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Report of Independent Auditors

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Rizal Commercial Banking Corporation and subsidiaries (together hereinafter referred to as the Group) and of Rizal Commercial Banking Corporation (the Parent Company), which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Group and of the Parent Company as at December 31, 2018 and 2017, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2018 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<u>Key audit matters identified in our audit of the financial statements of the Group and of the Parent Company:</u>

(a) Adoption of Expected Credit Loss Model for Loans and Receivables under PFRS 9, Financial Instruments

Description of the Matter

As described in Note 2 to the financial statements, the Group and the Parent Company have adopted on January 1, 2018, the new impairment requirements under PFRS 9, *Financial Instruments*, which fundamentally changed the Group's and the Parent Company's assessment and accounting for impairment losses of its loans and receivables portfolio from an incurred loss model to a forward-looking expected credit loss (ECL) model. As of December 31, 2018, the Group's and the Parent Company's loans and receivables comprise 62% and 58% of the total resources, respectively, while as at January 1, 2018, these comprise 64% and 60% of the Group's and the Parent Company's total resources, respectively. We have identified this area a key audit matter as PFRS 9 is a new and complex accounting standard that:

- requires significant management judgment on the interpretation and implementation of the requirements of the standard in assessing impairment losses based on an ECL model that involves defining when does default occur and what constitute a significant increase in the credit risk of different loans and receivables portfolio;

- involves high degree of estimation uncertainty related to management's use of various inputs and assumptions applied in the ECL model such as credit risk rating of the borrower, expected amount and timing of cash flows, including recovery of collaterals for defaulted accounts, and forward-looking macroeconomic information which may be affected by management estimation bias; and,

- requires complex estimation process that entails implementation of internal controls and use of information system in ensuring the completeness and accuracy of data used in the ECL calculation and in the preparation of required disclosures in the financial statements.

In addition, the application of the ECL model requires comprehensive and complex disclosures on the Group's and the Parent Company's financial statements as at January 1, 2018, and for each reporting period. The impact of the adoption of the ECL model at transition date and as at December 31, 2018 are disclosed in Notes 2 and 11, respectively, while the summary of significant accounting policies, the significant judgment, including estimation applied by management, as those relate to the credit risk assessment process of the Group and the Parent Company are disclosed in Notes 2, 3 and 4 to the financial statements, respectively.

How the Matter was Addressed in the Audit

We obtained an understanding of the Group's and the Parent Company's accounting policies and methodologies applied and we evaluated whether those: (a) are established and implemented consistent with the underlying principles of PFRS 9; (b) are appropriate in the context of the Group's lending activities and asset portfolio that takes into consideration the different segments of credit exposures and the relevant regulatory framework; and, (c) are supported by pertinent processes and controls, including documentations of the accounting policies that capture in sufficient detail the judgment, including estimation applied in the development of the ECL model.

With respect to the use of significant judgment, including those involving estimation of inputs and assumptions used in the ECL model, we performed the following:

- assessed the Group's and the Parent Company's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics and evaluated the appropriateness of the specific model applied for each segment of loan portfolio;
- evaluated both the quantitative and qualitative criteria applied in the definition of default against historical analysis for each segment of loan portfolio and in accordance with credit risk management practices, and tested the criteria in the determination of the significant increase in credit risk, including assignment of a loan or group of loans into different stages of impairment;
- tested the Group's and the Parent Company's application of internal credit risk rating system for selected items of loans, and verified the mapping of the ratings to the ECL calculation;
- tested loss given default information across various types of loan by inspecting records of historical recoveries, including valuation and cash flows from collateral, and write-offs;
- reconciled and tested exposure at default for all outstanding loans against the relevant loan databases, including review of the potential exposures from undrawn commitments against historical drawdown; and,
- assessed the appropriateness of the identification of forward-looking information (overlays) used in the ECL model and validated their reasonableness against publicly available information.

As part of our audit of the ECL methodology, we tested the completeness and accuracy of the data used in the ECL model through reconciliation of loan data subjected to the ECL calculations, which were prepared by management outside its general ledger system, against the relevant financial reporting applications and other accounting records. Moreover, we tested the stratification of loan data that were disaggregated into various portfolio segments for purposes of ECL calculations. Furthermore, we tested the mathematical formula and the computation logics applied in the calculation of the different inputs in the ECL model and the estimation of the credit losses for all loans and receivables subjected to impairment assessment.

We assessed the appropriateness of the transition adjustments as at January 1, 2018 and evaluated the completeness of the disclosures in the financial statements against the requirements of the relevant standards.

(b) Fair Value Measurement of Unquoted Securities Classified at Fair Value Through Other Comprehensive Income

Description of the Matter

The Group and the Parent Company have significant investments in unquoted equity securities measured at fair value through other comprehensive income amounting to P3,989 million and P1,946 million, respectively, as of December 31, 2018. These include equity securities with total fair value of P2,358 million and P339 million for the Group and Parent Company, respectively, on which net fair value loss of P185 million for the Group and fair value loss of P204 million for the Parent Company were recognized in other comprehensive income in 2018, which formed part of the Revaluation Reserves account in the statement of changes in equity. The valuation of these financial instruments involve complex valuation techniques (i.e., price-to-book value method and discounted cash flow method) and significant estimation which are highly dependent on underlying assumptions and inputs such as price-to-book ratios of selected comparable listed entities, application of a certain haircut rate, and appropriate discount rate in computing the present value of future cash flows expected from dividend or redemption payments. These inputs are considered Level 3 unobservable inputs in the fair value hierarchy under PFRS 13, *Fair Value Measurement*, as discussed in Notes 3 and 7 to the financial statements. Accordingly, we have assessed the valuation of the unquoted equity securities as a key audit matter.

How the Matter was Addressed in the Audit

We evaluated the appropriateness of management's valuation methodology in accordance with PFRS 13. For equity security valued using the price-to-book value method, we used our own internal valuation expert to assess and challenge the valuation assumptions used, including the identification and selection of comparable listed entities and the related financial information such as net book value per share and quoted prices of those listed entities. In testing the reasonableness of the haircut rate used, we reviewed available non-financial information relevant to the assessment of the potential marketability of the subject security, and the consistency of the application of the haircut rate used in prior period in light of the current industry and economic circumstances. With respect to the equity security measured using the discounted cash flow method, we evaluated the reasonableness of the amount of future cash flows from the dividend or redemption expected to be received from the instrument based on the contractual arrangement with the counterparty, and the appropriate discount rate used. We also tested the mathematical accuracy of the calculation for both valuation techniques used by management.

(c) Appropriateness of Disposals of Investment Securities at Amortized Cost

Description of the Matter

As of December 31, 2018, the Parent Company carries in its financial statements investment securities held under its hold-to-collect (HTC) business model, which are measured at amortized cost amounting to P78,595 million. In 2018, it disposed of a portion of its US dollar-denominated HTC securities with face value of US$57 million (P3,021 million) and carrying amount of P3,205 million. The disposal was made to maintain adequate liquidity buffer for the expected cash outflows for loan drawdowns.

Management assessed that such disposal remains to be consistent with the Parent Company's HTC business model with the objective of collecting contractual cash flows. The assessment to determine whether the disposal of the HTC securities is consistent with the Parent Company's HTC business model is considered a key audit matter because the assessment involves significant judgment such as on the evaluation of the frequency and significance of the disposal that may impact the appropriateness of the Parent Company's business model in managing financial instruments. The disclosures in relation to this matter are included in Note 10 while the disclosures regarding the Parent Company's assessment of the business model applied in managing financial instruments are presented in Note 3 to the financial statements.

How the Matter was Addressed in the Audit

We checked the appropriateness of the Parent Company's disposal of the US dollar-denominated HTC securities by reviewing the documentation of the approval of the Parent Company's Executive Committee on December 20, 2018 as required by the BSP. We assessed whether the disposal was made consistent with the permitted sale events documented in the Parent Company's business model in managing financial assets manual and with the relevant requirements of both the financial reporting standard and the BSP. We also assessed the appropriateness and reasonableness of the underlying data used and the rationale documented by the Parent Company in the determination of the amount of HTC securities disposed of relative to the current and forecasted level of liquidity and to ensure continuing compliance with the regulatory requirements of the BSP.

(d) Recoverability of Deferred Tax Assets

Description of the Matter

The Group's and the Parent Company's deferred tax assets amounted to P2,094 million and P964 million, respectively, as of December 31, 2018. The recognition of deferred tax assets is reviewed at the end of each reporting period and adjusted to the extent of the changes in probability that sufficient taxable profits will be available to allow all or part of such deferred tax assets to be utilized. Determining the probabilities of sufficiency of future taxable profits involves significant management judgment and high estimation uncertainty as it requires preparation of financial forecast and profitability projections which may result in different outcome scenarios, hence, may significantly affect the estimates and decisions made by management whether or not to recognize the deferred tax assets. Accordingly, we identified the recoverability of deferred tax assets as significant area of focus in our audit.

How the Matter was Addressed in the Audit

Our work included, among others, obtaining management's income projections based on its Internal Capital Adequacy Assessment Process document. Relative to this, we reviewed the appropriateness of management's assumptions underlying the recoverability of the deferred tax assets by comparing the forecast to our expectations developed based on historical performance and our understanding of the Group's and the Parent Company's existing growth strategy. We also considered the fact that the Group and the Parent Company have been utilizing the benefits of deferred tax assets since prior periods.

The relevant information about the accounting policies on deferred tax assets and the details of recognized and unrecognized deferred tax assets as of December 31, 2018 are disclosed in Notes 3 and 26 to the financial statements, respectively.

Key audit matter we identified in our audit of the consolidated financial statements of the Group:

Assessment of Goodwill Impairment

Description of the Matter

As of December 31, 2018, the balance of goodwill, net of allowance for impairment, amounted to P268 million, which is included as part of the Other Resources account in the Group's statement of financial position. Under PFRS, goodwill, having indefinite useful life, is not subject to amortization but is required to be tested for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may be impaired. We identified this area as a key audit matter because the annual impairment test requires significant judgment and is based on assumptions which are internally developed or projected by management. This includes the identification of cash generating units (CGUs) where the goodwill is allocated and the future cash flows of the identified CGUs, which are affected by expected future market or economic conditions. The Group engaged a third party valuation specialist to assist in assessing any impairment on the recognized goodwill. Management's significant assumptions include:

- RCBC Savings Bank, Inc. (RSB)'s business, the identified CGU on which the goodwill is allocated, will continue as a going concern or if merged with the Parent Company under the Plan of Merger as disclosed in Note 1 to the financial statements, will continue to be a CGU for the Group;

- The CGU will have sufficient financial resources to finance its working capital requirements to achieve its projected forecast and to support the business needs; and,

- The CGU's performance forecasts for the next five years.

The Group's accounting policy on impairment of and disclosures about goodwill are included in Notes 2 and 15, respectively, to the financial statements.

How the Matter was Addressed in the Audit

We assessed the competence, capabilities and qualifications of the third party valuation specialist by considering their qualifications, experience and reporting responsibilities. We evaluated the methodology applied and the assumptions used by management and its valuation specialist, particularly those relating to the forecasted revenue growth and profit margins of RSB by considering its historical financial performance and its specific growth strategy. We compared the long-term growth rate against the industry and market outlook and other relevant external data. In addition, we did not identify event or conditions that may cast significant doubt on the identified CGU's ability to continue as a going concern.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's and the Parent Company's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Parent Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Parent Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. As discussed in Note 26 to the financial statements, the Parent Company presented the supplementary information required by the Bureau of Internal Revenue under Revenue Regulations (RR) 15-2010 in a supplementary schedule filed separately from the basic financial statements. RR 15-2010 requires the supplementary information to be presented in the notes to financial statements. Such supplementary information is the responsibility of management. The supplementary information is not a required part of the basic financial statements prepared in accordance with PFRS; it is neither a required disclosure under the Securities Regulation Code Rule 68, as amended, of the SEC.

The engagement partner on the audits resulting in this independent auditors' report is Anthony L. Ng.

PUNONGBAYAN & ARAULLO

By: **Anthony L. Ng**
Partner

CPA Reg. No. 0109764
TIN 230-169-270
PTR No. 7333699, January 3, 2019, 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 08-002511-38-2016 (until Oct. 3, 2019)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

February 26, 2019

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017
(Amounts in Millions of Philippine Pesos)

	Notes	GROUP 2018	GROUP 2017	PARENT COMPANY 2018	PARENT COMPANY 2017
RESOURCES					
CASH AND OTHER CASH ITEMS	9	**P 17,392**	P 14,693	**P 12,225**	P 10,415
DUE FROM BANGKO SENTRAL NG PILIPINAS	9	**56,495**	58,801	**39,847**	47,186
DUE FROM OTHER BANKS	9	**20,342**	19,818	**19,420**	18,368
LOANS ARISING FROM REVERSE REPURCHASE AGREEMENTS	9	**10,032**	9,831	**4,000**	7,435
TRADING AND INVESTMENT SECURITIES - Net	10	**118,449**	72,932	**100,982**	58,133
LOANS AND RECEIVABLES - Net	11	**398,300**	354,243	**298,744**	265,791
INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES - Net	12	**423**	417	**19,928**	19,018
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT - Net	13	**8,415**	8,946	**4,992**	5,197
INVESTMENT PROPERTIES - Net	14	**3,631**	3,399	**2,922**	2,785
DEFERRED TAX ASSETS	26	**2,094**	1,896	**964**	942
OTHER RESOURCES - Net	15	**9,022**	9,012	**6,899**	6,306
TOTAL RESOURCES		**P 644,595**	P 553,988	**P 510,923**	P 441,576

See Notes to Financial Statements.

	Notes	GROUP 2018	GROUP 2017	PARENT COMPANY 2018	PARENT COMPANY 2017
LIABILITIES AND EQUITY					
DEPOSIT LIABILITIES	17	**P 423,399**	P 388,412	**P 302,410**	P 288,667
BILLS PAYABLE	18	**56,001**	43,967	**48,759**	36,600
BONDS PAYABLE	19	**53,090**	28,060	**53,090**	28,060
SUBORDINATED DEBT	20	**9,986**	9,968	**9,986**	9,968
ACCRUED INTEREST, TAXES AND OTHER EXPENSES	21	**5,277**	4,185	**3,966**	3,218
OTHER LIABILITIES	22	**15,672**	12,369	**11,637**	8,134
Total Liabilities		**563,425**	486,961	**429,848**	374,647
EQUITY	23				
Attributable to:					
Parent Company's Shareholders		**81,144**	66,999	**81,075**	66,929
Non-controlling Interests		**26**	28	**-**	-
		81,170	67,027	**81,075**	66,929
TOTAL LIABILITIES AND EQUITY		**P 644,595**	P 553,988	**P 510,923**	P 441,576

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(Amounts in Millions of Philippine Pesos, Except Per Share Data)

	Notes	GROUP 2018	GROUP 2017	GROUP 2016	PARENT COMPANY 2018	PARENT COMPANY 2017	PARENT COMPANY 2016
INTEREST INCOME							
Loans and receivables	11	**P 27,037**	P 21,956	P 19,442	**P 19,394**	P 15,081	P 13,219
Trading and investment securities	10	**3,403**	2,430	3,269	**2,810**	1,955	2,927
Others	9, 24	**493**	378	426	**360**	277	383
		30,933	24,764	23,137	**22,564**	17,313	16,529
INTEREST EXPENSE							
Deposit liabilities	17	**6,295**	3,959	3,269	**3,723**	2,389	2,021
Bills payable and other borrowings	18, 19, 20, 24	**4,149**	2,784	4,161	**3,810**	2,529	3,945
		10,444	6,743	7,430	**7,533**	4,918	5,966
NET INTEREST INCOME		**20,489**	18,021	15,707	**15,031**	12,395	10,563
IMPAIRMENT LOSSES - Net	16	**1,899**	2,155	1,770	**1,306**	1,164	856
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		**18,590**	15,866	13,937	**13,725**	11,231	9,707
OTHER OPERATING INCOME							
Service fees and commissions	2	**3,323**	3,138	3,196	**2,211**	1,985	1,762
Foreign exchange gains - net	2, 19	**843**	798	276	**991**	773	244
Trust fees	27	**278**	279	294	**218**	226	243
Share in net earnings of subsidiaries and associates	12	**14**	92	131	**1,299**	2,110	1,500
Trading and securities gains (losses) - net	2, 10	**-**	900	1,619	**(17)**	664	1,663
Miscellaneous - net	25	**1,548**	1,893	1,598	**955**	1,129	1,084
		6,006	7,100	7,114	**5,657**	6,887	6,496
TOTAL OPERATING INCOME *(Forward)*		**P 24,596**	P 22,966	P 21,051	**P 19,382**	P 18,118	P 16,203

See Notes to Financial Statements.

	Notes	GROUP 2018	GROUP 2017	GROUP 2016	PARENT COMPANY 2018	PARENT COMPANY 2017	PARENT COMPANY 2016
TOTAL OPERATING INCOME		**P 24,596**	P 22,966	P 21,051	**P 19,382**	P 18,118	P 16,203
OTHER OPERATING EXPENSES							
Employee benefits	24	**6,562**	5,991	5,408	**4,472**	4,164	3,666
Occupancy and equipment-related	28, 29	**3,457**	3,185	2,871	**2,669**	2,492	2,180
Taxes and licenses	14	**2,238**	1,821	1,840	**1,523**	1,289	1,287
Depreciation and amortization	13, 14, 15	**1,821**	1,914	1,766	**1,075**	1,085	985
Miscellaneous	25	**5,325**	4,904	5,470	**4,510**	4,083	4,556
		19,403	17,815	17,355	**14,249**	13,113	12,674
PROFIT BEFORE TAX		**5,193**	5,151	3,696	**5,133**	5,005	3,529
TAX EXPENSE (INCOME)	26	**872**	841	(174)	**813**	697	(339)
NET PROFIT		**P 4,321**	P 4,310	P 3,870	**P 4,320**	P 4,308	P 3,868
ATTRIBUTABLE TO:							
PARENT COMPANY'S SHAREHOLDERS		**P 4,320**	P 4,308	P 3,868			
NON-CONTROLLING INTERESTS		**1**	2	2			
		P 4,321	P 4,310	P 3,870			
Earnings Per Share							
Basic and diluted	30	**P 2.62**	P 3.08	P 2.76			

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(Amounts in Millions of Philippine Pesos)

		GROUP			PARENT COMPANY		
	Notes	**2018**	2017	2016	**2018**	2017	2016
NET PROFIT		**P 4,321**	P 4,310	P 3,870	**P 4,320**	P 4,308	P 3,868
OTHER COMPREHENSIVE INCOME (LOSS)							
Items that will not be reclassified subsequently to profit or loss							
Actuarial gains (losses) on defined benefit plan	24	**(1,269)**	1,510	(325)	**(1,384)**	1,491	(349)
Fair value gains (losses) on equity securities at fair value through other comprehensive income	10, 23	**(1,018)**	(156)	1,442	**(478)**	(269)	1,395
Share in other comprehensive income (losses) of the subsidiaries and associates:							
Actuarial gains on defined benefit plan	12	**6**	4	-	**121**	23	24
Fair value gains (losses) on equity securities at fair value through other comprehensive income	12, 23	**-**	-	-	**(540)**	113	47
		(2,281)	1,358	1,117	**(2,281)**	1,358	1,117
Items that will be reclassified subsequently to profit or loss							
Fair value gains on debt securities at fair value through other comprehensive income	10, 23	**149**	-	-	**149**	-	-
Translation adjustments on foreign operations	12, 23	**-**	(1)	25	**-**	(1)	25
Reclassification of cumulative translation adjustment on dissolution of a foreign subsidiary	12, 23	**(32)**	-	-	**(32)**	-	-
		117	(1)	25	**117**	(1)	25
Total Other Comprehensive Income (Loss)	23	**(2,164)**	1,357	1,142	**(2,164)**	1,357	1,142
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**P 2,157**	P 5,667	P 5,012	**P 2,156**	P 5,665	P 5,010
ATTRIBUTABLE TO:							
PARENT COMPANY'S SHAREHOLDERS		**P 2,156**	P 5,665	P 5,010			
NON-CONTROLLING INTERESTS		**1**	2	2			
		P 2,157	P 5,667	P 5,012			

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(Amounts in Millions of Philippine Pesos)

		GROUP										
		ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDERS										
	Notes	COMMON STOCK	PREFERRED STOCK	CAPITAL PAID IN EXCESS OF PAR	REVALUATION RESERVES	RESERVE FOR TRUST BUSINESS	OTHER RESERVES	GENERAL LOAN LOSS RESERVE	SURPLUS	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at January 1, 2018												
As previously reported		P 13,999	P 3	P 22,635	P 1,974 0	P 436	(P 97)	P -	P 28,049	66,999	P 28	P 67,027
Effect of adoption of PFRS 9	2	-	-	-	456	-	-	2,227	(4,614)	(1,931)	(3)	(1,934)
As restated		13,999	3	22,635	2,430	436	(97)	2,227	23,435	65,068	25	65,093
Transactions with owners	23											
Issuance of common stock		5,357	-	9,426	-	-	-	-	-	14,783	-	14,783
Cash dividends		-	-	-	-	-	-	-	(863)	(863)	-	(863)
Total transactions with owners		5,357	-	9,426	-	-	-	-	(863)	13,920	-	13,920
Net profit for the year		-	-	-	-	-	-	-	4,320	4,320	1	4,321
Other comprehensive loss		-	-	-	(2,164)	-	-	-	-	(2,164)		(2,164)
General loan loss appropriation	23	-	-	-	-	-	-	367	(367)	-	-	-
Transfer from surplus to reserve for trust business	27	-	-	-	-	18	-	-	(18)	-	-	-
		5,357	-	9,426	(2,164)	18	-	367	3,072	16,076	1	2,157
Balance at December 31, 2018		**P 19,356**	**P 3**	**P 32,061**	**P 266**	**P 454**	**(P 97)**	**P 2,594**	**P 26,507**	**P 81,144**	**P 26**	**P 81,170**
Balance at January 1, 2017		P 13,999	P 3	P 22,635	P 621	P 415	(P 97)	P -	P 24,531	P 62,107	P 26	P 62,133
Transaction with owners	23											
Cash dividends		-	-	-	-	-	-	-	(773)	(773)	-	(773)
Net profit for the year		-	-	-	-	-	-	-	4,308	4,308	2	4,310
Other comprehensive income	23	-	-	-	1,357	-	-	-	-	1,357	-	1,357
Transfer of fair value gains on financial assets at fair value through other comprehensive income to surplus	10, 23	-	-	-	(4)	-	-	-	4	-	-	-
Transfer from surplus to reserve for trust business	27	-	-	-	-	21	-	-	(21)	-	-	-
		-	-	-	1,353	21	-	-	3,518	4,892	2	4,894
Balance at December 31, 2017		P 13,999	P 3	P 22,635	P 1,974	P 436	(P 97)	P -	P 28,049	P 66,999	P 28	P 67,027
Balance at January 1, 2016		P 13,999	P 3	P 22,635	(P 518)	P 388	(P 97)	P -	P 21,695	P 58,105	P 24	P 58,129
Transaction with owners	23											
Cash dividends		-	-	-	-	-	-	-	(1,008)	(1,008)	-	(1,008)
Net profit for the year		-	-	-	-	-	-	-	3,868	3,868	2	3,870
Other comprehensive income	23	-	-	-	1,142	-	-	-	-	1,142	-	1,142
Transfer of fair value gains on financial assets at fair value through other comprehensive income to surplus	10, 23	-	-	-	(3)	-	-	-	3	-	-	-
Transfer from surplus to reserve for trust business	27	-	-	-	-	27	-	-	(27)	-	-	-
		-	-	-	1,139	27	-	-	2,836	4,002	2	4,004
Balance at December 31, 2016		P 13,999	P 3	P 22,635	P 621	P 415	(P 97)	P -	P 24,531	P 62,107	P 26	P 62,133

See Notes to Financial Statements.

	Notes	PARENT COMPANY COMMON STOCK	PREFERRED STOCK	CAPITAL PAID IN EXCESS OF PAR	REVALUATION RESERVES	RESERVE FOR TRUST BUSINESS	GENERAL LOAN LOSS RESERVE	SURPLUS	TOTAL EQUITY
Balance at January 1, 2018									
As previously reported		P 13,999	P 3	P 22,635	P 1,974	P 394	P -	P 27,924	P 66,929
Effect of adoption of PFRS 9	2	-	-	-	456	-	1,793	(4,179)	(1,930)
As restated		13,999	3	22,635	2,430	394	1,793	23,745	64,999
Transactions with owners	23								
Issuance of common stock		P 5,357	-	P 9,426	-	-	-	-	14,783
Cash dividends		-	-	-	-	-	-	(863)	(863)
Total transactions with owners		5,357	-	9,426	-	-	-	(863)	13,920
Net profit for the year		-	-	-	-	-	-	4,320	4,320
Other comprehensive loss		-	-	-	(2,164)	-	-		(2,164)
General loan loss appropriation	23	-	-	-	-	-	319	(319)	-
Transfer from surplus to reserve for trust business	27	-	-	-	-	12	-	(12)	-
		5,357	-	9,426	(2,164)	12	319	3,126	16,076
Balance at December 31, 2018		**P 19,356**	**P 3**	**P 32,061**	**P 266**	**P 406**	**P 2,112**	**P 26,871**	**P 81,075**
Balance at January 1, 2017		P 13,999	P 3	P 22,635	P 621	P 378	P -	P 24,401	P 62,037
Transaction with owners	23								
Cash dividends		-	-	-	-	-	-	(773)	(773)
Net profit for the year		-	-	-	-	-	-	4,308	4,308
Other comprehensive income	23	-	-	-	1,357	-	-	-	1,357
Transfer of fair value gains on financial assets					-	-	-	-	-
at fair value through other comprehensive income to surplus	10, 23	-	-	-	(4)	-	-	4	-
Transfer from surplus to reserve for trust business	27	-	-	-	-	16	-	(16)	-
		-	-	-	1,353	16	-	3,523	4,892
Balance at December 31, 2017		P 13,999	P 3	P 22,635	P 1,974	P 394	P -	P 27,924	P 66,929
Balance at January 1, 2016		P 13,999	P 3	P 22,635	(P 518)	P 356	P -	P 21,560	P 58,035
Transaction with owners	23								
Cash dividends		-	-	-	-	-	-	(1,008)	(1,008)
Net profit for the year		-	-	-	-	-	-	3,868	3,868
Other comprehensive income	23	-	-	-	1,142	-	-	-	1,142
Transfer of fair value gains on financial assets							-		
at fair value through other comprehensive income to surplus	10, 23	-	-	-	(3)	-	-	3	-
Transfer from surplus to reserve for trust business	27	-	-	-	-	22	-	(22)	-
		-	-	-	1,139	22	-	2,841	4,002
Balance at December 31, 2016		P 13,999	P 3	P 22,635	P 621	P 378	P -	P 24,401	P 62,037

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(Amounts in Millions of Philippine Pesos)

		GROUP			PARENT COMPANY		
	Notes	**2018**	2017	2016	**2018**	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES							
Profit before tax		**P 5,193**	P 5,151	P 3,696	**P 5,133**	P 5,005	P 3,529
Adjustments for:							
Interest income		**(30,933)**	(24,764)	(23,137)	**(22,564)**	(17,313)	(16,529)
Interest received		**29,528**	24,455	23,570	**21,261**	17,182	16,962
Interest paid		**(11,392)**	(6,886)	(7,253)	**(8,131)**	(4,733)	(5,889)
Interest expense		**10,444**	6,743	7,430	**7,533**	4,918	5,966
Impairment losses - net	16	**1,899**	2,155	1,770	**1,306**	1,164	856
Depreciation and amortization	13, 14, 15	**1,821**	1,914	1,766	**1,075**	1,085	985
Dividend income	25	**(189)**	(234)	(449)	**(187)**	(196)	(307)
Share in net earnings of subsidiaries and associates	12	**(14)**	(92)	(131)	**(1,299)**	(2,110)	(1,500)
Gains on assets sold	25	**(70)**	(282)	(541)	**(28)**	(199)	(24)
Operating profit before working capital changes		**6,287**	8,160	7,142	**4,099**	4,803	4,049
Decrease (increase) in financial assets at fair value through profit and loss		**(21)**	10,488	(12,967)	**(138)**	10,522	(13,082)
Decrease (increase) in financial assets at fair value through other comprehensive income		**(16,624)**	316	(1,471)	**(13,126)**	139	48
Decrease (increase) in loans and receivables		**(34,119)**	(50,172)	(6,748)	**(22,472)**	(38,690)	4,666
Decrease (increase) in investment properties		**(329)**	(774)	209	**(118)**	(45)	27
Decrease (increase) in other resources		**1,689**	1,693	(528)	**1,036**	139	254
Increase (decrease) in deposit liabilities		**34,987**	35,335	10,715	**13,743**	28,502	(3,905)
Increase (decrease) in accrued interest, taxes and other expenses		**1,037**	(593)	338	**806**	(292)	179
Increase (decrease) in other liabilities		**74**	1,911	(256)	**274**	948	(1,385)
Cash generated from (used in) operations		**(7,019)**	6,364	(3,987)	**(15,896)**	6,026	(9,149)
Income taxes paid		**(1,015)**	(605)	(574)	**(893)**	(477)	(501)
Net Cash From (Used in) Operating Activities		**(8,034)**	5,759	(4,561)	**(16,789)**	5,549	(9,650)
CASH FLOWS FROM INVESTING ACTIVITIES							
Additional investments in securities at amortized cost		**(77,488)**	(33,570)	(11,271)	**(76,286)**	(27,549)	(10,473)
Proceeds from disposal and maturity of securities at amoritzed cost		**47,755**	25,296	61,288	**45,832**	24,251	57,087
Acquisitions of bank premises, furniture, fixtures, and equipment	13	**(1,214)**	(1,521)	(2,782)	**(836)**	(899)	(1,129)
Cash dividends received	12, 25	**189**	296	560	**291**	600	307
Acquisitions of intangible assets	15	**(179)**	(304)	(294)	**(163)**	(267)	(270)
Proceeds from disposals of bank premises, furniture, fixtures and equipment	13	**401**	203	834	**226**	102	317
Net Cash From (Used in) Investing Activities		**(30,536)**	(9,600)	48,335	**(30,936)**	(3,762)	45,839
CASH FLOWS FROM FINANCING ACTIVITIES							
Proceeds from availments of bills payable	18, 32	**44,522**	20,561	33,668	**42,769**	15,477	31,325
Payments of bills payable	18, 32	**(32,790)**	(14,472)	(45,429)	**(30,912)**	(10,788)	(45,429)
Issuance of bonds payable	19, 32	**23,520**	-	-	**23,520**	-	-
Issuance of common stock	23	**14,783**	-	-	**14,783**	-	-
Dividends paid	23	**(863)**	(773)	(1,008)	**(863)**	(773)	(1,008)
Redemption of bonds payable	19, 32	**-**	(13,687)	-	**-**	(13,687)	-
Net Cash From (Used in) Financing Activities		**49,172**	(8,371)	(12,769)	**49,297**	(9,771)	(15,112)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS *(Forward)*		**P 10,602**	(P 12,212)	P 31,005	**P 1,572**	(P 7,984)	P 21,077

See Notes to Financial Statements.

	Notes	GROUP 2018	GROUP 2017	GROUP 2016	PARENT COMPANY 2018	PARENT COMPANY 2017	PARENT COMPANY 2016
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**P 10,602**	(P 12,212)	P 31,005	**P 1,572**	(P 7,984)	P 21,077
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR							
Cash and other cash items	9	**14,693**	15,176	14,070	**10,415**	11,000	10,127
Due from Bangko Sentral ng Pilipinas	9	**58,801**	66,520	50,617	**47,186**	50,871	42,026
Due from other banks	9	**19,818**	25,293	19,701	**18,368**	24,109	18,196
Loans arising from reverse repurchase agreement	9	**9,831**	7,889	-	**7,435**	4,931	-
Interbank loans receivable	9, 11	**38**	515	-	**38**	515	-
		103,181	115,393	84,388	**83,442**	91,426	70,349
CASH AND CASH EQUIVALENTS AT END OF YEAR							
Cash and other cash items	9	**17,392**	14,693	15,176	**12,225**	10,415	11,000
Due from Bangko Sentral ng Pilipinas	9	**56,495**	58,801	66,520	**39,847**	47,186	50,871
Due from other banks	9	**20,342**	19,818	25,293	**19,420**	18,368	24,109
Loans arising from reverse repurchase agreement	9	**10,032**	9,831	7,889	**4,000**	7,435	4,931
Interbank loans receivable	9, 11	**9,522**	38	515	**9,522**	38	515
		P 113,783	P 103,181	P 115,393	**P 85,014**	P 83,442	P 91,426

See Notes to Financial Statements.