stronger corporate and SME banking relationships

62%

High CASA-to-loan ratio from corporates

72%

Better-than-expected CASA-to-loan ratio from SMEs



Building the favored digital banking brand



47.3B
gross transaction
value; up 31% from LY

87.5M
in total revenues; up
25% from LY

RCBC developed RCBC Pulz, its enhanced and most advanced banking app to date.



2023 will see DiskarTech pivot into a **more capable** and **loans-focused app** with a refreshed user interface (UX) and faster onboarding

5.4M
total app
downloads

65%
increase in total
revenues to 7M

1.4M
total basic
deposit accounts

7B
in total gross
transaction value



2881
ATM Go terminals

1386
partner merchants

5.98B
gross transaction
value; up 29% YoY

73M
in total revenues; up
82% versus LY

Frontrunner in sustainable financing in the Philippines



Institutionalizing ESG principles



Supporting clean energy

- Solid pipeline of renewable energy projects
- Ceased funding of coal; remaining exposure of P39B to zero out by 2031

RCBC EXPOSURE TO COAL



A pioneer in SFIs in the PH

- First ASEAN sustainability bond issuance out of the country
- Introduced PH's first Peso green TD to enable clients to participate in our sustainability journey



Effective employee management

- Better-than-industry retention
- PMAP award for "Regional Exemplar for Strategic HR" and "People Program of the Year" for the Bank's Workforce Readiness Program



RCBC Leadership Academy

RCBC Digital Academy

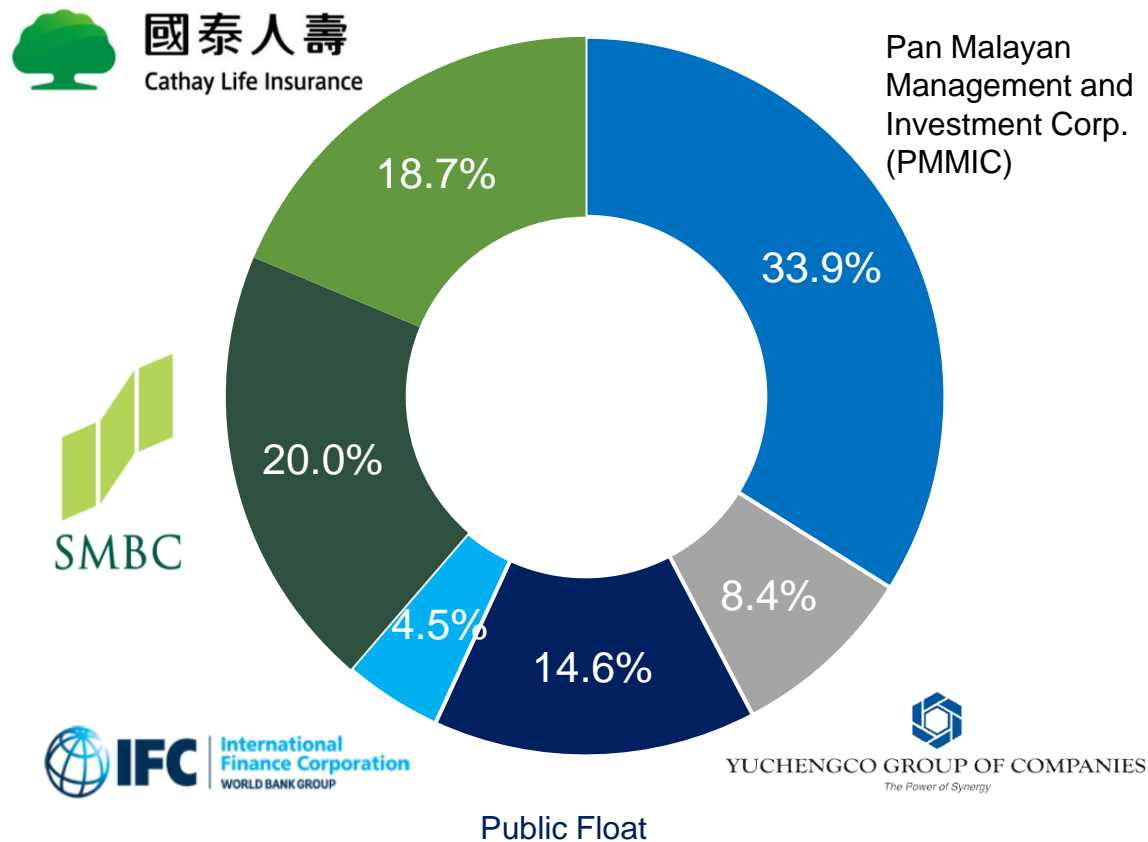
RCBC CX Excellence Academy

Redesigning customer journeys to provide best CX

- Branch of Today and product refresh for digital platforms
- No data breaches, including leaks, thefts and losses of data in FY2022

Start of an enduring partnership

RCBC completed the sale of an additional 15% stake to SMBC through a P27B capital infusion.



Confidence to build our loan book and capture bigger share

↑ 300 bps
uplift in the Bank's CET1 ratio

Nomination of two (2) board directors and one (1) advisory board member from SMBC

Collaboration areas



Corporate Banking



Leasing Business



Consumer Lending



Branch Banking



Trust & Wealth Management



Digital Banking

Consolidated key financial indicators

	Jun-23	Jun-22	Change
PROFITABILITY			
Return on Equity	11.1%	9.5%	1.6%
Return on Assets	1.1%	1.1%	0.0%
Net Interest Margin	3.3%	4.0%	-0.7%
COST EFFICIENCY			
Cost-to-Income Ratio	61.1%	57.6%	3.5%
ASSET QUALITY			
Net NPL Ratio	1.9%	2.7%	-0.8%
NPL Coverage Ratio	84.3%	69.2%	15.1%
Credit Cost	1.2%	0.8%	0.4%
CAPITAL			
Capital Adequacy Ratio	14.2%	15.5%	-1.3%
CET1	11.3%	12.4%	-1.1%



Question & Answer



For more information about RCBC,
please contact
Investor_Relations@rcbc.com





**RCBC 1H 2023
ANALYSTS' BRIEFING**