

December 20, 2016

THE PHILIPPINE STOCK EXCHANGE, INC.

3rd Floor, Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Attention : **MR. JOSE VALERIANO B. ZUÑO III**
OIC-Head, Disclosure Department

Gentlemen:

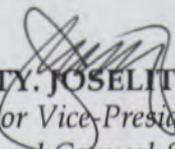
Please be informed that Union Bank of the Philippines ("UnionBank") has been given an issuer rating of PRS Aaa (corp.) by the Philippine Rating Services Corporation ("PhilRatings"). A PRS Aaa (corp.) is the highest possible credit rating on PhilRatings' issuer/corporation credit rating scale.

This information is reflected in the PhilRatings Press Release dated December 20, 2016, transmitted to and received by UnionBank on the same date.

For more details, a copy of the PhilRatings Press Release is hereto attached for your reference.

For your information and guidance. Thank you.

Very truly yours,


ATTY. JOSELITO V. BANAAG
*Senior Vice-President,
General Counsel &
Corporate Secretary*

UnionBank Keeps Highest Issuer Credit Rating

Union Bank of the Philippines (UnionBank), one of the country's biggest banks, was assigned an issuer rating of **PRS Aaa (corp.)** by Philippine Rating Services Corporation (PhilRatings). A 'PRS Aaa' is the highest corporate credit rating assigned on the PRS scale.

An issuer rating is an opinion on the general and overall creditworthiness of the issuer, evaluating its ability to meet all its financial obligations within a time horizon of one year. The focus is on financial strength and stability under normal and stressed conditions to be able to meet existing and prospective financial obligations.

A company rated PRS Aaa (corp.) has a very strong capacity to meet its financial commitments relative to that of other Philippine corporates.

The issuer rating takes into consideration the following key rating factors: a) UnionBank's aggressive use of technology, which is seen to support the bank's growth and competitive strategies, b) expectations of profit recovery, supported by robust core income and c) prospects of continued improvement in the bank's funding profile. The rating also considers the positive outlook for the domestic banking industry.

Based on its published statements of condition¹ as of June 30, 2016, UnionBank ranked ninth in terms of capital (P56.6 billion) and deposits (P291.1 billion), tenth in terms of total assets (P372.8 billion) and 11th in terms of net loans and receivables (P145.9 billion) among U/KBs. These translated to a 4.2% share of the sector's capital, 3.4% of deposits, 3.3% of total assets, and 2.5% of net loans and receivables.

Complementing the bank's FOCUS 2020 strategic objectives, UnionBank embarked on what it referred to as a "digital transformation strategy." The strategy is a response to changes in customer behavior and lifestyle, as well as the increasing role of information and digital technology. UnionBank is committed to continue expanding its digital capabilities, and aims to remain at the forefront of the digital banking economy.

In 2015, UnionBank upgraded its core and internet banking systems to have more efficient operations and achieve scalability. Specific initiatives included the creation of an online workflow system, to promote effectivity of processes and controls. Digitization was likewise adopted in its subsidiary bank, City Savings Bank. City Savings Bank branches were equipped with self-service functionality and queuing systems, which were developed in-house.

UnionBank more than doubled its earnings to P8.14 billion (+121.8%) for the first nine months of 2016. The increase was due to robust recurring revenue generation, combined with significant profits

¹ Parent bank

from the sale of securities to support the bank's loan growth strategy. The better than expected growth in loan portfolio, improving deposit profile and increasing fee business contributed to higher recurring income. Net interest income grew by 24.6% to P10.9 billion. As of September 30, 2016, net loans and receivables increased by 23.2% to P221.2 billion, from the end-2015 level of P179.6 billion, attributable to strong performance across retail, commercial and corporate business segments. Demand and savings accounts to total deposits improved to 48.3% as of the first nine months of 2016. As of September 30, 2016, return on average assets (ROAA) and return on average equity (ROAE) improved to 2.4% and 17.3%, respectively, while capital adequacy ratio (CAR) was higher at 16.7%.

UnionBank expects to sustain its performance momentum moving forward. Growth will be mainly driven by core revenues, as the bank continues to expand its loan portfolio. Deposit-taking activities will be directed towards increasing the share of the low-cost, more stable demand and savings deposits in the bank's deposit base.

Although faced with a challenging external environment, the Philippine banking system remained robust, given improved asset quality, strong capitalization and streamlined operations. Industry outlook remains positive, given expectations of robust domestic demand as consumers and businesses benefit from the country's strong economic fundamentals.