

# Investment in RCBC

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November 2, 2022



# 1. Summary of investment

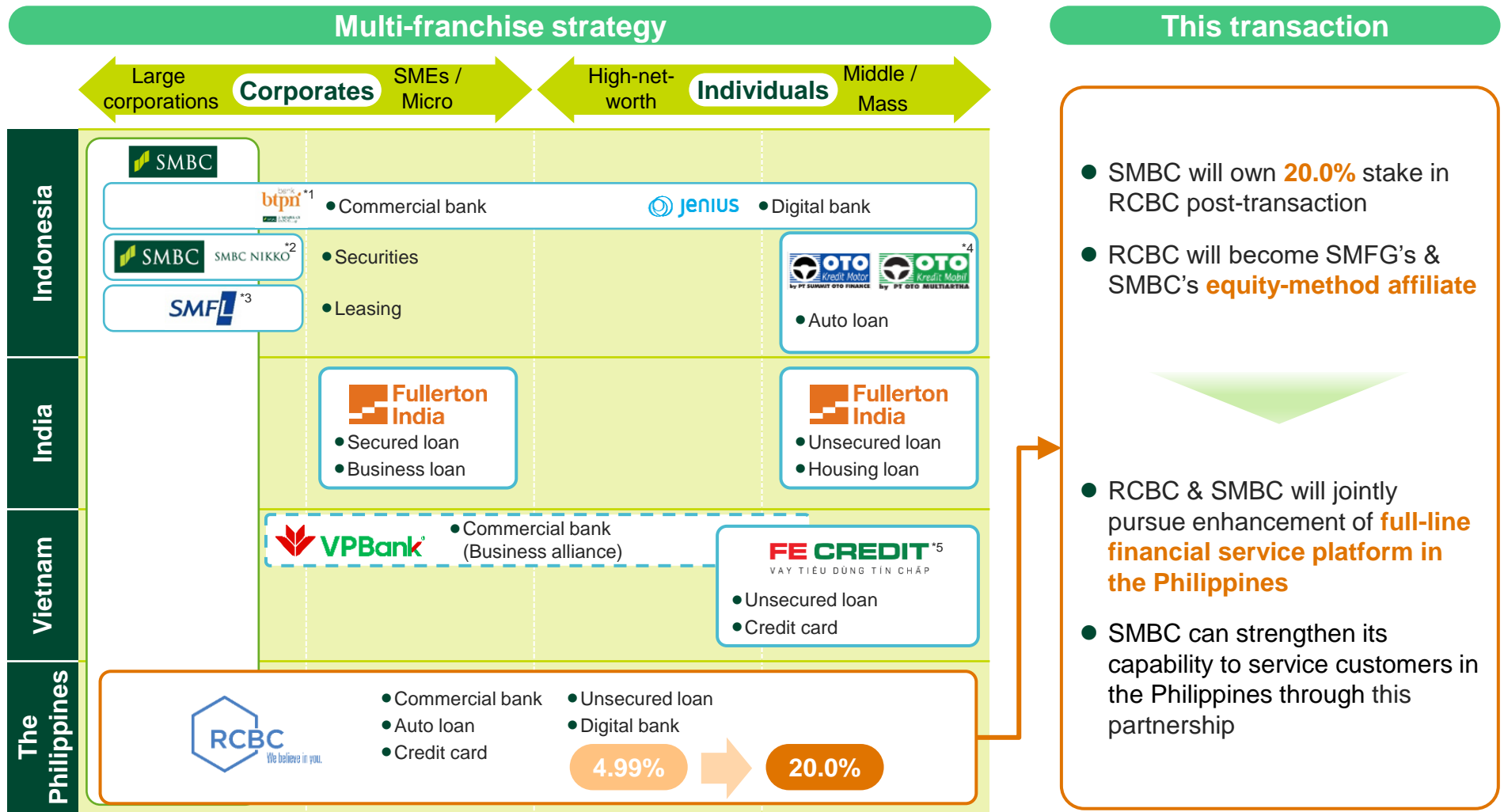
## Basic information

<b>Investee company</b>	<ul style="list-style-type: none"><li>• Rizal Commercial Banking Corporation (“RCBC”), one of the largest universal banks in the Philippines</li></ul>
<b>Overview</b>	<ul style="list-style-type: none"><li>• SMBC acquired 4.99% stake in RCBC in June 2021</li><li>• SMBC will acquire additional 15.01% newly issued common stock*<sup>1</sup> in RCBC for PHP27.126bn (approximately USD461mn*<sup>2</sup>)</li><li>• RCBC will become an equity method affiliate company of SMFG and SMBC</li></ul>
<b>Financial impact</b>	<ul style="list-style-type: none"><li>• Investment return: Expect to reach our profit criteria from the 1<sup>st</sup> year of investment</li><li>• CET1 ratio: Approximately ▲7bps</li></ul>
<b>Strategic rationale</b>	<ol style="list-style-type: none"><li>1. Contribute to enhancing RCBC’s financial soundness and accelerating growth</li><li>2. Strengthen SMBC’s capability to service customers in the Philippines</li><li>3. Enjoy increased financial benefits</li></ol>

# Strategy for franchise in Asia

## - Positioning of this transaction

Establishment of a strong partnership as core component of multi-franchise strategy in the Philippines



\*1 PT Bank BTPN Tbk \*2 PT Nikko Sekuritas Indonesia \*3 PT SMFL Leasing Indonesia  
 \*4 PT Oto Multiartha / PT Summit Oto Finance \*5 VPBank Finance Company Limited

## 2. Strategic rationale

### SMBC to contribute to enhancing RCBC's financial soundness and accelerating growth

- **RCBC's organic growth capability**

RCBC is a promising bank having strong growth potentials with the innovative initiatives in the Philippines which has attractive long-term economic growth



- **SMBC's capital support and business synergy for accelerating growth**

#### (1) Capital support

- Enhance financial soundness and expand room for further growth
- Rank up to top tier banks on CET1 ratio

#### (2) Business synergy

- Expand customer base
- Strengthen products & services
- Increase efficiency

### (3) Work jointly to make RCBC a top tier bank in the Philippines over mid/long-term

### Realize SMBC's multi-franchise strategy

- **SMBC can strengthen its capability to service customers in the Philippines through this partnership**
- **Enjoy increased financial benefits**

# 2. Strategic rationale

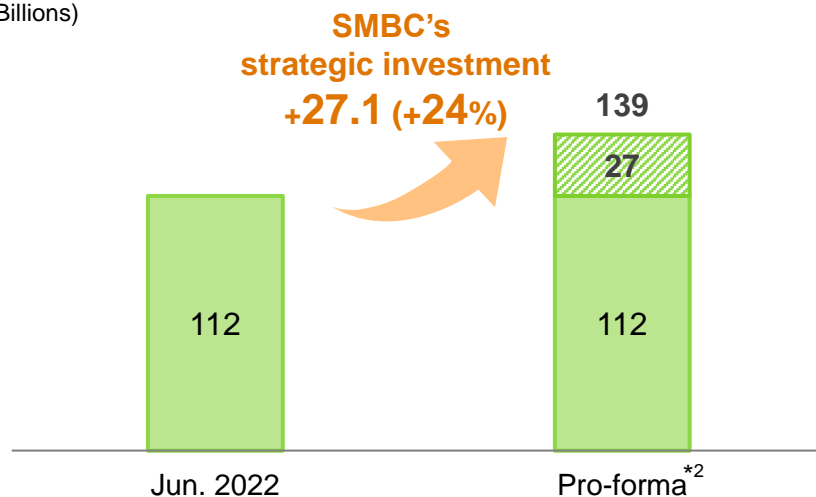
## (1) Capital support

SMBC's strategic investment will enable RCBC to expand room for further growth

### Enhance financial soundness and expand room for growth

#### Pro-forma total capital\*1

(PHP in Billions)



The investment will support :

- long-term risk asset growth
- digital investment
- human resources for expanding branch network

### Rank up to top tier banks

#### Pro-forma CET1 ratio\*1

Union Bank	20.6%
Metrobank	16.8%
Security Bank	16.7%
<b>RCBC*2</b> (Pro-forma)	<b>16.5%</b>
Bank of the Philippine Islands	15.9%
China Bank	14.8%
Philippine National Bank	14.5%
EastWest Bank	13.6%
BDO Unibank	13.4%
<b>RCBC</b> (2Q 2022)	12.4%

4<sup>th</sup>\*3

\*1 As of the end of June 2022 \*2 After this transaction (additional 15.01% investment by SMBC) \*3 Among private banks

# 2. Strategic rationale

## (2) Business synergy

Leveraging strategic alliances to grow into the Philippines' top presence in each area



– Potential collaboration areas –

### Expand customer base

#### • Support Japanese clients



#### • Business matching



#### • Group collaboration



### Strengthen products & services

#### • Project finance

- Renewable energy
- Infrastructure etc.



#### • Sustainable finance

- Clean water, Healthcare etc.



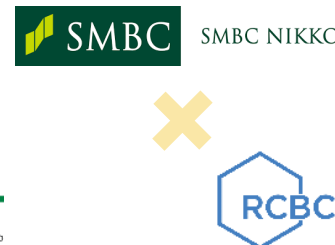
#### • Mass market loan

- Collaborate with FE Credit



#### • Wealth management

- Collaborate with SMBC Nikko



### Increase efficiency

#### • Branch office efficiency



#### • Utilize digital innovation



## 2. Strategic rationale

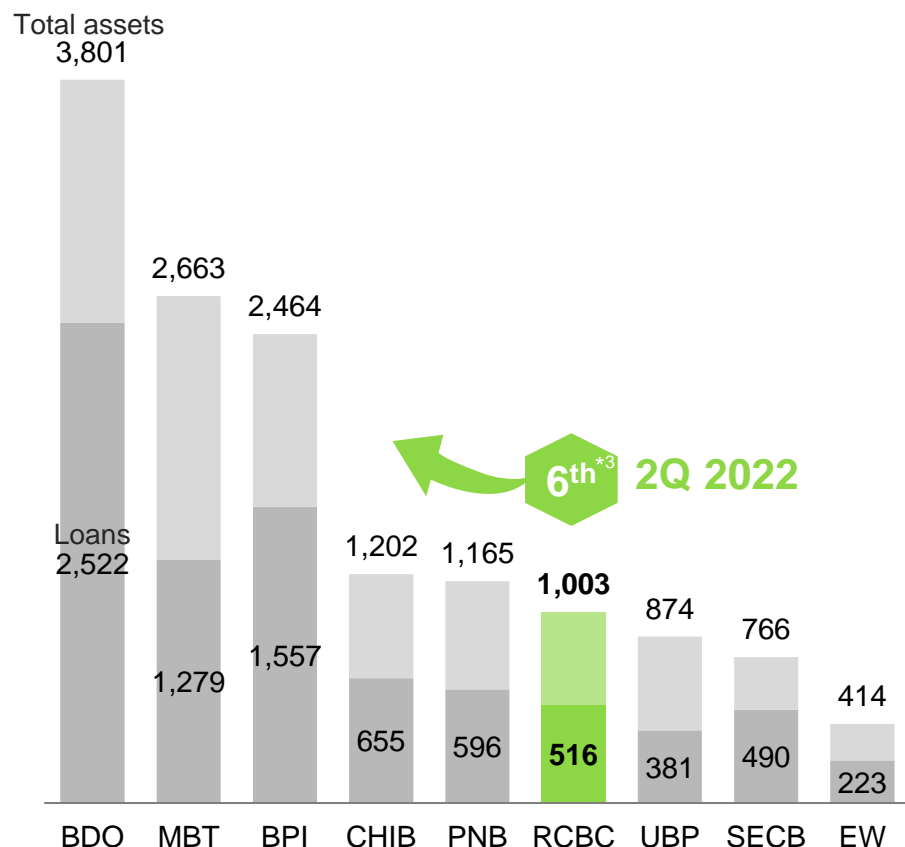
### (3) Work jointly to make RCBC a top tier bank over mid/long-term

SMBC will work with RCBC to achieve its mid/long-term aspiration to become a top tier bank in the Philippines

#### Realize sustainable asset growth

##### Total assets\*1 / Loans\*1

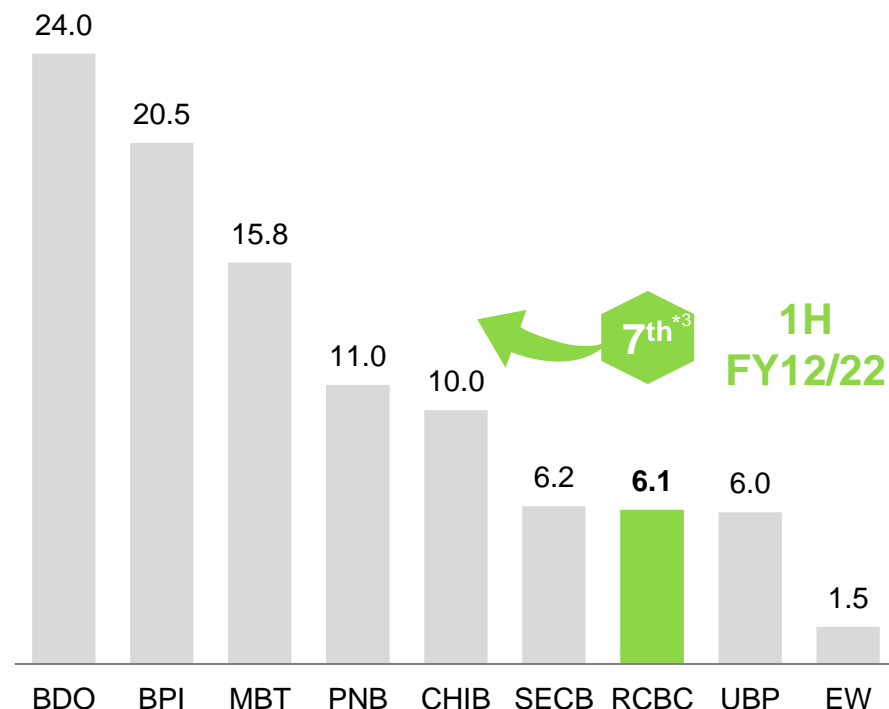
(PHP in Billions)



#### Aim to expand business performance

##### Net income\*2

(PHP in Billions)



\*1 As of the end of June 2022 \*2 1H FY12/22 \*3 Among private banks



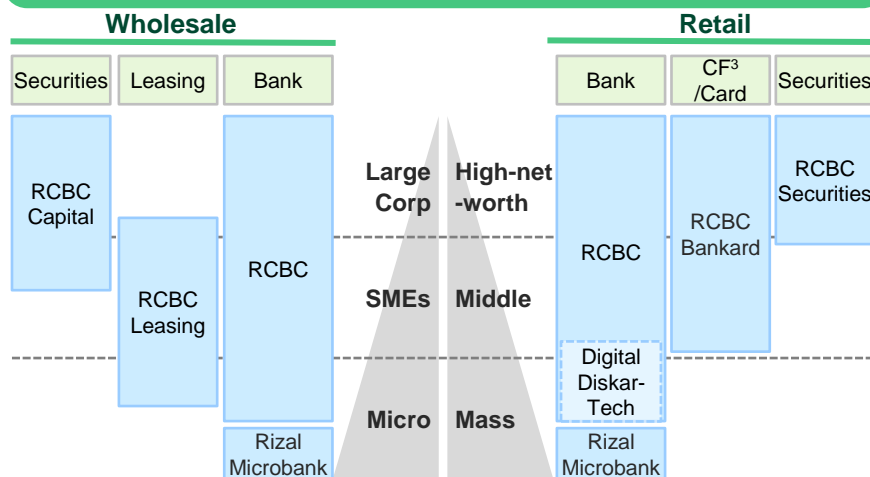
# 3. Overview of RCBC (1)

RCBC is a leading universal bank with prominent presence and reputable brand in the Philippines providing comprehensive financial services including securities, leasing, and credit cards on a group basis

## Company information

<b>Company name</b>	Rizal Commercial Banking Corporation
<b>History</b>	1960: Established 1986: Listed on the PSE 1989: Obtained Universal Banking License 2021: Received investment from SMBC (4.99%)
<b>CEO</b>	Mr. Eugene Sering Acevedo
<b>Employees</b>	Approximately 6,000
<b>Network</b>	Over 440 branches and approximately 2,500 ATMs throughout the Philippines
<b>Position</b>	Ranked No. 6 by asset size among private banks in the Philippines*1

## Business domain

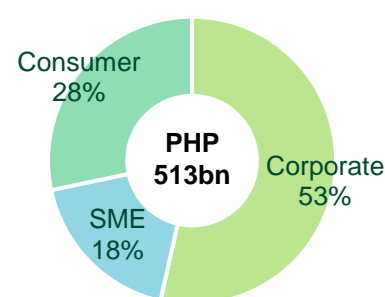


## Key financials\*2

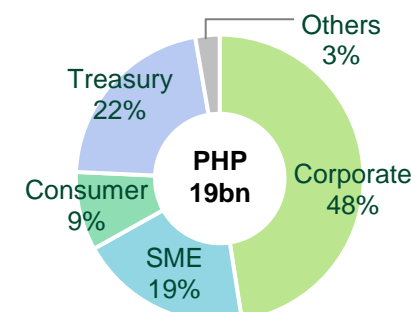
JPY in Billions	FY12/19	FY12/20	FY12/21	1H FY12/22
Operating income	89.3	94.4	90.6	52.9
Net profit	13.4	12.5	17.6	15.3
Total assets	1,910.0	1,922.5	2,388.2	2,498.2
Loans	1,118.6	1,223.3	1,340.4	1,284.9
Deposits	1,136.9	1,334.1	1,674.4	1,841.4
ROE	6.5%	5.5%	6.7%	9.5%
NPL ratio	2.2%	2.9%	3.3%	2.7%
CET1 ratio	12.9%	12.6%	12.2%	12.4%

## Business portfolio

### Loan portfolio\*4



### Net operating income\*4



\*1 As of June 2022 \*2 Assuming PHP/JPY of 2.49 \*3 CF refers to consumer finance \*4 As of December 2021. Figures are rounded and may not add up to 100%



# 3. Overview of RCBC (2)

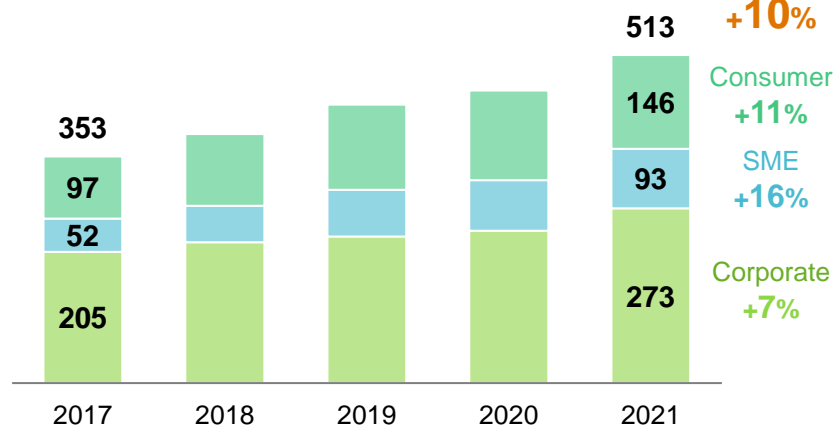
## Strong core business growth driving sustainable expansion

### Growth of loan portfolio

(PHP in Billions)

**CAGR**

**+10%**

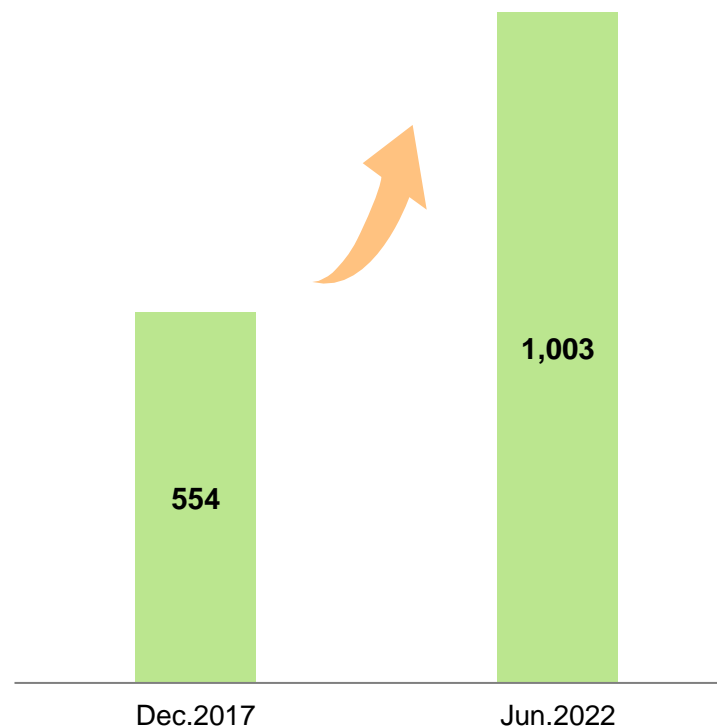


### Roughly doubled in size over 5 years

**Total asset**

(PHP in Billions)

**Ranked up among local banks**



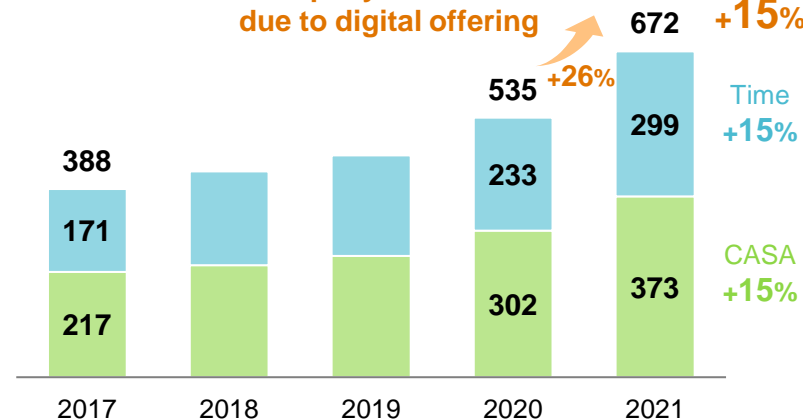
### Growth of deposit portfolio

(PHP in Billions)

**CAGR**

**+15%**

**Rapidly increase due to digital offering**



\*1 Among private banks

# 3. Overview of RCBC (3)

RCBC's innovative initiatives are key drivers for sustainable growth in the future

## Innovative digital solutions spur customer acquisition and increased usage

**259%\*1**

More new retail accounts onboarded digitally



**32%\*1**

Growth in low-cost CASA deposits from cash management clients



**77%\*1**

Increase in cash processed via RCBC's CashCube



## Forefront of sustainable financing

RCBC is the **1st** Philippine universal bank to issue green and sustainable financing instruments under global standards



**PHP 70bn\*2**

Loans eligible under sustainable financing

**60%\*2**

Of the loans eligible under sustainable financing are related to renewable energy and energy efficiency

**PHP 73.89bn in total\*2**

Raised under the Bank's Sustainable Finance Framework from 2019

**PHP 14.8bn**

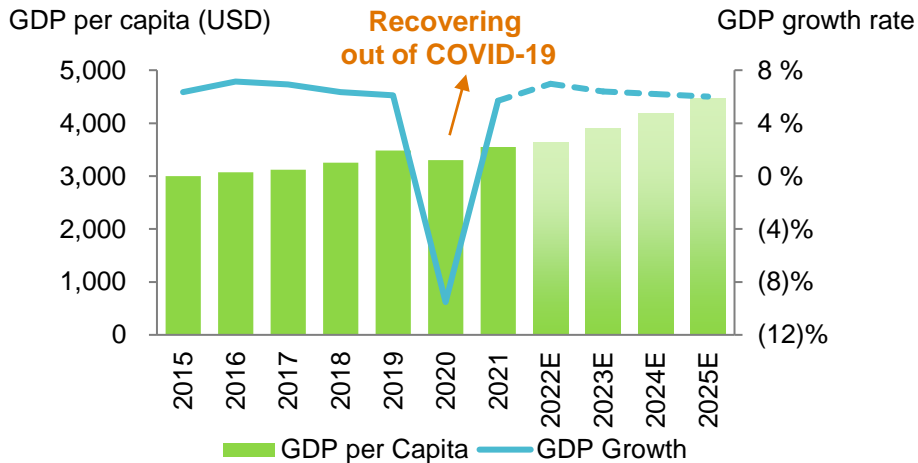
Raised from the issuance of ASEAN sustainability bonds in February 2022

\*1 Growth versus last year (as of December 2021) \*2 As of June 2022

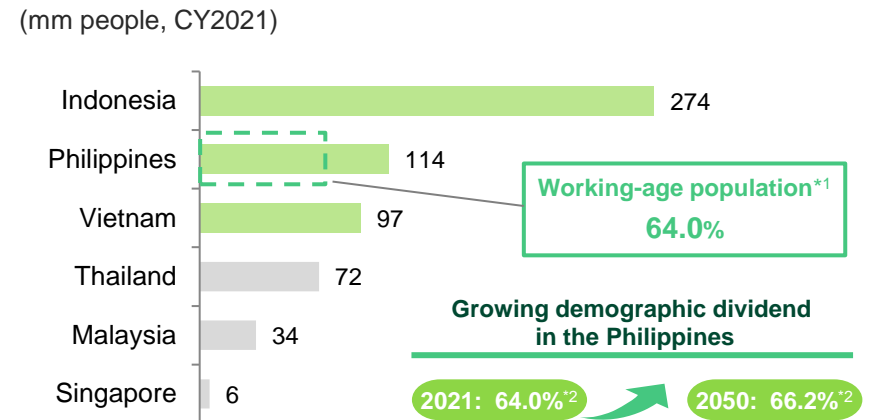
# Appendix : Attractiveness of the Philippines

Philippines has strong potential for growth, as well as other focus countries in the Asian region

## 1. Stable economic growth

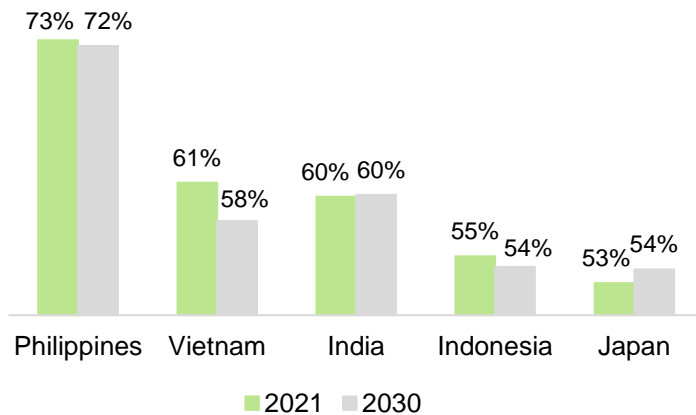


## 2. 2nd largest population in Southeast Asia



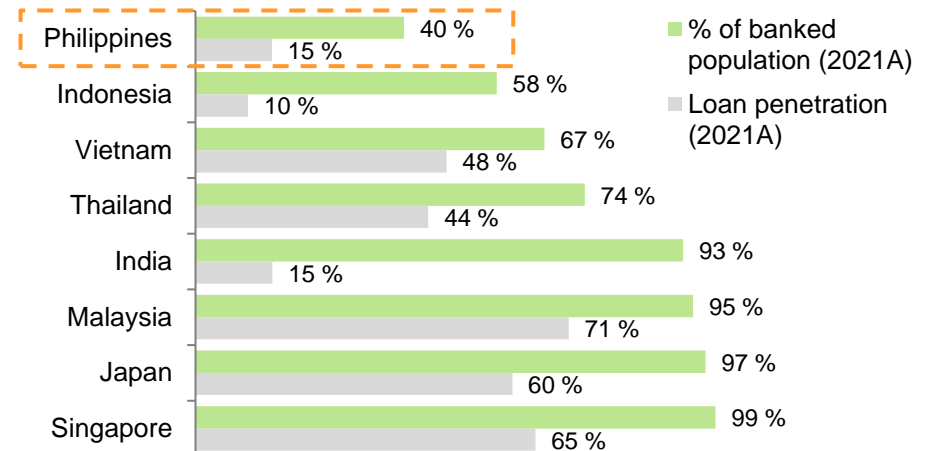
## 3. One of the highest private consumption

Private consumption; % of GDP



## 4. Growth potential of banking business

Banked population and loan penetration (CY2021)



Source: BMI Research, FiiResearch, S&P Global Market Intelligence, Euromonitor, United Nations  
 \*1 Population with 15-64 years old \*2 Ratio of working-age population to total population