5. CAPITAL MANAGEMENT

5.1 Regulatory Capital

The Group's lead regulator, the BSP, sets and monitors the capital requirements of the Group.

In implementing the current capital requirements, the BSP requires the Group to maintain a prescribed ratio of qualifying regulatory capital to total risk-weighted assets including market risk and operational risk computed based on BSP-prescribed formula provided under its circulars.

On January 15, 2013, the BSP issued Circular No. 781, *Basel III Implementing Guidelines on Minimum Capital Requirements*, which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards. Circular No. 781 is effective on January 1, 2014.

The BSP has adopted the Basel III risk-based capital adequacy framework effective January 1, 2014, which requires the Group to maintain at all times the following:

(a) Common Equity Tier 1 (CET1) of at least 6.0% of risk-weighted assets;
(b) Tier 1 Capital of at least 7.5% of risk-weighted assets;
(c) Qualifying Capital (Tier 1 plus Tier 2 Capital) of at least 10.0% of risk-weighted assets; and,
(d) Capital Conservation Buffer of 2.5% of risk-weighted assets, comprised of CET1 Capital.

Under the relevant provisions of the current BSP regulations, the required minimum capitalization for the Parent Company, RSB, Rizal Microbank, RCBC Capital and RCBC LFC is P20,000, P2,000, P400, P300 and P300, respectively.

In computing for the capital adequacy ratio (CAR), the regulatory qualifying capital is analyzed into two tiers which are: (i) Tier 1 Capital comprised of CET1 and Additional Tier 1 (AT1) capital, and, (ii) Tier 2 Capital, defined as follows and are subject to deductions as defined in relevant regulations:

(a) CET1 Capital includes the following:

(i) paid-up common stock;
(ii) common stock dividends distributable;
(iii) additional paid-in capital;
(iv) deposit for common stock subscription;
(v) retained earnings;
(vi) undivided profits;
(vii) other comprehensive income from net unrealized gains or losses on financial assets at FVOCI and cumulative foreign currency translation; and,
(viii) minority interest in subsidiary banks which are less than wholly-owned, subject to regulatory conditions.

(b) AT1 Capital includes:

(i) instruments that do not qualify as CET1, but meet the criteria set out in Annex B of BSP Circular 781;
(ii) financial liabilities meeting loss absorbency requirements set out in Annex E of BSP Circular 781;
(iii) financial liabilities bearing loss absorbency features at point of non-viability as set out in Annex F of BSP Circular 781;
(iv) additional paid-in capital resulting from issuance of AT1 capital;
(v) deposit for subscription to AT1 instruments; and,
(vi) minority interest in subsidiary banks which are less than wholly-owned, subject to regulatory conditions.

(c) Tier 2 Capital includes:

(i) instruments issued that are not qualified as Tier 1 capital but meet the criteria set forth in Annex C of BSP Circular 781;
(ii) financial liabilities bearing loss absorbency features at point of non-viability as set out in Annex F of BSP Circular 781;
(iii) deposit for subscription of Tier 2 capital;
(iv) appraisal increment reserve on bank premises, as authorized by the Monetary Board (MB) of the BSP;
(v) general loan loss provisions; and,
(vi) minority interest in subsidiary banks that are less than wholly-owned, subject to regulatory conditions.

In the calculation of Risk-based CAR, the total Qualifying Capital is expressed as a percentage of Total Risk-Weighted Assets based on book exposures, where Risk Weighted Assets is composed of Credit Risk, Market Risk and Operational Risk, net of specific provisions and exposures covered by credit risk mitigation (CRM).

Banking book exposures shall be risk-weighted based on third party credit assessment of the individual exposure given by eligible external credit institutions and the corresponding external credit assessment are mapped with the corresponding risk weights following the Standardized Credit Risk Weights table as provided under BSP Circular 538, *Revised Risk-Based Capital Adequacy Framework*.

BSP Circular No. 856, *Implementing Guidelines on the Framework for Dealing with Domestic Systemically Important Banks under Basel III,* covers the implementing guidelines on the framework for dealing with domestic systemically important banks (D-SIBs) in accordance with the Basel III standards. Banks identified as D-SIBs shall be required to have higher loss absorbency, on top of the minimum CET1 capital and capital conservation buffer. Compliance with this requirement was phased-in starting January 1, 2017, with full compliance on January 1, 2019.

The Group and Parent Company's regulatory capital position based on the Basel III risk-based capital adequacy framework as reported to the BSP follows:

	Group		Parent Company	
2019:				
Tier 1 Capital				
CET 1	**P**	**70,153**	**P**	**64,997**
AT1		**3**		**3**
		70,156		**65,000**
Tier 2 Capital		**4,701**		**4,614**
Total Qualifying Capital	**P**	**74,857**	**P**	**69,614**
Total Risk – Weighted Assets	**P**	**544,143**	**P**	**528,786**
Capital ratios:				
Total qualifying capital expressed as a percentage of total risk-weighted assets		**13.76%**		**13.16%**
Tier 1 Capital Ratio		**12.89%**		**12.29%**
Total CET 1 Ratio		**12.89%**		**12.29%**
2018**:**				
Tier 1 Capital				
CET 1	P	67,539	P	53,512
AT1		3		3
		67,542		53,515
Tier 2 Capital		13,871		13,173
Total Qualifying Capital	P	81,413	P	66,688
Total Risk – Weighted Assets	P	504,657	P	404,136
Capital ratios:				
Total qualifying capital expressed as a percentage of total risk-weighted assets		16.13%		16.50%
Tier 1 Capital Ratio		13.38%		13.24%
Total CET 1 Ratio		13.38%		13.24%

The foregoing capital ratios comply with the related BSP prescribed ratios.

5.2 Internal Capital Adequacy Assessment and Pillar 2 Risk-Weighted Assets

In January 2009, the BSP issued Circular No. 639 on the ICAAP and Supervisory Review Process covering universal and commercial banks on a group-wide basis. As a supplement to BSP Circular No. 538 on the Risk-Based Capital Adequacy Framework, ICAAP sets out the following principles:

(a) Banks must have a process for assessing capital adequacy relative to their risk profile, operating environment, and strategic/business plans;
(b) The Bank's ICAAP is the responsibility of the BOD, must be properly documented and approved and with policies and methodologies integrated into banking operations;

(c) The Bank's ICAAP should address other material risks – Pillar 2 risks – in addition to those covered by Pillar 1, with risk measurement methodologies linked to the assessment of corresponding capital requirement both on a business-as-usual (BAU) and stressed scenario;
(d) The minimum CAR prescribed by the BSP after accounting for Pillar 1 and other risks is retained at 10%; and,
(e) The Bank's ICAAP document must be submitted to the BSP every January 31 of each year, beginning 2011.

The Group identified the following Pillar 2 risks as material to its operations, and consequently set out methodologies to quantify the level of capital that it must hold.

(a) *Credit Risk Concentration* – The Group has so far limited its analysis to credit risk concentration arising from the uneven sector distribution of the Group's credit exposures. Aside from using a simplified application of the HHI, concentration is estimated using the Comprehensive Concentration Index (CCI). The capital charge is estimated by calculating the change in the Economic Capital (EC) requirement of the credit portfolio as an effect of credit deterioration in the largest industry exposure.

(b) *Interest Rate Risk in the Banking Book (IRRBB)* – It is the current and prospective negative impact on earnings and capital arising from interest rate shifts. The Group IRRBB estimates as its NII-at-risk, and accordingly deducts the same from regulatory qualifying capital. Stressed IRRBB is calculated by applying the highest observed market volatilities over a determined timeframe.

(c) *Liquidity Risk* – The Group estimates its liquidity risk under BAU scenario using standard gap analysis. Stressed liquidity risk on the other hand assumes a repeat of a historical liquidity stress, and estimates the impact if the Group were to partially defend its deposits and partially pay-off by drawing from its reserve of liquid assets.

(d) *Information Technology (IT) Risk* – It is the current and prospective negative impact to earnings arising from failure of IT systems and realization of cyber security threats. The Group treats this risk as forming part of Operational Risk.

(e) *Compliance Risk* – It is the current and prospective negative impact on earnings and capital arising from violation of laws, regulations, ethical standards, and the like. For BAU scenario, the Group estimates compliance risk charge from historical fines and penalties as the worst-case loss determined via a frequency-severity analysis of each penalty type. The resulting compliance risk charge calculation is likewise directly deducted from earnings.

(f) *Strategic Business Risk* – It is the current and prospective negative impact on earnings and capital arising from adverse business decisions, improper implementation, and failure to respond to industry changes. The Group treats strategic business risk as a catch-all risk, and expresses its estimate as a cap on additional risk-weighted assets given other risks and the desired level of capital adequacy. The Group maintains that the assessment of strategic risk is embedded in the budget of the Group. Its capital impact therefore on a BAU case is already expressed in the amount of risk projected to be taken on in the forecast years. However, the Group does recognize the need to set up processes that would enable to put a number to the risk incurred by going into specific strategies.

(g) *Reputation Risk* – From the adoption of a theoretical measure, the Group amended its approach to reputation risk in 2011 by adopting instead a reputation risk monitoring and reporting process, run primarily by its Public Relations Committee. The measurement of reputation risk under stress is folded into the Group's assessment of stressed liquidity risk.

5.3 Basel III Leverage Ratio

BSP issued Circular No. 881, *Implementing Guidelines on the Basel III Leverage Ratio Framework*, which provides the implementing guidelines on the leverage ratio framework designed to act as a supplementary measure to the risk-based capital requirements. It sets out a minimum leverage ratio of 5.00% on a solo and consolidated basis and shall be complied with at all times. The monitoring period has been set every quarter starting December 31, 2014 and extended until June 30, 2018 per BSP Circular No. 990, *Amendments to the Basel III Leverage Ratio Framework,* issued on January 22, 2018. Effective July 1, 2018, the monitoring of the leverage ratio was implemented as a Pillar I minimum requirement.

The Basel III leverage ratio intends to restrict the build-up of leverage to avoid destabilizing deleveraging processes which can damage the broader financial system and the economy. Likewise, it reinforces the risk-based requirements with a simple, non-risk based "backstop" measure. The Basel III leverage ratio is defined as the ratio of capital measure (Tier 1 Capital) and the exposure measure. Exposure measure includes: on-balance sheet exposures, securities financing transactions exposures and off-balance sheet.

The Group and Parent Company's Basel III leverage ratio as reported to the BSP are as follows:

	Group	Parent Company
2019		
Tier 1 Capital	**P 70,156**	**P 65,000**
Exposure measure	**776,949**	**762,697**
	9.03%	**8.52%**
2018 :		
Tier 1 Capital	P 67,542	P 53,515
Exposure measure	661,017	512,466
	10.22%	10.44%

6. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

6.1 Carrying Amounts and Fair Values by Category

The following table summarizes the carrying amounts and corresponding fair values of financial assets and financial liabilities presented in the statements of financial position.

	Group			
	2019		2018	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
At amortized cost:				
Cash and cash equivalents	**P 147,551**	**P 147,551**	P 113,783	P 113,783
Investment securities - net	**100,926**	**101,455**	88,892	86,876
Loans and receivables - net	**430,416**	**449,822**	388,778	401,745
Other resources	**898**	**898**	985	985
	679,791	**699,726**	592,438	603,389
At fair value:				
Investment securities at FVTPL	**5,548**	**5,548**	7,570	7,570
Investment securities at FVOCI	**54,245**	**54,245**	21,987	21,987
	59,793	**59,793**	29,557	29,557
	P 739,584	**P 759,519**	P 621,995	P 632,946
Financial Liabilities				
At amortized cost:				
Deposit liabilities	**P 456,581**	**P 458,303**	P 423,399	P 424,437
Bills payable	**101,606**	**101,606**	56,001	56,001
Bonds payable	**96,814**	**84,925**	53,090	55,281
Subordinated debt	**-**	**-**	9,986	9,955
Accrued interest and other expenses	**6,019**	**6,019**	4,984	4,984
Other liabilities	**17,351**	**17,351**	11,944	11,944
	678,371	**668,204**	559,404	562,602
At fair value –				
Derivative financial liabilities	**863**	**863**	894	894
	P 679,234	**P 669,067**	P 560,298	P 563,496

	Parent Company			
	2019		2018 (As restated)	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
At amortized cost:				
Cash and cash equivalents	**P 145,769**	**P 145,769**	P 111,787	P 111,787
Investment securities - net	**100,219**	**100,682**	88,641	85,514
Loans and receivables - net	**422,682**	**442,088**	382,568	394,069
Other resources	**896**	**896**	982	982
	669,566	**689,435**	583,978	592,352
At fair value:				
Investment securities at FVTPL	**4,800**	**4,800**	6,693	6,693
Investment securities at FVOCI	**52,425**	**52,425**	18,815	18,815
	57,225	**57,225**	25,508	25,508
	P 726,791	**P 746,660**	P 609,486	P 617,860

	Parent Company			
	2019		2018 (As restated)	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Liabilities				
At amortized cost:				
Deposit liabilities	**P 456,593**	**P 456,593**	P 423,529	P 426,169
Bills payable	**93,938**	**93,938**	48,759	48,759
Bonds payable	**96,814**	**84,925**	53,090	55,281
Subordinated debt	**-**	**-**	9,986	9,955
Accrued interest and other expenses	**5,758**	**5,758**	4,834	4,834
Other liabilities	**16,553**	**16,553**	11,013	11,013
	669,656	**657,767**	551,211	556,011
At fair value –				
Derivative financial liabilities	**863**	**863**	894	894
	P 670,519	**P 658,630**	P 552,105	P 556,905

Except for investment securities at amortized cost, bonds payable and subordinated debt with fair value disclosed different from their carrying amounts, management considers that the carrying amounts of other financial assets and financial liabilities presented above which are measured at amortized cost, approximate the fair values either because those instruments are short-term in nature or the effect of discounting for those with maturities of more than one year is not material. The fair value information disclosed for the Group and Parent Company's investment securities at amortized cost and other financial assets and liabilities measured at fair value on a recurring basis are determined based on the procedures and methodologies discussed in Note 7.2.

6.2 Offsetting Financial Assets and Financial Liabilities

The following financial assets presented in the statements of financial position at gross amounts are covered by enforceable master netting arrangements and similar arrangements:

	Group				
			Related amounts not set off in the statements of financial position		
	Notes	**Gross amounts recognized in the statements of financial position**	**Financial instruments**	**Collateral received**	**Net amount**
December 31, 2019					
Loans and receivables – Receivable from customers	11	**P 434,263**	**(P 8,891)**	**P -**	**P 425,372**
Trading and investment securities – Investment securities at amortized cost	10	**100,926**	**(75,771)**	**-**	**25,155**
Other resources – Margin deposits	15	**40**	**-**	**(40)**	**-**
December 31, 2018					
Loans and receivables – Receivable from customers	11	P 389,073	(P 9,814)	(P 6,437)	P 372,822
Trading and investment securities – Investment securities at amortized cost	10	88,892	(20,653)	-	68,239
Other resources – Margin deposits	15	19	-	(19)	-

	Parent Company							
	Notes	Gross amounts recognized in the statements of financial position		Related amounts not set off in the statements of financial position: Financial instruments		Collateral received		Net amount
December 31, 2019								
Loans and receivables – Receivable from customers	11	**P**	**426,002**	**(P**	**8,891)**	**P**	**-**	**P 417,111**
Trading and investment securities – Investment securities at amortized cost	10		**100,219**	**(**	**75,771)**		**-**	**24,448**
Other resources – Margin deposits	15		**40**		**-**	**(**	**40)**	**-**
December 31, 2018 (As restated)								
Loans and receivables – Receivable from customers	11	P	382,637	(P	9,814)	P	-	P 372,823
Trading and investment securities – Investment securities at amortized cost	10		88,641	(	20,653)		-	67,988
Other resources – Margin deposits	15		19		-	(	19)	-

The following financial liabilities presented in the statements of financial position at gross amounts are covered by enforceable master netting arrangements and similar agreements:

	Group							
	Notes	Gross amounts recognized in the statements of financial position		Related amounts not set off in the statements of financial position: Financial instruments		Collateral received		Net amount
December 31, 2019								
Deposit liabilities	17	**P**	**456,581**	**(P**	**8,891)**	**P**	**-**	**P 447,690**
Bills payable	18		**101,606**	**(**	**75,771)**		**-**	**25,835**
Other liabilities – Derivative financial liabilities	22		**863**		**-**	**(**	**40)**	**823**
December 31, 2018								
Deposit liabilities	17	P	423,399	(P	9,814)	P	-	P 413,585
Bills payable	18		56,001	(	20,653)		-	35,348
Other liabilities – Derivative financial liabilities	22		894		-	(	862)	32

	Notes	Gross amounts recognized in the statements of financial position		Related amounts not set off in the statements of financial position: Financial instruments		Collateral received		Net amount
				Parent Company				
December 31, 2019								
Deposit liabilities	17	**P**	**456,593**	**(P**	**8,891)**	**P**	**-**	**P 447,702**
Bills payable	18		**93,938**	**(**	**75,771)**		**-**	**18,167**
Other liabilities – Derivative financial liabilities	22		**863**		**-**	**(**	**40)**	**823**
December 31, 2018 (As restated)								
Deposit liabilities	17	P	423,529	(P	9,814)	P	-	P 413,715
Bills payable	18		48,759	(	20,653)		-	28,106
Other liabilities – Derivative financial liabilities	22		894		-	(	19)	875

For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements above, each agreement between the Group and its counterparties allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis. However, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

For purposes of presenting the above information, the related amounts not set off in the statements of financial position pertains to: (a) hold-out deposits and equity securities which serve as the Group's collateral enhancement for certain loans and receivables; (b) collaterized bills payable under sale and repurchase agreements; and, (c) margin deposits which serve as security for outstanding financial market transactions and other liabilities. The financial instruments that can be set off are only disclosed to the extent of the amounts of the Group's obligations to counterparties.

7. FAIR VALUE MEASUREMENT AND DISCLOSURES

7.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value.

The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3. Changes in assumptions could also affect the reported fair value of the financial instruments. The Group uses judgment to select a variety of valuation techniques and to make assumptions that are mainly based on market conditions existing at the end of each reporting period.

7.2 Financial Instruments Measured at Fair Value

The table below shows the fair value hierarchy of the Group's classes of financial assets and financial liabilities measured at fair value in the statements of financial position on a recurring basis as of December 31, 2019 and 2018.

	Group			
	Level 1	**Level 2**	**Level 3**	**Total**
2019:				
Financial assets at FVTPL:				
Government securities	P 3,438	P -	P -	P 3,438
Corporate debt securities	287	-	-	287
Equity securities	748	-	-	748
Derivative assets	16	1,059	-	1,075
	4,489	1,059	-	5,548
Financial assets at FVOCI:				
Equity securities	1,773	248	1,612	3,633
Government securities	43,281	-	-	43,281
Corporate debt securities	7,331	-	-	7,331
	52,385	248	1,612	54,245
Total Resources at Fair Value	**P 56,874**	**P 1,307**	**P 1,612**	**P 59,793**
Derivative liabilities	**P -**	**P 863**	**P -**	**P 863**

	Group			
	Level 1	Level 2	Level 3	Total
2018:				
Financial assets at FVTPL:				
Government securities	P 3,511	P -	P -	P 3,511
Corporate debt securities	1,657	-	-	1,657
Equity securities	675	-		675
Derivative assets	-	1,727	-	1,727
	5,846	1,727	-	7,570
Financial assets at FVOCI:				
Equity securities	2,045	427	3,989	6,461
Government securities	15,138	-	-	15,138
Corporate debt securities	388	-	-	388
	17,571	427	3,989	21,987
Total Resources at Fair Value	P 23,417	P 2,154	P 3,989	P 29,557
Derivative liabilities	P -	P 894	P -	P 894

	Parent Company			
	Level 1	Level 2	Level 3	Total
2019:				
Financial assets at FVTPL:				
Government securities	P 3,438	P -	P -	P 3,438
Corporate debt securities	287	-	-	287
Derivative assets	16	1,059	-	1,075
	3,741	1,059	-	4,800
Financial assets at FVOCI:				
Equity securities	1,015	245	1,581	2,841
Government securities	43,281	-	-	43,281
Corporate debt securities	6,303	-	-	6,303
	50,599	245	1,581	52,425
Total Resources at Fair Value	**P 54,340**	**P 1,304**	**P 1,581**	**P 57,225**
Derivative liabilities	**P -**	**P 863**	**P -**	**P 863**
2018 (As restated):				
Financial assets at FVTPL:				
Government securities	P 3,419	P -	P -	P 3,419
Corporate debt securities	1,547	-	-	1,547
Derivative assets	-	1,727	-	1,727
	4,966	1,727	-	6,693
Financial assets at FVOCI:				
Equity securities	1,476	255	1,946	3,677
Government securities	15,138	-	-	15,138
	16,614	255	1,946	18,815
Total Resources at Fair Value	P 21,580	P 255	P 1,946	P 23,781
Derivative liabilities	P -	P 894	P -	P 894

Described below are the information about how the fair values of the Group's classes of financial assets and financial liabilities were determined.

(a) *Government and Corporate Debt Securities*

The fair value of the Group's government and corporate debt securities are categorized within Level 1 of the fair value hierarchy.

Fair values of peso-denominated government debt securities issued by the Philippine government, are determined based on the reference price per Bloomberg which used BVAL. These BVAL reference rates are computed based on the weighted price derived using an approach based on a combined sequence of proprietary BVAL algorithms of direct observations or observed comparables.

Fair values of actively traded corporate debt securities are determined based on their market prices quoted in the PDS or based on the direct reference price per Bloomberg at the end of each reporting period; hence, categorized within Level 1.

(b) *Equity Securities*

The fair values of certain equity securities classified as financial assets at FVTPL and at FVOCI as of December 31, 2019 and 2018 were valued based on their market prices quoted in the PSE at the end of each reporting period; hence, categorized within Level 1.

Level 2 category includes the Group's investments in proprietary club shares as their prices are not derived from a market considered as active due to lack of trading activities among market participants at the end of each reporting period.

For equity securities which are not traded in an active market and with fair value categorized within Level 3, their fair value is determined through valuation techniques such as market-based approach (price-to-book value method) using current market values of comparable listed entities, discounted cash flow method, net asset value method, or dividend discounted model.

The price-to-book value method used to value a certain equity security of the Parent Company uses the price-to-book ratio of comparable listed entities as multiple in determining the fair value adjusted by a certain valuation discount. The price-to-book ratio used in the fair value measurement as of December 31, 2019 and 2018 ranges from 0.470:1 to 1.51:1 and from 0.620:1 to 2.110:1, respectively. Increase or decrease in the price-to-book ratio and net asset value would result in higher or lower fair values, all else equal.

In 2018, for a certain preferred equity security, the Group has used the discounted cash flow method applying a discount rate of 6.28% to determine the present value of future cash flows from dividends or redemption expected to be received from the instrument.

A reconciliation of the carrying amounts of Level 3 equity securities at the beginning and end of 2019 and 2018 is shown below.

	Group		
	Financial Assets at FVOCI	Financial Assets at FVTPL	Total
2019:			
Balance at beginning of year	P 3,989	P -	P 3,989
Disposals	(2,000)	-	(2,000)
Fair value losses w- net	(376)	-	(376)
Balance at end of year	**P 1,613**	**P -**	**P 1,613**
2018:			
Balance at beginning of year	P 1,710	P 543	P 2,253
Additions	2,000	-	2,000
Reclassification	543	(543)	-
Fair value losses - net	(264)	-	(264)
Balance at end of year	P 3,989	P -	P 3,989

	Parent Company		
	Financial Assets at FVOCI	Financial Assets at FVTPL	Total
2019:			
Balance at beginning of year	P 1,946	P -	P 1,946
Fair value losses - net	(365)	-	(365)
Balance at end of year	**P 1,581**	**P -**	**P 1,581**
2018 (As restated):			
Balance at beginning of year	P 1,481	P 543	P 2,024
Reclassifications	543	(543)	-
Fair value losses - net	(78)	-	(78)
Balance at end of year	P 1,946	P -	P 1,946

There were neither transfers between the levels of the fair value hierarchy nor gains or losses recognized in the statements of profit or loss for Level 3 financial assets in 2019 and 2018.

(c) Derivative Assets and Liabilities

The fair value of the Group's derivative assets categorized within Level 1 is determined be the current mid-price based on the last trading transaction as defined by third-party market makers.

On the other hand, the fair values of certain derivative financial assets and liabilities categorized within Level 2 were determined through valuation techniques using net present value computation which makes use of the streams of cash flows related to the derivative financial instruments such as interest rate swaps and currency swaps.

7.3 Financial Instruments Measured at Amortized Cost for Which Fair Value is Disclosed

The table below summarizes the fair value hierarchy of the Group and Parent Company's financial assets and financial liabilities which are not measured at fair value in the statements of financial position but for which fair value is disclosed.

	Group			
	Level 1	Level 2	Level 3	Total
2019:				
Financial Assets:				
Cash and other cash items	P 16,907	P -	P -	P 16,907
Due from BSP	87,255	-	-	87,255
Due from other banks	18,818	-	-	18,818
Loans arising from reverse repurchase agreements	5,768	-	-	5,768
Interbank loans	18,803	-	-	18,803
Investment securities at amortized cost	101,455	-	-	101,455
Loans and receivables - net	-	-	449,822	449,822
Other resources	-	-	898	898
	P 249,006	**P -**	**P 450,720**	**P 699,726**
Financial Liabilities:				
Deposit liabilities	P -	P -	P 458,303	P 458,303
Bills payable	-	-	101,606	101,606
Bonds payable	-	84,925	-	84,925
Accrued interest and other expenses	-	-	6,019	6,019
Other liabilities	-	-	17,351	17,351
	P -	**P 84,925**	**P 583,279**	**P 668,204**
2018:				
Financial Assets:				
Cash and other cash items	P 17,392	P -	P -	P 17,392
Due from BSP	56,495	-	-	56,495
Due from other banks	20,342	-	-	20,342
Loans arising from reverse repurchase agreements	10,032	-	-	10,032
Interbank loans	9,522	-	-	9,522
Investment securities at amortized cost	86,876	-	-	86,876
Loans and receivables - net	-	-	401,745	401,745
Other resources	-	-	985	985
	P 200,659	P -	P 402,730	P 603,389
Financial Liabilities:				
Deposit liabilities	P -	P -	P 424,437	P 424,437
Bills payable	-	-	56,001	56,001
Bonds payable	-	55,281	-	55,281
Subordinated debt	-	9,955	-	9,955
Accrued interest and other expenses	-	-	4,984	4,984
Other liabilities	-	-	11,944	11,944
	P -	P 65,236	P 497,366	P 562,602

	Parent Company			
	Level 1	**Level 2**	**Level 3**	**Total**
2019:				
Financial Assets:				
Cash and other cash items	P 16,808	P -	P -	P 16,808
Due from BSP	85,453	-	-	85,453
Due from other banks	18,468	-	-	18,468
Loans arising from reverse repurchase agreements	5,629	-	-	5,629
Interbank loans	19,411	-	-	19,411
Investment securities at amortized cost	100,682	-	-	100,682
Loans and receivables - net	-	-	442,088	442,088
Other resources	-	-	896	896
	P 246,451	**P -**	**P 442,984**	**P 689,435**
Financial Liabilities:				
Deposit liabilities	P -	P -	P 456,593	P 456,593
Bills payable	-	-	93,938	93,938
Bonds payable	-	84,925	-	84,925
Accrued interest and other expenses	-	-	5,758	5,758
Other liabilities	-	-	16,553	16,553
	P -	**P 84,925**	**P 572,842**	**P 657,767**
2018 (As restated):				
Financial Assets:				
Cash and other cash items	P 17,321	P -	P -	P 17,321
Due from BSP	55,059	-	-	55,059
Due from other banks	19,815	-	-	19,815
Loans arising from reverse repurchase agreements	10,000	-	-	10,000
Interbank loans	9,592	-	-	9,592
Investment securities at amortized cost	85,514	-	-	85,514
Loans and receivables - net	-	-	394,069	394,069
Other resources	-	-	982	982
	P 200,418	P -	P 395,051	P 592,352
Financial Liabilities:				
Deposit liabilities	P -	P -	P 426,169	P 426,169
Bills payable	-	-	48,759	48,759
Bonds payable	-	55,281	-	55,281
Subordinated debt	-	9,955	-	9,955
Accrued interest and other expenses	-	-	4,834	4,834
Other liabilities	-	-	11,013	11,013
	P -	P 65,236	P 490,775	P 556,011

The following are the methods used to determine the fair value of financial assets and financial liabilities not presented in the statements of financial position at their fair values:

(a) Due from BSP and Other Banks, and Loans and Receivables Arising from Reverse Repurchase Agreements

Due from BSP pertains to deposits made to the BSP for clearing and reserve requirements, overnight and term deposit facilities, while loans and receivables arising from reverse repurchase agreements pertain to loans and receivables from BSP arising from overnight lending from excess liquidity. Due from other banks includes items in the course of collection. The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest-bearing deposits is based on the discounted cash flows using prevailing money market interest rates for debt with similar credit risk and remaining maturity, which for short-term deposits approximate the nominal value.

(b) Investment Securities at Amortized Cost

The fair value of investment securities at amortized cost consisting of government securities and corporate debt securities is determined based on reference prices appearing in Bloomberg.

(c) Deposits Liabilities and Borrowings

The estimated fair value of demand deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of long-term fixed interest-bearing deposits and other borrowings without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity. The Level 2 fair value of bonds payable and subordinated debt is determined based on the average of ask and bid prices as appearing on Bloomberg. For bills payable categorized within Level 3, fair value is determined based on their discounted amount of estimated future cash flows expected to be received or paid, or based on their cost which management estimates to approximate their fair values.

(d) Other Resources and Other Liabilities

Due to their short duration, the carrying amounts of other resources and liabilities in the statements of financial position are considered to be reasonable approximation of their fair values.

7.4 Fair Value Disclosures for Investment Properties Carried at Cost

The total estimated fair values of the investment properties amounted to P10,045, P7,624 and P8,415 in the Group's financial statements and P9,595, P7,284 and P8,062 in the Parent Company's financial statements as of December 31, 2019, 2018 and 2017, respectively (see Note 14.3). The fair value hierarchy of these properties as of December 31, 2019 and 2018 is categorized as Level 3.

The fair values of the Group and Parent Company's investment properties were determined based on the following approaches:

(a) *Fair Value Measurement for Land*

The Level 2 fair value of land was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations as determined by an independent appraiser. Under this approach, when sales prices and/or actual sales transaction of comparable land in close proximity are used in the valuation of the subject property with no adjustment on the price, fair value is included in Level 2.

On the other hand, if the observable and recent prices of the reference properties were adjusted for differences in key attributes such as property size, location and zoning, and accessibility, or any physical or legal restrictions on the use of the property, the fair value will be categorized as Level 3. The most significant input into this valuation approach is the price per square feet, hence, the higher the price per square feet, the higher the fair value.

(b) *Fair Value Measurement for Buildings*

The Level 3 fair value of the buildings was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

There has been no change in the valuation techniques for investment properties in both years.

8. SEGMENT INFORMATION

8.1 Business Segments

The Group's operating businesses are managed separately according to the nature of services provided (primary segments) and the different geographical markets served (secondary segments) with a segment representing a strategic business unit. The Group's business segments follow:

(a) *Retail* – principally handles the business centers offering a wide range of consumer banking products and services. Products offered include individual customer's deposits, credit cards, home and mortgage loans, auto, personal and microfinance loans, overdraft facilities, payment remittances and foreign exchange transactions. It also upsells bank products [unit investment trust funds (UITFs), etc.] and cross-sells bancassurance products. The segment includes the net assets of the servicing entity, RBSC, and portfolios of Rizal Microbank, Inc.

(b) *Corporate* – principally handles distinct customer segments: (i) conglomerates; (ii) large corporations; (iii) emerging corporates, which focus on large middle accounts often referred to as the "Next 500 Corporations"; (iv) Japanese multinationals with a strong presence in the country; (v) Filipino-Chinese businesses; and, (vi) Korean businesses. This segment includes portfolio of RLFC.

(c) *Small and Medium Enterprises (SME)* – principally handles the financial needs of the country's small businesses or the SMEs and the Commercial Middle Market segments. The SME Banking Group provides a holistic approach serving both the financial (e.g. loans, deposits, investments, insurance, etc.) and non-financial needs (e.g. networking, financial literacy trainings, etc.) of client to help them grow their business. Clients are the entrepreneurs located in different parts of the country and spread in various industry sectors such as manufacturing, wholesale & retail trade, construction, hotels, agriculture, and healthcare, among others.

(d) *Treasury* – principally provides money market, trading and treasury services, as well as the management of the Group's funding operations by use of treasury bills, government securities and placements and acceptances with other banks, through treasury and wholesale banking.

(e) *Others* – consists of other subsidiaries except for RSBC and Rizal Microbank, Inc., which is presented as part of Retail, and RLFC which is presented under Corporate.

These segments are the basis on which the Group reports its primary segment information. Other operations of the Group comprise the operations and financial control groups. Transactions between segments are conducted at estimated market rates on an arm's length basis.

Segment revenues and expenses that are directly attributable to primary business segment and the relevant portions of the Group's revenues and expenses that can be allocated to that business segment are accordingly reflected as revenues and expenses of that business segment.

For secondary segments, revenues and expenses are attributed to geographic areas based on the location of the resources producing the revenues, and in which location the expenses are incurred.

There were no changes in the Group's operating segments in 2019 and 2018.

8.2 Analysis of Primary Segment Information

Primary segment information (by business segment) on a consolidated basis as of and for the years ended December 31, 2019, 2018 and 2017 follow:

	Retail	Corporate	SME	Treasury	Others	Total
2019:						
Revenues						
From external customers						
Interest income	P 37,465	P 20,012	P 4,608	P 6,978	P 103	P 69,166
Interest expense	(17,303)	(13,879)	(3,648)	(6,164)	(42)	(41,036)
Net interest income	20,162	6,133	960	814	61	28,130
Non-interest income	4,928	2,266	171	8,207	1,163	16,735
	25,090	8,399	1,131	9,021	1,224	44,865
Intersegment revenues						
Interest income	-	3,463	1,940	-	8	5,411
Non-interest income	591	-	-	-	-	591
	591	3,463	1,940	-	8	6,002
Total net revenues	25,681	11,862	3,071	9,021	1,232	50,867
Expenses						
Operating expenses excluding depreciation and amortization	15,910	5,412	1,129	1,109	285	23,845
Depreciation and amortization	418	381	7	14	14	834
	16,328	5,793	1,136	1,123	299	24,679
Profit before tax	9,353	6,069	1,935	7,898	933	26,188
Tax income	-	-	-	-	(1,275)	(1,275)
Net profit or loss	P 9,353	P 6,069	P 1,935	P 7,898	(P 342)	P 24,913
Total resources	P 760,419	P 228,346	P 52,419	P 109,199	P 5,467	P 1,115,850
Total liabilities	P 677,077	P 80,654	P 43,722	P 14,703	P 1,287	P 817,443
2018:						
Revenues						
From external customers						
Interest income	P 24,744	P 15,967	P 2,786	P 4,711	P 127	P 48,335
Interest expense	(7,788)	(11,419)	(2,383)	(3,178)	(12)	(24,780)
Net interest income	16,956	4,548	403	1,533	115	23,555
Non-interest income	4,249	2,455	170	1,228	837	8,939
	21,205	7,003	573	2,761	952	32,494
Intersegment revenues						
Interest income	-	3,165	955	-	6	4,126
Non-interest income	531	-	-	-	-	531
	531	3,165	955	-	6	4,657
Total net revenues	21,736	10,168	1,528	2,761	958	37,151
Expenses						
Operating expenses excluding depreciation and amortization	13,467	2,326	460	625	280	17,158
Depreciation and amortization	762	416	7	14	4	1,203
	14,229	2,742	467	639	284	18,361
Profit before tax	7,507	7,426	1,061	2,122	674	18,790
Tax income	-	-	-	-	(872)	(872)
Net profit or loss	P 7,507	P 7,426	P 1,061	P 2,122	(P 198)	P 17,918
Total resources	P 149,800	P 229,525	P 42,635	P 109,199	P 5,957	P 537,116
Total liabilities	P 418,787	P 113,195	P 34,514	P 14,703	P 1,685	P 582,884
2017:						
Revenues						
From external customers						
Interest income	P 19,692	P 13,579	P 1,583	P 3,398	P 501	P 38,753
Interest expense	(4,262)	(8,154)	(1,309)	(2,161)	(256)	(16,142)
Net interest income	15,430	5,425	274	1,237	245	22,611
Non-interest income	3,962	2,548	111	1,738	1,125	9,484
	19,392	7,973	385	2,975	1,370	32,095
Intersegment revenues						
Interest income	-	2,043	849	-	6	2,898
Non-interest income	499	-	-	-	499	998
	499	2,043	849	-	505	3,896
Total net revenues	19,891	10,016	1,234	2,975	1,875	35,991

	Retail	Corporate	SME	Treasury	Others	Total
Expenses						
Operating expenses excluding depreciation and amortization	12,232	1,941	353	551	986	16,063
Depreciation and amortization	828	425	7	13	341	1,614
	13,060	2,366	360	564	1,327	17,677
Profit before tax	6,831	7,650	874	2,411	548	18,314
Tax income	-	-	-	-	(841)	(841)
Net profit or loss	P 6,831	P 7,650	P 874	P 2,411	(P 293)	P 17,473
Total resources	P 136,979	P 233,209	P 33,309	P 83,728	P 14,828	P 502,053
Total liabilities	P 402,961	P 164,107	P 26,784	P 20,692	P 9,261	P 623,805

8.3 Reconciliation

Presented below is a reconciliation of the Group's segment information to the key financial information presented in its consolidated financial statements.

	2019	2018	2017
Revenue			
Total segment revenues	**P 50,867**	P 37,151	P 35,991
Elimination of intersegment revenues	**(15,010)**	(10,656)	(10,872)
Net revenues as reported in profit or loss	**P 35,857**	P 26,495	P 25,119
Profit or loss			
Total segment operating income	**P 26,188**	P 18,790	P 18,314
Elimination of intersegment profit	**(20,799)**	(14,469)	(14,004)
Group net profit as reported in profit or loss	**P 5,389**	P 4,321	P 4,310
Resources			
Total segment resources	**P 1,155,850**	P 537,116	P 502,053
Elimination of intersegment assets	**(388,771)**	107,479	51,821
Total resources	**P 767,079**	P 644,595	P 553,874
Liabilities			
Total segment liabilities	**P 817,443**	P 582,884	P 623,805
Elimination of intersegment liabilities	**(133,214)**	(19,459)	(136,844)
Total liabilities	**P 684,229**	P 563,425	P 486,961

8.4 Analysis of Secondary Segment Information

Secondary information (by geographical locations) as of and for the years ended December 31, 2019, 2018 and 2017 follow:

	Philippines	Asia and Europe	Total
2019:			
Statement of profit or loss			
Total income	P 51,068	P -	P 51,068
Total expenses	45,666	14	45,680
Net profit (loss)	**P 5,402**	**(P 14)**	**P 5,388**
Statement of financial position			
Total resources	**P 767,050**	**P 29**	**P 767,079**
Total liabilities	**P 684,155**	**P 74**	**P 684,229**
Other segment information			
Depreciation and amortization	**P 2,503**	**P -**	**P 2,503**
2018:			
Statement of profit or loss			
Total income	P 36,930	P 9	P 36,939
Total expenses	32,580	38	32,618
Net profit (loss)	P 4,350	(P 29)	P 4,321
Statement of financial position			
Total resources	P 644,451	P 144	P 644,595
Total liabilities	P 563,355	P 70	P 563,425
Other segment information			
Depreciation and amortization	P 1,821	P -	P 1,821

	Philippines	United States	Asia and Europe	Total
2017:				
Statement of profit or loss				
Total income	P 32,212	P -	P 6	P 32,218
Total expenses	27,877	-	31	27,908
Net profit (loss)	P 4,335	P -	(P 25)	P 4,310
Statement of financial position				
Total resources	P 553,731	P 1	P 143	P 553,875
Total liabilities	P 486,889	P 1	P 71	P 486,961
Other segment information – Depreciation and amortization	P 1,914	P -	P -	P 1,914

9. CASH AND CASH EQUIVALENTS

The components of Cash and Cash Equivalents follow:

	Group				Parent Company			
	2019		2018		2019		2018 (As restated – see Note 34)	
Cash and other cash items	P	16,907	P	17,392	P	16,808	P	17,321
Due from BSP		87,255		56,495		85,453		55,059
Due from other banks		18,818		20,342		18,468		19,815
Loans arising from reverse repurchase agreements		5,768		10,032		5,629		10,000
Interbank loans receivables (see Note 11)		18,803		9,522		19,411		9,592
	P	147,551	P	113,783	P	145,769	P	111,787

Cash consists primarily of funds in the form of Philippine currency notes and coins, and includes foreign currencies acceptable to form part of the international reserves in the Group's vault and those in the possession of tellers, including ATMs. Other cash items include cash items other than currency and coins on hand, such as checks drawn on other banks or other branches after the clearing cut-off time until the close of the regular banking hours.

Due from BSP represents the aggregate balance of deposit accounts maintained with the BSP primarily to meet reserve requirements (see Note 17), to serve as clearing account for interbank claims and to comply with existing trust regulations.

Loans arising from repurchase agreements, which normally mature within 30 days, represents overnight placements with private entities where the underlying securities cannot be sold or repledged to parties other than the contracting party.

Due from BSP includes:

	Group				Parent Company			
	2019		2018		2019		2018 (As restated – see Note 34)	
Demand deposit and secured settlement accounts	P	53,337	P	51,495	P	52,353	P	50,059
Term deposit		32,643		5,000		32,000		5,000
Overnight deposit		1,275		-		1,100		-
	P	87,255	P	56,495	P	85,453	P	55,059

The balance of Due from other banks account represents regular deposits with the following:

	Group				Parent Company			
	2019		2018		2019		2018 (As restated – see Note 34)	
Foreign banks	P	18,192	P	18,843	P	17,919	P	18,861
Local banks		626		1,499		549		954
	P	18,818	P	20,342	P	18,468	P	19,815

Interest on placements with BSP and other banks, which is presented as part of Interest Income on Others in the statements of profit or loss, consist of:

	Group		
	2019	2018	2017
BSP	**P 269**	P 324	P 334
Other banks	**165**	169	44
	P 434	P 493	P 378

	Parent Company		
	2019	2018	2017
BSP	**P 262**	P 324	P 333
Other banks	**153**	95	35
	P 415	P 419	P 368

Interests on Loans arising from reverse repurchase agreements and Interbank loan receivables are presented as part of Interest on Loans and receivables (see Note 11).

The Group's deposits in other banks and in BSP arising from overnight lending from excess liquidity earn annual interest as follows:

	2019	2018	2017
BSP	**3.50% - 4.50%**	3.00% – 4.50%	3.50%
Other banks	**0.00% - 2.50%**	0.00% – 2.50%	0.00% - 1.20%

10. TRADING AND INVESTMENT SECURITIES

This account is comprised of:

	Group		Parent Company	
	2019	2018	**2019**	2018 (As restated – see Note 34)
Financial assets at FVTPL	**P 5,548**	P 7,570	**P 4,800**	P 6,693
Financial assets at FVOCI	**54,245**	21,987	**52,425**	18,815
Investment securities at amortized cost	**100,926**	88,892	**100,219**	88,641
	P 160,719	P 118,449	**P 157,444**	P 114,149

10.1 Financial Assets at Fair Value Through Profit or Loss

Financial assets at FVTPL is composed of the following:

	Group				Parent Company			
	2019		2018		**2019**		2018 (As restated – see Note 34)	
Government securities	**P**	**3,438**	P	3,511	**P**	**3,438**	P	3,419
Corporate debt securities		**287**		1,657		**287**		1,547
Equity securities		**748**		675		**-**		-
Derivative financial assets		**1,075**		1,727		**1,075**		1,727
	P	**5,548**	P	7,570	**P**	**4,800**	P	6,693

The carrying amounts of financial assets at FVTPL are classified as follows:

	Group				Parent Company			
	2019		2018		**2019**		2018 (As restated – see Note 34)	
Held-for-trading	**P**	**3,725**	P	5,168	**P**	**3,725**	P	4,966
Designated as at FVTPL		**748**		675		**-**		-
Derivative financial assets		**1,075**		1,727		**1,075**		1,727
	P	**5,548**	P	7,570	**P**	**4,800**	P	6,693

Equity securities are composed of listed shares of stock traded at the PSE and shares of stock designated as at FVTPL. Dividend income earned by the Group on these equity securities amounted to P10, P14 and P12 in 2019, 2018 and 2017, respectively, which are included as part of Miscellaneous income under the Other Operating Income account in the statements of profit or loss (see Note 25.1)

Treasury bills and other debt securities issued by the government and other private corporations earn annual interest as follows:

	2019	2018	2017
Peso denominated	**3.25% - 15.00%**	3.25% - 8.13%	2.13% - 8.75%
Foreign currency denominated	**2.05% - 10.63%**	2.05% - 11.63%	2.95% - 10.63%

Derivative instruments used by the Group include foreign currency short-term forwards, cross-currency swaps, debt warrants and options. Foreign currency forwards represent commitments to purchase/sell on a future date at a specific exchange rate. Foreign currency short-term swaps are simultaneous foreign currency spot and forward deals with tenor of one year.

Debt warrants attached to the bonds and other debt securities allows the Group to purchase additional debt securities from the same contracting issuer at the same price and yield as the initial purchased security. Option is a derivative financial instrument that specifies a contract between two parties for a future transaction on an asset at a reference price.

The aggregate contractual or notional amount of derivative financial instruments and the aggregative fair values of derivative financial assets and financial liabilities as of December 31 both in the Group and Parent Company's financial statements are shown below.

		Notional Amount		Fair Values Assets		Liabilities
2019:						
Currency swaps and forwards	P	63,411	P	680	P	601
Interest rate swaps and futures		29,720		369		257
Debt warrants		5,326		16		-
Options		1,427		6		-
Credit default swap		253		4		5
	P	**100,137**	**P**	**1,075**	**P**	**863**
2018:						
Currency swaps and forwards	P	67,420	P	1,377	P	567
Interest rate swaps and futures		35,378		309		305
Debt warrants		5,531		18		-
Options		1,240		3		22
Credit default swap		946		20		-
	P	110,515	P	1,727	P	894

Derivative liabilities are shown as Derivative financial liabilities as part of Other Liabilities account in the statements of financial position (see Note 22). The significant portion of such derivative liabilities have maturity periods of less than a year.

Other information about the fair value measurement of the Group and Parent Company's financial assets at FVTPL are presented in Note 7.2.

10.2 Financial Assets at Fair Value Through Other Comprehensive Income

Financial assets at FVOCI as of December 31 consist of:

	Group				Parent Company			
		2019		2018		**2019**		2018 (As restated – see Note 34)
Quoted equity securities	**P**	**2,021**	P	2,472	**P**	**1,260**	P	1,731
Unquoted equity securities		**1,612**		3,989		**1,581**		1,946
Government debt securities		**43,281**		15,138		**43,281**		15,138
Corporate debt securities		**7,331**		388		**6,303**		-
	P	**54,245**	P	21,987	**P**	**52,425**	P	18,815

The Group made an irrevocable designation for the above local equity securities as at FVOCI because they are held for long-term investments and are neither held-for-trading nor designated as at FVTPL. Unquoted equity securities include golf club shares and investments in non-marketable equity securities of private companies.

Included in the carrying amount of the Group's financial assets at FVOCI as of December 31, 2019 and 2018 are unquoted equity securities with fair value of P1,612 and P3,989, respectively, determined using the net asset value method, dividend discounted model, discounted cash flow method, or a market-based approach (price-to-book value method), hence, categorized under Level 3 of the fair value hierarchy (see Note 7.2). These unquoted equity securities include investments of the Parent Company with fair value of P1,581 and P1,946 as of December 31, 2019, and 2018, respectively.

As a result of the Group's disposal of certain equity securities classified as at FVOCI, the related fair value loss recognized in other comprehensive income under Revaluation Reserves account amounting to P41 were transferred to Surplus account (see Note 23.5). There were no disposal of equity securities classified as at FVOCI in 2018.

In 2019, 2018 and 2017, dividends on these equity securities were recognized amounting to P294, P175 and P222 by the Group and, P95, P187 and P196 by the Parent Company, respectively, which are included as part of Miscellaneous income under the Other Operating Income account in the statements of profit or loss (see Note 25.1).

10.3 Investment Securities at Amortized Cost

Investment securities at amortized cost as of December 31 consist of:

	Group		Parent Company	
	2019	2018	**2019**	2018 (As restated – see Note 34)
Government securities	**P 92,211**	P 66,084	**P 92,211**	P 66,084
Corporate debt securities	**8,854**	22,943	**8,057**	22,602
	101,065	89,027	**100,268**	88,686
Allowance for impairment	**(139)**	(135)	**(49)**	(45)
	P 100,926	P 88,892	**P 100,219**	P 88,641

Interest rates per annum on government securities and corporate debt securities range from the following:

	2019	2018	2017
Peso denominated securities	**3.63% - 8.60%**	3.63%-8.00%	2.13% - 8.60%
Foreign currency-denominated securities	**1.63% - 10.63%**	1.63%-10.63%	1.63%-10.63%

In 2019, the Parent Company disposed of certain government and corporate debt securities denominated in peso and US dollar under its HTC portfolio with aggregate carrying amount of P101,208 resulting in net gains amounting to P3,693. The disposals was in line with the Parent Company's objective to improve its qualifying capital in augmenting its capital adequacy ratio requirements. Meanwhile, a certain US dollar-denominated corporate bond with a carrying amount of P217 was disposed in September 2019 in response to increased credit risk resulting to a loss of P8.

In December 2018, the Parent Company disposed of certain US dollar-denominated bonds under its HTC portfolio with aggregate carrying amount of P3,113, resulting in net gains amounting to P69. The disposal was made in order to maintain adequate liquidity buffer for the expected cash outflows for loan drawdowns.

Management had assessed that the disposals of the investment securities under the HTC portfolio during those periods are consistent with the Group's HTC business model with the objective of collecting contractual cash flows and have qualified under the permitted sale events set forth in the Group's business model in managing financial assets manual and the requirements of PFRS 9.

The above disposals of investment securities were approved by the Executive Committee of the Parent Company in compliance with the documentation requirements of the BSP.

The Group and the Parent Company recognized ECL on investment securities at amortized cost amounting to P4 in 2019 and P24 and P15, respectively, in 2018 (see Note 16).

Certain government securities are deposited with the BSP as security for the Group's faithful compliance with its fiduciary obligations in connection with its trust operations (see Note 27).

As of December 31, 2019 and 2018, certain investment securities of both the Group and Parent Company were pledged as collateral for bills payable under repurchase agreements (see Note 18).

10.4 Interest Income from Trading and Investment Securities

Interest income from trading and investment securities recognized by the Group and Parent Company in 2019, 2018 and 2017 are shown below.

	Group		
	2019	2018	2017
Debt securities at FVTPL	**P 368**	P 441	P 293
Debt securities at FVOCI	**1,418**	136	-
Debt securities at amortized cost	**2,712**	2,826	2,137
	P 4,498	P 3,403	P 2,430

	Parent		
	2019	2018 (As restated – see Note 34)	2017 (As restated – see Note 34)
Financial assets at FVTPL	**P 358**	P 338	P 203
Debt securities at FVOCI	**1,397**	206	352
Investment securities at amortized cost	**2,684**	2,823	2,217
	P 4,439	P 3,367	P 2,772

10.5 Trading and Securities Gains (Losses)

The Group and the Parent Company recognized trading and securities gains (losses) in its trading or disposals of investment securities, including their fair value changes, in 2019, 2018, and 2017 as follows:

	Group		
	2019	2018	2017
Profit or loss:			
Financial assets at FVTPL	**P 611**	(P 117)	P 195
Debt securities at FVOCI	**3,196**	48	-
Investment securities at amortized cost	**3,685**	69	705
	P 7,492	P -	P 900
Other comprehensive income (loss):			
Equity securities at FVOCI	**(P 586)**	(P 1,018)	(P 156)
Debt securities at FVOCI	**(116)**	149	-
	(P 702)	(P 869)	(P 156)

	Parent		
	2019	2018 (As restated – see Note 34)	2017 (As restated – see Note 34)
Profit or loss:			
Financial assets at FVTPL	**P 581**	(P 137)	(P 19)
Debt securities at FVOCI	**3,166**	48	-
Investment securities at amortized cost	**3,685**	68	687
	P 7,432	(P 21)	P 668
Other comprehensive income (loss):			
Equity securities at FVOCI	**(P 837)**	(P 628)	(P 269)
Debt securities at FVOCI	**(116)**	149	-
	(P 953)	(P 479)	(P 269)

11. LOANS AND RECEIVABLES

This account consists of the following (see also Note 28.1)

	Group		Parent Company	
	2019	2018	**2019**	2018 (As restated – see Note 34)
Receivables from customers:				
Loans and discounts	**P 377,947**	P 340,011	**P 373,480**	P 337,065
Credit card receivables	**31,043**	21,550	**31,043**	21,550
Customers' liabilities on acceptances, import bills and trust receipts	**16,869**	21,075	**16,869**	21,073
Bills purchased	**4,815**	3,112	**4,771**	3,112
Lease contract receivables	**3,767**	3,403	**-**	-
Receivables financed	**678**	587	**-**	-
	435,119	389,738	**426,163**	382,800
Unearned discount	**(856)**	(665)	**(161)**	(163)
	434,263	389,073	**426,002**	382,637
Other receivables:				
Interbank loans receivables (see Note 9)	**18,803**	9,522	**19,411**	9,592
Accrued interest receivables	**4,332**	4,498	**4,318**	4,472
Accounts receivables [see Notes 15.3 and 28.5(a) and (b)]	**2,786**	2,452	**2,821**	2,279
UDSCL	**1,475**	1,963	**1,475**	1,963
Sales contract receivables	**990**	1,083	**792**	906
	28,386	19,518	**28,817**	19,212
	462,649	408,591	**454,819**	401,849
Allowance for impairment (see Notes 4.4.8 and 16)	**(13,430)**	(10,291)	**(12,726)**	(9,689)
	P 449,219	P 398,300	**P 442,093**	P 392,160

Receivables from customers' portfolio earn average annual interest or range of interest as follows:

	2019	2018	2017
Loans and discounts:			
Philippine peso	**8.69%**	5.79%	5.00%
Foreign currencies	**4.96%**	4.53%	3.63%
Credit card receivables	**23.58% - 24.86%**	16.00% - 24.00%	17.00% - 27.00%
Lease contract receivables	**8.00% - 18.00%**	8.00% - 19.00%	8.00% - 20.00%
Receivables financed	**8.00% - 14.00%**	8.00% - 14.00%	11.00% - 12.50%

Included in UDSCL is a 10-year note with carrying amount of P485 and P801 as of December 31, 2019 and 2018, respectively, and bears 6.44% interest per annum. This pertains to the agreement entered into in June 2017 with a third party for the sale of various foreclosed real properties with book value of P1,127, for a total consideration of P1,385; of which P396 and P989 (with present value of P742 on date of sale) were in the form of cash and note receivable, respectively. Accordingly, the Group recognized a gain on sale amounting to P11 and is presented as part of Gains on assets sold under Miscellaneous income in the 2017 statement of profit or loss (see Notes 15.3 and 25.1).

Included also in UDSCL as of December 31, 2018 is a 10-year note from Philippine Asset Growth One, Inc. (PAGO) with a face amount of P731, which is part of the consideration received in relation to the Parent Company's disposal in February 2013 of its non-performing assets (NPAs), consisting of non-performing loans (NPLs) with a carrying amount of P507 and non-performing investment properties with a carrying amount of P1,236. This note receivable carries a variable interest rate of 1.00% per annum during the first five years, 7.00% per annum in the sixth to seventh year, and 7.50% per annum in the last three years. This note receivable has been written off in 2019.

Also included in the Parent Company's accounts receivables is the amount due from RCBC JPL which was acquired from Rizal Microbank in 2015 amounting to P222. As of December 31, 2019 and 2018, the outstanding balance amounted to P172 and P182, respectively. The receivable amount is unsecured, noninterest-bearing and payable in cash on demand (see Note 28). The receivable has been appropriately provided with allowance for ECL.

Interest income earned by the Bank from its loans and other receivables is broken down as follows:

	Group		
	2019	2018	2017
Loans and discounts	**P 25,529**	P 21,768	P 17,978
Credit card receivables	**5,939**	4,509	3,573
Others (see Note 9)	**1,178**	760	405
	P 32,646	P 27,037	P 21,956

	Parent		
	2019	2018 (As restated – see Note 34)	2017 (As restated – see Note 34)
Loans and discounts	**P 24,644**	P 20,989	P 17,343
Credit card receivables	**5,939**	4,509	3,573
Others (see Note 9)	**1,165**	760	405
	P 31,748	P 26,258	P 21,321

11.1 Credit Concentration and Security of Receivables from Customers

The concentration of credit of receivables from customers as to industry follows:

	Group			
	2019		2018	
	Amount	**Share**	Amount	Share
Consumer	**P 134,301**	**31%**	P 115,151	30%
Electricity, gas and water	**78,553**	**18%**	74,380	19%
Real estate, renting and other related activities	**54,244**	**12%**	51,498	13%
Wholesale and retail trade	**43,572**	**10%**	40,454	10%
Manufacturing (various industries)	**40,816**	**10%**	44,056	11%
Financial intermediaries	**38,617**	**9%**	24,262	7%
Transportation and communication	**20,505**	**5%**	18,239	5%
Other community, social and personal activities	**7,595**	**2%**	6,731	2%
Agriculture, fishing, and forestry	**5,439**	**1%**	4,271	1%
Hotels and restaurants	**4,109**	**1%**	3,888	1%
Mining and quarrying	**1,293**	**-**	1,449	-
Others	**5,219**	**1%**	4,694	1%
	P 434,263	**100%**	P 389,073	100%

	Parent Company			
	2019		2018 (As restated)	
	Amount	**Share**	Amount	Share
Consumer	**P 133,123**	**31%**	P 113,930	30%
Electricity, gas and water	**78,553**	**18%**	74,379	19%
Real estate, renting and other related activities	**52,881**	**12%**	53,100	14%
Wholesale and retail trade	**42,698**	**11%**	39,669	11%
Manufacturing (various industries)	**40,271**	**9%**	43,355	11%
Financial intermediaries	**38,617**	**9%**	24,262	6%
Transportation and communication	**16,963**	**4%**	16,077	4%
Other community, social and personal activities	**7,595**	**2%**	5,956	2%
Agriculture, fishing, and forestry	**5,254**	**2%**	4,003	1%
Hotels and restaurants	**4,109**	**1%**	3,937	1%
Mining and quarrying	**1,082**	**-**	1,285	-
Others	**4,856**	**1%**	2,684	1%
	P 426,002	**100%**	P 382,637	100%

The breakdown of the receivables from customers' portfolio as to secured and unsecured follows:

	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018 (As restated – see Note 34)
Secured:				
Real estate mortgage	**P 178,500**	P 113,299	**P 172,226**	P 111,954
Chattel mortgage	**45,983**	44,271	**45,960**	42,294
Hold-out deposits	**8,891**	9,814	**8,891**	9,814
Other securities	**12,592**	18,733	**12,027**	17,228
	245,966	186,117	**239,104**	181,290
Unsecured	**188,297**	202,956	**186,898**	201,347
	P 434,263	P 389,073	**P 426,002**	P 382,637

11.2 Non-performing Loans, Restructured Loans and Allowance for Credit Loss

NPLs included in the total loan portfolio of the Group and the Parent Company as of December 31 are presented below.

	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018 (As restated – see Note 34)
Gross NPLs	**P 17,679**	P 9,173	**P 16,085**	P 8,206
Allowance for impairment	**(9,124)**	(4,857)	**(8,544)**	(4,377)
	P 8,555	P 4,316	**P 7,541**	P 3,829

Under banking regulations, loan accounts shall be considered non-performing, even without any missed contractual payments, when they are considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal or interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than 90 days from contractual due date, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement.

Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained. Moreover, NPLs shall remain classified as such until (a) there is sufficient evidence to support that full collection of principal and interests is probable and payments of interest and/or principal are received for at least 6 months; or (b) written-off. Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after they have become past due.

The breakdown of restructured receivables from customers follows:

	Group		Parent Company	
	2019	2018	**2019**	2018 (As restated)
Loans and discounts	**P 310**	P 697	**P 310**	P 108
Credit card receivables	**4**	8	**4**	8
	P 314	P 705	**P 314**	P 116

Interest income from restructured receivables from customers amounted P5, P6, P11 in 2019, 2018, 2017, respectively, for both the Group and the Parent Company.

A reconciliation of the allowance for impairment on loans and receivables at the beginning and end of 2019 and 2018 is shown below (see Note 16).

	Group		Parent Company	
	2019	2018	**2019**	2018 (As restated – see Note 34)
Balance at beginning of year	**P 10,291**	P 9,583	**P 9,689**	P 9,100
Impairment losses during the year	**6,773**	1,790	**6,553**	1,682
Accounts written off and others	**(3,634)**	(1,082)	**(3,516)**	(1,093)
Balance at end of year	**P 13,430**	P 10,291	**P 12,726**	P 9,689

12. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

The components of the carrying values of investments in and advances to subsidiaries and associates are as follows (refer to Note 1.2 for the effective percentage of ownership, line of business, and country of incorporation of subsidiaries and associates):

		Group	
	Note	**2019**	2018
Acquisition costs of associates:			
HCPI		**P 91**	P 91
LIPC		**57**	57
YCS		**4**	4
		152	152
Accumulated equity in net earnings:			
Balance at beginning of year		**271**	265
Share in net earnings for the year		**21**	14
Share in actuarial gains on defined benefit plan		**-**	6
Cash dividends		**-**	(2)
Others	28	**-**	(12)
Balance at end of year		**292**	271
		P 444	P 423

	Note	Parent Company 2019	Parent Company 2018 (As restated – see Note 34)
Acquisition costs of subsidiaries:			
RCBC Capital		**P 2,231**	P 2,231
Rizal Microbank		**1,242**	1,242
RCBC LFC		**1,987**	1,187
NPHI		**609**	609
RCBC JPL		**375**	375
RCBC Forex		**150**	150
RCBC Telemoney		**72**	72
RCBC IFL		**58**	58
Cajel		**51**	51
Total acquisition costs		**6,775**	5,975
Accumulated equity in net earnings:			
Balance at beginning of year		**614**	557
Share in net earnings for the year		**452**	273
Share in actuarial gains (losses) on defined benefit plan		**(21)**	69
Share in fair value gains (losses) on financial assets at FVOCI		**251**	(388)
Cash dividends	28	**(500)**	-
Others		**(291)**	103
Balance at end of year		**505**	614
		7,280	6,589
Acquisition costs of associates:			
HCPI		**91**	91
LIPC		**57**	57
YCS		**4**	4
		152	152
Accumulated equity in net earnings:			
Balance at beginning of year		**271**	265
Share in net earnings for the year		**21**	14
Share in actuarial gains on defined benefit plan		**-**	6
Cash dividends	28	**-**	(2)
Share in fair value gains (losses) on financial assets at FVOCI		**-**	(12)
Balance at end of year		**292**	271
		444	423
		P 7,724	P 7,012

At the end of each reporting period, the Group has no material interest in unconsolidated structured entities.

Also, the Parent Company and its subsidiaries did not enter in any contractual arrangements to provide financial support to any entities under the Group.

The Parent Company received dividends from its subsidiaries and associates amounting to P500 and nil, respectively, in 2019, and nil and P2, respectively, in 2018, and P315 and P59, respectively, in 2017 (see Note 28).

12.1 Information About Investments in Subsidiaries

In May 2018, RCBC North America, Inc. was dissolved which resulted in the reclassification of the cumulative translation adjustment to profit or loss amounting to P32 (see Note 1.2).

In August 2018, the BOD of the Parent Company approved the additional capital infusion to RCBC LFC amounting to P800, which was paid to the latter in November 2018 after RCBC LFC's BOD approved the increase in its authorized capital stock in its meeting held in October 2018. The P800 deposit for future stock subscription presented as part of Other Resources account in the 2018 statement of financial position of the Parent Company (see Note 15) was reclassified as an additional investment in RCBC LFC subsequent to the SEC approval of the increase in authorized capital stock in March 2019.

On February 23, 2015, the Parent Company's BOD approved the subscription to P500 worth of shares of stock of RCBC LFC. In 2016, RCBC LFC filed its application with the SEC for increase in authorized capital stock after it has secured the certificate of authority to amend the articles of incorporation from the BSP. This application was approved by the SEC on April 24, 2018 which resulted in the issuance of shares to the Parent Company, hence, increase in the latter's ownership interest (see Note 1.2).

12.2 Information About Investments in Associates

The Parent Company, under a shareholder's agreement, agreed with another stockholder of HCPI to commit and undertake to vote, as a unit, the shares of stock thereof, which they proportionately own and hold, and to regulate the conduct of the voting and the relationship between them with respect to their exercise of their voting rights. As a result of this agreement, the Parent Company is able to exercise significant influence over the operating and financial policies of HCPI. Thus, HCPI has been considered by the Parent Company as an associate despite holding only 12.88% ownership interest.

The table below presents the summary of the unaudited financial information of the Group's significant associates as of and for the years ended December 31:

	Resources	Liabilities	Revenues	Net Profit (Loss)
2019:				
HCPI	**P 5,745**	**P 2,407**	**P 19,700**	**P 156**
LIPC	**1,030**	**5,250**	**28**	**18**
2018:				
HCPI	P 6,910	P 3,717	P 27,664	P 35
LIPC	993	5,236	29	(482)

On February 22, 2020, HCPI announced its plan to cease its production facility in Laguna in consideration of efficient allocation and distribution of its resources in Asia and Oceania. Automobile sales and after-sales services will continue through its regional network.

13. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of bank premises, furniture, fixtures and equipment at the beginning and end of 2019 and 2018 are shown below.

	Group					
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Right-of-use Asset	Total
December 31, 2019						
Cost	P 1,270	P 3,673	P 10,161	P 1,094	P 3,283	P 19,481
Accumulated depreciation and amortization	-	(1,563)	(6,041)	-	(818)	(8,422)
Net carrying amount	**P 1,270**	**P 2,110**	**P 4,120**	**P 1,094**	**P 2,465**	**P 11,059**
December 31, 2018						
Cost	P 1,270	P 3,400	P 11,032	P 1,123	P -	P 16,825
Accumulated depreciation and amortization	-	(1,400)	(7,010)	-	-	(8,410)
Net carrying amount	P 1,270	P 2,000	P 4,022	P 1,123	P -	P 8,415
January 1, 2018						
Cost	P 1,283	P 3,368	P 9,684	P 1,167	P -	P 15,502
Accumulated depreciation and amortization	-	(1,318)	(5,238)	-	-	(6,556)
Net carrying amount	P 1,283	P 2,050	P 4,446	P 1,167	P -	P 8,946

	Parent Company					
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Right-of-use Asset	Total
December 31, 2019						
Cost	P 1,249	P 3,625	P 8,193	P 1,056	P 3,208	P 17,331
Accumulated depreciation and amortization	-	(1,534)	(5,919)	-	(807)	(8,260)
Net carrying amount	**P 1,249**	**P 2,091**	**P 2,274**	**P 1,056**	**P 2,401**	**P 9,071**
December 31, 2018 (As restated – see Note 34)						
Cost	P 1,249	P 3,355	P 7,933	P 1,058	P -	P 13,595
Accumulated depreciation and amortization	-	(1,374)	(5,540)	-	-	(6,914)
Net carrying amount	P 1,249	P 1,981	P 2,393	P 1,058	P -	P 6,681
January 1, 2018 (As restated – see Note 34)						
Cost	P 1,249	P 3,295	P 7,674	P 1,111	P -	P 13,329
Accumulated depreciation and amortization	-	(1,276)	(5,099)	-	-	(6,375)
Net carrying amount	P 1,249	P 2,019	P 2,575	P 1,111	P -	P 6,954

A reconciliation of the carrying amounts of bank premises, furniture, fixtures and equipment at the beginning and end of 2019 and 2018 is shown below.

	Group					
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Right-of-Use Asset	Total
Balance at January 1, 2019, net of accumulated depreciation and amortization	P 1,270	P 2,000	P 4,022	P 1,123	P -	P 8,415
Effect of PFRS 16 adoption	-	-	-	-	3,106	3,106
Additions	-	298	1,092	855	323	2,568
Disposals	-	(68)	(109)	(585)	(146)	(908)
Depreciation and amortization charges for the period	-	(120)	(885)	(299)	(818)	(2,122)
Balance at December 31, 2019, net of accumulated depreciation and amortization	**P 1,270**	**P 2,110**	**P 4,120**	**P 1,094**	**P 2,465**	**P 11,059**
Balance at January 1, 2018, net of accumulated depreciation and amortization	P 1,283	P 2,050	P 4,446	P 1,167	P -	P 8,946
Additions	-	47	877	290	-	1,214
Disposals	(13)	(12)	(296)	(10)	-	(331)
Reclassification	-	2	(131)	129	-	-
Depreciation and amortization charges for the period	-	(87)	(874)	(453)	-	(1,414)
Balance at December 31, 2018, net of accumulated depreciation and amortization	P 1,270	P 2,000	P 4,022	P 1,123	P -	P 8,415

	Parent Company					
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Right-of-use Asset	Total
Balance at January 1, 2019 (As restated – see Note 34), net of accumulated depreciation and amortization	P 1,249	P 1,981	P 2,393	P 1,058	P -	P 6,681
Effect of PFRS 16 adoption	-	-	-	-	2,972	2,972
Additions	-	296	574	847	340	2,057
Disposals	-	(68)	(100)	(559)	(104)	(831)
Depreciation and amortization charges for the period	-	(118)	(593)	(290)	(807)	(1,808)
Balance at December 31, 2019, net of accumulated depreciation and amortization	**P 1,249**	**P 2,091**	**P 2,274**	**P 1,056**	**P 2,401**	**P 9,071**
Balance at January 1, 2018, net of accumulated depreciation and amortization	P 1,249	P 2,019	P 2,575	P 1,111	P -	P 6,954
Additions	-	80	631	269	-	980
Disposals	-	(4)	(192)	(31)	-	(227)
Reclassification	-	-	-	-	-	-
Depreciation and amortization charges for the period	-	(114)	(621)	(291)	-	(1,026)
Balance at December 31, 2018, net of accumulated depreciation and amortization	P 1,249	P 1,981	P 2,393	P 1,058	P -	P 6,681

Under BSP rules, investments in bank premises, furniture, fixtures and equipment should not exceed 50% of the respective unimpaired capital of the Parent Company and its bank subsidiaries. As of December 31, 2019 and 2018, the Parent Company and its bank subsidiary have satisfactorily complied with this BSP requirement.

The cost of the Group and the Parent Company's fully-depreciated bank premises, furniture, fixtures and equipment that are still in use in operations is P6,503 and P6,476, respectively, as of December 31, 2019, and P5,136 and P4,357, respectively, as of December 31, 2018.

The Group has leases for certain offices and branches. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the statement of financial position as a Right-of-use asset and a Lease liability. Variable lease payments which do not depend on an index or a rate are excluded from the initial measurement of the Lease liability and Right-of-use asset.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the Right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying lease asset outright at the end of the lease, or to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over branches and offices, the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure the leased assets and incur maintenance fees on such items in accordance with the lease contracts.

The use of extension and termination options gives the Group added flexibility in the event it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the Group's regional markets strategy and the economic benefits of exercising the option exceeds the expected overall cost.

14. INVESTMENT PROPERTIES

Investment properties pertain to land, buildings or condominium units acquired by the Group, in settlement of loans from defaulting borrowers through foreclosure or dacion in payment and properties which are held for rental.

The gross carrying amounts and accumulated depreciation and impairment losses of investment properties at the beginning and end of 2019 and 2018 are shown below.

	Group			Parent Company		
	Land	Buildings	Total	Land	Buildings	Total
December 31, 2019						
Cost	P 1,797	P 3,035	P 4,832	P 1,649	P 3,016	P 4,665
Accumulated depreciation	-	(638)	(638)	-	(625)	(625)
Accumulated impairment (see Note 16)	(18)	(34)	(52)	(18)	(5)	(23)
Net carrying amount	**P 1,779**	**P 2,363**	**P 4,142**	**P 1,631**	**P 2,386**	**P 4,017**
December 31, 2018 (As restated – see Note 34)						
Cost	P 1,566	P 2,659	P 4,225	P 1,414	P 2,644	P 4,058
Accumulated depreciation	-	(502)	(502)	-	(488)	(488)
Accumulated impairment (see Note 16)	(92)	-	(92)	(54)	(11)	(65)
Net carrying amount	P 1,474	P 2,157	P 3,631	P 1,360	P 2,144	P 3,505
January 1, 2018 (As restated – see Note 34)						
Cost	P 2,472	P 1,534	P 4,006	P 1,792	P 2,038	P 3,830
Accumulated depreciation	-	(549)	(549)	-	(458)	(458)
Accumulated impairment (see Note 16)	(58)	-	(58)	(61)	(41)	(102)
Net carrying amount	P 2,414	P 985	P 3,399	P 1,731	P 1,539	P 3,270

The reconciliations of the carrying amounts of investment properties at the beginning and end of 2019 and 2018 follow:

	Group		Parent Company	
	2019	2018	**2019**	2018 (As restated – see Note 34)
Balance at January 1, net of accumulated depreciation and impairment	**P 3,631**	P 3,399	**P 3,505**	P 3,270
Additions	**924**	672	**912**	818
Disposals	**(294)**	(382)	**(281)**	(325)
Reclassification	**-**	39	**-**	-
Depreciation charges for the year	**(105)**	(97)	**(105)**	(169)
Impairment losses	**(14)**	(89)	**(14)**	(89)
Balance at December 31, net of accumulated depreciation and impairment	**P 4,142**	P 3,631	**P 4,017**	P 3,505

As of December 31, 2019 and 2018, there is no restriction on the realizability of investment properties or the remittance of income and proceeds of disposal therefrom.

14.1 Additions and Disposals of Investment Properties

The Group and the Parent Company foreclosed real and other properties totaling P924 and P912, respectively, in 2019, and P672 and P818, respectively, in 2018, in settlement of certain loan accounts.

As of December 31, 2019 and 2018, foreclosed investment properties still subject to redemption period by the borrowers amounted to P297 and P518, respectively, for the Group and P213 and P498, respectively, for the Parent Company.

The total gain recognized by the Group and the Parent Company from disposals of investment properties both amounted to P211 in 2019, P26 in 2018, and P159 and P33, respectively, in 2017, which is presented as part of Gains on assets sold – net under Miscellaneous Income account in the statements of profit or loss (see Note 25.1).

14.2 Income and Expenses from Investment Properties Held for Rental

The Group and Parent Company earned rental income from investment properties amounting to P275 both in 2019, P414 both in 2018, and P416 and P400, respectively, in 2017 and are presented as part of Rentals under Miscellaneous Income account in the statement of profit or loss [see Notes 25.1 and 28.5(a)]. Expenses incurred by the Group and Parent Company in relation to the investment properties include taxes and licenses amounting to P20 and P17, respectively, in 2019, P54 and P32, respectively, in 2018, and P41 and P15, respectively, in 2017.

14.3 Valuation and Measurement of Investment Properties

The fair value of investment properties as of December 31, 2019 and 2018, based on the available appraisal reports, amounted to P10,045 and P7,624, respectively, for the Group; and, P9,595 and P7,284, respectively, for the Parent Company (see Note 7.4).

15. OTHER RESOURCES

Other resources consist of the following:

		Group		Parent Company	
	Notes	2019	2018	2019	2018 (As restated – See Note 34)
Assets held-for-sale and disposal group	15.3	**P 3,206**	P 931	**P 2,666**	P 671
Creditable withholding taxes		**2,393**	2,362	**2,371**	2,253
Branch licenses	15.1	**1,000**	1,000	**1,000**	1,000
Software – net	15.2	**902**	945	**895**	934
Prepaid expenses	15.4	**883**	717	**733**	683
Refundable and other deposits		**739**	736	**737**	733
Goodwill	15.5	**426**	426	**269**	269
Unused stationery and supplies		**354**	298	**345**	292
Deferred charges		**179**	121	**177**	118
Returned checks and other cash items		**90**	171	**90**	171
Margin deposits	15.6	**40**	19	**40**	19
Deposit for future stock subscription	12.1	**-**	-	**-**	800
Miscellaneous	15.7	**1,119**	1,533	**791**	758
		11,331	9,259	**10,114**	8,701
Allowance for impairment	15.5, 16	**(723)**	(237)	**(591)**	(70)
		P 10,608	P 9,022	**P 9,523**	P 8,631

15.1 Branch Licenses

Branch licenses represent the rights granted by the BSP to the Parent Company in 2015 to establish a certain number of branches in the restricted areas in the country. Branch licenses are annually tested for impairment either individually or at the cash generating unit level, as appropriate when circumstances indicate that the intangible asset may be impaired. As of December 31, 2019 and 2018, the Group has assessed that the recoverable amount of these branch licenses is higher than the carrying value; hence, no impairment loss is required to be recognized in the statements of profit or loss.

15.2 Software

A reconciliation of the carrying amounts of software at the beginning and end of 2019 and 2018 is shown below.

	Group		Parent Company	
	2019	2018	2019	2018 (As restated – See Note 34)
Balance at beginning of year	**P 945**	P 1,035	**P 934**	P 1,051
Additions	**233**	179	**231**	156
Amortization	**(276)**	(269)	**(270)**	(273)
	P 902	P 945	**P 895**	P 934

Amortization charges for software are included as part of Depreciation and Amortization account in the statements of profit or loss.

15.3 Assets Held-for-Sale and Disposal Group

	Group		Parent Company	
	2019	2018	**2019**	2018 (As restated – see Note 34)
Equity securities	**P 1,860**	P -	**P 1,860**	P -
Foreclosed real properties	**692**	435	**258**	268
Foreclosed automobiles	**654**	496	**548**	403
	3,206	931	**2,666**	671
Allowance for impairment	**(591)**	(70)	**(591)**	(70)
Balance at end of year	**P 2,615**	P 861	**P 2,075**	P 601

Assets held-for-sale represents assets that are approved by management to be immediately sold in its present condition and management believes that the sale is highly probable at the time of reclassification. These mainly include real properties, automobiles, equipment and other assets foreclosed by the Parent Company and RCBC LFC in settlement of loans.

15.3.1 HHIC Equity Securities

In May 2019, RCBC, together with other local banks, entered into a Detailed Implementing Agreement with Hanjin Heavy Industries and Construction Philippines (HHIC-Phil), a subsidiary of Hanjin Heavy Industry Co., Ltd. (HHIC), a Korean shipbuilding company, to convert a part of the former's debt into a 20% stake in HHIC (see Note 29.7). Accordingly, in June 2019, the Bank received 7,100,129 common shares representing 8.53% ownership in HHIC in settlement of HHIC-Phil's gross outstanding loan amounting to USD63.5 million or P3,286. The Bank intends to sell its share after the lapse of the lock-up agreement on November 22, 2019.

The management is committed to sell the shares and believes that the disposal of the investment will occur within 12 months after the end of the reporting period. As a result, and as required under PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, the carrying amount of the investment is at the lower of their carrying amounts, immediately prior to it classification as held-for-sale and its fair value less costs to sell.

15.3.2 Other Foreclosed Assets

In 2015, the Parent Company classified a portion of investment properties amounting to P1,351 as assets held-for-sale since the carrying amount of those properties will be recovered principally through a sale transaction. The properties were readily available for immediate sale in its present condition and that management believes that the sale was highly probable at the time of reclassification. In June 2017, the properties were sold to a third party with total consideration of P1,385; of which P396 and P989 (present value is P742) were in the form of cash and note receivable, respectively (see Note 11).

In 2013, the Parent Company entered into a joint venture agreement with a third party developer to develop certain investment properties for the purpose of recovering the cost through eventual sale which led to the reclassification of the properties amounting to P337 as assets held-for-sale. This joint arrangement is accounted for as a jointly controlled operation as there was no separate entity created under this joint venture agreement. The joint venture agreement stipulates that the Parent Company shall contribute parcels of land and the co-venturer shall be responsible for the planning, conceptualization, design, construction, financing and marketing of units to be constructed on the properties.

In 2017, the joint venture agreement was terminated and both parties entered into a contract of sale, with the joint venturer property developer purchasing the properties contributed by the Parent Company at a consideration of P551 resulting in a gain from sale of P198, which is recognized as part of Gains on assets sold – net under Miscellaneous Income account in the 2017 statement of profit or loss (see Note 25.1). The outstanding receivables related to this transaction as of December 31, 2017 amounted to P463 and is presented as part of Accounts receivables under Loans and Receivables account in the 2017 statement of financial position (see Note 11).

In 2009, in accordance with the letter received by RSB from BSP dated March 26, 2009, RSB reclassified certain investment properties to equity investments as its investment in subsidiaries in its separate financial statements which resulted in the inclusion of the assets, liabilities, income and expenses of the SPCs of RSB in the Group's consolidated financial statements.

The approval of the BSP through the MB is subject to the following conditions: (i) RSB should immediately dissolve the SPCs once the underlying dacioned real property assets were sold or disposed of; and, (ii) the equity investments in the SPCs shall be disposed of within a reasonable period of time.

In partial compliance with the requirements of the BSP, the management of RSB resolved that certain SPCs be disposed of through the conversion of the SPCs' existing common shares into redeemable preferred shares which shall be subsequently redeemed. Accordingly, at their special meeting held on September 30, 2013, the respective BOD and the stockholders of the SPCs approved that a portion of the common shares of the SPCs owned by RSB shall be converted to redeemable preferred shares and that for such purpose, the Articles of Incorporation of the SPCs below have been amended. The amendment was approved by the SEC on November 28, 2013:

(a) Goldpath
(b) Eight Hills
(c) Crescent Park
(d) Niceview
(e) Lifeway
(f) Gold Place
(g) Princeway
(h) Greatwings
(i) Top Place
(j) Crestview
(k) Best Value

On December 23, 2013, the BOD of RSB approved the foregoing SPCs' redemption of the SPCs' respective preferred shares for a total consideration of P1,555. This transaction resulted in the recognition of a redemption loss by RSB amounting to P185 which is reported in the 2013 consolidated financial statements of the Group as part of Other Reserves account pending the eventual retirement of these redeemable preferred shares. On May 30, 2014 and on October 16, 2014, the retirement of the preferred shares was approved by the BOD and SEC, respectively; hence, the retirement of shares was executed by RSB. Consequently, the amount of the redemption loss was transferred directly to Surplus account from Other Reserves account as the redemption of shares of these SPCs is considered transaction between owners within the Group (see Note 23.7).

In relation to the SPCs disposal plan and to fully comply with the requirements of the BSP, the BOD of RSB has approved in its meeting held on May 30, 2014 the shortening of the corporate life of these SPCs until December 31, 2015 which was approved by the SEC in various dates during the last quarter of 2014. In 2019, the Group has completed the liquidation of the operations of SPCs. NPHI and Cajel are retained by the Parent Company and are presented under Investment in Subsidiaries and Associates account (see Note 12).

15.4 Prepaid Expenses

Prepaid expenses include prepayments for insurance, taxes and licenses, and software maintenance.

15.5 Goodwill

The Parent Company recognized goodwill amounting to P269 which arose from its acquisition of the net assets of another bank in 1998 from which it had expected future economic benefits and synergies that will result from combining the operations of the acquired bank.

Goodwill is subject to annual impairment testing and whenever there is an indication of impairment. In 2019 and 2018, the Parent Company engaged a third party consultant to perform an independent impairment testing of goodwill. The recoverable amount of the CGU has been based on Value-in-Use (VIU) calculation using the cash flow projections from financial budgets approved by the Parent Company's senior management covering a five-year period. Key assumptions in VIU calculation of CGUs are most sensitive to discount rates and growth rates used to project cash flows. Future cash flows and growth rates were based on experience, strategies developed, and prospects. The discount rate used for the computation of the net present value is the cost of equity and was determined by reference to comparable entities within the industry. In 2019 and 2018, the discount rate applied to cash flow projections is 12.89% and 9.32%, respectively, while the growth rate used to extrapolate cash flows beyond five-year period is 6.41% and 6.10% for 2019 and 2018, respectively. On the basis of the report of the third party consultant dated February 4, 2020 and January 16, 2019 with valuation date as of the end of 2019 and 2018, respectively, the Group has assessed that the recoverable amount of the goodwill is higher than its carrying value. Accordingly, no impairment loss is required to be recognized in the statements of profit or loss in both years.

In addition, the goodwill pertaining to the acquisition of Rizal Microbank amounting to P157 million was fully provided with impairment in 2011.

15.6 Margin Deposits

Margin deposits serve as security for outstanding financial market transactions and other liabilities. These are designed to provide additional credit risk protection for counterparty exposures.

15.7 Miscellaneous

Miscellaneous account includes various deposits, advance rentals, service provider fund and other assets.

16. ALLOWANCE FOR EXPECTED CREDIT LOSS AND IMPAIRMENT

Changes in the amounts of allowance for impairment are summarized below.

	Notes	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018 (As restated – See Note 34)
Balance at beginning of year					
Loans and receivables	11	**P 10,291**	P 9,583	**P 9,689**	P 9,100
Investment securities at amortized cost	10.3	**135**	111	**45**	17
Investment properties	14	**92**	58	**65**	102
Other resources	15	**237**	191	**70**	33
		10,755	9,943	**9,869**	9,252
Impairment losses (recovery):					
Loans and receivables	11	**6,773**	1,790	**6,553**	1,682
Investment securities at at amortized cost	10.3	**4**	24	**-**	15
Loan commitments		**4**	(13)	**23**	(13)
Investment properties	14	**14**	89	**14**	89
Other resources	15	**602**	9	**602**	9
		7,397	1,899	**7,192**	1,782
Charge-offs and other adjustments during the year		**(3,790)**	(1,105)	**(3,672)**	(1,345)
Balance at end of year					
Loans and receivables	11	**13,430**	10,291	**12,726**	9,689
Investment securities at at amortized cost	10.3	**139**	135	**49**	45
Investment properties	14	**52**	92	**23**	65
Other resources	15	**723**	237	**591**	70
		P 14,344	P 10,755	**P 13,389**	P 9,869

17. DEPOSIT LIABILITIES

The following is the breakdown of deposit liabilities (see also Note 28.2):

	Group		Parent Company	
	2019	2018	**2019**	2018 (As restated – See Note 34)
Demand	**P 70,523**	P 56,413	**P 70,971**	P 57,004
Savings	**179,247**	174,107	**179,418**	174,198
Time	**198,629**	179,724	**198,022**	179,172
Long-term Negotiable Certificate of Deposits (LTNCD)	**8,182**	13,155	**8,182**	13,155
	P 456,581	P 423,399	**P 456,593**	P 423,529

The Parent Company's LTNCD as of December 31 are as follows:

Issuance Date	Maturity Date	Coupon Interest	Outstanding Balance 2019	Outstanding Balance 2018
September 28, 2018	March 28, 2024	5.50%	**P 3,580**	P 3,580
August 11, 2017	February 11, 2023	3.75%	**2,502**	2,502
December 19, 2014	June 19, 2020	4.13%	**2,100**	2,100
November 14, 2013	May 14, 2019	3.25%	**-**	2,860
November 14, 2013	May 14, 2019	0.00%	**-**	2,113
			P 8,182	P 13,155

The Parent Company's LTNCD were used in the expansion of its term deposit base to support long-term asset growth and for other general funding purposes.

Analysis of unamortized debt issue cost is as follows:

	2019	2018	2017
Balance at beginning of the year	**P 27**	P 20	P 8
Additions	**-**	8	15
Amortization	**(1)**	(1)	(3)
Balance at end of the year	**P 26**	P 27	P 20

Amortization of debt issue cost is recorded as part of Interest expense in the statements of profit or loss.

The Group's deposit liabilities bear annual interest as follows:

	2019	2018	2017
Demand, Savings and Time deposits	**0.10% - 4.50%**	0.11% – 3.28%	0.10% - 1.84%

The total interest expense incurred by the Group and the Parent Company on deposit liabilities are as follows:

	Group					
	2019		2018		2017	
Demand	**P**	**217**	P	199	P	147
Savings		**449**		491		469
Time		**7,149**		4,824		2857
LTNCD		**811**		781		486
	P	**8,626**	P	6,295	P	3,959

	Parent Company					
	2019		2018 (As restated – see Note 34)		2017 (As restated – see Note 34)	
Demand	**P**	**220**	P	201	P	149
Savings		**451**		469		452
Time		**7,116**		4,824		2,857
LTNCD		**811**		781		487
	P	**8,598**	P	6,275	P	3,945

Under existing BSP regulations, non-FCDU deposit liabilities, including tax exempt LTNCDs, of the Parent Company and Rizal Microbank is subject to reserve requirement of 18% and 8%, respectively, at the start of 2019 until May 30, 2019. BSP reduced the reserve requirement for both Parent Company and Rizal Microbank, Inc. effective May 31, June 28, July 26, November 1 and December 6 by 100 basis points, 50 basis points, 50 basis points, 100 basis points and another 100 basis points, respectively. From December 6, 2019 and thereafter, the Parent Company and Rizal Microbank are subject to reserve requirement equivalent to 14% and 4%, respectively. Peso-denominated LTNCDs of the Parent Company are subject to reserve requirement equivalent to 3% in 2019 and 4% in 2018. As of December 31, 2019 and 2018, the Group is in compliance with such regulatory reserve requirements.

Under BSP Circular No. 1063, *Reduction in Reserve Requirements*, cash in vault and regular reserve deposit accounts with BSP are excluded as eligible forms of compliance for the reserve requirements. The required reserve shall only be kept in the form of demand deposit accounts with the BSP. Available reserves consist of Due from BSP amounting to P51,548, P51,409 and P55,386 for the Group and P51,502, P49,975 and P46,986 for the Parent Company as of December 31, 2019, 2018 and 2017, respectively (see Note 9).

18. BILLS PAYABLE

This account consists of borrowings from:

	Group				Parent Company			
	2019		2018		**2019**		2018 (As restated – See Note 34)	
Foreign banks	**P**	**68,795**	P	40,613	**P**	**68,795**	P	40,613
Local banks		**32,810**		15,386		**25,142**		8,144
Others		**1**		2		**1**		2
	P	**101,606**	P	56,001	**P**	**93,938**	P	48,759

Borrowings from foreign and local banks are subject to annual fixed interest rates as follows:

	2019	2018	2017
Group			
Peso denominated	**2.00% - 7.35%**	1.06% - 4.50%	0.88% - 2.98%
Foreign currency denominated	**0.04% - 2.68%**	1.06% - 3.46%	0.10% - 2.86%
Parent Company			
Foreign currency denominated	**0.04% - 2.68%**	1.06% - 3.46%	0.10% - 2.86%

The total interest expense incurred by the Group on the bills payable amounted to P2,069 in 2019, P1,541 in 2018 and P891 in 2017. The total interest expense incurred by the Parent Company on the bills payable amounted to P1,606 in 2019, P1,204 in 2018 and P636 in 2017.

As of December 31, 2019 and 2018, bills payable availed under repurchase agreements amounting to P75,771 and P20,653 are secured by the Group and Parent Company's investment securities.

19. BONDS PAYABLE

The composition of this account for the Group and the Parent Company follows:

Issuance Date	Maturity Date	Coupon Interest	Face Value (in millions)		Outstanding Balance 2019		Outstanding Balance 2018
November 13, 2019	November 13, 2022	4.43%	P	7,500	**P 7,500**	P	-
September 11, 2019	September 11, 2024	3.00%	$	300	**15,154**		-
June 4, 2019	June 4, 2021	6.15%	P	8,000	**8,000**		-
February 1, 2019	August 1, 2020	6.73%	P	15,000	**15,000**		-
March 15, 2018	March 16, 2023	4.13%	$	450	**22,710**		23,560
November 2, 2015	February 2, 2021	3.45%	$	320	**16,203**		16,826
January 21, 2015	January 22, 2020	4.25%	$	243	**12,247**		12,704
					P 96,814	P	53,090

In November 2019, the Parent Company issued unsecured Peso-denominated Senior Notes with principal amount and outstanding balance as of December 31, 2019 of P7,500 bearing an interest of 4.43% per annum, payable quarterly in arrears on February 13, May 13, August 13 and November 13. The Senior Notes will be redeemed on November 13, 2022.

In September 2019, the Parent Company issued unsecured US$-denominated Senior Notes with principal amount of US$300 bearing an interest of 3.00% per annum, payable semi-annually in arrears every March 11 and September 1 of each year. The Senior Notes, unless redeemed, will mature on September 11, 2024. As of December 31, 2019, the peso equivalent of this outstanding bond issue amounted to P15,154.

In June 2019, the Parent Company issued unsecured Peso-denominated Senior Notes with principal amount and outstanding balance as of December 31, 2019 of P8,000 bearing an interest of 6.15% per annum, payable quarterly in arrears every March 4, June 4, September 4 and December 4 of each year. The Senior Notes, unless redeemed, will mature on June 4, 2021.

In February 2019, the Parent Company issued unsecured Peso-denominated Senior Notes with principal amount and outstanding balance as of December 31, 2019 of P15,000 bearing an interest of 6.73% per annum, payable quarterly in arrears on February 1, May 1, August 1 and November 1. The Senior Note will be redeemed on August 1, 2020.

In March 2018, the Parent Company issued unsecured US$-denominated Senior Notes with principal amount of US$450 bearing an interest of 4.13% per annum, payable semi-annually in arrears every March 16 and September 16 of each year. The Senior Notes, unless redeemed, will mature on March 16, 2023. As of December 31, 2019 and 2018, the peso equivalent of this outstanding bond issue amounted to P22,710 and P23,560, respectively.

In November 2015, the Parent Company issued unsecured US$-denominated Senior Notes with principal amount of US$320 bearing an interest of 3.45% per annum, payable semi-annually in arrears every May 2 and November 2 of each year. The Senior Notes, unless redeemed, will mature on February 2, 2021. As of December 31, 2019 and 2018, the peso equivalent of this outstanding bond issue amounted to P16,203 and P16,826, respectively.

In January 2015, the Parent Company issued unsecured US$ denominated Senior Notes with principal amount of US$243 bearing an interest of 4.25% per annum, payable semi-annually in arrears every January 21 and July 21 of each year, which commenced on July 21, 2015. The Senior Notes, unless redeemed, will mature on January 22, 2020. As of December 31, 2019 and 2018, the peso equivalent of this outstanding bond issue amounted to P12,247 and P12,704, respectively.

Unamortized bond premium/discount amounted to P170, P174, and P51 as of December 31, 2019, 2018 and 2017, respectively. The related amortization of unamortized bond premium/discounts is recorded as part of Interest Expense in the statements of profit or loss.

The interest expense incurred on these bonds payable amounted to P3,550 in 2019, P1,911 in 2018, and P1,155 in 2017. The Group and Parent Company recognized foreign currency exchange gains related to these bonds payable amounting to P2,031 in 2019 and foreign currency exchange losses amounting to P1,489 and P118 in 2018 and 2017, respectively, which are netted against Foreign exchange gains presented under Other Operating Income account in the statements of profit or loss.

20. SUBORDINATED DEBT

On June 27, 2014, the Parent Company issued P7 billion Basel III-compliant Tier 2 Capital Notes (the "Tier 2 Notes") which shall be part of the Group's regulatory capital compliance in accordance with Basel III capital guidelines of the BSP. The Parent Company re-opened the Tier 2 Notes and issued an additional P3 billion of the Notes on September 5, 2014, which constituted a further issuance of, and formed a single series with the existing P7,000 Tier 2 Notes.

The significant terms and conditions of the Tier 2 Notes with an aggregate issue amount of P10,000, are as follows:

(a) The Tier 2 Notes shall mature on September 27, 2024, provided that they are not redeemed at an earlier date.

(b) Subject to satisfaction of certain regulatory approval requirements, the Parent Company may, on September 26, 2019, and on any Interest Payment Date thereafter, redeem all of the outstanding Tier 2 Notes at redemption price equal to 100% of its face value together with accrued and unpaid interest thereon. The terms and conditions of the Tier 2 Notes also allow for early redemption upon the occurrence of a Tax Redemption Event or a Regulatory Redemption Event.

(c) The Tier 2 Notes shall initially bear interest at the rate of 5.375% per annum from and including June 27, 2014 to but excluding September 27, 2019 and shall be payable quarterly in arrears at the end of each interest period on March 27, June 27, September 27 and December 27 of each year.

(d) Unless the Tier 2 Notes are previously redeemed, the initial interest rate will be reset on September 26, 2019 at the equivalent of the five-year PDST-R2 or the relevant five-year benchmark plus the initial spread of 1.93% per annum. Such reset interest shall be payable quarterly in arrears commencing on September 27, 2019 up to and including September 27, 2024, if not otherwise redeemed earlier.

(e) The Tier 2 Notes have a loss absorption feature which means the notes are subject to a Non-Viability Write-Down in case of the occurrence of a Non-Viability Event, subject to certain conditions as set out in the terms and conditions of the notes, when the Issuer is considered non-viable as determined by the BSP. Non-Viability is defined as a deviation from a certain level of CET1 ratio or the 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 Event, the Issuer shall write-down the principal amount of the notes to the extent required by the BSP, which could go as low as zero. A Non-Viability Write-Down shall have the following effects:

- *(i)* it shall reduce the claim on the notes in liquidation;
- *(ii)* reduce the amount re-paid when a call or redemption is properly exercised; and,
- *(iii)* partially or fully reduce the interest payments on the notes.

On May 27, 2019, the RCBC BOD approved the to exercise its call option and redeem its P10,000 5.375% Tier 2 Notes. The request was subsequently approved by the MB on July 25, 2019, subject to compliance with BSP conditions. On September 26, 2019, the Bank exercised the call option and fully redeemed the notes.

The total interest expense incurred by the Group and Parent Company on the notes amounted to P471 in 2019, P555 in 2018 and P554 in 2017.

21. ACCRUED INTEREST, TAXES AND OTHER EXPENSES

The composition of this account follows:

	Group		Parent Company	
	2019	2018	**2019**	2018 (As restated – See Note 34)
Accrued expenses	**P 3,734**	P 2,916	**P 3,481**	P 2,771
Accrued interest	**2,285**	2,068	**2,277**	2,063
Taxes payable	**183**	293	**140**	227
	P 6,202	P 5,277	**P 5,898**	P 5,061

Accrued expenses represent mainly the accruals for utilities, employee benefits and other operating expenses. Accrued interest primarily includes unpaid interest on deposit liabilities, bills payable, bonds payable and subordinated debt at the end of each reporting period.

22. OTHER LIABILITIES

Other liabilities consist of the following:

		Group		Parent Company	
	Notes	2019	2018	2019	2018 (As restated – See Note 34)
Accounts payable	28.5(b)	**P 6,684**	P 6,291	**P 6,281**	P 5,709
Bills purchased – contra		**3,383**	1,847	**3,383**	1,847
Post-employment defined benefit obligation	24.2	**3,260**	1,481	**3,243**	1,403
Lease liabilities		**2,877**	-	**2,797**	-
Outstanding acceptances payable		**1,464**	880	**1,464**	880
Manager's checks		**1,434**	1,545	**1,434**	1,545
Derivative financial liabilities	10.1	**863**	894	**863**	894
Payment orders payable		**671**	432	**671**	432
Deposit on lease contracts		**397**	471	**82**	122
Other credits		**300**	392	**300**	392
Withholding taxes payable		**293**	304	**283**	289
Unearned income		**233**	380	**214**	347
Sundry credits		**210**	125	**210**	125
ECL provisions on loan commitments	4.4.8(c)	**125**	94	**125**	94
Guaranty deposits		**115**	57	**115**	57
Advance rentals		**71**	106	**71**	106
Due to BSP		**26**	29	**26**	29
Miscellaneous		**620**	344	**551**	436
		P 23,026	P 15,672	**P 22,113**	P 14,707

Accounts payable is mainly composed of prepaid card balances of customers, settlement billing from credit card operations and the Group's expenditure purchases which are to be settled within the next reporting period.

The Group and the Parent Company have elected not to recognize lease liabilities for short-term leases or leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred.

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities at December 31, 2019 is as follows:

	Within 1 Year	Two to Five Years	More than Five Years	Total
Group				
Lease payments	P 1,022	P 1,596	P 705	P 3,323
Finance charges	(156)	(198)	(92)	(446)
Net present value	**P 866**	**P 1,398**	**P 613**	**P 2,877**
Parent Company				
Lease payments	P 994	P 1,551	P 674	P 3,219
Finance charges	(154)	(186)	(82)	(422)
Net present value	**P 840**	**P 1,365**	**P 592**	**P 2,797**

As of December 31, 2019, the Group and Parent Company do not have committed leases, which had not yet commenced.

Total cash outflow in respect of leases amounted to P1,186 and P1,086 for the Group and Parent Company, respectively, in 2019. Interest expense in relation to lease liabilities amounted to P221 and P222 for the Group and Parent Company, respectively, and is presented as part of Interest expense in the 2019 statement of profit or loss.

Miscellaneous liabilities include unclaimed balances for deposits and other miscellaneous liabilities.

23. EQUITY

23.1 Capital Stock

The movements in the outstanding capital stock of the Parent Company are as follows:

	Number of Shares		
	2019	2018 (As restated – see Note 34)	2017 (As restated – see Note 34)
Preferred stock – voting, non-cumulative non-redeemable, participating, convertible into common stock – P10 par value			
Authorized – 200,000,000 shares			
Issued and outstanding			
Balance at beginning of year	**267,887**	276,845	293,987
Conversion of shares during the year	**(477)**	(8,958)	(17,142)
Balance at end of year	**267,410**	267,887	276,845
Common stock – P10 par value			
Authorized:			
Balance at beginning of year	**2,600,000,000**	1,400,000,000	1,400,000,000
Increase during the year	**-**	1,200,000,000	-
Balance at end of year	**2,600,000,000**	2,600,000,000	1,400,000,000

	Number of Shares		
	2019	2018 (As restated – see Note 34)	2017 (As restated – see Note 34)
Issued and outstanding:			
Balance at beginning of year	**1,935,628,775**	1,399,916,364	1,399,912,464
Issuance of shares during the year	**-**	535,710,378	-
Conversion of shares during the year	**121**	2,033	3,900
Balance at end of year	**1,935,628,896**	1,935,628,775	1,399,916,364

As of December 31, 2019 and 2018, there are 750 and 756 holders, respectively, of the Parent Company's listed shares holding an equivalent of 100.00% of the Parent Company's total issued and outstanding shares. Such listed shares closed at P23.00 per share and P28.50 per share as of December 31, 2019 and 2018, respectively.

In 1986, the Parent Company listed its common shares with the PSE. The historical information on the Parent Company's issuance of common shares arising from the initial and subsequent public offerings, including private placements is presented below.

Issuance	Subscriber	Issuance Date	Number of Shares Issued
Initial public offering	Various	November 1986	1,410,579
Stock rights offering	Various	April 1997	44,492,908
Stock rights offering	Various	July 1997	5,308,721
Stock rights offering	Various	August 1997	830,345
Stock rights offering	Various	January 2002	167,035,982
Stock rights offering	Various	June 2002	32,964,018
Follow-on offering	Various	March 2007	210,000,000
Private placement	International Finance Corporation (IFC)	March 2011	73,448,275
Private placement	Hexagon Investments B.V.	September 2011	126,551,725
Private placement	PMMIC	March 2013	63,650,000
Private placement	IFC Capitalization Fund	April 2013	71,151,505
Private placement	Cathay	April 2015	124,242,272
Stock rights offering	Various	July 2018	535,710,378

On May 29, 2006, the Parent Company's stockholders approved the issuance of up to 200,000,000 convertible preferred shares with a par value of P10 per share, subject to the approval, among others, by the PSE. The purpose of the issuance of the convertible preferred shares is to raise the Tier 1 capital pursuant to BSP regulations, thereby strengthening the capital base of the Parent Company and allowing it to expand its operations. On February 13, 2007, the PSE approved the listing application of the underlying common shares for the 105,000 convertible preferred shares, subject to the compliance of certain conditions of the PSE. Preferred shares have the following features:

(a) Entitled to dividends at floating rate equivalent to the three-month London Interbank Offered Rate (LIBOR) plus a spread of 2.0% per annum, calculated quarterly;

(b) Convertible to common shares at any time after the issue date at the option of the Parent Company at a conversion price using the adjusted net book value per share of the Parent Company based on the latest available financial statements prepared in accordance with PFRS, adjusted by local regulations;

(c) Non-redeemable; and,

(d) Participating as to dividends on a pro rata basis with the common stockholders in the surplus of the Parent Company after dividend payments had been made to the preferred shareholders.

On June 28, 2010, the Parent Company's stockholders owning or representing more than two-thirds of the outstanding capital stock confirmed and ratified the approval by the majority of the BOD on their Executive Session held on May 21, 2010, the proposed increase in Parent Company's authorized capital stock and removal of pre-emptive rights from holders of capital stock, whether common or preferred, to subscribe for or to purchase any shares of stock of any class, by amending the Parent Company's Articles of Incorporation.

The proposed P16,000 authorized capital stock is divided into the following classes of stocks:

(a) 1,400,000,000 common shares with a par value of ten pesos (P10.00) per share.

(b) 200,000,000 preferred shares with a par value of ten pesos (P10.00) per share.

The removal of pre-emptive rights was approved by the BSP and SEC on October 20, 2010 and November 4, 2010, respectively. On the other hand, the increase in authorized capital stock of the Parent Company was approved by the BSP and SEC on August 24, 2011 and September 16, 2011, respectively.

Common shares may be transferred to local and foreign nationals and shall, at all times, not be less than 60% and not more than 40% of the voting stock, be beneficially owned by local nationals and by foreign nationals, respectively.

23.2 Issuance of Common Shares

On July 22, 2019, the effective date of merger, the Parent Company issued 315,287,248 common shares in exchange of the transfer of net assets of RSB at carrying value. The Parent Company recognized P10,507 as additional paid-in capital, which pertains to the difference between the par value of the shares issued and the carrying value of the net assets of RSB.

On November 27, 2017, the BOD of the Parent Company approved the increase in the Parent Company's authorized capital through the increase in the authorized common stock from 1,400,000,000 shares to 2,600,000,000 shares at P10 par value per share or for a total capital stock of P14,000 to P26,000. The BOD also approved the amendment of the Parent Company's Articles of Incorporation for the principal purpose of reflecting the said increase in authorized capital. These resolutions were approved by the Parent Company's stockholders representing at least two-thirds of its outstanding capital stock in a special meeting held on January 29, 2018. In the same meeting, the Parent Company's BOD approved the stock rights offering (Rights Offer) to be subscribed out of the increase in the authorized capital. The increase in authorized capital stock and the Rights Offer were approved by the BSP and SEC on June 29, 2018 and July 4, 2018, respectively. The offering of the stock rights representing 535,710,378 common shares (with equivalent amount of P5,357) occurred from June 25 to June 29, 2018 and the shares were listed at the PSE on July 16, 2018 (see Note 27). The Rights Offer and issuance generated P15,000 proceeds, reduced by P217 issue costs; hence, resulting in P9,426 excess of consideration received over par value recognized in Capital Paid in Excess of Par account in the 2018 consolidated statement of changes in equity.

In 2015, the Parent Company issued common shares to Cathay at P64 per share for a total issue price of P7,951. This issuance resulted in the recognition of Capital Paid in Excess of Par amounting to P6,709 reduced by the total issuance cost of P222. The acquisition involves Cathay: (i) acquiring from Hexagon Investments B.V., an entity controlled by funds managed by CVC Asia Pacific Limited, 118,935,590 secondary shares at P64 per share, pursuant to a Sale and Purchase Agreement; (ii) acquiring 36,724,138 secondary common shares from IFC Capitalization Fund also at P64 per share, pursuant to a Sale and Purchase Agreement; and, (iii) entering into a shareholders agreement with PMMIC and the Parent Company.

In 2013, the Parent Company issued common shares to PMMIC and IFC Capitalization Fund at P64 and P58 per share for a total issue price of P4,074 and P4,127, respectively. These issuances resulted in the recognition of Capital Paid in Excess of Par amounting to P3,437 and P3,415, respectively, reduced by total issuance costs of P101.

23.3 Treasury Shares

In 2019, subsequent to the effective date of the merger, the Parent Company acquired the 315,287,248 common shares issued in exchange of the net assets of RSB equal to the Parent Company's investment in RSB as at December 31, 2018.

On September 23, 2011, the Parent Company issued 5,821,548 common shares (equivalent of 18,082,311 preferred shares and with total par value of P58) from the treasury account reissuance (with total cost of P182) and an additional 120,730,177 common stock (with total par value of P1,207) from unissued portion of the increase in authorized capital stock on September 23, 2011 to Hexagon Investments B.V. that is equivalent to approximately 15.00% of the outstanding common shares. The issuance resulted in the recognition of additional Capital Paid in Excess of Par amounting to P2,264.

On March 17, 2011, the Parent Company issued 73,448,275 common shares, comprising of 50,427,931 treasury shares reissuance (with total cost of P771) and 23,020,344 unissued stock (with total par value of P230), to IFC Capitalization Fund for a total consideration of P2,130 representing 7.20% ownership interest. The issuance resulted in the recognition of additional Capital Paid in Excess of Par amounting to P1,078.

23.4 Surplus and Dividend Declarations

The details of the cash dividend distributions follow:

Date	Dividend			Date Approved		Date
Declared	Per Share	Total Amount	Record Date	by BOD	by BSP	Paid/Payable
January 30, 2017	0.0749	0.02	March 21, 2017	January 30, 2017	March 22, 2017	March 24, 2017
April 24, 2017	0.0807	0.02	June 21, 2017	April 24, 2017	April 26, 2017	June 23, 2017
April 24, 2017	0.5520	772.75	April 27, 2017	April 24, 2017	April 26, 2017	May 25, 2017
April 24, 2017	0.5520	0.15	April 27, 2017	April 24, 2017	April 26, 2017	May 25, 2017
July 31, 2017	0.0840	0.02	September 21, 2017	July 31, 2017	September 5, 2017	September 22, 2017
October 30, 2017	0.0840	0.02	December 21, 2017	October 30, 2017	December 12, 2017	December 22, 2017
January 29, 2018	0.0919	0.02	March 21, 2018	January 29, 2018	March 1, 2018	March 28, 2018
March 26, 2018	0.0616	862.35	June 21, 2018	March 26, 2018	April 5, 2018	May 7, 2018
March 26, 2018	0.0616	0.17	April 27, 2018	March 26, 2018	April 5, 2018	May 7, 2018
April 30, 2018	0.1080	0.03	April 27, 2018	April 30, 2018	June 14, 2018	June 25, 2018
July 30, 2018	0.1108	0.03	September 21, 2018	July 30, 2018	September 4, 2018	September 24, 2018
November 26, 2018	0.0111	0.03	December 21, 2018	November 26, 2018	*	December 28, 2018
February 26, 2019	0.1205	0.03	March 21, 2019	February 26, 2019	*	March 25, 2019
April 29, 2019	0.4460	863.29	May 15, 2019	April 29, 2019	*	May 29, 2019
April 29, 2019	0.4460	0.12	May 15, 2019	April 29, 2019	*	May 29, 2019
May 27, 2019	0.1166	0.03	June 21, 2019	May 27, 2019	*	June 26, 2019
August 27, 2019	0.1121	0.03	September 21, 2019	August 27, 2019	*	September 24, 2019
November 25, 2019	0.1051	0.03	December 21, 2019	November 25, 2019	*	December 26, 2019

** Not applicable; BSP approval not anymore required during these periods*

In 2015, the BSP, through the MB, approved the liberalized rules for banks and quasi-banks on dividend declaration. The policy requires that dividend declaration be immediately recognized as a liability upon the approval of the BOD and that it be disclosed in the statement of changes in equity.

A portion of the Parent Company's surplus corresponding to the equity in net earnings of certain subsidiaries and associates totaling P11,356 and P10,883 as of December 31, 2019 and 2018, respectively, is not currently available for distribution as dividends.

23.5 Revaluation Reserves

The components and reconciliation of items of other comprehensive income presented in the statements of changes in equity of the Group and Parent Company at their aggregate amount under Revaluation Reserves account are shown below.

	Revaluation of Financial Assets at FVOCI	Accumulated Translation Adjustments on Foreign Operations	Actuarial Gains (Losses) on Defined Benefit Plan	Total
Balance as of January 1, 2019	P 1,555	P 53	(P 1,342)	P 266
Actuarial losses on defined benefit plan	-	-	(1,798)	(1,798)
Fair value loss on financial assets at FVOCI	(702)	-	-	(702)
Other comprehensive loss	(702)	-	(1,798)	(2,500)
Transfer from fair value loss on financial asset at FVOCI to Surplus	41	-	-	41
Balance as of December 31, 2019	**P 894**	**P 53**	**(P 3,140)**	**(P 2,193)**
Balance as of January 1, 2018	P 2,424	P 85	(P 79)	P 2,430
Actuarial losses on defined benefit plan	-	-	(1,263)	(1,263)
Fair value loss on financial assets at FVOCI	(869)	-	-	(869)
Reversal of cumulative translation adjustment on dissolution of a foreign subsidiary	-	(32)	-	(32)
Other comprehensive loss	(869)	(32)	(1,263)	(2,164)
Balance as of December 31, 2018	P 1,555	P 53	(P 1,342)	P 266
Balance as of January 1, 2017	P 2,584	P 86	(P 1,593)	P 1,077
Fair value losses on financial assets at FVOCI	(156)	-	-	(156)
Actuarial gains on defined benefit plan	-	-	1,514	1,514
Translation adjustments on foreign operation	-	(1)	-	(1)
Other comprehensive income (loss)	(156)	(1)	1,514	1,357
Transfer from fair value gains on financial asset at FVOCI to Surplus	(4)	-	-	(4)
Balance as of December 31, 2017	P 2,424	P 85	(P 79)	P 2,430

23.6 Appropriation for General Loan Loss Reserves

Pursuant to the requirements of the BSP under Circular No. 1011, the Group shall recognize general loan loss provisions equivalent to one percent of all outstanding loans as of the end of the reporting period, except for accounts considered as credit risk-free under the existing BSP regulations. In cases when the computed allowance for ECL on those exposures is less than one percent of the general loan loss provisions required, the deficiency is recognized through appropriation from the Group's available Surplus. Such appropriation is considered as Tier 2 capital subject to the limit provided under the CAR framework. The outstanding balance of appropriation for General Loan Loss Reserves as of December 31, 2018 amounted to P2,594 and P2,587 for the Group and Parent Company, respectively, and the additional appropriation made in 2019 amounted to P538 and P543 for the Group and Parent Company, respectively.

23.7 Other Reserves

On December 23, 2013, the SPCs' BOD approved the redemption of the SPCs' respective preferred shares for a total consideration of P1,555. As a result thereof, the Group incurred a redemption loss amounting to P185 and is presented as part of Other Reserves account in the 2013 statement of financial position. On May 30, 2014 and on October 16, 2014, the BOD and SEC approved the execution of the retirement of the preferred shares resulting from the SPC's redemption on December 31, 2014. Consequently, the amount of the redemption loss of P185 previously recognized in the 2013 consolidated statement of changes in equity of the Group, as part of Other Reserves account, was transferred directly to Surplus (see Note 15.3).

As of December 31, 2019, this account consists of reserves arising from the acquisitions of RCBC LFC and Rizal Microbank for a total of P97.

24. EMPLOYEE BENEFITS

24.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and other employee benefits are shown below.

	Group		
	2019	2018	2017
Short-term employee benefits	**P 6,470**	P 6,034	P 5,617
Post-employment defined benefits	**363**	528	374
	P 6,833	P 6,562	P 5,991

	Parent Company		
	2019	2018 (As restated – see Note 34)	2017 (As restated – see Note 34)
Short-term employee benefits	**P 5,782**	P 5,534	P 5,096
Post-employment defined benefits	**327**	393	378
	P 6,109	P 5,927	P 5,474

24.2 Post-employment Defined Benefit Plan

(a) Characteristics of the Defined Benefit Plan

The Parent Company and certain subsidiaries maintain a funded, tax-qualified, non-contributory post-employment benefit plan that is being administered by the Parent Company's Trust and Investment Group, covering all regular full-time employees. The Parent Company's Trust and Investment Group manages the fund in coordination with the Parent Company's Retirement Committee, Trust Committee and the respective committees of the subsidiaries which act in the best interest of the plan assets and are responsible for setting the investment policies.

The normal retirement age of the Group's employees ranges between 55 to 60 but the plan also provides for an early retirement at age 50 to 55 with a minimum of 10 to 20 years of credited service. The maximum retirement benefit is the lump sum equivalent to two months pay per year of continuous employment based on the employees' salary at retirement. Any fraction of a year shall be computed proportionately.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the post-employment benefit costs and the amount of contributions. All amounts presented below are based on the actuarial valuation reports obtained from independent actuaries in 2019 and 2018.

The amounts of post-employment benefit obligation recognized in the financial statements are determined as follows:

	Group		Parent Company	
	2019	2018	**2019**	2018 (As restated – see Note 34)
Present value of the obligation	**P 6,210**	P 4,800	**P 6,029**	P 4,556
Fair value of plan assets	**(2,950)**	(3,321)	**(2,786)**	(3,153)
Effect of asset ceiling test	**-**	2	**-**	-
Deficiency of plan assets	**P 3,260**	P 1,481	**P 3,243**	P 1,403

The Group and Parent Company's post-employment defined benefit obligation as of December 31, 2019 and 2018 are included as part of Other Liabilities account in the statements of financial position (see Note 22).

The movements in the present value of the defined benefit obligation follow:

	Group		Parent Company	
	2019	2018	**2019**	2018 (As restated – see Note 34)
Balance at beginning of year	**P 4,800**	P 4,995	**P 4,556**	P 4,757
Current service cost	**363**	528	**327**	393
Interest expense	**311**	303	**292**	287
Business combinations or disposals	**131**	-	**(97)**	-
Remeasurements – actuarial losses (gains) arising from changes in:				
– financial assumptions	**1,248**	(848)	**1,483**	(690)
– experience adjustments	**(85)**	216	**(71)**	190
– demographic assumptions	**(6)**	(9)	**-**	(7)
Benefits paid by the plan	**(552)**	(385)	**(461)**	(374)
Balance at end of year	**P 6,210**	P 4,800	**P 6,029**	P 4,556

The movements in the fair value of plan assets are presented below.

	Group		Parent Company	
	2019	2018	**2019**	2018 (As restated – see Note 34)
Balance at beginning of year	**P 3,321**	P 4,891	**P 3,153**	P 4,709
Interest income	**241**	292	**207**	282
Loss on plan assets (excluding amounts included in net interest)	**(471)**	(1,908)	**(375)**	(1,885)
Contributions paid into the plan	**411**	431	**406**	427
Business combinations or disposals	**-**	-	**(144)**	-
Benefits paid by the plan	**(552)**	(385)	**(461)**	(380)
Balance at end of year	**P 2,950**	P 3,321	**P 2,786**	P 3,153

The composition of the fair value of plan assets at the end of each reporting period by category and risk characteristics is shown below.

	Group		Parent Company	
	2019	2018	**2019**	2018 (As restated – see Note 34)
Cash and cash equivalents	**P 365**	P 473	**P 315**	P 448
Debt securities:				
Corporate debt securities	**324**	86	**311**	346
Government bonds	**136**	407	**94**	81
Equity securities:				
Financial intermediaries	**1,241**	1,778	**1,224**	1,609
Transportation and communication	**162**	166	**155**	158
Electricity, gas and water	**128**	100	**127**	97
Diversified holding companies	**133**	46	**110**	20
Others	**12**	24	**2**	153
Unquoted long-term equity investments	**140**	140	**140**	140
UITF	**299**	93	**299**	93
Investment properties	**4**	6	**4**	6
Loans and receivables	**6**	2	**5**	2
	P 2,950	P 3,321	**P 2,786**	P 3,153

The fair values of the above debt securities and quoted equity securities are determined based on market prices in active markets. Long-term equity investments represent investment in corporations not listed in active and organized markets. Fair values are determined based on the book value per share based on latest audited financial statements of the investee company. The fair value of the UITF is determined based on the net asset value per unit of investment held in the fund.

The fair value of the plan assets is at Level 1 in the fair value hierarchy except for unquoted long-term equity investments, loans and receivables, investment properties and other investments which are at Level 3.

The returns on plan assets are as follows:

	Group		Parent Company	
	2019	2018	**2019**	2018 (As restated – see Note 34)
Fair value losses	**(P 471)**	(P 1,908)	**(P 375)**	(P 1,885)
Interest income	**241**	292	**207**	282
Actual returns	**(P 230)**	(P 1,616)	**(P 168)**	(P 1,603)

The amounts of post-employment benefit expense recognized in the profit or loss and in other comprehensive income in respect of the defined benefit post-employment plan are determined as follows:

	Group		
	2019	2018	2017
Reported in profit or loss:			
Current service cost	**P 363**	P 528	P 374
Net interest expense	**70**	11	88
	P 433	P 539	P 462
Reported in other comprehensive income:			
Actuarial gains (losses) arising from changes in:			
– Financial assumptions	**(P 1,248)**	P 848	P 848
– Experience adjustments	**(85)**	(216)	(505)
– Demographic assumptions	**6**	9	-
Effect of asset ceiling test	**-**	(2)	(7)
Return (loss)on plan assets (excluding amounts included in net interest)	**(471)**	(1,908)	1,174
	(P 1,798)	(P 1,269)	P 1,510

	Parent Company		
	2019	2018 (As restated – see Note 34)	2017 (As restated – see Note 34)
Reported in profit or loss:			
Current service costs	**P 327**	P 393	P 378
Net interest expense	**85**	5	89
	P 412	P 398	P 467
Reported in other comprehensive income:			
Actuarial gains (losses) arising from changes in:			
– Financial assumptions	**(P 1,483)**	P 690	P 296
– Experience adjustments	**71**	(190)	132
Effect of asset ceiling	**-**	7	(7)
Transfer from RSB	**10**	40	-
Return (loss) on plan assets (excluding amounts included in net interest)	**(375)**	(1,885)	1,155
	(P 1,777)	(P 1,338)	P 1,576

Current service costs, including the effect of curtailment and past service cost, form part of Employee Benefits under the Other Operating Expenses account, while net interest expense or income is presented as part of Interest Expense – Bills Payable and Other Borrowings or Interest Income Others in the statements of profit or loss.

Amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of post-employment obligation, the following ranges of actuarial assumptions were used:

	2019	2018	2017
Group			
Discount rates	**4.95% - 5.23%**	7.00% - 7.53%	5.48% - 6.00%
Expected rate of salary increases	**3.40% - 8.00%**	4.00% - 10.50%	4.00% - 8.00%
Parent Company			
Discount rates	**5.23%**	7.52%, 7.53%	5.73%, 6.00%
Expected rate of salary increases	**5.00%**	4.00%, 5.00%	4.00%, 5.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average life expectancy of an individual retiring at the Group's normal retiring age of 60 is based on the 1994 GAM table, set back six years for females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero coupon government bonds with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Plan*

The plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) *Investment and Interest Rate Risks*

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan.

Currently, the plan assets of the Group are significantly invested in equity and debt securities, while the Group also invests in cash and cash equivalents and other investments. Due to the long-term nature of the plan obligation, a level of continuing equity investments is an appropriate element of the Group's long-term strategy to manage the plan efficiently.

(ii) *Longevity and Salary Risks*

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants during their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the post-employment plan are described below.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31, 2019 and 2018:

	Group		
		Impact on Post-employment Defined Benefit Obligation	
	Change in Assumption	Increase in Assumption	Decrease in Assumption
2019:			
Discount rate	**+/-1 %**	**(P 130)**	**P 746**
Salary growth rate	**+/-1 %**	**746**	**(646)**
2018:			
Discount rate	+/- 1%	(P 97)	P 465
Salary growth rate	+/- 1%	478	(421)

	Parent Company		
		Impact on Post-employment Defined Benefit Obligation	
	Change in Assumption	Increase in Assumption	Decrease in Assumption
2019:			
Discount rate	**+/- 1%**	**(P 63)**	**P 722**
Salary growth rate	**+/- 1%**	**716**	**(620)**
2018 (RCBC):			
Discount rate	+/- 1%	(P 34)	P 397
Salary growth rate	+/- 1%	404	(355)
2018 (RSB):			
Discount rate	+/- 1%	P 50	(P 44)
Salary growth rate	+/- 1%	(51)	46

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the sensitivity analysis, the present value of the defined benefit obligation at the end of each reporting period has been calculated using the projected unit credit method, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.

(ii) Asset-liability Matching Strategies

To efficiently manage the retirement plan, the Parent Company through its Retirement Plan Committee in coordination with the Parent Company's Trust Departments, ensures that the investment positions are managed considering the computed retirement obligations under the retirement plan. This strategy aims to match the plan assets to the retirement obligations due by investing in assets that are easy to liquidate (i.e., government securities, corporate bonds, equities with high value turnover).

As the Group's retirement obligations are in Philippine peso, all assets are invested in the same currency. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations. In view of this, various investments are made in a portfolio that may be liquidated within a reasonable period of time.

A large portion of the plan assets as of December 31, 2019 and 2018 consists of equity securities with the balance invested in fixed income securities and cash and cash equivalents. The Group believes that equity securities offer the best returns over the long term with an acceptable level of risk.

(iii) Funding Arrangements and Expected Contributions

The plan is currently underfunded by P3,260 and P3,243 for the Group and Parent Company, respectively, based on the latest funding actuarial valuations in 2019.

The maturity profile of undiscounted expected benefit payments from the plan within 10 years from the end of each reporting period follows:

	Group		Parent Company	
	2019	2018	**2019**	2018 (As restated – see Note 34)
Less than one year	**P 315**	P 161	**P 310**	P 111
More than one year to five years	**1,340**	1,457	**1,230**	1,373
More than five years to ten years	**3,604**	3,581	**3,425**	3,522
	P 5,259	P 5,199	**P 4,965**	P 5,006

The Group and Parent Company expect to contribute P483 and P475, respectively, to the plan in 2020.

25. MISCELLANEOUS INCOME AND EXPENSES

These accounts consist of the following:

25.1 Miscellaneous Income

	Notes	Group 2019	2018	2017
Rentals	14.2	**P 811**	P 765	P 741
Dividend income	10	**304**	189	234
Recoveries from written off assets		**179**	206	187
Gains on assets sold – net	11, 14.1, 15.3	**109**	96	441
Others		**50**	292	290
		P 1,453	P 1,548	P 1,893

	Notes	Parent Company 2019	2018 (As restated – see Note 34)	2017 (As restated – see Note 34)
Rentals	14.2, 28.5(a)	**P 321**	P 282	P 268
Recoveries from written off assets		**179**	206	187
Dividend income	10.2	**95**	187	196
Gains on assets sold – net	14.1, 15.3	**20**	28	658
Others		**3**	122	181
		P 618	P 825	P 1,490

Miscellaneous income classified as Others includes rebates, penalty charges and other income items that cannot be appropriately classified under any of the foregoing income accounts.

25.2 Miscellaneous Expenses

	Note	Group 2019	2018	2017
Credit card-related expenses		**P 1,248**	P 894	P 907
Insurance		**1,014**	946	759
Communication and information services		**596**	488	447
Management and other professional fees		**490**	454	368
Litigation/assets acquired expenses		**353**	228	166
Service and processing fees		**348**	223	155
Advertising and publicity		**278**	237	323
Transportation and travel		**264**	294	214
Banking fees		**257**	227	193
Stationery and office supplies		**223**	172	149
Other outside services		**152**	139	130
Donation and charitable contribution		**68**	53	51
Representation and entertainment		**64**	43	22
Membership fees		**26**	24	19
Others	29.5	**1,178**	903	1,001
		P 6,559	P 5,325	P 4,904

	Notes	Parent Company 2019	2018 (As restated – see Note 34)	2017 (As restated – see Note 34)
Credit card-related expenses		**P 1,826**	P 1,486	P 887
Insurance		**996**	883	988
Communication and information services		**569**	467	426
Management and other professional fees		**463**	421	336
Service and processing fees		**348**	223	217
Litigation/assets acquired expense		**343**	223	191
Advertising and publicity		**274**	234	158
Banking fees		**251**	221	191
Transportation and travel		**250**	273	196
Stationery and office supplies		**218**	167	143
Other outside services		**149**	137	155
Donations and charitable contributions		**68**	52	51
Representation and entertainment		**54**	37	41
Membership fees		**25**	23	21
Others	29.5	**1,078**	901	1,210
		P 6,912	P 5,748	P 5,211

The Group's other expenses are composed of freight, various processing fees, fines and penalties, and seasonal giveaways. The Group and Parent Company's other expenses also include fees for records, facilities and management services to a related party under common control amounting to P152 and P97, P103 and P78, and P101 and P67 in 2019, 2018 and 2017, respectively (see Note 28).

26. INCOME AND OTHER TAXES

Under Philippine tax laws, the Parent Company and its domestic subsidiaries are subject to percentage and other taxes (presented as Taxes and Licenses in the statements of profit or loss), as well as income taxes. Percentage and other taxes paid consist principally of the gross receipts tax (GRT) and documentary stamp tax (DST).

RA No. 9238, which was enacted on February 10, 2004, provides for the reimposition of GRT on banks and non-bank financial intermediaries performing quasi-banking functions and other non-bank financial intermediaries beginning January 1, 2004.

The recognition of liability of the Parent Company and certain subsidiaries for GRT is based on the related regulations issued by the tax authorities.

Income taxes include the regular corporate income tax (RCIT) of 30%, and final tax paid at the rate of 20%, which represents the final withholding tax on gross interest income from government securities and other deposit substitutes.

Interest allowed as a deductible expense is reduced by an amount equivalent to certain percentage of interest income subjected to final tax. Minimum corporate income tax (MCIT) of 2% on modified gross income is computed and compared with the RCIT. Any excess of the MCIT over the RCIT is deferred and can be used as a tax credit against regular income tax liability in the next three consecutive years. In addition, the Group's net operating loss carry over (NOLCO) is allowed as a deduction from taxable income in the next three consecutive years.

Effective May 2004, RA No. 9294 restored the tax exemption of FCDUs and offshore banking units (OBUs). Under such law, the income derived by the FCDU from foreign currency transactions with non-residents, OBUs, local commercial banks including branches of foreign banks is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10% gross income tax.

Interest income on deposits with other FCDUs and offshore banking units is subject to 7.5% final tax.

In 2019, 2018 and 2017, the Group opted to continue claiming itemized deductions for income tax purposes.

The Parent Company's foreign subsidiaries are subject to income and other taxes based on the enacted tax laws of the countries and/or jurisdictions where they operate.

26.1 Current and Deferred Taxes

The tax expense as reported in the statements of profit or loss consists of:

	Group		
	2019	2018	2017
Current tax expense:			
Final tax	**P 717**	P 403	P 203
RCIT	**611**	664	711
Excess MCIT over RCIT	**4**	3	2
	1,332	1,070	916
Application of MCIT	**-**	-	(356)
	1,332	1,070	560
Deferred tax expense (income) relating to origination and reversal of temporary differences	**(57)**	(198)	281
	P 1,275	P 872	P 841

	Parent Company		
	2019	2018 (As restated – see Note 34)	2017 (As restated – see Note 34)
Current tax expense:			
RCIT	**P 498**	P 577	P 631
Final tax	**698**	387	196
	1,196	964	827
Application of MCIT	**-**	-	(356)
	1,196	964	471
Deferred tax expense (income) relating to origination and reversal of temporary differences	**(51)**	(227)	257
	P 1,145	P 737	P 728

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in profit or loss is as follows:

	Group		
	2019	2018	2017
Tax on pretax profit at 30%	**P 1,999**	P 1,558	P 1,545
Adjustments for income subjected to lower income tax rates	**(403)**	(496)	(434)
Tax effects of:			
Non-deductible expenses	**1,110**	1,059	595
Non-taxable income	**(1,391)**	(1,239)	(786)
FCDU income	**(635)**	(182)	(306)
Recognition of previously unrecognized deferred tax asset	**38**	123	-
Unrecognized temporary differences	**551**	46	(130)
Utilization of NOLCO	**(1)**	-	1
Utilization of MCIT	**-**	-	356
Others	**7**	3	-
	P 1,275	P 872	P 841

	Parent Company		
	2019	2018 (As restated – see Note 34)	2017 (As restated – see Note 34)
Tax on pretax profit at 30%	**P 1,956**	P 1,517	P 1,511
Adjustments for income subjected to lower income tax rates	**(395)**	(486)	(430)
Tax effects of:			
Non-deductible expenses	**1,096**	1,107	577
Non-taxable income	**(1,465)**	(1,247)	(876)
FCDU income	**(635)**	(182)	(286)
Unrecognized temporary differences	**550**	28	(119)
Recognition of previously unrecognized deferred tax asset	**38**	-	(5)
Utilization of MCIT	**-**	-	356
	P 1,145	P 737	P 728

The deferred tax assets of the Group recognized in the consolidated statements of financial position as of December 31, 2019 and 2018 relate to the operations of the Parent Company and certain subsidiaries as shown below.

	Statements of Financial Position		Statements of Profit or Loss		
	2019	2018	**2019**	2018	2017
Allowance for impairment	**P 1,725**	P 1,646	**P 79**	(P 36)	(P 9)
Excess MCIT	**204**	105	**99**	(1)	(296)
Provision for credit card reward payments	**117**	156	**(39)**	29	22
Post-employment benefit obligation	**86**	136	**(50)**	84	(8)
NOLCO	**-**	3	**(3)**	3	-
Others	**8**	48	**(29)**	47	10
Deferred tax assets	**P 2,140**	P 2,094			
Deferred tax income (expense) – net			**P 57**	P 198	(P 281)

The deferred tax assets of the Parent Company recognized in its statements of financial position as of December 31, 2019 and 2018 is shown below.

	Statement of Financial Position		Statements of Profit of Loss		
	2019	2018 (As restated – see Note 34)	**2019**	2018 (As restated – see Note 34)	2017 (As restated – see Note 34)
Allowance for impairment	**P 1,550**	P 1,496	**P 54**	P 136	(P 39)
Excess MCIT	**124**	105	**19**	55	(306)
Provision for credit card reward payments	**117**	156	**(39)**	29	22
Post-employment benefit obligation	**77**	65	**12**	(2)	49
Others	**20**	52	**5**	9	17
Deferred tax assets	**P 1,888**	P 1,874			
Deferred tax income (expense) – net			**P 51**	P 227	(P 257)

As at January 1, 2019, the adoption of PFRS 16 has resulted to a decrease in net deferred tax assets of the Group and Parent Company amounting to P11 and P37, respectively, from the recognition of Right-of-use assets and Lease liabilities [see Note 2.4(iv)].

The Parent Company and certain subsidiaries have not recognized deferred tax assets on certain temporary differences since management believes that the Parent Company and certain subsidiaries may not be able to generate sufficient taxable profit in the future against which the tax benefits arising from those deductible temporary differences, NOLCO and other tax credits can be utilized.

The unrecognized deferred tax assets relate to the following:

	Group		Parent Company		
	2019	2018	**2019**	2018 (As restated – see Note 34)	2017 (As restated – see Note 34)
Allowance for impairment	P **2,304**	P 1,441	P **1,961**	P 1,688	P 1,161
Excess MCIT	**1**	4	**-**	-	-
NOLCO	**12**	4	**-**	-	-
Post-employment benefit obligation	**892**	-	**896**	(17)	62
Others	**-**	-	**-**	149	210
	P **3,209**	P 1,449	P **2,857**	P 1,820	P 1,433

Consequently, deferred tax liabilities were also not recognized on certain taxable temporary differences as the settlement of those can be offset by the available deductible temporary differences in the future.

In addition, deferred tax liabilities on accumulated translation adjustments, relating to its foreign subsidiaries were not recognized since their reversal can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

The details of the Group's NOLCO, which can be claimed as deduction from future taxable income within three years from the year the taxable loss was incurred and within five years from the year SPC losses were incurred, is shown below.

Inception Year	Amount	Utilized	Expired	Balance	Expiry Year
2019	P 7	P -	P -	P 7	2022
2018	11	-	-	11	2021
2017	22	-	-	22	2020
2016	8	-	8	-	
	P 48	P -	P 8	P 40	

The breakdown of the Group's excess MCIT over RCIT with the corresponding validity periods follows:

Inception Year	Amount	Utilized	Expired	Balance	Expiry Year
2019	P 99	P -	P -	P 99	2022
2018	54	-	-	54	2021
2017	52	-	-	52	2020
2016	2	-	2	-	
	P 207	P -	P 2	P 205	

The breakdown of the Parent Company's excess MCIT over RCIT with the corresponding validity periods follows:

Inception Year	Amount	Utilized	Expired	Balance	Expiry Year
2019	P 19	P -	P -	P 19	2022
2018	53	-	-	53	2021
2017	52	-	-	52	2020
2016	2	-	2	-	
	P 126	P -	P 2	P 124	

The MCIT applied by the Group in 2017 solely pertains to the MCIT of the Parent Company as it has generated net taxable income and is liable for RCIT for that year.

26.2 Supplementary Information Required Under RR 15-2010

The BIR issued RR 15-2010 on November 25, 2010 which require certain tax information to be disclosed as part of the notes to financial statements. Such supplementary information is, however, not a required part of the basic financial statements prepared in accordance with PFRS; it is neither a required disclosure under the SEC rules and regulations covering form and content of financial statements under the Revised Securities Regulation Code Rule 68.

The Parent Company presented this tax information required by the BIR as a supplemental schedule filed separately from the basic financial statements.

27. TRUST OPERATIONS

Securities and properties (other than deposits) held by the Parent Company in fiduciary or agency capacity for its customers are not included in the financial statements, since these are not resources of the Parent Company. The Group and Parent Company's total trust resources amounted to P94,432 and P87,639 as of December 31, 2019 and 2018, respectively (see Note 29.1).

Investment in government securities which are shown as part of Investment securities at amortized cost (see Note 10.3) with a total face value of P17,968 and P955 as of December 31, 2019 and 2018, respectively for both the Group and the Parent Company are deposited with the BSP as security for faithful compliance with fiduciary obligations.

28. RELATED PARTY TRANSACTIONS

The Group and Parent Company's related parties include its ultimate parent company, subsidiaries, associates, entities under common ownership, key management personnel and others.

The Related Party Transactions (RPT) Committees, which meet monthly and as necessary, review proposed RPT within the materiality threshold to determine whether or not the transaction is on terms no less favorable to the Group than terms available to any unconnected third party under the same or similar circumstances. On favorable review, the RPT Committees endorse transactions to the BOD for approval.

A summary of the Group and Parent Company's transactions and outstanding balances of such transactions with related parties as of and for the years ended December 31, 2019, 2018 and 2017 is presented below.

		Group					
		2019		2018		2017	
	Notes	**Amount of Transaction**	**Outstanding Balance**	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance
Stockholders							
Loans and receivables	28.1	**(P 55)**	**P 206**	(P 55)	P 261	(P 55)	P 316
Deposit liabilities	28.2	**744**	**801**	(423)	57	(751)	480
Interest expense on deposits	28.2	**15**	**-**	2	-	5	-
Cash received from issuance of shares of stock	23.2	**-**	**-**	14,783	-	-	-
Interest income from loans and receivables	28.1	**19**	**-**	17	-	16	-
Associates							
Loans and receivables	28.1	**617**	**617**	-	-	-	-
Deposit liabilities	28.2	**181**	**316**	(142)	135	266	277
Interest expense on deposits	28.2	**2**	**-**	6	-	3	-
Dividend	12	**-**	**-**	2	-	62	-
Related Parties Under Common Ownership							
Loans and receivables	28.1	**(102)**	**256**	344	358	14	14
Deposit liabilities	28.2	**181**	**3,888**	856	3,707	2,695	2,851
Interest expense on deposits	28.2	**61**	**-**	37	-	9	-
Occupancy and equipment related expenses	28.5(a)	**955**	**-**	1,187	-	977	-
Miscellaneous expenses – others	25.2	**152**	**-**	103	-	101	-
Interest income from loans and receivables	28.1	**-**	**-**	2	-	-	-

		Group					
		2019		2018		2017	
	Notes	**Amount of Transaction**	**Outstanding Balance**	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance
Key Management Personnel							
Loans and receivables	28.1	**P -**	**P 13**	(P 198)	P 13	P 210	P 211
Deposit liabilities	28.2	**108**	**202**	(192)	94	43	286
Interest income from loans and receivables	28.1	**1**	**-**	1	-	2	-
Interest expense on deposits	28.2	**6**	**-**	1	-	3	-
Salaries and employee benefits	28.5(d)	**418**	**-**	637	-	458	-
Other Related Interests							
Loans and receivables	28.1	**(436)**	**2,717**	(6,953)	3,153	5,565	10,106
Deposit liabilities	28.2	**1,906**	**2,968**	(1,232)	1,062	2,189	2,294
Interest income from loans and receivables	28.1	**159**	**-**	182	-	560	-
Interest expense on deposits	28.2	**96**	**-**	26	-	16	-

		Parent Company					
		2019		2018 (As restated)		2017 (As restated)	
	Notes	**Amount of Transaction**	**Outstanding Balance**	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance
Stockholders							
Loans and receivables	28.1	**(P 55)**	**P 206**	(P 55)	P 261	(P 55)	P 316
Deposit liabilities	28.2	**736**	**959**	(265)	215	(593)	480
Interest expense on deposits	28.2	**15**	**-**	2	-	5	-
Cash received from issuance of shares of stock	23.2	**-**	**-**	14,783	-	-	-
Interest income from loans and receivables	28.1	**19**	**-**	17	-	16	-

		Parent Company					
		2019		2018 (As restated)		2017 (As restated)	
	Notes	**Amount of Transaction**	**Outstanding Balance**	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance
Subsidiaries							
Loans and receivable	28.1	**(P 986)**	**P 13**	P 999	P 999	(P 222)	P -
Deposit liabilities	28.2	**40**	**442**	(41)	402	(2,155)	443
Interest income from loans and receivable	28.1	**-**	**-**	7	-	-	-
Interest expense on deposits	28.2	**1**	**-**	5	-	6	-
Dividend	12	**500**	**-**	100	-	355	-
Rental income	28.5(a), 28.5(b)	**40**	**-**	200	-	191	-
Occupancy and equipment-related expenses	28.5(a)	**365**	**-**	352	-	13	-
Service and processing fees	28.5(c)	**591**	**-**	531		499	-
Sale of investment securities	28.3	**126**	**-**	35	-	175	-
Purchase of investment securities	28.3	**3**	**-**	3	-	5	-
Assignment of receivables	11	**(10)**	**172**	(10)	182	(10)	192
Associates							
Loans and receivables	28.1	**617**	**617**	-	-	-	-
Deposit liabilities	28.2	**53**	**76**	(142)	23	154	165
Interest expense on deposits	28.2	**2**	**-**	6	-	3	-
Interest income from loans and receivables	28.1	**2**	**-**	-	-	-	-
Dividend	12	**-**	**-**	2	-	59	-
Related Parties Under Common Ownership							
Loans and receivables	28.1	**352**	**3,480**	(142)	3,128	3,270	3,270
Deposit liabilities	28.2	**2,166**	**4,764**	(142)	2,598	2,584	2,740
Interest income from loans and receivables	28.1	**191**	**-**	194	-	190	-
Interest expense on deposits	28.2	**56**	**-**	28	-	8	-
Occupancy and equipment-related expenses	28.5(a)	**946**	**-**	790	-	715	-
Miscellaneous expenses – others	28.2	**225**	**-**	78	-	67	-

		Parent Company					
		2019		2018 (As restated)		2017 (As restated)	
	Notes	**Amount of Transaction**	**Outstanding Balance**	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance
Key Management Personnel							
Loans and receivables	28.1	**(P 4)**	**P -**	(P 24)	P 4	P 27	P 28
Deposit liabilities	28.2	**108**	**202**	(197)	94	43	291
Interest income from loans and receivables	28.1	**-**	**-**	1	-	2	-
Interest expense on deposits	28.2	**6**	**-**	1	-	3	-
Salaries and employee benefits	28.5(d)	**329**	**-**	298	-	328	-
Other Related Interests							
Loans and receivables	28.1	**(749)**	**2,404**	(3,683)	3,153	2,295	6,836
Deposit liabilities	28.2	**2,622**	**3,318**	(1,564)	696	2,145	2,260
Interest income from loans and receivables	28.1	**159**	**-**	182	-	560	-
Interest expense on deposits	28.2	**96**	**-**	26	-	16	-

28.1 Loans and Receivables

The summary of the Group and Parent Company's significant transactions and the related outstanding balances for loans and receivables with its related parties as of and for the years ended December 31, 2019, 2018 and 2017 are as follows:

	Group			
Related Party Category	**Issuances**	**Repayments**	**Interest Income**	**Loans Outstanding**
2019:				
Stockholders	P -	P 55	P 19	P 206
Associates	617	-	2	617
Related parties under common ownership	108	210	-	256
Key management personnel	-	-	1	13
Other related interests	676	1,112	159	2,717
	P 1,401	**P 1,377**	**P 181**	**P 3,809**
2018:				
Stockholders	P -	P 55	P 17	P 261
Related parties under common ownership	376	32	2	358
Key management personnel	9	207	1	13
Other related interests	2,480	9,433	182	3,153
	P 2,865	P 9,727	P 202	P 3,785
2017:				
Stockholders	P -	P 55	P 16	P 316
Related parties under common ownership	210	196	-	14
Key management personnel	691	481	2	211
Other related interests	8,267	2,702	560	10,106
	P 9,168	P 3,434	P 578	P 10,647

	Parent Company			
Related Party Category	**Issuances**	**Repayments**	**Interest Income**	**Loans Outstanding**
2019:				
Stockholders	P -	P 55	P 19	P 206
Subsidiaries	-	986	-	13
Associate	617	-	2	617
Related parties under common ownership	543	191	191	3,480
Key management personnel	-	4	-	-
Other related interests	317	1,066	159	2,404
	P 1,477	**P 2,302**	**P 371**	**P 6,720**

Related Party Category	Parent Company Issuances	Repayments	Interest Income	Loans Outstanding
2018 (As restated – see Note 34):				
Stockholders	P -	P 55	P 17	P 261
Subsidiaries	1,000	1	7	999
Related parties under common ownership	-	142	194	3,128
Key management personnel	-	24	1	4
Other related interests	622	4,305	182	3,153
	P 1,622	P 4,527	P 401	P 7,545
2017 (As restated – see Note 34):				
Stockholders	P -	P 55	P 16	P 316
Subsidiaries	-	222	-	-
Related parties under common ownership	9,744	6,474	190	3,270
Key management personnel	494	467	2	28
Other related interests	4,997	2,702	560	6,836
	P 15,235	P 9,920	P 768	P 10,450

In the ordinary course of business, the Group has loan transactions with each other, their other affiliates, and with certain Directors, Officers, Stockholders and Related Interests (DOSRIs). Under existing policies of the Group, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risks.

Under the current BSP regulations, the amount of individual loans to a DOSRI, 70% of which must be secured, should not exceed the amount of the encumbered deposit and book value of the investment in the Group and Parent Company and/or any of its lending and nonbank financial subsidiaries. In the aggregate, loans to DOSRIs, generally, should not exceed the total equity or 15% of the total loan portfolio of the Group and Parent Company. However, non-risk loans are excluded in both individual and aggregate ceiling computation.

The following table shows the other information relating to the loans, other credit accommodations and guarantees granted to DOSRI as of December 31 as reported to the BSP:

	Group		Parent Company		
	2019	2018	**2019**	2018*	2017
Total outstanding DOSRI loans	**P 448**	P 500	**P 416**	P 469	P 509
Unsecured DOSRI	**106**	94	**96**	83	61
Past due DOSRI	**3**	2	**3**	2	1
Non-accruing DOSRI	**2**	2	**2**	2	1
Percent of DOSRI loans to total loan portfolio	**0.10%**	0.13%	**0.10%**	0.16%	0.19%
Percent of unsecured DOSRI loans to total DOSRI loans	**23.66%**	18.80%	**23.08%**	17.70%	11.98%
Percent of past due DOSRI Loans to total DOSRI	**0.62%**	0.49%	**0.67%**	0.52%	0.14%
Percent of non-accruing DOSRI loans to total DOSRI loans	**0.45%**	0.40%	**0.55%**	0.51%	0.14%

**excludes exposure from a subsidiary*

On January 31, 2007, BSP issued Circular No. 560, *Ceiling on Loans, Other Credit Accommodations and Guarantees Granted to Subsidiaries and Affiliates*, which provides the rules and regulations that govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks. Under the said circular, the total outstanding exposures to each of the Parent Company's subsidiaries and affiliates shall not exceed 10% of bank's net worth, the unsecured portion of which shall not exceed 5% of such net worth. Further, the total outstanding exposures to subsidiaries and affiliates shall not exceed 20% of the net worth of the lending bank.

As of December 31, 2019, 2018 and 2017, the Group and Parent Company is in compliance with these regulatory requirements.

As of December 31, 2019, 2018 and 2017, the Group recognized impairment loss on certain loans and receivables from DOSRI amounting to nil, P0.2 and P0.06, respectively, and is recognized as part of Impairment Losses account in the statements of profit or loss.

28.2 Deposit Liabilities

The summary of the Group and Parent Company's significant transactions and the related outstanding balances for deposit liabilities with its related parties as of and for the years ended December 31, 2019, 2018 and 2017 are as follows (see Note 17):

	Group			
Related Party Category	Deposits	Withdrawals	Interest Expense	Outstanding Balance
2019:				
Stockholders	P 4,465	P 3,721	P 15	P 801
Associates	20,445	20,264	2	316
Related parties under common ownership	140,566	140,385	61	3,888
Key management personnel	943	835	6	202
Other related interests	120,371	118,465	96	2,968
	P 286,790	**P 283,670**	**P 180**	**P 8,175**
2018:				
Stockholders	P 7,947	P 8,370	P 2	P 57
Associates	37,554	37,696	6	135
Related parties under common ownership	136,836	135,980	37	3,707
Key management personnel	539	731	1	94
Other related interests	163,957	165,189	26	1,062
	P 346,833	P 347,966	P 72	P 5,055
2017:				
Stockholders	P 25,106	P 25,857	P 5	P 480
Associates	32,335	32,069	3	277
Related parties under common ownership	14,007	11,312	9	2,851
Key management personnel	416	373	3	286
Other related interests	213,907	211,728	16	2,294
	P 285,771	P 281,339	P 36	P 6,188

Related Party Category	Parent Company Deposits	Parent Company Withdrawals	Parent Company Interest Expense	Parent Company Outstanding Balance
2019:				
Stockholders	P 4,465	P 3,721	P 15	P 959
Subsidiaries	124,353	124,313	1	442
Associates	20,277	20,224	2	76
Related parties under common ownership	142,381	140,215	56	4,764
Key management personnel	943	835	6	202
Other related interests	121,087	118,465	96	3,318
	P 413,506	**P 407,773**	**P 176**	**P 9,761**
2018 (As restated – see Note 34):				
Stockholders	P 7,947	P 8,212	P 2	P 215
Subsidiaries	91,988	92,029	5	402
Associates	37,554	37,696	6	23
Related parties under common ownership	135,752	135,894	28	2,598
Key management personnel	535	732	1	94
Other related interests	163,957	165,521	26	696
	P 438,733	P 441,084	P 68	P 4,028
2017 (As restated – see Note 34):				
Stockholders	P 25,106	P 25,699	P 5	P 480
Subsidiaries	100,523	102,678	6	443
Associates	32,223	32,069	3	165
Related parties under common ownership	9,058	6,474	8	2,740
Key management personnel	416	373	3	291
Other related interests	136,192	134,047	16	2,260
	P 303,518	P 301,340	P 41	P 6,379

Deposit liabilities transactions with related parties have similar terms with other counterparties.

28.3 Sale and Purchase of Securities

The Parent Company and certain subsidiaries engage in the trading of investment securities as counterparties to the transaction. These transactions are priced similar to transactions with other counterparties outside the Group and there are no unsettled transactions as of the end of each reporting period.

28.4 Retirement Fund

The Parent Company and certain subsidiaries' retirement funds covered under their defined benefit post-employment plan maintained for qualified employees are administered and managed by the Parent Company's Trust Department in accordance with the respective trust agreements covering the plan.

The retirement funds have transactions with the Group and Parent Company as of December 31, 2019, 2018 and 2017 as follows:

	Group		Parent Company	
Nature of Transactions	**Net Amount of Transaction**	**Outstanding Balance**	**Net Amount of Transaction**	**Outstanding Balance**
2019:				
Investment in common shares of Parent Company	**(P 674)**	**P 1,193**	**(P 673)**	**P 1,190**
Investments in corporate debt securities	**273**	**324**	**209**	**311**
Deposits with the Parent Company	**(41)**	**64**	**(65)**	**40**
Fair value losses	**(369)**	**-**	**(375)**	**-**
Interest income	**23**	**-**	**18**	**-**
2018 (As restated):				
Investment in common shares of Parent Company	(P 855)	P 1,867	(P 853)	P 1,863
Investments in corporate debt securities	49	86	102	346
Deposits with the Parent Company	(276)	105	(276)	105
Fair value losses	(855)	-	(849)	-
Interest income	5	-	3	-
2017 (As restated):				
Investment in common shares of Parent Company	(P 6)	P 3,123	(P 6)	P 3,123
Investments in corporate debt securities	(49)	2	8	293
Deposits with the Parent Company	309	381	264	381
Fair value gains	1,272	-	1,254	-
Interest income	5	-	4	-

The carrying amount and the composition of the plan assets as of December 31, 2019, 2018 and 2017 are disclosed in Note 24.2. Investments in corporate debt securities include long-term negotiable certificates of deposit issued by the Parent Company.

The information on the Group and Parent Company's contributions to the retirement fund and benefit payments through the fund are disclosed in Note 24.2.

The retirement fund neither provides any guarantee or surety for any obligation of the Group nor its investments in its own shares of stock covered by any restriction and liens.

28.5 Other Related Party Transactions

(a) Lease Contracts with RRC and Sublease Agreement with Subsidiaries

The Parent Company and certain subsidiaries occupy several floors of RCBC Plaza as leaseholders of RRC [see Note 29.8(b)]. Rental expense incurred by the Group related to this lease arrangement is included as part of Occupancy and Equipment-related expenses account in the 2018 statement of profit or loss. The Parent Company's lease contract with RRC is effective until December 31, 2020.

The Parent Company entered into sublease agreements with certain subsidiaries which occupy several floors of RCBC Plaza. Rental income by Parent Company related to these sublease arrangements is included as part of Rentals under the Miscellaneous income account in the statements of profit or loss (see Notes 14.2). The outstanding receivable on the lease contracts, if any, is presented as part of Accounts receivable under Loans and Receivables account in the statements of financial position (see Note 11). The related outstanding receivable is unsecured, noninterest-bearing and payable in cash on demand. Management believes that the receivables on the sublease agreements are fully recoverable.

(b) Service Agreement with RBSC

The Parent Company has Service Agreement (the Agreement) with RBSC, wherein RBSC shall provide the Parent Company with marketing, distribution, technical, collection and selling assistance and processing services in connection with the operation of the Parent Company's credit card business. The total service processing fees incurred by the Parent Company is recognized as part of the Service and processing fees under the Miscellaneous Expenses account in the statements of profit or loss (see Note 25.2). The outstanding payable related to the service agreement is presented as part of Accounts payable under Other Liabilities account in the statements of financial position (see Note 22). The related outstanding payable is unsecured, noninterest-bearing and payable in cash on demand.

(c) Key Management Personnel Compensation

The breakdown of key management personnel compensation follows:

	Group		
	2019	2018	2017
Short-term employee benefits	**P 406**	P 619	P 442
Post-employment defined benefits	**12**	18	16
	P 418	P 637	P 458

	Parent Company		
	2019	2018 (As restated – see Note 34)	2017 (As restated – see Note 34)
Short-term employee benefits	**P 329**	P 405	P 416
Post-employment defined benefits	**-**	6	14
	P 329	P 411	P 430

29. COMMITMENTS AND CONTINGENCIES

In the normal course of operations of the Group, there are various outstanding commitments and contingent liabilities such as guarantees, commitments to extend credit, tax assessments, claims from customers and third parties, etc., with amounts not reflected in the financial statements. Management does not anticipate losses from these transactions that will adversely affect the Group's operations.

In the opinion of management, the suits and claims arising from the normal course of operations of the Group that remain unsettled, if decided adversely, will not involve sums that would have material effect on the Group's financial position or operating results.

29.1 Contingent Accounts, Guarantees and Other Commitments

The following is a summary of contingencies and commitments arising from transactions not given recognition in the statement of financial position, expressed at their equivalent peso contractual amounts as of December 31, 2019 and 2018:

		2019		2018
Trust department accounts	P	94,432	P	87,639
Outstanding guarantees issued		67,003		49,553
Derivative assets		63,904		57,253
Derivative liabilities		59,505		53,261
Unused commercial letters of credit		20,688		19,231
Spot exchange sold		14,216		6,436
Spot exchange bought		14,210		6,330
Inward bills for collection		2,586		1,009
Late deposits/payments received		715		607
Outward bills for collection		38		614
Others		19		17

29.2 Sale of National Steel Corporation (NSC) Plant Asset

In October 2008, Global Steel Philippines (SPV-AMC), Inc. and Global Ispat Holdings (SPVAMC), Inc. (collectively, "Global Steel"), which purchased the Iligan Plant assets ("NSC Plant Assets") of the National Steel Corporation ("NSC") from the Liquidator (as defined in the Asset Purchase Agreement ("APA") dated September 1, 2004) in 2004, initiated arbitration proceedings with the Singapore International Arbitration Center ("SIAC") seeking damages on account of the failure of the Liquidator and the Secured Creditors (as also defined in the APA), including the Bank and RCBC Capital, to deliver the NSC Plant Assets free and clear from liens and encumbrance, purportedly depriving Global Steel of the opportunity to use the NSC Plant Assets to secure additional loans to fund the operations of the NSC Steel Mill Plant and upgrade the same.

On May 9, 2012, the SIAC Arbitral Tribunal rendered a partial award in favor of Global Steel in the amounts of (a) US$80, as and by way of lost opportunity to make profits and (b) P1,403, representing the value of the undelivered billet shop land measuring 3.41 hectares. On appeal, and on July 31, 2014, the Singapore High Court set aside the partial award. On March 31, 2015, the Singapore Court of Appeals rendered a decision which affirmed the earlier decision of the Singapore High Court but held that the Liquidator and Secured Creditors are still required to deliver to Global Steel clean title to the NSC Plant Assets.

The Bank's total exposure in connection with the obligation to transfer clean title to the NSC Plant Assets to Global Steel is approximately P217 in terms of estimated property taxes and transfer costs due on the NSC Plant Assets, as a result of the Philippine Supreme Court's affirmation of the ruling that all pre-closing taxes on the NSC Plant Assets are deemed paid. On the other hand, the Bank has a receivable from Global Steel in the amount of P486. The Bank has fully provisioned the receivable, which is classified in the books of the Bank as UDSCL with zero net book value. The Bank's exposure, however, may be varied depending on whether the Iligan City's assessment of the post-closing taxes will be sustained as valid (including those imposed on non-operational machineries).

Notwithstanding the finality of the Philippine Supreme Court's ruling on the pre-closing taxes, on October 19, 2016, the City of Iligan foreclosed on NSC's properties after issuing a Notice of Delinquency against the NSC, seeking to collect the taxes covering the period 1999 to 2016. In an Order dated April 4, 2017, the Makati City Regional Trial Court ("Makati Trial Court") (a) nullified the public auction of the NSC Plant Assets, among others, (b) enjoined any and all real property tax collection actions against the NSC until the decision dated October 7, 2011, which held that the NSC pre-closing taxes have been paid, is fully executed and NSC's remaining tax liabilities are correctly computed. Likewise, in an Omnibus Order dated May 21, 2018, the Makati Trial Court denied the Motion for Reconsideration and the Urgent Motion to recall the Orders dated October 18, 2016 and April 4, 2017 filed by the Iligan City LGU and Iligan City Treasurer, among others.

The City of Iligan, filed with the Court of Appeals a Petition for Certiorari dated July 6, 2018, essentially (a) asserting the said LGU's right to sell at public auction the NSC Plant and other assets due to non-payment both pre-closing and post-closing taxes; and (b) praying that the writ of execution issued by the Makati Trial Court be declared null and void, especially due to the non-payment of docket fees and non-deposit of the contested tax amount of P4,610. In a Resolution dated December 18, 2018, the Court of Appeals dismissed the Petition filed by the City of Iligan on account of the LGU's failure to submit the documents/pleadings identified in an earlier Resolution dated July 31, 2018. The Court of Appeals likewise denied the City of Iligan's Motion for Reconsideration in its Resolution dated June 20, 2019, prompting the LGU to file a Petition for Review with the Supreme Court on September 6, 2019. In a Resolution dated October 16, 2019, the Supreme Court motu proprio granted the City of Iligan's Petition, and ordered the remand of the case to the Court of Appeals for the determination of the propriety of consolidating the same with CA-G.R. SP No. 1249852, or for resolution of the merits of the case.

29.3 Verotel Merchant Services B.V. Case

In 2011, Verotel Merchant Services B.V. ("VMS"), a Dutch corporation, and Verotel International Industries, Inc. ("VII"), a Philippine corporation, civilly sued the Bank, Bankard, Inc. ("Bankard"), Grupo Mercarse Corp., CNP Worldwide, Inc. and several individuals before the Los Angeles Superior Court for various causes of action including fraud, breach of contract and accounting, claiming that VII and its alleged parent company, VMS, failed to receive the total amount of US$1.5, which the defendants allegedly misappropriated. VMS is an internet merchant providing online adult entertainment and online gambling, in addition to the sale of pharmaceuticals over the internet. Following an initial jury verdict in favor of VMS, and a series of subsequent motions and a reduction of monetary damages awarded to VMS, the Bank/Bankard filed their Notice of Appeal with the California Court of Appeals on July 11, 2016. On October 2, 2017, the Bank/Bankard filed their Revised Opening Brief on their appeal of the verdict with the California Court of Appeals. On March 28, 2018, the Bank/Bankard was advised of the filing of VMS's Combined Respondents' Brief and Cross-Appellants' Opening Brief. On August 14, 2018, the Bank/Bankard filed their combined Reply and Cross-Respondent's Brief. In accordance with prior stipulations, VMS timely filed its Final Reply Brief dated October 31, 2018.

In a letter dated May 30, 2019, VMS requested the California Court of Appeals to take cognizance of the ruling in Mazik vs. Geico General Insurance Company, claiming that it is relevant in resolving its punitive damages appeal. In a letter dated June 3, 2019, the Bank/ Bankard objected to the letter filed by VMS as it violates Rule 8.254 of the California Rules of Court, which prohibits the inclusion of "argument or other discussion of authority" and description of issued raised by a party in its brief. The parties are still awaiting the advice of the California Court of Appeals on the schedule date of the oral arguments.

29.4 Applicability of RR 4-2011

In March 2011, the Bureau of Internal Revenue ("BIR") (a) issued RR 4-2011, prescribing a new way of reporting income solely for banks and other financial institutions, and (b) issued assessment notices to banks and other financial institutions for deficiency income tax for alleged non-intra-unit allocation of costs and expenses to exempt income and income subjected to final tax within RBU.

On April 6, 2015, the Bank and other Bankers Association of the Philippines (BAP) member banks ("BAP-member banks") filed a Petition for Declaratory Relief with application for provisional remedies with the Makati Trial Court, assailing the validity of RR 4-2011 for (a) being violative of their substantive due process rights and the equal protection clause of the Constitution; (b) being a deterrent to banks to invest in capital market transactions to the prejudice of the economy; and (c) setting a dangerous precedent for the disallowance of full deductions, due to its prescribed method of allocation.

Acting on the Petition, the Makati Trial Court issued a Temporary Restraining Order on April 8, 2015 and a Writ of Preliminary Injunction on April 17, 2015, enjoining the enforcement, in any manner, of RR 4-2011 against the Bank and other BAP-member banks, including issuing any Preliminary Assessment Notice ("PAN") or Final Assessment Notice ("FAN") against them during the pendency of the litigation, unless sooner dissolved. On June 10, 2015, Makati Trial Court issued a Confirmatory Order stating that the BIR is also prohibited from ruling or deciding on any administrative matter pending before it in relation to RR 4-2011 and insofar as the Bank and other BAP-member banks are concerned.

After the pre-trial conference terminated on August 3, 2017, the Makati Trial Court directed the parties to file their respective Memorandum on September 15, 2017, in lieu of holding trials. In an Order dated May 25, 2018, the Makati Trial Court granted the Petition for Declaratory Relief and declared RR 4-2011 null and void for being issued beyond the authority of the Secretary of Finance and Commissioner of Internal Revenue. The Makati Trial Court likewise made permanent the Writ of Preliminary Injunction it issued earlier.

Aggrieved, the Department of Finance ("DOF") and the BIR elevated the matter to the Supreme Court via a Petition for Review on Certiorari dated August 1, 2018, essentially alleging that (a) the validity of RR 4-2011 should have been brought instead before the Court of Tax Appeal (CTA); (b) upon the issuance of RR 4-2011, the Bank and BAP-member banks should have already adjusted their accounting and book keeping methods; and (c) the declaratory relief action was no longer proper in view of the issuance of PANs.

In response/compliance with the Resolution dated March 27, 2019, the Bank and BAP member banks pointed out that (a) the Makati Trial Court case was proper since the issue relates to the exercise of quasi-legislative power; (b) Regional Trial Courts have original jurisdiction over Declaratory Relief actions arising from the issuance of invalid Revenue Regulations; (c) the Bank and BAP-member banks have not breached RR 4-2011; and (d) the Makati Trial Court correctly held that RR 4-2011 is invalid (i) for mandating banks and other financial institutions to adopt a different method of accounting from the other classes of taxpayers, in denigration of the equal protection clause of the 1987 Philippine Constitution, and (ii) unlawfully amending the NIRC or Tax Code, and depriving the Bank and BAP-member banks their substantive rights to fully deduct legitimate business expenses from their gross income. The case remains pending before the Supreme Court.

29.5 Alleged Unauthorized Transfer of Funds – Bank of Bangladesh

In February 2016, four allegedly unauthorized fund transfers were wired to four accounts with the Bank from the Bangladesh Bank's account with the Federal Reserve Bank of New York ("FRBNY"), before being further dispersed to other accounts with other banks and casinos. In August 2016, the MB approved the imposition of a P1,000 fine upon the Bank which it paid in full ahead of the August 2017 deadline. Such fine was fully recognized as part of miscellaneous expenses in the Bank's 2016 AFS. While the Bank's payment of the penalty did not affect its ability to perform its existing obligations or unduly hamper its operations, there may still be other regulatory cases arising from these events.

29.5.1 U.S. Litigation relating to the Bangladesh Bank Incident

On January 31, 2019, Bangladesh Bank filed a complaint with the U.S. District Court Southern District of New York ("SDNY") against the Bank, some of its current/former officers who were involved in the incident, a money service business and its principals, junket operators, and the casinos where the questioned funds passed through, claiming the existence of a conspiracy with North Korean hackers to steal funds from its FRBNY bank account/launder the same. The complaint cited nine (9) causes of action, including conversion, fraud and conspiracy, and sought the return of the full amount allegedly stolen, plus interest, attorney's fees, and other damages, including treble damages under the Federal Racketeer Influence and Corrupt Organizations ("RICO") Act.

The Bank sought the dismissal of the case on both procedural and substantive grounds, including (a) forum non conveniens; (b) the ineffectual service of summons upon it; (c) the lack of nexus with New York in view of the Bank's minimal contact therewith; and (d) failure of the Complainant to plead a legitimate basis for federal court jurisdiction. Thus, the Bank filed a pre-motion to dismiss letter on April 8, 2019, and the joint motion to dismiss letter on April 30, 2019, to which the Bangladesh Bank filed its response. An initial pre-trial conference was held by the U.S. District Court on May 21, 2019 where the judge decided to stay discovery pending the resolution of the motions to dismiss.

On June 14, 2019 (U.S. Time), the Bank/other co-defendants, filed (a) a joint motion to dismiss based on the lack of subject matter jurisdiction, and (b) another joint motion to dismiss based on forum non conveniens. In response, Bangladesh Bank filed its Memoranda of Law essentially claiming that (a) the February 2016 cyber-heist targeted Bangladesh Bank, the US and the FRBNY as part of an overreaching cyber-conspiracy that began in 2014 with the Sony Pictures hacking and continued until 2018; (b) the two-year continuity close-ended requirement does not exist, and it clearly pled the existence of conspiracy between the defendants; (c) proof that Philippine courts can handle complex cases/international discovery requests is lacking, and litigation costs in the Philippines are high; and (d) the availability of key witnesses/evidence are contingent on New York as venue of the litigation.

On August 1, 2019 (U.S. Time), the Bank/co-defendants filed their Reply Memoranda, asserting that Bangladesh Bank's RICO conspiracy claim is fatally deficient given its failure to (a) plead the time-bound existence of a pattern in defendants' racketeering activities, not to mention the lack of any ongoing criminal activity; and (b) prove that the defendants took part in the criminal enterprise's affairs beyond their respective businesses (i.e., the casinos). Also, money outflowed from New York to the Philippines, thus the more relevant witnesses/evidence are in the country, and Bangladesh Bank's US$30,000 reserves is more than sufficient for any litigation in the Philippines were the legal fees are less. Moreover, Bangladesh Bank's earlier recovery of the amount of US$15 proves the adequacy of Philippine courts, and the Philippine Blocking Statute/ non-ratification to the Hague Convention will make it burdensome/impossible for relevant documents/witnesses to be produced or appear in New York.

On August 21, 2019 (U.S. Time), Bangladesh Bank requested for leave to file a Sur-Reply dated August 19, 2019, to address certain new issues allegedly raised by the defendants in their last pleadings, which the Presiding Judge granted with a note that Bangladesh Bank's Sur-Reply may or may not be considered in the resolution of the two joint motions to dismiss.

On November 22, 2019 (U.S. Time), the Bank/co-defendants filed their Notice of Supplemental Authority stating that (a) the U.S. District Court SDNY in the 28 U.S.C. §1782 petition denied Bangladesh Bank's Motion to vacate/quash the BNYM subpoena in its Order dated November 20, 2019; and (b) BNYM produced the requested documents on September 19, 2019, which have since been served upon the Bank, thus proving that discovery is readily available under 28 U.S.C. §1782.

On November 26, 2019 (U.S. Time), Bangladesh Bank filed its Notice of Supplemental Authority and Response to Defendants' Notice of Supplemental Authority, arguing that (a) the discovery process underscores the importance of evidence in the U.S.; (b) the Bank is attempting to obstruct justice/suppress discovery in the Philippines (citing pleadings filed in the money-laundering case filed against five current and former employees); and (c) the intention is to shift the venue away from New York to the Philippines where Bangladesh Bank has no presence/its claims will die, making the denial of the Bank/co-defendants' forum non conveniens motion imperative.

On December 3, 2019 (U.S. Time), the Bank/co-defendants filed their Defendants' Response to Plaintiff's Notice of Supplemental Authority point out that (a) the case cited in the pleadings has nothing to do with the 28 U.S.C. §1782 proceedings, which is the case in issue; (b) the Bank did not intervene in the money-laundering case as it merely made a special appearance to oppose the production of internal audit reports which mentioned other bank accounts/the identities of their owners, who are not involved in the case/have not consented to any disclosure; (c) Bangladesh Bank did not make known that redacted forms of such reports were ultimately allowed and that, where Bank Secrecy laws do not apply, the Bank has produced several documents via subpoena; and (d) Bangladesh Bank does not dispute that there has been discovery in the U.S. in aid of a Philippine proceeding, which highlights the adequacy of the Philippines as a proper forum for the dispute in issue.

On August 1, 2019 (U.S. Time), and in relation to the Injunction and Damages case filed in the Philippines, the Bank's former National Sales Director ("NSD") obtained an Order dated August 9, 2019 from another U.S. District Court SDNY Branch compelling the Bank of New York Mellon ("BNYM") to produce non-privileged communication documents/testimonial evidence on the payment order of US$30 on February 4, 2016, which the BNYM received from SWIFT, Bangladesh Bank, FRBNY and the Federal Bureau of Investigation, after the former NSD served copies of his application to all counsels of record in the Injunction and Damages case.

On August 23, 2019 (U.S. Time), but without prior leave, Bangladesh Bank tried to intervene in the case/vacate the aforesaid Order, claiming that (a) the target documents/testimonial evidence contain potentially confidential/personal information; (b) these relate to the Federal RICO Act case, where discovery was stayed; (c) setting aside the propriety of its intervention, it has standing to question the discovery orders due to BNYM's failure to quash the subpoena; (d) the target evidence include those not germane to the Philippine Injunction and Damages case; and (e) the former NSD's petition violated the Local Rules requiring notification to the U.S. District Court SDNY Branch handling the Federal RICO Act case, and his subpoena application should be consolidated therewith. To cure its procedural misstep, the counsel for Bangladesh Bank formally sought to stay the enforcement of the subpoena on BNYM, claiming that it is the ultimate target of such discovery proceedings.

In response, the counsel for the former NSD underscored (a) BNYM's lack of objection to the discovery process; (b) Bangladesh Bank's own violation of the U.S. District Court SDNY's Individual Rules and Local Rules; (c) Bangladesh Bank's lack of standing to assail the application in issue; (d) the former NSD's compliance with the notification requirement to Bangladesh Bank's local counsel in the Philippines; and (e) the independent nature of the former NSD's Petition vis-à-vis the Federal RICO Act case. On August 30, 2019 (U.S. Time), the former NSD formally filed his Memorandum of Law in Opposition to Bangladesh Bank's Motion to Vacate Order and Take Discovery Under 28 U.S.C. §1782 and To Quash Subpoena Under FRCP 45, reiterating his arguments on the propriety of the subpoena upon BNYM, and his compliance with the requirements of 28 U.S.C. §1782.

As indicated above, on November 20, 2019 (U.S. Time), the U.S. District Court SDNY denied Bangladesh Bank's Motion to vacate/quash the previous Order dated August 9, 2019, even as it allowed Bangladesh Bank's intervention in the proceedings, thereby sustaining the former NSD's claim on (a) his compliance with the notification requirement to the U.S. District Court SDNY Branch handling the Federal RICO Act case vis-à-vis Bangladesh Bank's Philippine counsel in the Injunction and Damages case; (b) the lack of relation between the cases (grounded on the existence of an alleged conspiracy to steal/launder the funds of Bangladesh Bank, and the alleged defamatory statements made after the incident); and (c) Bangladesh Bank's failure to prove how BNYM's compliance with the subpoena will conflict with the rulings to be issued in the Federal RICO Act case.

29.5.2 Philippine Litigation relating to the Bangladesh Bank Incident

On March 6, 2019, the Bank/the former NSD filed a complaint for Injunction and Damages against the Bangladesh Bank with the Makati Trial Court to put a stop to the latter's repeated acts of (a) defaming, harassing and threatening the Bank/the former NSD, and (b) making it appear that they were involved in the theft of the US$81 from its FRBNY bank account, and thus, obligated to pay/return the same. The Bank/former NSD posited that (a) Bangladesh Bank lost the US$81 the minute the said funds were transferred from its FRBNY's bank account, and they had no participation therein; and (b) Bangladesh Bank has been making very public/outrageous claims that the Bank (and its officers, including the former NSD) allegedly conspired with North Korean hackers to steal the said funds/launder the same, which repeated negative publicity is apparently designed to force the Bank to settle therewith.

In his Officer's Return dated March 14, 2019, the Sheriff of the Makati Trial Court reported that, on March 12, 2019, he tendered the Summons and a copy of the Complaint upon the Deputy Governor of Bangladesh Bank and Head of its Financial Intelligence Unit ("Deputy Governor"). On the other hand, Bangladesh Bank, via its Return of Summons and Manifestation by Special Appearance, disputed the propriety of the service of summons in the case. It likewise refused to formally submit to the jurisdiction of the Makati Trial Court and file any Answer, and did not send any representative during any of the mediation conferences held.

At the July 19, 2019 hearing, the Makati Trial Court issued an Order holding that (a) Bangladesh Bank's claim of immunity from suit cannot be sustained as its own Charter expressly states that it has the power to sue and be sued; (b) Bangladesh Bank was properly/validly served with summons through the Deputy Governor and the Head of Bangladesh Bank's Manila delegation; and (c) the filing of the complaint for Injunction and Damages, in relation to the case initiated by Bangladesh Bank in the U.S. District Court SDNY, cannot be considered forum shopping as none of the requirements for litis pendentia, save for identity of parties, are present. The Makati Trial Court has directed the Bangladesh Bank to file its Answer to the Complaint within fifteen (15) days from notice, and set a status hearing which has been further reset to 14 February 2020. Bangladesh Bank's motion for reconsideration of the July 19, 2019 Order, anchored on its claim of (a) non-waiver of its sovereign immunity; and (b) non-defamatory nature of the statements made by Bangladeshi officials, on the purported involvement of the Bank in money laundering, remains pending to date.

29.5.3 Specific Litigation Involving the Bank's Officers

Anent the criminal complaint for money laundering filed against former Business Manager Maia S. Deguito ("BM Deguito), the Anti-Money Laundering Council of the Philippines ("AMLC") filed with the Department of Justice ("DOJ") a second criminal complaint against six (6) current and former employees of the Bank for alleged violation of Section 4(f) of R.A. No. 9160, as amended, arising from their alleged performance or failure to perform an act, which purportedly facilitated the crime of money laundering of US$81. Acting on the complaint, the DOJ found probable cause against five (5) of such current and former employees and filed the corresponding Information with the Makati Trial Court, which it subsequently amended.

After arraignment, Pre-Trial/Trial ensued with the Prosecution (a) concluding its prosecutorial action upon the filing of its Formal Offer of Evidence on October 18, 2019, and (b) making a tender of excluded evidence after a number thereof were held to be inadmissible. All the accused requested leave, and filed their Demurrer to Evidence, which were deemed submitted for resolution in the Order dated December 10, 2019. The Makati Trial Court likewise tentatively reset the presentation of Defense evidence to January 23, 2020, at 8:30 am.

Acting on the criminal complaints filed by the Bank and a client in connection with a series of unauthorized acts/transactions relating to the money laundering of US$81, the Office of the City Prosecutor of Makati City found probable cause to charge former BM Deguito and former SCRO Torres with several counts of falsification of commercial document and perjury, respectively, before the Metropolitan Trial Court of Makati City ("Makati MTC").

Due to the death of Mr. William Go, the Prosecution in the falsification of commercial document cases signified its intention to present the bank teller who processed the questioned transactions. Pending its resolution, the Makati MTC cancelled the October 22, 2019 hearing and set additional hearings on January 28, 2020, March 10 and 31, 2020, and April 21 and 28, 2020, all at 8:30 am.

The Makati MTC hearing the perjury case rejected the attempt of former SCRO Torres to recall/ cross-examine a Prosecution witness, the non-appearance of her counsel at the scheduled hearing being inexcusable. At the close of the testimony of the Questioned Document Examiner on October 3, 2019, the Makati MTC set the case for further hearing on March 19, 2020 and April 2, 2020, both at 8:30 am.

The Bank has several petitions for review currently pending in relation to actions that it has initiated against former Bank employees in relation to the Bangladesh Bank incident. There are no known trends, demands, and commitments, events, or uncertainties that will have a material impact on the Bank's operational performance and ability to service obligations.

29.6 RCBC Securities Case

In December 2011, RSI initiated a criminal case for falsification against its former agent, Mary Grace V. Valbuena ("Valbuena"), arising from questionable transactions with her own personal clients. Since then, RSI has filed additional criminal and civil cases, including charges of violation of Batas Pambansa Blg. 22 ("BP 22"), against Valbuena. On November 17, 2016, the Metropolitan Trial Court of Makati City, Branch 66, convicted Valbuena of the crime of violation of BP 22. Valbuena's conviction has since then been sustained by the Trial Court of Makati, Branch 141, and the Court of Appeals in its Decision dated September 6, 2019, which (a) denied Valbuena's Petition for Review for lack of merit, and (b) directed Valbuena to pay RSI the amount of P7.2, except that interest on the said amount shall be at the rate of (i) 12% per annum from January 18, 2012 to June 30, 2013, and (ii) 6% per annum from July 1, 2013 until full satisfaction of the amount due.

In May 2012, the Capital Markets Integrity Corporation ("CMIC") conducted an investigation on the complaint filed by one of Valbuena's personal clients against RSI. After due proceedings, the CMIC issued Resolutions dated July 3, 2015 and July 21, 2015, dismissing the complaint filed by the said client and denying his Motion for Reconsideration, respectively. The aforesaid Resolutions have since become final and executory.
In a Complaint dated December 30, 2013, Cognatio Holdings, Inc. ("Cognatio") complained against RSI, its former Vice President for Operations/Chief Finance Officer, its former Compliance Officer and Valbuena with the Enforcement and Investor Protection Department of the Securities and Exchange Commission ("EIPD-SEC"). In an Order dated April 3, 2019, the SEC-EIPD (a) ruled that RSI violated the Securities Regulations Code, imposing thereon a monetary fine of P5, and (b) directed its submission of amended internal control procedures to (i) strengthen its Chinese Wall Policy, and (ii) validate transactions executed by its salesmen. On April 25, 2019, RSI manifested that notwithstanding its disagreement with such factual findings, it will comply with the latter's directives. RSI likewise proposed to immediately pay a reduced amount in full and complete settlement of the monetary fine. In an Order dated July 16, 2019, the SEC-EIPD accepted RSI's settlement offer of P2.5, sans any finding of fault or guilt on the latter's part. Further, on August 5, 2019, RSI submitted its Board-approved Amended Internal Protocols to the Markets and Securities and Regulation Department, in compliance with the directive of the SEC-EIPD.

In September 2014, Carlos S. Palanca IV ("Palanca") and Cognatio filed a complaint against RSI with the CMIC, even as Cognatio's foregoing complaint was still pending with the EIPD-SEC. In its decision letter dated December 4, 2014, the CMIC dismissed Cognatio's complaint on the ground of prescription and res judicata. However, this was reversed by the SEC en banc on appeal. Aggrieved, RSI elevated the matter to the Court of Appeals, which held that Cognatio committed willful and deliberate forum shopping. In a Resolution dated September 5, 2018, the Court of Appeals denied Cognatio's Motion for Reconsideration, which prompted their filing of a Petition for Review dated October 8, 2018 with the Supreme Court. On February 11, 2019, RSI filed its Comment to the Petition for Review, and Cognatio responded by filing, on March 25, 2019, a Motion for Leave to file Reply and their attached Reply. The case remains pending to date.

On February 22, 2013, another client filed a complaint against RSI with the Makati Trial Court, essentially praying for the return of his shares of stock and cash payments approximately valued at P103, which he claims to have turned over to Valbuena. On May 20, 2013, RSI sought the dismissal of the complaint citing non-payment of the correct filing fees and failure to state a case of action. After the Makati Trial Court denied the same, RSI elevated the matter to the Court of Appeals, which sustained RSI's position and ordered the dismissal of the complaint in its Decision dated October 9, 2014. However, acting on client's Petition for Review, the Supreme Court – in its Decision dated October 17, 2018 - reversed the Court of Appeals and held that client's immediate payment of the deficiency docket fees shows that he did not intentionally attempt to evade the payment of the correct filing fees, so as to merit the dismissal of his complaint. In a Resolution dated January 23, 2019, the Philippine Supreme Court denied RSI's Motion for Reconsideration, and ordered the Makati Trial Court to proceed with the hearing of the case until its termination.

The proceedings before the Makati Trial Court were suspended to give way to mediation on July 16, 2019. After the filing of the Pre-Trial Briefs on August 13-14, 2019, the parties underwent Judicial Dispute Resolution, which was terminated on October 29, 2019 after settlement failed. In an Order dated November 12, 2019, the Makati Trial Court Branch to where the case was re-raffled, set the same for pre-trial conference on December 13, 2019, and directed the filing of the Judicial Affidavit of the parties' respective witnesses. On the aforesaid date, client and his counsel failed to appear/submit the required Judicial Affidavits of his witnesses, resulting in the resetting of the pre-trial conference to January 15, 2020.

The Makati Trial Court issued a warning to client that it will dismiss the case should he and his counsel fail to appear during the said hearing date.

29.7 HHIC-Philippines, Inc. Rehabilitation Proceedings

On January 9, 2019, HHIC-Phil filed a petition for corporate rehabilitation ("Petition") under Republic Act No. 10142, *the Financial Rehabilitation and Insolvency Act of 2010* ("FRIA",) with the Regional Trial Court of Branch 72, Olongapo City (the "Rehabilitation Court"). On January 14, 2019, the Rehabilitation Court gave due course to the Petition and appointed a Rehabilitation Receiver, who was soon replaced by Atty. Rosario S. Bernaldo.

To the extent allowable under the FRIA, the Parent Company, together with the four (4) other creditor banks ("co-creditor banks") negotiated with HHIC-Phil and HHIC for a modified rehabilitation plan ("MRP"), wherein: (a) the Parent Company/co-creditor banks will assume all the costs of maintaining/operating the Subic Shipyard to essentially preserve the assets thereat; (b) the said assets (except for an identified few) would be dacioned to the Parent Company/co-creditor banks, thru a trustee, in proportion to their respective loans and in full settlement of such loans; and (c) the Trustee, subject to the Parent Company/co-creditor banks' instruction, will assign the transferred assets to a new company organized for such purpose, or to any third party buyer/designee or nominee of the Bank/co-creditor banks, which shall then assume all costs necessary to maintain or operate the transferred assets.

On March 8, 2019, the Bank/co-creditor banks, HHIC-Phil and HHIC filed a Verified Joint Motion for Approval of Modified Rehabilitation Plan as a Pre-Negotiated Rehabilitation Plan Under Chapter III of the Financial Rehabilitation and Insolvency Act. However, the call for the approval of the MRP was deferred to address the issues raised in the Rehabilitation Court's Order dated April 12, 2019. On May 6, 2019, the Notice of Conference and the Modified Rehabilitation Plan of HHIC-Phil Inc. with Clarifications ("MRP with Clarifications") were electronically served upon all the known creditors and stakeholders, stating that the same will be submitted for their consideration on May 9, 2019. During the May 9, 2019 conference, more than fifty percent (50%) of the secured/unsecured creditors and stakeholders approved the MRP with Clarifications, which was reported to the Rehabilitation Court through a Manifestation dated May 14, 2019.

However, on June 14, 2019, the Rehabilitation Receiver filed a Motion dated June 13, 2019: (a) seeking further supporting details on certain items in the MRP with Clarifications from the Bank/co-creditor banks; and (b) praying that (i) all HHIC-Phil creditors agree to a uniform debt reduction/waiver of interest and penalties, (ii) the Parent Company/co-creditor banks be made to infuse working capital funds to HHIC-Phil in the meantime, and collectively limit their claim to USD350 should HHIC-Phil's assets be instead sold to a white knight, and (iii) the excess of such payment be used to paying all other creditors in proportion to their remaining exposures. The Parent Company/co-creditor banks opposed the Rehabilitation Receiver's Motion: (a) given their assumption of the cost of maintaining the shipyard; (b) requiring the infusion of additional working capital to HHIC-Phil when its account is past due may result in stiff penalties from its various financial regulators; and (c) the viability of the MRP with Clarifications arising from the waiver of the USD1,041 claims of the HHIC affiliates and HHIC-Phil's adoption of a new payment scheme, lessening its reliance on loans to finance its projects.

In the Order dated August 8, 2019, the Rehabilitation Court found the MRP with Clarifications to be still deficient and remanded the same for revision, and ordered the Parent Company/co-creditor banks make a complete and full disclosure of all transactions/submit all contract, agreements, waivers and other pertinent documents entered with foreign banks and other parties to the proceedings. On September 2, 2019, the Parent Company filed its Manifestation with Motion for Additional Time to Comply, disclosing the existence of a non-binding offer from a potential white night, and praying that the Rehabilitation Receiver be given time to submit a further revised Rehabilitation Plan. On the other hand, two of the co-creditor banks filed an Omnibus Motion arguing that the MRP with Clarifications would (a) relieve HHIC-Phil of its USD7.2/a year bill for shipyard maintenance cost, (b) condone a huge portion of HHIC-Phil's debt, and (c) leave HHIC-Phil with more than sufficient operational funds during the remaining rehabilitation period, and that the FRIA does not prohibit a change in HHIC-Phil's line of business.

On September 11, 2019, HHIC-Phil filed its own Motion for Reconsideration of the Order dated August 8, 2019, arguing that the non-approval of the MRP with Clarifications will force it into liquidation. On the same date, another co-creditor bank requested for an extension of the date of submission of a further revised Rehabilitation Plan, and argued that no unjust enrichment of the Parent Company/co-creditor banks will actually occur. During the hearing on September 20, 2019, the Rehabilitation Court directed, among others, the setting of a monitoring hearing on November 5, 2019. On September 25, 2019, another co-creditor bank filed its Comment to HHIC-Phil's Motion for Reconsideration, stating that (a) although HHIC-Phil's business is not confined to building ships, it will continue with the completion of the four (4) ships mentioned in the MRP with Clarifications, and (b) the transfer of shipyard to the Bank/co-creditor banks will preserve and maximize the value thereof.

On 5 November 2019, the Rehabilitation Court issued an Order reconsidering the Order dated August 8, 2019 confirming the MRP with Clarifications. Not long after, a number of creditors (principally ship-owners with warranty claims/manufacturers of ship parts/engines) filed various motions for admission/clarification/correction of amount/reclassification of claims, as found in the Final Registry of Claims, praying that the Rehabilitation Court recall/vacate the Order confirming the MRP with Clarifications. The Parent Company/ co-creditor banks filed their oppositions thereto pointing out that (a) these claims were already considered in the Rehabilitation Receiver's Submission (On Disputed and Challenged Claims and Those with Pending Motions for Correction/Rectification) (the "Submission") filed on September 16, 2019; (b) the movants failed to appeal within the five (5) day-period from notice of such Submission; (c) the same has been approved via the Order dated November 11, 2019; and (d) under no circumstances can the ship-owners Omnibus Motion filed in November 2019, be considered as the appeal mentioned in Section 26, Rule 2 of the FRIA. As for the ship engines/parts supplier, respectively, the Parent Company/ co-creditor banks posited that (a) the ship engines supplier did not classify its claim as an administrative expense when it filed the same on January 18, 2020, and neither did it comment on the MRP/MRP with Clarifications/co-creditor bank's Motion for Reconsideration on the Order dated August 8, 2019 despite several opportunities to do so; and (b) the period to question the Rehabilitation Receiver's decision on the disputed claims, or appeal the same, have lapsed.

The Korean Development Bank ("KDB") likewise filed a Motion to enforce its lien on the HHIC-Phil account in its possession, which was opposed by the Rehabilitation Receiver/a co-creditor bank given that KDB's claim is fully secured by the real properties of HHIC.

Except for the above-mentioned proceedings, the Bank is not aware of any suits and claims by or against it or its subsidiaries, which if decided adversely, would have a material effect on its financial position or operating results.

29.8 Lease Commitments

(a) Parent Company as a Lessor

The Parent Company has entered into various lease contracts related to RSB Corporate Center, an investment property held for rental, with lease terms ranging from one to five years and with monthly rent depending on market price with 5% escalation rate every year. Total rent income earned from these leases amounted to P235, P258, and P209 in 2019, 2018, and 2017, respectively, which are presented as part of Rental under the Miscellaneous Income account in the statements of profit or loss (see Note 25.1).

The Parent Company's future minimum rental receivables under this non-cancellable operating lease arrangement are as follows:

	Parent Company		
	2019	2018 (As restated – see Note 34)	2017 (As restated – see Note 34)
Within one year	**P 444**	P 421	P 271
After one year but not more than five years	**852**	804	486
	P 1,296	P 1,225	P 757

(b) Group as Lessee

The Parent Company and certain subsidiaries lease some of the premises occupied by their respective head offices [see Note 28.5(a)] and branches/business centers for lease periods from one to 25 years. The Group's rental expense related to these leases (included as part of Occupancy and Equipment-related expenses account in the 2018 statement of profit or loss) amounted to P192, P1,187, and P977 in 2019, 2018, and 2017, respectively. Most of the lease contracts contain renewal options, which give the Group the right to extend the lease on terms mutually agreed upon by the parties.

The future minimum rental payables under these non-cancellable operating leases are as follow:

	Group	Parent Company
2018 (As restated):		
Within one year	P 1,123	P 1,092
After one year but not more than five years	2,447	2,324
More than five years	962	933
	P 4,532	P 4,349

	Group		Parent Company	
2017 (As restated – see Note 34):				
Within one year	P	811	P	673
After one year but not more than five years		2,640		2,375
More than five years		335		291
	P	3,786	P	3,339

30. EARNINGS PER SHARE

The following shows the Group's profit and per share data used in the basic and diluted EPS computations for the three years presented:

	2019		2018		2017	
Net profit	**P**	**5,387**	P	4,320	P	4,308
Weighted average number of outstanding common shares of stock		**1,936**		1,646		1,400
Basic and diluted EPS	**P**	**2.78**	P	2.62	P	3.08

The convertible preferred shares did not have a significant impact on the EPS for each of the periods presented. The Group and the Parent Company has no potential dilutive shares as of the end of each reporting period.

31. NOTES TO STATEMENTS OF CASH FLOWS

Significant non-cash transaction of the Group and the Parent Company includes the impact of PFRS 16 adoption as discussed in Notes 2, 13 and 22; additions of real properties, chattel properties and other assets through foreclosures, dacion in payment and repossessions as discussed in Notes 14.1 and 15.3.2; and, partial settlement of certain loan in exchange of equity securities as discussed in Note 15.3.1

Presented below is the reconciliation of the Group and Parent Company's liabilities arising from financing activities, which includes both cash and non-cash changes.

	Bills Payable (see Note 18)		Bonds Payable (see Note 19)		Total Financing Activities	
	Group	Parent	Group	Parent	Group	Parent
Balance at January 1, 2019	P 56,001	P 48,759	P 53,090	P 53,090	P 109,091	P 101,849
Cash flow from financing activities:						
Availments	89,737	89,100	45,697	45,697	135,434	134,797
Payments/redemption	(44,388)	(44,177)	-	-	(44,388)	(44,177)
Non-cash financing activities:						
Foreign exchange gains (losses)	256	256	(2,031)	(2,031)	(1,775)	(1,775)
Amortization of premium	-	-	58	58	58	58
Balance at December 31, 2019	**P 101,606**	**P 93,938**	**P 96,814**	**P 96,814**	**P 198,420**	**P 190,752**
Balance at January 1, 2018	P 43,967	P 36,600	P 28,060	P 28,060	P 72,027	P 64,660
Cash flow from financing activities:						
Availments	44,522	42,769	23,520	23,520	68,042	66,289
Payments/redemption	(32,790)	(30,912)	-	-	(32,790)	(30,912)
Non-cash financing activities:						
Foreign exchange gains	302	302	1,489	1,489	1,791	1,791
Amortization of premium	-	-	21	21	21	21
Balance at December 31, 2018	**P 56,001**	**P 48,759**	**P 53,090**	**P 53,090**	**P 109,091**	**P 101,849**
Balance at January 1, 2017	P 37,643	P 31,712	P 41,595	P 41,595	P 79,238	P 73,307
Cash flow from financing activities:						
Availments	20,561	15,477	-	-	20,561	15,477
Payments/redemption	(14,472)	(10,788)	(13,687)	(13,687)	(28,159)	(24,475)
Non-cash financing activities:						
Foreign exchange gains	235	199	118	118	353	317
Amortization of premium	-	-	34	34	34	34
Balance at December 31, 2017	P 43,967	P 36,600	P 28,060	P 28,060	P 72,027	P 64,660

In 2019, the Group exercised its call option and fully redeemed its Tier 2 Notes amounting to P9,986 (see Note 20).

32. SELECTED FINANCIAL PERFORMANCE INDICATORS

The following basic indicators and ratios measure the financial performance of the Group and Parent Company:

	Group		
	2019	2018	2017
Return on average equity			
Net profit / Average total equity	**6.47%**	5.78%	6.72%
Return on average resources			
Net profit / Average total resources	**0.80%**	0.73%	0.82%
Net interest margin			
Net interest income / Average interest earning resources	**4.03%**	4.00%	4.25%
Profit margin			
Net profit / Revenues	**15.02%**	16.31%	17.15%
Debt-to-equity ratio			
Total liabilities / Total equity	**8.26**	6.94	7.27
Resources-to-equity ratio			
Total resources / Total equity	**9.26**	7.94	8.27
Interest rate coverage			
Earnings before interest and taxes / Interest expense	**1.44**	1.50	1.73
Current ratio			
Total current assets / Total current liabilities	**0.47**	0.48	0.47
Acid test ratio			
Quick assets / Total current liabilities	**0.28**	0.26	0.20
Solvency ratio			
Total liabilities / Total assets	**89.20%**	87.41%	87.90%

	Parent Company		
	2019	2018 (As restated)	2017 (As restated)
Return on average equity			
Net profit / Average total equity	**6.48%**	5.79%	6.76%
Return on average resources			
Net profit / Average total resources	**0.81%**	0.74%	0.83%
Net interest margin			
Net interest income / Average interest earning resources	**4.02%**	4.02%	4.33%
Profit margin			
Net profit / Revenues	**15.48%**	16.98%	17.94%
Debt-to-equity ratio			
Total liabilities / Total equity	**8.19**	6.85	7.16
Resources-to-equity ratio			
Total resources / Total equity	**9.19**	7.85	8.16
Interest rate coverage			
Earnings before interest and taxes / Interest expense	**1.44**	1.50	1.74
Current ratio			
Total current assets / Total current liabilities	**0.44**	0.48	0.43
Acid test ratio			
Quick assets / Total current liabilities	**0.28**	0.26	0.26
Solvency ratio			
Total liabilities / Total assets	**89.11%**	87.26%	87.75%

33. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled:

	2019					
	Group			Parent Company		
	Within One Year	Beyond One Year	Total	Within One Year	Beyond One Year	Total
Financial Assets						
Cash and other cash items	P 16,907	P -	P 16,907	P 16,808	P -	P 16,808
Due from BSP	87,255	-	87,255	85,453	-	85,453
Due from other banks	18,818	-	18,818	18,468	-	18,468
Loans and receivables arising from reverse repurchase agreements	5,768	-	5,768	5,629	-	5,629
Interbank loans receivables	18,803	-	18,803	19,411	-	19,411
Financial assets at FVTPL	5,548	-	5,548	4,800	-	4,800
Financial assets at FVOCI - net	54,245	-	54,245	52,425	-	52,425
Investments at amortized cost - net	25,671	75,255	100,926	27,094	73,125	100,219
Loans and other receivables - net	100,606	329,810	430,416	97,667	325,015	422,682
Other resources - net	898	-	898	174	722	896
	334,519	405,065	739,584	327,929	398,862	726,791
Non Financial Assets						
Investment in subsidiaries and associates - net	P -	P 444	P 444	P -	P 7,724	P 7,724
Bank premises, furnitures, fixtures and equipment - net	-	11,059	11,059	-	9,071	9,071
Investment properties - net	-	4,142	4,142	-	4,017	4,017
Deferred tax asset-net	-	2,140	2,140	-	1,888	1,888
Intangible and other resources - net	1,776	7,934	9,710	1,776	6,851	8,627
	1,776	25,719	27,495	1,776	29,551	31,327
	P 336,295	**P 430,784**	**P 767,079**	**P 329,705**	**P 428,413**	**758,118**
Financial Liabilities						
Deposit liabilities	P 82,976	P 373,605	P 456,581	P 78,461	P 378,132	P 456,593
Bills payable	75,139	26,467	101,606	74,530	19,408	93,938
Bonds payable	27,247	69,567	96,814	27,247	69,567	96,814
Accrued interest and other expenses	2,285	3,734	6,019	2,277	3,481	5,758
Other liabilities	1,460	15,891	17,351	1,460	15,093	16,553
	189,107	489,264	678,371	183,975	485,681	669,656
Non Financial Liabilities						
Accrued interest and other expenses	P 183	P -	P 183	P 140	P -	P 140
Other liabilities	293	5,382	5,675	283	5,277	5,560
	476	5,382	5,858	423	5,277	5,700
	P 189,583	**P 494,646**	**P 684,229**	**P 184,398**	**P 490,958**	**P 675,356**

	2018					
	Group			Parent Company (As Restated – see Note 34)		
	Within One Year	Beyond One Year	Total	Within One Year	Beyond One Year	Total
Financial Assets						
Cash and other cash items	P 17,392	P -	P 17,392	P 17,321	P -	P 17,321
Due from BSP	56,495	-	56,495	55,059	-	55,059
Due from other banks	20,342	-	20,342	19,815	-	19,815
Loans and receivables arising from reverse repurchase agreements	10,032	-	10,032	10,000	-	10,000
Interbank loans receivables	9,522	-	9,522	9,592	-	9,592
Financial assets at FVTPL	7,570	-	7,570	6,693	-	6,693
Financial assets at FVOCI - net	16,790	5,197	21,987	4,560	14,255	18,815
Investments at amortized cost - net	-	88,892	88,892	-	88,641	88,641
Loans and other receivables - net	89,096	299,682	388,778	101,395	281,173	382,568
Other resources - net	985	-	985	982	-	982
	228,224	393,771	621,995	225,417	384,069	609,486
Non Financial Assets						
Investment in subsidiaries and associates - net	P -	P 423	P 423	P -	P 7,012	P 7,012
Bank premises, furnitures, fixtures and equipment - net	-	8,415	8,415	-	6,681	6,681
Investment properties - net	-	3,631	3,631	-	3,505	3,505
Deferred tax asset-net	-	2,094	2,094	-	1,874	1,874
Intangible and other resources - net	931	7,106	8,037	671	6,978	7,649
	931	21,669	22,600	671	26,050	26,721
	P 229,155	P 415,440	P 644,595	P 226,088	P 410,119	636,207
Financial Liabilities						
Deposit liabilities	P 62,340	P 361,059	P 423,399	P 99,160	P 324,369	P 423,529
Bills payable	49,721	6,280	56,001	44,177	4,582	48,759
Bonds payable	-	53,090	53,090	-	53,090	53,090
Subordinated debt	-	9,986	9,986	-	9,986	9,986
Accrued interest and other expenses	2,068	2,916	4,984	2,063	2,771	4,834
Other liabilities	1,574	10,370	11,944	1,574	9,439	11,013
	115,703	443,701	559,404	146,974	404,237	551,211
Non Financial Liabilities						
Accrued interest and other expenses	P 293	P -	P 293	P 227	P -	P 227
Other liabilities	304	3,424	3,728	289	3,405	3,694
	597	3,424	4,021	516	3,405	3,921
	P 116,300	P 447,125	P 563,425	P 147,490	P 407,642	P 555,132

34. RESTATEMENT

The financial information in the Parent Company's financial statements are restated for the periods prior to the combination of the Parent Company and RSB to reflect the combination as if it had occurred at the beginning of the earliest period presented in the financial statements, which is accounted for using the pooling of interest method.

The following are the relevant analyses of the effects of the restatements on assets, liabilities and equity components of the Parent Company's financial statements:

The effects of the restatements on the assets, liabilities, and equity accounts are shown below.

	As of December 31, 2018			
	As Previously Reported	RSB Balances	Adjustments*	As Restated
Change in resources and liabilities:				
Cash and other items	P 12,225	P 5,107	(P 11)	P 17,321
Due from BSP	39,847	15,213	(1)	55,059
Due from other banks	19,420	1,430	(1,035)	19,815
Loans arising from reverse repurchase agreements	4,000	6,000	-	10,000
Trading and investment securities	100,982	13,163	4	114,149
Loans and receivables	298,744	93,649	(233)	392,160
Investments in subsidiaries and associates	19,928	313	(13,229)	7,012
Bank premises, furniture, fixtures and equipment	4,992	1,018	671	6,681
Investment properties	2,922	1,446	(863)	3,505
Deferred tax assets	964	911	(1)	1,874
Other resources	6,899	1,520	212	8,631
Deposit liabilities	(302,410)	(122,153)	1,034	(423,529)
Bills payable	(48,759)	-	-	(48,759)
Bonds payable	(53,090)	-	-	(53,090)
Subordinated debt	(9,986)	-	-	(9,986)
Accrued interest, taxes and other expenses	(3,966)	(1,177)	82	(5,061)
Other liabilities	(11,637)	(3,234)	164	(14,707)
Net decrease in net resources			(P 13,206)	

	As of January 1, 2018			
	As Previously Reported	**RSB Balances**	**Adjustments***	**As Restated**
Change in resources and liabilities:				
Cash and other items	P 10,415	P 4,458	(P 12)	P 14,861
Due from BSP	47,186	10,333	-	57,519
Due from other banks	18,368	2,154	(1,053)	19,469
Loans arising from reverse repurchase agreements	7,435	2,313	-	9,748
Trading and investment securities	58,133	11,507	-	69,640
Loans and receivables	265,791	82,206	166	348,163
Investments in subsidiaries and associates	19,018	206	(12,020)	7,204
Bank premises, furniture, fixtures and equipment	5,197	1,057	700	6,954
Investment properties	2,785	1,353	(868)	3,270
Deferred tax assets	942	829	-	1,771
Other resources	6,306	1,456	(42)	7,720
Deposit liabilities	(288,667)	(101,685)	1,222	(389,130)
Bills payable	(36,600)	-	-	(36,600)
Bonds payable	(28,060)	-	-	(28,060)
Subordinated debt	(9,968)	-	-	(9,968)
Accrued interest, taxes and other expenses	(3,218)	(871)	65	(4,024)
Other liabilities	(8,134)	(3,336)	(138)	(11,608)
Net decrease in net resources			(P 11,980)	

**Adjustments pertain to eliminating entries and reclassifications to conform with the Parent Company's presentation.*

The following are the effects of the restatements on income and expenses account of the Parent Company:

	As of December 31, 2018			
	As Previously Reported	RSB Balances	Adjustments	As Restated
Change in income and expenses:				
Interest income	P 22,564	P 7,492	(P 12)	P 30,044
Interest expense	(7,533)	(2,567)	10	(10,090)
Impairment losses	(1,306)	(469)	(7)	(1,782)
Other operating income	5,657	1,038	(1,201)	5,494
Other operating expenses	(14,249)	(4,529)	169	(18,609)
Tax income (expense)	(813)	76	-	(737)
Net decrease in net income			(P 1,041)	

	As of January 1, 2018			
	As Previously Reported	RSB Balances	Adjustments*	As Restated
Change in income and expenses:				
Interest income	P 17,313	P 6,787	P 361	P 24,461
Interest expense	(4,918)	(1,561)	(351)	(6,830)
Impairment losses	(1,164)	(793)	(1)	(1,958)
Other operating income	6,887	1,012	(1,515)	6,384
Other operating expenses	(13,113)	(4,064)	156	(17,021)
Tax expense	(697)	(31)	-	(728)
Net decrease in net income			(P 1,350)	

The effects of the prior period adjustments and reclassifications in the statements of cash flow are summarized as follows:

	As of December 31, 2018			
	As Previously Reported	RSB Balances	Adjustments*	As Restated
Change in cash flows from operating activities:				
Excess of revenues over expenses before taxes	P 5,133	P 965	(P 1,041)	P 5,057
Adjustments for:				
Interest income	(22,564)	(7,492)	12	(30,044)
Interest received	21,261	7,356	(617)	28,000
Interest paid	(8,131)	(2,216)	846	(9,501)
Interest expense	7,533	2,567	(10)	10,090
Gain on sale of financial assets at amortized cost	-	-	69	69
Impairment losses – net	1,306	469	7	1,782
Depreciation and amortization	1,075	407	(14)	1,468
Dividend income	(187)	-	-	(187)
Share in net earnings of subsidiaries and associates	(1,299)	(17)	1,029	(287)
Recovery from written-off accounts	-	-	206	206
Gains on asset sold	(28)	(22)	22	(28)
Adjustments for:				
Decrease (increase) in financial assets at FVTPL	(138)	-	(2)	(140)
Decrease (increase) in financial assets at FVOCI	(13,126)	-	(1,315)	(14,441)
Decrease (increase) in loans and receivables	(22,472)	(11,384)	(8,074)	(41,930)
Decrease (increase) in investment properties	(118)	(308)	50	(376)
Decrease (increase) in other resources	1,036	(88)	1,586	2,534
Increase (decrease) in deposit liabilities	13,743	20,469	187	34,399
Increase (decrease) in accrued interest, taxes and other expenses	806	(34)	(530)	242
Increase (decrease) in other liabilities	274	(57)	4,220	4,437
Cash generated from (used in) operations	(15,896)	10,615	(3,369)	(8,650)
Income taxes paid	(893)	(140)	420	(613)
	(16,789)	10,475	(2,949)	(9,263)

**Adjustments pertain to eliminating entries and reclassifications to conform with the Parent Company's presentation.*

	As of December 31, 2018			
	As Previously Reported	RSB Balances	Adjustments*	As Restated
Change in cash flows from investing activities:				
Additional investments in securities at amortized cost	(76,286)	(951)	(63,000)	(140,237)
Proceeds from sale of investment securities at FVOCI	-	195	(195)	-
Acquisition of investment securities at FVOCI	-	(3,463)	3,463	-
Proceeds from disposal and maturity of securities at amortized cost	45,832	2,394	62,333	111,059
Acquisitions of bank premises, furniture, fixtures, and equipment	(836)	(183)	39	(980)
Cash dividends received	291	108	(212)	187
Acquisitions of intangible assets	(163)	(15)	22	(156)
Proceeds from disposals of bank premises, furniture, fixtures and equipment	226	3	(2)	227
	(30,936)	(1,912)	2,948	(29,900)
Change in cash flows from financing activities:				
Proceeds from availments of bills payable	42,769	34,200	(34,200)	42,769
Payments of bills payable	(30,912)	(34,200)	34,200	(30,912)
Issuance of bonds payable	23,520	-	-	23,520
Issuance of common stock	14,783	-	-	14,783
Dividends paid	(863)	-	-	(863)
Redemption of subordinated debt	-	-	18	18
	49,297	-	18	49,315
Cash and cash equivalents at the beginning of the year	83,442	19,257	(1,064)	101,635
Net effect on cash flows			(P 1,047)	

	As of January 1, 2018			
	As Previously Reported	RSB Balances	Adjustments*	As Restated
Change in cash flows from operating activities:				
Excess of revenues over expenses before taxes	P 5,005	P 1,382	(P 1,351)	P 5,036
Adjustments for:				
Interest income	(17,313)	(6,787)	(361)	(24,461)
Interest received	17,182	6,673	(73)	23,782
Interest paid	(4,733)	(1,502)	(427)	(6,662)
Interest expense	4,918	1,560	352	6,830
Impairment losses – net	1,164	793	1	1,958
Depreciation and amortization	1,085	483	(13)	1,555
Dividend income	(196)	-	-	(196)
Share in net earnings of subsidiaries and associates	(2,110)	(72)	1,349	(833)
Recoveries from written-off accounts	-	-	187	187
Gains on asset sold	(199)	(90)	256	(33)
Adjustments for:				
Decrease (increase) in financial assets at FVTPL	10,522	-	-	10,522
Decrease (increase) in financial assets at FVOCI	139	-	426	565
Decrease (increase) in loans and receivables	(38,690)	(9,912)	(72,047)	(120,649)
Decrease (increase) in investment properties	(45)	(746)	(157)	(948)
Decrease (increase) in other resources	139	1,043	7,381	8,563
Increase (decrease) in deposit liabilities	28,502	6,924	93,539	128,965
Increase (decrease) in accrued interest, taxes and other expenses	(292)	(159)	482	31
Increase (decrease) in other liabilities	948	846	2,702	4,496
Cash generated from (used in) operations	6,026	436	32,246	38,708
Income taxes paid	(477)	(116)	(395)	(988)
	5,549	320	31,851	37,720
Change in cash flows from investing activities:				
Additional investments in securities at amortized cost	(27,549)	(5,810)	-	(33,359)
Proceeds from disposal and maturity of securities at amortized cost	24,251	1,188	(6,886)	18,553
Acquisitions of bank premises, furniture, fixtures, and equipment	(899)	(246)	(2,219)	(3,364)
Cash dividends received	600	22	(426)	196
Acquisitions of intangible assets	(267)	(74)	-	(341)
Proceeds from disposals of bank premises, furniture, fixtures and equipment	102	46	411	559
	(3,762)	(4,874)	(9,120)	(17,756)
Change in cash flows from financing activities:				
Proceeds from availments of bills payable	15,477	820	(820)	15,477
Payments of bills payable	(10,788)	(820)	820	(10,788)
Dividends paid	(773)	-	-	(773)
Redemption of subordinated debt	-	-	16	16
Redemption of bonds payable	(13,687)	-	-	(13,687)
	(9,771)	-	- 16	(9,755)
Cash and cash equivalents at the beginning of the year	91,426	23,812	(23,812)	91,426
Net effect on cash flows			(P 1,065)	

**Adjustments pertain to eliminating entries and reclassifications to conform with the Parent Company's presentation.*

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 988 2288
F +63 2 886 5506
grantthornton.com.ph

Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Consolidated Financial Statements

The Board of Directors and the Stockholders
Rizal Commercial Banking Corporation
Yuchengco Tower, RCBC Plaza
6819 Ayala Avenue cor. Sen. Gil Puyat Avenue
Makati City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Rizal Commercial Banking Corporation and subsidiaries (the Group) for the year ended December 31, 2019, on which we have rendered our report dated February 24, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of Revised Securities Regulation Code Rule 68, and is not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Group's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Anthony L. Ng
Partner

CPA Reg. No. 0109764
TIN 230-169-270
PTR No. 8116552, January 2, 2020, Makati City
SEC Group A Accreditation
Partner - No. 1638-A (until May 29, 2020)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-038-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

February 24, 2020

Rizal Commercial Banking Corporation and Subsidiaries
List of SEC Supplementary Information
December 31, 2019

**Information therein are based on the separate financial statements of the Parent Company.*

Rizal Commercial Banking Corporation and Subsidiaries
Schedule A - Financial Assets
December 31, 2019
(Amount in Millions of Philippine Pesos, Except Share Data)

Name of issuing entity and association of eash issue		*Number of shares or principal amount of bonds or notes*		*Amount shown on the balance sheet*		*Valued based on the market quotation at balance sheet date*		*Income received and accrued*
Financial Assets at Fair Value Through Profit or Loss								
Government securities	P	3,431	P	3,438	P	3,438	P	351
Corporate debt securities	P	286		287		287		625
Equity securities		106,506,534 shares		748		748		10
Derivative financial assets	P	1,072		1,075		1,075		3
				5,548		5,548		989
Financial Assets at Fair Value Through Other Comprehensive Income								
Quoted equity securities		135,800,592 shares		2,021		2,021		294
Unquoted equity securities		836,674 shares		1,612		1,612		-
Government securities	P	42,709		43,281		43,281		4,551
Corporate debt securities	P	6,677		7,331		7,331		63
				54,245		54,245		4,908
Investment Securities at Amortized Cost								
Government securities	P	88,470		92,211		91,479		5,683
Corporate debt securities	P	9,651		8,854		9,976		714
				101,065		101,455		6,397
Allowance for impairment				(139)		(139)		-
				100,926		101,316		6,397
			P	**160,719**	**P**	**161,109**	**P**	**12,294**

Rizal Commercial Banking Corporation and Subsidiaries
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2019
(Amounts in Millions of Philippine Pesos)

Name and Designation of debtor	*Balance at beginning of period*	*Additions*	*Amounts collected*	*Amounts written off*	*Current*	*Not Current*	*Balance at end of period*
Rizal Commercial Banking Corporation							
Loans Receivable							
Pan Malayan Management and Investment Corp.	P 261	P -	P 55	P -	P 206	-	P 206
Credit Card Receivables							
Bankard (Officers)	-	1	-	-		-	1
RCBC Capital Corporation							
Loans Receivable							
Employee Loans	2	(1)	-	-	1	-	1
RCBC Leasing and Finance Corp.							
Loans Receivable							
Employee Loans	-	-	-	-	-	-	-
RCBC Bankard Services Corporation							
Loans Receivable							
Employee Loans	6	6	-	-	12	-	12

Rizal Commercial Banking Corporation and Subsidiaries
Schedule C - Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
December 31, 2019
(Amounts in Millions of Philippine Pesos)

Name and Designation of debtor	Balance at beginning of period	Additions	Deductions		Classification		Balance at end of period
			Amounts collected	Amounts written off	Current	Not Current	
Rizal Microbank, Inc.							
Due from other banks - RCBC	52	79	-	-	131	-	131
RCBC Bankard Services Corporation							
Due from other banks - RCBC	-	34	-	-	34	-	34
RCBC Capital Corporation							
Due from other banks - RCBC	85	75	-	-	160	-	160
Cajel Realty Corporation							
Due from other banks - RCBC	-	10	-	-	10	-	10
RCBC Leasing and Finance Corp.							
Due from other banks - RCBC	563	-	(135)	-	428	-	428
RCBC International Finance, Ltd.							
Due from other banks - RCBC	28	-	(9)	-	19	-	19
RCBC Forex Brokers Corp.							
Due from other banks - RCBC	183		(183)	-	-	-	-
RCBC- JPL Holding Company							
Due from other banks - RCBC	33	11	-	-	44	-	44
Niyog Property Holdings, Inc.							
Due from other banks - RCBC	113	-	(33)	-	80	-	80

Rizal Commercial Banking Corporation and Subsidiaries
Schedule D - Long Term Debt
December 31, 2019
(Amounts in Millions of Philippine Pesos)

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet
Rizal Commercial Banking Corporation			
P 2,502,000,000 Long Term Negotiable Certificate of Deposit Interest Rate: 3.75% Fixed Rate Maturity Date: 2/11/2023 Number of periodic installments: Not applicable	P 2,502	-	P 2,502
P 3,580,000,000 Long Term Negotiable Certificate of Deposit Interest Rate: 5.50% Maturity Date: 3/28/2024 Number of periodic installments: Not applicable	P 3,580	-	P 3,580
P 2,100,000,000 Long Term Negotiable Certificate of Deposit Interest Rate: 4.13% Maturity Date: 6/19/2020 Number of periodic installments: Not applicable	P 2,100	P 2,100	P -
US$ 243,000,000 Senior Notes Interest Rate: 4.25% Fixed Rate Maturity Date: 1/22/2020 Number of periodic installments: Not applicable	US$ 243	P 12,247	P -
US$ 320,000,000 Senior Notes Interest Rate: 3.45% Fixed Rate Maturity Date: 2/2/2021 Number of periodic installments: Not applicable	US$ 320	-	P 16,203
US$ 450,000,000 Senior Note Interest Rate: 4.13% Fixed Rate Maturity Date: 3/16/2023 Number of periodic installments: Not applicable	US$ 450	-	P 22,710
P 15,000,000,000 Senior Note Interest Rate: 6.73% Fixed Rate Maturity Date: 8/1/2020 Number of periodic installments: Not applicable	P 15,000	P 15,000	P -
P 8,000,000,000 Senior Note Interest Rate: 6.15% Fixed Rate Maturity Date: 6/4/2021 Number of periodic installments: Not applicable	P 8,000	-	P 8,000
US$ 300,000,000 Senior Note Interest Rate: 3.00% Fixed Rate Maturity Date: 9/11/2024 Number of periodic installments: Not applicable	US$ 300	-	P 15,154
P 7,500,000,000 Senior Note Interest Rate: 4.43% Fixed Rate Maturity Date: 11/13/2022 Number of periodic installments: Not applicable	P 7,500	-	P 75,000

Rizal Commercial Banking Corporation and Subsidiaries
Schedule E - Indebtedness to Related Parties (Long-Term Loans from Related Companies)
December 31, 2019
(Amounts in Millions of Philippine Pesos)

Name of related party	*Balance at beginning of period*	*Balance at end of period*

Not applicable

Rizal Commercial Banking Corporation and Subsidiaries
Schedule F - Guarantees of Securities of Other Issuers
December 31, 2019
(Amounts in Millions of Philippine Pesos)

Name of issuing entity of securities guaranteed by the company for which this statement is filed	*Title of issue of each class of securities guaranteed*	*Total amount guaranteed and outstanding*	*Amount owned by person for which statement is filed*	*Nature of guarantee*

Not applicable

Rizal Commercial Banking Corporation and Subsidiaries
Schedule G - Capital Stock
December 31, 2019
(Amounts in Millions of Philippine Pesos, Except Share Data)

Title of Issue	*Number of shares authorized*	*Number of shares issued and outstanding as shown under related statement of financial position caption*	*Number of shares reserved for options, warrants, conversion and other rights*	*Number of shares held by related parties*	*Directors, officers and employees*	*Others*
Preferred Shares *voting, non-cumulative,* *non-redeemable, participating* *convertible into common shares*	200,000,000	267,410	267,410	-	-	-
Common Shares	2,600,000,000	1,935,628,896	-	1,413,967,177	55,610,119	-

P&A
Grant Thornton
An instinct for growth™

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 988 2288
F +63 2 886 5506
grantthornton.com.ph

Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Financial Statements

The Board of Directors and the Stockholders
Rizal Commercial Banking Corporation
Yuchengco Tower, RCBC Plaza
6819 Ayala Avenue cor. Sen. Gil Puyat Avenue
Makati City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Rizal Commercial Banking Corporation for the year ended December 31, 2019, on which we have rendered our report dated February 24, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Reconciliation of Retained Earnings Available for Dividend Declaration for the year ended December 31, 2019 is presented for purposes of additional analysis in compliance with the requirements under the Revised Securities Regulation Code Rule 68, and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Anthony L. Ng
Partner

CPA Reg. No. 0109764
TIN 230-169-270
PTR No. 8116552, January 2, 2020, Makati City
SEC Group A Accreditation
Partner - No. 1638-A (until May 29, 2020)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-038-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

February 24, 2020

RIZAL COMMERCIAL BANKING CORPORATION
Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue cor. Sen Gil Puyat Avenue, Makati City
Parent Company Reconciliation of Retained Earnings Available for Dividend Declaration
December 31, 2019
(Amounts in Millions of Philippine Pesos)

Unappropriated Retained Earnings at Beginning of Year		P 26,071
Adjustments:		
Accumulated share in equity of subsidiaries and associates	(1,210)	
Deferred tax assets	1,874	664
Unappropriated Retained Earnings at Beginning of Year Available for Dividend Declaration at Beginning of Year, As Adjusted		26,735
Net Profit Realized During the Year		
Net profit per audited financial statements		5,387
Non-actual/unrealized income		
Share in net earnings of subsidiaries and associates		(473)
Deferred tax income		(51)
		4,863
Other Transactions During the Year		
Dividends declared	(P 864)	
Appropriation for general loan loss provision	(543)	
Transfer of fair value loss on financial asset through other comprehensive income	(41)	
Appropriation of retained earnings to trust reserves	(31)	(1,479)
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year		P 30,119

Rizal Commercial Banking Corporation and Subsidiaries
Schedule of Recent Public Offerings
December 31, 2019

2014 - P2,100,000,000 Long Term Negotiable Certificates of Time Deposit (LTNCD)
Gross Proceeds: P2,100,000,000 (Issue Price: 100.00%)
Use of Proceeds: To expand the Bank's long-term deposit base and support long-term asset growth and for other general funding purposes.

2015 - US$ 243,000,000 Senior Note
Gross Proceeds: US$243,000,000 (Issue Price: US$ 200,000,000 @ 100.00% and US$43,000,000 @ P102)
Related Expenses: US$1,400,857
Use of Proceeds: To be used for general banking and re-lending purposes.

2015 - US$ 320,000,000 Senior Note
Gross Proceeds: US$320,000,000 (Issue Price: US$ 320,000,000 @ 100.00%)
Related Expenses: US$1,042,758
Use of Proceeds: To be used for general banking and re-lending purposes.

2017 - P2,502,000,000 Long Term Negotiable Certificate of Deposit
Gross Proceeds: P2,502,000,000 (Issue Price: P2,502,000,000 @ 100.00%)
Related Expenses: P15,703,828
Use of Proceeds: To be used for general funding purposes.

2018- P3,580,000,000 Long Term Negotiable Certificate of Deposit
Gross Proceeds: P3,580,000,000 (Issue Price: P3,580,000,000 @ 100.00%)
Related Expenses: P30,915,597.18
Use of Proceeds: To be used for general funding purposes.

2018 - US$ 450,000,000 Senior Note
Gross Proceeds: US$450,000,000 (Issue Price: US$ 420,000,000 @ 100.00%)
Related Expenses: US$885,914.99
Use of Proceeds: To be used for general banking and re-lending purposes.

2018 - P15,000,000,000 Stock Rights Offering (535,710,378 shares)
Gross Proceeds: P15,000,000,000 (Issue Price: P28 per share)
Related Expenses: P217,262,589
Use of Proceeds: To strengthen the Bank's capital ratio and fund its business expansion (i.e. loan growth).

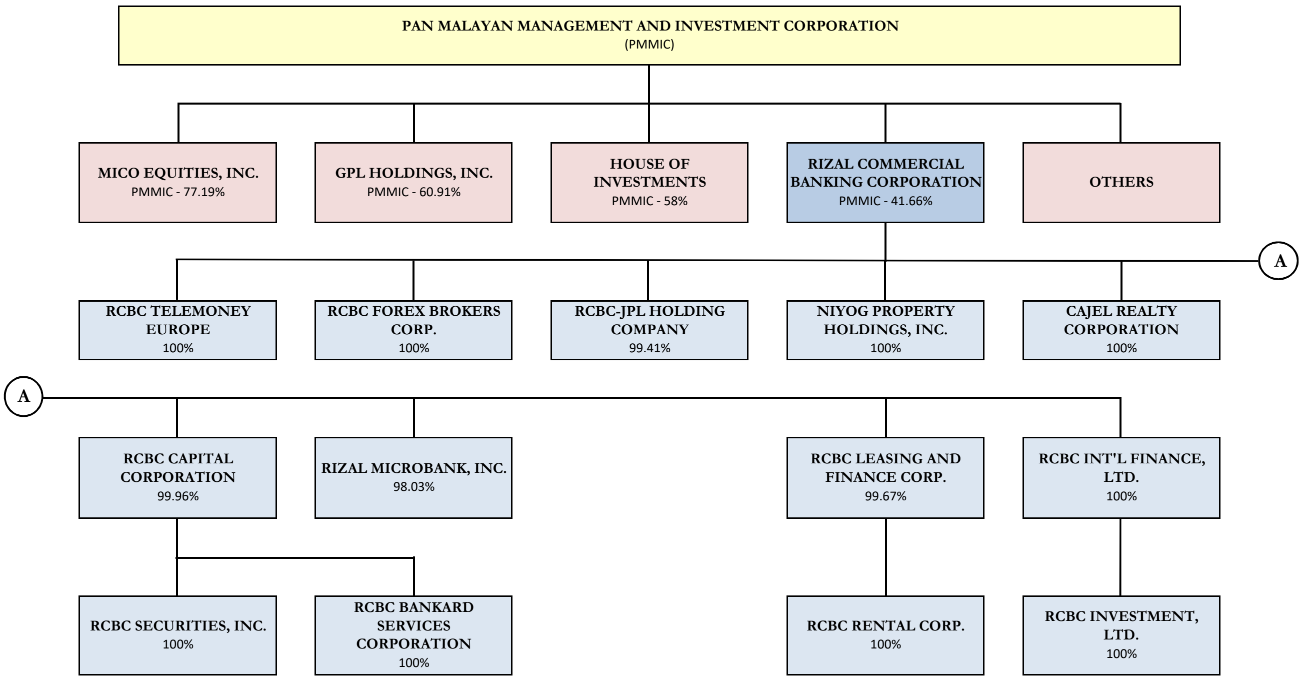
2019 - US$ 300,000,000 Senior Note
Gross Proceeds: US$300,000,000 (Issue Price: US$ 300,000,000 @ 99.751%)
Related Expenses: US$862,031.65
Use of Proceeds: To be used for general banking and re-lending purposes.

2019- P15,000,000,000 RCB 08-20 ASEAN GREEN BOND
Gross Proceeds: P15,000,000,000 (Issue Price: P15,000,000,000 @ 100.00%)
Related Expenses: P29,805,550.13
Use of Proceeds: To be used and/or allocated by the Bank to finance and refinance RCBC's loans to customers or its own operating activities in Green Eligible Categories as defined in RCBC's Green Finance Framework and in accordance with SEC Memorandum Circular No. 12 (2018)

2019- P8,000,000,000 RCB 06-21 ASEAN BOND 2021
Gross Proceeds: P8,000,000,000 (Issue Price: P8,000,000,000 @ 100.00%)
Related Expenses: P1,868,828.37
Use of Proceeds: To support and finance and/or refinance the Bank's loans to customers or its own operating activities in eligible green and social categories as defined in the Bank's Sustainable Finance Framework

2019- P7,500,000,000 RCBC FIXED RATE BOND 2022
Gross Proceeds: P7,500,000,000 (Issue Price: 7,500,000,000 @ 100.00%)
Related Expenses: P7,122,119.9
Use of Proceeds: To be used and/or allocated by the Bank to support asset growth, re-finance maturing liabilities, and other general funding purposes

Rizal Commercial Banking Corporation and Subsidiaries
Map Showing the Relationship Between the Company and its Related Entities
December 31, 2019



P&A Grant Thornton

An instinct for growth™

Report of Independent Auditors on Components of Financial Soundness Indicators

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 988 2288
F +63 2 886 5506
grantthornton.com.ph

The Board of Directors and the Stockholders
Rizal Commercial Banking Corporation
Yuchengco Tower, RCBC Plaza
6819 Ayala Avenue cor. Sen. Gil Puyat Avenue
Makati City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Rizal Commercial Banking Corporation and subsidiaries (the Group) for the year ended December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, on which we have rendered our report dated February 24, 2020. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

PUNONGBAYAN & ARAULLO

By: Anthony L. Ng
Partner

CPA Reg. No. 0109764
TIN 230-169-270
PTR No. 8116552, January 2, 2020, Makati City
SEC Group A Accreditation
Partner - No. 1638-A (until May 29, 2020)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-038-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

February 24, 2020

Rizal Commercial Banking Corporation and Subsidiaries
Supplemental Schedule of Financial Soundess Indicators
(Amounts in Millions of Philippine Pesos, Except Ratios)
December 31, 2019 and 2018

Ratio	Formula	2019		2018	
			Ratio		
Current ratio	Total current assets / Total current liabilities	**251,447** / **540,926**	**0.47**	232,379 / 461,184	0.48
Acid test ratio	Quick assets / Total current liabilities	**151,459** / **540,926**	**0.28**	119,908 / 461,184	0.26
Solvency ratio	Total liabilities / Total assets	**684,229** / **767,079**	**89.20%**	563,425 / 644,595	87.41%
Debt-to-equity ratio	Total liabilities / Total equity	**684,229** / **82,850**	**8.26**	563,425 / 81,170	6.94
Resources-to-equity ratio	Total resources / Total equity	**767,079** / **82,850**	**9.26**	644,595 / 81,170	7.94
Interest rate coverage ratio	Earnings before interest and taxes / Interest expense	**21,873** / **15,210**	**1.44**	15,637 / 10,444	1.50
Return on equity	Net profit / Average total equity	**5,388** / **83,297**	**6.47%**	4,321 / **74,760**	5.78%
Return on resources	Net profit / Average total resources	**5,388** / **672,141**	**0.80%**	4,321 / **596,261**	0.73%
Net profit margin	Net profit / Revenues	**5,388** / **35,858**	**15.02%**	4,321 / 26,495	16.31%
Other ratios:					
Net interest margin	Net interest income / Average interest earning resources	**22,368** / **562,455**	**4.03%**	20,489 / 509,289	4.00%
Cost to income ratio	Total other operating expenses / Gross income	**21,798** / **35,858**	**60.79%**	19,403 / 26,495	73.23%
Capital adequacy ratio	Total qualifying capital / Total risk-weighted assets	**74,857** / **544,143**	**13.76%**	81,413 / 504,657	16.13%

COVER SHEET

1 7 5 1 4

S.E.C. Registration Number

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

(Company's Full Name)

YUCHENGCO TOWER, RCBC PLAZA
6819 AYALA AVENUE, MAKATI CITY

(Business Address: No. Street City/Town/Province)

MARIETA O. MIRANDA

Contact Person

8 8 9 4 9 9 3 2

Company Telephone Number

0 3 3 1

Month *Day*

Fiscal Year

1 7 Q

FORM TYPE

Month *Day*

Annual Meeting

Secondary License Type, If Applicable

S E C

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

SEC Number	17514
PSE Code	
File Number	

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

(Company's Full Name)

Yuchengco Tower, RCBC Plaza
6819 Ayala Ave. corner Sen. Gil J. Puyat Ave., Makati City

(Company's Address)

8894-9000

(Telephone Number)

March 31, 2020

(Fiscal Quarter Ending)

SEC FORM 17-Q

Form Type

Amendment Designation (if applicable)

Period Ended Date

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the fiscal year ended **March 31, 2020**

2. SEC Identification Number 17514 4. BIR Tax Identification No. 000-599-760-000

3. Exact name of registrant as specified in its charter: **RIZAL COMMERCIAL BANKING CORPORATION**

4. Philippines
   Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
   Industry Classification Code:

7. RCBC Plaza Yuchengco Tower 6819 Ayala Ave. cor. Sen. Puyat Avenue, Makati City 0727

   Address of principal office Postal Code

8. (632) 8894-9000

   Registrant's telephone number, including area code

9. Not applicable

   Former name, former address & former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock, P10 par value	1,935,628,896 (March 31, 2020)

Are any or all of these securities listed on the Philippine Stock Exchange

Yes (x) No ( )

12. Check whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports);

Yes (x) No ( )

(b) has been subject to such filing requirements for the past 90 days

Yes (x) No ( )

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
(Amounts in Millions of Philippine Pesos)

	Notes	3/31/2020 (Unaudited)	12/31/2019 (Audited)
RESOURCES			
CASH AND OTHER CASH ITEMS		**P 16,453**	P 16,907
DUE FROM BANGKO SENTRAL NG PILIPINAS		**54,098**	87,255
DUE FROM OTHER BANKS		**18,239**	18,818
LOANS UNDER REVERSE REPURCHASE AGREEMENT		**30,662**	5,768
TRADING AND INVESTMENT SECURITIES - Net	3	**97,570**	160,719
LOANS AND RECEIVABLES - Net	4	**470,198**	449,219
INVESTMENTS IN ASSOCIATES - Net		**444**	444
BANK PREMISES, FURNITURE, FIXTURES & EQUIPMENT- Net		**11,074**	11,059
INVESTMENT PROPERTIES - Net		**4,101**	4,142
DEFERRED TAX ASSETS		**1,964**	2,140
OTHER RESOURCES - Net	5	**10,519**	10,608
TOTAL RESOURCES		**P 715,322**	P 767,079
LIABILITIES AND CAPITAL FUNDS			
DEPOSIT LIABILITIES	6	**488,335**	456,581
BILLS PAYABLE	7	**30,619**	101,606
BONDS PAYABLE	8	**84,572**	96,814
ACCRUED TAXES, INTEREST AND OTHER EXPENSES		**5,561**	6,202
OTHER LIABILITIES	9	**21,527**	23,026
Total Liabilities		**630,614**	684,229
CAPITAL FUNDS			
Attributable to Parent Company Shareholders:			
Preferred Stock		**3**	3
Common Stock		**22,509**	22,509
Capital Paid in Excess of Par		**42,568**	42,568
Treasury Shares		**(13,719)**	(13,719)
Other Comprehensive Income:			
Net Unrealized Gains on Financial Assets At Fair Value Through Other Comprehensive Income		**420**	894
Cumulative Translation Adjustment		**54**	53
Retirement plan		**(3,117)**	(3,140)
Reserve for Trust Business		**485**	485
Other Reserves		**(97)**	(97)
Retained Earnings Appropriated for General Provision		**3,140**	3,132
Retained Earnings		**30,133**	24,755
Net Profit for the period		**2,308**	5,388
		84,689	82,831
Non-controlling Interest		**19**	19
Total Capital Funds		**84,708**	82,850
TOTAL LIABILITIES AND CAPITAL FUNDS		**P 715,322**	P767,079

See Notes to Interim Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

STATEMENTS OF INCOME

(Amounts in Millions of Philippine Pesos, Except Per Share Data)

	Note	1/1/2020 to 3/31/2020 (Unaudited)	1/1/2019 to 3/31/2019 (Unaudited)
INTEREST INCOME ON			
Loans and receivables		P 8,583	P 7,671
Investment securities		761	1,320
Others		168	93
		9,512	9,083
INTEREST EXPENSE ON			
Deposit liabilities		1,671	2,268
Bills payable and other borrowings		1,541	1,527
		3,212	3,796
NET INTEREST INCOME		6,300	5,288
IMPAIRMENT LOSSES - Net		1,601	1,134
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		4,699	4,154
OTHER OPERATING INCOME (CHARGES)			
Trading and securities gain - net		2,176	1,451
Service fees and commissions		894	977
Trust fees		70	79
Foreign exchange gains (losses) - net		275	(5)
Miscellaneous	12	279	357
		3,693	2,859
OTHER OPERATING EXPENSES			
Employee benefits		1,711	1,711
Occupancy and equipment-related		915	736
Taxes and licenses		801	697
Depreciation and amortization		496	576
Miscellaneous	12	1,633	1,512
		5,556	5,232
PROFIT BEFORE TAX		2,836	1,781
TAX EXPENSE		527	476
NET PROFIT		2,308	1,305
NET PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTEREST		0	0
NET PROFIT ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS		P 2,308	P 1,305
Earnings Per Share (Annualized)			
Basic		P 4.80	P 2.73
Diluted		P 4.80	P 2.73

See Notes to Interim Financial Statements

RIZAL COMMERCIAL BANKING CORPORATION AN
D SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Millions of Philippine Pesos)

	1/1/2020 to 3/31/2020 (Unaudited)	1/1/2019 to 3/31/2019 (Unaudited)
NET PROFIT FOR THE PERIOD	**P 2,308**	P 1,305
OTHER COMPREHENSIVE INCOME (LOSSES) DURING THE PERIOD:		
Fair value gains (losses) on Financial assets at Other Comprehensive Income	**(474)**	1,016
Retirement plan	**24**	34
Translation adjustments on foreign operations	**1**	(0)
Other Comprehensive Income (Loss) for the period	**(449)**	1,050
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**P 1,860**	P 2,355
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTEREST	**(0)**	0
COMPREHENSIVE INCOME ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDERS	**P 1,860**	P 2,355

See Notes to Interim Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF CHANGES IN CAPITAL FUNDS
(Amounts in Millions of Philippine Pesos)

	1/1/2020 to 3/31/2020 (Unaudited)	1/1/2019 to 3/31/2019 (Unaudited)
ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS		
PREFERRED STOCK		
Balance, beginning	3	3
Issuance (Conversion) of preferred stock	-	(0)
Balance,end	3	3
COMMON STOCK		
Balance, beginning	22,509	22,509
Conversion of preferred stock to common stock	(0)	0
Balance,end	22,509	22,509
CAPITAL PAID IN EXCESS OF PAR		
Balance, beginning	42,568	42,627
Conversion of preferred stock to common stock	0	0
Excess of consideration given over cost of common shares issued	-	(59)
Balance,end	42,568	42,568
TEASURY SHARES, At Cost		
Balance, beginning	(13,719)	(13,719)
Re-issuance during the period	-	-
Balance, end	(13,719)	(13,719)
NET UNREALIZED GAINS/(LOSSES) ON FINANCIAL ASSETS AT OTHER COMPREHENSIVE INCOME		
Beginning balance	894	1,555
Fair value gains (losses) during the period	(474)	1,016
Balance, end	420	2,571
CUMULATIVE TRANSLATION ADJUSTMENTS		
Balance, beginning	53	54
Translation adjustment during the period	1	(0)
Balance, end	54	54
OTHER COMPREHENSIVE INCOME - RETIREMENT PLAN		
Balance, beginning	(3,141)	(1,344)
Re-measurement of the defined benefits during the period	24	34
Balance, end	(3,117)	(1,310)
RESERVE FOR TRUST BUSINESS		
Balance, beginning	485	454
Transfer from retained earnings - free	-	-
Balance, end	485	454
OTHER RESERVES	(97)	(97)
RETAINED EARNINGS APPROPRIATED FOR GENERAL PROVISION		
Beginning balance	3,132	2,594
Transfer from retained earnings - free	9	15
Balance, end	3,140	2,609
RETAINED EARNINGS		
Beginning balance, as previously reported	30,143	26,507
Effect of Adoption of PFRS16	-	(265)
Beginning balance, as restated	30,143	26,242
Net profit	2,308	1,305
Cash dividends on preferred shares	(0)	(0)
Transfer to retained earnings appropriated for general provision	(9)	(15)
Balance, end	32,442	27,532
ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS	84,689	83,234
MINORITY INTEREST		
Balance, beginning	19	26
Fair value gains (losses) on FVOCI	(0)	0
Net Profit (Loss) for the year	0	0
Balance, end	19	27
TOTAL CAPITAL FUNDS	84,709	83,261

See Notes to Interim Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS
(Amounts in Millions of Philippine Pesos)

	YTD Ended 3/31/2020 (Unaudited)	YTD Ended 3/31/2019 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profits before tax	**2,836**	1,781
Adjustments for:		
Interest income	**(9,512)**	(9,083)
Interest expense	**3,212**	3,796
Impairment losses	**1,601**	1,134
Depreciation and amortization	**496**	576
Dividend income	**(18)**	(0)
Share in net earnings of associates	**(0)**	5
Operating income before working capital changes	**(1,385)**	(1,793)
Increase in financial assets at fair value through profit and loss	**(2,190)**	(2,109)
Increase in loans and receivables	**(20,018)**	3,293
Decrease (Increase) in investment property	**41**	(124)
Decrease (Increase) in other resources	**136**	(740)
Increase (Decrease) in deposit liabilities	**31,754**	(7,434)
Increase in accrued taxes, interest and other expenses	**35**	115
Decrease in other liabilities	**(1,361)**	(354)
Cash generated from (used in) operations	**7,013**	(9,145)
Interest received	**9,933**	9,398
Interest paid	**(3,981)**	(3,792)
Cash paid for taxes	**(233)**	(249)
Net Cash From (Used in) Operating Activities	**12,732**	(3,788)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in Financial Assets at FVOCI	**(8,524)**	(7,797)
Decrease (increase) in Investment securities at amortized cost	**73,388**	(10,809)
Acquisitions of bank premises, furniture, fixtures and equipment (net)	**(541)**	(443)
Cash dividends received	**18**	0
Acquisitions of intangibles	**(46)**	(47)
Net Cash From (Used in) Investing Activities	**64,296**	(19,097)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceed from (payments of) bills payable	**(70,987)**	8,209
Dividends paid	**(0)**	(0)
Net proceeds from (Redemption of) bonds payable	**(12,242)**	14,933
Net proceeds from issuance of common stock	**0**	(59)
Net Cash From (Used in) Financing Activities	**(83,229)**	23,083
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(6,201)**	**198**
CASH AND CASH EQUIVALENTS, BEGINNING		
Cash and other cash items	**16,907**	17,393
Due from Bangko Sentral ng Pilipinas	**87,170**	56,494
Due from other banks	**18,783**	20,344
Interbank Loans and Loans and Receivables under reverse repurchase agreement	**24,571**	19,554
	147,431	113,784
CASH AND CASH EQUIVALENTS, END		
Cash and other cash items	**16,453**	13,875
Due from Bangko Sentral ng Pilipinas	**54,098**	56,917
Due from other banks	**18,239**	17,400
Interbank Loans and Loans and Receivables under reverse repurchase agreement	**52,440**	25,790
	141,230	113,982

See Notes to Interim Financial Statements.

1. CORPORATE MATTERS

1.1 Incorporation and Operations

Rizal Commercial Banking Corporation (the Parent Company, the Bank or RCBC), a universal bank engaged in all aspects of banking, was originally incorporated on September 23, 1960. The Bank renewed its corporate existence on December 10, 2009. It provides products and services related to traditional loans and deposits, trade finance, domestic and foreign fund transfers or remittance, cash management, treasury, and trust and custodianship services. It also enters into forward currency contracts as an accommodation to its clients and as a means of managing its foreign exchange exposures. The Parent Company and its subsidiaries (together hereinafter referred to as the Group) are engaged in all aspects of traditional banking, investment banking, retail financing (credit cards, auto loans, mortgage/housing and microfinance loans), remittance, leasing and stock brokering.

As a banking institution, the Group's operations are regulated and supervised by the Bangko Sentral ng Pilipinas (BSP). As such, the Group is required to comply with banking rules and regulations such as those relating to maintenance of reserve requirements on deposit liabilities and deposit substitutes and those relating to the adoption and use of safe and sound banking practices, among others, as promulgated by the BSP. The Group's activities are subject to the provisions of Republic Act (RA) No. 8791, the *General Banking Law of 2000*, and other related banking laws.

The Parent Company's common shares are listed in the Philippine Stock Exchange (PSE).

1.2 Merger with RCBC Savings Bank, Inc. (RSB)

The Bank, together with RSB, a wholly-owned subsidiary, executed a Plan of Merger on November 27, 2018, which was previously approved by all members of the Bank's Board of Directors (BOD) and by all the stockholders of the Bank on February 26, 2019. The same was filed with the SEC and was subsequently approved on July 22, 2019.

Upon issuance by the SEC of the Certificate of Filing of the Articles and Plan of Merger, RSB was merged into the Bank, which is the surviving corporation of the merger. As such, the financial information in the Parent Company's financial statements are restated for the periods prior to the combination of the Parent Company and RSB to reflect the combination as if it had occurred at the beginning of the earliest period presented in the financial statements, regardless of the actual date of the combination.

Upon the effective merger date, RCBC, as the surviving corporation, continues its existence as a corporation and conducts its business under its existing name. Issued and outstanding common shares of RSB was cancelled and exchanged with RCBC's shares. The Bank issued a total of 315,287,248 shares to the shareholders of RSB, in exchange for their respective shares, based on a share exchange ratio agreed by both parties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized in the succeeding pages. The policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The interim financial statements of the Bank have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

There were no changes in the accounting policies and methods of computation followed in the interim financial statements as compared with the most recent annual financial statements.

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standards (PAS) 1, *Presentation of Financial Statements.* The Group presents all items of income and expenses in two statements: a "statement of profit or loss" and a "statement of comprehensive income."

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Group's functional and presentation currency. All amounts are in millions, except per share data or when otherwise indicated.

2.2 Basis of Consolidation and Accounting for Investments in Subsidiaries and Associates in the Separate Financial Statements

The Group's consolidated financial statements comprise the accounts of the Parent Company and its subsidiaries, after the elimination of material intercompany transactions. All intercompany resources and liabilities, equity, income, expenses and cash flows relating to transactions with subsidiaries are eliminated in full. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

2.3 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria under PAS 32, Financial Instruments: Presentation. All other non-derivative financial instruments are treated as debt instruments.

(a) Classification, Measurement and Reclassification of Financial Assets

Under PFRS 9, *Financial Instruments*, the classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement of financial assets are described in the succeeding pages.

(i) Financial Assets at Amortized Cost

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows; and,
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

(ii) Financial Assets at Fair Value Through Profit or Loss (FVPL)

The Group classifies financial assets as FVPL when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking.

Debt instruments that do not meet the amortized cost criteria, or that meet the criteria but the Group has chosen to designate as at FVPL at initial recognition, are measured at FVPL. Equity investments are classified as financial assets at FVPL, unless the Group designates an equity investment that is not held for trading as at *Financial Assets at Fair Value Through Other Comprehensive Income* (FVOCI) at initial recognition. The Group's financial assets at FVPL include government securities, corporate bonds, equity securities, which are held for trading purposes or designated as at FVPL.

Financial assets at FVPL are measured at fair value. Related transaction costs are recognized directly as expense in profit or loss. Unrealized gains and losses arising from changes (mark-to-market) in the fair value of the financial assets at FVPL category and realized gains or losses arising from disposals of these instruments are included in Trading and Securities Gains under Other Operating Income account in the statement of profit or loss.

(iii) Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)

<u>*Debt Instruments at FVOCI*</u>

The Group classifies debt instruments under FVOCI when both of the following conditions are met:

- the asset is held within the Group's business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and,

- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

FVOCI debt securities are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in Other Comprehensive Income (OCI). Interest Income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost. On derecognition, cumulative gains or losses previously recognized in OCI are reclassified to profit or loss.

Equity Instruments at FVOCI

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Group for trading. The Group has designated certain equity instruments as at FVOCI on initial application of PFRS 9.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value, including the foreign exchange component, are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as part of Revaluation Reserves account in equity. When the asset is disposed of, the cumulative gain or loss previously recognized in the Revaluation Reserves account is not reclassified to profit or loss, but is reclassified directly to Surplus account.

(b) Impairment of Financial Assets

PFRS 9 requires the Bank to record an allowance for Expected Credit Losses (ECL) for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired, the allowance is based on the change in the ECLs over the life of the asset.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. The Group classifies its loans into the following stages:

Stage 1 : When loans are first recognized, the Group recognizes an allowance based on the twelve-month ECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2 : When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the lifetime ECLs. Stage 2 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3 : When a loan is considered as credit impaired, the Group records an allowance for the lifetime ECL.

The key elements used in the calculation of ECL are as follows:

Probability of Default – is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio.

Loss Given Default – is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Bank would expect to receive, including the realization of any collateral.

Exposure At Default – represents the gross carrying amount of the financial instruments subject to the impairment calculation.

(c) *Derecognition of Financial Assets*

A financial asset (or where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.4 Financial Liabilities

Financial liabilities which include deposit liabilities, bills payable, bonds payable, subordinated debt, accrued interest and other expenses, and other liabilities (except tax-related payables, post-employment defined benefit obligation and deferred income) are recognized when the Group becomes a party to the contractual terms of the instrument.

Financial liabilities are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method, for those with maturities beyond one year, less settlement payments. All interest-related charges incurred on financial liabilities are recognized as an expense in the statement of profit or loss under the caption Interest Expense.

2.5 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events (e.g., legal dispute or onerous contracts).

2.6 Revenue and Expense Recognition

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that the economic benefits will flow to the Group; and the costs incurred or to be incurred can be measured reliably.

2.7 Impairment of Non-financial Assets

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows [cash-generating units (CGU)]. As a result, some assets are tested for impairment either individually or at the CGU level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or CGU's carrying amount exceeds its recoverable amount which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each CGU and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each CGU and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets, except for intangible assets with indefinite useful life and goodwill, are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or CGU's recoverable amount exceeds its carrying amount.

2.8 Income Taxes

Tax expense recognized in profit or loss comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, tax authorities relating to the current or prior reporting period, that are unpaid at the end of the reporting period. They are calculated according to the tax rates and tax laws applicable to the periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in the statement of profit or loss.

Deferred tax is provided using the liability method, on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred tax assets can be utilized. Deferred tax assets are reassessed at the end of each reporting period. Previously unrecognized deferred tax assets are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

2.9 Related Party Relationships and Transactions

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless of whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual; and, (d) the funded retirement plan of each of the entities under the Group.

2.10 Events After the End of the Reporting Period

Any event that provides additional information about the Group's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-reporting events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. TRADING AND INVESTMENT SECURITIES

This account is composed of the following:

		March 31, 2020 (Unaudited)		December 31, 2019 (Audited)
Financial assets at FVPL	**P**	**7,738**	P	5,548
Financial assets at FVOCI		**62,294**		54,245
Investment securities at amortized cost - net		**27,538**		100,926
	P	**97,570**	P	160,719

3.1 Financial Assets at FVPL

This account is composed of the following:

		March 31, 2020 (Unaudited)		December 31, 2019 (Audited)
Government securities	**P**	**4,742**	P	3,348
Corporate debt securities		**1,651**		287
Derivative financial assets		**685**		1,075
Equity securities		**660**		748
	P	**7,738**	P	5,548

3.2 Financial Assets at FVOCI

This account is composed of the following:

		March 31, 2020 (Unaudited)		December 31, 2019 (Audited)
Government bonds	**P**	**57,656**	P	43,281
Unquoted equity securities		**1,831**		1,612
Quoted equity securities		**1,294**		2,021
Corporate debt securities		**1,513**		7,331
	P	**62,294**	P	54,245

3.3 Investments at Amortized Cost

This account is composed of the following:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Government securities	**P 24,857**	P 92,211
Corporate debt securities	**2,823**	8,854
	27,680	101,065
Allowance for impairment	**(142)**	(139)
	P 27,538	P 100,926

4. LOANS AND RECEIVABLES

This account consists of the following:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Receivable from customers:		
Loans and discounts	**P 397,848**	P 377,947
Credit card receivables	**31,615**	31,043
Customers' liabilities on acceptances, import bills and trust receipts	**17,457**	16,869
Bills purchased	**1,827**	4,815
Lease contract receivable	**3,194**	3,767
Receivables financed	**348**	678
	452,289	435,119
Unearned discount	**(830)**	(856)
	451,465	434,263
Other receivables:		
Interbank loans receivables	**21,778**	18,803
Accrued interest receivable	**3,968**	4,332
Accounts receivable	**4,147**	2,786
Unquoted debt securities classified as loans	**1,450**	1,475
Sales contract receivable	**933**	990
	32,276	28,386
	483,740	462,649
Allowance for impairment	**(13,542)**	(13,430)
	P 470,198	P 449,219

5. OTHER RESOURCES

This account consists of the following:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Assets held-for-sale and disposal group	P 3,189	P 3,206
Creditable withholding taxes	2,539	2,393
Branch licenses	1,000	1,000
Prepaid expenses	953	883
Software – net	869	902
Refundable and other deposits	516	739
Goodwill	426	426
Unused stationery and supplies	336	354
Deferred charges	188	179
Returned checks and other cash items	84	90
Margin deposits	49	40
Miscellaneous	1,155	1,119
	11,325	11,331
Allowance for impairment	(807)	(723)
	P 10,519	P 10,608

6. DEPOSIT LIABILITIES

The following is the breakdown of deposit liabilities:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Demand	P 79,709	P 70,523
Savings	182,249	179,247
Time	218,194	198,629
Long-term Negotiable Certificate of Deposits (LTNCD)	8,182	8,182
	P 488,335	P 456,581

The details of the Parent Company's Long-term Negotiable Certificate of Deposits (LTNCDs) as of March 31, 2020 and December 31, 2019 are as follows:

			Outstanding Balance	
Issuance Date	Maturity Date	Coupon Interest	Mar 31, 2020 (Unaudited)	Dec 31, 2019 (Audited)
September 28, 2018	March 28, 2024	5.50%	P 3,580	P 3,580
August 11, 2017	February 11, 2023	3.75%	2,502	2,502
December 19, 2014	June 19, 2020	4.13%	2,100	2,100
			P 8,182	P 8,182

The Parent Company's LTNCDs were used in the expansion of its term deposit base to support long-term asset growth and for other general funding purposes.

7. BILLS PAYABLE

This account consists of borrowings from:

		March 31, 2020 (Unaudited)		December 31, 2019 (Audited)
Foreign banks	P	**19,569**	P	68,795
Local banks		**11,022**		32,810
Others		**28**		1
	P	**30,619**	P	101,606

8. BONDS PAYABLE

The composition of this account for the Group and the Parent Company follows:

Issuance Date	Maturity Date	Coupon Interest		Face Value	Outstanding Balance			
						Mar 31, 2020 (Unaudited)		Dec 31, 2019 (Audited)
November 13, 2019	November 13, 2022	4.43%	**P**	**7,500**	**P**	**7,500**	P	7,500
September 11, 2019	September 11, 2024	3.05%	**$**	**300**	**P**	**15,152**	P	15,154
June 4, 2019	June 4, 2021	6.15%	**P**	**8,000**		**8,000**		8,000
February 1, 2019	August 1, 2020	6.73%		**15,000**		**15,000**		15,000
March 15, 2018	March 16, 2023	4.13%	**$**	**450**		**22,719**		22,710
November 2, 2015	February 2, 2021	3.45%		**320**		**16,201**		16,203
January 21, 2015	January 22, 2020	4.25%		**243**		**-**		12,247
					P	**84,572**	P	96,814

9. OTHER LIABILITIES

Other liabilities consist of the following:

		March 31, 2020 (Unaudited)		December 31, 2019 (Audited)
Accounts payable	**P**	**8,714**	P	6,684
Lease liability		**2,679**		2,877
Post-employment defined benefit obligation		**3,261**		3,260
Manager's checks		**1,489**		1,434
Derivative financial liabilities		**868**		863
Outstanding acceptances payable		**725**		1,464
Deposits on lease contracts		**545**		397
Unearned income		**512**		233
Bills purchased – contra		**403**		3,383
Sundry credits		**384**		210
Payment orders payable		**212**		671
Withholding taxes payable		**326**		293
Other credits		**315**		300
Guaranty deposits		**146**		115
ECL provisions on loan commitments		**134**		125
Due to BSP		**91**		26
Miscellaneous		**723**		691
	P	**21,527**	P	23,026

10. SUBORDINATED DEBT

On June 27, 2014, the Parent Company issued P7 billion Basel III-compliant Tier 2 Capital Notes (the "Tier 2 Notes") which shall be part of the Group's regulatory capital compliance in accordance with Basel III capital guidelines of the BSP. The Parent Company re-opened the Tier 2 Notes and issued an additional P3 billion of the Notes on September 5, 2014, which constituted a further issuance of, and formed a single series with the existing P7 billion Tier 2 Notes.

On May 27, 2019, the RCBC Board approved the Bank's request to exercise its call option and redeem its P10,000 5.375% Tier 2 Notes. The request was subsequently approved by the Monetary Board on July 25, 2019, subject to compliance with BSP conditions. On September 26, 2019, the Bank exercised the call option and fully redeemed the notes.

11. EQUITY

The movements in the outstanding capital stock are as follows:

	Number of Shares*	
	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Preferred stock – voting, non-cumulative non-redeemable, participating convertible into common stock – P10 par value		
Authorized – 200,000,000 shares		
Balance at beginning of year	**267,410**	267,887
Conversion of shares during the period	**(-)**	(477)
Balance at end of period	**267,410**	267,410

	Number of Shares*	
	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Common stock – P10 par value		
Authorized – 2,600,000,000 shares		
Balance at beginning of year	**1,935,628,896**	1,935,628,775
Issuance of shares during the year	**-**	-
Conversion of shares during the year		121
Balance at end of year	**1,935,628,896**	1,935,628,896

**Amounts in absolute number of shares*

12. MISCELLANEOUS INCOME AND EXPENSES

These accounts consist of the following:

12.1 Miscellaneous Income

		January 1 to March 31, 2020 (Unaudited)		January 1 to March 31, 2019 (Unaudited)
Rentals	**P**	**214**	P	191
Recoveries from written-off assets		**36**		39
Dividend income		**18**		-
Gains on assets sold		**10**		42
Others		**1**		85
	P	**279**	P	357

12.2 Miscellaneous Expenses

		January 1 to March 31, 2020 (Unaudited)		January 1 to March 31, 2019 (Unaudited)
Credit card related expenses	**P**	**297**	P	269
Insurance		**257**		207
Communication and information		**150**		140
Management and other professional fees		**99**		141
Litigation/asset acquired expenses		**77**		74
Advertising and publicity		**73**		68
Stationery and office supplies		**67**		47
Banking fees		**66**		62
Transportation and travel		**58**		62
Donations and charitable contributions		**53**		17
Other outside services		**39**		35
Representation and entertainment		**13**		14
Others		**275**		301
	P	**1,633**	P	1,512

13. COMMITMENTS AND CONTINGENCIES

In the normal course of operations of the Group, there are various outstanding commitments and contingent liabilities such as guarantees, commitments to extend credit, tax assessments, etc., with amounts not reflected in the financial statements. Management does not anticipate losses from these transactions that will adversely affect the Group's operations.

In the opinion of management, the suits and claims arising from the normal course of operations of the Group that remain unsettled, if decided adversely, will not involve sums that would have material effect on the Group's financial position or operating results.

13.1 Contingent Accounts, Guarantees and Other Commitments

The following is a summary of contingencies and commitments arising from off-statement of financial position items at their equivalent peso contractual amounts as of March 31, 2020 and December 31, 2019:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Trust department accounts	**P 91,902**	P 94,432
Outstanding guarantees issued	**71,230**	67,003
Derivative liabilities	**52,639**	59,505
Derivative assets	**51,541**	63,904
Unused commercial letters of credit	**20,707**	20,688
Spot exchange bought	**9,695**	14,210
Spot exchange sold	**9,675**	14,216
Inward bills for collection	**5,454**	2,586
Late deposits/payments received	**219**	715
Outward bills for collection	**91**	38
Others	**17**	19

13.2 Sale of National Steel Corporation (NSC) Plant Asset

In October 2008, Global Steel Philippines (SPV-AMC), Inc. and Global Ispat Holdings (SPVAMC), Inc. (collectively, "Global Steel"), which purchased the Iligan Plant assets ("NSC Plant Assets") of the National Steel Corporation ("NSC") from the Liquidator (as defined in the Asset Purchase Agreement ("APA") dated September 1, 2004) in 2004, initiated arbitration proceedings with the Singapore International Arbitration Center ("SIAC") seeking damages on account of the failure of the Liquidator and the Secured Creditors (as also defined in the APA), including the Bank and RCBC Capital, to deliver the NSC Plant Assets free and clear from liens and encumbrance, purportedly depriving Global Steel of the opportunity to use the NSC Plant Assets to secure additional loans to fund the operations of the NSC Steel Mill Plant and upgrade the same.

On May 9, 2012, the SIAC Arbitral Tribunal rendered a partial award in favor of Global Steel in the amounts of (a) US$80, as and by way of lost opportunity to make profits, and (b) P1,403, representing the value of the undelivered billet shop land measuring 3.41 hectares. On appeal, and on July 31, 2014, the Singapore High Court set aside the partial award. On March 31, 2015, the Singapore Court of Appeals rendered a decision which affirmed the earlier decision of the Singapore High Court but held that the Liquidator and Secured Creditors are still required to deliver to Global Steel clean title to the NSC Plant Assets.

The Bank's total exposure in connection with the obligation to transfer clean title to the NSC Plant Assets to Global Steel is approximately P217 in terms of estimated property taxes and transfer costs due on the NSC Plant Assets, as a result of the Philippine Supreme Court's affirmation of the ruling that all pre-closing taxes on the NSC Plant Assets are deemed paid. On the other hand, the Bank has a receivable from Global Steel in the amount of P485.5. The Bank has fully provisioned the receivable, which is classified in the books of the Bank as Unquoted Debt Securities Classified as Loans ("UDSCL") with zero net book value. The Bank's exposure, however, may be varied depending on whether the Iligan City's assessment of the post-closing taxes will be sustained as valid (including those imposed on non-operational machineries).

Notwithstanding the finality of the Philippine Supreme Court's ruling on the pre-closing taxes, on October 19, 2016, the City of Iligan foreclosed on NSC's properties after issuing a Notice of Delinquency against the NSC, seeking to collect the taxes covering the period 1999 to 2016. In an Order dated April 4, 2017, the Makati City Regional Trial Court ("Makati Trial Court") (a) nullified the public auction of the NSC Plant Assets, among others, (b) enjoined any and all real property tax collection actions against the NSC until the decision dated October 7, 2011, which held that the NSC pre-closing taxes have been paid, is fully executed and NSC's remaining tax liabilities are correctly computed. Likewise, in an Omnibus Order dated May 21, 2018, the Makati Trial Court denied the Motion for Reconsideration and the Urgent Motion to recall the Orders dated October 18, 2016 and April 4, 2017 filed by the Iligan City LGU and Iligan City Treasurer, among others.

The City of Iligan, represented by its purported Acting City Mayor Jemar L. Vera Cruz, filed with the Court of Appeals a Petition for Certiorari dated July 6, 2018, essentially (a) asserting the said LGU's right to sell at public auction the NSC Plant and other assets due to non-payment both pre-closing and post-closing taxes; and (b) praying that the writ of execution issued by the Makati Trial Court be declared null and void, especially due to the non-payment of docket fees and non-deposit of the contested tax amount of P4,610. In a Resolution dated December 18, 2018, the Court of Appeals dismissed the Petition filed by the City of Iligan on account of the LGU's failure to submit the documents/pleadings identified in an earlier Resolution dated July 31, 2018. The Court of Appeals likewise denied the City of Iligan's Motion for Reconsideration in its Resolution dated June 20, 2019, prompting the LGU to file a Petition for Review with the Supreme Court on September 6, 2019. In a Resolution dated October 16, 2019, the Supreme Court motu proprio granted the City of Iligan's Petition, and ordered the remand of the case to the Court of Appeals for the determination of the propriety of consolidating the same with CA-G.R. SP No. 1249852, or for resolution of the merits of the case.

13.3 Verotel Merchant Services B.V. Case

In 2011, Verotel Merchant Services B.V. ("VMS"), a Dutch corporation, and Verotel International Industries, Inc. ("VII"), a Philippine corporation, civilly sued the Bank, Bankard, Inc. ("Bankard") Grupo Mercarse Corp., CNP. Worldwide, Inc. and several individuals before the Los Angeles Superior Court for various causes of action including fraud, breach of contract and accounting, claiming that VII and its alleged parent company, VMS, failed to receive the total amount of US$1.5, which the defendants allegedly misappropriated. VMS is an internet merchant providing online adult entertainment and online gambling, in addition to the sale of pharmaceuticals over the internet. Following an initial jury verdict in favor of VMS, and a series of subsequent motions and a reduction of monetary damages awarded to VMS, the Bank/Bankard filed their Notice of Appeal with the California Court of Appeals on July 11, 2016. On October 2, 2017, the Bank/Bankard filed their Revised Opening Brief on their appeal of the verdict with the California Court of Appeals. On March 28, 2018, the Bank/Bankard was advised of the filing of VMS's Combined Respondents' Brief and Cross-Appellants' Opening Brief. On August 14, 2018, the Bank/Bankard filed their combined Reply and Cross-Respondent's Brief. In accordance with prior stipulations, VMS timely filed its Final Reply Brief dated October 31, 2018.

In a letter dated May 30, 2019, VMS requested the California Court of Appeals to take cognizance of the ruling in Mazik vs. Geico General Insurance Company, claiming that it is relevant in resolving its punitive damages appeal. In a letter dated June 3, 2019, the Bank/ Bankard objected to the letter filed by VMS as it violates Rule 8.254 of the California Rules of Court, which prohibits the inclusion of "argument or other discussion of authority" and description of issues raised by a party in its brief. The parties are still awaiting the advice of the California Court of Appeals on the schedule date of the oral arguments.

13.4 RCBC Securities Case

In December 2011, RCBC Securities ("RSEC") initiated a criminal case for falsification against its former agent, Mary Grace V. Valbuena ("Valbuena"), arising from questionable transactions with her own personal clients. Since then, RSEC has filed additional criminal and civil cases, including charges of violation of Batas Pambansa Blg. 22 ("BP 22"), against Valbuena. On November 17, 2016, the Metropolitan Trial Court of Makati City, Branch 66, convicted Valbuena of the crime of violation of BP 22. Valbuena's conviction has been sustained by the Regional Trial Court of Makati, Branch 141, and the Court of Appeals in its Decision dated September 6, 2019, which denied Valbuena's Petition for Review for lack of merit, and directed Valbuena to pay RSEC the amount of P7.2, except that interest on the said amount shall be at the rate of (a) twelve percent (12%) per annum from January 18, 2012 to June 30, 2013, and (b) six percent (6%) per annum from July 1, 2013 until full satisfaction of the amount due. Valbuena has filed a Motion for Reconsideration dated October 7, 2019 on the Decision of the Court of Appeals. On January 2, 2020, in compliance with the Resolution dated November 11, 2019, the Office of the Solicitor General ("OSG") filed its Comment on the aforesaid Motion for Reconsideration. The matter remains pending to date.

In May 2012, the Capital Markets Integrity Corporation ("CMIC") conducted an investigation on the complaint filed by Francisco Ken Cortes against RSEC. After due proceedings, the CMIC issued Resolutions dated July 3, 2015 and July 21, 2015, dismissing the complaint filed by Mr. Cortes and denying his Motion for Reconsideration, respectively. The aforesaid Resolutions have since become final and executory.

In a Complaint dated December 30, 2013, Cognatio Holdings, Inc. ("Cognatio") complained against RSEC, its former Vice President for Operations/Chief Finance Officer, its former Compliance Officer and Valbuena with the Enforcement and Investor Protection Department of the Securities and Exchange Commission ("EIPD-SEC"). In an Order dated April 3, 2019, the SEC-EIPD (a) ruled that RSEC violated the Securities Regulations Code, imposing thereon a monetary fine of P5, and (b) directed its submission of amended internal control procedures to (i) strengthen its Chinese Wall Policy, and (ii) validate transactions executed by its salesmen. On April 25, 2019, RSEC manifested that notwithstanding its disagreement with such factual findings, it will comply with the latter's directives. RSEC likewise proposed to immediately pay a reduced amount in full and complete settlement of the monetary fine. In an Order dated July 16, 2019, the SEC-EIPD accepted RSEC's settlement offer of P2.5, sans any finding of fault or guilt on the latter's part. Further, on August 5, 2019, RSEC submitted its Board-approved Amended Internal Protocols to the Markets and Securities and Regulation Department, in compliance with the directive of the SEC-EIPD.

In September 2014, Carlos S. Palanca IV ("Palanca") and Cognatio filed a complaint against RSEC with the CMIC, even as Cognatio's foregoing complaint was still pending with the EIPD-SEC. In its decision letter dated December 4, 2014, the CMIC dismissed Palanca/Cognatio's complaint on the ground of prescription and res judicata. However, this was reversed by the SEC en banc on appeal. Aggrieved, RSEC elevated the matter to the Court of Appeals, which held that Palanca/ Cognatio committed willful and deliberate forum-shopping. In a Resolution dated September 5, 2018, the Court of Appeals denied Palanca/Cognatio's Motion for Reconsideration, which prompted their filing of a Petition for Review dated October 8, 2018 with the Supreme Court. On February 11, 2019, RSEC filed its Comment to the Petition for Review, and Palanca/Cognatio responded by filing, on March 25, 2019, a Motion for Leave to file Reply and their attached Reply. The case remains pending to date.

On February 22, 2013, Stephen Y. Ku ("Ku") filed a complaint against RSEC with the Regional Trial Court of Makati, Branch 149 (the "Makati Trial Court"), essentially praying for the return of his shares of stock and cash payments approximately valued at P103, which he claims to have turned over to Valbuena. On May 20, 2013, RSEC sought the dismissal of the complaint citing the non-payment of the correct filing fees and failure to state a case of action. After the Makati Trial Court denied the same, RSEC elevated the matter to the Court of Appeals, which sustained RSEC's position and ordered the dismissal of the complaint in its Decision dated October 9, 2014. However, acting on Ku's Petition for Review, the Supreme Court – in its Decision dated October 17, 2018 - reversed the Court of Appeals and held that Ku's immediate payment of the deficiency docket fees shows that he did not intentionally attempt to evade the payment of the correct filing fees, so as to merit the dismissal of his complaint. In a Resolution dated January 23, 2019, the Philippine Supreme Court denied RSEC's Motion for Reconsideration, and ordered the Makati Trial Court to proceed with the hearing of the case until its termination.

The proceedings before the Makati Trial Court were suspended to give way to mediation on July 16, 2019. Upon the filing of the Pre-Trial Briefs on August 13-14, 2019, the parties underwent Judicial Dispute Resolution, which was terminated on October 29, 2019 after settlement failed. In an Order dated November 12, 2019, the Makati Trial Court Branch to where the case was re-raffled, set the same for pre-trial conference on December 13, 2019, and directed the filing of the Judicial Affidavit of the parties' respective witnesses. The Makati Trial Court, however, cancelled the pre-trial conference on the said date and reset the same to January 15, 2020, after Ku and his counsel failed to appear/submit the required Judicial Affidavits of his witnesses. After receiving the Judicial Affidavit of RSEC's additional witness and that of Ku/his witness shortly before the January 15, 2020 hearing, the Makati Trial Court cancelled the pre-trial conference anew and reset the same to February 13, 2020.

The pre-trial conference commenced on the aforesaid date and terminated on February 27, 2020, after the completion of the pre-marking of documentary exhibits on February 20, 2020. The Makati Trial Court then set the presentation of Ku's evidence on March 12, 19, 23, and 24, 2020, all at 1:30 p.m., but cancelled the first setting to give way to the scheduled inventory of court records. However, due to the COVID-19 infection in the country and the need to implement community quarantines and lockdowns, all the scheduled hearings in the case beginning March 19, 2020 were cancelled in compliance with the Supreme Court Administrative Circular No. 31-2020 dated March 16, 2020, which directed the cancellation of all hearings not related to urgent matters affecting the personal liberty of individuals.

13.5 HHIC-Philippines, Inc. Rehabilitation Proceedings

On January 9, 2019, HHIC-Phil, Inc. ("HHIC-Phil") filed a petition for corporate rehabilitation ("Petition") under Republic Act No. 10142, the Financial Rehabilitation and Insolvency Act of 2010 ("FRIA",) with the Regional Trial Court, Branch 72, Olongapo City (the "Rehabilitation Court"). On January 14, 2019, the Rehabilitation Court gave due course to the Petition and appointed a Rehabilitation Receiver, who was soon replaced by Atty. Rosario S. Bernaldo.

To the extent allowable under the FRIA, the Bank, together with the four (4) other creditor banks ("co-creditor banks") negotiated with HHIC-Phil and HHIC-Korea for a modified rehabilitation plan ("MRP"), wherein (a) the Bank/co-creditor banks will assume all the costs of maintaining/ operating the Subic Shipyard to essentially preserve the assets thereat; (b) the said assets (except for an identified few) would be dacioned to the Bank/co-creditor banks, thru a trustee, in proportion to their respective loans and in full settlement of such loans; and (c) the Trustee, subject to the Bank/co-creditor banks' instruction, will assign the transferred assets to a new company organized for such purpose, or to any third party buyer/designee or nominee of the Bank/co-creditor banks, which shall then assume all costs necessary to maintain or operate the transferred assets, including employee costs.

On March 8, 2019, the Bank/co-creditor banks, HHIC-Phil and HHIC-Korea filed a Verified Joint Motion for Approval of Modified Rehabilitation Plan as a Pre-Negotiated Rehabilitation Plan Under Chapter III of the FRIA. However, the call for the approval of the MRP was deferred to address the issues raised in the Rehabilitation Court's Order dated April 12, 2019. On May 6, 2019, the Notice of Conference and the Modified Rehabilitation Plan of HHIC-Phil Inc. with Clarifications ("MRP with Clarifications") were electronically served upon all the known creditors and stakeholders, stating that the same will be submitted for their consideration on May 9, 2019. And during the May 9, 2019 conference, more than fifty percent (50%) of the secured/unsecured creditors and stakeholders approved the MRP with Clarifications, which was reported to the Rehabilitation Court through a Manifestation dated May 14, 2019.

However, on June 14, 2019, the Rehabilitation Receiver filed a Motion dated June 13, 2019 (a) seeking further supporting details on certain items in the MRP with Clarifications from the Bank/co-creditor banks; and (b) praying that (i) all HHIC-Phil creditors agree to a uniform debt reduction/waiver of interest and penalties, (ii) the Bank/co-creditor banks be made to infuse working capital funds to HHIC-Phil in the meantime, and collectively limit their claim to USD350 should

HHIC-Phil's assets be instead sold to a white knight, and (iii) the excess of such payment be used to paying all other creditors in proportion to their remaining exposures. The Bank/co-creditor banks opposed the Rehabilitation Receiver's Motion (a) given their assumption of the cost of maintaining the shipyard; (b) requiring the infusion of additional working capital to HHIC-Phil when its account is past due may result in stiff penalties from its various financial regulators; and (c) the viability of the MRP with Clarifications arising from the waiver of the USD1,041 claims of the HHIC-Korea affiliates and HHIC-Phil's adoption of a new payment scheme, lessening its reliance on loans to finance its projects.

In the Order dated August 8, 2019, the Rehabilitation Court found the MRP with Clarifications to be still deficient and remanded the same for revision, and ordered the Bank/co-creditor banks to make a complete and full disclosure of all transactions/submit all contract, agreements, waivers and other pertinent documents entered with foreign banks and other parties to the proceedings. On September 2, 2019, the Bank filed its Manifestation with Motion for Additional Time to Comply, disclosing the existence of a non-binding offer from a potential white night, and praying that the Rehabilitation Receiver be given time to submit a further revised Rehabilitation Plan. On the other hand, two of the co-creditor banks filed an Omnibus Motion arguing that the MRP with Clarifications would (a) relieve HHIC-Phil of its USD7.2/a year bill for shipyard maintenance cost, (b) condone a huge portion of HHIC-Phil's debt, and (c) leave HHIC-Phil with more than sufficient operational funds during the remaining rehabilitation period, and that the FRIA does not prohibit a change in HHIC-Phil's line of business.

On September 11, 2019, HHIC-Phil filed its own Motion for Reconsideration of the Order dated August 8, 2019, arguing that the non-approval of the MRP with Clarifications will force it into liquidation. On the same date, another co-creditor bank requested for an extension of the date of submission of a further revised Rehabilitation Plan and argued that no unjust enrichment of the Bank/co-creditor banks will actually occur. During the hearing on September 20, 2019, the Rehabilitation Court directed, among others, the setting of a monitoring hearing on November 5, 2019. On September 25, 2019, another co-creditor bank filed its Comment to HHIC-Phil's Motion for Reconsideration, stating that (a) although HHIC-Phil's business is not confined to building ships, it will continue with the completion of the four (4) ships mentioned in the MRP with Clarifications, and (b) the transfer of shipyard to the Bank/co-creditor banks will preserve and maximize the value thereof.

On 5 November 2019, the Rehabilitation Court issued an Order reconsidering the Order dated August 8, 2019/confirming the MRP with Clarifications. Not long after, a number of creditors (principally ship-owners with warranty claims/manufacturers of ship parts/engines) filed various motions for admission/clarification/correction of amount/reclassification of claims, as found in the Final Registry of Claims, praying that the Rehabilitation Court recall/vacate the Order confirming the MRP with Clarifications. The Korean Development Bank ("KDB") likewise filed a Motion to enforce its lien on the HHIC-Phil account in its possession.

The Bank/co-creditor banks filed their oppositions to the motion filed by the ship-owners pointing out that (a) these claims were already considered in the Rehabilitation Receiver's Submission (On Disputed and Challenged Claims and Those with Pending Motions for Correction/Rectification) (the "Submission") filed on September 16, 2019; (b) the movants failed to appeal within the five (5) day-period from notice thereof ; (c) the Submission has been approved by the Rehabilitation Court via the Order dated November 11, 2019; and (d) under no circumstances can the ship-owners' Omnibus Motion filed in November 2019, be considered as the appeal mentioned in Section 26, Rule 2 of the FRIA. As for the ship engines/parts supplier, respectively, the Bank/co-creditor banks posited, among others, that (a) the ship engines supplier did not classify its claim as an administrative expense when it filed the same on January 18, 2020; and (b) the period to question the Rehabilitation Receiver's decision on the disputed claims, or appeal the same, have lapsed. On the other hand, the Rehabilitation Receiver/a co-creditor bank opposed KDB's claim, arguing that the same is already fully secured by the real properties of HHIC-Korea.

In the Order dated February 7, 2020, the Rehabilitation Court approved KDB's motion, but denied the motions filed by the ship-owners/ship engines supplier in its Orders dated February 10, 2020 and February 11, 2020, respectively, for lack of merit. The Rehabilitation Court pointed out that the Order confirming the MRP with Clarifications can only be questioned via a petition for certiorari, and the ship-owners/ship engines supplier did not avail of this remedy within the time prescribed in A.M. No. 12-12-11 SC, otherwise known as the FRIA Rules. The Rehabilitation Court, however, has yet to rule on the Motion to Lift Order of Approval of Becker Marine System, GMBH, which seeks the admission of its claim in the amount of USD1.

In the Order dated February 18, 2020, the Rehabilitation Court granted the Motion for Approval of Sale dated January 16, 2020 filed by the Rehabilitation Receiver in connection with the sale of various scrap metal and other hazardous substances found in the shipyard.

As of March 31, 2019, the outstanding loan obligation of HHIC-Phil to the Bank remains at USD81.23, inclusive of accrued and compounded interest as well as penalty on interest and principal.

13.6 Applicability of RR 4-2011

In March 2011, the Bureau of Internal Revenue ("BIR") (a) issued RR 4-2011, prescribing a new way of reporting income solely for banks and other financial institutions, and (b) issued assessment notices to banks and other financial institutions for deficiency income tax for alleged non-intra-unit allocation of costs and expenses to exempt income and income subjected to final tax within RBU.

On April 6, 2015, the Bank/other Bankers Association of the Philippines member banks ("BAP-member banks") filed a Petition for Declaratory Relief with application for provisional remedies with the Regional Trial Court of Makati ("Makati Trial Court"), assailing the validity of RR 4-2011 for (a) being violative of their substantive due process rights and the equal protection clause of the Constitution; (b) being a deterrent to banks to invest in capital market transactions to the prejudice of the economy; and (c) setting a dangerous precedent for the disallowance of full deductions, due to its prescribed method of allocation.

Acting on the Petition, the Makati Trial Court issued a Temporary Restraining Order on April 8, 2015 and a Writ of Preliminary Injunction on April 17, 2015, enjoining the enforcement, in any manner, of RR 4-2011 against the Bank/other BAP-member banks, including issuing any Preliminary Assessment Notice ("PAN") or Final Assessment Notice ("FAN") against them during the pendency of the litigation, unless sooner dissolved. On June 10, 2015, Makati Trial Court issued a Confirmatory Order stating that the BIR is also prohibited from ruling or deciding on any administrative matter pending before it in relation to RR 4-2011 and insofar as the Bank/other BAP-member banks are concerned.

After the pre-trial conference terminated on August 3, 2017, the Makati Trial Court directed the parties to file their respective Memorandum on September 15, 2017, in lieu of holding trials. In an Order dated May 25, 2018, the Makati Trial Court granted the Petition for Declaratory Relief and declared RR 4-2011 null and void for being issued beyond the authority of the Secretary of Finance and Commissioner of Internal Revenue. The Makati Trial Court likewise made permanent the Writ of Preliminary Injunction it issued earlier.

Aggrieved, the Department of Finance ("DOF") and the BIR elevated the matter to the Supreme Court via a Petition for Review on Certiorari dated August 1, 2018, essentially alleging that (a) the validity of RR 4-2011 should have been brought instead before the Court of Tax Appeal; (b) upon the issuance of RR 4-2011, the Bank and BAP-member banks should have already adjusted their accounting and book keeping methods; and (c) the declaratory relief action was no longer proper in view of the issuance of PANs.

In response/compliance with the Resolution dated March 27, 2019, the Bank/other BAP-member banks pointed out that (a) the filing of the Makati Trial Court case was proper since the issue relates to the exercise of quasi-legislative power; (b) Regional Trial Courts have original jurisdiction over Declaratory Relief actions arising from the issuance of invalid Revenue Regulations; (c) the Bank and BAP-member banks have not breached RR 4-2011; and (d) the Makati Trial Court correctly held that RR 4-2011 is invalid for (i) mandating banks and other financial institutions to adopt a different method of accounting from the other classes of taxpayers, in denigration of the equal protection clause of the Philippine Constitution, and (ii) unlawfully amending the NIRC or Tax Code, and depriving the Bank/other BAP-member banks of their substantive rights to fully deduct legitimate business expenses from their gross income. The case remains pending before the Supreme Court.

13.7 Alleged Unauthorized Transfer of Funds – Bank of Bangladesh

In February 2016, four allegedly unauthorized fund transfers were wired to four accounts with the Bank from the Bangladesh Bank's account with the Federal Reserve Bank of New York ("FRBNY"), before being further dispersed to other accounts with other banks and casinos. In August 2016, the Monetary Board approved the imposition of a P1,000 fine upon the Bank which it paid in full ahead of the August 2017 deadline. Such fine was fully recognized as part of miscellaneous expenses in the Bank's 2016 AFS. While the Bank's payment of the penalty did not affect its ability to perform its existing obligations or unduly hamper its operations, there may still be other regulatory cases arising from these events.

U.S. Litigation relating to the Bangladesh Bank Incident

On January 31, 2019, the Bangladesh Bank filed a complaint with the U.S. District Court Southern District of New York ("SDNY") against the Bank, some of its current/former officers who were involved in the incident, a money service business and its principals, junket operators, and the casinos where the questioned funds passed through, claiming the existence of a conspiracy with North Korean hackers to steal funds from its FRBNY bank account/launder the same. The complaint cited nine (9) causes of action, including conversion, fraud and conspiracy, and sought the return of the full amount allegedly stolen, plus interest, attorney's fees, and other damages, including treble damages under the Federal Racketeer Influence and Corrupt Organizations ("RICO") Act.

The Bank sought the dismissal of the case on both procedural and substantive grounds, including (a) forum non conveniens; (b) the ineffectual service of summons upon it; (c) the lack of nexus with New York in view of Bank's minimal contact therewith; and (d) failure of the Complaint to plead a legitimate basis for federal court jurisdiction. Thus, the Bank filed a pre-motion to dismiss letter on April 8, 2019, and the joint motion to dismiss letter on April 30, 2019, to which the Bangladesh Bank filed its response. An initial pre-trial conference was held by the U.S. District Court on May 21, 2019 where the judge decided to stay discovery pending the resolution of the motions to dismiss.

On June 14, 2019 (U.S. Time), the Bank/other co-defendants, filed (a) a joint motion to dismiss based on lack of subject matter jurisdiction, and (b) another joint motion to dismiss based on forum non conveniens. In response, Bangladesh Bank filed its Memoranda of Law essentially claiming that (a) the February 2016 cyber-heist targeted Bangladesh Bank, the US and the FRBNY as part of an overreaching cyber-conspiracy that began in 2014 with the Sony Pictures hacking and continued until 2018; (b) the two-year continuity close-ended requirement does not exist, and it clearly pled the existence of conspiracy between the defendants; (c) proof that Philippine courts can handle complex cases/international discovery requests is lacking, and litigation costs in the Philippines are high; and (d) the availability of key witnesses/evidence are contingent on New York as venue of the litigation.

On August 1, 2019 (U.S. Time), the Bank/co-defendants filed their Reply Memoranda, asserting that Bangladesh Bank's Federal RICO conspiracy claim is fatally deficient given its failure to (a) plead the time-bound existence of a pattern in defendants' racketeering activities, not to mention the lack of any ongoing criminal activity; and (b) prove that the defendants took part in the criminal enterprise's affairs beyond their respective businesses (i.e., the casinos). Also, money outflowed from New York to the Philippines, thus the more relevant witnesses/evidence are in the country, and the Bangladesh Bank's US$30,000 reserves is more than sufficient for any litigation in the Philippines were the legal fees are less. Moreover, Bangladesh Bank's earlier recovery of the amount of US$15 proves the adequacy of Philippine courts, and the Philippine Blocking Statute/ non-ratification of the Hague Convention will make it burdensome/impossible for relevant documents/witnesses to be produced or appear in New York.

On August 21, 2019 (U.S. Time), Bangladesh Bank requested for leave to file a Sur-Reply dated August 19, 2019, to address certain new issues allegedly raised by the defendants in their last pleadings, which the Presiding Judge granted with a note that Bangladesh Bank's Sur-Reply may or may not be considered in the resolution of the two (2) joint motions to dismiss.

On November 22, 2019 (U.S. Time), the Bank/co-defendants filed their Notice of Supplemental Authority stating that (a) the U.S. District Court SDNY in the 28 U.S.C. § 1782 Petition denied Bangladesh Bank's Motion to vacate/quash the BNYM subpoena in its Order dated November 20, 2019; and (b) BNYM produced the requested documents on September 19, 2019, which have since been served upon the Bank, thus proving that discovery is readily available under 28 U.S.C. § 1782.

On November 26, 2019 (U.S. Time), Bangladesh Bank filed its Notice of Supplemental Authority and Response to Defendants' Notice of Supplemental Authority, arguing that (a) the discovery process underscores the importance of evidence in the U.S.; (b) the Bank is attempting to obstruct justice/suppress discovery in the Philippines (citing pleadings filed in the money-laundering case filed against five (5) current/former employees); and (c) the intention is to shift the venue away from New York to the Philippines where the Bangladesh Bank has no presence/its claims will die, making the denial of the Bank/co-defendants' forum non conveniens motion imperative.

On December 3, 2019 (U.S. Time), the Bank/co-defendants filed their Defendants' Response to Plaintiff's Notice of Supplemental Authority pointing out that (a) the case cited in the pleadings has nothing to do with the 28 U.S.C. § 1782 proceedings, which is the case in issue; (b) the Bank did not intervene in the money-laundering case as it merely made a special appearance to oppose the production of internal audit reports which mentioned other bank accounts/the identities of their owners, who are not involved in the case/have not consented to any disclosure; (c) Bangladesh Bank did not make known to the U.S. District Court SDNY that redacted forms of such reports were ultimately allowed and that, where Bank Secrecy laws do not apply, the Bank has produced several documents via subpoena; and (d) Bangladesh Bank does not dispute that there has been discovery in the U.S. in aid of a Philippine proceeding, which highlights the adequacy of the Philippines as a proper forum for the dispute in issue.

On March 20, 2020, the U.S. District Court SDNY dismissed the complaint of Bangladesh Bank for failing to plead a true Federal RICO Act conspiracy claim. The U.S. District Court held that the complaint (a) portrayed the existence of racketeering activities for the narrow purpose of stealing from a single victim, conceived in January 2015, and not a "complex, multi-faceted conspiracy"; (b) failed to plead any specific actions by particular defendants after March 2016 to hide/disperse the stolen funds; (c) does not plead any specific allegations of continuing/likely future racketeering activities by any defendant; and (d) failed to plead that the enterprise members were associated as a group apart from their alleged racketeering activity, as required by First Capital Asset Mgmt., Inc. v. Satinwood, Inc., 385 F.3d 159, 174 (2d Cir. 2004). As such, it lacks the statutory/constitutional power to adjudicate the case (even as it denied the Bank/co-defendants' two (2) Motions to Dismiss based on lack of subject matter jurisdiction/forum non conveniens) and cannot retain any supplemental jurisdiction over the related state-law claims.

On August 1, 2019 (U.S. Time), and in relation to the Injunction and Damages case filed in the Philippines, the Bank's former National Sales Director ("NSD") obtained an Order dated August 9, 2019 from another U.S. District Court SDNY Branch compelling the Bank of New York Mellon ("BNYM") to produce non-privileged communication documents/testimonial evidence on the payment order of US$30 on February 4, 2016, which the BNYM received from the SWIFT, the

Bangladesh Bank, the FRBNY and the Federal Bureau of Investigation, after the former NSD served copies of his application to all counsels of record in the Injunction and Damages case.

On August 23, 2019 (U.S. Time), but without prior leave, the Bangladesh Bank tried to intervene in the case/vacate the aforesaid Order, claiming that (a) the target documents/testimonial evidence contain potentially confidential/personal information; (b) these relate to the Federal RICO Act case, where discovery was stayed; (c) setting aside the propriety of its intervention, it has standing to question the discovery orders due to the BNYM's failure to quash the subpoena; (d) the target evidence include those not germane to the Philippine Injunction and Damages case; and (e) the former NSD's Petition violated the Local Rules requiring notification to the U.S. District Court SDNY Branch handling the Federal RICO Act case, and his subpoena application should be consolidated therewith. To cure its procedural misstep, the counsel for Bangladesh Bank formally sought to stay the enforcement of the subpoena on BNYM, claiming that it is the ultimate target of such discovery proceedings.

In response, the counsel for the former NSD underscored (a) the BNYM's lack of objection to the discovery process; (b) Bangladesh Bank's own violation of the U.S. District Court SDNY's Individual Rules and Local Rules; (c) Bangladesh Bank's lack of standing to assail the application in issue; (d) the former NSD's compliance with the notification requirement to Bangladesh Bank's local counsel in the Philippines; and (e) the independent nature of the former NSD's Petition vis-à-vis the Federal RICO Act case. On August 30, 2019 (U.S. Time), the former NSD formally filed his Memorandum of Law in Opposition to Bangladesh Bank's Motion to Vacate Order and Take Discovery Under 28 U.S.C. § 1782 and To Quash Subpoena Under FRCP 45, reiterating his arguments on the propriety of the subpoena upon BNYM, and his compliance with the requirements of 28 U.S.C. § 1782.

As indicated above, on September 19, 2019, the BNYM produced the requested documents and served the same on the Bank. As likewise indicated above, on November 20, 2019 (U.S. Time), the U.S. District Court SDNY denied Bangladesh Bank's Motion to vacate/quash the previous Order dated August 9, 2019, even as it allowed Bangladesh Bank's intervention in the proceedings, thereby sustaining the former NSD's claim on (a) his compliance with the notification requirement to the U.S. District Court SDNY Branch handling the Federal RICO Act case vis-à-vis Bangladesh Bank's Philippine counsel in the Injunction and Damages case; (b) the lack of relation between the cases (grounded on the existence of an alleged conspiracy to steal/launder the funds of Bangladesh Bank, and the alleged defamatory statements made after the incident); and (c) Bangladesh Bank's failure to prove how the BNYM's compliance with the subpoena will conflict with the rulings to be issued in the Federal RICO Act case.

Philippine Litigation relating to the Bangladesh Bank Incident

On March 6, 2019, the Bank/the former NSD filed a complaint for Injunction and Damages against the Bangladesh Bank with the Regional Trial Court of Makati City ("Makati Trial Court") to put a stop to the latter's repeated acts of (a) defaming, harassing and threatening the Bank/the former NSD, and (b) making it appear that they were involved in the theft of the US$81 from its FRBNY bank account, and thus, obligated to pay/return the same. The Bank/former NSD posited that (a) Bangladesh Bank lost the US$81 the minute the said funds were transferred from its FRBNY's bank account, and they had no participation therein; and (b) Bangladesh Bank has been making very public/outrageous claims that the Bank (and its officers, including the former NSD) allegedly conspired with North Korean hackers to steal the said funds/launder the same, which repeated negative publicity is apparently designed to force the Bank to settle therewith.

In his Officer's Return dated March 14, 2019, the Sheriff of the Makati Trial Court reported that, on March 12, 2019, he tendered the Summons and a copy of the Complaint upon the Deputy Governor of Bangladesh Bank and Head of its Financial Intelligence Unit ("Deputy Governor"). On the other hand, the Bangladesh Bank, via its Return of Summons and Manifestation by Special Appearance, disputed the propriety of the service of summons in the case. It likewise refused to formally submit to the jurisdiction of the Makati Trial Court and file any Answer, and did not send any representative during any of the mediation conferences held.

At the July 19, 2019 hearing, the Makati Trial Court issued an Order of even date holding that (a) Bangladesh Bank's claim of immunity from suit cannot be sustained as its own Charter expressly states that it has the power to sue and be sued; (b) Bangladesh Bank was properly/validly served with summons through the Deputy Governor and the Head of Bangladesh Bank's Manila delegation; and (c) the filing of the complaint for Injunction and Damages, in relation to the case initiated by Bangladesh Bank in the U.S. District Court SDNY, cannot be considered forum shopping as none of the requirements for litis pendentia, save for identity of parties, are present. The Makati Trial Court directed the Bangladesh Bank to file its Answer to the Complaint within fifteen (15) days from notice, and set a status hearing which has been further reset to February 14, 2020.

However, the Bangladesh Bank did not file any Answer, and its counsel of record instead filed three (3) Manifestations claiming that (a) the said counsel is supposedly unable to determine the proper recipient of the Order requiring Bangladesh Bank to appear for Judicial Dispute Resolution; (b) the former NSD supposedly violated Section 1, Rule 27 of the Rules of Court, when he filed his Petition for Judicial Assistance under 28 U.S.C. § 1782 before the U.S. District Court SDNY *sans* any motion/leave of the Makati Trial Court; and (c) the July 19, 2019 Order must be set aside/reconsidered due to (i) the Bangladesh Bank's alleged non-waiver of its sovereign immunity; and (ii) the non-defamatory nature of the statements made by Bangladeshi officials, on the purported involvement of the Bank in money-laundering.

At the February 14, 2020 status hearing, the Makati Trial Court directed the Bank to address the foregoing manifestations of the Bangladesh Bank via an appropriate pleading, and set another status hearing on March 20, 2020. On February 24, 2020, in compliance with the directive of the Makati Trial Court, the Bank filed its Consolidated Counter-Manifestation of even date. However, in line with the implementation of community quarantines and lockdowns due to the COVID-19 infection in the country, the Supreme Court also suspended regular work in all courts, court offices, divisions, sections and units, except those concerned with the resolution of urgent incidents, cases and administrative matters. As such, the resolution of the Bangladesh Bank's Manifestations remains pending, and the Makati Trial Court has yet to reset the March 20, 2020 monitoring hearing.

Specific Litigation involving the Bank's Officers

Anent the criminal complaint for money-laundering filed against former Business Manager Maia S. Deguito ("BM Deguito), the Anti-Money Laundering Council of the Philippines ("AMLC") filed with the Department of Justice ("DOJ") a second criminal complaint against six (6) current/former employees of the Bank for alleged violation of Section 4(f) of R.A. No. 9160, as amended, arising from their alleged performance or failure to perform an act, which purportedly facilitated the crime of money-laundering of US$81. Acting on the complaint, the DOJ found probable cause against five (5) of such current/former employees and filed the corresponding Information with the Regional Trial Court of Makati City ("Makati Trial Court"), which it subsequently amended.

After arraignment, Pre-Trial/Trial ensued with the Prosecution (a) concluding its prosecutorial action upon the filing of its Formal Offer of Evidence on October 18, 2019, and (b) making a tender of excluded evidence after a number thereof were held to be inadmissible. All the accused requested leave, and filed their Demurrer to Evidence, which were deemed submitted for resolution in the Order dated December 10, 2019. The Makati Trial Court likewise tentatively reset the presentation of Defense evidence to January 23, 2020, at 8:30 am.

In a Resolution dated December 26, 2019, the Makati Trial Court granted the Demurrer to Evidence of three (3) of the current/former employees and dismissed the case against them, taking note of (a) their non-involvement in the opening of the beneficiary accounts/validation of the inward remittances; (b) Philippine jurisprudence (forming part of Philippine law) which prohibit banks from unilaterally freezing accounts *after* the credit of funds suspected to be of shady origins, and Section 10 of R.A. No. 9160 which bars the same *sans* a Court of Appeals-issued freeze order; (c) the account closure/termination of relationship directive of BSP Circular No. 706 upon an adverse Enhanced Due Diligence ("EDD") finding (instead of a freeze on the account); and (d) the former Treasurer's directive on February 5, 2016, to file a Suspicious Transaction Report ("STR") upon the lifting of the hold.

The Makati Trial Court, however, declined to dismiss the case against the former Senior Customer Relationship Office ("SCRO") and the former Customer Relationship Head ("CSH") of the Makati Jupiter Business Center ("Makati Jupiter BC") given proof of (a) the direct involvement of the former SCRO in the opening of the beneficiary accounts/the unauthorized February 5, 2016 fund transfers/withdrawals from the related Centurytex Trading account whose owner was then not present at the Makati Jupiter BC; and (b) the former CSH's act of releasing the withdrawn funds to former BM Deguito/his agreement with the former SCRO to hide this from the Bank's internal auditors. The Makati Trial Court then directed the former SCRO/former CSH to present their evidence on January 23, 2020, as previously scheduled.

The Prosecution/former SCRO filed their respective Motion for Reconsideration on the Resolution dated December 26, 2019. The Prosecution argued that (a) the failure of the current/ former employees to conduct EDD facilitated money-laundering; (b) a "hold" is different from a "freeze order", and is permitted in some instances under the doctrine of necessary implication; and (c) the cases cited in the Resolution are not apropos. The former SCRO, on the other hand, argued that the evidence against her is hearsay, based merely on what the witnesses gathered from their investigation, and that the rationale for the dismissal of the charge against the other accused is applicable to her.

For their part, the three (3) current/former employees acquitted by the Makati Trial Court filed a Comment/Opposition to the Prosecution's Motion for Reconsideration, maintaining that (a) in addition to the grounds previously discussed in their Demurrer to Evidence, the Prosecution's Motion for Reconsideration is constitutionally-barred for being violative of their right against double jeopardy; (b) the same was filed beyond the five (5) day reglementary period therefor; and (c) the Prosecution's arguments therein are a mere rehash of the arguments previously raised/ passed upon by the Makati Trial Court.

The Prosecution filed a Reply, arguing that jurisprudence has allegedly recognized the propriety of filing a motion for reconsideration to an order of acquittal in criminal cases, and claimed that the pertinent rules of procedure had been grossly misapplied in the case of the three (3) current/former employees – which the latter countered in their Rejoinder. The Makati Trial Court has since denied the Prosecution's Motion for Reconsideration, together with that of the former SCRO, thereby affirming its earlier ruling granting the Demurrer to Evidence of the three (3) current/former employees. Anent this development, the aforesaid current/former employees have filed a Motion to Lift Hold Departure Orders, which the Makati Trial Court has yet to rule upon.

During the January 23, 2020 hearing, the Makati Trial Court granted the former CSH's oral motion to (a) present his witness, and (b) have a trial separate from the former SCRO (whose Motion for Reconsideration was then still pending). At the close of the hearing, the Makati Trial Court continued the presentation of defense evidence on February 13, 2020, at 8:30 am. The Prosecution assailed the separate trial ruling in its Motion for Reconsideration, arguing that this is contrary to the prior finding of unity of acts between the former CSH/the former SCRO. Responding to the separate Comments filed by the aforesaid accused, the Prosecution, in its Reply dated February 14, 2020, reiterated the danger posed by a separate trial in that testimony imputing guilt to any of the co-accused will not be admissible against the other who was not able to cross-examine him.

Traversing the Prosecution's contentions in his Rejoinder, the former CSH argued, among others, that (a) the grant of the separate trial is consistent with his right to a speedy trial; (b) the Prosecution did not comment/object to his motion during the January 23, 2020 hearing despite having the time and opportunity to do so; and (c) the Prosecution is not prejudiced by the granting of the motion.

Nonetheless, the former CSH filed a Manifestation and Submission, stating that he will no longer present any further witnesses and will file his Formal Offer of Evidence, which he did on March 9, 2020. The Prosecution's Motion for Reconsideration on the issue was ultimately denied by the Makati Trial Court.

Acting on the criminal complaints filed by the Bank and Centurytex Trading account owner in connection with a series of unauthorized acts/transactions relating to the money-laundering of US$81, the Office of the City Prosecutor of Makati City found probable cause to charge former BM Deguito and the former SCRO with several counts of falsification of commercial document and perjury, respectively, before the Metropolitan Trial Court of Makati City ("Makati MTC").

Due to the death of the Centurytex Trading account owner, on October 15, 2019, the Prosecution in the falsification of commercial document cases signified its intention to present the bank teller who processed the questioned transactions on February 5, 2016. Pending its resolution, the Makati MTC cancelled the October 22, 2019 hearing and set additional hearings on January 28, 2020, March 10 and 31, 2020, and April 21 and 28, 2020, all at 8:30 am.

After cancelling the January 28, 2020 hearing due to the unavailability of the Presiding Judge, the Makati MTC issued a Resolution dated February 28, 2020 denying the Prosecution's Motion for Leave to present the testimony of the bank teller. The Prosecution has since filed its Motion for Reconsideration dated March 16, 2020. However, due to the ongoing general suspension of regular work in all courts, court offices, divisions, sections and units, the incident remain unresolved by the Makati MTC. Likewise, the hearings scheduled on March 31, 2020, April 21, 2020 and April 28, 2020 have all been cancelled.

The Makati MTC hearing the perjury case against the former SCRO rejected the attempt of the latter to recall/cross-examine a Prosecution witness, holding that the non-appearance of her counsel at the scheduled hearing was inexcusable. At the close of the testimony of the Questioned Document Examiner on October 3, 2019, the Makati MTC set the case for further hearing on March 19, 2020 and April 2, 2020, both at 8:30 am.

On March 13, 2020, the Prosecution filed the Judicial Affidavit of Mr. Jose G. Villapando, the custodian of the official records of the Senate of the Philippines, in connection with the introduction into evidence of the Transcript of Stenographic Notes dated March 15, 17 and 29, 2016 of the Committee on Accountability of Public Officers and Investigation (Blue Ribbon Committee), where the now deceased Centurytex Trading account owner, among others, testified under oath that he was not the Makati Jupiter BC on February 5, 2016, and had no participation in any of the transactions that transpired thereat – contrary to what is stated in the Sworn Statement of the former SCRO. Due to the ongoing general suspension of hearings/work in all the courts, including the Makati MTC, the last setting for the presentation of the Prosecution's evidence on April 2, 2020 was likewise cancelled.

The Bank has several petitions for review currently pending in relation to actions that it has initiated against former Bank employees in relation to the Bangladesh Bank incident. There are no known trends, demands, and commitments, events, or uncertainties that will have a material impact on the Bank's operational performance and ability to service obligations.

Except for the above-mentioned proceedings, the Bank is not aware of any suits and claims by or against it or its subsidiaries, which if decided adversely, would have a material effect on its financial position or operating results.

14. EVENT AFTER THE REPORTING PERIOD

In December 2019, a novel strain of corona virus (COVID-19) was reported to have surfaced in China. The World Health Organization has declared the outbreak as a 'public health emergency of international concern.' COVID-19 started to become widespread in the Philippines in early March 2020 causing the government to declare the country in a state of public health emergency followed by implementation of enhanced quarantine and social distancing measures and restrictions within the Luzon area with other cities and provinces in the country enacting similar measures thereafter. This resulted in a wide-ranging business suspension - disrupting the supply chains, affecting production and sales across a range of industries, and weakening the stock market.

On April 1, 2020, the BSP issued Memorandum No. 2020 – 017, Implementing Rules and Regulations of Section 4(aa) of Republic Act No. 11469, Otherwise Known as the "Bayanihan to Heal As One Act". Accordingly, the Bank has implemented a 30-day grace period to all loans with principal and/or interest falling due within the Enhanced Community Quarantine (ECQ) period, without incurring interest on interest, penalties, fees and other charges. The 30-day grace period shall apply to each loan of individuals and entities with multiple loans. The accrued interest for the 30-day grace period may be paid by the borrower on staggered basis over the remaining life of the loan. Nonetheless, this shall not preclude the borrower from paying the accrued interest in full on the new due date. The initial 30-day grace period shall automatically be extended if the ECQ period is extended by the President of the Republic of the Philippines.

On April 30, 2020, President Rodrigo R. Duterte, through Executive Order No. 112, has approved Resolution No. 30 of the Inter-Agency Task Force IATF for the Management of Emerging Infectious Disease containing the omnibus guidelines for the implementation of ECQ and general community quarantine (GCQ) for the period May 1 to May 15, 2020 that will apply to all regions, provinces, cities, or areas placed under extended ECQ or GCQ to prevent the spread of COVID-19. The ECQ was further extended until May 15, 2020 and was transformed into a Modified Enhanced Community Quarantine (MECQ) initially until May 31, 2020.

The Group, being engaged in banking and related services across its various business units, has been significantly affected by the aforesaid declaration. This resulted in limited business operations in Luzon and in many other parts of the country. The Group already activated its Business Continuity Plan and has taken steps to manage the risk disruption in operations, including the potential overall economic impact and the effects of the business disruptions in other business entities, some of which are integral to the value-chain of the Group. While the disruption is currently expected to be temporary, management expects the suspension of businesses to negatively impact the Bank's financial condition and results of operations. However, the severity of these consequences will depend on certain developments, including the duration and spread of the outbreak, impact on Bank's customers, suppliers, employees, and the accessibility and effectiveness of government support programs to a group of customers, all of which are uncertain and cannot be predicted as of the date of the issuance of the Bank's interim financial statements.

In support and compliance with the government measures to protect the welfare and interest of the Bank's employees and stakeholders, including its counterparties, the Bank has implemented safety measures and activated its business continuity procedures. Management believes that these measures can mitigate the further negative impact of the outbreak to the Bank's business and to its financial condition and performance.

The Bank has determined that these events are non-adjusting subsequent events. Accordingly, their impact was not reflected in the Bank's financial statements as of March 31, 2020. The foregoing events as of the date of this report will ultimately be reflected in the financial position and performance of the Group for the rest of the year ending December 31, 2020. Considering the evolving nature of this outbreak, the Group cannot reasonably estimate at this time the length and severity of this pandemic, or the extent to which the disruption may materially impact the Group's consolidated financial position, consolidated results of operations and consolidated cash flows for the year ending December 31, 2020 onwards.

ADDITIONAL DISCLOSURES TO ITEM I – FINANCIAL STATEMENTS

Statement of Compliance with Generally Accepted Accounting Principles. The interim financial statements of the Bank have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS).

See accompanying Notes to Interim Financial Statements for the detailed discussion of compliance with Generally Accepted Accounting Principles.

Accounting Policies and Methods of Computation. See accompanying Notes to Interim Financial Statements for the detailed discussion of the accounting policies and methods of computation (Note 2).

Seasonality or Cyclicality of Interim Operations. Seasonal or cyclical events and/or conditions do not materially affect the year-round operations of the Bank.

Changes in Estimates of Amounts Reported. There were no changes in estimates of amounts reported in prior interim periods of the current financial year or in estimates of amounts reported in prior financial years.

Issuances, Repurchases and Repayments of Debt and Equity Securities. On January 22, 2020, the bank redeemed the USD 243 million or P12.3 billion Senior Notes with interest rate of 4.25%.

On January 27, 2020, the Board of Directors approved the increase in the Programme Size of the Bank's Medium Term Note Programme from USD 2 Billon to USD 3 Billion.

On April 7, 2020, RCBC listed its P7.05 billion, 2 year fixed rate bonds due April 2022 on the Philippine Dealing and Exchange Corporation (PDEX). The bonds carry a coupon of 4.848% per annum.

As permitted by PFRS 9 and BSP Circular 708, the Group sold certain dollar-denominated bonds classified as investment securities at amortized cost with an aggregate carrying amount of P28.824 billion. The disposals resulted in a gain of P1.667 billion, which is included under Trading and securities gains-net in the statement of profit or loss. In addition, the Group concluded that the sales did not result to changes in its business models for managing financial assets to collect contractual cash flows.

Dividends Paid for Ordinary or Other Shares. In its meeting held on February 24, 2020, the Board of Directors approved the declaration and payment of cash dividends amounting to P0.0993 per share or a total of approximately P27 thousand payable to holders of Preferred Class shares and paid on April 1, 2020.

In its meeting held on November 25, 2019, the Board of Directors approved the declaration and payment of cash dividends amounting to P0.1051 per share or a total of approximately P28 thousand payable to holders of Preferred Class shares and paid on December 26, 2019.

In its meeting held on August 27, 2019, the Board of Directors approved the declaration and payment of cash dividends amounting to P0.1121 per share or a total of approximately P30 thousand payable to holders of Preferred Class shares and paid on September 24, 2019.

In its meeting held on May 27, 2019, the Board of Directors approved the declaration and payment of cash dividends amounting to P0.1166 per share or a total of approximately P31 thousand payable to holders of Preferred Class shares and paid on June 26, 2019.

In its meeting held on April 29, 2019, the Board of Directors approved the declaration and payment of cash dividends amounting to P0.4460 per share or a total of approximately P863 million payable to holders of Common Class and a total of approximately P119 thousand payable to holders of Preferred Class shares, both were paid on May 29, 2019.

In its meeting held on February 26, 2019, the Board of Directors approved the declaration and payment of cash dividends amounting to P0.1205 per share or a total of approximately P32 thousand payable to holders of Preferred Class shares and paid on March 25, 2019.

The details of the cash dividend approvals and distributions from 2019 up to March 31, 2020 are as follows (amounts in Thousand Php except per share figures):

Date Declared	Dividend		Date Approved by the BSP	Date Paid / Payable	Nature of Securities
	Per Share	Total Amount (in Thousand)			
26-Feb-19	P 0.1205	P 32	not required	25-Mar-19	Convertible Preferred Stock
29-Apr-19	P 0.4460	P 863,290	not required	29-May-19	Common Stock
29-Apr-19	P 0.4460	P 119	not required	29-May-19	Convertible Preferred Stock
27-May-19	P 0.1166	P 31	not required	26-Jun-19	Convertible Preferred Stock
27-Aug-19	P 0.1121	P 30	not required	24-Sep-19	Convertible Preferred Stock
25-Nov-19	P 0.1051	P 28	not required	26-Dec-19	Convertible Preferred Stock
24-Feb-20	P 0.0993	P 27	not required	1-Apr-20	Convertible Preferred Stock

Segment Information. The following table presents revenues and expenses of the Parent Company that are directly attributable to primary business segments for the period ended March 31, 2020 (in millions).

RESULTS OF OPERATIONS	Retail Banking Group	Corporate Banking Group	SME Banking Group	Treasury / Trust	Others	Total
Net interest income	4,415	2,599	897	171	(1,781)	6,300
Non-interest income	1,371	451	39	2,744	(913)	3,693
Total revenue	5,787	3,050	936	2,915	(2,694)	9,993
Non-interest expense	4,201	938	483	274	1,262	7,157
Income (loss) before income tax	1,586	2,112	453	2,641	(3,956)	2,836
Income tax expense	146	14	-	213	155	527
Net income (loss)	1,440	2,098	453	2,429	(4,112)	2,308

Material Events Subsequent to the End of the Interim Period Not Reflected in the Financial Statements.

On April 7, 2020, RCBC listed its P7.05 billion, 2 year fixed rate bonds due April 2022 on the Philippine Dealing and Exchange Corporation (PDEX). The bonds carry a coupon of 4.848% per annum.

In December 2019, a novel strain of corona virus (COVID-19) was reported to have surfaced in China. The World Health Organization has declared the outbreak as a 'public health emergency of international concern.' COVID-19 started to become widespread in the Philippines in early March 2020 causing the government to declare the country in a state of public health emergency followed by implementation of enhanced quarantine and social distancing measures and restrictions within the Luzon area with other cities and provinces in the country enacting similar measures thereafter. This resulted in a wide-ranging business suspension - disrupting the supply chains, affecting production and sales across a range of industries, and weakening the stock market.

See accompanying Notes to Interim Financial Statements for the detailed discussion on the material events subsequent to the end of the interim period not reflected in the financial statements (Note 14).

Changes in Composition of the Issuer During the Interim Period and Material Contingencies and Any Other Events or Transactions. There were no material changes in composition of the issuer during the interim period and material contingencies and any other events or transactions.

Changes in Contingent Liabilities or Contingent Assets. There were no material changes in contingent liabilities or contingent assets since the last annual balance sheet date.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial Performance

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES	Consolidated		Parent	
	Unaudited	Audited	Unaudited	Audited
	31-Mar-20	31-Dec-19	31-Mar-20	31-Dec-19
Return on Average Assets (ROA)* 1/	1.28%	0.80%	1.30%	0.81%
Return on Average Equity (ROE) *2/	11.11%	6.47%	11.12%	6.48%
BIS Capital Adequacy Ratio	13.82%	13.76%	13.26%	13.16%
CET 1 Ratio	12.94%	12.89%	12.38%	12.29%
Non-Performing Loans (NPL) Ratio 3/	2.19%	2.15%	2.00%	1.96%
Non-Performing Assets (NPA) Ratio 4/	2.33%	2.01%	2.18%	1.88%
Net Interest Margin (NIM)*	4.23%	4.03%	4.20%	4.02%
Cost-to-Income Ratio	55.60%	60.79%	54.73%	60.39%
Loans-to-Deposit Ratio 5/	92.45%	95.30%	90.60%	93.30%
Current Ratio	0.49	0.47	0.46	0.45
Liquid Assets -to-Total Assets Ratio	0.21	0.20	0.21	0.21
Debt-to-Equity Ratio	7.44	8.26	7.35	8.18
Asset-to- Equity Ratio	8.44	9.26	8.35	9.18
Asset -to- Liability Ratio	1.13	1.12	1.14	1.12
Interest Rate Coverage Ratio	1.88	1.44	1.91	1.44
Earnings per share (EPS)* 6/				
Basic and Diluted	PHP 4.80	PHP 2.78	PHP 4.80	PHP 2.78

** March 31, 2020 ratios/amounts were annualized*

1/ - Average assets for the consolidated and parent ratios were computed based on the 4-month average of end of month balances of total assets. Unaudited net income for the 3-month period ended March 31, 2020 in the amount of P2.308 billion represented the consolidated and parent.

2/ - Average equity for the consolidated and parent ratios were, likewise, computed based on the 4-month average of end of month balances. Unaudited net income for the 3-month period ended March 31, 2020 in the amount of P2.308 billion represented the consolidated and parent.

3/ - Non-performing loans (NPLs) were net of total specific allowance for expected credit losses per BSP Circular 941 of 2017.

4/ - NPAs were net of total specific allowance for expected losses.

5/- Excluding Interbank Loans

6/ - Total weighted average number of issued and outstanding common shares (diluted) were 1,935,693,005 shares as of March 31, 2020 and 1,935,693,003 shares as of December 31, 2019.

Performance Indicators for Wholly-Owned/Majority Owned Subsidiaries

RIZAL MICROBANK	Unaudited		Audited	
In Php 000s		**31-Mar-20**		**31-Dec-19**
Net Income	Php	1,311	Php	13,269
Return on Average Assets (ROA)*		0.28%		0.79%
Return on Average Equity (ROE)*		0.90%		2.23%
BIS Capital Adequacy Ratio (CAR)		28.96%		29.46%
Non-Performing Loans (NPL) Ratio		6.49%		6.76%
Non-Performing Assets (NPA) Ratio		5.59%		5.61%
Earnings per Share (EPS)	Php	0.47	Php	1.18

RCBC CAPITAL CORPORATION and Subsidiaries	Unaudited		Audited	
In Php 000s		**31-Mar-20**		**31-Dec-19**
Net Income (Loss)	Php	(173,364)	Php	277,001
Return on Average Assets (ROA)*		-14.39%		5.48%
Return on Average Equity (ROE)*		-19.83%		7.19%
BIS Capital Adequacy Ratio (CAR)		44.70%		56.35%
Non-Performing Loans (NPL) Ratio		0.00%		0.00%
Non-Performing Assets (NPA) Ratio		0.03%		0.03%
Earnings (Loss) per Share (EPS)	Php	(5.89)	Php	2.34

RCBC FOREX BROKERS CORPORATION	Unaudited		Audited	
In Php 000s		**31-Mar-20**		**31-Dec-19**
Net Income	Php	1,444	Php	15,588
Return on Average Assets (ROA)*		2.98%		7.83%
Return on Average Equity (ROE)*		3.10%		8.22%
Capital to Total Assets		94.96%		96.58%
Non-Performing Loans (NPL) Ratio		0.00%		0.00%
Non-Performing Assets (NPA) Ratio		0.00%		0.00%
Earnings (Loss) per Share (EPS)**	Php	(36.39)	Php	(16.82)

** March 31, 2020 ratios/amounts were annualized*

*** Net of 12% dividend on preferred shares equivalent to P12 per share*

RCBC INTERNATIONAL FINANCE, LTD. and Subsidiary	Unaudited		Audited	
In Php 000s		**31-Mar-20**		**31-Dec-19**
Net Income (Loss)	Php	(2,447)	Php	2,301
Return on Average Assets (ROA)*		-7.89%		1.85%
Return on Average Equity (ROE)*		-8.09%		1.92%
Capital to Total Assets		96.87%		97.56%
Non-Performing Loans (NPL) Ratio		0.00%		0.00%
Non-Performing Assets (NPA) Ratio		0.00%		0.00%
Earnings (Loss) per Share (EPS)	Php	(3.93)	Php	0.92

RCBC TELEMONEY EUROPE S.P.A	Unaudited		Audited	
In Php 000s		**31-Mar-20**		**31-Dec-19**
Net Income (Loss)	Php	0.00	Php	(13,630)
Return on Average Assets (ROA)*		0.00%		-49.17%
Return on Average Equity (ROE)*		0.00%		33.63%
Capital to Total Assets		-158.46%		-158.46%
Non-Performing Loans (NPL) Ratio		0.00%		0.00%
Non-Performing Assets (NPA) Ratio		0.00%		0.00%
Loss per Share (EPS)	Php	0.00	Php	(136.30)

RCBC-JPL HOLDING COMPANY, INC. (Formerly JP Laurel Bank, Inc.)	Unaudited		Audited	
In Php 000s		**31-Mar-20**		**31-Dec-19**
Net Income (Loss)	Php	(675)	Php	2,007
Return on Average Assets (ROA)*		-1.62%		1.10%
Return on Average Equity (ROE)*		2.40%		-1.76%
Capital to Total Assets		-69.66%		-63.26%
Non-Performing Loans (NPL) Ratio		0.00%		0.00%
Non-Performing Assets (NPA) Ratio		0.00%		0.00%
Earnings (Loss) per Share (EPS)	Php	(0.01)	Php	0.01

NIYOG PROPERTY HOLDINGS, INC.	Unaudited		Audited	
In Php 000s		**31-Mar-20**		**31-Dec-19**
Net Income	Php	4,555	Php	51,382
Return on Average Assets (ROA)*		2.95%		8.36%
Return on Average Equity (ROE)*		3.11%		8.85%
Capital to Total Assets		94.91%		95.27%
Non-Performing Loans (NPL) Ratio		0.00%		0.00%
Non-Performing Assets (NPA) Ratio		0.00%		0.00%
Earnings per Share (EPS)	Php	13.13	Php	36.94

**March 31, 2020 ratios/amounts were annualized*

RCBC LEASING AND FINANCE CORP. and Subsidiary In Php 000s		Unaudited 31-Mar-20		Audited 31-Dec-19
Net Income	Php	64,502	Php	105,628
Return on Average Assets (ROA)*		2.30%		1.04%
Return on Average Equity (ROE)*		11.89%		5.47%
Capital to Total Assets		18.98%		20.50%
Non-Performing Loans (NPL) Ratio		15.32%		13.41%
Non-Performing Assets (NPA) Ratio		9.74%		9.70%
Earnings per Share (EPS)	Php	0.18	Php	0.07

**March 31, 2020 ratios/amounts were annualized.*

RCBC's Total Assets was recorded at P715.322 billion.

Cash and Other Cash Items decreased by 2.68% or P454 million from P16.907 billion to P16.453 billion.

Due from Bangko Sentral ng Pilipinas also decreased by 38.00% or P33.157 billion from P87.255 billion to P54.098 billion mainly due to the decline in Due from BSP and Term Deposit accounts by P24 billion and P16 billion respectively.

Loans under reverse repurchase agreement increased by 431.59% or P24.894 billion from P5.768 billion to P30.662 billion mainly due to higher placements with the BSP.

Total trading investment securities, representing 13.64% of Total Resources, decreased by 39.29% or P63.149 billion from P160.719 billion to P97.57 billion mainly due to sale of Investment Securities at Amortized Cost which decreased by 72.71% or P73.388 billion from P100.926 billion to P27.538 billion; Financial Assets at Fair Value Through Profit or Loss increased by 39.47% or P2.19 billion from P5.548 billion to P7.738 billion due to the purchase of additional government securities; Financial Assets at Fair Value Through Comprehensive Income also increased by 14.84% or P8.049 billion from P54.245 billion to P62.294 billion also due to the purchase of additional government bonds.

Loans and Receivables-net grew by 4.67% or P20.979 billion from P449.219 billion to P470.198 billion primarily due to increase in corporate accounts and consumer loans portfolio. It represented 65.73% of Total Resources.

Deferred Tax Assets declined by 8.23% or P176 million from P2.140 billion to P1.964 billion due to the write off of allowance for credit losses and utilization of other temporary differences.

Bank Premises, Furniture, Fixtures & Equipment, net increased by 0.14% or P15 million from P11.059 billion to P11.074 billion.

Deposit liabilities were recorded at P488.335 billion and represented 68.27% of Total Resources. Demand deposits grew by 13.03% or P9.186 billion from P70.523 billion to P79.709 billion and accounted for 11.14% of Total Resources; Savings Deposits were recorded at P182.249 billion and accounted for 25.48% of Total Resources. Time deposits reached P226.376 billion and accounted for 31.65% of total resources.

Bills payable decreased by 69.86% or P70.987 billion from P101.606 billion to P30.619 billion primarily due to pay-off of foreign and local borrowings; it represented 4.28% of total resources. Bonds payable decreased by 12.65% or P12.242 billion from P96.814 billion to P84.572 billion attributable to the maturity of the $243 million Senior Notes in January 2020.

Other Liabilities decreased by 6.51% or P1.499 billion from P23.026 billion to P21.527 billion primarily due to the lower liabilities on bills purchased and outstanding acceptances payables.

Total liabilities stood at P630.614 billion and represented 88.16% of Total Resources

Net Unrealized Gains/ (Losses) on Financial Assets At Fair Value Through Other Comprehensive Income decreased by 53.06% or P474 million from P894 million to P420 million primarily due to lower market valuation of equity securities.

Retained Earnings increased by 7.63% or P2.299 billion from P30.143 billion to P32.442 billion mainly due to the net profit for the period.

Total Capital Funds was recorded at P84.708 billion and accounted for 11.84% of Total Resources.

INCOME STATEMENT: 31 March 2020 vs. 31 March 2019

Total interest income increased by 4.72% or P429 million from P9.083 billion to P9.512 billion and accounted for 95.19% of total operating income. Interest income on loans and receivables went up by 11.89% or P912 million from P7.671 billion to P8.583 billion and accounted for 85.89% of total operating income. The increase is mainly due to increase in average yield and volume of Loans and Receivables. Interest income on investment securities decreased by 42.33% or P559 million from P1.320 billion to P761 million mainly due to decline in interest rates, it accounted for 7.62% of total operating income. Other interest income, on the other hand, increased by 81.94% or P76 million from P93 million to P168 million primarily as a result of the increase in volume of Term Deposit.

Total interest expense decreased by 15.38% or P584 million from P3.796 billion to P3.212 billion and accounted 32.14% of total operating income. Interest expense on deposit liabilities decreased by 26.33% or P597 million from P2.268 billion to P1.671 billion primarily as a result of decrease in average cost; it represented 16.72% of total operating income. Interest expense on bills payable and other borrowings increased by 0.90% or P14 million from P1.527 billion to P1.541 billion mainly due to increase in ADB volume of Bonds Payable.

As a result, net interest income increased by 19.15% or P1.013 billion from P5.288 billion to P6.3 billion.

The Group booked higher impairment losses at P1.601 billion, up by 41.23% or P467 million from P1.134 billion and represented 16.02% of total operating income. Increase in impairment losses-net was mainly due to specific provisions and additional requirements following the bank's ECL methodology.

Other operating income increased by 29.17% or P834 million from last year's P2.859 billion now at P3.693 billion, this accounted for 36.95% of total operating income, and is broken down as follows:

- Trading and securities gain-net increased by P725 million from P1.451 billion to P2.176 billion, attributable to increase in realized trading gains from sale of investment securities, it accounted 21.77% of total operating income;

- Service fees and commissions decreased by 8.49% or P83 million from P977 million to P894 million largely due to lower service fees from the Bank's investment banking subsidiary;

- Trust fees decreased by 11.85% or P9 million from P79 million to P70 million due to lower market valuation of assets under management;

- Foreign exchange gains increased by 280 million from last year's loss of P5 million to this year's gain of P275 million. This was primarily due to higher net foreign currency position gains;

- Miscellaneous income decreased by 22% or P79 million from P357 million to P279 million partly due to lower gain on assets sold.

Operating expenses, accounted for 55.6% of Total Operating Income, increased by 6.2% or P324 million from P5.232 billion to P5.556 billion due to the following:

- Total Manpower costs was flat at P1.7110 billion;

- Occupancy and equipment-related decreased by 4.51% or P33 million from P736 million to P702 million. It consumed 7.03% of total operating income;

- Taxes and licenses grew by 14.87% or P104 million from P697 million to P801 million attributable gross receipt tax impact on higher gross revenues and higher documentary stamp tax due to higher volume of time deposits;

- Depreciation and amortization was recorded at P709 million, up by 23.05% or P133 million from P576 million attributable to higher depreciation of Other acquired assets and Computer software and equipment;

- Miscellaneous expenses went up by 7.99% or P121 million to settle at P1.633 billion from P1.512 billion primarily as a result of higher credit card and other volume-related expenses.

Tax expense increased by 10.9% or P52 million from P476 million to P527 million mainly due to higher final tax paid and lower deferred tax during the period.

Net profit attributable to non-controlling interest settled at P172 thousand, 60.56% or P264 thousand lower than last year's P436 thousand.

Overall, net income increased by 76.89% or P1.003 billion from P1.305 billion to P2.308 billion.

There were no significant elements of income or loss that did not arise from the bank's continuing operations.

Commitments and Contingent Liabilities

See accompanying Notes to FS for the detailed discussion of Commitments and Contingent Liabilities and the summary of contingencies and commitments arising from off-balance sheet items and their equivalent peso contractual amounts (Note 13).

There are also no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.

There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

Similarly, there were no significant elements of income or loss that did not arise from the Bank's continuing operations.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer **RIZAL COMMERCIAL BANKING CORPORATION**

Date **May 28, 2020**

EUGENE S. ACEVEDO
President & CEO

FLORENTINO M. MADONZA
FSVP, Head-Controllership Group

MA. CHRISTINA P. ALVAREZ
FSVP, Head-Corporate Planning Group

RIZAL COMMERCIAL BANKING CORPORATION
Aging of Other Receivables
As of March 31, 2020
(Amounts in Millions of Philippine Pesos)

	1-90 days	91-180 days	181-1 year	Over one year	Total	Allow	Net
Accounts Receivable	2,512	378	229	1,028	4,147	1,427	2,720

ANNEX C

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S S.

CERTIFICATION

I, **GEORGE GILBERT G. DELA CUESTA**, incumbent Corporate Secretary of the Rizal Commercial Banking Corporation (the "Bank"), a corporation organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal place of business at Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue corner Sen. Gil Puyat Avenue, Makati City, do hereby certify that, to the best of my knowledge, except as indicated below, none of the directors and officers listed in the Information Statement work with the government.

Mr. Gabriel S. Claudio currently serves as a member of the Board of Directors of the Philippine Amusement and Gaming Corporation (PAGCOR). Attached is a copy of a certification on the latest authority from the Board of Directors of PAGCOR allowing Mr. Gabriel S. Claudio to sit on the Board of Directors of the Bank.

IN WITNESS WHEREOF, I have hereunto signed this Certification this JUN 1 0 2020 at Makati City, Philippines.

GEORGE GILBERT G. DELA CUESTA
Corporate Secretary

SUBSCRIBED AND SWORN to before me this JUN 1 0 2020 at Makati City, affiant **GEORGE GILBERT G. DELA CUESTA** who is personally known to me exhibiting to me his IBP ID Lifetime Member No. 03276.

Doc. No. 64;
Page No. 19;
Book No. 521;
Series of 2020.

ATTY. CATALINO VICENTE L. ARABIT
Notary Public
Appointment No. M-30(2019-2020)
Until 31 December 2020
PTR NO. 8117176; 01-02-20; Makati City
IBP NO. 089306; 01-02-20; Makati City
ROLL NO. 40145
21st Floor Yuchengco Tower 2, RCBC Plaza
Ayala Avenue, Makati City

Philippine Amusement and Gaming Corporation

Creating Opportunities Beyond Gaming

09 June 2020

SECURITIES AND EXCHANGE COMMISSION
SEC MAIN OFFICE
Secretariat Building, PICC Complex
Roxas Boulevard, Metro Manila Philippines

ATTENTION: **ATTY. EMILIO BENITO AQUINO**
Chairman

SUBJECT: Appointment of Director Gabriel S. Claudio

Dear Chairman Aquino:

We write pursuant to the request of Director Gabriel S. Claudio who has been appointed as a Director of the Philippine Amusement and Gaming Corporation ("PAGCOR") by the President of the Republic of the Philippines and is currently one of the Independent Directors of the Rizal Commercial Banking Corporation ("RCBC"), and in compliance with the requirement of the Securities and Exchange Commission ("SEC").

On behalf of the PAGCOR Board of Directors ("PAGCOR Board"), please be informed that the PAGCOR Board does not object against Mr. Gabriel S. Claudio, an appointed director of PAGCOR, to concurrently hold the position of Independent Director in RCBC, subject to existing laws, rules and regulations, and to any conflict of interest that may arise in the future.

Very truly yours,

Jun Sañosa

JUANITO L. SAÑOSA, JR.
Corporate Secretary

Copy Furnished:

ANDREA D. DOMINGO
Chairperson/Chief Executive Officer

ALFREDO C. LIM
President/Chief Operating Officer

REYNALDO E. CONCORDIA
Director

DIRECTOR GABRIEL S. CLAUDIO
Director

CARMEN N. PEDROSA
Director

ANNEX "D"

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ARMANDO M. MEDINA,** Filipino, of legal age and a resident of 101 Lanzones Dr. Ayala Westgrove Heights, Silang, Cavite, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of the Rizal Commercial Banking Corporation and have been its independent director since February 26, 2003. Pursuant to SEC Memorandum Circular No. 4 series of 2017, I have a maximum of 9 years (cumulative) from 2012, or until 2021, within which to serve as Independent Director.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
RCBC Capital Corporation	Independent Director	2011/02/17 to present
Malayan Insurance Co. Inc.	Independent Director	2011/07/26 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Rizal Commercial Banking Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of (RCBC and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code, (where applicable)

NAME OF DIRECTOR/ OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N/A		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding **or** I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/ INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
N/A		

6. I am not in government service/affiliated with a government agency or GOCC.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of any changes in the abovementioned information within five days from its occurrence.

Done, this day of JUN 10 2020 at Makati City.

ARMANDO M. MEDINA
Affiant

SUBSCRIBED AND SWORN to before me this day of JUN 10 2020 at MAKATI CITY, affiant, who is personally known to me, appeared before me and exhibited to me his Philippine Passport No. P4912127B which is valid until February 21, 2030.

Doc. No. 74;
Page No. 16;
Book No. 121;
Series of 2020.

ATTY. CATALINO VICENTE L. ARABIT
Notary Public
Appointment No. M-30(2019-2020)
Until 31 December 2020
PTR NO. 8117176; 01-02-20; Makati City
IBP NO. 089306, 01-02-20; Makati City
ROLL NO. 40145
21st Floor Yuchengco Tower 2, RCBC Plaza
Ayala Avenue, Makati City

Annex D-1

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **JUAN B. SANTOS,** Filipino, of legal age and a resident of 2420 Bougainvilla St., Dasmariñas Village, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of the Rizal Commercial Banking Corporation and have been its independent director since November 2, 2016.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Philippine Investment Management Corp.	Director	Dec 2018 - Present
Mitsubishi Motor Phil. Corp.	Advisory Board	Jan-15 to present
House of Investments, Inc.	Director	Oct-14 to present
Philippine Investment Management, Inc. (PHINMA)	Director	Aug-13 to present
Dualtech Training Center Foundation	Trustee	Mar-12 to present
First Philippine Holdings Co.	Director	Jun-09 to present
East-West Seed Co. Inc. (Phils.)	Advisory Board	2008 to present
Marsman-Drysdale Group	Consultant	Sep-07 to present
SunLife Grepa Financial, Inc.	Independent Director	Oct-06 to present
St. Luke's Medical Center	Trustee	Aug-05 to present
Allamanda Management Corp.	Director	January 2000 – Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Rizal Commercial Banking Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of (RCBC and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code, (where applicable)

NAME OF DIRECTOR/ OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N/A		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding **or** I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/ INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
N/A		

6. I am not in government service/affiliated with a government agency or GOCC.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of any changes in the abovementioned information within five days from its occurrence.

Done, this day of JUN 10 2020 at Makati City.

JUAN B. SANTOS
Affiant

SUBSCRIBED AND SWORN to before me this day of JUN 10 2020 at Makati City, affiant who is personally known to me, appeared before me and exhibited to me his Philippine Passport No. P4425820A which is valid until September 18, 2022

ATTY. CATALINO VICENTE L. ARABIT
Notary Public
Appointment No. M-30(2019-2020)
Until 31 December 2020
PTR NO. 8117176; 01-02-20; Makati City
IBP NO. 089306, 01-02-20; Makati City
ROLL NO. 40145
21st Floor Yuchengco Tower 2, RCBC Plaza
Ayala Avenue, Makati City

Doc. No. 73;
Page No. 16;
Book No. 121;
Series of 2020.

Annex D-2

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ADELITA A. VERGEL DE DIOS,** Filipino, of legal age and a resident of 280 Tomas Morato Avenue, Quezon City after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of the Rizal Commercial Banking Corporation and have been its independent director since June 27, 2016.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
N/A		

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Rizal Commercial Banking Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of (RCBC and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code, (where applicable)

NAME OF DIRECTOR/ OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N/A		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding **or** I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/ INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
N/A		

6. I am not currently in government service/affiliated with a government agency or GOCC.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing

Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of any changes in the abovementioned information within five days from its occurrence.

Done, this day of JUN 10 2020 at Makati City.

ADELITA A. VERGEL DE DIOS
Affiant

SUBSCRIBED AND SWORN to before me this day of JUN 10 2020 at Makati City, affiant, who is personally known to me, appeared before me and exhibited to me her Philippine Passport No. P7262666A which is valid until May 21, 2028.

ATTY. CATALINO VICENTE L. ARABIT
Notary Public
Appointment No. M-30(2019-2020)
Until 31 December 2020
PTR NO. 8117176; 01-02-20; Makati City
IBP NO. 089306; 01-02-20; Makati City
ROLL NO. 40145
21st Floor Yuchengco Tower 2, RCBC Plaza
Ayala Avenue, Makati City

Doc. No. 72;
Page No. 16;
Book No. 521;
Series of 2020.

Annex D-3

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **GABRIEL S. CLAUDIO,** Filipino, of legal age and a resident of 800 Alpha Road, Alpha Village, Capitol Hills Drive, Old Balara, Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of the Rizal Commercial Banking Corporation and have been its independent director since July 25, 2016.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Philippine Amusement & Gaming Corporation	Member, Board of Directors	Jul-16 to present
Ginebra San Miguel, Incorporated	Member, Board of Directors	Jun-11 to present
Risk & Opportunities Assessment Management	Vice Chairman/Member, Board of Directors	Nov-11 to present
Conflict Resolution Group Foundation (CORE)	Member, Board of Directors	Sep-10 to present
Toby's Youth Sports Foundation	Member, Board of Directors	Mar-11 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Rizal Commercial Banking Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of (RCBC and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code, (where applicable)

NAME OF DIRECTOR/ OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N/A		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding **or** I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/ INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
N/A		

6. I have the required written permission or consent from the head of the Philippine Amusement and Gaming Corporation to be an independent director in the Rizal Commercial Banking Corporation, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of any changes in the abovementioned information within five days from its occurrence.

Done, this day of JUN 10 2020 at Makati City.

GABRIEL S. CLAUDIO
Affiant

SUBSCRIBED AND SWORN to before me this day of JUN 10 2020 at Makati City, affiant, who is personally known to me, appeared before me and exhibited to me his Philippine Passport No. P3227481B which is valid until September 15, 2029.

Doc. No. 71;
Page No. 16;
Book No. 521;
Series of 2020.

ATTY. CATALINO VICENTE L. ARABIT
Notary Public
Appointment No. M-30(2019-2020)
Until 31 December 2020
PTR NO. 8117176; 01-02-20; Makati City
IBP NO. 089306; 01-02-20; Makati City
ROLL NO. 40145
21st Floor Yuchengco Tower 2, RCBC Plaza
Ayala Avenue, Makati City

Annex D-4

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **VAUGHN F. MONTES,** Filipino, of legal age and a resident of 30 Nottingham St. Hillsborough Alabang Village, Cupang, Muntinlupa 1770, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of the Rizal Commercial Banking Corporation and have been its independent director since September 26, 2016.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Parents for Education Foundation (PAREF)	Trustee	2000 to present
PAREF Southridge School for Boys	Chairman and President	2014 to present
PAREF Westbridge School for Boys	Trustee	2000 to present
PAREF Northfield School for Boys	Trustee	2000 to present
Foundation for Economic Freedom	Founding Fellow/Trustee	2014 to present
Center for Family Advancement	President	2017 to present
Center for Excellence in Governance	Director	2016 to present
Institute for Corporate Directors	Teaching Fellow - Corporate Governance	2015 to present
Asian Development Bank Technical Assistance Grant on Public Private Partnerships Program	National Consultant on Public Private Partnerships Risk Management to the National Economic Development Authority / Public Private Partnership Center	2012 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Rizal Commercial Banking Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of (RCBC and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code, (where applicable)

NAME OF DIRECTOR/ OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
NA		

5. I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/ INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
State offense investigated (suit filed against all DBP Directors)	Office of the Ombudsman (OMB-C-C-16-0408; OMB-C-A-16-0360; Business Driven Resource Realignment Program)	Case dismissed
State offense investigated (suit filed against all DBP Directors)	Office of the Ombudsman (July 2015 complaint re GCG-approved bonuses given to more than 2,200 DBP employees)	Pending. There has been no action on the case by the Ombudsman ever since the complaint was filed in 2015.
State offense investigated (suit filed against all DBP Directors) Suit filed against all DBP Directors, Ombudsman, and Governor of Marinduque (deceased	Office of the Ombudsman (OMB-L-A-16-0543; Loan to Province of Marinduque) Court of Appeals.`CA G.R. SP. No. 154733	Case dismissed. Pending.

6. I am not in government service/affiliated with a government agency or GOCC. I was, however, a national consultant on Public Private Partnerships (PPP) Risk Management to Department of Finance/Bureau of Treasury (from December 2011 to December 2016) and am a national consultant on PPP Risk Management to the National Economic Development Authority/PPP Center (from February 2012 to the present), both under the Asian Development Bank Technical Assistance Grant on PPP Program. The posts are appointive and part-time.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of any changes in the abovementioned information within five days from its occurrence.

Done, this day of JUN 10 2020 at Makati City.

VAUGHN F. MONTES
Affiant

SUBSCRIBED AND SWORN to before me this day of JUN 10 2020 at Makati City, affiant, who is personally known to me, appeared before me and exhibited to me his Philippine Passport No. P1186014B which is valid until March 24, 2029.

Doc. No. 69;
Page No. 15;
Book No. 521;
Series of 2020.

ATTY. CATALINO VICENTE L. ARABIT
Notary Public
Appointment No. M-30(2019-2020)
Until 31 December 2020
PTR NO. 8117176; 01-02-20; Makati City
IBP NO. 089306; 01-02-20; Makati City
ROLL NO. 40145
21st Floor Yuchengco Tower 2, RCBC Plaza
Ayala Avenue, Makati City

Annex D-5

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **LAURITO E. SERRANO,** Filipino, of legal age and a resident of 32M One Roxas Triangle, Paseo De Roxas Avenue, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of the Rizal Commercial Banking Corporation and have been its independent director since March 20, 2019.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
2GO Group Inc.	Independent Director	April, 2017 to present
Atlas Consolidated Mining & Development Corporation	Independent Director	August, 2012 to present
Pacific Online Systems Corporation	Independent Director	May, 2014 to present
APC Group, Inc.	Independent Director	June, 2013 to ASM of 2020
Axelum Resources Corp.	Independent Director	April, 2017 to present
MRT Development Corporation	Director	July, 2013 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Rizal Commercial Banking Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of (RCBC and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code, (where applicable)

NAME OF DIRECTOR/ OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N/A		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding **or** I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/ INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
N/A		

6. I am not in government service/affiliated with a government agency or GOCC.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of any changes in the abovementioned information within five days from its occurrence.

Done, this day of JUN 10 2020 at Makati City.

LAURITO E. SERRANO
Affiant

SUBSCRIBED AND SWORN to before me this day of JUN 10 2020 at Makati City, affiant who is personally known to me appeared before me and exhibited to me his Philippine Passport No. P1780647A, which is valid until January 26, 2022.

Doc. No. 70
Page No. 15
Book No. 521
Series of 2020.

ATTY. CATALINO VICENTE L. ARABIT
Notary Public
Appointment No. M-30(2019-2020)
Until 31 December 2020
PTR NO. 8117176; 01-02-20; Makati City
IBP NO. 089306; 01-02-20; Makati City
ROLL NO. 40145
21st Floor Yuchengco Tower 2, RCBC Plaza
Ayala Avenue, Makati City

RIZAL COMMERCIAL BANKING CORPORATION
Minutes of the Annual Stockholders' Meeting

Date	:	**24 June 2019**
Time	:	**4:00 PM**
Place	:	**Alfonso Sycip Executive Lounge** *47th Floor, RCBC Plaza* *6819 Ayala Avenue corner* *Sen. Gil J. Puyat Avenue,* *Makati City*

Pursuant to notices served to all stockholders, the Annual Stockholders' Meeting of Rizal Commercial Banking Corporation (the "Bank") was held on June 24, 2019 at 4:00 PM at the Alfonso Sycip Executive Lounge, 47th Floor, RCBC Plaza, 6819 Ayala Avenue corner, Sen. Gil J. Puyat Avenue, Makati City.

Chairperson H. Y. Dee presided over the meeting, while the Corporate Secretary, Atty. George Gilbert G. dela Cuesta, recorded the proceedings. Calling the meeting to order, Chairperson H. Y. Dee asked the Corporate Secretary whether proper notice of the meeting was sent to each stockholder of record and whether there was quorum for the transaction of business.

I. **Proof of Notice** — The Corporate Secretary presented a certificate stating the notices for the meeting were duly served to all stockholders of record in accordance with the Bank's By-Laws, as proof of notice of the meeting.

II. **Quorum** — The Corporate Secretary reported that there were present in person and by proxy stockholders representing a total of 1,607,576,384 common and preferred shares of stocks or 83.04% of the Bank's total outstanding 1,935,896,306 common and preferred shares entitled to vote

In view of the foregoing, the Corporate Secretary certified the presence of a quorum. The list of stockholders who were personally present and those who were represented by proxy is hereto attached and made an integral part of the record.

All the directors and the senior management officers were in attendance.

The Corporate Secretary explained that voting is by poll and the Bank has engaged an independent party, Punongbayan & Araullo, to count and/or validate the votes of the meeting.

Having been ascertained of the presence of a quorum, the Chairperson declared the agenda open for deliberation.

III. **Approval of the Minutes —** The reading of the Minutes of the Annual Stockholders' Meeting held on June 25, 2018 and the Special Meeting held on February 26, 2019, was dispensed with upon motion duly made and seconded.

There being no other objections, comments, or corrections on the Minutes of the Annual Stockholders' Meeting held on June 25, 2018 and the Special Meeting held on February 26, 2019, the stockholders present in person or by proxy representing

1,607,576,880 shares or 100% of the votes cast and 1,593,390,318 or 99.12% of the votes cast voted in favor of approval of the minutes of the Annual Stockholders' Meeting held on June 25, 2018 and the Special Meeting held on February 26, 2019, respectively, under the following resolution:

Resolution No. 19-02

> "BE IT RESOLVED, AS IT IS HEREBY IS RESOLVED, That the stockholders hereby approve, confirm and ratify the Minutes of the Annual Stockholders' Meeting held on June 25, 2018 and the Special Meeting held on February 26, 2019, copies of which were circulated earlier before the start of the meeting to the stockholders present."

VI. Approval of the Annual Report and Audited Financial Statement for 2018— The Annual Report and the 2018 audited financial statements of the Bank contained therein, copies of which were furnished the stockholders together with the notice of meeting, were explained and submitted to the stockholders for approval.

Atty. dela Cuesta explained that the Annual Report furnished the stockholders together with the Definitive Information Statement includes, among others, the following matters: (a) an explanation of the dividend policy and dividend payments; (b) material information on the current stockholders and their voting rights; and (c) a detailed, descriptive and balanced assessment of the Bank's performance. The duly signed and certified Audited Financial Report also includes a statement on the adequacy of the corporation's internal controls or risk management systems, and a statement of all external audit and non-audit fees.

The President and CEO, Mr. Gil A. Buenaventura, reported that the Bank generated a net income of Php4.32 billion in 2018, Php11 million higher than last year, as a result of the Bank's focus on the core business and going back to basics. Out of the total Php26 billion Revenue generated in 2018, majority of the income is attributed to the Bank's business of lending, the Net Interest Income comprises 77% of the Gross Income. The Bank has managed to boost Net Interest Income of Php20.6 billion in 2018, an increase of 14% from the previous performance. Despite the challenging macro environment in 2018, with inflation reaching a high of 6.7% in October and the 1.75 percentage points rate hike of the BSP, the Bank still managed to close the year with a Net Interest Margin of 4.00%, among the highest in the banking industry. The Bank's balance sheet position is also now stronger than ever - by the end of 2018, the Bank's Php645 billion balance sheet was 16% higher than last year's Php554 billion, based on solid growth in loans. In nearly all of the borrowing segments served by the Bank, it saw sustained double digit growth. The Bank's growth strategy is anchored on a growing and well-diversified loan portfolio. The Bank's Net loans increased by 12% year-on-year, reaching P398 billion in 2018 or a 3-year compounded annual growth rate of 14%. As for the funding strategy, this was supported by a diversified funding mix from deposits, growing by 9% year-on-year to P423 billion or a 3-year compounded annual growth rate of 10%. Loans to key segments have been growing at a double digit pace, with the SME portfolio growing by 28% and consumer loans by 17%. With consumer spending continuing to drive the Philippine economy, the need for financial services contributed to the Bank's growth in this market: mortgage or housing loans increased by 14% and demand for auto financing was likewise strong in 2018 with a growth of 13%, while credit card receivables increased by a substantial 31%. Building and maintaining a strong capital base remains key in the Bank's strategy. Regulatory developments and a stable source of funding for asset growth were main considerations for the Bank to actively strengthen its capital base. As a result of the stock rights offering, capital ratios are significantly higher, with Capital Asset Ratio of 16.13% and Common Equity Tier 1 ratio of 13.38%, both poised to support the future growth plans of the bank.

Mr. Buenaventura also presented the Bank's digital platforms through which it improves its customer service. He said that the Bank continuously builds customer centric integrated channels that are flexible and scalable and will result to more meaningful and profitable customer relationships. He also highlighted the platforms that open opportunities for new business models and create digital solutions for a more convenient, seamless and secure banking experience. The Bank, with the support of the BSP, is taking the lead in bringing digital financial services closer to more Filipinos as it works with eCurrency Mint's solution to introduce RCBC ePiso. It is the country's first digital currency that is stored in a mobile wallet app to enable everyone to enjoy daily cashless transactions. The Bank has launched an Online FX Trading Platform allowing the clients to buy and sell currencies, the first and only online foreign exchange execution platform in the country. The Bank introduced the RCBC Cash Express, the country's first neighborhood ATM that enables the bank's customers to do various regular banking transactions even through sari-sari stores.

Mr. Buenaventura mentioned that in 2018, the Bank's efforts in good governance were recognized and it received regulatory relief from previous restrictions. Moreover, the AMLC and the BSP have specifically identified RCBC to actively participate and extend the necessary assistance in the conduct of the Asia Pacific Group's 3rd round of Mutual Evaluation for the Philippines by the Financial Action Task Force (FATF), particularly due to the improvements that the Bank implemented in relation with its Money Laundering/Terrorist Financing Prevention Program. The international body saw merit in the Bank's AML practices and envisioned the process to become best practices for the industry.

Mr Buenaventura then mentioned that he Bank initiated partnerships with its respected peers abroad to help foster the growth of trade and commerce among their countries. The Bank signed cooperative partnerships with Kookmin Bank, one of South Korea's largest banks, and Shoko Chukin Bank Ltd of Japan, paving the way for RCBC to provide banking services and financial information assistance to Korean corporates and Japanese-owned SMEs. Its ties with Japan's 5th largest banking group, Resona Holdings, will assist small and mid-sized Japanese and Filipino businesses seeking to expand their markets. The Bank continued to actively fund renewable energy projects, such as the 330MegaWatt solar farm in Vietnam, one of the largest solar farms in Southeast Asia. The bank is the sole lender, providing non-recourse project financing of $232 million dollars. The Bank also fulfilled its role in the goal of nation-building through engagements such as the financing of one of the country's biggest infrastructure projects, the Cebu-Cordova Link Expressway under a Public-Private Partnership arrangement with the local governments of Cebu City and Cordova Municipality and the construction and development of CALAX, a 45km tolled expressway crossing the provinces of Cavite and Laguna. Lastly, as part of the Bank's strategy to improve over-all efficiencies, the Bank's board approved the plan merger of RCBC Savings Bank and the Parent Universal Bank in February 2019.

Mr. Buenaventura extended his sincerest thanks to the Chairperson and the rest of the members of the Bank's Board of Directors for their trust and support for the last three years.

The stockholders were given the opportunity to ask questions on the Bank's Annual Report and 2018 Audited Financial Statements. There being no questions, on motion duly made and seconded, the stockholders present in person or by proxy representing 1,606,391,545 shares or 99.93% of the votes cast passed and approved the following resolution:

Resolution No. 19-03

> "BE IT RESOLVED, AS IT IS HEREBY IS RESOLVED, That the stockholders hereby approve the Annual Report and Audited Financial Statements of the Bank for the year 2018."

V. <u>Ratification of actions of the Board of Directors, different Committees and Management</u> — The stockholders present then considered the ratification of the actions of the Board of Directors, the different Committees and Management of the Bank during the year in review.

After proper deliberation and on motion duly made and seconded, the stockholders present in person or by proxy representing 1,606,391,545 shares or 99.93% of votes cast approved the following resolution:

Resolution No. 19-04

> "BE IT RESOLVED, AS IT IS HEREBY IS RESOLVED, That the stockholders hereby approve, confirm and ratify, the actions of the Board of Directors, different Committees and Management for the year 2018."

VI. Confirmation of Significant Transactions with DOSRI and Related Parties — The stockholders present then considered the confirmation of significant transactions with DOSRI and related parties approved by the Board of Directors, the different Committees and Management of the Bank during the year in review.

Atty. dela Cuesta reported that significant transactions with DOSRI and related parties for the year 2018 include loans and deposit liabilities; trading of investment securities; lease and sub-lease with RCBC Realty Corporation; lease with RCBC Savings Bank (RSB); service agreement with Bankard Inc. (now RBSC); capital infusion into RCBC Leasing and Finance Corporation; service agreement with RSB and RBSC; service agreement with RCBC Forex Brokers Corp and RSB; service agreements with RCBC Capital Corp., RCBC Securities, Inc., RCBC Merchant Savings and Loan Association, Inc., RCBC Leasing and Finance Corporation and Niyog Property Holdings, Inc.; and the administration and management of some of the retirement funds of the Bank's subsidiaries. The Bank's other transactions with affiliates include service agreements, leasing office premises to subsidiaries, and regular banking transactions (such as purchases and sales of trading account securities, securing insurance coverage on loans and property risks and intercompany advances). Details of said related party transactions are disclosed in the Bank's SEC 17-A Report which is also available at the Bank's website. Proper references to the disclosures on the details of the said transactions were indicated in the Annual Report accompanying the Definitive Information Statement which documents were furnished to all stockholders together with the Notice of Meeting.

After proper deliberation and on motion duly made and seconded, the stockholders present in person or by proxy representing 1,607,576,880 shares or 100% of the votes cast approved the following resolution:

Resolution No. 19-05

> "BE IT RESOLVED, AS IT IS HEREBY IS RESOLVED, That the stockholders hereby approve, confirm and ratify, the significant transactions with DOSRI and related parties approved by the Board of Directors, the different Committees and Management for the year 2018."

VII. Election of Directors — The next item in the Agenda was the election of Directors of the Bank for the year 2019-2020. Submitted for nomination were the following stockholders as members of the Board of Directors.

As Regular Directors

1. Ms. Helen Y. Dee
2. Mr. Eugene S. Acevedo
3. Mr. Gil A. Buenaventura
4. Mr. Cesar E.A. Virata
5. Mr. Richard Westlake

6. Mr. John Law
7. Mr. Arnold Kai Yuen Kan
8. Mr. Shih-Chiao (Joe) Lin, and
9. Atty. Lilia B. De Lima

As Independent Directors

1. Mr. Armando M. Medina
2. Mr. Juan B. Santos
3. Atty. Adelita A. Vergel De Dios
4. Mr. Gabriel S. Claudio
5. Mr. Vaughn F. Montes, and
6. Mr. Laurito E. Serrano

The Chairperson stated that the stockholders are required to elect at least five independent directors to the Board as the Bank is a listed company. The Definitive Information Statement and its Annexes, which were provided the stockholders together with the Notice of Meeting, include the qualifications, experience, length of service, training and representations of each of the nominated directors. Likewise included were information on the attendance of each incumbent director at the relevant meetings of the Bank, appraisal and performance reports of the Board (with the criteria and assessment procedure), as well as the director compensation report.

Upon motion made and duly seconded, the nominations were closed. There being no objection to the closure of the nomination, and the persons nominated being equal to the number of the directors to be elected, Chairperson H.Y. Dee then directed the Corporate Secretary to cast all votes equally in favor of the aforementioned nominees, subject to specific instructions on casting of votes on the proxies received by the Bank. As verified and tabulated by independent third party Punongbayan and Araullo, the votes for the directors were as follows:

	FOR	PERCENTAGE
1. Ms. Helen Y. Dee	1,607,218,181	99.98%
2. Mr. Eugene S. Acevedo	1,607,576,880	100.00%
3. Mr. Gil A. Buenaventura	1,607,576,880	100.00%
4. Mr. Cesar E.A. Virata	1,607,257,587	99.98%
5. Mr. Richard Westlake	1,607,257,587	99.98%
6. Mr. John Law	1,607,576,880	100.00%
7. Mr. Arnold Kai Yuen Kan	1,607,576,880	100.00%
8. Mr. Shih-Chiao (Joe) Lin	1,607,576,880	100.00%
9. Atty. Lilia B. De Lima	1,499,701,238	93.29%
10. Mr. Armando M. Medina	1,499,381,945	93.27%
11. Mr. Juan B. Santos	1,591,307,175	98.99%
12. Atty. Adelita A. Vergel De Dios	1,607,576,880	100.00%
13. Mr. Gabriel S. Claudio	1,607,576,880	100.00%
14. Mr. Vaughn F. Montes	1,607,576,880	100.00%
15. Mr. Laurito E. Serrano	1,536,106,082	95.55%

Thereafter, Chairperson H.Y. Dee declared all the nominees elected under the following resolution:

Resolution No. 19-06

"BE IT RESOLVED, AS IT IS HEREBY IS RESOLVED, That the stockholders duly elected the members of the Board of Directors of the Bank as named hereunder, to hold office for a term of one year until their successors shall have been duly elected and qualified:

As Regular Directors:

1. Ms. Helen Y. Dee
2. Mr. Eugene S. Acevedo
3. Mr. Gil A. Buenaventura
4. Mr. Cesar E.A. Virata
5. Mr. Richard Westlake
6. Mr. John Law
7. Mr. Arnold Kai Yuen Kan
8. Mr. Shih-Chiao (Joe) Lin, and
9. Atty. Lilia B. De Lima

As Independent Directors:

1. Mr. Armando M. Medina
2. Mr. Juan B. Santos
3. Atty. Adelita A. Vergel De Dios
4. Mr. Gabriel S. Claudio
5. Mr. Vaughn F. Montes, and
6. Mr. Laurito E. Serrano

VIII. **Appointment of External Auditor**— The appointment of the External Auditor of the Bank was next taken up. Punongbayan & Araullo is proposed to be re-appointed as auditor of the Bank for the year ending December 31, 2019.

After proper deliberation and on motion duly made and seconded, the stockholders present in person or by proxy representing 1,536,395,375 shares or 95.57% of the votes cast approved the following resolution:

Resolution No. 19-07

"BE IT RESOLVED, AS IT IS HEREBY IS RESOLVED, That the stockholders approve that the services of Punongbayan & Araullo be retained as External Auditor of the Bank for the fiscal year 2019."

IX. **Open Forum** – The Chairperson opened the floor to the stockholders for questions. There were no questions and other matters brought up or transacted by the stockholders.

X. **Adjournment** — There being no other business to transact, the body, on motion duly made and seconded, adjourned its meeting at 04:25 P.M.

Attachment:

1. *List of Stockholders Present*

TEMPLANZA, ELIZABETH C.
LAO, JOHN T.
DIPASUPIL, EUSEBIO A.
CO KIAN CHAY
CO, KIAN CHAY G.
VALENCIA, JESUS SAN LUIS
VILLANUEVA, FRANK CHUA
BOTSCHAFT N. CHENG OR SEVILA NGO
DEE, HELEN Y.
YUCHENGCO, ALFONSO T.
A. T. YUCHENGCO, INC.
PAN MALAYAN MANAGEMENT AND INVESTMENT CORPORATION
VIRATA, CESAR E.A.
CRUZ, NORLABEL DELA
ZIALCITA, XAVIER
UY CHUN BING
CHUA, TERESITA WY
CHUA, WILLINGTON WY
LAUREL, FRANCIS
YUCHENGCO, YVONNE S.
DIPASUPIL, MARGARITA F.
HYDEE MANAGEMENT & RESOURCE CORPORATION
NERA, MEDEL T.
CHAN, TZE CHING I.
LAW, JOHN
DIPASUPIL, CHRISTIAN FANDIALAN
ESTERO, FELICITAS DIPASUPIL
HSBC OBO MLA
STANDARD CHARTERED OBO RBC INVESTOR SERVICES TRUST CLIENT AC
DEUTSCHE BANK AG MANILA
CITIBANK FAO CITIOMNIFOR
CITIBANK FAO CITIOMNIFOR
CITIBANK FAO CITIOMNIFOR
CITIBANK FAO CITIOMNIFOR
CITIBANK FAO CITIOMNIFOR
CITIBANK FAO CITIOMNIFOR
CITIBANK FAO CITIOMNIFOR
RCBC TRUST & INVESTMENT GROUP FAO ROWENA C. PAGCU/GUI9LLERMO B. IBALLO JR
MALAYAN INSURANCE CO., INC
BANKERS ASSURANCE CORP
FIRST NATIONWIDE ASSURANCE CORP
MICO EQUITIES INC
PHILSTOCKS FAO ESPERANZA S. LOPEZ AND OR GERTRESPER L. CATOLICO
ABACUS SEC FAO TAN TOK SUY &/OR TERESITA QUE TAN
COL FAO CARINA SI. NONATO JOINTLY RAMONCITO SI. NONATO
FIRST METRO FAO JOSE L. ONG JR.
COL FAO RUDOLFO G. ALDAY WITH ROWEL G. ALDAY
BDO SEC FAO MEYNARDO TORNEROS TALENS JR.OR MEYNARDO CABRERA TALENES
COL FAO JOSE L. ONG JR.
TOWER SEC FAO CARLOS S. TAN &/OR ELSIE DIOSO
COL FAO YOLANDA M. DELA CRUZ JOINTLY EMILIO M. DELA CRUZ
COL FAO PRINCESS GRACE M. DELA CRUZ JOINTLY EMILIO M. DELA CRUZ
COL FAO PAUL JOSEPH M. DELA CRUZ
COL FAO GREGORIO I. CALIXTO
BPI SEC FAO SOCORRO MARIA I. CALIXTO
COL FAO ROMMEL V. SONGCO
COL FAO ROMMEL 2 V. SONGCO
TANSENGCO & CO. FAO CONSTANTINO CHUA
BDO NOMURA FAO ALLAN JALIMAO VEGA
MAYBANK ATR KIMENG FAO JOSE JIMENEZ LEONARDO
BDO SEC FAO JERRY TEO CHUA OR BONIFACIO T. CHUA ENG GEE
COL FAO ERBITO G. ABILLON
COL FAO RAMONCITO S. NONATO JOINTLY RAMON B. NONATO
ANSALDO GODINEZ FAO DY CATLINA AND JACINTO G CO
RCBC SECURITIES
PAPA SEC FAO BUENAVENTURA, NELDA /OR AMIEL, JR
COL FAO PLANTILLA III, NIMFA R. JOINTLY PLANTILLA, JAN KEANU JR.
COL FAO DANILO L. MONTE JOINTLY LOLITA T. MONTE
COL FAO LAIZA EUNICE T. MONTE
PHILSTOCKS FAO CHARLES KENRICK CO SO SY OR ABIGAIL CO SO CY