

*The following is a discussion of the possible risks of an investment in the Notes. This general description does not purport to be a comprehensive description of possible risks of investing in the Notes or the Terms and Conditions of the Notes. Prospective investors are urged to consult their own financial, tax and accounting advisors in deciding whether to invest in the Notes, as well as read, understand the Offering Circular, and agree to the Terms and Conditions, the risk involved, and the nature of the investment. Please see the discussion on "Investment Considerations" in the Offering Circular.*

*All risks involved in investing in the Notes shall be for the account of, or carried by the investor and neither the Bank nor the Issue Manager and Lead Underwriter is responsible for any losses that an investor might incur on its investment.*

### RISKS OF INVESTING

Investors in this Note being offered by the Union Bank of the Philippines ("UnionBank" or the "Bank") should note and acknowledge the following before making an investment:

- The Note is a subordinated instrument. In a liquidation you will receive only the money that remains after all senior obligations are paid.
- This Note can also absorb losses and may be written down to zero (i.e. you may lose all your principal) if the Bangko Sentral ng Pilipinas ("BSP") determines that the Bank is no longer a viable entity (i.e. is no longer a going concern).

Prospective investors in the Notes should consider the track record of the Bank's management and their ability to properly manage the Bank's growth, as well as the political and economic factors in the Philippines as principal risks for investing. In addition, prospective investors should also consider the Philippines' political instability and low economic growth, which may also influence the operations, growth and profitability of the Bank. Please note that the Notes are subject to a Non-Viability Write-down in case of a Non-Viability Event, as described below. In addition, the Notes are: (i) unsecured; (ii) subordinated in right of payment to claims of all depositors and other creditors of the Bank, except those creditors that are expressly ranked equally with or junior to the holders in right of payment; (iii) not subject to set-off; and (iv) not eligible for collateral for any loan made by the Bank. Prospective investors in the Notes should review the Investment Considerations below.

#### ***The Notes may be subject to a Non-Viability Write-down.***

Investors may lose all or part of their investment in the Notes upon the occurrence of a Non-Viability Write-Down caused by a Non-Viability Trigger Event.

A Non-Viability Trigger Event is deemed to have occurred when the Issuer is considered non-viable as determined by the BSP. Non-viability is defined as a deviation from a certain level of Common Equity Tier 1 ("CET1") Ratio or inability of the Issuer to continue business, closure, or any other event as determined by the BSP, whichever comes earlier.

Upon the occurrence of a Non-Viability Trigger Event, the Bank shall write-down the principal amount of each Note to the extent required by the BSP, which could go to as low as zero. Additional Tier 1 ("AT1") capital instruments shall be utilized first before Tier 2 capital instruments are written-down, until the viability of the Bank is reestablished. In the event the Bank does not have AT1 capital instruments, then the write-down shall automatically apply to Tier 2 capital, including the Notes.

A Non-Viability Write-down shall have the following effects: (a) it shall reduce the claim on the Notes in liquidation; (b) reduce the amount re-paid when a call or redemption is properly exercised, and (c) partially or fully reduce the interest payments on the Notes.

Upon the occurrence of a Non-Viability Write-Down, the full principal amount of the Notes may be permanently written down to zero and the Notes may be cancelled, and, as a result, the Noteholders may lose the entire amount of their investment in the Notes, irrespective of whether the Issuer has sufficient assets available to settle the claims of the Noteholders under the Notes, in bankruptcy proceedings or otherwise.

**Any such Non-Viability Write-down will be irrevocable and the Noteholders will, upon the occurrence of a Non-Viability Write-down, not (a) receive any shares or other participation rights of the Bank or be entitled to any other participation in the upside potential of any equity or debt securities issued by the Bank or any other member of the Bank, or (b) be entitled to any subsequent write-up or any other compensation in the event of a potential recovery of the Bank or its subsidiaries.**

A Non-Viability Event shall occur if the BSP notifies the Bank in writing that it has determined that a:

- (a) Write-Down of the Notes and other capital instruments of the Issuer is necessary because, without such Write-Down, the Issuer would become non-viable;
- (b) Public sector injection of capital, or equivalent support, is necessary because, without such injection or support, the Issuer would become non-viable; or
- (c) Write-Down of the Notes and other capital instruments of the Issuer is necessary because, as a result of the closure of the Issuer, the Issuer has become non-viable.

If a Non-Viability Trigger Event occurs and is continuing, the Issuer shall, subject to certain procedures and subject to prevailing laws and regulations:

- (i) cancel any Interest which is accrued and unpaid to the relevant Loss Absorption Effective Date; and
- (ii) pari passu with any other Tier 2 Loss Absorbing Instruments (where possible) irrevocably (without the need for the consent of Noteholders or the Trustee), reduce the then prevailing principal of each Note by the relevant Write-Down Amount, in each case, after having written-down to zero, or converted into common equity of the Issuer, any Tier 1 Loss Absorbing Instruments (where possible).

A Write-Down will have the following effects: (i) to reduce the claim of Noteholders of the Notes in liquidation; (ii) to reduce the amount payable to Noteholders of the Notes when a call option is exercised or when the Notes mature; and (iii) to reduce distribution payments on the Notes.

***The Notes may be redeemed prior to the Maturity Date.***

The entire Notes are redeemable at the Bank's option in certain circumstances such as pursuant to its Voluntary Redemption Option or a Regulatory or Tax Redemption. Accordingly, the Bank may, after receiving prior BSP approval, choose to redeem the Notes. In such circumstances, a Noteholder may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Notes. In addition, the optional redemption feature of the Notes is likely to limit their market value. During any period when the Bank has the right to elect to redeem the Notes, the market value of the Notes generally will not rise substantially above the price at which they can be redeemed.

Any redemption of the Notes will in each case be subject to prior approval of the BSP.

***The obligations of the Issuer under the Notes are unsecured and subordinated.***

The Notes will constitute a direct, unsecured, and subordinated obligations of the Bank. The Notes will at all times rank pari passu and without any preference among themselves and pari passu with obligations of the Issuer that are subordinated so as to rank pari passu with claims in respect of securities of the Issuer constituting Tier 2 capital, except obligations mandatorily preferred by Law.

In case of an order being made, or an effective resolution being passed, for the liquidation or winding-up of the Bank, the rights and claims of the Noteholders for principal and interest against the Bank in respect of or arising under the Notes shall generally rank junior to the claims of depositors and general creditors of the Issuer.

Therefore, if the Bank were wound up, liquidated or dissolved, the Bank's liquidator would first apply assets of the Bank to satisfy all rights and claims of holders of senior obligations. If the Bank does not have sufficient assets to settle claims of holders of senior obligations in full, the claims of the Noteholders under the Notes will not be settled and, as a result, the Noteholders will lose the entire amount of their investment in the Notes. The Noteholders will receive a pro rata share in payment if the Issuer does not have sufficient funds to make full payments on all of them, as applicable. In such a situation, Noteholders could lose part of their investment. Note, however, the claims of the Noteholders will have priority over the rights and claims of holders of all classes of equity securities of the Bank, including holders of preferred shares, if any.

The Notes are (a) not a deposit and are not insured by the Philippine Deposit Insurance Corporation, (b) subordinated to the claims of depositors and ordinary general creditors of the Issuer, (c) unsecured and not covered by the guaranty of the Issuer and the Issue Manager or any of their its subsidiaries and affiliates, and (d) ineligible as collateral for a loan granted by the Issuer, its subsidiaries and affiliates.

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**CERTIFICATION**

I, \_\_\_\_\_, certify that:

1. I have been provided with the Risk Disclosure Statement (appended above), which explains the risks of investing and concept of loss absorbency with respect to the Notes in case of a Non-Viability Event, as well as the process for Non-Viability Write-down in such event, as well as the Offering Circular and the Terms and Conditions of the Notes.
2. I have read, fully understood and accepted the risk of a Non-Viability Write-down, including a permanent write-down of the principal amount to zero, the general risks associated with instruments such as the Notes and the Terms and Conditions of the issuance.
3. I further understand that the risk of a Non-Viability Write-down, the general risks associated with instruments such as the Notes and the Terms and Conditions may affect, whether adversely or otherwise, the return on the Notes.

\_\_\_\_\_  
Signature of Investor over Printed Name

\_\_\_\_\_  
Date

**BANK’S ACKNOWLEDGEMENT**

We acknowledge that I have (1) advised the client to read this Risk Disclosure Statement; (2) encouraged the client to ask questions on matters contained in this Risk Disclosure Statement, and (3) fully explained the same to the client.

Assessed by Account Officer:

Confirmed by Treasury Trader:

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Signature over Printed Name/Date

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Signature over Printed Name/Date