



15 January 2019

**MS. JANET A. ENCARNACION**  
Head, Disclosure Department  
**THE PHILIPPINE STOCK EXCHANGE, INC.**  
PSE Tower, 5<sup>th</sup> Avenue cor. 28<sup>th</sup> Street  
Bonifacio Global City  
Taguig City

Dear Ms. Encarnacion,

This refers to the news article entitled “Banks’ Hanjin exposure credit negative – Moody’s” in The Manila Times (Internet Edition) posted on January 15, 2019. The article reported in part that:

....

*‘Of the five banks, RCBC has the largest exposure to HHIC-Phil at around \$140 million and will therefore be most affected,’ the debt watcher noted.  
It estimated that RCBC’s gross nonperforming loan (NPL) ratio would almost double to 4.3 percent from 2.2 percent, based on 2017 financials, after accounting for its exposure to Hanjin.*

....

*‘For RCBC, our assumed credit losses for the worst-case scenario exceed the bank’s pre-provision income and will reduce its capital ratio by around 50 basis points,’ the debt watcher noted.*

....”

We confirm that RCBC has an exposure to HHIC-Phils amounting to \$145M, with four (4) shipbuilding contracts, the completion of which will allow the repayment of the loan. The local banks have a Parent Guaranty from Hanjin Korea, which secures the exposure to HHIC Phils.

The total exposure is only 1% of RCBC's Assets of Php614Billion and less than 2% of the Php 387 Billion of Total Net Loans. The Bank’s Net NPL of 1.2% as of Sept 2018 will increase as a result of this exposure and corresponding provisions will be made based on accounting standards and regulatory guidelines. The Bank’s Balance Sheet, with Capital of Php 84Billion as of Sept 2018, is in a strong position to absorb these provisions. Even with this default, the



Bank's Capital Adequacy ratio of 17.3 % as of September 2018, remains very strong, well-above regulatory minimum and can still support medium term loan growth. We cannot confirm the impact to the ratios mentioned in the article, as these are estimates of Moodys and based on their assumptions and scenarios.

We trust that this clarifies the news report.

Thank you.

Very truly yours,

A handwritten signature in blue ink that reads 'Ma. Christina P. Alvarez'.

**MA. CHRISTINA P. ALVAREZ**  
Senior Vice President and Corporate Information Officer  
Rizal Commercial Banking Corporation

cc: Ms. Paula Beatrice A. Bueno, Philippine Dealing and Exchange Corporation