COVER SHEET

17514

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)

CARMELA V. SILVERIO

Contact Person

8 8 9 4 9 0 0 0

Company Telephone Number

12 31

Month *Day*

Fiscal Year

17A

FORM TYPE

06 26

Month *Day*

Annual Meeting

Secondary License Type, If Applicable

SEC

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

8 2 2

Total No. of Stockholders [1]

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

[1] Inclusive of preferred shareholders

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 G.J. Puyat Ave., Makati City

(Company's Address)

8894-9000

(Telephone Number)

December 31, 2019

(Fiscal year ending)

SEC FORM 17-A

Form Type

Amendment Designation (if applicable)

Period Ended Date

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **December 31, 2019**
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 CORP.**
5. 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 1200
   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 (as of 31 Mar 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 ( )

13. Aggregate market value of the voting stock held by non-affiliates:

P 21,207,300,489.00 (as of Dec 31, 2019, P23.00 per share)

NOTE

For transparency, we are providing you the computation used for # 13 Aggregate market value of the voting stock held by non-affiliates below.

	Value	**Source**
Total Number of Shares	1,935,628,896	PSE
YGC Shares*	1,013,572,453	Jun Madrid (Stock Transfer)
Non YGC Shares	922,056,543	Total Number of Shares – YGC Shares
Share Price	Php 23.00	PSE
Aggregate Market Value	Php 21,207,300,489.00	Non YGC Shares x Share Price

*YGC Shares Breakdown

YGC Combined Ownership in RCBC

Rank	***Name***	***Common Shares***	***%***
1	PAN MALAYAN MANAGEMENT AND INVESTMENT CORP.	806,431,473	41.66%
2	GPL HOLDINGS INC.	75,676,934	3.91%
3	RCBC TIG AS TRUSTEE OF TA# 75-077-8 FAO RCBC	51,754,520	2.67%
	RETIREMENT PLAN		
4	MALAYAN INSURANCE CO., INC.	60,146,595	3.11%
5	MICO EQUITIES, INC.	13,721,475	0.71%
6	Manila Memorial Park Cemetery	1,237,630	0.06%
7	House of Investments Inc.	64,986	0.00%
8	Grepa Realty Holdings Corp.	3,141,537	0.16%
9	RCBC Capital Corporation	1,462,289	0.08%
	Total (inclusive of theoretical conversion to Common shares of outstanding Preferred shares)	**1,013,572,453**	**52.36%**

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PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Rizal Commercial Banking Corporation (RCBC or the Bank) is a universal bank in the Philippines that provides a wide range of banking and financial products and services. It has total resources of P767 billion and total networth of P82.85 billion, including minority interest, as of end-December 2019. The Bank ranked seventh (7th) in terms of assets among private local banks. In terms of business centers, the Bank, excluding government-owned and foreign banks, ranked sixth (6th) with a consolidated network of 507 business centers inclusive of 11 extension offices and supplemented by 1,530 ATMs as of December 31, 2019.

The Bank offers commercial, corporate and consumer lending products, cash management products, treasury products, and remittance services. RCBC also enters into forward currency contracts as an accommodation to its clients and as a means of managing its foreign exchange exposures. The Bank and its subsidiaries (hereinafter referred to as the Group) are engaged in all aspects of traditional banking, investment banking, retail financing (auto, mortgage/housing loans, credit cards and microfinance loans), remittance, leasing, foreign exchange and stock brokering.

The Bank, incorporated under the name Rizal Development Bank, began operations as a private development bank in the province of Rizal in 1960. In 1963, the Bank received approval from the Central Bank of the Philippines to operate as a commercial bank and began operations under its present name, Rizal Commercial Banking Corporation. RCBC obtained its universal banking license in 1989 and has been listed on the Philippine Stock Exchange Inc. (PSE) since 1986.

RCBC's common shares are 41.66% directly and indirectly owned by Pan Malayan Management and Investment Corporation (PMMIC), a company incorporated and domiciled in the Philippines. PMMIC is the holding company of the flagship institutions comprising the Yuchengco Group of Companies (YGC) and other investments. Other significant investors include the World Bank's International Finance Corporation and Cathay Life Insurance Co. Ltd., a wholly-owned subsidiary of Cathay Financial which is the largest publicly listed financial holding company in Taiwan.

The registered address of RCBC is Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue, Makati City.

Through its universal banking license, the Bank is allowed to perform a number of expanded commercial and investment bank functions and to invest in the equity of a variety of allied and non-allied financial and non-financial undertakings.

The Bank's subsidiaries are as follows:

RCBC Capital Corporation (RCBC Capital), a 99.96% owned subsidiary, was established in 1974 as the Bank's investment banking subsidiary. It offers a complete range of investment banking and financial consultancy services which include (i) the underwriting of equity, quasi-equity and debt securities on a firm or best efforts basis for private placement or public distribution; (ii) the syndication of foreign currency or peso loans; and (iii) financial advisory services.

RCBC Securities, Inc. (RCBC Securities), a wholly-owned subsidiary of RCBC Capital, is engaged in the electronic and traditional trading of listed securities and in providing corporate and market research. ***RCBC Bankard Services Corporation (RCBC Bankard)***, a wholly-owned subsidiary of RCBC Capital is engaged in providing services to the credit card business of the Bank.

RCBC Savings Bank, Inc. (RSB), RCBC and RSB, a wholly owned subsidiary of RCBC, were merged on July 22, 2019 as approved by the RCBC Board on November 26, 2018, by the RSB Board on November 27, 2018, by the stockholders on February 26, 2019, by the BSP on June 17, 2019 and the SEC on July 22, 2019 with the former as the surviving entity.

RCBC Forex Brokers Corporation (RCBC Forex), a wholly-owned subsidiary of the Bank, was incorporated in 1998. RCBC Forex is primarily engaged in dealing and brokering currencies in foreign exchange contracts with local and international clients. In 2016, the foreign exchange business of RCBC Forex was consolidated into RCBC Treasury Group such that RCBC Forex will only continue dealing with money changers, foreign exchange dealers and remittance agents. This will provide synergies such as elimination of redundancy, generation of higher income and meaningful cost savings, and maintenance of client service/relationship. The integration will also enhance Treasury group's presence in the provinces while Forex operations will contribute extensive experience in documentary review.

RCBC International Finance Limited (RCBC IFL), a wholly-owned subsidiary of the Bank, was established in July 31, 1962 and is the Bank's overseas branch in Hong Kong. ***RCBC Investment Ltd. (RCBC IL)*** is a 100% owned subsidiary of RCBC IFL established on August 1, 1980 to engage in the business of remittance, money exchange, retail lending and investment. RCBC IL was placed under dormant status in May 2009 and RCBC IFL took over its businesses using the Money Service Operator's (MSO) and Money Lender's (ML) Licenses.

Rizal Microbank, Inc. (formerly Merchants Savings and Loan Association, Inc.), a 98.03% owned subsidiary, was acquired on May 15, 2008 to engage in microfinancing and development of small businesses. Rizal Microbank has 18 branches and 5 microbanking offices with operations in Southern Luzon and Mindanao. Rizal Microbank moved its Head Office (HO) and branch from Makati City to Davao City in April 2011.

RCBC Leasing and Finance Corporation (formely First Malayan Leasing and Finance Corporation) (RCBC LFC), *a* 99.67% owned subsidiary of the Bank acquired in March 2012**,** is a pioneer in the leasing and financing industry in the Philippines as the company started its operations in 1957. RCBC LFC is a non-bank financial institution with a quasi-banking license granted by the Bangko Sentral ng Pilipinas. It serves the requirements of corporate, commercial and consumer markets through its innovative loans, leases and investment products. ***RCBC Rental Corporation*** is a wholly-owned subsidiary of RCBC LFC engaged in renting and leasing business machines, transport vehicles and heavy equipment under an operating lease arrangement.

Niyog Property Holdings, Inc. (NPHI) *and* ***Cajel Realty Corporation*** are wholly-owned subsidiaries of the Bank, incorporated on September 13, 2005 and February 29, 2008, respectively to purchase, subscribe for or otherwise dispose of real and personal property of every kind and description but not as an investment company.

RCBC-JPL Holding Company, Inc. (formerly Pres. Jose P. Laurel Rural Bank, Inc.) (RCBC-JPL), 99.41% owned, was renamed with a corresponding change in primary business to handle the disposition of the remaining assets of the former JPL Rural Bank. On April 1, 2012, RMB acquired selected assets and liabilities of JPL Rural Bank.

Products and Services. Through the years, RCBC has developed a wide range of financial products and services covering deposit taking, international banking services, remittance, lending, project financing and merchant banking.

In 2019, the following additional products and electronic services were introduced:

Consumer Loans

Auto Loan Plus – is a financing facility that comes with Motor Car Insurance coverage for the entire loan term. Insurance premium is paid monthly installments at 0% interest, in equal amounts alongside the loan amortization. Borrowers also get FREE 1 year worth of insurance premium when they avail of this product.

Home Loan Plus – is a home loan facility that comes with fire insurance for the entire loan terms. Insurance premium is paid monthly along with the loan amortization and in equal amount throughout the duration of the loan.

Premium Banking - To become a Hexagon Club member, the depositor should have at least a P100,000 minimum CASA ADB.

Hexagon Club Privilege
Hexagon Club Prestige

Credit Card

RCBC Bankard Visa Platinum
RCBC Bankard Hexagon Club Platinum

Cash Pick-up - is a service that dispatches a motorized messenger to collect cash from clients for deposit into their accounts end of day. It is priced lower than armored truck pickup, but a limit of Php 200,000.00 is observed that can be picked up per location.

Check Pick-up - is a service that dispatches a motorized messenger to collect checks. This is the same concept as Cash Rider. Checks are collected from the client's office(s), or from the offices of our client's customers and deposited to our client's RCBC account.

Several products and services are pipelined for launch to the public in 2020 to offer value-added features and improve product delivery and service to enhance the Bank's competitive advantage.

Listed below are the products and services of RCBC:

A. DEPOSITS

Peso Deposits

Checking Accounts

Regular Checking
Checking Account with Interest (for Corporate Account)
eWoman Checking
Rizal Enterprise Checking
Dragon Checking
Checklite

Savings Accounts
- Regular Savings (with ATM and with Passbook variants)
- iSave
- Dragon Savings
- eWoman Savings
- SSS Pensioner
- Payroll Savings
- GoSavers Savings
- Basic Savings
- FlexiSavers
- Telemoney ATM Savings Account
- Contractual Savings - Passbook-based & connected to loan availment (RMB)

Time Deposits
- Peso Regular Time Deposit (30 days to less 1 Year)
- Peso Time Deposit 1 Year, 2 Year, 3 Year, 4 Year, 5 Year + 1 day

<u>Foreign Currency Deposits</u>

Savings Accounts

Regular Savings
- US Dollar
- Japanese Yen
- Euro
- British Pounds
- Canadian Dollar

Chinese Yuan
- Australian Dollar
- Swiss Franc

Dragon Dollar Savings
- US Dollar

Time Deposits
- USD Regular Time Deposit (30 days to less 1 Year)

USD Time Deposit 1 Year, 2 Year, 3 Year, 4 Year, 5 Year + 1 day
- Japanese Yen
- Euro Dollar
- British Pounds
- Canadian Dollar
- Australian Dollar
- Swiss Franc

<u>Exclusive Membership Program</u>

Hexagon Club
- Hexagon Club Privilege for Individuals
- Hexagon Club Prestige for Retail SMEs

B. ELECTRONIC BANKING PRODUCTS / SERVICES AND CHANNELS

Product and Services

RCBC MyDebit Mastercard
RCBC MyWallet Visa

Electronic Banking Channels

Automated Teller Machines
RCBC Online Banking for Retail
RCBC Online Banking for Corporate
RCBC Cash Express (MPOS)
RCBC ATM GO
TouchQ

C. CREDIT CARDS

RCBC Bankard (Existing)

RCBC Bankard Classic: Mastercard, JCB
RCBC Bankard Gold: Mastercard, JCB
Flex Classic Visa
Flex Gold Visa
YGC Rewards Plus Classic Visa
YGC Rewards Plus Gold Visa
YGC Rewards Plus Platinum Mastercard
RCBC Bankard Black Platinum Mastercard
RCBC Bankard Diamond Platinum Mastercard
RCBC Bankard Hexagon Club Platinum Mastercard
RCBC Bankard World Mastercard
RCBC Bankard Balesin World Mastercard
RCBC Bankard The City Club World Mastercard
RCBC Bankard Platinum VISA
RCBC Bankard Visa Infinite
RCBC Bankard Platinum JCB
RCBC Bankard UnionPay Diamond
RCBC Bankard Landmark Anson Mastercard
RCBC Bankard LJC Mastercard
RCBC Bankard Mango Mastercard
RCBC Bankard Sta. Lucia Mastercard
RCBC Bankard Wilcon Mastercard
RCBC Bankard Phoenix Mastercard
Air Asia Visa
RCBC Bankard Web Shopper
RCBC Bankard Corporate Card Mastercard

D. LOANS

Commercial Loans (Peso and/or Foreign Currency)

Short- Term Revolving Facilities
- Non-Trade Facilities
  - Credit Line
  - Accounts Receivable Line (ARL)
  - Bills Purchased Line (BPL)

Second Endorsed Checks Line (SECP)
Floor Stock Financing

Trade Facilities
Import / Domestic Trade Facilities
Letter of Credit Line
Trust Receipt (TR) Line
Shipping Guarantee
Export Financing
Export Advance Loan / Line
Export Bills Purchased Line

Others
Standby LC Facility
Bank Guarantee
Long- Term Non-Revolving Facilities

Consumer Loans
Auto Loan
Auto Loan Plus
Home Loan
Home Loan Plus
Salary Loans
Personal Loan

Microenterprise and Small Business Loans
PITAKA ME Loan
PITAKA ME PLUS Loan
PITAKA Revolving Credit Line Facility
Flexi Term Loan
Flexi Revolving Credit Line Facility

Agricultural Value Chain Financing
Agri-Finance Term Loan
Agri-Finance Revolving Credit Line Facility

Lending Facilities
BSP Rediscounting Facility

E. TREASURY AND GLOBAL MARKETS

Foreign Exchange
Foreign Exchange Spot
Foreign Exchange Forwards
Foreign Exchange Swaps

RCBC FX Online
Purchase FX for purpose of Travel
Purchase FX for purpose of Investment
Sale of FX

Fixed Income

- Peso Denominated Government Securities and other Debt Instruments
  - Treasury Bills
  - Fixed Rate Treasury Notes (FXTNS)
  - Retail Treasury Bonds (RTB)
    - Local Government Units Bonds (LGUs)
    - Quasi-Sovereign Bonds or Government-Owned and Controlled Corporate Bonds
    - Short and Long Term Commercial Papers (STCPs/LTCPs)
    - Global Peso Notes (GPNs)
    - Corporate Bonds
- Foreign Currency Denominated Bonds
  - Republic of the Philippines (RoP) Bonds
  - United States Treasury Bills, Notes and Bonds
    - Other Sovereign or Quasi-Sovereign Bonds or Government-Owned and Controlled Corporate Bonds
    - Corporate Bonds and other Debt Instruments

Derivatives

- Interest Rate Swaps
- Cross Currency Swaps
- Asset Swaps

Advisory Services

F. TRUST SERVICES

Trusteeship

- Retirement Fund Management
- Corporate and Institutional Trust
- Pre-Need Trust Fund Management
- Customized Employee Savings Plan
- Employee Savings Plan
- Personal Management Trust
- Estate Planning
- Mortgage/Collateral Trust
- Bond Trusteeship
- Legislated and Quasi-judicial Trust
- Project Accounts Trusteeship

Agency

- Safekeeping
- Escrow
- Investment Management
- Loan and Paying Agency
- Bond Registry and Paying Agency
- Facility Agency
- Receiving Agency
- Sinking Fund Management
- Stock Transfer and Dividend Paying Agency

Unit Investment Trust Funds
- Rizal Peso Money Market Fund
- Rizal Peso Cash Management Fund
- Rizal Peso Bond
- Rizal Balanced Fund
- Rizal Equity Fund
- Rizal Dollar Money Market Fund
- Rizal Dollar Bond Fund
- Rizal Peso Short Term Fund
- Rizal R25 Blue-Chip Equity Fund
- Rizal R25 Dividend Equity Fund

G. TRANSACTION BANKING

Check Clearing
Domestic Letters of Credit
Fund Transfers
- Checkwriting Services
- Demand Drafts (Peso and Dollar)
- Manager's Checks
- Payroll Services
- Telegraphic Transfers

International Trade Settlements
- Import/Export Letters of Credit
- Documents Against Payment/Acceptance
- Open Account Arrangements
- Direct Remittances
- Intercompany Netting Arrangements
- Securities Settlement
- Collection and Receivables Services
- BancNet On-Line
- BancNet Direct Bills Payment

Collection and Receivables Services
- Bills Collections
  - Over the Counter (OTC)
  - Auto Debit Agreement (ADA)
  - Automated Teller Machine (ATM)
  - Corporate Internet Banking
  - Mobile
- PDC Warehousing
- Deposit Pick-up (Cash pick up can be considered as included)
- Check Pick up
- Cash Cube Machines

Disbursements
- Payroll
- Electronic Check Payment Solution
- Funds transfers via Pesonet & Instapay

Government Payment

BIR payments

Bureau of Customs (PAS5) Payments

Third Party Services

Collection and Receivables Services

BancNet On-Line

BancNet Direct Bills Payment

Payment Management Services

Bancnet eGov - SSS/PAg-Ibig/Philhealth

Remittance Servises

RCBC TeleMoney Products and Services

RCBC TeleRemit (Cash Pick-Up)

RCBC TeleCredit (Credit to a Bank Account)

RCBC TeleDoor2Door (Cash Delivery)

RCBC TelePay (International Bills Payment)

J. INVESTMENT BANKING

Arranging/Underwriting of Debt and Equity Securities for distribution via Public Offering or Private Placement:

Common and Preferred Stock

Convertible Preferred Stock and Bonds

Long- and Short-Term Commercial Papers and Corporate Notes

Corporate and Local Government Bonds

Promissory Notes

Arranging/Packaging of:

Syndicated Loans (Peso and Dollar)

Joint Ventures

Project Finance

Financial Advisory and Consultancy

Mergers and Acquisitions

K. ANCILLARY SERVICES

Day & Night Depository Services

Deposit Pick-up and Delivery

Foreign Currency Conversions

Foreign Trade Information

Research (Economic and Investment)

Wealth Management

Safety Deposit Box

Contribution to Income. The relative contribution of principal products or services to gross revenues is as follows: *(amounts in millions)*

Product/ Services	2019		2018		2017	
	in Php-MM	%	in Php-MM	%	in Php-MM	%
Interest Income	**37,578**	**73.6%**	**30,933**	**83.7%**	**24,764**	**77.7%**
Loans and receivables	32,646	63.9%	27,037	73.2%	21,956	68.9%
Investment Securities	4,498	8.8%	3,403	9.2%	2,430	7.6%
Others	434	0.8%	493	1.3%	378	1.2%
Other Income	**13,490**	**26.4%**	**6,006**	**16.3%**	**7,100**	**22.3%**
Trading and securities gains-net	7,492	14.7%	-	0.0%	900	2.8%
Service fees and commission	3,875	7.6%	3,323	9.0%	3,138	9.8%
Trust Services	323	0.6%	278	0.8%	279	0.9%
Other Treasury &/ or ancillary services	1,800	3.5%	2,405	6.5%	2,783	8.7%
TOTAL	**51,068**	**100.0%**	**36,939**	**100.0%**	**31,864**	**100.0%**

The foreign subsidiary - RCBC International Finance Limited (Hong Kong) accounted for 0.05%, 0.02% and 0.04% of gross revenues for the years 2019, 2018 and 2017, respectively.

Competition. The Bank faces competition from both domestic and foreign banks as a result of the liberalization of the banking industry by the Government. Since 1994, a number of foreign banks have been granted licenses to operate in the Philippines. These foreign banks have focused their operations on large corporations and selected consumer finance products, such as credit cards. They have increased competition in the corporate market and caused more domestic banks to focus on the commercial middle-market, placing pressure on margins in both markets. Mergers, acquisitions, and closures reduced the number of players in the industry from a high of 50 upon the liberalization of rules on the entry of foreign banks to twenty (22) universal and commercial banks. With the inclusion of 24 foreign banks, this brings the total to 46 in 2019.

Competition in corporate banking is intense especially with the larger banks. Pricing of loans and yield of deposit and investment products are factors limiting the expansion in this area. As such, the focus has been diverted to SMEs, cash management services, and micro-financing for the expansion of the Bank's client-base, loan portfolio and revenues. The Bank has also continued its emphasis on product and service improvement through investment in technology and systems.

Customers. The Bank's key market segments are consumer, top corporate and middle market to whom it offers consumer, commercial and corporate loans and asset and cash management services. These services are provided through its branch network, ATMs and electronic delivery channels (internet and mobile banking).

To better serve the needs of its clients, the Bank has segmented its market to the following:

a) *Corporate/Institutional Market*

Our Corporate Banking Group (CBG) caters to a wide range of business customers' financial needs — from deposit products, cash management services, short-term working capital and long-term loans (both peso- and foreign currency-denominated) to project finance, trade finance, fund transfers, and foreign exchange tailor fit to the needs of clients.

To better serve our corporate customers, we consolidated our Conglomerates & Strategic Corporates Group and our National Corporate Banking Group under one Corporate Banking Group (CBG) in 2019. We also spun off our SME Banking into a separate group. With this rationalization, CBG is now made up of five segments to ensure the widest relationship coverage: Conglomerates, Large Local Corporates, Global Ecozone, Chinese Banking and the Middle Market/Commercial segments.

The Group continuously worked with the Global Transaction Banking Group, its partner in providing various electronic banking solutions to its wide array of corporate customers.

Its risk assets had a flat growth from 2018 levels, to Php205.4 billion in 2019. Total deposits, on the other hand, continuously grew and were up 12%, year-on-year. Net revenue after operating expenses stood at Php5.7 billion, with commissions and other income of Php816 million generated from various project finance deals reaching an all-time high.

Some of CBG's notable project finance deals and partnerships in 2019 were the following:

- Cavite Laguna Expressway (CALAX)
- Cebu-Cordova Link Expressway (CCLEX)
- AC Energy and BIM Group: Solar Power Plant in Vietnam
- RCBC Partners with Shoko Chukin Bank
- RCBC and Korean Embassy Partnership for Korean Internship

b) *SMEs/Commercial Middle Market*

The SME Banking Group (SMEBG) caters to the financial needs of the country's small businesses or the SMEs and the Commercial Middle Market segments. SMBEG's SME Banking 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.

As part of its initiative to broaden market coverage, SMEBG focused on the provincial sector where growth opportunities abound but remained relatively untapped. To provide access points to entrepreneurs in strategic locations throughout the country, SMEBG has a total of 15 lending centers and 18 satellite offices plus a Division created to solely focus on small enterprises with Loans P10M and below. This Division work in tandem with the Bank's wide network of branches to further reach out to entrepreneurs nationwide. It has also implemented Program Financing initiatives, significantly a credit program using a credit scoring model for loans P10M and below.

c) *Consumer/Retail Market*

RCBC offers a suite of products and services to the Consumer / Retail Market across its distribution network. Aside from a range of deposit variants that best suit the client's profile and needs, products from Treasury, UITF, Bancassurance (both life and non-life), credit card and consumer loans (auto, housing, personal and salary loans) are made available and easily accessible. Retail lending facilities geared towards sole proprietors and small businesses are available as well for additional business capital requirement. The Bank continues to broaden its reach by increasing its branch & ATM networks in strategic growth areas plus the strong thrust to promote its digital channels like online pre-staging of account application and financial transaction in RCBC Touch Q (RCBC's Smart Queuing System), Website, Facebook and Retail Online Banking (Internet and Mobile).

RCBC Bankard Services Corporation or RBSC

RCBC Bankard Services Corporation or RBSC continued to be a formidable player in the local credit card industry as well as a significant contributor to our bottom line. Revenues from our card business rose to Php6.53 billion, accounting for 18.23% to the total income we generated through fee-based transactions, gross of eliminating entries. RBSC, the service entity of the cards business, registered a net income of Php40.7 million, which translates to a return on average equity of 18.1% and return on average assets of 9.6%.

Rizal Microbank

Rizal Microbank is the thrift banking arm of RCBC that is focused on providing financial products and services to the “bottom of the pyramid”, specifically the highly entrepreneurial segment of the microenterprise sector. Over 90% of households still remain unbanked and under-served, thus, providing Rizal MicroBank with a huge potential market for its microfinance services. In addition to its focus on the microenterprise segment, Rizal Microbank has been providing since 2013 business loan products intended for the sub-small enterprise segment or the so-called “missing middle”–comprising of small entrepreneurs whose loan requirements put them above microfinance and yet whose financing requirements are still below the lending floor of small & medium enterprise loans. In 2015, Rizal Microbank introduced an agricultural loan using the value chain finance framework/approach. The agricultural loan product seeks to provide financing to agricultural value chain players such as traders, consolidators, aggregators, and processors who are responsible in making something out of the produce of farmers and bringing them into their final market here in the Philippines and abroad. In addition, the foray into agricultural lending through the value chain framework/approach aims to provide the bank deeper insights into the agriculture sector and allow it to design and offer financial products and services specifically tailored fit to farmers engaged in production. The last initiative is something that RCBC and Rizal MicroBank are seriously pursuing since most of those unbanked and underserved are found in the rural and farming areas of the country.

As of December 2019, outstanding portfolio of the subsidiary is at P1.3 billion pesos wherein microfinance loans accounts for 10%, small business loans is 43% and agricultural loans is 47%. In terms of active borrowers, microfinance borrowers account for 55%, small business loan borrowers is 22% and agricultural loan borrowers is 23%. In terms of outstanding deposit, the subsidiary ended 2019 with P1.09 billion, with total number of accounts at 18,185.

For 2020, the subsidiary has lined up several initiatives to further improve its outreach and performance. Foremost among the initiatives is the launch of its agency banking program following the successful migration in October 2019 to a new core banking system that is cloud-based and software as a service model. RMB’s agency banking will harness existing partnerships with barangay-based merchants who will be tapped to extend financial services such as deposits, loans, bills payment and micro-insurance to unbanked and underserved market segments. The initiative is also seen as a way of improving the distribution network of the subsidiary without incurring huge capital and operating expenditures.

d) *Overseas Filipino Workers*

The steady number of Filipinos working and/or living abroad is a huge market. Given that, the Bank reaches out and offers a range of automated remittance services that are convenient and reliable to this wide network of Global Filipinos, both land-based and sea-based. The remittance arm of the bank caters not just to retail but to corporate clients as well. These include shipping and manning companies that provide payroll services to their employees, consequently utilizing the remittance service every payday. The bank also caters to their beneficiaries in the Philippines who receive these remittance funds.

RCBC Telemoney, the Bank's remittance brand, has been one of the stronger players in the business, spanning more than 25 years of service. With presence overseas through its own subsidiary in Hong Kong and other international tie-up partners like banks and money exchange/transfer business, it strives to capture significant market share of the remittance business by continuously providing excellent customer service. Through the years, the brand has established a strong foothold in OFW-saturated countries like Saudi Arabia, United Arab Emirates, Kuwait, Bahrain, Japan, and USA as well as those with growing OFW markets like Malaysia, Europe, and Canada. RCBC Telemoney is present in 26 countries and remains relentless in its pursuit to expand the network of traditional and digital tie-up partners worldwide in order to offer the best service to fellow Filipinos abroad.

e) *High Net Worth Individuals Market*

RCBC recognizes the need to offer a different level of service to the individual clients who have high value placements with the Bank.

RCBC Wealth Management was formally set-up in 2007 to cater to the financial and investment requirements of the high net worth individuals. A dedicated Relationship Manager coordinates all the services needed to manage the financial matters of the high net worth client, and guides the client in making informed investment decisions and ensuring privacy and confidentiality at all times. With a thorough understanding of the client's investment needs, performance objectives and risk tolerance, the Relationship Manager provides investment opportunities from different asset classes through an open architecture platform.

RCBC Wealth Management has offices in Makati, Binondo, Greenhills, Cebu and Davao.

Digital Enterprise and Innovation Banking.

In July 2019, the Digital Banking Group was reorganized and renamed as Digital Enterprise and Innovations Group (DEIG). Its primary thrust is accelerating digital transformation to deliver customer-centric banking products and services with an awesome user experience. The Group has been tasked to rationalize, harmonize, and optimize the Bank's various digital assets. This includes the creation of innovative, inclusive, and interoperable digital solutions aligned with the BSP's thrust on promoting financial inclusion among the underserved and unbanked segments.

With a revitalized business model, DEIG was able to exponentially grow its digital initiatives that now include the following:

- ATM Go (formerly known as Cash Express) is the country's first neighborhood ATM that enables any BancNet ATM cardholder to withdraw cash through various merchant partners nationwide. Customers can also deposit cash, do balance inquiries, pay bills, transfer funds, and purchase electronic load for prepaid mobile phones through this service. In 2019, DEIG rationalized the deployment of these devices to focus on high-impact and volume-intensive partners such as rural banks, sari-sari stores, drugstores, cooperatives, and microfinance institutions nationwide. This resulted in the fivefold year-on-year growth of ATM Go's transaction count, volume, and revenues. Majority of the transactions came from household beneficiaries under the government's Pantawid Pamilyang Pilipino Program.

Infographic:

ATM Go

- o 566.57% surge in transaction count (1,243,480 in 2019 from 186,549 in 2018)
- o 521.66% jump in transaction volume (P3,374,290,827 from P542,785,533, YOY)
- o 500.23% jump in revenues (P36,261,918 in 2019 from P6,041,311, YOY)
- o ~300,000 beneficiaries of the government's conditional cash transfer program served in 2019

- Our online platform and mobile application, RCBC Online Retail, also saw record-breaking growth performance in 2019. In addition to exceeding key metrics, our improved mobile banking app also has an enhanced user interface and other new features to optimize digital customer experience. Among these new features are the following: push and pull payments through QR Ph, in-app enrolment, online check deposit for on-us checks, improved security features (biometrics log-in, one-time password verification, and device registration), multi-currency foreign exchange or a buy-and-sell service that supports six currencies (Euro, British pound, Hong Kong dollar, Japanese yen, Singapore dollar, and U.S. dollar), online time deposit placement up to P10 million or USD 200,000, and online and mobile government payments via PESONet in partnership with the Land Bank of the Philippines.

Infographic:

RCBC Online and Mobile App

- o 138.59% jump in new online enrollments (122,981 from 51,518, YOY)
- o 35.95% increase in transaction count (41.2 million from 30.3 million, YOY)
- o 59.58% growth in transaction volume (P25.6 billion from P6.0 billion, YOY)
- o 57.68% surge in RCBC mobile app downloads (196,000 from 124,000, YOY)
- o Improvement in mobile app rating (to 4.0 from 3.7 and to 4.2 from 3.3 among Android and iOS users, respectively)
- o 69.93% growth in the number of users, with an active user rate of 30%

- 2019 also saw a record collaboration of the Bank with over 50 entities from the public and private sectors and civil society. RCBC became the first payment industry participant to launch eGov Pay, the government e-payments facility. From enabling tax payments electronically, our participation in the BSP's National Retail Payments System continues to grow. In March 2020, we piloted the adoption and alignment with QRPh, the national QR code standard, which streamlines fragmented QR-driven payment services into an interoperable payment solutions platform. In addition to the BSP, other entities that became our strategic partners in 2019 include the Liga ng mga Barangay, which adopted the DiskarTech app as the country's national financial inclusion accelerator program and capacity-building initiative. DiskarTech was also integrated in the training modules of over 1,000 Negosyo Centers nationwide run by the Department of Trade and Industry.

Transactions and/or Dependence on Related Parties. The information required is contained in item 12 on page 97.

Principal Terms and Expiration Dates of All Patents, Trademarks, Copyrights, Licenses, Franchises, Concessions, and Royalty Agreements Held. The Bank has registered the marks "RCBC" (one word mark and two composite marks of the same name), "RCBC a YGC Member and Logo", "RCBC

Capital Corporation a YGC Member and Logo", and "Rizal Microbank a Thrift Bank of RCBC and Design," "RCBC Land, Inc. a YGC Member and Logo," "RCBC Realty Corporation & Logo," and "RCBC Plaza & Device," "We Believe In You," "GoSavers," and "RCBC MyWallet" with the Intellectual Property Office of the Philippines (IPOPHL). The Bank also has pending applications for the registration of the marks "eWMN," "iSave," "RCBC MyDebit," "ATMGo," and "Diskartech." The Bank believes that this is a common practice in the banking industry in the Philippines. The Bank has not been the subject of any disputes relating to its intellectual property rights.

Effect of Existing or Probable Governmental Regulations on the Business. The normal operations of the Bank is not adversely affected by any existing governmental regulation nor is it expected that any probable governmental regulation would have a material adverse effect on the operations of the Bank.

Amount Spent on Research and Development Activities. The Group's total investment in IT Software is P233 million in 2019, P179 million in 2018 and P304 million in 2017. Percent (%) to total revenue is 0.65% in 2019, 0.68% in 2018 and 1.21% in 2017. This is also disclosed in Note 15 of the AFS as part of the movement of the Group's software.

Employees. The Bank, excluding subsidiaries, has 2,490 non-officers from 1,757 in 2018 and 3,853 officers from 2,759 in 2018 or a total manpower of 6,343 as of December 31, 2019 compared to 4,516 last year. The increase is primarily the result of the RCBC-RSB Merger. Although not all non-officer employees are members of the RCBC Employees Association, all are covered by the Collective Bargaining Agreement (CBA). CBA covered period is from 2016 – 2021. Projected full year 2020 headcount is 6,662. All of the Bank's non-managerial employees, other than those expressly excluded under the collective bargaining agreement, are represented by an independent union, the RCBC Employees Association. In December 2019, the Bank (not including its subsidiaries) and the RCBC Employees Association agreed on the 2-year economic provisions (2019-2020) and the 5-year non-economic terms of the collective bargaining agreement for the period 01 October 2016 to 30 September 2021.

The parent bank has not suffered any strikes nor was there any threat of a strike as a result of a dispute in the past five years, and the management believes that its relationship with its employees and the union is good.

The supplemental benefits that the Bank has for its associates include hospitalization, medical and dental benefits, group insurance and bereavement assistance. Associates are also entitled to vacation and sick leaves.

The Bank continues to invest in its employees through various training programs strategically focused on customer service, sales planning and management, product knowledge, leadership, risk management, and technical skills.

Risk Management. The RCBC Group (the Group) recognizes that risk is an inherent part of its activities, and that banking is essentially a business of managing risks. The Group views risk management as a value proposition imbued with the mission of achieving sustainable growth in profitability and shareholder value through an optimum balance of risk and return.

The RCBC Group's Risk Governance Framework aims to:

- Identify, measure, control, and monitor the risk inherent to the Group's business activities or embedded in its products and portfolios;

- Formulate, disseminate, and observe the corporate risk philosophy, policies, procedures and guidelines;
- Guide risk-taking units in understanding and measuring risk-return profiles in their business transactions;
- Continually develop an efficient and effective risk management infrastructure; and
- Comply with regulations on risk and capital management.

Overall responsibility for risk management is with the Board of Directors. The Board ensures that the Group's corporate objectives are supported by a sound risk strategy and an effective risk governance framework that is appropriate to the nature, scale, and complexity of its activities. The Board provides effective oversight of senior management's actions to ensure consistency with the risk strategy and policies, including the risk appetite framework.

The Board:
- Sets policies, strategies and objectives and oversees the executive function
- Sets the risk appetite and ensures that it is reflected in the business strategy and cascaded throughout the organization.
- Established and oversees an effective risk governance and organizational structure.

The Board of Directors (BOD) has created committees to perform oversight responsibilities. Five committees of the BOD are relevant in this context:

- The **Executive Committee (EXCOM)** has the authority to act on matters as the Board of Directors may entrust to it for action in between meetings of the Board. More specifically, it reviews and approves loans and other credit-related matters, investments, purchase of stocks, bonds, securities and other commercial papers for the bank.

- The **Risk Oversight Committee (ROC)** is a board-level committee to which the Board delegated some of its functions with respect to the oversight and management of risk exposures of the RCBC parent bank and subsidiaries (the Group). In this regard, the ROC exercises authority over other risk committees of the Group, with the principal purpose of assisting the Board in fulfilling its risk oversight responsibilities. The ROC oversees the following: 1) The Risk Governance Framework; 2) The Risk Management Function; 3) Adherence to Risk Appetite; 4). Capital Planning and Management; and 5) Recovery Plans.

- **Anti-Money Laundering Board Committee** is constituted by the Board of Directors for the purpose of carrying out its mandate to fully comply with the Anti-Money Laundering Act, as amended, its Revised Implementing Rules and Regulations and the Anti-Money Laundering Regulations under the MORB; and to ensure that oversight on the bank's AML compliance management is adequate. The AML Board Committee has oversight on all AML-related matters such as the bank's Anti Money Laundering and Terrorist Financing Prevention Program (MLPP), AML findings, PCA commitments, alerts management, and CTRs & STRs.

- The **Audit and Compliance Committee** is a board-level committee constituted to perform the following core functions:

    - Oversight of the institution's financial reporting and control, and of internal and external audit functions. This includes responsibility for the setting up of

internal audit and for the appointment of the internal auditor as well as the independent external auditor who shall both report directly to the Audit and Compliance Committee.
    - Investigation of any matter within its terms of reference, with full access to and cooperation by management and full discretion to invite any director or executive officer to attend its meetings and adequate resources to enable it to effectively discharge its functions.
    - The review of the effectiveness of the institution's internal controls, including financial, operational and compliance controls, and risk management, to be conducted at least annually.
    - Oversight of regulatory/compliance aspects.

- The **Related Party Transactions (RPT) Committee**, is composed of three (3) members of the Board of Directors, two (2) of whom are independent directors, including the Chairperson. The RPT Committee, which meets monthly and as necessary, reviews material RPTs to ensure that they are conducted in the regular course of business and not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances. On favorable review, the RPT Committee endorses material RPTs to the Board for approval.

Four senior management committees also provide a regular forum, at a lower-level, to take up risk issues:

- The **Credit and Collection Committee (CRECOL)**, chaired by the President and Chief Executive Officer (CEO) and composed of the heads of credit risk-taking business units, head of Treasury Group and head of Asset Management and Remedial Group, meets weekly to review and approve credit exposures within its authority. It also reviews plans and progress on the resolution of problem loan accounts.

- The **Asset/Liability Committee (ALCO)** is composed of a group of executives of the bank, chaired by the Treasurer and joined by the President and CEO together with the heads of various business and support groups from Corporate Banking, Commercial Banking, Consumer Lending, Branch Banking, Risk Management, Corporate Planning and Controllership. The ALCO coordinates the management of assets and liabilities of the bank with the objective of earning acceptable returns for the stockholders of the institution.

  ALCO meetings are held every week. The major responsibilities of the committee, among others, are 1) that the degrees of liquidity, interest-rate and foreign exchange risk are accurately communicated to the members; 2) monitors the composition of the assets and liabilities and identifies the gaps in the balance sheet. It develops a maturity profile and mix of incremental assets and liabilities, such as, cash flow and interest rate gaps; 3) decides on the major structure of the balance sheet, such as the duration, ratio of foreign exchange of assets and liabilities vs. local the local currency and the mix of wholesale and retail funding; and 4) decides on how to respond to domestic and international market developments which may affect interest and foreign exchange rates in terms of setting the rates for various assets and liabilities; 5) It articulates the interest rate view of the bank used for deciding the future business strategy with consideration on the funding cost, market conditions and competitive positioning. ; 6) decides on the transfer pricing policy and communicates the deposit and lending pricing strategy for the local market; 7) It reviews and revises, as and when needed, the bank's funding policy and annually the liquidity contingency plan for the bank; and, 8) It evaluates market risk involved in launching of new products.

- The **Related Party Transactions Management Committee (RPT ManCom),** is composed of the Group Heads of the business units as specified in the charter or their respective designates. The RPT ManCom meets monthly to review and approve proposed RPTs below the materiality threshold or those that do not require Board approval to ensure that said RPTs are conducted in the regular course of business and not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances. On favorable review, the RPT ManCom approves the non-material RPT and submits the same to the BOD for confirmation.

- The **Anti-Money Laundering Management Committee (AMLManCom)**, chaired by the Chief Compliance Officer, which meets weekly, evaluates the unusual/suspicious transaction reported by the different bank units to determine the filing of Suspicious Transaction Reports (STRs) to the Anti-Money Laundering Council (AMLC).

Capital Adequacy Management. In addition to the risk management systems and controls, the Group holds capital commensurate with the level of risks it undertakes in accordance with minimum regulatory capital requirements. This interaction of risk and capital management is best expressed in the Bank's framework for its ICAAP, which is a continuous evaluation of capital adequacy versus the current and prospective risk profile of the Group.

Major Risks Involved. The Board and Management of RCBC believe that effective management of risk is central to achieving strategic objectives and performance targets. In the pursuit of strategy and to produce a superior return for its shareholders, RCBC has identified various types of risk:

a) **Credit Risk** – Risk of loss arising from a counterparty's failure to meet the terms of any contract with the Bank or otherwise perform as agreed. The Bank is exposed to credit risk as trading counterparty to dealers and customers, as direct lender and as a holder of securities. Categories of credit risk include contingent credit risk (risk that potential counterparty or customer obligations become actual and will not be repaid on time), country risk (risk that actions of sovereign governments or other uncontrollable events will adversely affect the ability of counterparties or customers to fulfill obligations to the Bank), underwriting risk (risk that an issue will lose value after launching but before trading in the secondary markets), and custody risk (risk that arises when the Bank has assets in the form of securities entrusted to a third party as a custodian).

   The Bank's goal of credit risk management is to maximize its risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters. The credit policies of the Bank are reviewed and approved by the ROC are set out in the Bank's Credit Risk Policy Manual.

b) **Credit Concentration Risk** - Risk of loss arising from over-exposure to specific industries, borrower, counterparty, or group.

c) **Market Risk** – Risk of financial loss arising from adverse movements in market prices of position in the trading book. The market risks of the Bank are: (a) stock prices, (b) interest rates, (c) exchange rates, and (d) commodity prices.

To manage market risks inherent in the Bank's portfolio, three related measures of risk values are estimated or established:

- The sensitivity of the position or portfolio to a movement in the market risk factor to which it is exposed;
- The volatility of the position (the maximum expected movement in the market risk factor for a given time horizon at a specified level of confidence); and
- The value-at-risk (the likely impact on earnings for a given time horizon due to expected movements in the market factors).

d) **Interest Rate Risk** in the Banking Book – Current and prospective risk to earnings and capital arising from adverse movements in the interest rates that affect the Bank's banking book positions. The Bank follows a policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates is kept within acceptable limits. The Bank's risk measurement system addresses different risk factors of different categories of instruments within each currency where the Bank holds interest rate sensitive positions.

ALCO meets at least weekly to set rates for various asset and liability and trading products. In pricing interest rates, foreign exchange and fee-based products, ALCO considers funding costs, market conditions, transaction volumes, and competitors' rates, among others.

The interest rate sensitive instruments of the Bank's trading and investment portfolio are covered by a system of loss limit and Management Action Trigger ("MAT") controls which quantify management's tolerance for losses on year to date and month to date cumulative loss. In addition, value-at-risk ("VaR") is computed per product group to determine potential loss.

The Bank employs "gap analysis" to measure the interest rate sensitivity of its assets and liabilities. The asset/liability gap analysis measures, for any given period, any mismatch between the amounts of interest-earning assets and interest-bearing liabilities which would mature, or would be subject to re-pricing, during that period.

e) **Liquidity Risk** – Current and prospective risk to earnings or capital arising from a bank's inability to meet its obligations when they come due without incurring unacceptable losses or costs. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources.

The Bank's liquidity policy is to manage its operations to ensure that funds available are more than adequate to meet demands of its customers and to enable deposits to be repaid on demand or upon maturity. The main sources of the Bank's funding are capital, core deposits from retail and commercial clients and wholesale deposits. The Bank also maintains a portfolio of high quality liquid assets to further strengthen its liquidity position. The Bank ensures compliance to the Liquidity Coverage Ratio and Net Stable Funding Ratio. At least once annually, the Bank presents a request for liquidity limits to the Risk Oversight Committee for final approval and ratification by the Board of Directors. The Bank's Treasury formulates a funding plan that effectively serves as a projected funding requirement based on assumptions from the forecasted balance sheet.

To ensure that the Bank has sufficient liquidity at all times, the Bank formulates a contingency plan using extreme scenarios of adverse liquidity and evaluates the Bank's ability to withstand these prolonged scenarios. The contingency plan focuses on the Bank's strategy for coordinating managerial action during a crisis and includes procedures for making up cash-flow shortfalls in adverse situations. The plan details the estimated amounts of funds available and the scenarios under which it could use them.

f) **Operational Risk** – Risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes the risk of loss arising from various types of human or technical error, settlement or payments failures, business interruption, administrative and legal risk issues and systems not performing adequately.

The Bank maintains departmental operations manuals that are periodically updated. The Bank has also developed a Business Continuity Plan, based on several crisis severity levels, which is tested at least annually and updated for any major changes in systems procedures. A complaints log, which is reviewed by management, exists for each business area for logging, monitoring and follow-up on customer complaints.

To ensure that critical transactions are properly handled, the work of one person is verified by another. Items of value are under joint custody.

The Bank places emphasis on the security of its computer system and has a comprehensive IT security policy. The Bank designates a security administrator independent of the front office who is responsible for maintaining strict control over user access privileges to the Bank's information systems. The Bank's IT Shared Services Group has a Disaster Recovery Plan to ensure business continuity, recovery of critical data and uninterrupted processing of transactions in the event of a disaster.

g) **Regulatory Risk and Compliance Risk** – Regulatory risk is the risk of loss arising from probable mid-stream changes in the regulatory regime affecting current position and/or strategy. Compliance risk is the risk of loss resulting from failure to comply with laws, regulations, rules, related self-regulatory organization standards, and codes of conduct applicable to its banking activities. The Bank's Compliance Program, the implementation of which is overseen and coordinated by the Compliance Office, is the primary control process for regulatory risk issues, including money laundering and terrorist financing risks. The Compliance Office is responsible for communicating and disseminating new rules and regulations to all units, analyzing and addressing compliance issues, performing periodic compliance testing on business centers and Head Office units and reporting compliance findings to the Audit and Compliance Committee and the Board of Directors. On a case-to-case basis, when the Audit and Compliance Committee is not immediately available, the Compliance Officer may initially report urgent matters to the President and Chief Executive Officer, and thereafter to the Audit and Compliance Committee.

h) **Reputation Risk** – Risk of loss arising from negative public opinion. While the Bank holds that everyone plays a part in the management of its good name, it has nevertheless tasked a specific body – the Marketing Committee (MarComm) – to execute strategies towards the management of its reputation. The MarComm has the following objectives:

- To serve as venue for surfacing and managing issues that affect, or tend to affect the public's perception principally of the Bank, and by extension, the members of the Yuchengco Group of Companies (YGC);

- To design, recommend and, once approved, implement public relation strategies and/or campaigns that are designed to enhance the Bank's positive public image, avert any potential negative perception arising from looming reputation issues, and contain or minimize any incurred or continuing damage to the Bank's image arising from subsisting negative public information.

i) **Strategic Risk** – Risk of loss arising from adverse business decisions or lack of responsiveness to industry changes.

(See accompanying Notes to FS for a detailed discussion of Risk Management.)

Item 2. Properties

RCBC's headquarters are located on an island site at the corner of Ayala Avenue and Sen. Gil Puyat Avenue Ext. called the RCBC Plaza Building and the other located at the 25th and 26th Streets, Bonifacio Global City, Taguig City called Alfonso T. Yuchengco Centre (ATY Centre). The RCBC Plaza Building is one of the largest sites in the Makati Central Business District. The Bank and some of its subsidiaries lease and occupy about eleven and a half (11.5) floors of the twin tower complex. The Bank's lease, covering an area of 19,031.59 will expire on December 31, 2020. Annual rent of Bank's principal offices, exclusive of VAT, amounts to P296 million. ATY Centre, on the other hand, is occupied by the Bank by about thirteen and a half (13.5) floors or 18,788.52 square meters of the 33-storey building.

The Group's total lease related expenses comprising of rent, right-of-use amortization, and interest on lease liability amounted to P1,231 million in 2019. The lease periods are from 1 to 25 years. Most of the lease contracts contain renewal options, which give the Parent Company and its subsidiaries the right to extend the lease on terms mutually agreed upon by both parties.

The Bank owns and/or leases sites as listed below and on the following pages:

LOCATION/BC NAME	BUSINESS ADDRESS	AREA (in sqm)
A. RCBC OWNED PREMISES		
METRO MANILA AREA		
Alabang	Alabang-Zapote Road, Alabang, Muntinlupa City	1,955.00
Alabang (Toyota)	Alabang-Zapote Road, Las Piñas City	7,056.00
Anonas	69 Anonas cor Chico St. Project 2, Quezon City	187.50
Baclaran	Taft Avenue Extension, Baclaran, Parañaque	219.00
BANKARD – Robinson's EPCI Tower	Robinson's Equitable-PCI Tower, #4 ADB Ave. cor. Poveda St., Ortigas Center, Pasig City.	3,531.00
Betterliving	Dona Soledad St. Betterliving Bicutan, Paranaque	479.00
BF Homes	Ground Floor, Center mall Building (Matrix Center), Presidents Avenue, BF Homes, Parañaque City	299.00
Binondo	Q. Paredes St., Binondo, Manila	2,149.66
Blumentritt	Blumentritt cor. Andrade St. Sta Cruz Manila	210.00
Caloocan	No.259 Rizal Avenue, Caloocan City	1,300.00
Camarin	Susano Road, Camarin novaliches Quezon City	559.00
Carlos Palanca	Ground Floor, BSA Suites, C. Palanca Street, Legaspi Village, Makati City	142.80
Commonwealth	Commonwealth Avenue, Old Balara, Quezon City	470.00
Connecticut	No. 51 Connecticut Street, Northeast Greenhills, San Juan City	1,003.00

LOCATION/BC NAME	BUSINESS ADDRESS	AREA (in sqm)
Divisoria	Mezzanine, New Divisoria Condominium Center, Sta. Elena, Divisoria, Manila	449.60
Divisoria	# 649 Padre Rada St. Cor. Juan Luna Brgy Padre Rada Tondo, Metro Manila	289.67
E. Rodriguez	444 E. Rodriguez Sr. Blvd. Cor. Jacinto St. Quezon City	279.00
Felix Avenue	Karangalan Village, Phase II, Felix Avenue, Cainta Rizal	221.19
Greenbelt	Ground Floor, BSA Tower, Legaspi Street, Legaspi Village, Makati City	173.80
Greenhills	Grace Building, Ortigas Ave., Greenhills, San Juan, MM	108.69
J. P. Rizal	J. P. Rizal Street, Makati City	198.75
Kapitolyo	Shaw Boulevard, Kapitolyo, Pasig City	311.00
Katipunan	Torres Building, Katipunan, Loyola Heights, Quezon City	234.00
Lagro	Km 22 Quirino H-way Lagro, Novaliches Quezon City	280.00
Legaspi Village	ACCRA Bldg., Gamboa cor. Salcedo Sts., Legaspi Village, Makati City	522.00
Legaspi Village (Cristina Condo)	Cristina Condominium, Legaspi cor. Herrera, Legaspi Village, Makati City	120.00
Marulas	Mc Arthur H-way, Marulas Valenzuela Metro Manila	200.00
Masinag	Sumulong H-way, Masinag Antipolo Rizal	238.00
Metallim Compound	No. 95 T. Arguelles (formerly Brixton St.), Brgy. Imelda, Quezon City	2,421.70
Montalban	Jose Rizal cor. Linco St. Montalban Rizal	447.00
Muntinlupa	National H-way, Muntinlupa City	227.00
Novaliches	917 Bo. Gulod.,Quirino Highway	263.00
Navotas	Estrella cor. Yangco St. Navotas East, Metro Manila	220.00
Ortigas Center	Malayan Tower, ADB Avenue, Ortigas Center, Pasig City	272.95
Ortigas Extension	Ortigas Ave. Extn. Brgy.Sta.Lucia Pasig City 2nd District Metro Manila	241.00
P. Tuazon	P. Tuazon Cor. 12th Ave. Cubao Quezon City	355.00
Pacific Place	Ground Floor, Pacific Place Building, Pearl Drive, Ortigas Center, Pasig City	1,219.59
Pateros	M. Almeda St. Bo. San Roque, Pateros Metro Manila	300.00
Quezon Avenue	Quezon Avenue, Quezon City	1,427.70
Rockwell	Phinma Plaza, Hidalgo Street, Rockwell Center, Makati City	259.00
A.Y Corporate Center (BGC - The Fort)	Bonifacio South Big Delta, Fort Bonifacio, Taguig City	3,150.00
Salcedo	Le' Metropole Building, Sen. Gil Puyat Avenue corner Tordesillas and H.V. Dela Costa Streets, Salcedo Village, Makati City	192.04
Salcedo Village	Ground Floor, Y Tower II Building, Leviste (Alfaro) corner Gallardo Streets, Salcedo Village, Makati City	230.09
Salcedo Village (8/F Y TOWER)	8/F Y Tower II Building, Alfaro cor. Gallardo, Sts., Salcedo Village, Makati City (with 2 covered, 1 semi-covered and 1 open parking space)	432.03
San Joaquin	Concepcion St. San Joaquin, Pasig City	159.00
San Roque	J.P. Rizal St. San Roque Marikina City	400.00
Sangandaan	Sangandaan, A. Mabini cor. Plaridel, Caloocan City	323.00

LOCATION/BC NAME	BUSINESS ADDRESS	AREA (in sqm)
Sta. Mesa	4463 Old Sta. Mesa Manila	214.00
T. Morato	169 Tomas Morato cor. Sct. Castor, Quezon City	175.00
Taft-Remedios	Taft Avenue, Manila	295.10
Taytay Extension Office	Rizal avenue, Cuatro Cantos, Taytay, Rizal	211.00
Tektite	East Tower, PSE Center, Exchange Road, Pasig City	311.00
Timog	Timog Avenue, Barangay Laging Handa, Quezon City	690.00
Visayas Ave.	6 Visayas Ave. Tandang Sora, Quezon City	300.00

LUZON AREA		
LOCATION/BC NAME	**BUSINESS ADDRESS**	**AREA (in sqm)**
Angeles	Sto. Rosario Street corner Theresa Avenue, Barangay Sto. Rosario, Angeles City	600.00
Angono	Quezon Avenue, Angono, Rizal	1,074.00
Apalit	National Road, San Vicente, Apalit, Pampanga	1,250.00
Bacoor	Lot 1, Pcs-042103-007035, Aguinaldo Hi-way cor. Road Lot 3, Brgy. Habay, Bacoor, Cavite	268.00
Bacoor	Unit 101-103, Aguinaldo Hi-way, Bacoor, Cavite	339.00
Baguio	Session Road, Baguio City	474.54
Balibago	McArthur Highway, Barangay Balibago, Angeles City	331.00
Batac	Marcos Highway, Batac, Ilocos Norte	378.08
Binakayan	Aguinaldo H-way, Binakayan Kawit, Cavite	197.00
Binan	126 A. Bonifacio St. Poblacion Binan Laguna	286.00
Binangonan	M.L. Quezon St. cor Zamora St. Binangonan Rizal	200.00
Bocaue	249 Binang 2 Mc Arthur H-way Bocaue, Bulacan	250.00
Brystol Textile INC	Maguyam Road, Brgy. Maguyam Silang, Cavite	27,192.00
Cabanatuan	Maharlika Highway cor. Paco Roman St.Extension, Brgy. Barrera District Cabanatuan City, Nueva Ecija	1,203.00
Cabuyao	J.P. Rizal cor. Del Pilar St. Cabuyao, Laguna	248.00
Calamba	Provincial Road corner Cadena De Amor Street, Dolor Subdivision, Barangay 1, Poblacion, Calamba City, Laguna	815.00
Calamba	National Road, Calamba Laguna	300.00
Carmen	McArthur Highway, Carmen, Rosales, Pangasinan	720.00
Dasmarinas	Aguinaldo H-way, Dasmarinas Cavite	264.00
Dasmarinas (FCIE-Cavite)	FCIE Compound, National Highway, Barangay Langkaan, Dasmariñas, Cavite	265.00
Gateway	Gateway Industrial Park, Brgy. Javalera, General Trias, Cavite	787.00
GMA	Block 2, lot 10 GMA, Cavite	204.00
La Union	Quezon cor. P. Burgos, San Fernando, La Union	442.00
Imus	Nuevo Tansang Luma, Imus Cavite	400.00
Lima	Hotel Drive corner Business Loop, Lima Technology (Business) Center, (Lima Square), Barangay Santiago, Malvar, Batangas	1,524.00
Lucena	Lot 2983 Quezon Ave. Lucena City	214.00
Malolos	Paseo del Congreso, Malolos Bulacan	304.00
Meycauayan	831 Mc Arthur H-way, Meycauayan, Bulacan	215.00
Naic	Capt. Nazareno St. Naic, Cavite	337.00
Noveleta	Poblacion Noveleta, Cavite	300.00

LOCATION/BC NAME	BUSINESS ADDRESS	AREA (in sqm)
Palawan	San Miguel St., Puerto Princesa, Palawan	1,526.00
Plaridel	Cagayan Valley Road, Banga 1, Plaridel Bulacan	670.00
San Mateo	Gen. Luna St., Brgy.Gitnang Bayan II, San Mateo, Rizal	307.00
Sta. Cruz	A. Regidor corner P. Burgos, Sta. Cruz, Laguna	131.00
Sta. Rosa	J. Rizal Blvd. Cor. Perlas Village, Brgy. Tagapo Sta. Rosa, Laguna	480.00
Tarlac	Mc Arthur Highway, Blossomville Subd., Brgy. Sto Cristo, Tarlac City	554.00
Tagbilaran	C.P. Garcia cor. H. Grupo Sts., Tagbilaran Bohol	300.00
Tobaco	Ziga Avenue, Tabaco, Albay	316.00

VISAYAS AREA		
LOCATION/BC NAME	**BUSINESS ADDRESS**	**AREA (in sqm)**
Ayala-Cebu	Lot 1 Blk 6, Along Mindanao Ave. & Siquijor Rd., Cebu Business Park, Cebu City	1,814.00
Bacolod-Libertad	Lot 390, de modecion catastral de Bacolod, Libertad Street, Bacolod City	2,547.00
Bacolod-Main	Rizal corner Locsin Streets, Bacolod City	440.00
Bacolod-Shopping	Hilado Extension Street, Capitol Shopping District, Bacolod City	1,057.00
Bayawan	National Highway, Bayawan, Negros Oriental	568.00
Cadiz	Abelarde corner Mabini Streets, Cadiz City	741.00
Dumaguete	Real St. cor. San Juan St. Dumaguete City	211.00
Escario	N. Escario Street, Cebu City	437.00
Fuente Osmena	GPL Tower, Fuente Osmena, Rotonda, Cebu City	845.27
Iloilo	J. M. Basa cor. Arsenal, Iloilo City	2,647.00
Jalandoni	Jalandoni St. San Agustin Iloilo City	256.00
Kabankalan	Poblacion, Kabankalan City, Negros Occidental	1,000.00
La Paz	Luna st., la Paz, Iloilo City	339.00
Lacson	Lacson St., Mandalagan, Bacolod City	628.50
Mandaue	A. Cortez Avenue, Barangay Ibabao, Mandaue City	1,664.00
Mandaue	Mandaue Cebu City	254.00
P. del Rosario	P. del Rosario st., Bo. Sambag, Cebu City	298.00
Roxas City	Plaridel Street, Banquerojan, Roxas City	624.00
Sara	Don Victorino Salcedo Street, Sara, Iloilo	450.00
Silay	Rizal corner Burgos Streets, Zone1, Silay City	799.70
Tagbilaran	C.P.G. (J. P Garcia) Avenue, Tagbilaran City	633.00
Talisay	National Hi-way, Tabunok, Talisay, Cebu	679.00
TACLOBAN	Corner P.Zamora St.and Sto. Nino Sts ,Brgy.15, Tacloban City	317.00

MINDANAO AREA		
LOCATION/BC NAME	**BUSINESS ADDRESS**	**AREA (in sqm)**
Bolton	Bolton St. Davao City	300.00
LOCATION/BC NAME	**BUSINESS ADDRESS**	**AREA (in sqm)**
Dadiangas	Pioneer Avenue, General Santos City	930.00
Davao-Recto	C. M. Recto and Palma Gil, Davao City	1,085.00
Digos	Rizal Avenue, Digos, Davao del Sur	300.00
Gen. Santos	Pioneer Avenue, General Santos City	443.00
Ilustre	Lot 2 Ilustre Extension Brgy 2 Poblacion Davao City	607.00

LOCATION/BC NAME	BUSINESS ADDRESS	AREA (in sqm)
Ipil	National Highway, Barangay Luiz Ruiz Sr., Poblacion, Ipil, Zamboanga del Sur	1,000.00
Isulan	National hi-way cor. Lebak Road, Kalawag III, Isulan, Sultan Kudarat	372.00
Lapasan	C. M. Recto, Lapasan, Cagayan de Oro City	456.00
Ozamis	Don Anselmo Bernad corner A. Mabini Street, Ozamis City	202.00
Pagadian	Rizal Avenue, Pagadian City	301.00
Polomolok	Dhalia Street, Polomolok, South Cotabato	511.00
Surallah	National Highway, Surallah, South Cotabato	496.00
Tagum	Pioneer Avenue, Tagum, Davao del Norte	1,200.00
Velez	Velez Street, Cagayan de Oro City	382.00

B. RCBC LEASED PREMISES LOCATED IN RCBC PLAZA

The Bank's leased premises in RCBC Plaza (excluding the main branch) cover an area of 18,351.19 square meters and monthly rental of P24,410,188.31.

BC NAME	BUSINESS ADDRESS	Lease Rate	LEASE TERM	
		(inclusive of 12% VAT)	START	END
C. RCBC LEASED PREMISES				
METRO MANILA AREA				
168 Mall	Unit 4H-01 4th Floor, 168 Shopping Mall, Sta. Elena St., Binondo, Manila	140,710.14	1-Jan-16	31-Dec-20
A. Mabini	1353 Tesoro Bldg. A. Mabini St. Ermita Manila	262,445.16	19-Oct-19	14-Oct-24
Abad Santos	1628 Jose Abad Santos Avenue, Tondo, Manila	202,230.00	1-May-17	30-Apr-27
Acropolis	191 Triquetra Bldg., E. Rodriguez Jr. ave., Bagumbayan, Quezon City	202,230.00	1-Jun-15	31-May-20
Acropolis EastWood	Unit G8A-B, G/F MDC 100 Building, No. 188 E. Rodriquez Jr. Avenue cor. Eastwood Avenue, Barrio Bagumbayan, Quezon City	107,413.02	2-Dec-15	2-Dec-20
ADB Avenue-Garnet	Unit 110 AIC Burgundy Empire Tower ADB Ave. corner Garnet Road, Ortigas Center, Pasig City	295,576.80	1-May-17	30-Apr-22
Adriatico	Hostel 1632 G/F Unit No. 1632 M. Adriatico St. Malate, City of Manila	256,800.00	1-May-17	14-May-27
Aguirre-BF Homes	G/F Fitness & Beauty Mall Bldg., 290 Aguirre Avenue. Cor. Gov. Santos St., BF Homes, Paranaque City	154,080.00	1-Jan-17	1-Jan-22

BC NAME	BUSINESS ADDRESS	Lease Rate (inclusive of 12% VAT)	LEASE TERM	
			START	END
Agustin	G/F Agustin Bldg. Ruby Road, Ortigas Center Pasig City	173,083.20	16-May-18	15-May-23
Alabang -Filinvest	Units G04 & G05 Vivere Hotel 5102 Bridgeway Ave., Filinvest Corporate City, Alabang, Muntinlupa City	133,792.80	21-Oct-15	21-Oct-20
Alabang Madrigal Business Park	Unit 5 and 6, Ground Floor CTP Alpha Bldg., Investment Drive, Madrigal Business Park, Ayala Alabang, Muntinlupa City	192,819.20	15-Sep-15	15-Nov-25
Amang Rodriguez	1249 A. Rodriguez Ave., Dela Paz, Pasig City	55,000.00	1-Jul-17	30-Jun-27
Amoranto	Units 1-F and 1-G Edificio Enriqueta 422 N.S. Amoranto St., cor. D. Tuason Ave. Quezon City	124,120.00	1-Mar-17	28-Feb-27
AMPID	122 General Luna St., Ampid 1, San Mateo Rizal	128,000.00	8-Nov-13	7-Nov-20
Aurora Blvd-Madison	Madison 101, Aurora Blvd cor. Madison St., Quezon City	219,029.00	1-Dec-15	30-Nov-25
Ayala	Unit 709 & 710 Tower I Ayala Triangle Ayala, Makati City	691,051.50	1-Oct-18	30-Sep-21
Ayala Alabang	G/F Sycamore Bldg.Alabang Zapote Road Ayala Alabang Muntinlupa	163,275.00	16-Mar-18	16-Mar-21
Ayala-Paseo	GF 8767 Philamlife Tower, Paseo De Roxas Makati City	246,500.00	1-Sep-15	31-Aug-20
Annapolis-Greenhills	G/F Platinum 2000, No. 7 Annapolis St.,San Juan, Metro Manila	76,900.00	1-Sep-15	31-Aug-20
Annapolis-Missouri	G/F Unit 102 The Victoria Plaza, #41 Annapolis St. San Juan City	176,620.08	19-Feb-18	15-Feb-23
Antipolo Lores	G/F Lores Country Plaza, ML Quezon Ext., Brgy. San Roque, Antipolo City	52,200.00	1-Oct-11	30-Sep-21
Antipolo-Mille Luce Extension	G/F Mille Luce Village Center, ML Quezon Ave Brgy San Roque Antipolo City	82,844.12	14-Apr-19	14-Apr-20
Araneta Center	G/F Unit 111 Sampaguita Theatre Bldg., Gen. Araneta & Gen.Roxas Sts., Cubao, Quezon City	BC for relocation		
Arnaiz	843 G/F B & P Realty Inc. Building, Arnaiz Ave., Legaspi Village, Makati City	114,881.67	1-Dec-11	30-Nov-21
Arranque	1001 Orient Star Bldg. cor. Masangkay and Soler Sts., Sta. Cruz, Manila	278,200.00	15-May-17	14-May-27
Baclaran-Quirino Ave	#3916 Qurino Avenue corner Aragon Street, Baclaran, Paranaque City	90,000.00	1-Oct-15	1-Oct-20
Banawe	Unit I-K, CTK Bldg. 385 Banawe cor. N.Roxas Sts. Quezon City	192,429.86	16-Feb-15	15-Feb-20
Barangka	84 A. Bonifacio Ave Barangka Marikina City	121,825.88	1-Jun-16	31-May-21
Bayani Road	30B Bayani Road AFPOVAI Subdivision, Fort Bonifacio, Taguig City	122,371.20	1-Sep-12	31-Aug-22

BC NAME	BUSINESS ADDRESS	Lease Rate (inclusive of 12% VAT)	LEASE TERM	
			START	END
Bel Air	Unit 101 Dona Consolacion Bldg., 122 Jupiter St., Bel-Air, Makati City	122,409.37	1-Oct-16	30-Sep-21
Better Living	#14 Doña Soledad Ave., Better living Subd., Brgy. Parañaque City	126,125.72	15-Sep-18	14-Sep-23
Binangonan-Calumpang Extension	1003 Perez Compound Hiway Calumpang Binangonan, Rizal	30,000.00	1-Feb-13	1-Feb-23
Binondo	ETY Building, 484 Quintin Paredes St., Binondo, Manila	451,450.12	1-Apr-18	31-Mar-23
Binondo-San Nicolas	Unit 2 Ground and Second Floor One Binondo Place Tower, 567 San Nicolas St. Corner Ilang-Ilang St., Binondo, Manila	50,000.00	10-Mar-14	9-Mar-24
Boni Ave.	617 Boni Ave. Mandaluyong City	246,446.94	1-May-17	30-Apr-21
Boni San Rafael	503 Boni Ave cor. San Rafael, Mandaluyong City	132,412.50	1-Sep-16	31-Aug-26
Buendia	Grepalife Bldg. 221 Sen. Gil J. Puyat Ave., Makati City	251,221.79	1-Jan-19	31-Dec-23
Buendia-Techzone	Techzone Philippines Bldg., 213 Sen. Gil Puyat Ave. Brgy. San Antonio, Makati City	75,756.00	1-Sep-15	21-Aug-20
C. Raymundo	261 Unit C, C. Raymundo Avenue, Brgy. Maybunga, Pasig City	115,560.00	1-Feb-17	31-Jan-27
C. Raymundo-Rosario	G/F JG Building C. Raymundo Ave. Rosario Pasig City	102,512.63	1-Nov-18	31-Oct-23
Cainta	Multicon Bldg., F.P. Felix Ave., Cainta	115,008.29	16-Nov-17	15-Nov-27
Caruncho	Prima 3 Commercial Center #7 Caruncho Avenue Pasig City	160,500.00	1-Jul-17	30-Jun-27
Cogeo	Cogeo Trade Hall Bldg., Sitio Kasapi, Brgy. Bagong Nayon, Antipoli City	69,838.13	5-Oct-16	4-Oct-21
Commonwealth	G/F Verde Oro Bldg., 535 Commonwealth Ave.,Diliman Quezon City	256,800.00	1-Jan-18	31-Dec-22
Congressional	Ground Floor, Unit A & B, 188 Congreassional Avenue, Quezon City	153,178.95	1-Jan-17	31-Dec-21
Concepcion, Marikina	# 17 Bayan-Bayanan Ave., Concepcion Uno Marikina City	123,050.00	1-Aug-17	31-Jul-22
Cubao	RCBC SuperCenter, Araneta Center, QC	263,605.00	1-Jan-18	30-Sep-24
D. Tuazon	G/F Academe Foundation Bldg., No. 47 D. Tuazon St., Sta. Mesa Heights, Quezon City	144,450.00	15-Sep-15	14-Sep-20
Del Monte	180 Del Monte Avenue, Quezon City	144,450.00	1-May-17	30-Apr-27
Dela Rosa	G/F Sterling Center Ormaza Coner Dela Rosa St. Legaspi Village Makati City	290,445.35	1-May-19	30-Apr-24
Dela Rosa -Pasong Tamo	Ground Floor, King's Court 2 Building, 2129 Chino Roces Avenue, Makati City	351,016.00	1-Mar-17	28-Feb-27
Delta	N. Dela Merced Bldg., West Avenue, Quezon City	94,556.45	1-Sep-18	31-Aug-22

BC NAME	BUSINESS ADDRESS	Lease Rate (inclusive of 12% VAT)	LEASE TERM	
			START	END
Diliman	Cor. Matalino St. & Kalayaan Ave., Diliman, Quezon City	155,150.00	16-Nov-11	15-Nov-21
E. Rodriquez-Dona Josefa	59 E. Rodriquez Sr. Ave. Brgy. Dona Josefa, Quezon City	92,501.50	1-Dec-15	30-Nov-20
East Capitol Drive	Ground Floor, Tinity Bldg., No. 26 East Capitol Drive, Brgy, Kapitolyo, Pasig City	145,520.00	1-Jan-17	31-Dec-26
Eastwood Mall	G/F Unit A – 102B, Eastwood Mall, Eastwood City Cyberpark, 188 E. Rodriguez, Jr. Ave. Bagumbayan, Quezon City	288,909.60	8-Mar-15	31-Jan-20
Edsa Kalookan	520 E. Delos Santos Ave., Kalookan city	100,242.11	1-Oct-11	30-Sep-21
Edsa Taft	Giselle's Park Plaza Edsa cor. Taft Ave. Pasay City	208,471.48	1-Sep-17	31-Aug-22
Elcano	676 Elcano cor Lavezares St., Binondo, Manila	200,291.13	1-May-17	30-Apr-22
Ermita	550 UN Ave., Ermita Manila	442,338.21	01-Jun-19	31-Dec-23
Evangelista	Hernandez Building, Evangelista St., cor. Gen. Alejandrino St., Brgy Bangkal, Makati City	247,298.40	1-Jun-17	31-May-27
Ermita-A. Flores	1127 A Mabini St., Ermita, Manila	93,678.50	1-Jul-16	31-Dec-26
F. Blumentritt-R. Pascual	Untis A and B, No. 158 F. Blumentritt St., corner R. Pascual, Brgy. Batis, San Juan City	92,899.01	1-Sep-20	14-Sep-25
Fairview	Medical Arts Bldg., Dahlia St. North Fairview, Quezon City	147,006.36	01-May-15	30-Apr-25
Fort Bonifacio	Unit 1d Crescent Park Residences, 30th St Cor 2nd Ave., Burgos Circle, Fort Bonifacio, Taguig City	298,604.77	1-May-17	30-Apr-22
Frontera Verde	9F Ortigas Bldg., Ortigas Avenue, Pasig City	252,225.00	01-Sep-18	28-Feb-23
Garnet	Unit No. 106 Parc Chateau Condominium, Garnet cor. Onyx St., Ortigas Center, Pasig City	126,697.10	14-Apr-15	14-Apr-20
Gilmore	100 Granada St. Brgy. Valencia, Quezon City	258,486.86	1-Jan-17	31-Dec-21
Greenhills Business Center (Form.Unimart)	Unit MA-103 Mckinley Arcade, Greenhills Shopping Center, San Juan City 502	181,140.00	1-Nov-16	31-Oct-21
Greenhills-P. Guevarra	G/F Ongapauco Bldg. P. Guevarra St. Wilson Greenhills San Juan City	80,000.00	15-Mar-16	14-Mar-24
Hermosa- Limay	Hermosa cor. Limay Sts., Tondo, Manila	139,100.00	1-Jan-17	31-Dec-26
Jp Rizal	773 JP Rizal Avenue, Brgy. Poblacion, Makati	137,709.00	1-Nov-16	31-Oct-26
Kalentong	49 C&D Building New Panaderos St. Kalentong Sta. Ana Manila	100,000.00	26-Mar-12	26-Mar-22

BC NAME	BUSINESS ADDRESS	Lease Rate (inclusive of 12% VAT)	LEASE TERM	
			START	END
La Huerta	G/F Delos Santos Bldg 1003 Quirino Ave Lahuerta Paranaque City	72,930.38	1-Sep-19	31-Aug-24
Las Pinas	Veraville Bldg., Alabang-Zapote Rd. Las Piñas City	278,200.00	16-May-13	15-May-23
Las Pinas-Pamplona	G/F Elena Bldg. Alabang-Zapoted Rd Pamplona 3 Las Piñas City	116,071.43	9-Nov-18	8-Nov-23
Lee-Shaw Blvd.	Lee Gardens Condominium, Shaw Blvd. cor. Lee St. Mandaluyong City	151,982.80	16-Jul-17	15-Jul-22
Leviste-Salcedo	G/F Eurovilla III Condominium, LP Leviste St. cor. San Agustin St., Salcedo Village, Makati City	310,267.10	15-Sep-15	14-Sep-20
Linden Suites	G/F Linden Suites Tower II, #37 San Miguel Ave., Ortigas Center, Pasig City	121,283.23	1-Oct-15	30-Sep-20
Loyola Heights	G/F MQI Centre 42 E. Abada St. cor. Rosa Alvero St., Loyola Heights, Quezon City	118,914.26	31-Jan-12	31-Jan-22
Lucky Chinatown Mall	3rd Floor Lucky Chinatown Mall, Soler St., Binondo, Manila	268,035.00	15-Sep-15	31-Jul-20
Macapagal Avenue-EDSA	EDSA cor Macapagal Avenue, Pasay City	276,636.20	1-Dec-17	30-Nov-22
Macapagal Avenue-Pearl Drive	Scape Bldg., Macapagal Ave. corner Pearl Drive, Business Park 1, Barangay 76, San Rafael, Pasay City	197,549.82	1-Jan-17	31-Dec-26
Magallanes	G/F BMG Centre, Paseo de Magallanes, Makati City	88,434.43	15-Oct-15	30-Sep-20
Maginhawa Avenue	Ground Floor, Unit #129 Maginhawa St., Brgy Teachers Village, Quezon City	166,920.00	1-Mar-17	28-Feb-27
Makati Avenue	G/F Executive Bldg. Center Inc., 369 Sen. Gil Puyat cor. Makati Ave.	499,904.00	2-Nov-18	2-Nov-23
Makati Rada	One Legaspi Park, 121 Rada St. Legaspi Village Makati City	185,651.22	23-Mar-17	22-Mar-22
Malabon	685 J.P. Rizal Ave., San Agustin, Malabon	96,300.00	1-Jun-14	31-May-24
Malabon-Tugatog	143 M.H. Del Pilar, Tugatog, Malabon City	38,288.45	1-Jun-17	31-May-22
Malate	470 Maria Daniel Bldg., San Andres St., cor. M.H. del Pilar, Malate, Manila	97,869.53	1-May-15	30-Apr-20
Mandaluyong	Unit 102 G/F, EDSA Central Square, Greenfield District, Mandaluyong City	264,264.00	1-Nov-18	30-Nov-22
Marikina	No.36 Gil Fernando Ave., cor. Sta. Ana Ext. San Roque, Marikina City	171,609.83	1-Jan-15	31-Dec-24
Mckinley Hills	G/F Two World Hill Building, Upper McKinley Road, McKinley Town Center Fort Bonifacio, Taguig City	427,166.68	1-Aug-18	31-Jul-21
Mendiola	163 E. Mendiola St., cor Concepcion Aguila St., San Miguel, Manila	149,767.18	1-Sep-19	31-Aug-20
Meralco Ave.	G/F Regency Bldg., Meralco Ave., cor. Exchange Road Ortigas, Pasig City	123,367.49	22-Feb-12	22-Feb-22

BC NAME	BUSINESS ADDRESS	Lease Rate (inclusive of 12% VAT)	LEASE TERM	
			START	END
Mindanao Ave-Tandang Sora	GF 003 MC Square Bldg., Mindanao Ave cor. Tandang Sora, Quezon City	274,489.86	1-Nov-20	31-Oct-25
Missouri-Greenhills	No. 8 Missouri St., Northeast Greenhills,San Juan City	188,876.40	1-Sep-15	31-Aug-20
Moonwalk-Paranaque	No. 2 Armstrong St., Moonwalk Village, Paranaque City	197,689.94	1-Dec-20	30-Nov-25
Morayta	828 Nicanor Reyes St., Sampaloc, Manila City	100,800.00	1-Sep-16	31-Aug-21
Morong	T. Claudio St. Brgy. San Juan Tanay Rizal	40,000.00	1-Jun-17	1-Jun-22
N. Domingo Pasadena	LHK Building, 288 N. Domingo St.,Brgy. Pasadena, San Juan City	130,436.00	1-Sep-15	31-Aug-20
Navotas	551 M. Naval St. Brgy. Bangkulasi Navotas City	58,850.00	15-Jan-13	14-Jan-23
New Manila	Upper Ground Hemady Square Building 86 Dona Hemady cor E. Rodriguez Sr. Avenue Brgy Kristong Hari, Diliman, Quezon City	214,390.02	1-May-13	20-Apr-23
Newport City	Gf Retail 14 Newport City Terminal 9 Newport Cybertourism Zone, Pasay City 1309	149,142.00	1-Jun-17	30-Apr-22
Northbay	The Melandrea Iii Bldg., Northbay Blvd., Navotas City	56,800.00	15-Sep-15	15-Sep-20
Novaliches	882 Quirino Highway, Novaliches, Quezon City	275,422.20	1-Jan-19	30-Jun-24
NKTI	East Avenue Diliman Quezon City	165,760.00	1-Apr-19	31-Mar-20
One Bonifacio High Street	5/F PSE Bldg. - One Bonifacio High Street, 28th St., corner 5th Ave., BGC Taguig 1630	792,000.00	15-Dec-17	14-Dec-27
Ortigas Ave-San Juan	Medecor Bldg. 222 Ortigas Avenue, Greehills, San Juan City	205,440.00	1-Aug-17	30-Jul-27
Ortigas Extension	G/F Merijr Building Corner Riverside Village Ortigas Ave. Extension Brgy. Sta. Lucia Pasig City 1608	179,666.70	1-Sep-18	31-Aug-23
Otis	Isuzu Manila 1502 Paz M. Guazon St. Paco Manila	103,421.88	1-May-16	30-Apr-26
P. Ocampo-Fb Harrison	Ground Floor Unit Sunrise Center Bldg.,#488 Pablo Ocampo Sr., Avenue, Malate Manila	181,900.00	1-Jan-17	31-Dec-26
Pablo Ocampo-Venecia	G/F Savanna Commercial Center Bldg., 1201 Pablo Ocampo St. and Venecia St., Brgy. Sta. Cruz, Makati City	171,735.00	1-Dec-15	30-Nov-20
Paco-A. Linao	Unit s 1662 & 1664 Angel Linao St., Paco, Manila	107,000.00	1-Sep-16	21-Aug-26
Palanan-Bautista	G/F Shalimar Bldg., 3696 Bautista St., Palanan, Makati City	101,966.39	1-Oct-20	1-Oct-25
Pantok Binangonan	E&M Building Nationa Lrd Pantok Binangonan Rizall	66,000.00	1-May-13	30-Apr-23

BC NAME	BUSINESS ADDRESS	Lease Rate (inclusive of 12% VAT)	LEASE TERM	
			START	END
Pasay	2015 San Bell Bldg., Gil Puyat Ext. cor. Leveriza St., Pasay City	69,550.00	15-May-15	14-May-20
Pasay-Libertad	2350 Taft Avenue Cor. Libertad Pasay City	96,630.60	1-Mar-18	28-Feb-23
Paseo de Roxas	8747 G/F Lepanto Bldg., Paseo De Roxas, Makati City	Lease Renewal is still on negotiation/preparation		
Pasig	#92 Dr. Sixto Ave. Cor. Raymundo St. Pasig City	329,693.75	31-Jul-19	31-Jul-24
Pasig Kapitolyo	G/F D'Ace Water Spa Plaza, United St., cor. Brixton St., Brgy. Kapitolyo, Pasig City	70,181.30	15-Feb-12	14-Feb-22
Pasig-Toby's C. Raymundo	Lot 1 & 2A Good Harvest Complex, C. Raymundo Ave., Caniogan, Pasig City	75,730.51	1-Mar-17	28-Feb-22
Pasig Westlake	Unit A G/F 168 Westlake Bldg., Pasig Blvd.,Brgy. Bagong Ilog, Pasig City	99,166.53	10-Dec-15	9-Dec-20
Pasong Tamo	2283 Pasong Tamo Ext. cor. Lumbang St., Makati City	349,788.87	16-Mar-16	15-Mar-21
Pasong Tamo-Bagtikan	1173 Don Chino Roces Ave., Brgy. San Antonio, Makati City	201,812.70	15-Nov-15	14-Nov-20
Pasong Tamo-EDSA	Wilcon IT Hub, 2251 Chino Roces, Makati City	207,670.95	1-Nov-15	31-Oct-20
Pasong Tamo-Pio Del Pilar	G/F Matrinco Bldg., 2178 Pasong Tamo Makati City	153,600.00	15-Feb-19	14-Feb-25
Pioneer	2B Pioneer St. Barangay Highway Hills Mandaluyong City	267,500.00	1-Jun-17	30-Apr-27
Presidents Avenue-Paranaque	Lot 22, Blk 9 Presidnet's Avenue, Sucat, Paranaque City	115,560.00	1-Feb-17	31-Jan-27
Quezon Ave.-Roosevelt	Lower Ground Floor 1, Fisher Mall Heroes Hill, Brgy. Sta. Cruz, Quezon Ave. cor. Roosevelt Ave., Quezon City	122,784.00	15-Oct-15	31-Dec-20
Quirino Ave.	555 Quirino Avenue, Tambo, Paranaque	288,900.00	1-Jun-19	31-May-29
Raon, Sales	655-657 Gonzalo Puyat St. Quiapo, Mla.	111,479.29	1-Jun-18	31-May-23
RCBC Plaza	6819 Rcbc Plaza, Ayala Avenue, Makati	976,856.50	1-Jan-16	31-Dec-20
Reliance	Unit 2 Ground Floor	160,500.00	8-Jun-17	31-Jul-27
Remedios-Taft	No. 1853 Taft Avenue, Malate, Manila	179,760.00	15-Sep-15	14-Sep-20
Rizal Ave	440 Eleongsing Bldg. Rizal Avenue Extension, Gracepark, Caloocan City	96,300.00	15-Apr-18	15-Apr-23
Roosevelt	300 Roosevelt Ave., San Francisco Del Monte, Quezon City	97,246.95	16-Feb-16	15-Feb-21

BC NAME	BUSINESS ADDRESS	Lease Rate (inclusive of 12% VAT)	LEASE TERM	
			START	END
Roosevelt-Pitimini	205 Roosevelt Ave. cor. Pitimini St., Quezon City	107,000.00	7-Sep-15	6-Sep-20
Roxas Blvd.	Unit 1 Russel Mall, Russel St. cor. Roxas Blvd. Pasay City	176,577.03	1-Dec-17	31-Dec-20
Roxas Blvd-Arquiza	Roxas Blvd cor. Arquiza St., Ermita, Manila	243,916.13	1-Nov-15	31-Oct-20
Roxas Blvd-Libertad	Unit 103 Coko Bldg. 1, 2550 Roxas Blvd., Pasay City	169,649.03	1-Jun-17	31-May-22
San Lorenzo	1018 L & R Bldg. Pasay Road, Makati City.	363,259.65	17-Aug-19	16-Aug-24
Shaw Blvd. Lawson	G/F SCT Bldg., 143 Shaw Blvd. Mandaluyong City	105,000.00	1-Oct-16	30-Sep-21
South Harbor	Harbor Centre I, cor. Chicago and 23rd Sts., Port Area, Manila	175,581.86	1-Jan-20	31-Dec-20
Sta. Lucia East	Ground Level Building 2 Sta. Lucia Mall Marcos Hi -way cor Felix Ave., Cainta Rizal	45,453.60	30-May-19	30-Jun-23
Sta. Mesa	1-B G. Araneta Ave. Brgy. Dona Imelda Quezon City	212,152.28	1-Jul-11	1-Jul-21
Starmall Alabang	Upper G/F Starmall Alabng Muntinlupa City	87,890.00	22-Jun-18	21-Jun-23
Starmall Edsa-Shaw	444 Edsa Cor. Shaw Blvd Mandaluyong City	114,717.35	1-Aug-19	31-Jul-20
Sto. Domingo-Quezon Ave.	4 Sto. Domingo Ave., Quezon City	111,735.00	1-Dec-15	30-Nov-20
Sucat	2F Santana Grove, Dr. A. Santos Ave. cor. Soreena St., Sucat, Paranaque City	83,628.26	15-Apr-18	14-Apr-23
Sucat Dr. A. Santos Ave. **(Formerly Sucat Virramall Sept 2019)**	8223 Dr. A. Santos Ave., Brgy. San Isidro, Sucat, Paranaque	139,100.00	1-Nov-19	31-Oct-24
Taytay	Manila East Road, Taytay, Rizal	85,600.00	1-Jan-13	31-Dec-22
Tanay	M.L. Quezon St. Cor J.P. Laurel St. Brgy. Plaza Aldea Tanay Rizal	60,000.00	1-Aug-12	1-Aug-22
Teresa	Magsaysay Ave., Brgy. San Gabriel, Teresa, Rizal	45,000.00	15-Jun-12	15-Jun-22
T. Alonzo	1461-1463 Soler St., Sta. Cruz, Manila	200,000.00	30-Jul-14	30-Jun-24
The Firm	CVC Law Center 11th Ave. cor 39th St., Fort Bonifacio, Taguig	351,764.64	1-May-10	30-Apr-20
The Fort – JY Campos	JY Campos Center, 9th Ave., Bonifacio Global Center, Taguig City 1634	277,130.00	20-May-13	19-May-23
The Fort – Sapphire Residences	G/F Sapphire Residences, 31st St., cor. 2nd Avenue, The Fort, Taguig City	124,469.25	15-Apr-15	14-Apr-20

BC NAME	BUSINESS ADDRESS	Lease Rate (inclusive of 12% VAT)	LEASE TERM START	LEASE TERM END
The Fort Sunlife	Ground Floor, Sunlife Building, 5th Avenue corner Rizal Drive, BGC, Taguig City	159,117.56	15-Feb-12	14-Feb-22
The Strip-Ortigas Avenue	The Strip Ortigas Avenue, Pasig City	235,400.00	1-Feb-17	31-Jan-22
Timog-Picture City Center	#88 Picture City Center Timog Ave, Q.C.	92,437.95	16-Feb-16	15-Feb-25
T. Mapua	626 Tomas Mapua St., Sta Cruz Manila	190,832.14	1-May-18	30-Apr-23
Trinoma	Space P015B Level 1, Trinoma EDSA cor. North Avenue, Quezon City	346,729.54	1-Sep-19	31-Aug-24
Tutuban	G/F Center Mall I, Tutuban Center corner C.M. Recto Ave., Tondo, Manila	933,333.00	16-Apr-13	15-Apr-28
Valenzuela	231 Mac Arthur Highway, Karuhatan, Valenzuela City	90,950.00	1-Sep-08	31-Aug-23
Wack Wack	Unit K Facilities Center Bldg., 548 Shaw Blvd, Mandaluyong City	109,122.07	1-Feb-20	1-Feb-25
West Ave	Unit 101 West Insula Condominium, 135 West Ave., Brgy. Bungad, District 5, Quezon City	100,648.82	1-Sep-13	31-Aug-23
Wilson-Greenhills	G Square Bldg., Upper Ground Floor, Units 4 & 5 Wilson St., Greenhills, San Juan	134,190.84	1-Dec-15	30-Nov-20

LUZON AREA

BC NAME	BUSINESS ADDRESS	Lease Rate (inclusive of 12% VAT)	LEASE TERM START	LEASE TERM END
Aparri	108 J.P. Rizal St., Brgy. Centro 14, Aparri, Cagayan	42,800.00	15-Feb-11	15-Feb-21
Angeles-Henson St.	810 Henson St. Lourdes Northwest, Angeles City	For BC Consolidation/Relocation		
Angeles-Sto. Cristo	243 Sto. Entierro St. Brgy. Sto. Cristo Angeles City Pampanga	80,250.00	18-Feb-17	17-Feb-27
Bacao	Yokota Commercial Bldg., Bacar Road, Gen. Trias, Cavite	56,624.40	17-Mar-17	16-Mar-20
Bacoor	Maraudi Bldg., Aguinaldo Highway, Brgy. Niog Bacoor City Cavite	72,538.55	1-May-18	1-May-28
Baguio-Mabini St	Rm 104 GP Shopping Arcade Upper Mabini St., Baguio City	200,000.00	22-Jun-15	22-Jun-20
Balagtas	McArthur Highway, Borol 1st, Balagtas, Bulacan	80,250.00	16-Nov-17	15-Nov-27
Balanga	Don M. Banzon Ave cor. Cuaderno St., Balanga City, Bataan	87,740.00	1-Oct-17	30-Sep-22
Baler	Quezon St. corner Bonifacio St. Poblacion, Baler, Aurora	50,000.00	1-May-14	30-Apr-34

BC NAME	BUSINESS ADDRESS	Lease Rate (inclusive of 12% VAT)	LEASE TERM	
			START	END
Baliuag	01 J. P. Rizal cor. Tagle Sts., Baliuag, Bulacan	129,136.98	16-Aug-17	15-Aug-27
Bataan	RCBC Bldg. AFAB Mariveles, Bataan	48,190.80	28-Mar-19	27-Mar-24
Batangas	No. 17 Rizal Avenue cor. P. Gomez, Batangas City	85,600.00	1-Apr-12	31-Mar-22
Batangas-Diego Silang St	131 Diego Silang St. Brgy. 15 ,Batangas City	103,421.87	17-Aug-17	17-Aug-27
Bauan	J.P. Rizal St., Poblacion, Bauan, Batangas	51,360.00	12-Sep-16	15-Sep-21
Binan	G/F Admin Bldg Laguna International Industrial Park., Mamplasan, Biñan, Laguna	55,990.48	1-Oct-16	30-Sep-21
Boac	Governor Damian Reyes St. Brgy. San Miguel, Boac, Marinduque	19,000.00	1-Jun-13	1-Jun-23
Cabanatuan	1051 Burgos Ave, Cabanatuan City, Nueva Ecija	64,200.00	1-Oct-11	30-Sep-21
Calapan	Homemark Bldg., J.P. Rizal St., Camilmil, Calapan City, Oriental Mindoro 5200	70,000.00	1-Oct-16	1-Oct-21
Carmelray 1	Adm. Bldg., Carmelray Industrial Park 1, Canlubang, Calamba, Laguna	renewal contract is still with the Lessor for signature		
Candon	National Hi-Way, San Jose, Ccandon City, Ilocos Sur	125,400.00	1-Oct-19	30-Sep-24
Carmelray 2	Adm. Bldg., Carmelray Industrial Park 2, Bgy. Tulo, Calamba, Laguna	152,671.71	1-Jul-16	1-Jul-21
Carmona	People's Technology Complex (SEZ) Governor's Drive, National Highway, Bo. Maduya, Carmona, Cavite	39,427.86	16-Jul-02	15-Jul-27
Cauayan	Calahi Bldg. FN Dy Blvd, Cauayan City	69,550.00	1-Aug-17	31-Jul-27
Cavite City	Big 5 Bldg., 633 P. Burgos Avenue, Caridad, Cavite City 4100	79,263.95	1-Dec-18	30-Nov-23
Clark	Berthaphil 8 Mercedez Benz Bldg., MA Roxas Highway, Clarkfield, Pampanga 2023	USD1,500.00	1-Nov-17	31-Dec-27
Clark II	Bertaphil III Clark Center, Jose Abad Santos Avenue, Clark Freeport Zone	USD2,000	1-Jun-16	31-Jul-26
CPIP-Batino	Citigold Bldg., Calamba Premiere Industrial Park, Batino, Calamba, Laguna	94,403.44	1-Jun-15	31-May-25
Dagupan	RCBC Bldg AB Fernandez Avenue, Dagupan City	210,178.57	1-Jul-19	30-Jun-29
Dagupan-Tapuac	Units 101 & 102, Rvr Bldg., Tapuac District, Dagupan City	110,000.00	1-Jan-18	31-Dec-22
DMIA Branch Lite	Bldg. 7549 (portion), A. Bonifacio Avenue, Clark Civil Aviation Complex, Clark Freeport Zone, Pampanga	USD210.00	1-Feb-19	31-Jan-20
Dasmarinas Mangubat Drive	Heritage Bldg., Mangubat Drive, Dasmarinas,Cavite	73,005.37	14-Jan-20	14-Jan-25

BC NAME	BUSINESS ADDRESS	Lease Rate (inclusive of 12% VAT)	LEASE TERM	
			START	END
Dasmarinas Pala-Pala	Dasmarinas Commercial Complex, Pala-Pala Governor's Drive, Dasmarinas Cavite	59,455.62	3-Oct-17	4-Oct-20
Dinalupihan	G/F Nej Bldg San Ramon Highway Dinalupihan Bataan	154,366.76	1-Jul-15	1-Jul-20
First Phil. Industrial Park (FPIP)	Unit 1 & 2, Ground Floor, Oasis Commercial Center, R.S. Diaz Ave., FPIP Brgy. Sta. Anastacia, Sto. Tomas, Batangas	95,200.00	14-Jun-16	13-Jun-21
Gapan	Tinio St., San Vicente, Gapan City, Nueva Ecija	58,850.00	1-Dec-12	30-Nov-22
General Trias	G/F Samantha's Place Commercial Bldg., Governors Drive, Manggahan, Gen. Trias Cavite	68,277.65	1-Aug-16	31-Jul-21
Gen. Trias	#59 Gov. Luis Ferrer Ave, Gen Trias Cavite	40,055.19	31-May-18	31-May-28
GMA, Cavite	Citi Appliance Bldg., Brgy. San Gabriel,Governor's Drive, GMA, Cavite	96,300.00	1-Aug-19	31-Jul-24
Guimba	Afan Salvador St., Guimba, Nueva Ecija	52,023.40	30-Sep-12	30-Sep-22
Hacienda Luisita	Robinson's Plaza, San Miguel, Tarlac City	Lease Renewal is still on negotiation/preparation		
Ilagan, Isabela	RKChy Building, Maharlika Road, Calamagui 2nd, Ilagan City, Isabela	47,806.53	1-Dec-17	30-Nov-27
Imus	Esguerra Bldg., Palico IV, Aguinaldo Hi-way, Imus, Cavite	65,919.64	1-Oct-17	30-Sep-20
Laguna Technopark	LTI Administration Building II, Laguna Technopark, Brgy. Malamig, Binan, Laguna	181,304.76	15-Mar-18	15-Mar-23
Laoag	Jackie's Commercial Building II, J. Rizal St., Laoag City	126,260.00	1-Feb-18	31-Jan-21
La Trinidad	Peliz Loy Centrum Bldg., Km 5, La Trinidad, Benguet	142,500.00	1-Sep-19	31-Aug-23
Legaspi City	G/F M. Dy Bldg. Rizal St. Legazpi City	72,760.00	1-Dec-11	30-Nov-21
Legazpi-Landco Business Park	Ground Floor, Delos Santos Commercial Building, Landco Business Park, Legazpi City	148,494.60	1-Jul-15	1-Jul- 20
Lemery	Ilustre Ave. District Ii Lemery Batangas	80,000.00	13-Dec-12	17-Dec-22
Lingayen	G/F Columban Plaza, Avenida Rizal East, Poblacion, Lingayen, Pangasinan 2401	102,000.00	1-Sep-18	31-Aug-23
Lipa	C M Recto Ave. cor. E. Mayo St., Lipa City	104,500.00	1-Feb-15	31-Jan-25
Lipa Extension	Mezzanine Floor Southern Twin Bldg. V Malabanan Cor. P Torres Brgy 5 Lipa City Batangas	65,484.00	8-Jan-18	7-Jan-22
Lipa-Ayala Highway	G/F Trinity Business Center, Ayala Highway Lipa City	80,892.00	6-Feb-15	6-Feb-25

BC NAME	BUSINESS ADDRESS	Lease Rate (inclusive of 12% VAT)	LEASE TERM	
			START	END
LISP III Extension Office	LISP III Admin Bldg., Millenium Drive, Brgy. San Rafael Sto. Tomas Batangas	53,445.86	1-Apr-18	31-Mar-23
Lucena	Quezon Ave. cor. Tagarao St., Lucena City	136,158.75	1-Jul-18	1-Jul-23
Lucena-Evangelista	Maharlika Highway Red-V, Lucena City	66,108.44	22-Dec-18	21-Dec-28
Malolos	FC Building, McArthur Highway, Bo. Sumapang Matanda, Malolos, Bulacan	67,410.00	1-Dec-18	30-Nov-23
Marinduque	EDG Building, Bgy. Lapu-lapu, Sta. Cruz, Marinduque	33789.48	01-Jan-18	01-Jan-28
Masbate	460 Quezon St., Brgy F. Magallanes, Masbate City	38,000.00	12-Dec-18	12-Dec-28
Meycauayan	VD&S Bldg., Mac Arthur Highway, Calvario, Meycauayan City, Bulacan	71,250.00	16-Oct-18	15-Oct-23
Mexico Branch Lite	Clk Bldg. Jose Abad Santos Avenue, Brgy. Lagundi Mexico Pampanga	66,298.50	1-Mar-19	28-Feb-29
Meycauayan-Malhacan	Sterling Square, Sterling Industrial Compound, Iba Malhacan Natl Highway, Meycauayan City, Bulacan	74,492.87	16-Nov-15	15-Oct-25
Molino	Grd. Flr. Rfc Molino Mall Molino 2 Bacoor Cavite	144,604.26	1-Jul-18	30-Jun-28
Munoz, SJDM	Diaz Bldg., Carriedo Street, Brgy. Muzon, City Of San Jose Del Monte, Bulacan	42,542.71	30-Oct-16	5-Sep-21
Naga	G/F, Crown Hotel Bldg, Penafrancia Ave., Naga City	71,904.00	1-Jul-11	1-Jul-21
Naga-Tabuco	G/F Annelle Bldg. Cor Biak Na Bato St., Cor Pnr Road Tabuco Naga City	For BC Relocation		
Nasugbu	Rsam Bldg J.P. Laurel St, Brgy 9, Nasugbu, Batangas	52,430.00	1-Jul-17	30-Jun-22
Olongapo	1055 Rizal Ave., Extn West Tapinac Olongapo City	87,343.35	1-Sep-18	31-Aug-28
Padre Garcia	45 A Mabini Poblacion Padre Garcia Batangas	35,000.00	1-Nov-15	1-Oct-20
Palawan National Highway	Lustre Arcade, National Highway, Brgy. Tiniguiban, Puerto Princesa, Palawan	73,701.60	1-Aug-12	31-Jul-22
Pandi	9045 Megamart Mall & Shopping Center Bunsuran 1st Pandi Bulacan	60,965.16	1-Apr-18	31-Mar-28
Puerto Princesa	175 Rizal Avenue Pacific Plaza Building Puerto Princesa City, Palawan	52,673.96	16-Nov-17	16-Nov-22
Rosario	Cavite Export Processing Zone Authority, Rosario, Cavite	30,709.00	7-Jan-17	6-Jan-27
San Carlos-Pangasinan	G/F Roper Building Palaris Street San Carlos City Pangasinan	56,521.48	1-Sep-18	1-Sep-23
San Fernando	G/F Hiz-San Bldg., McArthur Highway, Brgy. Dolores, San Fernando, Pampanga	65,197.24	1-Feb-11	31-Jan-24

BC NAME	BUSINESS ADDRESS	Lease Rate (inclusive of 12% VAT)	LEASE TERM	
			START	END
San Fernando Pampanga	Ground Floor Emerald Building, Dolores, City Of San Fernando, Pampanga	64,000.00	1-Nov-12	31-Oct-22
San Fernando – JASA	Unit 3 & 4, Ground Floor., Kingsborough Commercial Center, Jose Abad Santos Avenue, City of San Fernando	105,286.00	1-May-19	30-Apr-29
San Fernando, La Union	G/F Chime Bldg., Parian National Highway San Fernando City La Union	78,789.21	1-Mar-16	1-Mar-26
San Fernando-Sindalan	Phoenix Building, McArthur Highway, City of San Fernando, Pampanga	100,152.00	1-Apr-18	31-Mar-28
San Ildefonso	Villa Amelia Buencamino St.San Jose San Miguel Bulacan	56,000.00	23-May-11	23-May-21
San Jose	Abar 1st Maharlika Highway San Jose City Nueva Ecija	71,651.79	1-Sep-18	1-Sep-28
San Jose Batangas	G/F Cameco Bldg., Makalintal Ave., Poblacion 4, San Jose, Batangas	45,120.00	23-Aug-13	23-Aug-23
Starmall-San Jose Del Monte	G/F Starmall Building Brgy. Kaypian San Jose Del Monte Bulacan	148,744.23	15-Apr-17	14-Apr-22
San Nicolas-Ilocos Norte	Brgy 2 San Baltazar, San Nicolas, Ilocos Norte Ph 2901	28,316.96	5-Feb-14	5-Feb-24
San Pablo	Ultimart Shopping Plaza, M. Paulino St., San Pablo City	130,540.00	1-Jan-17	31-Dec-21
San Pedro	EM Arcade 1 Building, Brgy. Poblacion, National Highway, San Pedro Laguna	69,550.00	3-Feb-12	2-Feb-22
San Pedro-Nueva	National Highway, Brgy. Nueva, San Pedro Laguna	60,000.00	13-Apr-15	14-Apr-25
Santiago	#26 Maharlika Highway, Victory Norte, Santiago City, Isabela	85,600.00	1-Jan-14	31-Dec-23
Santiago-Centro West	# 29 City Road, Centro West, Santiago City, Isabela 3311	95,872.00	15-Apr-16	15-Apr-21
Science Park	Admin Bldg., LISP1, Pulo Road, Brgy Diezmo, Cabuyao, Laguna	70,902.48	1-Nov-18	31-Oct-24
Solano	211 JP Rizal Ave., National Highway, Solano, Nueva Vizcaya	48,121.89	1-Jun-12	31-May-22
Sta. Rosa Bel-Air	Cw Home Depot Sta.Rosa-Tagaytay Road Brgy.Pulong Sta.Cruz, Santa Rosa City Laguna 4026	99,498.62	20-Jul-19	19-Dec-22
Sta. Rosa Extension	Unit Gf 12 Garden Plaza Mall, Garden Villas 3, Brgy. Ibaba, City Of Laguna 4026	60,087.63	1-May-19	30-Apr-20
Sta. Rosa Solenad	Unit M 20 Bldg 2 Nuvali Solenad 2, National Road Brgy. Sto. Domingo, Sta. Rosa City, Laguna	49,480.20	1-Jul-19	31-Dec-20
Sta. Cruz-National Road	Teoxon Bldg., Unit 1 Sitio Narra, Brgy. Labuin, Sta. Cruz Laguna	60,455.00	1-Jan-19	31-Dec-23
Sta. Maria, Bulacan	#39 J.P. Rizal St., Pob., Sta. Maria Bulacan	56,366.07	1-Nov-17	30-Nov-27

BC NAME	BUSINESS ADDRESS	Lease Rate (inclusive of 12% VAT)	LEASE TERM	
			START	END
Sta. Rosa	Paseo 5, Paseo de Sta. Rosa, Greenfield City, Don Jose, Sta. Rosa, Laguna	300,761.96	1-Jun-17	31-May-20
Sta. Rosa Balibago	Carvajal Building, Old National Highway, Balibago, Sta. Rosa, Laguna	82,245.82	1-May-17	30-Apr-22
Sta. Rosa-Balibago Waltermart	Upper GF/Lower GF, Waltermart Sta. Rosa, Brgy. Balibago cor. San Lorenzo Road, Sta. Rosa, Laguna	For BC Consolidation/Relocation		
Starmall Daang Hari	Starmall Prima Daang Hari cor. Molino Road, Brgy Molino 4, Bacoor, Cavite	12,757.80	21-Dec-15	20-Dec-20
Subic	Precision Tek Motor Service Corporation	USD3,345	1-Mar-19	1-Mar-29
Tagaytay	Unit 1 Olivarez Plaza, E.Aguinaldo Highway, Tagaytay City	85,745.71	1-Jul-15	30-Jun-20
Tanauan	G/F Reyes Bldg Jp Laurel Highway Poblacion 4 Tanauan City Batangas 4232	67,200.00	15-Jul-16	14-Jul-21
Tanza	A.Soriano Highway,Tanza,Cavite	67,200.00	1-Aug-12	31-Jul-22
Tarlac	F. Tañedo St., Tarlac City	107,000.00	1-Jan-13	30-Sep-21
Taytay-Market	Marc Square Commercial Bldg San Juan Taytay Rizal	104,400.00	8-Jan-18	1-Jul-22
Tayug	A. Bonifacio St., Brgy. A, Tayug, Pangasinan	42,750.00	1-Apr-17	31-Mar-27
Trece Martirez	Brgy. San Agustin, Trece Martires City	94,423.25	1-Aug-18	31-Jul-23
Tuguegarao	Bonifacio cor. Gomez St., Centro 7 Tuguegarao City	107,000.00	1-Mar-15	28-Feb-25
Tuguegarao-Balzain East	48 Balzain Road Tuguegarao City Cagayan Valley	72,000 NET OF TAX	1-Dec-17	30-Nov-22
Alaminos	Marcos Ave. Cor Montemayor St., Poblacion, Alaminos City, Pangasinan	107,207.64	1-Jul-16	31-Aug-21
Urdaneta	E.F. Square Bldg. McArthur Highway, Urdaneta City, Pangasinan	90,105.27	1-Apr-13	30-Mar-23
Urdaneta-San Vicente	San Vicente, Urdaneta City, Pangasinan	100,064.28	1-Jan-19	31-Dec-23
Vigan	Nueva Segovia Street, Vigan City, Ilocos Sur	90,956.25	1-Jun-15	31-May-25
VISAYAS AREA				
BC NAME	**BUSINESS ADDRESS**	**Lease Rate (inclusive of 12% VAT)**	**LEASE TERM START**	**END**
Antique	Del Carmen Bldg, Solana St. corner T.Fornier St. , San Jose, Antique	Lease on process		
Bacolod – Lacson	GF Lourdes C. Bldg II, 14th Lacson St., Bacolod City	83,460.00	1-Nov-16	31-Oct-21
Bacolod – Libertad	Libertad Extension, Bacolod City	48,150.00	1-May-16	30-Apr-21
Bacolod – Shopping	Hilado Extension, Capitol Shopping Center, Bacolod City	110,000.00	10-Oct-16	9-Oct-26
Balamban	D.C. Sanchez St., Balamban, Cebu	55,715.35	15-Aug-16	14-Aug-21

BC NAME	BUSINESS ADDRESS	Lease Rate (inclusive of 12% VAT)	LEASE TERM	
			START	END
Banilad	A.S Fortuna St., Banilad, Cebu City	128,400.00	16-Feb-12	15-Feb-22
Basak	Cebu North Road, Brgy Basak, Mandaue City 6014, Cebu	74,608.22	1-Jan-20	31-Dec-24
Boracay	Station 1, Brgy Balabag Boracay, Malay, Aklan	139,100.00	1-Nov-19	31-Oct-29
Calbayog	Corner Magsaysay Boulevard and Rueda Streets, Calbayog City	101,368.42	1-Sep-17	31-Aug-27
Catarman	Ang Ley Building, JP Rizal St., Catarman, North Samar	67,578.95	1-Jan-12	31-Dec-21
Catbalogan	Del Rosario St., Catbalogan , Western Samar	69,550.00	1-Nov-12	31-Oct-22
Caticlan Branch Lite	Jerry Port, Caticlan, Malay Aklan	21,919.63	1-Nov-18	4-Nov-23
Cebu IT Park	Block 2 Lot 4 Asiatown IT Park Subdivision, Brgy. Apas, Cebu City	126,489.75	1-Jul-17	30-Jun-22
Cebu Paseo Arcenas	Don Ramon Arcenas St., R. Duterte St., Banawa, Cebu City	149,740.08	27-Feb-19	26-Feb-24
Cebu – Sto. Nino	Belmont Hardware Depot Building cor. P. Burgos and Legaspi sts. Bgy. San Roque, Cebu City	89,599.13	1-Nov-18	31-Oct-23
Consolacion	ADM Building, Cansaga, Consolacion, Cebu	131,350.87	5-May-18	4-May-33
Dumaguete	Dr. V. Locsin St., Dumaguete City	128,400.00	1-Feb-18	31-Jan-23
F. Cabahug	Ground Floor Pacific Square Bldg, F. Cabahug St. Mabolo Cebu City 6000	101,539.79	1-Dec-19	30-Nov-22
Guadalupe	63 M. Velez & A. Abellana Sts., Guadalupe, Cebu City	42,853.50	1-Jan-12	31-Dec-37
Hinigaran	Rizal St., National Road, Hinigaran, Negros Occidental	24,075.00	5-May-05	30-Apr-20
Iloilo-Ledesma	MJM Building Cor. Ledesma & Quezon Sts., Iloilo City	134,400.00	2-May-18	30-Apr-28
Iloilo-Mabini	2F Red Plaza Bldg., JM Basa St., Iloilo City	67,169.25	1-Apr-19	1-Apr-29
Jaro	Cor. E. Lopez and Seminario Sts., Jaro, Iloilo City	107,000.00	1-Dec-14	30-Nov-24
J. Centre Mall	A.S. Fortuna St. Bakilid Mandaue City	166,532.72	16-Oct-16	15-Oct-21
Kalibo	Lu Bldg. Roxas Avenue, Poblacion, Kalibo, Aklan	92,886.21	1-Apr-18	31-Mar-28
Lapu Lapu	G/F Hotel Europa Bldg. Basak Mercado Lapulapu City	50,000.00	1-Jun-16	31-May-21
Lopue's East Bacolod	Lopues East Center, Corner Carlos Hilado, National Highway, Burgos St., Brgy. Villamonte, Bacolod City, Negros Occ. 6100	40,774.00	1-Dec-16	30-Nov-21
Luzuriaga Bacolod	g/f Golden Heritage Bldg., San Juan-Luzuriaga Sts., Bacolod City	110,000.00	1-Jun-19	30-May-24

BC NAME	BUSINESS ADDRESS	Lease Rate (inclusive of 12% VAT)	LEASE TERM	
			START	END
Maasin Leyte	Tomas Oppus St., Brgy. Abgao, Maasin City, Southern Leyte, Phils., 6600	50,430.54	1-Feb-19	23-Jan-24
Mactan	Mepz Bldg., Mepz 1, Lapu-Lapu City, Cebu	21,397.86	9-Jan-17	8-Jan-32
Magsaysay, Naga	G/F Sarap Realty Bldg.,Magsaysay Avenue, Balatas, Naga City	77,040.00	1-May-16	30-Apr-26
MEPZ 2 Extension Office	Pueblo Verde, Mactan Economic Zone II (MEZII) Baranggay Basak, Lapulapu City	87,039.00	13-Oct-16	12-Oct-21
Cebu Manalili	Tan Sucheng Bldg., V. Gullas St. (formerly Manalili St) Cebu City	272,324.58	1-Feb-17	31-Jan-22
North Reclamation	G/F CIFC Tower, Humabon St., cor Juan Luna Ave., North Reclamation Area, Cebu City	255,195.00	1-Aug-16	1-Aug-21
Ormoc	GF MFT Bldg., Real cor Carlos Tans Sts., Ormoc City	172,077.89	16-May-17	16-May-23
Oton Iloilo	Lord's Place, J.C Zulueta St., Oton, Iloilo	30,951.50	1-Mar-17	28-Feb-26
San Carlos	S. Carmona St., San Carlos City, Negros Occidental	28,500.00	1-Nov-18	31-Oct-28
Taboan	C. Padilla St., Brgy San Nicolas, Cebu City	156,157.98	1-Feb-18	31-Jan-23
Talamban Cebu	G/F Ecotrade Bldg., J. Panis St., Talamban, Cebu City	63,669.38	1-Apr-16	31-Mar-21
Talisay	South Central Square, Lawaan 111, Talisay City, Cebu	89,589.19	16-Sep-20	15-Sep-25
Toledo	G/F Toledo Commercial Village Bldg, Rafols St Brgy Poblacion, Toledo City, Cebu	Lease Renewal is already for signature of the Lessor		
MINDANAO AREA				

BC NAME	BUSINESS ADDRESS	Lease Rate (inclusive of 12% VAT)	LEASE TERM	
			START	END
Ateneo De Davao	F-106G/F Finster Bldg., Ateneo de Davao University Main Campus, Cor.CM Recto Ave. & Roxas Ave., Davao City	47,623.56	15-Sep-11	15-Sep-21
Buhangin	Dr A and B Bldg 2010 Km 7 Diversion Road Buhangin, Davao City	48,329.67	1-Jun-19	1-Jun-24
Butuan	Dy Teban Building II, Ester Luna St., Butuan City	76,907.32	01-Jan-16	30-Sep-23
Butuan-J.C. Aquino Ave	Brgy. Tandang Sora, J.C. Aquino Ave., Butuan City	42,800.00	1-Jun-11	31-May-21
Butuan-Libertad	RT Building JC Aquino Avenue corner Bonbon Road,Brgy Libertad, Butuan City	92,940.24	31-Oct-19	30-Oct-24
CDO Agora	Gaabucayan St. Agora Lapasan Cagayan De Oro City	For BC Consolidation/Relocation		

BC NAME	BUSINESS ADDRESS	Lease Rate (inclusive of 12% VAT)	LEASE TERM	
			START	END
CDO Carmen	G/F Macaibay Bldg., Waling-waling St., Cagayan de Oro City	100,800.00	1-Jan-17	31-Dec-26
CDO Velez	Don Apolinar Velez St. and Cruz Taal St., Cagayan de Oro City	203,255.62	1-Oct-18	30-Sep-25
CDO Osmeña (Cogon)	Simplex Building, Osmena St., Cagayan De Oro City	209,885.24	1-Sep-18	31-Aug-27
CDO-Masterson Avenue	Xavier Estates, Masterson Avenue, Upper Balulang, Cagayan de Oro City 9000	133,750.00	1-Oct-16	30-Sep-26
CDO Limketkai	Gateway Tower 1, Limketkai Center, Cagayan de Oro City	266,162.53	1-Nov-19	31-Oct-29
Calinan	National Highway, Poblacion Calinan, Davao City	16,257.40	1-Apr-16	31-Mar-21
Carrascal	National Highway, Brgy.Gamuton, Carrascal, Surigao del Sur	32,100.00	1-Apr-14	1-Mar-24
Cotabato	M. Bldg Quezon Ave., Cotabato City	50,684.21	1-Jun-10	31-May-20
Damosa Gateway	Corner Mamay Road and JP Laurel Avenue, Lanang, Davao City	76,843.77	1-Aug-17	31-Jul-22
Davao - Bajada	JP Laurel Ave., corner Villa Abrille st., Davao City	107,000.00	16-Aug-09	24-Aug-24
Davao-Quirino	E.Quirino Ave., Brgy. 3-A, Poblacion, Davao City	73,353.37	1-Oct-16	30-Sep-21
Davao Matina (former NCCC Mall)	Km. 2 McArthur Highway, Matina, Davao City	127,680.00	27-Jun-18	27-Jun-28
Dipolog	cor General Luna & Lacaya Sts., Dipolog City	42,800.00	1-Oct-11	30-Sep-21
Dole	Dole Phils Pavillion, Cannery Plant Site, Polomolok, South Cotabato	27,041.04	1-Jan-18	31-Dec-23
Gensan	RGH Bldg., J. Catolico Ave., Lagao, General Santos City	66,997.64	1-Mar-17	1-Mar-22
Gen. Santos-National Highway	National Highway, Brgy. City Heights, Gen. Santos City	50,400.00	30-Jun-18	30-Jun-23
Iligan	Lanao Fil-Chinese Chamber of Commerce Inc. Bldg. Quezon Ave. cor. B. Labao St. Iligan City	99,995.94	1-Feb-14	30-Jan-21
Jp Laurel Bajada	G/F Ana Soccoro Bldg. J.P. Laurel Ave., Bajada, Davao City 8000	146,000.00	1-Jan-18	31-Dec-22
Kabacan	National Highway, Poblacion, Kabacan, Cotabato	39,421.05	1-Jan-12	31-Jan-22
Kidapawan	KMCC Bldg. Dayao St., Kidapawan City, North Cotabato	113,535.19	16-Jul-18	15-Jul-28
Malaybalay	Don Carlos St., Poblacion, Malaybalay City	50,684.21	1-Aug-10	31-Jul-20
Maramag	FIBECO Compound, Sayre National Highway, Anahawon, Maramag, Bukidnon	32,100.00	1-Sep-11	31-Aug-21

BC NAME	BUSINESS ADDRESS	Lease Rate (inclusive of 12% VAT)	LEASE TERM	
			START	END
Maranding	National Highway, Maranding, Lala, Lanao del Norte	44,158.96	1-Oct-19	30-Sept-20
Marbel	Cor. General Santos Drive and Roxas Sts., Koronadal City, South Cotabato	265,379.84	1-Nov-19	31-Oct-31
Marbel-Alunan Ave.	Kobe Building, NDMU Compound, Alunan Avenue, Koronadal City, South Cotabato 9506	21,400.00	1-Nov-17	31-Oct-22
Monteverde Davao	Door 5 & 6 Veterans Building Monteverde Davao City	108,483.93	1-Aug-17	31-Jul-22
Nabunturan	SMPTC Bldg, L. Arabejo Avenue, Brgy Poblacion, Nabunturan, Compostela Valley	42,991.10	1-Jul-12	30-Jun-22
Panabo	Greatsun Ventures Bldg., National Highway, Purok Atis, Sto. Nino, Panabo City	119,840.00	1-Jul-19	30-Jun-24
Roadway Inn	Roadway Inn, J.P. Laurel Avenue, Bajada, Davao City	63,208.76	1-Nov-17	31-Oct-22
SASA	KM. 9 Bo. Pampanga, Sasa beside ONB Bldg. Davao City	96,300.00	1-Sep-18	31-Aug-23
Sta. Ana	Corner Monteverde and Sales Sts., Sta. Ana, Davao City	253,590.00	7-Jun-15	6-Jun-20
Surigao	Cor. San Nicolas & Burgos Sts., Surigao City	64,163.71	1-Feb-18	31-Jan-28
Tacurong	Corner Mariano Marcos, National Highway & Ramon Magsaysay Ave., Tacurong City Sultan Kudarat	71,651.79	16-Nov-16	15-Nov-26
Tandag	Pimentel Bldg., Donasco St., Tandag, Surigao del Sur	92,953.81	1-Jul-16	30-Jun-26
Toril	McArthur Highway, Toril Proper, Toril, Davao City	50,567.00	1-Aug-20 (previous contract will exprire on 31-Jul- 20)	31-Jul-25
Valencia	Sayre Highway, corner G. Laviña Avenue, Valencia City, Bukidnon	112,350.00	1-Oct-15	30-Sep-22
Victoria Plaza	Victoria Plaza Mall, J.P. Laurel Ave., Davao City	152,161.85	31-Jul-15	12-Jul-20
Zamboanga	SIA Bldg., Tomas Claudio St. Zone III Zamboanga City	160,500.00	1-May-13	1-May-23
Zamboanga-Gov. Lim Ave.	G/F Jesus Wee Bldg., Gov. Lim Ave., Zamboanga City	75,000.00	1-May-19	30-Apr-24
Zamboanga Veterans	YPC Bldg., Veterans Ave., Zamboanga City	87,145.86	1-Jan-20	31-Dec-24

All the facilities and properties of the Bank are in good condition. Likewise, there are no liens and encumbrances on said properties of the Bank.

Item 3. Legal Proceedings

See accompanying Notes to FS for the detailed discussion of the Bank's Legal Proceedings under Commitments and Contingencies (Note 29).

Item 4. Submission of Matters to a Vote of Security Holders

In the Bank's special meeting of stockholders held on February 26, 2019 where 96.99% of the outstanding capital stock was present, the stockholders representing more than 2/3 of the outstanding capital stock approved the following:

1. The merger of RSB into the Bank and the terms and conditions of the related Plan of Merger, as well as the authorized signatories and their authority to do any and all acts, for and on behalf of the Bank for the purpose of implementing the aforementioned merger, upon such terms and conditions as they may deem beneficial to the Bank.

In the Bank's annual meeting of stockholders held on June 24, 2019 where 83.04% of the outstanding capital stock was present, the stockholders representing more than a majority of the outstanding capital stock elected the following directors to serve as such for a term of one year:

As Regular Directors:

1. Ms. Helen Y. Dee
2. Mr. Cesar E. A. Virata
3. Mr. Eugene S. Acevedo
4. Mr. Gil A. Buenaventura
5. Mr. Richard G.A. 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

Mr. Laurito E. Serrano

At the said annual meeting, the stockholders also approved the following:

1. Minutes of the June 25, 2018 Annual Stockholders Meeting and Minutes of the February 26, 2019 Special Stockholders Meeting
2. Annual Report and Audited Financial Statements for 2018
3. Ratification of actions of the Board of Directors, different Committees and Management
4. Confirmation of Significant Transactions with DOSRI and Related Parties
5. Appointment of External Auditor

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

The common shares of the Bank are listed in the Philippine Stock Exchange. As of June 8, 2020, the market price of RCBC's common shares closed at 19.22 per share. The trading prices of said shares for the different quarters of the years 2019, 2018 and 2017 are as follows:

		Q1		Q2		Q3		Q4	
		Last Practicable Trading Date		Last Practicable Trading Date		Last Practicable Trading Date		Last Practicable Trading Date	
2020	High	23.50	1.20.20						
	Low	15.60	3.19.20						
2019	High	29.50	1.09.19	28.50	6.20.19	30.70	7.31.19	27.00	10.17.19
	Low	26.00	2.01.19	25.55	4.23.19	26.35	7.10.19	22.10	12.17.19
2018	High	53.39	1.17.18	42.86	4.17.18	30.90	7.27.18	29.30	10.30.18
	Low	40.30	3.22.18	27.70	6.26.18	24.85	9.21.18	25.40	10.01.18
2017	High	45.10	2.14.17	66.00	6.1.17	61.10	7.7.17	63.30	10.20.17
	Low	33.50	1.03.17	37.70	4.3.17	45.00	9.28.17	48.00	10.6.17

Source: Philippine Stock Exchange

There were 72 preferred shareholders and 750 common shareholders of record as of December 31, 2019. Likewise, preferred shares and common shares outstanding as of December 31, 2019 were 267,410 and 1,935,628,896, respectively.

As of December 31, 2019, total equity ownership of foreigners on the Bank's common shares was at 34.09% or 659,913,878 shares.

No recent sales of unregistered or exempt securities, including recent issuance of securities constituting an exempt transaction to be reported.

The top 20 common certificated stockholders as of Dec 31, 2019

	Name	No. of Shares	% to Total
1	PCD NOMINEE CORP.(NON-FILIPINO)	659,699,432	34.080%
2	PCD NOMINEE CORP (FILIPINO)*	653,461,427	33.750%
3	PAN MALAYAN MANAGEMENT AND INVESTMENT CORPORATION	594,248,085	30.700%
4	SYBASE EQUITY INVESTMENTS CORPORATION	23,528,800	1.220%
5	HYDEE MANAGEMENT & RESOURCE CORPORATION	2,173,349	0.110%
6	A. T. YUCHENGCO, INC	255,190	0.010%
7	CONCEPCION, CARMENCITA DE LAS ALAS	224,490	0.012%
8	ALAS, CARLOS DE LAS	114,298	0.006%
9	ALAS, CORNELIO DE LAS	114,195	0.006%
10	CHAN, FREDERICK	111,677	0.006%
11	YANG JIN LIANG	100,000	0.005%
12	RUFINO, JOSIE PADILLA	92,865	0.005%
13	LOMBOS, MANUEL C. &/OR MEYRICK J.	68,574	0.004%
14	YAO, SHUOBIN	57,000	0.003%
15	YAO, SHUOYU	57,000	0.003%
16	RUFINO, JOSEFINA PADILLA	54,292	0.003%
17	QUE, LIONG HEE G.	52,297	0.003%
18	CIPRIANO, BIENVENIDO C.	45,354	0.002%
19	REYES JR., MAURO C.	45,183	0.002%
20	CHAM TENG HUI	40,000	0.002%

**PMMIC certificated shares is at 30.70% with the additional 10.76 % (212,183,388 shares) lodged with PCD Nominee Corporation - Filipino*

The top 20 preferred certificated stockholders as of Dec 31, 2019

	Name	No. of Shares	% to Total
1	ROSARIO, RODOLFO P. DEL	81,521	30.48%
2	GO, HOMER	46,355	17.35%
3	CONCEPCION, CARMENCITA	31,842	11.90%
4	OPTIMUM SECURITIES CORP.	16,666	6.22%
5	BDO SECURITIES CORP.	9,304	3.47%
6	NGO, LORETA	8,600	3.21%
7	MANDARIN SECURITIES CORPORATION	7,583	2.83%
8	TAN, LUCIANO H.	7,309	2.73%
9	ABACUS SECURITIES CORP.	6,021	2.25%
10	HWANG, HANS YAP	5,558	2.07%
11	ANG, TONY ANG &/OR ROSEMARIE	5,372	2.00%
12	SIA, JOHNSON CHUA	5,000	1.87%
13	CAMPOS LANUZA & CO. INC.	3,535	1.32%
14	ACERO, NICASIO MARIN JR., &/OR ARNOLFO O.	3,371	1.26%
15	CO, JUSTINA DY	3,258	1.21%
16	CHENG, SUSAN	2,665	0.99%
17	GLOBALINKS SEC. & STOCKS	2,454	0.91%
18	BEDAN CORPORATION	2,100	0.78%
19	LUYS SECURITIES CO. INC.	1,852	0.69%
20	GO, ROBERTO CHAN	1,367	0.51%

The details of the 2017, 2018 and 2019 cash dividend distributions follow:

Nature of Securities	Dividend		Record Date	Date Approved		Date Paid/Payable
	Per Share	Total Amount Php (in Million Php)		By BOD	by BSP	
Preferred	P0.0749	P0.02	March 21, 2017	January 30, 2017	March 22, 2017	March 24, 2017
Common	P0.5520	P772.75	April 27, 2017	April 24, 2017	April 26, 2017	May 25, 2017
Preferred	P0.5520	P0.15	April 27, 2017	April 24, 2017	April 26, 2017	May 25, 2017
Preferred	P0.0807	P0.02	June 21, 2017	April 24, 2017	April 26, 2017	June 23, 2017
Preferred	P0.0840	P0.02	September 21, 2017	July 31, 2017	September 5, 2017	September 22, 2017
Preferred	P0.0840	P0.02	December 21, 2017	October 30, 2017	December 12, 2017	December 22, 2017
Preferred	P0.0919	P0.02	March 21, 2018	January 29, 2018	March 1, 2018	March 28, 2018
Common	P0.0616	P862.35	April 20, 2018	March 26, 2018	April 5, 2018	May 7, 2018
Preferred	P0.0616	P0.17	April 20, 2018	March 26, 2018	April 5, 2018	May 7, 2018
Preferred	P0.1080	P0.03	June 21, 2018	April 30, 2018	June 14, 2018	June 25, 2018
Preferred	P0.1108	P0.03	September 21, 2018	July 30, 2018	September 4, 2018	September 24, 2018
Preferred	P0.0111	P0.03	December 21,	November 26,	**	December

			2018	2018		28, 2018
Preferred	P0.1205	P0.03	March 21, 2019	February 26, 2019	**	March 25, 2019
Common	P0.4460	P862.29	May 15, 2019	April 29, 2019	**	May 29, 2019
Preferred	P0.4460	P0.12	May 15, 2019	April 29, 2019	**	May 29, 2019
Preferred	P0.1166	P0.03	June 21, 2019	May 27, 2019	**	June 26, 2019
Preferred	P0.1121	P0.03	September 21, 2019	August 27, 2019	**	September 24, 2019
Preferred	P0.1051	P0.03	December 21, 2019	November 25, 2019	**	December 26, 2019

* Not applicable, BSP approval not anymore required

Dividends are declared and paid out of the surplus profits of the Bank as often and at such times as the Board of Directors may determine after making provisions for the necessary reserves in accordance with law and the regulations of the Bangko Sentral ng Pilipinas.

Item 6. Management's Discussion and Analysis or Plan of Operation

2017

Philippine GDP growth in 2017 was at 6.7%, slower vs. 6.9% in 2016, still among the fastest growing economies, not only in ASEAN, but in the whole of Asia, as the faster GDP growth in 2016 may be attributed to election-related spending during the May 2016 presidential elections (i.e. higher base/denominator effects a year ago). Philippine GDP growth remained relatively high compared to recent years due to improved economic and credit fundamentals such as favorable demographics (i.e. demographic sweet spot or majority of the population reached working age since 2015), still relatively low interest rates compared to recent years/decades that continued to spur more investments and overall economic growth, as fundamentally supported by benign inflation amid relatively lower prices of crude oil and other global commodities vs. in recent years. Continued growth in OFW remittances, BPO revenues, and foreign tourist revenues continued to support consumer spending, which accounted for about 68.7% of the Philippine economy in 2017. The ASEAN Economic Integration has already started in end-2015 and is expected to lead to greater economic growth, going forward.

Fitch Ratings upgraded Philippine credit rating on December 11, 2017, by 1 notch to BBB (1 notch above the minimum investment grade; already the same as the credit ratings by S&P and Moody's), from BBB-; with stable outlook. Investor sentiment on the Philippines improved further after the passage of the first package of the tax reform measures (TRAIN) in December 2017.

Philippine GNP growth (2017) was at 6.5%, slower compared to 6.7% in 2016.

In terms of industrial origin, Services (57.4% of GDP) grew by 6.7%, slower than 7.4% in 2016, still among the major contributors to economic growth. Industry (34.1% of GDP) grew by 7.2%, slower vs. 8.4% in 2016, amid slower growth in exports relative to imports due to the global economic slowdown. Agriculture (8.5% of GDP) grew, by 3.9%, vs. -1.3% in 2016 when there was El Nino drought that reduced agricultural production in the early part of 2016.

In terms of expenditure shares, the major contributors to the country's economic growth in 2017 were: Consumer Spending (68.7% of GDP) at 5.8%, slower vs. 7.0% in 2016, Investments (28.6% of GDP) at 9.0%, slower vs. 23.7% in 2016, and Government Spending (10.5% of GDP) at 7.3%, slower vs. 8.4% in 2016.

Philippine economic growth remained resilient by growing for 76th straight quarter, despite the relatively slower global economic growth brought about by the slowdown in China, risk of recession and deflation in Japan and in the Euro zone, and increased global market volatility. Softer global economic growth also supported the still relatively lower world oil prices in 2017, compared to recent years, but already corrected higher from the lows after OPEC and other major oil-producing countries cut oil production output in an effort reduce the glut/oversupply in global oil supplies.

The US economy, the world's biggest, continued to recover in 2017, fundamentally supporting the decision of the US Federal Reserve to further increase key monetary interest rates by a total of +0.75 basis points in 2017 (+0.25 each on March 15, 2017; June 14, 2017; and December 17, 2017), after +0.25 each on December 14, 2016 and on Dec. 16, 2015. These Fed rate hikes in 2017 resulted partly to some volatility in the global financial markets. Other sources of global market volatility in 2017 include the tapering of Fed's balance sheet in 4Q 2017 (US$10 billion) and increased tensions on North Korea amid ICBM/missile tests. Positive external developments in 2017 highlighted by US President Trump's signing of Republican-backed US$1.5 trillion tax cut/overhaul of US tax code on December 22, 2017, in first major legislative win, delivering a major tax cut to US corporations along with a package of temporary tax cuts for other businesses and most individuals.

China, the world's second largest economy and among the biggest importers of commodities, still experienced relatively slower economic growth (still among the slowest in about 25 years).

The local economy was partly supported by the continued growth in OFW remittances, sustained strong growth in the BPO industry, still relatively lower interest rates compared to recent years/decades that spurred greater economic activity, pick up in manufacturing, continued growth in tourism, and rollout of more infrastructure/PPP projects.

Inflation averaged 3.2% in 2017, higher compared to 1.8% in 2016, but still below the 2%-4% target range of the Bangko Sentral ng Pilipinas (BSP), largely due to the continued relatively lower global crude oil/commodity prices compared to recent years.

The 91-day Treasury bill yield ended 2017 at 2.15%, higher vs. 1.55% in end-2016, also significantly up from a record low of 0.001% in end-2013, but still considered relatively lower compared to recent years/decades.

Key Philippine interest rates in the secondary market, as measured by the PDST yields, were mostly higher in 2017, especially long-term tenors. The benchmark 3-month PDST-R2 yield was at 2.43% as of end-2017, higher by 0.35 percentage points for the year.

Interest rates are still considered relatively lower compared to recent years/decades, despite the uptick in 2017, and still translated to relatively lower borrowing costs that encouraged greater economic activities in terms of creating new businesses and the expansion of existing businesses. This could also have spurred greater demand for loans/borrowings, amid improved economic and credit fundamentals for the country recently and the corresponding need to service the financing requirements of the local economy, which was among the fastest growing in Asia.

The upward correction in most long-term interest rates was partly due higher inflation, rising trend in US/global interest rates amid normalization of monetary policy in the US and in some developed countries, as well as wider budget deficits in 2016 and 2017, at –PHP350.6 billion in 2017 (or -2.2%

of GDP), slightly narrower vs. –PHP353.4 billion (or -2.4% of GDP) in 2016 as government spending increased especially on infrastructure, but still consistently below the government's upwardly revised target ceiling of 3% of GDP for 2017 (from 2%).

National government debt as of end-2017 was up by 9.2% to PHP6.652 trillion. However, the country's debt-to-GDP ratio remained relatively low at 42.1% as of end-2017, same as in end-2016. This is supported by the sustained accelerated pace of economic growth in tandem with disciplined fiscal spending that moderated borrowing requirements in recent years.

The peso exchange rate depreciated vs. the US dollar in 2017, by 0.21 pesos or 0.4% to close at 49.93 in end-2017, among the weakest in about a decade, compared to 49.72 in end-2016. This benefited exporters, OFWs and their dependents, and others that earn in foreign currencies, in terms of greater peso proceeds of their foreign currency earnings.

Gross international reserves (GIR) as of end-2017 increased by US$878 million or 1.1% to US$80.691 billion or equivalent to 8.3 months' worth of imports and more than two times the international standard of 4 months.

OFW remittances were up, by 4.3% year-on-year to US$28.1 billion (9% of GDP) in 2017, slower vs. 5.0% growth in 2016. Revenues from the Business Process Outsourcing (BPO) industry were up by 16% to US$28.9 billion (9.2% of GDP), slower vs. 18% growth in 2016 at US$25 billion (8.2% of GDP).

Net foreign portfolio investments outflows in 2017: -US$0.205 billion, vs. +US$0.404 billion in 2016. Balance of payments (BOP) deficit was at -US$0.863 billion (-0.3% of GDP), after -US$0.420 billion (-0.1% of GDP) in 2016. OFW remittances, BPO revenues, foreign tourist revenues continued to support structural US dollar inflows into the country, as well as consumer spending, which accounted for about 68.7% of the local economy. Additional OFW, BPO, and tourism jobs and improved local employment conditions partly caused unemployment rate to remain relatively low at 5.7% in 2017, vs. 5.4% in 2016.

Total exports of the country for 2017 grew by 10.2% to US$63.2 billion amid the pickup in global economic growth. Total imports for 2017 went by, 10.4% to US$92.8 billion, reflecting the increased requirements of a fast-growing economy. Consequently, trade deficit or net imports for 2017 widened to a record of -US$29.6 billion, wider vs. the -US$26.7 billion in 2016.

Net foreign direct investments in 2017: Grew by +21.4% year-on-year to US$10 billion, a new record high vs. previous record high of US$8.2 billion in 2016 amid the improved economic and credit fundamentals of the Philippines, as attested by the further upgrade of the country's credit ratings by most of the biggest credit rating agencies, to a notch above the minimum investment grade (which was reached for the first time since 2013), which boosted international investor confidence on the country.

On the Philippine banking industry, the total loans of banks, as of end-2017 was up by 16.4% year-on-year to PHP8.862 trillion, slower vs. 16.6% growth as of end-2016, which was partly spurred by still relatively lower interest rates compared to recent years/decades and sustained economic growth. Gross non-performing loan (NPL) ratio of all banks (including interbank loans) as of end-2017 improved to 1.72%, from 1.89% as of end-2016.

Domestic liquidity/M3 growth (as of end-2017): 11.9% year-on-year to PHP10.637 trillion, slower vs. 12.8% as of end-2016, partly reflecting the slower growth in loans/credit.

The Philippine Stock Exchange Composite Index (PSEi) gained by 25.1% in 2017, to close at 8,558.42, after -1.6% in 2016. It reached a record high of 8,640.04 on December 29, 2017 and a low of 6,746.80 on January 3, 2017.

Financial and Operating Highlights

Balance Sheet

RCBC's Total Assets stood at ₱554.0 billion.

BALANCE SHEET			
In Million Pesos	2017	2016	2015
Total Assets	553,988	521,193	516,061
Investment Securities	72,932	75,622	111,201
Loans and Receivables (Net)	354,243	306,167	299,119
Total Deposits	388,412	353,077	342,362
Capital Funds	67,027	62,133	58,129

RCBC's Total Assets grew by 6.29% or P32.795 billion from P521.193 bio to P553.988 billion mainly due to the increase in Loans and Receivables, Net.

Due from Bangko Sentral ng Pilipinas, representing 10.61% of total resources, decreased by 11.60% or P7.719 billion from P66.520 billion to P58.801 billion as a result of a decrease in overnight deposit and term deposit placements. Due from other banks decreased by 21.65% or P5.475 billion from P25.293 billion to P19.818 billion, mainly due to decrease in foreign bank placements. Total trading investment securities, representing 13.16% of Total Resources stood at P72.932 billion.

As permitted by PFRS 9 and BSP Circular 708, the Group sold in 2017 certain peso and dollar-denominated bonds classified as investment securities at amortized cost with an aggregate carrying amount of P22.729 billion. The disposals resulted in a gain of P683 mio, 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 in changes in its business models for managing financial assets to collect contractual cash flows.

Loans under reverse repurchase agreement grew by 24.62% or P1.942 billion from P7.889 billion to P9.831 billion mainly due to higher placements with the BSP.

Loans and Receivables-net increased by 15.70% or P48.076 billion from P306.167 billion to P354.243 billion and represented 63.94% of total resources. This was primarily as a result of increase in the volume of loan releases across all product types. In terms of ADB, SME Loans grew by 18% or P6.0 billion, Consumer Loans by 15% or P10.7 billion, and Corporate Loans by 12% or P20.5 billion. Growth in consumer loans was led by the Credit Card Portfolio, which grew by 28% or P2.9 billion, Auto Loans by 21% or P5.5 billion, and Mortgage Loans by 9% or P3.2 billion. For the Loan Mix, Corporate Loans was 55%, SME was 16% and Consumer Loans was 29% of the Total Loans.

Investments in Associates, net grew by 8.88% or P34 million from P383 million to P417 million as a result of additional equity income from associates.

Investment Properties, net increased by 5.26% or P170 million from P3.229 billion to P3.399 billion attributable to additional foreclosed properties made by subsidiaries. Deferred Tax Assets declined by 12.91% or P291 million due to higher taxable income during the year resulting to utilization of tax benefits of minimum corporate income tax incurred in prior years. Other Resources, net decreased by 8.61% or P849 million from P9.861 billion to P9.012 billion mainly due to disposal of assets held for sale by a subsidiary.

Deposit liabilities grew by 10.01% or P35.335 billion from P353.077 billion to P388.412 billion and represented 70.11% of Total Resources. Demand deposits increased by 23.64% or P9.943 billion from P42.053 to P51.996 billion, Savings Deposits were recorded at P165.187 billion and accounted for 29.82% of Total Resources. Time deposits grew by 15.62% or P23.131 billion from Php148.098 bio to P171.229 billion and accounted for 30.91% of total resources. Increase in deposit liabilities was as a result of newly opened business centers.

Bills payable increased by 16.80% or P6.324 billion from P37.643 billion to P43.967 billion mainly attributable to higher foreign borrowings; it represented 7.94% of total resources. Bonds payable decreased by 32.54% or P13.535 billion from P41.595 billion to P28.060 billion primarily as a result of the maturity of the U.S.$275 million senior notes in January 2017. Accrued taxes, interest and other expenses payable decreased by 13.23% or P638 million from P4.823 bio to P4.185 mainly due to decrease in accruals for other expenses as a result of the settlement of prior year's accrual of the BSP's regulatory action relating to the alleged heist involving the Bank of Bangladesh.

Total liabilities stood at P486.961 billion and represented 87.90% of Total Resources.

Net Unrealized Gains/(Losses) on Financial Assets At Fair Value Through Other Comprehensive Income decreased by 7.51% or P160 million due to revaluation of investment securities. Actuarial losses on Defined Benefit Plan decreased by P1.514 billion from P1.593 billion to P79 million as a result of the revaluation of plan assets held by the retirement fund. Retained Earnings grew by 14.34% or P3.518 billion from P24.531 billion to P28.049 billion due to higher income for the period and accounted 41.85% of Total Capital Funds.

Total Capital Funds grew by 7.88% or P4.894 bio from P62.133 bio to P67.027 bio.

Income Statement

INCOME STATEMENT			
In Million Pesos	2017	2016	2015
Interest Income	25,118	23,137	21,520
Interest Expense	7,097	7,430	5,943
Net Interest Income	18,021	15,707	15,577
Other Operating Income	7,100	7,114	6,655
Impairment Losses	2,155	1,770	2,350
Operating Expenses	17,815	17,355	15,061
Tax Expense (Income)	841	(174)	(307)
Net Income attributable to non-controlling interest	2	2	(1)
Net income	4,308	3,868	5,129

Total interest income increased by 8.56% or P1.981 billion from P23.137 billion to P25.118 billion and accounted for 99.99% of total operating income. Interest income from loans and receivables went up by 12.93% or P2.514 billion from P19.442 billion to P21.956 billion and accounted for 87.40% of total operating income. The increase is mainly due to increase in average volume of Loans and Receivables. Interest income from investment securities went down by 14.84% or P485 million mainly due to decrease in volume of total investment securities. It accounted for 11.08% of total operating income. Other interest income decreased by 11.27% or P48 million from P426 million to P378 million primarily as a result of decrease in BSP term deposit placements.

Total interest expense stood at P7.097 billion and accounted 28.25% of total operating income. Interest expense from deposit liabilities grew by 21.11% from P3.269 billion to P3.959 billion, representing 15.76% of total operating income. The increase was a result of higher volume and cost of time deposits. Interest expense from bills payable and other borrowings declined by 24.59% or P1.023 billion mainly due to the maturity of the U.S.$275 million senior notes in January 2017. As a result, net interest income increased by 14.73% or P2.314 billion from P15.707 billion to P18.021 billion.

The Group booked higher impairment losses at P2.155 billion, up by 21.75% or P385 million from P1.77 billion and represented 8.58% of total operating income. Increase in impairments losses net was mainly due to higher general loan loss provisions relative to increase in loan volume as previously discussed.

Other operating income of P7.100 billion accounted for 28.26% of total operating income and is broken down as follows:

- Service fees and commissions stood at P3.138 billion and accounted for 12.49% of total operating income.
- Trading and securities gain-net declined by 44.41% or P719 million from P1.619 billion to P900 million attributable to decrease in realized trading gains from securities sold.
- Foreign exchange gains increased by 189.13% or Php522 million from P276 million to P798 million attributable to higher volatility in the market resulting to increase in volume of transactions.
- Trust fees settled at P279 million.
- Share in net earnings of subsidiaries and associates settled at Php92 million.
- Miscellaneous income went up by 18.46% or Php295 million from Php1.598 billion to P1.893 billion brought about by higher dividend and gains on assets sold.

Operating expenses stood at P17.815 billion and accounted 70.92% of Total Operating Income.

- Manpower costs increased by 11.63% or P629 million from P5.408 billion to P6.037 billion, as a result of hiring for the newly opened branches. It consumed 24.03% of the total operating income.
- Occupancy and equipment-related grew by 10.24% or P294 million from P2.871 billion to P3.165 billion mainly due to the 27 branches opened in 2017. It accounted 12.60% of the total operating income.
- Taxes and licenses stood at P1.821 billion.
- Depreciation and amortization increased by 8.38% or P148 million from P1.766 billion to P1.914 billion.
- Miscellaneous expenses declined by 10.82% or P592 million to settle at P4.878 billion from P5.470 billion, primarily as a result of the P1.0 billion fine imposed by the BSP in 2016, and it consumed 19.42% of total operating income

Tax expense increased by P1.015 billion from a tax income of P174 million to a tax expense of P841 million, primarily as a result of higher taxable income as well as the origination and reversal of temporary differences relating to MCIT.

Net profit attributable to non-controlling interest settled at P2 million.

Overall, net income increased by 11.37% or P440 million from P3.870 billion in 2016 to P4.310 billion in 2017.

Performance Indicators

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES				
	Audited			
	Consolidated		Parent	
	2017	2016	2017*	2016
Return on Average Assets (ROA)	0.82%	0.77%	0.83%	0.93%
Return on Average Equity (ROE)	6.72%	6.42%	6.76%	6.43%
BIS Capital Adequacy Ratio (CAR)	15.46%	16.16%	15.33%	16.23%
Non-Performing Loans (NPL) Ratio	1.25%	0.98%	0.54%	0.17%
Non-Performing Assets (NPA) Ratio	1.37%	1.52%	0.48%	0.34%
Net Interest Margin (NIM)	4.25%	4.06%	4.33%	3.47%
Cost-to-Income Ratio	70.92%	76.05%	70.88%	74.30%
Loans-to-Deposit Ratio**	90.84%	86.60%	89.00%	87.62%
Current Ratio	0.47	0.56	0.42	0.52
Liquid Assets-to-Total Assets Ratio	0.20	0.26	0.20	0.26
Debt-to-Equity Ratio	7.27	7.39	7.16	5.73
Asset-to- Equity Ratio	8.27	8.39	8.16	6.73
Asset -to- Liability Ratio	1.14	1.14	1.14	1.17
Interest Rate Coverage Ratio	1.73	1.50	1.74	1.59
Earnings per Share (EPS)				
Basic	Php 3.08	Php 2.76	Php 3.08	Php 2.76
Diluted	Php 3.08	Php 2.76	Php 3.08	Php 2.76

**Restated due to merger*
***Excluding Interbank loans and Loans under Reverse Repurchase Agreement*

Wholly-Owned/Virtually Wholly Owned Subsidiaries

RCBC SAVINGS BANK	Audited	
In Php 000s	2017	2016
Net Income	Php 1,350,231	Php 1,005,140
Return on Average Assets (ROA)	1.22%	1.05%
Return on Average Equity (ROE)	11.80%	9.89%
BIS Capital Adequacy Ratio (CAR)	14.03%	12.44%
Non-Performing Loans (NPL) Ratio	3.13%	2.88%
Non-Performing Assets (NPA) Ratio	4.09%	5.95%
Earnings per Share (EPS)	Php 43.74	Php 32.56

RIZAL MICROBANK	Audited

In Php 000s (Except EPS)	2017	2016
Net Loss	Php (9,537)	Php (3,384)
Return on Average Assets (ROA)	-0.69%	-0.33%
Return on Average Equity (ROE)	-1.54%	-0.55%
BIS Capital Adequacy Ratio (CAR)	43.24%	65.28%
Non-Performing Loans (NPL) Ratio	0.02%	0.09%
Non-Performing Assets (NPA) Ratio	0.01%	1.24%
Loss per Share (EPS)	Php (1.09)	Php (0.30)

RCBC CAPITAL CORPORATION and Subsidiaries	Audited	
In Php 000s (Except EPS)	2017	2016
Net Income	Php 550,269	Php 294,079
Return on Average Assets (ROA)	12.40%	7.13%
Return on Average Equity (ROE)	14.46%	8.14%
BIS Capital Adequacy Ratio (CAR)	39.36%	27.99%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	0.03%	0.05%
Earnings per Share (EPS)	Php 4.66	Php 2.49

RCBC FOREX BROKERS CORPORATION	Audited	
In Php 000s (Except EPS)	2017	2016
Net Income	Php 4,502	Php 39,917
Return on Average Assets (ROA)	2.48%	16.60%
Return on Average Equity (ROE)	2.60%	20.14%
BIS Capital Adequacy Ratio (CAR)	95.31%	77.08%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings per Share (EPS)*	Php (39.33)	Php 31.83

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

RCBC INTERNATIONAL FINANCE, LTD. and Subsidiary	Audited	
In Php 000s (Except EPS)	2017	2016
Net Loss	Php (8,940)	Php (1,931)
Return on Average Assets (ROA)	-6.34%	-1.38%
Return on Average Equity (ROE)	-6.49%	-1.40%
Capital to Total Assets	97.83%	100.05%
Non-Performing Loans (NPL) Ratio	0.00%	-0.54%
Non-Performing Assets (NPA) Ratio	0.00%	-
Loss per Share	Php (3.58)	Php (0.77)

RCBC NORTH AMERICA, INC.	Audited

In Php 000s (Except EPS)	2017	2016
Net Loss	Php 0	Php (1,555)
Return on Average Assets (ROA)	0.00%	-91.01%
Return on Average Equity (ROE)	0.00%	-90.98%
Capital to Total Assets	58.70%	217.45%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Loss per Share	Php 0	Php (35.56)

RCBC TELEMONEY EUROPE S.P.A	Audited	
In Php 000s (Except EPS)	2017	2016
Net Loss	Php (9,172)	Php (45,056)
Return on Average Assets (ROA)	-55.15%	-52.36%
Return on Average Equity (ROE)	12.43%	-110.16%
Capital to Total Assets	-647.61%	-47.43%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Loss per Share (EPS)	Php (91.72)	Php (450.56)

RCBC-JPL HOLDING COMPANY, INC. (Formerly JP Laurel Bank, Inc.)	Audited	
In Php 000s (Except EPS)	2017	2016
Net Income	Php 88	Php 2,259
Return on Average Assets (ROA)	0.05%	1.05%
Return on Average Equity (ROE)	-0.07%	-1.88%
Capital to Total Assets	-61.78%	-62.35%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings per Share (EPS)	Php 0.00	Php 0.01

NIYOG PROPERTY HOLDINGS, INC.	Audited	
In Php 000s (Except EPS)	2017	2016
Net Income	Php 134,909	Php 10,414
Return on Average Assets (ROA)	18.42%	1.40%
Return on Average Equity (ROE)	19.32%	1.46%
Capital to Total Assets	96.05%	94.43%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings per Share (EPS)	Php 96.99	Php 7.49

RCBC LEASING AND FINANCE CORP. and Subsidiary	Audited	
In Php 000s (Except EPS)	2017	2016

Net Income	Php 91,147	Php 70,218
Return on Average Assets (ROA)	1.10%	1.04%
Return on Average Equity (ROE)	13.64%	11.23%
Capital to Total Assets	7.87%	13.95%
Non-Performing Loans (NPL) Ratio	8.61%	12.51%
Non-Performing Assets (NPA) Ratio	6.65%	8.41%
Earnings per Share (EPS)	Php 0.199	Php 0.15

Notes to the Computations:

1. *Consolidated and Parent Company ROA and ROE ratios were taken from the corresponding audited financial statements. ROA ratio of the subsidiaries was determined based on the average of the quarterly ending balances of total assets, audited and/or unaudited. ROE ratio of the subsidiaries was likewise computed based on the average of the quarterly ending balances of total equity, audited and/or unaudited.*

2. *CAR covers combined credit, market and operational risks. Where the BIS CAR was not computed, the simple Capital to Total Assets ratio formula was used.*

3. *NPL ratio is determined by using the following formula: (Total NPLs net of total specific provision for losses) / (Total gross loan portfolio)*

4. *NPA ratio is determined by using the following formula: (Net NPLs + Gross ROPA + Non performing SCR) / Gross Total Assets.*

5. *For some subsidiaries, the NPL/NPA ratios were not computed since these ratios were not applicable.*

2018 .

Philippine economy continued to sustain its resilience amid global economic slowdown in 2018. Philippine economic growth is still at its sharp upward trajectory as it grew for the 19th straight year (since 1999) and growth still remains at 6% levels for the past 6 years (since 2012) at +6.2% in 2018. This is slower vs. 6.7% in 2017, and the slowest in 3 years partly due to higher inflation, higher interest rates, and decline in exports, yet growth is still among the fastest in Asia. Philippine economic growth remained relatively higher compared to recent years due to improved macroeconomic and credit fundamentals with manageable inflation environment, peso exchange rate trend consistent with macroeconomic fundamentals, manageable fiscal performance, and still relatively strong external position. Growth momentum is sustained by increased infrastructure spending (Build, Build, Build program of the government) to expand the economy’s absorptive capacity, and Philippines has been benefiting from its demographic advantage since 2015 where majority of the population already reached the working age.

Fitch Ratings affirmed Philippines credit ratings (at BBB; stable outlook), largely driven by the government's tax reform initiative. This is still one notch above minimum investment grade and the same with Moody’s (at Baa2; stable outlook) and S&P (at BBB; stable outlook). Positive investor sentiment is partly reflected by foreign direct investments among record highs.

Strong macroeconomic fundamentals have fortified the Philippine economy against disruptions caused by natural calamities, as well as external challenges such as slowing global economic growth aggravated by the US-China trade war and partial US government shutdown, volatility in world crude oil prices as US imposed sanctions on Iranian and Venezuelan oil exports, uncertainties over Brexit, gradual Fed rate hikes (total of 1 percentage point in 2018), and emergence of some protectionist policies.

Output and employment

Consumer spending, which accounted for about 70% of the Philippine economy in 2018, remains to be among the major drivers of the demand side of the economy, alongside the strong growth in government spending (+12.8% year-on-year vs. +5.9% last year; fastest since 2012 due to the Build, Build Build program of the government), and the continued growth in investments (+13.9% year-on-year vs. +9.4% in 2017)

In terms of industrial origin, economic growth in 2018 was largely driven by industry (+6.8% year-on-year; mainly driven by construction that posted a 15.9% growth), and services (still relatively high with +6.6% year-on-year growth and remained to be the largest contributor as it comprised 57.7% of GDP).

Philippine unemployment rate is at 5.3%, which is among the lowest in more than a decade (vs. 7%-8% levels in 2005), partly due to additional BPO and tourism jobs, as well as improved local employment conditions.

Agriculture sector is still lagging behind as it posted +0.8% year-on-year growth in 2018. This is slower than +4% growth recorded in 2017 partly due to Typhoon Ompong, which had the second biggest damage to agriculture after Supertyphoon Yolanda in 2013.

Prices

Inflation in 2018 averaged at 5.2% (among decade highs), after 2.9% in 2017 amid higher prices of food/rice, oil, and imports due to weaker peso. Inflation already eased to 5.1% in Dec. 2018 after reaching a peak of 6.7% in Oct. 2018. For instance, the 91-day Treasury bill yield went up by +3.18 percentage points in 2018, closing the year at 5.32% while the 5-year benchmark local interest rate (PHP BVAL yield) went up by +2.26 percentage points, closing the year at 7.04%.

Money and Interest Rates

The Philippine central bank (BSP) raised its local policy rates by a total of 1.75 percentage points in 2018 due to higher inflation. This has led to higher local interest rates that reached decade highs last Oct. 22, 2018, but already started to ease thereafter alongside the declining trend in inflation.
Peso exchange rate (vs. US dollar) closed at 52.58 in end-2018 vs. 49.93 in end-2017 amid record trade deficit that required increased purchase of foreign exchange needed for the sharp increase in net imports. Peso was also weaker due to external factors including stronger dollar vs. major global currencies after the Federal Reserve increased key US interest rates and the increased volatility in Emerging Markets, among others.

Philippine banks continue to be resilient in 2018 as quality of assets and loan portfolio sustained improvement. Banks' non-performing loans (as percent of total loans) went down to 1.3% from double-digit ratio in 2004. Total loans of banks in 2018 slowed down to +15.6% year-on-year to PHP8.3tn (slowest since April 2016) as local interest rates increased borrowing costs that reduced loan demand by businesses and consumers, thereby reducing economic activities/ GDP growth.

Similarly, domestic liquidity/M3 growth in 2018 slowed down to +9.2% year-on-year vs. 11.9% in 2017.

The Philippine Stock Exchange Composite Index (PSEi) declined by 12.8% in 2018 to close at 7,466.02, after +25.1% gain in 2017. It reached a record high of 9,058.62 last Jan. 29, 2018 and a low of 6,843.83 last Nov. 13, 2018.

External Sector

Total exports of the country for 2018 slightly declined by -1.8% (vs. 19.7% in 2017) year-on-year to US$67.5bn amid global economic slowdown aggravated by lingering US-China trade war which reduced demand for Philippine exports that are part of the global supply chain. Slower growth in exports may also reflect slowdown in manufacturing where there are some uncertainties over the proposed rationalization of fiscal incentives that kept some new foreign investments, especially export-oriented, on a wait-and-see attitude.

Growth of total imports for 2018 grew by +13.4% (after posting a +14.2% growth in 2017) to US$108.9bn amid increased importation of capital goods and raw materials required by the local economy which remains to be one of the fastest-growing in the region. Consequently, trade deficit or net imports for 2018 widened sharply to a new record high of -US$41.4bn vs. –US$27.4bn in 2017.

Philippine economy remains to be supported against global headwinds with gross international reserves at US$79.2bn (as of end-2018) that covers 7 months of imports, structural US dollar flows from OFW remittances (growing at 3% to US$32.21bn, highest annual level to date) and BPO revenues, and continued inflows of foreign direct investments at US$9.1bn for the first 11 months of 2018 (although declined by -3.2% vs. US$9.4bn in in the same period last year due to uncertainties on the proposed rationalization of fiscal incentives). Net foreign portfolio investments inflows in 2018: US$1.2bn vs. outflows of –US$1.95bn in 2017.

Public Finance

Wider budget deficit at -PHP477.2bn in the first 11 months of 2018 (vs. –PHP243.5bn in the same period last year) as reflected by the increase in government spending especially on infrastructure which grew by an average of at least 50%, thereby making it a major contributor to economic growth.

Total outstanding debt of national government as of 2018 is more favorable at 41.9% of GDP (vs. 42.1% in 2017) which still reflects the country's improved fiscal management.

Financial and Operating Highlights

Balance Sheet

RCBC's Total Assets stood at ₱645.0 billion.

BALANCE SHEET			
In Million Pesos	2018	2017	2016
Total Assets	644,595	553,988	521,193
Investment Securities	118,449	72,932	75,622
Loans and Receivables (Net)	398,300	354,243	306,167
Total Deposits	423,399	388,412	353,077
Capital Funds	81,170	67,027	62,133

RCBC's Total Assets grew by 16.36% or P90.607 billion from P553.988 billion to P644.595 billion mainly due to the increase in Investment Securities and Loans and Receivables.

Cash and Other Cash Items, grew by 18.37% or P2.699 billion, attributable to the additional cash requirements for the 23 extension offices converted to regular branches, and additional cash to service ATM withdrawals during the holidays.

Total Investment Securities, representing 18.38% of Total Resources, increased by 62.41% or P45.517 billion from P72.932 billion to P118.469 billion attributable to 309.98% or P16.624 billion increase in Financial Assets at Fair Value through other Comprehensive Income (FVOCI) from P5.363 billion to P21.987 billion and 48.21% or P28.914 billion increase in Investment Securities at Amortized Cost from P59.978 billion to P88.892 billion.

Loans and Receivables-net went up by 12.44% or P44.057 billion from P354.243 billion to P398.300 billion and represented 61.79% of Total Resources. This was primarily as a result of increase in the volume of loan releases.

Bank Premises, Furniture, Fixtures & Equipment, net decreased by 5.94% or P531 million from P8.946 billion to P8.415 billion primarily as a result of depreciation and amortization. Investment Properties, net increased by 6.83% or P232 million mainly due to additional foreclosed properties made by subsidiaries.

Deferred Tax Assets-net increased by 10.44% from or P198 million from P1.896 billion to P2.094 billion as a result of origination of additional deductible temporary differences.

Deposit liabilities grew by 9.01% or P34.987 billion from P388.412 billion to P423.399 billion and represented 65.68% of Total Resources. Demand deposits increased by 8.49% or P4.417 billion from P51.996 billion to P56.413 billion and accounted for 8.75% of Total Resources; Savings Deposits grew by 5.40% or P8.920 billion from P165.187 billion to P174.107 billion and accounted for 27.01% of Total Resources. Time deposits grew by 12.64% or P21.650 billion from P171.229 billion to P192.879 billion and accounted for 29.92% of Total Resources.

Bills payable increased by 27.37% or P12.034 billion from P43.967 billion to P56.001 billion mainly attributable to increase in foreign borrowings. Bonds payable also increased by 89.20% or P25.030 billion from P28.060 billion to P53.090 billion primarily as a result of issuance of U.S.$300 million senior notes in March 2018 and U.S$150 million senior notes in April 2018.

Accrued taxes, interest and other expenses payable increased by 26.09% or P1.092 billion from P4.185 billion to P5.277 billion mainly due to increase in accruals for interest. Other Liabilities also grew by 26.70% or P3.303 billion from P12.369 billion to P15.672 billion due to increase in post-employment defined benefit obligation.

Total liabilities grew by 15.70% or P76.464 billion from P486.961 billion to P563.425 billion and represented 87.41% of Total Resources.

Common Stock grew by 38.27% or P5.357 billion from P13.999 billion to P19.356 billion and capital Paid in Excess of Par also increased by 41.64% or P9.426 billion attributable to the Stock Rights Offering in July 2018.

Net Unrealized Gains on Financial Assets at Fair Value through Other Comprehensive Income declined by 21.04% or P414 million from P1.968 billion to P1.554 billion as a result of revaluation of investment securities. Cumulative Translation Adjustment also declined by 36.47% or P31 million from P85 million to P54 million as a result of the liquidation of a foreign subsidiary. Actuarial loss on defined benefit plan, on the other hand, was recorded at negative P1.344 billion from a negative balance of P79 million.

Reserve for Trust Business went up by 4.13% or P18 million from P436 million to P454 million.

Total Capital Funds increased by 21.10% or P14.391 billion from P67.027 billion to P81.170 billion and accounted for 12.59% of Total Resources.

Finally, 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.

Income Statement

INCOME STATEMENT			
In Million Pesos	2018	2017	2016
Interest Income	30,933	24,764	23,137
Interest Expense	10,444	6,743	7,430
Net Interest Income	20,489	18,021	15,707
Other Operating Income	6,006	7,100	7,114
Impairment Losses	1,899	2,155	1,770
Operating Expenses	19,403	17,815	17,355
Tax Expense (Income)	872	841	(174)
Net Income attributable to non-controlling interest	1	2	2
Net income	4,320	4,308	3,868

Total interest income increased by 24.91% or P6.169 billion from P24.764 billion to P30.933 billion and accounted for 125.76% of total operating income. Interest income from loans and receivables went up by 23.14% or P5.081 billion from P21.956 billion to P27.037 billion and accounted for 109.92% of total operating income. The increase is mainly due to increase in average volume of Loans and Receivables and increase in average yield of loans and receivables. Interest income from investment securities also went up by 40.04% or P973 from P2.430 billion to P3.403 billion mainly due to decrease in volume of total investment securities. It accounted for 13.84% of total operating income. Other interest income increased by 30.42% or P115 million from P378 million to P493 million primarily as a result of increase in BSP term deposit placements.

Total interest expense stood at P10.444 billion and accounted 42.46% of total operating income. Interest expense on deposit liabilities grew by 59.00% from P3.959 billion to P6.295 billion, representing 25.59% of total operating income. The increase was a result of higher volume and cost of time deposits. Interest expense on bills payable and other borrowings increase by 49.03%

or P1.365 billion from P2.784 billion to P4.149 billion mainly due to issuance of Senior Notes in 2018.

As a result, Net Interest Income increased by 13.70% or P2.468 billion from P18.021 billion to P20.489 billion.

The Group booked lower impairment losses at P1.899 billion, down by 11.88% or P256 million from P2.155 billion and represented 75.58% of total operating income. Decrease in impairments losses net was mainly due to lower general and specific loan loss provisions.

Other operating income of P6.006 billion accounted for 24.42% of total operating income and is broken down as follows:

- Service fees and commissions grew by 5.690% or P185 million from P3.138 billion to P3.323 billion and accounted for 13.51% of total operating income. Increase is primarily due to increase in Bancassurance fee income, Bancnet fee income, loan and trade related fees
- Trading and securities gain-net declined from P900 million to nil attributable to decrease in realized trading gains from securities sold
- Foreign exchange gains was recorded at P843 million.
- Trust fees settled at P278 million.
- Share in net earnings of subsidiaries and associates settled at P14 million.
- Miscellaneous income declined by 18.23% or P345 million from P1.893 billion to P1.548 billion brought about by lower income from assets acquired.

Operating expenses stood at P19.403 billion and accounted 78.89% of Total Operating Income.

- Manpower costs increased by 9.53% or P571 million from P5.991 billion to P6.562 billion, as a result of hiring of sales personnel for the branches and annual merit increase. It consumed 26.68% of the total operating income
- Occupancy and equipment-related grew by 8.54% or P272 million from P3.185 billion to P3.457 billion. It accounted 14.06% of the total operating income
- Taxes and licenses stood at P1.821 billion.
- Depreciation and amortization decreased by P93 million from P1.914 billion to P1.821 billion.
- Miscellaneous expenses went up by 8.58% or P421 million to settle at P5.325 billion from P4.904 billion, primarily as a result of higher service fees, communication and information expenses, and ROPA-related costs, and it consumed 21.65% of total operating income

Tax expense was at P872 million.

Net profit attributable to non-controlling interest settled at P1 million.

Overall, net income was recorded at P4.321 billion.

Performance Indicators

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES		
	Audited	
	Consolidated	Parent

	2018	2017	2018*	2017*
Return on Average Assets (ROA)	0.73%	0.82%	0.73%	0.83%
Return on Average Equity (ROE)	5.78%	6.72%	5.79%	6.76%
BIS Capital Adequacy Ratio (CAR)	16.13%	15.46%	16.50%	15.33%
CET 1 Ratio	13.38%	12.45%	13.24%	11.75%
Non-Performing Loans (NPL) Ratio	1.31%	1.25%	0.57%	0.54%
Non-Performing Assets (NPA) Ratio	1.15%	1.37%	0.43%	0.48%
Net Interest Margin (NIM)	4.00%	4.25%	4.02%	4.33%
Cost-to-Income Ratio	73.23%	70.92%	73.12%	70.88%
Loans-to-Deposit Ratio**	96.51%	93.38%	90.34%	89.00%
Current Ratio	0.50	0.47	0.50	0.42
Liquid Assets-to-Total Assets Ratio	0.21	0.20	0.20	0.20
Debt-to-Equity Ratio	6.94	7.27	6.85	7.16
Asset-to- Equity Ratio	7.94	8.27	7.85	8.16
Asset -to- Liability Ratio	1.14	1.14	1.15	1.14
Interest Rate Coverage Ratio	1.50	1.73	1.50	1.74
Earnings per Share (EPS)				
Basic	Php 2.62	Php 3.08	Php 2.62	Php 3.08
Diluted	Php 2.62	Php 3.08	Php 2.62	Php 3.08

**Restated due to merger*
***Excluding Interbank loans and Loans under Reverse Repurchase Agreement*

Wholly-Owned/Virtually Wholly Owned Subsidiaries

RCBC SAVINGS BANK	Audited	
In Php 000s (Except EPS)	2018	2017
Net Income	Php 1,041,275	Php 1,350,238
Return on Average Assets (ROA)	0.85%	1.22%
Return on Average Equity (ROE)	7.99%	11.80%
BIS Capital Adequacy Ratio (CAR)	12.81%	14.03%
Non-Performing Loans (NPL) Ratio	3.26%	3.13%
Non-Performing Assets (NPA) Ratio	3.36%	4.09%
Earnings per Share (EPS)	Php 33.73	Php 43.74

RIZAL MICROBANK	Audited	
In Php 000s (Except EPS)	2018	2017
Net Income (Loss)	Php 24,181	Php (19,163)
Return on Average Assets (ROA)	1.68%	-1.39%
Return on Average Equity (ROE)	4.13%	-3.10%
BIS Capital Adequacy Ratio (CAR)	35.40%	43.24%
Non-Performing Loans (NPL) Ratio	0.07%	0.02%
Non-Performing Assets (NPA) Ratio	0.72%	0.01%
Earnings (Loss) per Share (EPS)	Php 2.15	Php (1.70)

RCBC CAPITAL CORPORATION and Subsidiaries	Audited

In Php 000s (Except EPS)	2018	2017
Net Income	Php 109,679	Php 547,620
Return on Average Assets (ROA)	2.54%	12.33%
Return on Average Equity (ROE)	2.89%	14.39%
BIS Capital Adequacy Ratio (CAR)	20.43%	39.36%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	0.03%	0.03%
Earnings per Share (EPS)	Php 0.93	Php 4.64

RCBC FOREX BROKERS CORPORATION	Audited	
In Php 000s (Except EPS)	2018	2017
Net Income	Php 14,096	Php 4,334
Return on Average Assets (ROA)	7.76%	2.39%
Return on Average Equity (ROE)	8.19%	2.50%
Capital to Total Assets	95.18%	95.31%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings per Share (EPS)*	Php (19.81)	Php (39.33)

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

RCBC INTERNATIONAL FINANCE, LTD. and Subsidiary	Audited	
In Php 000s (Except EPS)	2018	2017
Net Loss	Php (13,402)	Php (8,940)
Return on Average Assets (ROA)	-9.99%	-6.34%
Return on Average Equity (ROE)	-10.28%	-6.49%
Capital to Total Assets	96.65%	97.83%
Non-Performing Loans (NPL) Ratio	0.00%	0.00%
Non-Performing Assets (NPA) Ratio	0.00%	0.00%
Loss per Share	Php (5.36)	Php (3.58)

RCBC NORTH AMERICA, INC.*	Audited	
In Php 000s (Except EPS)	2018	2017
Net Loss	Php 0	Php 0
Return on Average Assets (ROA)	0.00%	0.00%
Return on Average Equity (ROE)	0.00%	0.00%
Capital to Total Assets	0.00%	58.70%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Loss per Share	Php 0	Php 0

RCBC TELEMONEY EUROPE S.P.A **	Audited	
In Php 000s (Except EPS)	2018	2017
Net Loss	Php (16,222)	Php (9,172)

Return on Average Assets (ROA)	-111.16%	-55.15%
Return on Average Equity (ROE)	34.62%	12.43%
Capital to Total Assets	-310.72%	-647.61%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Loss per Share (EPS)	Php (162.22)	Php (91.72)

**Dissolved in May 2018.*
***Closed operations in March 2016.*

RCBC-JPL HOLDING COMPANY, INC. (Formerly JP Laurel Bank, Inc.)	**Audited**	
In Php 000s (Except EPS)	**2018**	**2017**
Net Income	Php 1,203	Php 0.11
Return on Average Assets (ROA)	0.62%	0.05%
Return on Average Equity (ROE)	-1.04%	-0.09%
Capital to Total Assets	-62.20%	-61.78%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings per Share (EPS)	Php 1.02	Php 0.10

NIYOG PROPERTY HOLDINGS, INC.	**Audited**	
In Php 000s (Except EPS)	**2018**	**2017**
Net Income	Php 33,920	Php 139,963
Return on Average Assets (ROA)	5.00%	19.11%
Return on Average Equity (ROE)	5.26%	20.04%
Capital to Total Assets	94.96%	96.05%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings per Share (EPS)	Php 24.39	Php 100.63

RCBC LEASING AND FINANCE CORP. and Subsidiary	**Audited**	
In Php 000s (Except EPS)	**2018**	**2017**
Net Income	Php 120,513	Php 87,798
Return on Average Assets (ROA)	1.29%	1.06%
Return on Average Equity (ROE)	11.71%	13.13%
Capital to Total Assets	12.65%	7.87%
Non-Performing Loans (NPL) Ratio	6.41%	8.61%
Non-Performing Assets (NPA) Ratio	5.20%	6.65%
Earnings per Share (EPS)	Php 0.08	Php 0.193

Notes to the Computations:

6. *Consolidated and Parent Company ROA and ROE ratios were taken from the corresponding audited financial statements. ROA ratio of the subsidiaries was determined based on the average of the quarterly ending balances of total assets, audited and/or unaudited. ROE ratio of the subsidiaries was likewise computed based on the average of the quarterly ending balances of total equity, audited and/or unaudited.*

7. *CAR covers combined credit, market and operational risks. Where the BIS CAR was not computed, the simple Capital to Total Assets ratio formula was used.*

8. *NPL ratio is determined by using the following formula: (Total NPLs net of total specific provision for losses) / (Total gross loan portfolio)*

9. *NPA ratio is determined by using the following formula: (Net NPLs + Gross ROPA + Non performing SCR) / Gross Total Assets.*

2019 .

Rising trade barriers—especially between US and China, and associated uncertainties weighed on business sentiment and economic activity globally. Global growth in 2019 recorded its weakest pace since the global financial crisis a decade ago. However, despite external challenges, Philippine economy in 2019 continued to be resilient and remained as one of Asia's strong performers—managing to grow 5.9%, albeit moderated vs. 6.2% in the previous year, and the slowest rate of expansion in eight years. Philippines' economic performance in 2019 still showed that the country's strong macroeconomic fundamentals—with robust domestic demand, strong-performing services sector, generally-stable inflation environment, and sound reform measures successfully lent solid support towards sustaining a momentum of growth amid dimmer global market conditions.

Budget delay a major factor that slowed down 2019 economic growth

While the growth of exports of goods and services decelerated due to weaker external demand brought by US-China trade war, much of the slowdown was driven by government underspending. After growing at a faster pace in the previous years with the government's commitment to ramp up spending, especially to improve infrastructure (through the Build, Build, Build program), both government spending and public construction slowed dramatically in early-2019 as a result of the delay in the passage of 2019 national budget.

Economic managers estimated that the budget delay cut 1 percentage point from 2019 real GDP growth, missing government's target of 6%-7%. Alongside the budget delay, the 45-day election ban on public works also contributed to the slowdown in state spending.

However, full-year government expenditures managed to grow +11% year-on-year to PHP3.8 trillion, PHP28 million (or 1%) above full-year target, as the government came up with its catch-up plan to break away from the underspending seen in early-2019. The catch-up performance in late-2019 led to the widest yearly fiscal deficit of -PHP660 billion (3.6% of GDP), exceeding the –PHP620 billion (3.2% of GDP) full-year deficit target.

Meanwhile, government revenue growth managed to improve with the ongoing impact of the Tax Reform for Acceleration and Inclusion (TRAIN) law, or the government's tax reform package that included predetermined rate increases for certain excise taxes (on fuel, tobacco, sweetened beverages, etc.) while reducing individual income tax rates.

Easing inflationary pressures supported monetary easing in 2019

Inflation averaged 2.5% in 2019, well-placed within government's 2%-4% inflation target, and slower vs. decade-high 5.2% in 2018. Price pressures have eased since inflation peaked at 6.7% in October 2018, bottoming out at 0.8% in October 2019—primarily driven by high base effects, lower global oil prices, lower food prices, and stronger peso exchange rate. Prices of rice, which make up nearly about 10% of the inflation basket, fell about 10% lower vs. in 2018 due to liberalization of rice imports implemented in 2019.

Benign inflation allowed the Philippine central bank (BSP) to ease monetary policy, after raising policy rates by 175 basis points (bps) in 2018. BSP cut policy rates by a total of 75 bps and reduced banks' reserve requirement ratio (RRR) by a total of 400 basis points in 2019. Local long-term interest rates (PHP BVAL yields) bottomed-out by mid-August 2019, ending the year at about 350-400 bps below decade-highs recorded in 2018.

Philippine economy remained adequately cushioned against external headwinds

Philippines' dollar reserves hit new record-highs as of end-2019 to US$87 billion, enough to cover 7.5 months' worth of imports, providing sufficient buffer against external shocks. Structural dollar inflows from overseas workers (OFWs), business process outsourcing (BPO), offshore gaming operations (POGOs), and tourism continued to support liquidity. Sustained inflows of foreign direct investments (FDI), which are still among record-highs despite being dampened by investor sentiment, along with the structural sources of dollar inflows, also support the country's strong macroeconomic fundamentals.

The Philippines' strong macroeconomic fundamentals resulted to S&P upgrading the country's credit rating by 1 notch to BBB+ (two notches above the minimum investment grade) on April 30, 2019.

The country's external trade of goods was adversely affected by the slowing global economy. Imports fell 4.8% year-on-year that could also be due to the government underspending that reduced the importation of construction materials needed for various infrastructure projects. High base from 2018, where imports recorded 17.4% growth amid increased importation of capital goods required by the growing economy, also contributed to the year-on-year decline.

Exports of Philippine-made goods proved its resilience in 2019 amid trade war as it managed to grow by 1.5%, becoming the second-best performer among East Asian economies, next to Vietnam. While Philippine exports that are part of US and China's supply chain were adversely affected by the trade tensions between the world's two largest economies, this factor could have been offset by the supply chain shift from China to ASEAN/Philippines and continuous diversification of the country's export markets. Lower imports, with growing exports in 2019, led to narrower trade balance–one of the factors that led to stronger peso (closing at 50.635 pesos per dollar, -3.7% vs. 2018) for the year.

Financial and Operating Highlights

Balance Sheet

In Million Pesos	2019	2018	2017
Total Assets	767,079	644,595	553,988
Investment Securities	160,719	118,449	72,932
Loans and Receivables (Net)	449,219	398,300	354,243
Total Deposits	456,581	423,399	388,412
Capital Funds	82,850	81,170	67,027

RCBC's Total Assets grew by 19.00% or P122.484 billion from P644.595 billion to P767.079 billion attributable to increase in BSP placements, investments securities, and loans and receivables.

Due from Bangko Sentral ng Pilipinas increased by 54.45% or P30.760 billion from P56.495 billion to P87.255 billion, primarily due to higher term deposit placement, this represented 11.37% of Total Resources. On the other hand, Loans under reverse repurchase agreement decreased by 42.50% or P4.264 billion from P10.032 billion to P5.768 billion.

Total Investment Securities, representing 20.95% of Total Resources, increased by 35.69% or P42.270 billion from P118.449 billion to P160.719 billion, attributable to 146.71% or P32.258 billion increase in Financial Assets at Fair Value through other Comprehensive Income (FVOCI) from P21.987 billion to P54.245 billion and 13.54% or P12.034 billion increase in Investment Securities at Amortized Cost from P88.892 billion to P100.926 billion.

Loans and Receivables-net went up by 12.78% or P50.919 billion from P398.300 billion to P449.219 billion and represented 58.56% of Total Resources. This was primarily as a result of increase in the volume of loan releases.

Bank Premises, Furniture, Fixtures & Equipment, net increased by 31.42% or P2.644 billion P8.415 billion to P11.059 billion attributable to the recognition of right of use of asset in accordance with the Bank's adoption of PFRS 16 Leases. Investment Properties, net increased by 14.07% or P511 million from P3.631 billion to P4.142 billion mainly due to additional foreclosed properties. Also, Other Resources, net increased by 17.58% or P1.586 billion from P9.022 billion to P10.608 billion.

Deposit liabilities grew by 7.84% or P33.182 billion from P423.399 billion to P456.581 billion and represented 59.52% of Total Resources. Demand deposits increased by 25.01% or P14.110 billion from P56.413 billion to P70.523 billion and accounted for 9.19% of Total Resources; Savings Deposits was recorded at P179.247 billion and accounted for 23.37% of Total Resources. Time deposits grew by 7.22% or P13.932 billion from P192.879 billion to P206.811 billion and accounted for 26.96% of Total Resources.

Bills payable increased by 81.44% or P45.605 billion from P56.001 to P101.606 billion primarily attributable to increase in foreign borrowing, it represented 13.25% of Total Resources. Bonds payable also increased by 82.36% or P43.724 billion P53.090 billion to P96.814 billion primarily as a result of the P15 billion ASEAN green bonds issuance, P8 billion ASEAN Sustainability Bond, and P15.5 billion senior notes and P7.5 billion Peso Bonds; it represented 12.62% of Total Resources. On October 2019, the Bank retired the P10 billion issued subordinated debt.

Accrued taxes, interest and other expenses payable increased by 17.53% or P925 million from P5.277 billion to P6.202 billion mainly due to increase in accruals for interest. Other Liabilities also grew by 46.92% or P7.354 billion from P15.672 billion to P23.026 billion primarily due to the recognition of lease liability in accordance with the Bank's adoption of PFRS 16.

Total liabilities grew by 21.44% or P120.804 billion to settle at P684.229 billion, it represented 89.20% of the total resources.

Net Unrealized Gains on Financial Assets at Fair Value through Other Comprehensive Income declined by 42.51% or P661 million from P1.555 billion to P894 million mainly as a result of revaluation of investment securities. Actual Gains on Remeasurement of Net Defined Benefits also declined by 133.98% or P1.798 billion from a negative balance of P1.342 billion to a negative balance of P3.140 billion.

Retained Earnings increased by 13.72% or P3.636 billion from P26.507 billion to P30.143 billion as a result of increase in net profit for the period, net of cash dividends paid and transfer to general loan loss reserve.

Total Capital Funds was recorded at P82.250 billion and accounted for 10.80% of Total Resources.

Finally, 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.

Income Statement

INCOME STATEMENT			
In Million Pesos	2019	2018	2017
Interest Income	37,578	30,933	24,764
Interest Expense	15,210	10,444	6,743
Net Interest Income	22,368	20,489	18,021
Other Operating Income	13,490	6,006	7,100
Impairment Losses	7,397	1,899	2,155
Operating Expenses	21,798	19,403	17,815
Tax Expense	1,275	872	841
Net Income attributable to non-controlling interest	1	1	2
Net income	5,387	4,320	4,308

Total interest income increased by 21.48% or P6.645 billion from P30.933 billion to P37.578 billion and accounted for 104.80% of total operating income. Interest income from loans and receivables went up by 20.75% or P5.609 billion from P27.037 billion to P32.646 billion and accounted for 91.04% of total operating income. The increase is mainly due to increase in average volume of Loans and Receivables and increase in average yield of loans and receivables. Interest income from investment securities also went up by 32.18% or P1.095 billion from P3.403 billion to P4.498 billion mainly due to increase in average volume and yield of investment securities, it accounted for 12.54% of total operating income. Other interest income declined by 11.97% or P59 million from P493 million to P434 million primarily as a result of lower BSP placements.

Total interest expense grew by 45.63% or P4.766 billion from P10.444 billion to P15.210 billion and accounted 42.42% of total operating income. Interest expense on deposit liabilities increased by 37.03% from P6.295 billion to P8.626 billion, representing 24.06% of total operating income. The increase was a result of higher volume and cost of time deposits. Interest expense on bills payable and other borrowings increased by 58.69% or P2.435 billion from P4.149 billion to P6.584 billion mainly due to increase in volume and yield of Bonds Payable.

As a result, Net Interest Income increased by 9.17% or P1.879 billion from P20.489 billion to P22.368 billion.

The Group booked higher impairment losses at P7.397 billion, up by 289.52% or P5.498 billion from P1.899 billion and represented 20.63% of total operating income. Increase in impairment losses net was mainly due to higher specific provisioning and additional provisions following the bank's ECL methodology.

Other operating income of P13.490 billion, ballooned by 124.61% or P7.484 billion from P6.006 billion, it was accounted for 37.62% of total operating income and is broken down as follows:

- Trading and securities gain-net recorded an increase from nil in end-2018 to a gain of P7.492 billion attributable to realized trading gain from investment securities, it accounted 20.89% of total operating income;
- Service fees and commissions grew by 15.98% or P531 million from P3.323 billion to P3.854 billion and accounted for 10.75% of total operating income. Increase is primarily due to increase in credit card related fees, loan and deposit related fees, and bancnet fees.
- Foreign exchange gains declined by 58.84% or P496 million from P843 million to P347 million primarily due to lower FX positions gains.
- Trust fees expanded by 16.19% or P45 million from P278 million to P323 million.
- Share in net earnings of subsidiaries and associates increased by 50% or P7 million to settle at P21 million from P14 million in 2018.
- Miscellaneous income declined by 6.14% or P95 million from P1.548 billion to P1.453 billion brought about by lower dividend income and income from assets acquired.

Operating expenses went up by 12.34% or P2.395 billion from P19.403 billion to P21.798 billion and accounted 60.79% of Total Operating Income.

- Manpower costs settled at P6.833 billion and accounted for 19.06% of total operating income;
- Occupancy and equipment-related declined by 19% or P657 million from P3.457 billion to P2.800 billion, mainly due to the prospective adoption of PFRS 16 Leases;
- Taxes and licenses expanded by 38.65% or P865 million from P2.238 billion to P3.103 billion mainly due to the gross receipt tax impact on higher gross revenues and higher DST due to the increase in Peso Bonds and growth in TD;
- Depreciation and amortization went up by 37.45% or P682 million from P1.821 billion to P2.503 due to the prospective recognition of amortization of right to use asset under PFRS 16; and
- Miscellaneous expenses went up by 23.17% or P1.234 billion to settle at P6.559 billion from P5.325 billion, primarily as a result of higher service fees, communication and information expenses, and ROPA-related costs, and it consumed 18.29% of total operating income

Tax expense increased by 46.22% or P403 million from P872 million to P1.275 billion mainly due to higher final tax paid for the period and lower set-up of deferred tax assets.

Net profit attributable to non-controlling interest settled at P1 million.

Overall, net income was recorded at P5.388 billion, 24.69% or P1.067 billion higher than last year's P4.321 billion.

Performance Indicators

	Audited			
	Consolidated		Parent	
	2019	2018	2019	2018*
Return on Average Assets (ROA)	0.80%	0.72%	0.81%	0.73%
Return on Average Equity (ROE)	6.47%	5.78%	6.48%	5.13%
BIS Capital Adequacy Ratio (CAR)	13.76%	16.13%	13.16%	16.50%
CET 1 Ratio	12.89%	13.38%	12.29%	13.24%
Non-Performing Loans (NPL) Ratio	2.15%	1.31%	1.96%	1.23%
Non-Performing Assets (NPA) Ratio	2.01%	1.31%	1.88%	1.22%
Net Interest Margin (NIM)	4.03%	4.00%	4.02%	4.02%
Cost-to-Income Ratio	60.79%	73.23%	60.39%	73.12%
Loans-to-Deposit Ratio**	95.30%	91.89%	93.30%	90.34%
Current Ratio	0.47	0.50	0.45	0.50
Liquid Assets-to-Total Assets Ratio	0.20	0.21	0.21	0.20
Debt-to-Equity Ratio	8.26	6.94	8.18	6.85
Asset-to- Equity Ratio	9.26	7.94	9.18	7.85
Asset -to- Liability Ratio	1.12	1.14	1.12	1.15
Interest Rate Coverage Ratio	1.44	1.50	1.44	1.50
Earnings per Share (EPS)				
Basic	Php 2.78	Php 2.62	Php 2.78	Php 2.62
Diluted	Php 2.78	Php 2.62	Php 2.78	Php 2.62

** Restated due to merger; **Excluding Interbank loans and Loans under Reverse Repurchase Agreement*

Wholly-Owned/Virtually Wholly Owned Subsidiaries

RCBC SAVINGS BANK[1]	Audited	
In Php 000s (Except EPS)	2019	2018
Net Income	Merged with RCBC Parent on July 2019	Php 1,041,275
Return on Average Assets (ROA)		0.84%
Return on Average Equity (ROE)		7.90%
BIS Capital Adequacy Ratio (CAR)		12.81%
Non-Performing Loans (NPL) Ratio		3.26%
Non-Performing Assets (NPA) Ratio		3.36%
Earnings per Share (EPS)		Php 33.46

RIZAL MICROBANK	Audited	
In Php 000s (Except EPS)	2019	2018
Net Income (Loss)	Php 13,269	Php 24,181
Return on Average Assets (ROA)	0.79%	1.68%
Return on Average Equity (ROE)	2.23%	4.13%
BIS Capital Adequacy Ratio (CAR)	29.46%	65.28%
Non-Performing Loans (NPL) Ratio	6.76%	0.07%
Non-Performing Assets (NPA) Ratio	5.61%	0.72%
Earnings per Share (EPS)	Php 1.18	Php 2.76

RCBC CAPITAL CORPORATION and Subsidiaries	Audited

In Php 000s (Except EPS)	2019	2018
Net Income	Php 277,001	Php 109,679
Return on Average Assets (ROA)	5.48%	2.58%
Return on Average Equity (ROE)	7.19%	2.93%
BIS Capital Adequacy Ratio (CAR)	56.35%	27.99%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	0.03%	0.03%
Earnings per Share (EPS)	Php 2.34	Php 0.94

RCBC FOREX BROKERS CORPORATION	Audited	
In Php 000s (Except EPS)	2019	2018
Net Income	Php 15,588	Php 14,096
Return on Average Assets (ROA)	7.83%	7.81%
Return on Average Equity (ROE)	8.22%	8.26%
Capital to Total Assets	96.58%	95.18%
Non-Performing Loans (NPL) Ratio	0	0
Non-Performing Assets (NPA) Ratio	0	0
Earnings per Share (EPS)*	Php (16.82)	Php (19.81)

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

RCBC INTERNATIONAL FINANCE, LTD. and Subsidiary	Audited	
In Php 000s (Except EPS)	2019	2018
Net Loss	Php 2,301	Php (13,402)
Return on Average Assets (ROA)	1.85%	-9.99%
Return on Average Equity (ROE)	1.92%	-10.28%
Capital to Total Assets	97.56%	96.65%
Non-Performing Loans (NPL) Ratio	0.00%	0.00%
Non-Performing Assets (NPA) Ratio	0.00%	0.00%
Earnings (Loss) per Share	Php 0.92	Php (5.36)

RCBC TELEMONEY EUROPE S.P.A *	Audited	
In Php 000s (Except EPS)	2019	2018
Net Loss	Php (13,630)	Php (16,222)
Return on Average Assets (ROA)	-49.17%	-111.16%
Return on Average Equity (ROE)	33.63%	34.62%
Capital to Total Assets	-158.46%	-310.72%
Non-Performing Loans (NPL) Ratio	0	0
Non-Performing Assets (NPA) Ratio	0	0
Loss per Share (EPS)	Php (136.30)	Php (162.22)

**Closed operations in March 2016.*

RCBC-JPL HOLDING COMPANY, INC. (Formerly JP Laurel Bank, Inc.)	Audited	
In Php 000s (Except EPS)	2019	2018

Net Income	Php 2,007	Php 1,203
Return on Average Assets (ROA)	1.10%	0.75%
Return on Average Equity (ROE)	-1.76%	-1.26%
Capital to Total Assets	-63.26%	-62.20%
Non-Performing Loans (NPL) Ratio	0	0
Non-Performing Assets (NPA) Ratio	0	0
Earnings per Share (EPS)	Php 0.01	Php 0.01

NIYOG PROPERTY HOLDINGS, INC.	Audited	
In Php 000s (Except EPS)	2019	2018
Net Income	Php 51,382	Php 33,920
Return on Average Assets (ROA)	8.36%	5.00%
Return on Average Equity (ROE)	8.85%	5.26%
Capital to Total Assets	95.27%	94.96%
Non-Performing Loans (NPL) Ratio	0	0
Non-Performing Assets (NPA) Ratio	0	0
Earnings per Share (EPS)	Php 36.94	Php 24.39

RCBC LEASING AND FINANCE CORP. and Subsidiary	Audited	
In Php 000s (Except EPS)	2019	2018
Net Income	Php 105,628	Php 120,513
Return on Average Assets (ROA)	1.04%	1.28%
Return on Average Equity (ROE)	5.47%	11.66%
Capital to Total Assets	20.50%	12.65%
Non-Performing Loans (NPL) Ratio	13.41%	6.41%
Non-Performing Assets (NPA) Ratio	9.70%	5.20%
Earnings per Share (EPS)	Php 0.07	Php 0.261

Notes to the Computations:

10. *Consolidated and Parent Company ROA and ROE ratios were taken from the corresponding audited financial statements. ROA ratio of the subsidiaries was determined based on the average of the quarterly ending balances of total assets, audited and/or unaudited. ROE ratio of the subsidiaries was likewise computed based on the average of the quarterly ending balances of total equity, audited and/or unaudited.*

11. *CAR covers combined credit, market and operational risks. Where the BIS CAR was not computed, the simple Capital to Total Assets ratio formula was used.*

12. *NPL ratio is determined by using the following formula: (Total NPLs net of total specific provision for losses) / (Total gross loan portfolio)*

NPA ratio is determined by using the following formula: (Net NPLs + Gross ROPA + Non performing SCR) / Gross Total Assets.

For some subsidiaries, the NPL/NPA ratios were not computed since these ratios were not applicable.

Key Variable and Other Qualitative and Quantitative Factors

Plans for 2020

We aim to continue to diversify the loan portfolio by focusing on the fast-growing and higher-yielding SME & Consumer segments so that these segments will comprise more than 50% of the Bank's total loan portfolio and in the process, improve average return on risk assets. Microfinance lending will continue to grow especially in the Mindanao and Visayas regions.

We aim to increase the number of RCBC customers across all segments. Consequently, there will be a stronger focus on growing low cost CASA (or Current and Savings Accounts) by targeting the retail and corporate deposits through branch and digital channels expansion.

The Bank also aims to grow fee-based income and improve the percentage of Fee Income-to-Gross Income. This will be carried out by growing the client and cardholder base in order to increase the transaction volume of fee-based products and bolster investment banking services and corporate banking transactions.

Lastly, we also aim to focus on Digital Banking given the rapid advancement and sophistication in the technology and financial landscape. This will be done by enhancing our electronic business solutions and platforms to support the customers' requirements by adding more features to facilitate more financial transactions.

Item 7. Financial Statements

The consolidated financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this Form 17-A.

Item 8. Information on Independent Accountant and other Related Matters

External Audit Fees and Services. The Audit Committee is empowered to appoint the external auditor of the Bank and pre-approve all auditing and non-audit services. It recommends to the Board the selection of external auditor considering independence and effectiveness and recommends the fees to be paid.

For the audit of the Bank's annual financial statements and services provided in connection with statutory and regulatory filings or engagements, the aggregate amount to be billed/billed, excluding out-of pocket expenses, by its independent accountant amounts/amounted to P12.68 million and P12.32 million for 2019 and 2018, respectively. Additionally, approximately P7.81 million was paid for other services rendered by the independent accountant in 2019.

Changes in and Disagreements With Accountants on Accounting and Financial Disclosure. In connection with the audits of the Bank's financial statements for the two (2) most recent years ended December 31, 2019 and 2018, there were no disagreements with Punongbayan and Araullo on any matter of accounting principles or practices, financial statement disclosures, audit scope or procedures.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

The names, ages, citizenship and positions of all the Bank's directors are as follows:

Regular Directors

Ms. Helen Y. Dee, 75, Filipino, is the Bank's Chairperson. Ms. Dee is also the Chairperson of House of Investments, Inc., Landev Corporation, Hi-Eisai Pharmaceutical Inc., Malayan Educational Systems, Inc. and Manila Memorial Park Cemetery, Inc. She is also the Chairperson of Pan Malayan Management and Investment Corporation. Among the top companies where she holds a directorship position are Philippine Long Distance Telephone Company, Petroenergy Resources Corp., Sun Life Grepa Financial, Inc. and Malayan Insurance Co., Inc. She graduated from Assumption College with a Bachelor of Science degree in Commerce and completed her Master's in Business Administration at De La Salle University.

Mr. Cesar E. A. Virata, 89, Filipino, has been a Director since 1995, Corporate Vice Chairman since June 2000 and Senior Adviser from 2007. He is also the Chairman and President of C. Virata and Associates, Inc., Management Consultants. Mr. Virata's roster of companies where he is also a Director and/or Chairman include RCBC Realty, RCBC Land, Malayan, Business World Publishing Corporation, Belle Corporation, Luisita Industrial Park Corporation, Bankard, and AY Foundation, Inc., among others. Mr. Virata has held important/key positions in the Philippine government, including Prime Minister, Secretary/Minister of Finance, Chairman of the Committee on Finance of the Batasang Pambansa (National Assembly) and member of the Monetary Board. He was also Chairman of the Land Bank of the Philippines. He has served as Governor for the Philippines to the World Bank, the Asian Development Bank and the International Fund for Agriculture Development. He was Chairman of the Development Committee of the World Bank and International Monetary Fund from 1976 to 1980 and Chairman of the Board of Governors of the Asian Development Bank. Prior to his Government positions, he was a Professor and Dean of the College of Business Administration of the University of the Philippines and Principal, SyCip Gorres Velayo and Company, Management Services Division. Mr. Virata graduated from the University of the Philippines with degrees in Mechanical Engineering and Business Administration (Cum Laude). He completed his Master's in Business Administration from the Wharton Graduate School, University of Pennsylvania.

Mr. Eugene S. Acevedo, 56, Filipino, has been a Director of the Bank since July 2019. He is also President and Chief Executive Officer. He has over 30 years of banking experience gained from local and multinational banks including Union Bank of the Philippines, CitySavings Bank, Philippine National Bank, and Citibank Philippines, N.A. He is a Magna Cum Laude graduate from the University of San Carlos where he earned a degree in Bachelor of Science in Physics in 1984. He has a Master's degree in Business Administration from the Asian Institute of Management and completed an Advanced Management Program at the Harvard Business School.

Mr. Gil A. Buenaventura, 67, Filipino, has been a Director of the Bank since July 2016. He was President and Chief Executive Officer from July 2016 to June 2019. He has over 45 years of banking experience gained from local and multinational banks including Citibank N.A., Citytrust Banking Corporation, Bank of the Philippine Islands, and Development Bank of the Philippines, among others. He graduated with a Bachelor of Arts degree, major in Economics, from the University of San Francisco, California, and holds a Master's of Business Administration in Finance from the University of Wisconsin.

Mr. Richard Gordon Alexander Westlake, 68, of New Zealand, has been a Director of the Bank since October 2014. He is the founder and managing director of Westlake Governance Limited, a New Zealand-based globally focused business now regarded as a leading adviser on Corporate Governance. He has over 25 years of experience as a Director and Board Chairman. He is currently the Independent Chairman of the Careerforce Industry Training Organisation Limited, New Zealand, and an Independent Director Dairy Goat Co-operative (NZ) Limited, New Zealand, the world's leading producer and exporter of goat milk infant formula. He holds a Master's degree from Oxford University in England. He is an Accredited Fellow at the Institute of Directors in New Zealand.

Mr. John Law, 69, is a dual citizen of France and Taiwan, has been a Director of the Bank since April 2015. He is also currently a Senior Advisor for Greater China for Oliver Wyman; and a Director of Far East Horizon Ltd. in Hong Kong, BNP Paribas (China) Ltd., and Khan Bank in Mongolia. He holds a Bachelor of Science degree, major in Psychology, from the Chung Yuan University in Taiwan; a Master's of Business Administration degree from Indiana University; and a Master's of Arts degree, major in Poetry, from the University of Paris, France.

Mr. Shih-Chiao (Joe) Lin, 49, Chinese, has been a Director of the Bank since March 2019. He is currently an Executive Vice President of the Investment Department at Cathay Life Insurance and has been with Cathay for more than 20 years. He currently oversees the company's equity investments. He is also a director of Cathay Venture Inc. He graduated from National Chengchi University with a degree in Bachelor of Business Administration, and from National Taiwan University with a Master's degree in Business Administration.

Mr. Arnold Kai Yuen Kan, 58, Canadian, has been a Director of the Bank since June 2019. He gained experience from Citibank, the First National Bank of Chicago, the National Westminster Bank, JP Morgan Chase Bank, Credit Agricole Corporate & Investment Bank, and Krea Capital Limited. He is currently the Chief Executive of Cathay United Bank's Hong Kong Branch and Head of the International Banking Group. He is also a Director of Cathay United Bank (China) Ltd. He graduated with a Bachelor of Social Sciences degree from the University of Hong Kong and obtained a Master's degree in Business Administration from the York University in Canada.

Atty. Lilia B. De Lima, 79, Filipino, has been a Director of the Bank since June 2019. Prior to that, she served as an Independent Member of the Bank's Advisory Board, having been appointed in July 2017. She served as the Director General of PEZA from 1995 to 2016. Other positions she has held include being Board Member of the Cagayan and Zamboanga Economic Zones, Commissioner of the National Amnesty Commission, Executive Director of the Department of Trade and Industry Price Stabilization Council and Director of the Bureau of Trade, and Chief Operating Officer of the World Trade Center Manila. She is the recipient of numerous local and international awards including the 2017 Ramon Magsaysay Award, The Order of the Rising Sun-Gold and Silver Star (Japan), and The Outstanding Women in the Nation's Service (TOWNS) in the field of law.

Independent Directors

Mr. Armando M. Medina, 70, Filipino, has been an Independent Director of the Bank since 2003. He is a member of various board committees of the Bank, including the Executive Committee. He is also an Independent Director of RCBC Capital. He graduated from De La Salle University with a

Bachelor of Arts degree in Commerce and Economics and a Bachelor of Science degree in Commerce with a major in Accounting.

Mr. Juan B. Santos, 81, Filipino, has been an Independent Director of the Bank since November 2016. He holds independent directorship positions in First Philippine Holdings Corporation, Sun Life Grepa Financial, Inc., Alaska Milk Corporation, and Philippine Investment Management (PHINMA), Inc., among others. He is Chairman and Trustee at Dualtech Training Center Foundation, Inc., a trustee at St. Luke's Medical Center, a member of the Advisory Boards of Coca-Cola Fomento Económico Mexicano, S.A.B. de C.V. (FEMSA) Philippines and East-West Seeds Co., Inc., and a consultant of the Marsman-Drysdale Group of Companies. He holds a Bachelor of Science in Business Administration degree from the Ateneo de Manila University and a degree in Foreign Trade from the Thunderbird School of Management in Arizona, USA.

Atty. Adelita A. Vergel De Dios, 73, Filipino, has been an Independent Director of the Bank since June 2016. She served as Commissioner of the Insurance Commission and held directorship and officership positions in various companies. She obtained her Bachelor of Business Administration and Accounting and Bachelor of Laws (Magna Cum Laude) from the University of the East. She is a Certified Public Accountant and a Member of the Integrated Bar of the Philippines.

Mr. Vaughn F. Montes, Ph.D., 69, Filipino, has been an Independent Director of the Bank since September 2016. He is a Trustee at Parents for Education Foundation (PAREF), PAREF Northfield School for Boys, PAREF Westbridge School for Boys, Foundation for Economic Freedom, Center for Family Advancement; Chairman and President at PAREF Southridge School for Boys; and a Director of Center for Excellence in Governance. He is also a Teaching Fellow-Corporate Governance at the Institute for Corporate Directors. He worked as an Associate Economist at the Wharton Econometric Forecasting Associates in Philadelphia, Pennsylvania, USA. He holds an AB (Bachelor of Arts) Economics degree from the Ateneo de Manila University, an MS (Master of Science) Industrial Economics degree from the Center for Research and Communications (now University of Asia and the Pacific), and a PhD in Business Economics from the Wharton Doctoral Programs, University of Pennsylvania, U.S.A.

Mr. Gabriel S. Claudio, 65, Filipino, has been an Independent Director of the Bank since July 2016. He has directorships in Ginebra San Miguel, Incorporated, Risk & Opportunities Assessment Management, Conflict Resolution Group Foundation (CORE), Toby's Youth Sports Foundation, and the Philippine Amusement and Gaming Corporation (PAGCOR). He served as political adviser to former presidents Fidel V. Ramos and Gloria Macapagal-Arroyo and held various positions in government including: Chief of the Presidential Legislative Liaison Office, Cabinet Officer for Regional Development for Eastern Visayas, and Acting Executive Secretary. He also previously served as Chairman of the Board of Trustees of the Metropolitan Water and Sewerage System, Director of the Development Bank of the Philippines, and Director of the Philippine Charity Sweepstakes Office. He holds an AB Communication Arts degree from the Ateneo de Manila University.

Mr. Laurito E. Serrano, 59, Filipino, has been an Independent Director of the Bank since March 2019. He is a corporate finance advisor with over 25 years of professional expertise. He is a certified public accountant with a Masters in Business Administration from the Harvard Graduate School of Business. Mr. Serrano was a part of the Audit & Business Advisory Group and later became a partner of SGV & Co. His past experiences include, among others, directorships in Metro Global Holdings Group, MJCI Investments, United Paragon Mining Corp., and Philippine Veterans Bank. He sat as member and chairperson of the risk oversight committees of other publicly-listed companies such as 2GO Group, Atlas Consolidated Mining & Development Corporation, and Pacific Online Systems Corporation.

The Directors of the Bank are elected at the annual shareholders' meeting to hold office until the next succeeding annual meeting and until their respective successors have been elected and qualified.

None of the Bank's Directors are related to one another or to any of the Bank's executive officers.

Executive Officers

The names and positions of the Bank's executive officers are as follows:

Eugene S. Acevedo, 56, Filipino, President and Chief Executive Officer effective July 1, 2019. He joined the Bank on January 2, 2019 as Deputy Chief Executive Officer. Mr. Acevedo has over thirty years (30) years of solid banking experience which he gained from local and multinational banks. With his expertise in strategy formulation, business development, origination, relationship building, cost reduction and risk control, he has successfully handled challenging roles and led sales and revenue generating teams in the said banks. His exposure focused on the following areas: Corporate Banking, Retail Banking, Treasury, Trust, Consumer Finance, Marketing, Credit and Remittance.

He was last connected with Union Bank of the Philippines where he was a Senior Executive Vice President for Corporate and Retail Banking from November 2011 to Nov 6, 2018. In a concurrent capacity, he served as the Chairman of CitySavings Bank, Unionbank's thrift bank subsidiary from March 2013 to Nov 6, 2018. Prior to this, he was the President and Chief Executive Officer/Vice Chairman of the Board of the Philippine National Bank from May 2010 to July 2011.

He gained most of his banking experience at Citigroup (1987 – 2010) where he started as a Management Associate for Citibank Philippines, N.A. in 1987. The following are the various roles he handled in the said institution : Managing Director and Head of Global Markets - Hong Kong and Taiwan Cluster; Country Treasurer - Hong Kong; Managing Director, Country Treasurer & Head of Emerging Markets Sales and Trading; Director / Asia Pacific Regional Derivatives Sales Head ; Head of Sales and Structuring/Vice President ; Vice President for Derivatives Marketing – Asia ; Assistant Vice President for Corporate Audit - North Asia ; Manager/ Assistant Vice President - Money Market, Foreign Exchange, Bond Trading and Derivatives Trading ; and Operations Officer.

During his stints with the banks, he also concurrently performed significant roles for subsidiaries and actively participated in community and industry affairs.

Mr. Acevedo is a Magna Cum Laude graduate from the University of San Carlos where he earned a degree in Bachelor of Science in Physics in 1984. He finished his Masters in Business Administration, ranking first in the graduating class in 1987, at the Asian Institute of Management. He completed an Advanced Management Program at the Harvard Business School in 2014.

Redentor C. Bancod, 55, Filipino, Senior Executive Vice-President, is the Head of the IT Shared Services Group .He was appointed on July 1, 2018 to a concurrent role as Head of Operations Group. He was also designated as Chief of Staff on November 2, 2017. Prior to assuming these roles, he was the Head of IT Shared Services & Operations Group and the concurrent head of Digital Banking Group. Previously, he was Vice-President & General Manager, Central Systems Asia of Sun Life Financial, Asia and Senior Vice-President and Chief Technology Officer of Sun Life Of

Canada (Philippines) Inc. from October 2003 to 2007; Senior Vice- President & Chief Information Officer of Equitable Bank from July 1996 to September 2003; Assistant Vice-President and Head of Applications Development in Far East Bank from October 1993 to June 1996; Assistant Vice-President of Regional Operations (Asia Pacific) of Sequel Concepts, Inc. U.S.A/Ayala Systems Technology Inc. from November 1992 to September 1993; Project Manager in Union Bank of Switzerland, NA from April 1988 to November 1992; and Chief Designer and Technical Adviser in Computer Information System Inc. from March 1984 to April 1998. He obtained his Bachelor of Arts degree in Philosophy from the University of the Philippines and is a candidate for a Master of Science degree in Information Management from the Ateneo de Manila University.

Horacio E. Cebrero III, 57, Filipino, Senior Executive Vice-President, is the Treasurer/ Head of Treasury Group. Prior to joining RCBC in November 5, 2018, he was connected with the Philippine National Bank where he was the Treasury Head, a role which he handled since July 2010 . He was previously employed by East West Banking Corporation where he worked as Treasurer from August 2006 to July 2010. He also worked in RCBC in 2004 until 2006 as Deputy Treasurer. He had stints with other firms as follows: Citibank N.A. (Manila) as Chief Dealer; Asian Bank Corporation as Vice President for Treasury Group, AB Capital and Investment House as Manager for Financial Markets; Anscor Capital and Investment House as Manager for Financial Markets, Asian Savings Bank as Manager for Trust and Investments Division; Asia Trust Development Bank as Account Officer; and at Far East Bank & Trust Company as Account Supervisor for Branch Treasury Marketing and Loans & Credit Analyst for Loans and Credit Department. He also held directorships in various firms as follows : PNB Europe as Chairman from January 2016 to November 2018; PNB Capital and Investment Corporation as Director from July 2016 to November 2018; PNB Forex Corporation as Director from August 2014 to 2017; and AIG Philam Savings Bank as Director from March 2009 to September 2009. He graduated with a degree in Bachelor of Science in Commerce major in Marketing Management in 1983 at De La Salle University in Manila. He earned some units in Master of Business Administration at the Graduate School of Business Economics of the same university. He attended and finished Stanford Senior Executive Leadership Program (SSELP), an advance 5-part Executive Education Course Series in Stanford University at Arthur and Toni Rembe Rock Center Hong Kong in December 2017.

John Thomas G. Deveras, 56, Filipino, Senior Executive Vice-President, is the Head of Asset Management & Remedial Group and Strategic Initiatives. Initially, he was the Strategic Initiatives Head when he joined RCBC in 2007 but was appointed as Head of Asset Management & Remedial Group in October 2015. Prior to joining the Bank, he was an Investment Officer at International Finance Corporation. He also worked for PNB Capital and Investment Corporation as President and PNB Corporate Finance as Senior Vice-President. He obtained his Bachelor of Science degree in Management Engineering from the Ateneo de Manila University and earned his Masters in Business Administration from the University of Chicago.

Michael O. de Jesus, 60, Filipino, Executive Vice-President, is the Head of National Corporate Banking Group. He was also the Deputy Group Head of Corporate Banking from November to December 2012 and the Corporate Banking Segment 2 Head from July 2007 to November 2012. He has a Bachelor of Arts degree in Economics from Union College in Schenectady, New York and a Masters in Business Administration (Finance) from The Wharton School, University of Pennsylvania. *(Retirement effective June 8, 2019)*

Rommel S. Latinazo, 60, Filipino, Executive Vice-President, is Head of Consumer Lending Group effective July 22, 2019. He was formerly the President and Chief Executive Officer of RCBC Savings Bank. Prior to this role, he was the Head of Corporate Banking Segment 1 under the Corporate Banking Group of RCBC. He joined the Bank in 2000 as First Vice-President. Previously, he held various positions in Solidbank Corporation, Standard Chartered Bank, CityTrust Banking Corporation, First Pacific Capital Corporation and Philamlife Insurance Company. Mr. Latinazo obtained his Bachelor of Science degree in Management from the Ateneo de Manila University and his Masters in Business Administration from the University of the Philippines.

Richard C. Lim, 51, Filipino, Executive Vice President, is the Head of Retail Banking Group effective September 14, 2018. Prior to this, he was seconded to RCBC Savings as Chief Operating Officer. Mr. Lim previously worked with Maybank Inc. Last position he held in the said bank was as Head of Retail Banking. He also handled the following roles in the said bank: Head of Retail Marketing Management, Assistant Vice President for Cash Management Services, Head of Consumer Sales Department, and Cluster Head for Binondo Manila area. He also had stints with other banks namely , Philam Bank -AIG where he worked as Manager for Binondo Branch, International Exchange where he functioned as Assistant Manager/ Sales Officer, Banco De Oro where he was a Marketing Officer, Urban Bank where he performed the role of a Marketing Associate, and Chinabank where he was designated as Officer's Assistant at Cash Department. He graduated from the University of Santo Tomas in 1991 with a degree in Bachelor of Science major in Biology.

Ana Luisa S. Lim, 60, Filipino, Executive Vice-President, is the Chief Compliance Officer and Head of Regulatory Affairs Group. She was formerly the Head of Operational Risk Management Group prior to assuming her current role. She was also the Head of Internal Audit Group prior to her transfer to Operational Risk Management. She is also a Director and Corporate Secretary of BEAM Exchange, Inc. She joined the Bank in 2000 primarily to implement the risk-based audit approach under a shared-services set-up in conformity with the Bank's strategic risk management initiatives. Ms. Lim obtained her Bachelor of Science degree in Business Administration and Accountancy from the University of the Philippines. She is a Certified Public Accountant, Certified Information Systems Auditor and Certified Internal Auditor.

Edel Mary G. Vegamora, 59, Filipino, Executive Vice President, is the Chief Audit Executive and Head of the Internal Audit Group. Her banking background includes being the Chief Financial Officer and Controller of Bank of Commerce from December 2013 to August 2017 and prior to that , she was the Chief Internal Auditor/ Head of Internal Audit of BDO Unibank, Inc from September 2010 to January 2013. She also had experiences from other banks as follows: as Director of Head of Finance at ING Bank NV -Philippine Branch from August 2001 to July 2007; as Controller at Philippine Savings Bank from October 1991 to July 1993, and as Head of Division 1 of Audit Group in Metrobank from October 1988 to October 1991.

She had other experiences gained from engagement with various firms which include the following : as Managing Director for Worldwide Financial Marketing Alliance; as Senior Consultant/Partner at Diaz, Murillo Dalupan & Co., CPAs, as Part time Internal Auditor for CBCP-Caritas Filipinas Foundation Inc., NASSA, as Part-time Executive Director (Pro Bono) at iTeach, Inc; as Chief Financial Officer, Treasurer of Sun Life of Canada (Phils) Inc., as Chairman of the Board and President (Pro Bono) of the Institute of Internal Auditors; as Director for Assurance (Banking and Insurance Business) of KPMG Laya Mananghaya & Co. CPAs; as Regional Finance Head of Sun Life Assurance Co. of Canada - Asia Pacific Division (Philippine Branch) and as Manager-Tax Division, TCG; Started as Financial Auditor (Banking Clients) at Sycip Gorres Velayo & Co.

Ms. Vegamora graduated from the University of the East, in 1980 with a degree in BS Business Administration, major in Accounting. She completed her Masters in Business Administration (Abridged) in 1998 offered in Manila by the New York Institute of Finance. She is a Certified Public Accountant (1980) and a Certified Internal Auditor (Institute of Internal Auditors International, USA 1999). She also obtained a Certification in Risk Management Assurance given by the Internal

Auditors International, USA 2012. She is a graduate of the Professional Directors Program of the Institute of Corporate Directors and a Fellow at the same institute.

Angelito M. Villanueva, 47, Filipino, Executive Vice President, is the Bank's Chief Innovations an Inclusion Officer. Prior to joining RCBC, he pioneered the FinTech business in firms such as PLDT Group and was among the founding executives of PayMaya wallet. He was the Managing Director of FINTQnologies Corp, the financial technology (FinTech) arm of Voyager Innovations from June 2013 to March 31, 2019. He was also a Member of the Board of Directors in FINTQnologies (June 2017 to March 2019) and FINTQSurelite Insurance Agency (June 2017 to March 2019).

His previous stints include the following roles in various institutions and organizations : Founder and Lead Convenor of KasamaKa Financial Inclusion Movement (September 2017 to March 31, 2019); Head, Customer Strategy and Market Activation, Visa, Nov 2011 – Jan 2013; Short-term Consultant on Mobile Money Transfer in Mongolia at IFC World Bank Group, Aug 2011 – Dec 2011; Monitoring and Evaluation (M&E) Consultant at Department of Social Welfare and Development-World Bank, March 2011 – February 2012; VP and Head, Mobile Financial Services - Smart Communications, Inc., Feb 2007 – Jan 2009; Regional Manager for Marketing and Special Projects for APAC and EMEA at BCD Travel 2003 – 2006; Executive Director and VP at Luntiang Pilipinas (Green PH) Foundation, Inc. 2000 – 2003; Chief of Division, Overseas Correspondent Banking Department, Global Banking Group at Land Bank of the Philippines, 1995 – 2000; Senior Research Associate and Associate Editor at Economist Intelligence Unit (EIU) Phils.1993 – 1995.

Mr. Villanueva graduated from the University of Santo Tomas in 1992 with a degree in Bachelor of Arts in Political Science. He completed a Master in National Security Administration at the National Defense College of the Philippines in 2000. He also finished his Master in Public Administration as Magna Cum Laude at the University of Santo Tomas in 2000.

Simon Javier A. Calasanz, 40, Filipino, Executive Vice President, is the President and CEO of RCBC Bankard Services Corporation. Prior to this, he worked for over 13 years at Hongkong Shanghai Banking Corporation where he handled the following roles : Senior Vice President and Head of Contact Center Management and Consumer Loans (February 2012 to October 2015), Senior Vice President and Head of Cards and Consumer Assets (January 2009 to January 2012), Vice President for Credit Approval Risk Management (May 2007 to January 2009), OIC for Consumer Credit and Risk (September 2008 to November 2008), Assistant Vice President for Personal Financial Services (September 2006 to April 2007), Manager for Third Party Verification Agencies and Process Management (July 2005 to September 2006), Assistant Manager for Quality Review and Systems Support (December 2004 to July 2005), Manila Credit and Risk Support Manager-Manila Project Team (August 2004 to October 2004), Assistant Manager for Management Information Systems (June 2003 to December 2004), Management Information Credit Analyst (September 2002 to June 2003) and Credit Approval Unit Credit Analyst (April 2002 to September 2002). In addition, he also performed significant roles for the Credit Card Association of the Philippines where he is currently the Special Advisor to the Board, and for the Credit Management Association of the Philippines in which the last position he assumed was as Director in 2008. Mr. Calasanz graduated from De La Salle University with a Bachelor of Science degree in Commerce, major in Marketing Management and Bachelor of Arts degree in Psychology.

Emmanuel T. Narciso, 58, Filipino, Executive Vice President, is the Group Head of Global Transaction Banking. Prior to joining RCBC, he was the Group Head of Transaction Banking in Banco de Oro Unibank, Inc. from June 2011 to August 2015. He was also previously connected with the Hongkong and Shanghai Banking Corporation, where he handled the following roles: Head of Business Banking Division (Philippines), Head of Payments and Cash Management for Vietnam and Philippines. He also worked for Security Bank Corporation as Head of Corporate Transaction Banking Division and Citibank N.A. where his last appointment was as Business Development Head for Global Transaction Services. Mr. Narciso started his career in the banking industry when he was hired by the Bank of the Philippine Islands as an Analyst/Programmer in 1984. He obtained his Bachelor of Arts in Economics from the Ateneo de Manila University in 1984 and finished his Master in Business Management from the Asian Institute of Management in 1989.

Jamal Ahmad, 53, Canadian, First Senior Vice President, is the Chief Risk Officer and Head of Risk Management Group. He has expertise in Risk Management, Risk Governance, and Project Management, which he gained from over twenty-nine years of professional experience. His experiences include serving as Country Chief Risk Officer and Executive Director of Standard Chartered Bank, Vietnam from May 2015 to June 2017. He was also assigned in the Philippines as Country Chief Risk Officer of the same bank from February 2012 to April 2015. Mr. Ahmad also had previous stints as Head of Operational Risk and Assurance at Bank Permata Indonesia; Head of Operational Risk at Standard Chartered Philippines; Senior Manager of Beaufort Associates in Dubai, UAE; Sales and Project Manager at Datamex Technologies, Canada; Sales and Business Development Manager at Marcus Evans, Canada. He was also a Partner of Industrial Diamond Products of Pakistan, Ltd. He finished his college degrees in Political Science and Journalism in 1987 at the University of Punjab, Pakistan. He completed his Master's Degree in Business Administration at Ateneo De Manila University in 2005 and obtained his Master of Finance at the Stern School of Business, New York University and Hong Kong University of Science and Technology in 2012.

Ma. Christina P. Alvarez, 49, Filipino, First Senior Vice-President, is the Head of Corporate Planning Group. Prior to assuming this position, she was the OIC of Corporate Planning Group from October to December 2014 and the Financial Planning and Development Division Head from August 2006 to September 2014. She worked with various institutions in the following capacities: Financial Planning Officer at Banco de Oro from July 2005 to July 2006, Corporate Planning Officer at RCBC from 1999 to 2005, Risk Management and Planning Officer of Malayan Bank from 1998 to 1999, Research Officer of Unicapital, Inc. from 1995 to 1996 and Credit/Financial Analyst of Multinational Investment Corporation from 1991 to 1995. Ms. Alvarez graduated from Ateneo de Manila University in 1991 with a Bachelor of Arts degree in Management Economics. She earned her Masters in Business Management degree from the Asian Institute of Management in 1998.

Marita E. Bueno, 51, Filipino, First Senior Vice President, is the Head of Data Science and Analytics Group. She has over twenty-four (24) years of professional experience and her expertise are in the fields of data analytics and predictive modeling, risk management, program management, credit management, credit policy development and implementation, and portfolio risk management.

Prior to joining RCBC, she was previously connected with Union Bank of the Philippines where she was the Head of Data Science and Analytics Group, a role which she handled since August 2015. By April 2018, she was appointed to concurrently handle the same role in Aboitiz Equity Venture.

Ms. Bueno also had previous stints with other banking/financial firms such as Citibank and JP Morgan Chase. She started her banking career with Citibank in 1994 as an Analyst for Credit Acquisitions Direct Mail Processing. She handled other roles such as Project Manager for Credit Card Acquisitions Preapproved Direct Mail Processing; Unit Manager for Credit Acquisitions; Senior Credit Analyst and Vice President for Portfolio Risk Management; Vice President for Existing Cardmember Marketing; Vice President for Travel & Leisure Acquisitions Risk Management (New York); Vice President for Regional Decision Management (Singapore); Chief of Staff, Regional Risk Management (Hong Kong). Her last position in the said bank was as Regional Director/Credit

Products Analytics Head, Regional Decision Management (Singapore). During her employment with JP Morgan Chase, she handled the following roles: Scored Underwriting Policy Manager/Vice President for Small Business Financial Services Risk Management and Vice President for Credit Policy and Account Management for Overdraft Line of Credit and Loans.

She is a Magna Cum Laude graduate of St. John's University in New York where she earned a Bachelor of Science degree in Computer Science in 1991. She finished Master of Business Administration on Quantitative Analysis in the same university in 1994.

Elizabeth E. Coronel, 51, Filipino, First Senior Vice-President, is the Head of Corporate Banking Group. She joined RCBC in June 2013 as Senior Banker and Head of Conglomerate Banking Division and was assigned as Segment Head of Conglomerates and Global Corporate Banking, a role which she performed on August 2014 until she was appointed as Group Head in June 2018. Previously, she was the Senior Vice-President and Chief Operations Officer of Equicom Savings Bank, a position she held for more than five years. She also held various positions in local and foreign banks namely Mizuho Corporate Bank as Vice President and Co-Head of Corporate Finance Department (January 2007 to February 2008), Equitable PCIBank as Vice-President and Head of Corporate Banking Division 4 (1996 to 2007) and Citibank as Relationship Manager of Global Consumer Bank (1993 to 1996). She started her career in the banking industry when she joined RCBC in 1989 as Marketing Assistant for Corporate Banking. Ms. Coronel obtained her Bachelor of Arts degree in Behavioral Science from the University of Santo Tomas and earned MBA units from the Ateneo Graduate School of Business. She also completed the Mizuho-ICS (MICS) Mini-MBA program at Hitotsubashi University Graduate School of International Corporate Strategy.

George Gilbert G. Dela Cuesta, 51, Filipino, First Senior Vice President, is the Group Head of the Legal Affairs Group and the Bank's Corporate Secretary. He joined RCBC in November 2016 as Deputy Head for Legal and Regulatory Affairs Group. Previously, he was Head of Legal for Asian Terminals for more than seven (7) years. He previously worked also as General Counsel for Hanjin Heavy Industries & Construction Co. Ltd. and for Mirant (Phils) Corporation. He had previous consultancy engagements and employment with Follosco Morallos & Herce Law Office, PNOC-EDC and at the Department of Environmental and Natural Resources. He started his career at Quisumbing and Torres. Atty. dela Cuesta graduated from the University of the Philippines in 1988 with a degree in Bachelor of Arts major in Political Science. He earned his Law degree from the same university in 1992.

Gerald O. Florentino, 51, Filipino, First Senior Vice-President, is the President of RCBC Securities. He held the position of Group Head and Deputy Group Head of Corporate Planning in RCBC prior to assuming his current position. Before joining the Bank, he was Senior Vice-President for the Investment Banking Group of Investment and Capital Corporation of the Philippines. He gained his corporate planning expertise from AXA Philippines as Vice-President and Head of Strategic Planning, Project Management and Business Development and AXA Way from 2007 to 2009. He also held various positions in UCPB for seven years during which his last appointment was the Head of Cash Management Products for the Working Capital Products Group. Mr. Florentino graduated from the Loyola University of Chicago, Illinois with a degree in Bachelor of Business Administration majoring in Finance and obtained his Masters in Business Management from the Asian Institute of Management. (*Resigned effective November 1, 2019*)

John P. Go, 50, Filipino, First Senior Vice-President, is the Head of Chinese Banking Segment 2. Prior to joining the Bank, Mr. Go was the Vice-President/Chief Finance Officer/Assistant to the Chairman of Liwayway Marketing Corporation (March 2002 to January 2008), Assistant Vice-President of UCPB (August 1996 to February 2002) and Manager/Business Development

Department Head of Monte Piedad Savings Bank (January 1996 to July 1996). He holds a Bachelor of Science degree in Marketing from the Philippine School of Business Administration. *(Resigned effective February 1, 2019)*

Margarita B. Lopez, 52, Filipino, First Senior Vice President, is the Head of Digital Banking Group. She was concurrent Head of Operations Group from June 16, 2016 to July 1, 2019. Prior to joining the Bank, she was connected with Manulife Financial as a member of the Board of Directors and Corporate Vice President/ Asia Head of Digital from October 2014 to March 2016 and the Chief Operations Officer from February 2010 to September 2014. She also held the following positions in various institutions: Chief Operations Officer / Head of Customer Services and Support at Philippine AXA Life (January 2007 to February 2010), Group Head/First Vice President of Electronic Banking Services at Philippine National Bank (January 2005 to December 2006) and Division Head/Vice President of Transactional Banking at United Coconut Planters Bank (1996 to 2004). She also held consultancy roles from 1988 to 1996 and was the Analyst Programmer for Infolink assigned at CityTrust from 1987 to 1988. Ms. Lopez started her career as Lecturer at the University of the Philippines in 1995. She obtained her Bachelor of Computer Science and Masters in Technology Management, Business and Industry in the same university. (*Resigned effective June 30, 2019*)

Florentino M. Madonza, 49, First Senior Vice-President, is the Head of Controllership Group effective October 14, 2014. He was the Deputy Group Head of Controllership from August 2014 to October 2014, General Accounting and Services Division Head from July 2004 to July 2014, General Accounting Department Head from September 2001 to July 2004, Assistant to the Department Head of General Accounting from January 1998 to September 2001, Asset Management and Sundry Section Head from September 1997 to December 1997 and Corporate Disbursement and Payroll Section Head from June 1996 to September 1997. Prior to joining the Bank, he worked for Sycip, Gorres, Velayo and Co. from July 1993 to May 1996 as Auditor. Mr. Madonza completed his Bachelor of Science in Commerce major in Accounting (Cum Laude) from the Araullo University, and is a Certified Public Accountant.

Remedios M. Maranan, 59, Filipino, First Senior Vice-President, is currently the Deputy Group Head of Operations Group, a role which she assumed on July 1, 2018. Prior to this, she was designated as the Special Assistant to the Retail Banking Group Head for Business Controls. In Retail Banking Group, she also previously handled the role as National Service Head. Ms. Maranan started as a BOTP Trainee in 1989 after which she assumed various positions in branch operations. Her noteworthy stints include being the Regional Operations Head for Metro Manila in December 1998 to April 2004, BC Services Division Head in May 2004 to May 2008 and Regional Service Head for Metro Manila in June 2008 to February 2010 and Deputy Group Head of BC Services from March 2010 to September 2013. She obtained her Bachelor of Science degree in Commerce majoring in Accounting from the Polytechnic University of the Philippines. *(Retired effective January 14, 2020)*

Yasuhiro Matsumoto, 60, Japanese, First Senior Vice-President, is the Head of Global and Ecozone Segment and concurrently, Head of the Japanese Business Relationship Office. Prior to this, he worked for The Bank of Tokyo-Mitsubishi UFJ, Ltd. since 1984, when the bank was named The Sanwa Bank, Ltd. He has also previously served as a director of the Bank. He obtained his Bachelor of Economics degree from Waseda University, Japan.

Mario T. Miranda, 61, Filipino, First Senior Vice President, is the Trust Officer / Head of Trust and Investment Group. Before joining RCBC, he was the President and CEO of BPI Asset Management and Trust Corporation. Prior to this role, he handled the following in the said bank: as Trust Officer/ Head of Asset Management and Trust Group; as Head of Wealth Management, Asset

Management and Trust Group, Relationship Manager/Team Leader for the Private Banking Segment in Consumer Banking Group, Marketing Head of Preferred Banking Segment in Consumer Banking Group; Head of Trust Marketing Division under Asset Management and Trust Group; as Head of AMTG Operations Division in Asset Management and Trust Group, Concurrent Head of Investment Management Division; as Concurrent Head of Investment Management Division and Retail Marketing Division. He also had previous concurrent Trust Officer functions at BPI Capital Corporation. In addition to the above, he handled the following at BPI Asset Management and Trust Corporation: as Concurrent Head of Investment Management Division and Account Management Division ; as Head of Investment and Credit Department; as Senior Manager for Research Investments and Credit Department; as Manager for Equities and Real Estate Investments Unit/ Investments Department , as Head of Investments Credit Research Trading Unit of the Ayala Insurance Companies and Ayala Related Account Department under Capital Markets Group. He started to work in this bank as a Management Trainee. He also had stints with the following: Trebel Industries, Inc as Corporate Treasurer and Comptroller; Security Pacific National Bank in Los Angeles, CA. as a Management Associate, Bancom Development Corporation (merged with Union Bank) as Credit Evaluation Analyst. He was also a Part-time faculty member of the Mathematics Department, Graduate School of the Ateneo de Manila University from 2009 to 2011. He finished his Master of Business Administration at University of California in 1983 while his degree in Bachelor of Science in Management Engineering was obtained in Ateneo De Manila University in 1980. (*Resigned effective March 31, 2020*)

Reynaldo P. Orsolino, 59, Filipino, First Senior Vice-President, is the Segment Head of Emerging Corporates. He was also the Head of Commercial & Medium Enterprises Division before assuming his current position. Prior to joining the Bank, he served as Senior Vice-President of Philippine National Bank from June 2003 to July 2007, and previously held senior positions at the Planters Development Bank, Asian Banking Corporation, and the Land Bank of the Philippines. He holds a Bachelor of Arts degree in Economics from the University of the Philippines. (*Retired effective March 17, 2020*)

Alberto N. Pedrosa, 50, Filipino, First Senior Vice-President, is the Head of Asset and Liability Management in Treasury Group. Prior to assuming this role in May 2019, he was Head of Investment and Markets Trading and Balance Sheet Management Group since July 2017. He handled other roles in the bank as follows: Head of Investment and Markets Trading Segment from July 2015 to June 2017 and Investment Portfolio Management Division Head from August 2009 to June 2015. Prior to joining the Bank, he was the Chief Trader for Uniworks, Inc. (April 2009 to July 2009), Vice-President and Head of Global Liquid Products Trading for JG Summit Capital Markets (2000 to 2008), Assistant Vice-President of Asset, Liquidity Management and Investment Trading for PCIBank (1995 to 2000) and Senior Assistant Manager and Junior FX Trader for the Bank of the Philippine Islands (1993 to 1995). Mr. Pedrosa started his career when he joined BPI's Officer Training Program in 1993. He completed his Bachelor of Science degree in Commerce majoring in Philosophy at the London School of Economics.

Joseph Colin B. Rodriguez, 52, Filipino, First Senior Vice President, is the President and CEO of RCBC Forex Brokers Corporation. Upon merger, he was also assigned at Treasury Group as Head of Subsidiaries Treasury Risk Positions Segment Prior to this appointment, he served as Treasurer of RCBC Savings Bank effective September 2016 and before assuming this post, he was the President and Chief Executive Officer of RCBC Forex Brokers Corporation from April 2015 to August 2016 and Senior Vice President and Treasurer of RCBC Savings Bank from August 2011 to March 2015. He also assumed various positions in Rizal Commercial Banking Corporation as Head of the FX Risk Division and Head of Institutional Relationship Management Division. Before joining RCBC, he spent over two decades at the Treasury division of several foreign /local banks. He was Vice

President and Head of the Foreign Exchange and Swap Desk at ING Bank Manila. He was also a Dealer at the Manila office of Banque Indosuez and Assistant Dealer at the Riyadh office of Banque Al Hollandi (ABN AMRO Bank). He also headed the FX and Swaps division of Bank of the Philippine Islands. He graduated from De La Salle University with a double degree in Liberal Arts & Commerce, Major in Marketing and in Political Science.

Bennett Clarence D. Santiago, 50, Filipino, First Senior Vice President, is the Head of the Credit Management Group. He has over 21 years of professional experience in risk management with significant years focused to commercial credit risk management and evaluation as well as enterprise risk management. Prior to joining RCBC, he was the Business Head for Small Business Loans in the Consumer Lending Group of Banco De Oro Unibank. His experiences also include serving as Head, Commercial Banking Credit Evaluation Unit, Risk Management Group of BDO; Risk Head of Citibank N.A.; Chief Compliance Officer, Union Bank of the Philippines; and various officer positions in International Exchange Bank, Globe Telecom Inc., and Hongkong and Shanghai Banking Corporation. He graduated from the University of the Philippines in 1991 with a Bachelor of Science degree in Business Administration. He finished his Master's in Business Administration in 2001 from Ateneo Business School.

Rowena F. Subido, 53, Filipino, First Senior Vice-President, is the Group Head of Human Resources. She was also the Deputy Group Head of Human Resources before assuming her current position. Prior to joining the Bank, she worked with Citibank, N.A. as Country Lead Human Resources Generalist/Senior Vice-President, prior to which she was Head of Human Resources for the Institutional Clients Group for almost two years. She has also worked with Citifinancial Corporation, the Consumer Finance Division of Citigroup, as Human Resources Head for four years. She also has HR experience in retail, distribution and manufacturing industries, having worked for California Clothing Inc. where she was Human Resources Head, International Marketing Corporation as Division Manager for Human Resources & Operations, Tricom Systems (Philippines), Inc. as Personnel and Administration Officer and Seamark Enterprises, Inc. as a Personnel Officer. Ms. Subido obtained her Bachelor of Science degree majoring in Psychology from the University of Santo Tomas and earned units in Masters in Psychology majoring in Organisational /Industrial Psychology at De La Salle University.

Ma. Angela V. Tinio, 56, Filipino, First Senior Vice-President, is the Head of Small Medium Enterprises Banking Group (previously a Segment under the National Corporate Banking Group). She has been with the Bank since 2000, holding various positions in National Corporate Banking as Segment Head for Commercial Small and Medium Enterprise Banking (October 2013 to June 2019) and in Corporate Banking , as VisMin Lending Region Head (December 2010 to September 2013), Metro Manila-Luzon Region Head (April 2006 to November 2010) and Account Management Department Head (July 2000 to April 2006). She worked with Bank of the Philippine Islands as Special Business Unit/Corporate Banking II Manager and Market Head in April 2000. She also held various positions in Far East Bank and Trust Company from June 1997 to April 2000, PDB Leasing and Finance Corporation from February 1996 to April 1997 and Traders Royal Bank from January 1985 to January 1996. Ms. Tinio obtained her Bachelor of Arts degree in Economics from the University of the Philippines and her Master's degree in Business Administration from the De La Salle University.

Lalaine I. Bilaos, 51, Filipino, Senior Vice President, is the Head of the Local Corporate Banking Segment – Division II. Prior to occupying the position of Division Head on April 2011, she was holding the position of a Relationship Manager. She joined the bank in June 1992 as a Secretary for Corporate Planning. Six months therafter, she moved to Credit Operations Department to handle a Credit Analyst role. By January 1994, she joined Corporate Banking Group and was assigned under Project Finance as a Project Analyst. She also had other roles in the said team as Marketing Assistant and Jr. Project Account Officer. She became an Account Officer in 2000 at the Corporate Division 1 of Corporate Banking Group in Ortigas. Before joining RCBC, she had stints with Dynamic Union of Consultants and Managers, Inc and American Home Assurance Co. as Credit and Collection Assistant and Billing Assistant respectively. She graduated from De La Salle University in Manila in 1989 with a degree in Bachelor of Arts major in Economics.

Ma. Carmela S. Bolisay, 51, Filipino, Senior Vice President, is the Head of Management Services Division in Operations Group. Prior to being employed at RCBC, she was last employed from June 2016 to February 2017 as the Chief of Staff for the Chairman (Vice President on consultant status) of W Hydrocolloids Inc. of W Group . She also previously worked with the following firms and banks : Standard Chartered Bank where she handled roles such as Business Planning Manager/VP for the CEO, Country Manager for Service Excellence/VP, Business Project Director/VP, and Vic e President for Product and Process Management in Cards & Personal Loans Service Quality.; Security International Card Corporation as First Vice President for Consumer Services Group, Credit Risk Management Division, Member Services Division, Member Services and Collections Division, Mastercard Task Force Head, and Vice President/Assistant Vice President for Clubmember Services Division, Equitable Cardnetwork, Inc. as Senior Manager for Customer Service; Assistant Manager for Collections and Junior Collections Assistant. She graduated with a degree in Bachelor of Arts major in Psychology, minor in Education at the University of the Philippines in 1990. She took up Basic Management Program at Asian Institute of Management (AIM) in 1992.

Jose Maria P. Borromeo, 53, Filipino, Senior Vice President, is the Head of Reserves and Liquidity Management Segment in Treasury Group. Prior to assuming this role, he was Head of Balance Sheet Management Segment from July 2018 to April 2019. He joined the bank in February 2016 and was initially assigned as Head of Central Funding. He was previously employed at Standard Chartered Bank as Head of Asset and Liability Management, Financial Markets Group. He had a stint with the Bank of the Philippine Islands where had the following roles: Head of FX Swaps and Domestic Liquidity Department; Head of Product Development and Financial Markets Research Department; Head of Risk Management Department in Treasury Group, and Dealer for Financial Derivatives Division. He also had previous experience with Citytrust Banking Corporation where he worked as Head of Balance Sheet Management Unit. He started as a Management Associate Trainee in the said bank. Early in his professional career, he was connected with the Private Development Corporation of the Philippines as an Account Officer for Project Loans and as an Associate Economist for Economic and Corporate Research. He earned his undergraduate degree, Bachelor of Science in Economics from the University of the Philippines in 1988. He took up Masters in Business Administration in 1993 in the same university.

Enrique C. Buenaflor, 49, Filipino, Senior Vice President, is the Head of Corporate Cash Management Segment. He joined RCBC in 2010 as Business Development Manager of Global Transaction Banking Group and was later appointed as Head of Business Development Division in 2011. Prior to joining RCBC, he was the Group Head/Vice-President of Structure Products for Philippine Bank of Communications (August 2005 to March 2010), Operations Head of Central Verification Unit for Citifinancial Corporation (July 2004 to July 2005), Sales Head/Assistant Vice-President of Corporate Cash Management Services (2001 to 2004) and Product Manager (1999 to 2001) for ABN AMRO Bank. He also worked for Philippine Global Communications Corporation as Senior Manager for Corporate Planning (July 1999 to November 1999) and Capitol Wireless, Inc as Business Development Director/Marketing and Sales Manager (March 1997 to May 1999). He started his career in Citibank N.A. as Operations Staff in 1992 and then as Management Associate in 1996. Mr. Buenaflor earned his undergraduate degree, Bachelor of Science in Business

Management from Ateneo de Manila University and finished his Masters in Business Management at Asian Institute of Management.

Karen K. Canlas, 45, Filipino, Senior Vice-President, is the Division 2 Head of Wealth Management Segment 2. She was the OIC of Division 1 from February to August 2011 and the Senior Relationship Manager of the same division from February 2010 to February 2011. Prior to joining RCBC, she was the Corporate Sales Unit Head/Vice President of Export Bank from August 2005 to January 2010, Relationship Manager/Senior Manager of Equitable PCI Bank from February 2003 to August 2005, Branch Head (Main Office) of Bank of Commerce from May 2002 to January 2003, Manager (Relationship Banking Group) of Export and Industry Bank from September 2001 to May 2002 and Branch Head of Global Business Bank from September 2000 to September 2001. She also held various positions at Urban Bank for almost 6 years in which her last appointment was as Manager of Alabang Regional Office, Business Development Group. Ms. Canlas started her career as Technical Staff at the National Economic Development Authority in March 1994. She obtained her Bachelor of Arts major in Economics minor in Political Science degree from De La Salle University in 1994.

Brigitte B. Capina, 59, Filipino, Senior Vice-President, is the Regional Sales Director of Makati Region, a post which she assumed after the same role assignment for South Metro Manila Region. Prior to occupying this position, she was the Marketing and Sales Director of Makati Central Business District in 2013, the Regional Sales Manager of South Metro Manila in 2012, Regional Sales Manager of Corporate Headquarters in 2009 and Business Manager for various branches such as RCBC Plaza in 2005, Buendia in 2004 and Makati Avenue in 2003. She obtained her Bachelor of Science degree in Commerce majoring in Accounting from the University of San Agustin, Iloilo City and her Masters in Business Management from the University of the Philippines, Visayas.

Arsenio L. Chua, 59, Filipino, Senior Vice-President, is the Regional Sales Director of North Metro Manila. Prior to occupying this position, he was the Marketing and Sales Director of Ortigas Central Business District in 2013, Regional Sales Manager of North Metro Manila in 2012, Regional Sales Manager of Central Metro Manila in 2010, District Sales Manager of Southern Metro Manila in 2009 and Business Manager of Caloocan Branch in 2007. He obtained his Bachelor of Science degree in Management and Industrial Engineering from the Mapua Institute of Technology. *(Retired effective April 1, 2019)*

Claro Patricio L. Contreras, 59, Filipino, Senior Vice-President, is the Head of Corporate Remedial Management Division and concurrent Head of Consumer Collection & Remedial Division. Prior to joining RCBC, he was the AVP for Special Accounts Management Services Group at BPI (April 2000 to June 2000), AVP for Credit Mgmt. Services Group at FEBTC (January 1997 to March 2000), and Manager for Credit Management Services Group at FEBTC (October 1995 to December 1996). He completed his Bachelor of Science degree in Commerce majoring in Business Management from San Beda College.

Isagani A. Cortez, 52, Filipino, Senior Vice President, is the Deputy Group Head of Regulatory Affairs Group. Before joining RCBC, he was connected with the Hongkong and Shanghai Banking Corporation, Philippines where he was designated as Country Head of Financial Crime Compliance. He also previously handled the following roles: as Country Head for Regulatory Compliance and Financial Crime and as Senior Vice President for Legal and Compliance in the same bank. His stint in the banking industry includes his employment with Eastwest Bank where he was a Chief Compliance Officer and with ABN AMRO Savings Bank/ Great Pacific Savings Bank/BA Savings Bank where he was an Assistant Vice President for Legal and Remedial Management. He also had non-banking exposures as Associate Balgos and Perez Law Office and as an Executive Assistant for the Chairman of the Commission on Elections. He obtained Bachelor of Laws (LLB) at University of the

Philippines in 1991. He took up his pre-law course, AB English at the University of the East where he graduated in 1987. *(Resigned effective April 1, 2019)*

Antonio Manuel E. Cruz, Jr., 52, Filipino, Senior Vice President, is the Head of Chinese Banking Segment. Prior to being designated to this role, he was the Division 1 Head for Emerging Corporates Segment. He joined the Bank in 2008 and assumed the following positions for Commercial & Small Medium Enterprises under National Corporate Banking: Metro Manila-Luzon Head from December 2012 to September 2013, Makati Lending Center Head from September 2009 to December 2012 and Metro Manila Lending Center Head from January 2008 to September 2009. Before joining RCBC, he was the Ortigas Lending Center Head for Philippine National Bank from December 2005 to December 2007 and the Relationship Manager for Asia United Bank from September 2000 to November 2005. He started his banking career at Solidbank Corporation where he assumed the following positions: Relationship Manager from January 1994 to August 2000, Management Trainee from July 1993 to December 1993, Senior Analyst from January 1993 to June 1993 and Junior Analyst from July 1990 to December 1992. Mr. Cruz obtained his degree in AB Economics from the Ateneo de Manila University in 1990.

Edwin R. Ermita, 57, Filipino, Senior Vice-President, is the Bank Security Officer. He was also the Corporate Services Division Head prior to assuming his current position. Previously, Mr. Ermita worked for CTK Incorporated as Consultant, Solidbank as Security and Safety Department Head and UCPB as Security and Safety Department Head. He started his career in UCPB as Teller in 1983 before moving to Branch Marketing in 1985. Mr. Ermita earned his Bachelor of Science in Management from Ateneo de Manila University. He finished his Masters in Business Administration with specialization in Industrial Security Management from the Philippine Women's University.

Benjamin E. Estacio, 49, Filipino, Senior Vice-President, is the Regional Service Head of Mindanao. Prior to assuming this position, he was the District Service Head of Southern Mindanao from May 2004 to March 2011. Mr. Estacio started his career with the Bank as SA Bookkeeper in February 1992 after which he assumed various positions in the branch. He graduated from the University of San Carlos, Cebu City with a Bachelor of Science in Commerce major in Accounting in 1991.

Bernice Uy-Gaspar, 52, Filipino, Senior Vice-President, is the Head of Division III in Chinese Banking Segment. Prior to this role, she was Head of Caloocan Division for the same segment. She had previous stints with other local banks as follows: Philippine National Bank where she worked as Business Center Head for the Manila Commercial Banking Center; BDO Universal Bank, Inc. where she was assigned as Relationship Officer for Corporate Banking Group; Equitable PCI Bank where she functioned as Account Officer for Chinese Banking Group, and BDO Commercial Bank where she handled an Account Officer role for Corporate Banking Group

She graduated from the University of Santo Tomas in 1987 with a degree in Bachelor of Science in Food Technology. She completed all courses leading to an MBA except the required thesis at De La Salle University in 1992.

Erico C. Indita, 51, Filipino, Senior Vice President, is the National Sales Director/ Segment Head of Retail Banking Sales. Mr. Indita was hired as Domestic Remittance Clerk in 1993 after which he assumed various positions in Retail Banking. His noteworthy stints includes being the Regional Sales Director of Central Metro Manila (January 2015 to November 2016), District Sales Director of Makati Central Business District (January 2014 to December 2014), Marketing and Sales Director of Chinese Uptown (February 2013 to December 2013), District Sales Manager of Makati Central Business District (January 2011 to February 2013) and Business Manager of Makati Avenue

(November 2004 to December 2010). He graduated from San Beda College with a degree in Bachelor of Science in Commerce major in Management in 1989 and finished his Masters in Business Administration at the Ateneo de Manila in 2007. *(Retired effective June 30, 2019)*

Jonathan Edwin F. Lumain, 58, Filipino, Senior Vice President, is the Bank's Chief Technology Officer. Mr. Lumain joined the Bank in 2001 and held the following IT-related positions: IT Head for Shared Technology Services (January 2008 to May 2016), Application Systems Department Head (August 2003 to December 2007) and Information Management Head (August 2001 to August 2003). Prior to joining RCBC, he was the Department Head of Branch Systems for BPI (November 1999 to July 2001), Department Head of Trust Banking Systems Development for Far East Bank and Trust Company (August 1993 to October 1999), Project Manager for Philippine Commercial International Bank Automation Center (November 1990 to July 1993) and Systems Analyst for Al Ajlani Ent., KSA (May 1985 to October 1990). He started his career in IT when he joined Andres Soriano Corporation as Programmer Trainee in December 1981. Mr. Lumain earned his Bachelor of Science in Business Administration degree from the University of the Philippines in 1981. He obtained his Master of Science in Computer Science from the Ateneo de Manila University in 1997.

Mary Grace P. Macatangay, 49, Filipino, Senior Vice-President, is the Head of Consumer Loans Segment in Credit Management Group. She was previously, the Group Head of Credit Management in RCBC Savings Bank from March 01, 2016 to July 21, 2019. Prior to this, she held the following positions in RCBC Savings Bank : Group Head for Asset Management and Remedial: Head for Loan Operations Division; Head for Planning and Budgeting Department and Head of Collection and Admin Department in Mortgage Banking Division. She also had previous experience in other banks such as Capitol Development Bank where she was Head of Admin and Collections Department; Asiatrust Development Bank where she was assigned with roles such as Assistant Manager for Trust Department and Account Officer for Business Development Group. She had exposure in a non-banking institution such as Nikon Industrial Corporation where she was Head of Corporate Planning Department

She earned her degree in Bachelor of Science in Business Administration in 1990 at the University of the Philippines. She completed her Masters in Business Administration from the same university in 1997.

Jane N. Manago, 55, Filipino, Senior Vice-President, is the Group Head of Wealth Management. Prior to this appointment, she was the OIC of Wealth Management Group from December 2015 to January 2016, Segment Head of Wealth Management 1 from September 2014 to November 2015, Division 2 Head of Wealth Management from December 2006 to August 2014 and Relationship Manager for Division 2 from April 2006 to December 2006. She also worked for YGC Corporate Services Inc. as Officer-In-Charge and Marketing Head. Prior to joining the Bank, she worked with Citibank as Cash Product Manager for Global Transaction Services (September 1998 to January 1999), Account Manager (April to August 1998) and Head of Corporate Banking for Chinatown Branch (November 1996 to March 1998) and at Equitable Banking Corporation from May 1986 to October 1996, where her last appointment was the Head of the Research and Special Projects Unit. She obtained her Bachelor of Science degree in Commerce degree majoring in Business Administration and her Bachelor of Arts degree majoring in Behavioural Science from the University of Santo Tomas.

Jose Jayson L. Mendoza, 48, Filipino, Senior Vice President, is the Head of Mindanao Division in SME Banking. Prior to this, he was Head of the VisMIn Lending Region. He joined the Bank in 2008 as Lending Center Head for Small & Medium Enterprises Division-Luzon. Previously, he worked with MayBank Philippines as Head of Retail Loans Management (January 2005 to August 2008), Philippine National Bank as Account Officer (January 2003 to December 2004), Philippine Savings Bank as Account Officer (August 1996 to December 2002) and Islacom as Senior Credit Investigator (May 1994 to July 1996). He started his banking career when he joined Allied Banking Corp. as Credit Investigator in 1993. Mr. Mendoza graduated in 1993 from De La Salle University with a degree of AB Management.

Gerardo G. Miral, 54, Filipino, Senior Vice-President, is the Head of Global & Ecozone Segment – Division 2. He was previously the Head of Consumer Lending Group of RCBC Savings Bank. Prior to his secondment to RCBC Savings Bank, he was the Division II Head of Global and Ecozone Segment from April 2011 to January 2016 and Relationship Manager for JES Division II from February 2002 to April 2011. He also assumed various positions in the branch from September 1987 to February 2002. Mr. Miral obtained his Bachelor of Arts major in Economics degree from the University of Sto. Tomas in 1986.

Ma. Cecilia F. Natividad, 45, Senior Vice President, is the Head of the Marketing Group. Before joining RCBC, she served as Head of Marketing at Western Union Financial Services, Inc. She previously worked with other firms like Nestle Philippines Incorporated as Consumer Marketing Manager and at Ayala Life Assurance Incorporated as Sales Trainor, and at Amon Trading as Management Trainee. She graduated from the Ateneo de Manila University in 1995 with a Bachelor of Science degree in Management major in Legal Management.

Evelyn Nolasco, 58, Filipino, Senior Vice-President, is the Head of the Asset Disposition Division. Before she joined the Bank, she was the Senior Vice-President and Treasury Head of the AGSB Group of Companies in 1995 and Manager for Corporate Finance for SGV & Company from 1994 to 1995. She graduated from De La Salle University with a Bachelor of Science degree in Commerce majoring in International Marketing and obtained her Master's degree in Business Management from the Asian Institute of Management.

Aline A. Novilla, 37, Filipino, Senior Vice President, is the Head of AML Segment in Regulatory Affairs Group. Prior to joining the bank, she was a Partner at the Financial Services Audit Group of R.G. Manabat & Co. Before rejoining KPMG in 2011 as Audit Director, she served as Senior Manager for Assurance Services, Financial Services Industry Practice for Isla Lipana & Co (a member firm of Pricewaterhouse Coopers). In her earlier stint with KPMG, she was assigned in Hong Kong as an Assistant Manager for Audit Services. She gained her first auditing exposure at Manabat San Agustin & Co., CPAs (formerly Laya Mananghaya & Co., a member firm of KPMG network of Independent member firms affiliated with KPMG International). She started as an Associate Auditor in November 2003 and was promoted to more senior audit roles during her employment with the said firm. Last position held was as Supervising Senior Auditor.

Ms. Novilla graduated Cum Laude at the University of the Philippines in 2003 with a degree in Bachelor of Science in Business Administration and Accountancy. She passed the CPA Licensure Exam in October 2003.

Arniel Vincent B. Ong, 34, Senior Vice President, is seconded to RCBC Bankard Services Corporation the Head of Cards Strategic Initiatives. He has over 13 years of professional experience in the credit card business, retail risk, contact center management, customer service, digital space management, sales and business transformation. Prior to joining RCBC, he was connected with HSBC Philippines where last position held was as Head of Contact Management Centre and Digital of Retail Banking and Wealth Management since January 2016. He started as Management Trainee of the said bank in 2006. He also served the said bank in various roles which included the following : as Vice President of Policy, Acquisition and Portfolio Management in Retail Banking and Wealth Management; as Head of Consumer Credit Risk for Short Term Attachment assigned at HSBC Vietnam (stint from February 2013 to May 2013); various roles within Retail Credit Risk Management; and as Manager for Payment Services. He also worked as an Assistant Instructor at Ateneo De Manila University after graduation form college. He graduated with a double degree in Bachelor of Science major in Management Engineering and AB Economics. He finished his undergraduate course with honors at Ateneo de Manila University, 2006.

Loida C. Papilla, 58, Filipino, Senior Vice-President, is the Asset Management Support Division Head. She joined RCBC in 2006 as Operations Support Division Head. She worked for various institutions in the following capacities : Assistant Vice-President / Head of Billing and Collections Section in PNB (April 2004 to February 2006), Assistant Vice-President/OIC in UCPB Securities Inc. (August 1999 to January 2004), Operations Finance Manager in Guoco Securities Inc. (January 1994 to August 1999), Media Consultant in the Office of the Senate President (October 1992 to December 1993), Research Director in Philippine Newsday (June 1989 to June 1992), Research Head in Business Star (June 1987 to June 1989) and Researcher in Business Day Corp. (November 1981 to June 1987). Ms. Papilla graduated from the University of the East in 1981 with a Bachelor of Science in Business Administration major in Accounting. She is also a Certified Public Accountant.

Arsilito A. Pejo, 57, Filipino, Senior Vice-President, is the Regional Sales Director of Visayas. Prior to this, he was the Regional Sales Director of Eastern Visayas. Mr. Pejo joined RCBC in 1982. His noteworthy stints include being the Regional Service Head of Visayas from June 2008 to December 2014 and Area Service Head of Visayas from May 2004 to May 2008, Regional Operations Head from October 2002 to April 2004 and Cebu Operations Center Head from June 1998 to September 2002. He obtained his Bachelor of Science degree in Commerce major in Accounting from Colegio de San Jose – Recoletos in 1982.

Honorata V. Po, 59, Filipino, Senior Vice President, is the Regional Sales Director for Metro South. She was previously assigned to handle South Luzon Region. Prior to assuming the role of Regional Sales Director in 2016, she was a District Sales Director and a District Sales Manager for Southeast Luzon District from 2014 to 2016 and 2008 to 2013 respectively. In between these roles, she was designated as Financial Center Head based in Lucena in 2013. She joined the bank in 1994 as Business Center Manager, a position which she held until 2008. Before she joined RCBC, she was connected with Philippine National Bank from 1983 to 1993. She handled various roles in the said bank which include the following - Audit Clerk, Statistician, Audit Examiner, Accountant, Cashier and Branch Manager. Her first banking experience was gained from Far East Bank where she worked as a Teller from 1980 to 1982. Outside the banking industry, she had engagements in other institutions as follows: as Regional Governor for the Philippine Chamber of Commerce and Industry (2009 to 2010), as President of Quezon - Lucena Chamber of Commerce and Industry (2007 to 2008) and as a Director/Minor stockholder of Moldedcraft Consulting Corporation. She obtained a Bachelor of Science in Business Administration major in Accounting at the University of the East in 1980.

Nancy J. Quiogue, 51, Filipino, Senior Vice-President, is the Regional Service Head of North Metro Manila. Prior to assuming her current position, she was the Regional Service Head for North Metro Manila and Central Metro Manila. She was the Regional Service Head for Metro Manila from April 2010 to December 2014 and District Service Head for Metro Manila from May 2004 to April 2010. She also held various positions at the Bank since 1991. Ms. Quiogue graduated from the Philippine School of Business Administration with a Bachelor of Science degree in Business Administration majoring in Accounting.

Elsie S. Ramos, 54, Filipino, Senior Vice-President, is the Legal Affairs Division Head. She joined the Bank in 2006 and assumed the position of Litigation Department Head. Prior to joining RCBC, she was the Corporate Lawyer and Head of Legal and Corporate Affairs Division for Empire East/Land Holdings (2004 to 2006), Senior Associate and Lawyer-In-Charge of the Docket/Records Section for Ponce Enrile Reyes and Manalastas (2003 to 2004), Senior Associate for Martinez and Mendoza (2001 to 2002), Senior/Junior Associate for Ponce Enrile Reyes and Manalastas (1996 to 2000) and Legal Consultant for Companero Y Companera (1997 to 1998). She held various positions in the University of the Philippines, Department of History such as Assistant Professor (1994 to 1998), Assistant to the Chairman (1992 to 1993) and Instructor (1988 to 1994). She was also a Part-Time Instructor at the St. Scholastica's College, Manila from 1987 to 1989. She obtained her Bachelor of Arts and Master of Arts degree in History from the University of the Philippines, Diliman. She also finished her Bachelor of Law in the same university.

Ismael S. Reyes, 53, Filipino, Senior Vice-President, is a Regional Sales Director for Quezon City. Prior to this, he served as Head of Retail Banking Marketing Segment. He was formerly the National Sales Director when he joined the Bank in 2013. Prior to joining RCBC, he assumed various positions in Philippine Savings Bank as First Vice-President/ Head of the Loans Operations Group (October 2012 to October 2013), First Vice President/Branch Banking Group Head (January 2011 to October 2012), Vice-President/Deputy Branch Banking Group Head (June 2010 to December 2010) and Vice- President/ Business Development Unit Head (October 2008 to May 2010). He worked for iRemit Inc where he handled roles such as Division Head for Market Management (January 2004 to September 2008) and Deputy Head for the Global Sales and Marketing Division (August 2001 to December 2003). He also worked with Bank of the Philippine Islands where he was assigned as Operations Manager /Section Head for Funds Transfer Department from 1999 to 2001. His banking career started in Far East Bank in 1987 when he was hired as Staff for International Operations Division. By 1990 he was promoted to a supervisory rank in the same division and as an officer in 1993. He held the position of Department Head in International Operations in 1995 and became a Project Officer for the Remittance Center in 1996. Mr. Reyes earned his Bachelor of Science degree in Commerce major in Economics at the University of Santo Tomas.

Steven Michael T. Reyes, 48, Filipino, Senior Vice-President, is the Head of Treasury Sales and Digital Service Delivery Segment. Prior to being designated into this role, he was Head of Commercial Trading and Sales Segment until the reorganization in Treasury in May 2019. Previously, he was First Vice President of Global Markets for Australian & New Zealand Banking Group (March 2009 to January 2014), Vice President / Head of Capital Markets for Banco De Oro (October 2006 to March 2009), Assistant Vice President /Debt and Interest Rate Trader for Citibank, Singapore (January 2006 to October 2006) and Assistant Vice President/Bonds Trader for Citibank, Manila (January 2002 to December 2005). He also worked for Equitable PCIBank from July 1999 to December 2001 and PCIBank from May 1996 to July 1999 and held the following positions: Senior Manager/Head of Capital Markets Desk (July 2000 to December 2001), Manager /Global Fixed Income Proprietary Trader (July 1999 to July 2000), Assistant Manager / Fixed Income Proprietary Bond Trader (July 1997 to July 1999) and Proprietary Bond Trader (May 1996 to July 1997). Mr. Reyes started his banking career when he joined Bank of the Philippine Islands in 1993 as Position Analyst. He completed his Bachelor of Science in Tourism Management at the University of the Philippines in 1993.

Ma. Rosanna M. Rodrigo, 58, Filipino, Senior Vice President, is the Regional Sales Director of North Luzon. Ms. Rodrigo joined the Bank in 1992 and assumed the following positions: Marketing and Sales Director of North West Luzon (February 2013 to September 2013), District Sales Manager of North Central Luzon (November 2009 to February 2013), Branch Manager of Tarlac (February 2005 to November 2009), Branch Manager of Hacienda Luisita (July 1997 to January 2005) and Senior

Personal Banker of Tarlac (November 1992 to June 1997). She also worked for Producers Bank of the Philippines as Cashier of Tarlac Branch (April 1983 to October 1992), Far East Bank and Trust Co. as New Accounts Clerk of Tarlac Branch (March 1982 to March 1983) and as contractual employee for New Accounts of Tarlac Branch (December 1981 to February 1982). Ms. Rodrigo obtained her Bachelor of Arts degree in Mass Communication major in Broadcasting from the University of the Philippines in 1981.

Raoul V. Santos, 53, Filipino, Senior Vice-President, is the Investment Services Division Head in Trust and Investments Group. He joined RCBC in 2001 as Portfolio Management Section Head before assuming the Investment Services Department Head position in 2008. He also worked for Metropolitan Bank and Trust Company (2000 to 2001), Solidbank Corporation (1999 to 2000). Phinma, Inc. (1991 to 1999) and SGV & Co. (1990 to 1991). Mr. Santos obtained his Bachelor of Science degree in Management of Financial Institutions and Bachelor of Arts degree in Asian Studies from the De La Salle University.

Libertine R. Selirio, 54, Filipino, Senior Vice-President, is the Division I Head of Global and Ecozone Segment in Corporate Banking. Prior to this, she was the Deputy Division Head of JES II from June 2011 to October 2012, Relationship Manager of JES Division II from February 2002 to May 2011, Branch Manager of Dasmarinas from September 2000 to February 2002, Branch Manager of Carmona from July 1998 to September 2000 and Branch Manager of Imus from September 1997 to July 1998. Before joining RCBC, she worked for Pilipinas Bank and assumed the following positions: Account Officer (1993 – 1997) , Financial Analysis and Evaluation Section Head (1991 – 1993), Credit Analyst (1989 – 1991) and EDP Teller (1987 – 1989). Ms. Selirio earned her Bachelor of Science in Commerce major in Accounting from St. Scholastica's College in 1986.

Johan C. So, 49, Filipino, Senior Vice-President, is the Head of Division 1 in Local Corporate Banking Segment. Prior to assuming current position, he was the Head of Kaloocan Division from July 2013 to January 2014 and Head of Chinese Banking Division III from June 2008 to June 2013. From August 2005 to May 2008, he worked for Philippine Bank of Communications in which the last position he assumed was as Vice-President/Unit Head of Corporate Banking Group 5. He also worked for Standard Chartered Bank from May 1999 to May 2002, T.A. Bank of the Philippines, Inc. from February 1997 to May 1999 and China Banking Corporation from 1993 to 1997. Mr. So graduated from De La Salle University in 1992 with a degree in Bachelor of Science in Applied Economics and Bachelor of Science in Commerce major in Marketing Management. He obtained his Masters degree in Business Administration from the Ateneo Graduate School of Business in 1999.

Elvira D. Soriano, 53, Filipino, Senior Vice President, is the Segment Head of BC Audit of Internal Audit Group. She had prior assignment to handle the Head Office Audit Segment. Before assuming this role in September 2017, she was an Audit Cluster Head since January 2008. She previously worked with other banks namely: United Coconut Planters Bank where she performed roles in Audit and Credit Review; PDCP Bank where she was assigned with roles such as Account Officer, Project Analyst, Accountant and Audit Assistant. She earned a Bachelor of Science degree in Commerce at the University of Bohol in 1986.

Cecilia E. Tabuena, 52, Filipino, Senior Vice President, is the Head of Local Corporate Banking Segment. She was previously connected with CTBC Bank (Philippines) Corporation as Officer-in-Charge /Senior Vice President of the Institutional Banking Group. Prior to assuming this role, she was Deputy Head of Origination & Structuring of the same group. She previously worked in other banks in various roles as follows: Security Bank Corporation as Head of Fixed Income; Citigroup Philippines as Head of Debt Capital Markets and Senior Transactor; Citicorp Securities International

R.P. Inc as Equities Research Analyst; The Long Term Credit Bank of Japan, Los Angeles California Agency as Associate for Corporate Finance; and All Asia Capital and Trust Company as Money Market Trader. She obtained her Master's in Business Administration degree in Finance at Peter F. Drucker Graduate School of Management at Claremont Graduate University (California, USA) in 1994. Her undergraduate degrees were Bachelor of Science in Commerce major in Marketing Management and Bachelor of Arts major in Psychology which she both finished at De La Salle University in 1990.

Gianni Franco D. Tirado, 47, Filipino, Senior Vice President, is the Regional Sales Director of West Mindanao and concurrent Regional Sales Director for Davao City. Prior to assuming his current role, he was the Marketing and Sales Director of Central Mindanao (February 2013 to September 2013), District Sales Manager of Central Mindanao (March 2009 to February 2013) and Branch Manager for several branches in Mindanao (November 2000 to February 2009). He also assumed the Branch Operations Head of Marbel (February 1998 to October 2000), CI/Appraiser/Loans Clerk (June 1996 to January 1998) and CASA Bookkeeper of Dadiangas (October 1993 to May 1996). Mr. Tirado earned his Bachelor of Science in Commerce major in Accounting degree from the Notre Dame of Dadiangas University in 1993. He also completed his Master's in Education major in Special Education at the Holy Cross of Davao College in 2009.

Juan Gabriel R. Tomas IV, 48, Filipino, Senior Vice President, is the Head of the Customer Service Support Segment in, Operations Group. His experiences include serving as Head of Capital Markets and Custody, Operations Group, Citibank N. A., Head of Treasury Services Unit, Citibank N. A., Production Officer for Treasury Services Unit, Citibank, Consultant for Controllers' Department, Deutsche Bank AG Manila, and Consultant, for Process Competency Group at Accenture (formerly Andersen Consulting). Mr. Tomas graduated from Ateneo de Manila University in 1993 with a Bachelor of Science degree in Management. He completed his Masters in Business Management major in Finance in 2001 at the Asian Institute of Management.

Raul Martin J. Uson, 57, Filipino, Senior Vice President, is the Segment Head for Branch Services Support Segment. Prior to joining RCBC, he was previously connected with PBCom as Business Centre Operations and Oversight Head. He also assumed the following roles at Citibank N.A. prior to joining PBCom in 2012 : Operations and Services Head (2007 to 2012), Deputy Senior Country Operations Officer for Citi Indonesia (2006), Credit Operations and Transaction Services Head for Citigroup Business Process Solutions (2004 to 2006), Transaction Services Head (2001 to 2004), Internal Control Head (1999 to 2001), Infrastructure Head (1998 to 2001), Quality Assurance Head (1996 to 1998), Expense Processing Department Head (1993 to 1995), Quality Assurance Officer (1991 to 1993), Trade and Reconcilement Unit Head (1988 to 1991), Cash Officer for Greenhillls Branch (1985 to 1988) and Teller for Makati Branch (1984 to 1985). Mr. Uson graduated from the University of the Philippines Baguio with a degree in AB Economics and Psychology in 1983.

Emmanuel Mari K. Valdes, 46, Filipino, Senior Vice President, is the Head of Products and Promotions Division in Retail Banking Group. Prior to assuming this role, he was the Head of Retail Financial Products Division with the rank of First Vice President from October 2013 to June 2017. He joined the RCBC in 2010 as Head of Cash Management Services Department and was assigned in 2013 as Financial Center Head under Retail Banking Group. He started his banking career in January 1996 when he joined CityTrust Banking Corporation as a Sales Officer in Retail Banking Branch. He then transferred to Bank of Southeast Asia in 1997 where he handled the same role. He had previous stints thereafter with other banks such as UnionBank of the Philippines where he was Head of Sales Department for Cash Management Services and Standard Chartered where he was a Sales Head also. He graduated from De La Salle University in 1995 with a degree in Bachelor of Science in Commerce major in Business Management.

Maria Teresa C. Velasco, 48, Filipino, Senior Vice President, is the Head of Global Distribution and Advisory Division, a role which she has handled since 2013. She was assigned as Department Head for Corporate Sales when she was hired in 2012. She previously worked with Banco De Oro Unibank/Equitable PCI where she was assigned with Treasury functions which included Trading and Product Development. Her last position with the said bank was a Trader for Derivatives Department. She also previously worked as a Banking Analyst in a non banking firm, San Miguel Food Group. She obtained her degree in Bachelor of Arts major in Economics (Honors Program) from the Ateneo De Manila University in 1992. *(Resignation effective June 29, 2019)*

Paula Fritzie C. Zamora, 49, Filipino, Senior Vice President, is the Head of Financial Institutions Management Segment in Treasury Group, a role which she has been handling since June 2012. Prior to assuming this role, she was the Head of Derivatives Department and Head of Financial Engineering Department. She had previous work experience which she gained from other firms like Tokio Marine Malayan Insurance Co. where she was a Finance Officer for Cash Department and Far East Bank & Trust Company where she was employed as Treasury Trader. She graduated from the Ateneo De Manila University in 1992 with a degree in Bachelor of Science in Management.

Four of the Directors and most of the executive officers mentioned above have held their positions for at least five years. Executive officers with the rank of Assistant Vice President and above are appointed annually by the Board of Directors in its Organizational Board Meeting right after the shareholders meeting which is held annually every last Monday of June. None of the Bank's executive officers are related to one another or to any of the Bank's Directors. There are no binding contracts or arrangements with regard to the tenure of the Bank's executive officers.

All of the officers identified above are Filipino citizens, except for Mr. Yasuhiro Matsumoto who is a citizen of Japan and Mr. Jamal Ahmad who is a citizen of Canada.

To the knowledge and/or information of the Bank, the present members of the Board of Directors and its executive officers are not, presently or during the last five (5) years, involved or have been involved in any legal proceeding adversely affecting/involving themselves and/or their property before any court of law or administrative body in the Philippines or elsewhere arising from their duties as such. To the knowledge and/or information of the Bank, the said persons have not been convicted by final judgment of any offense punishable by the laws of the Republic of the Philippines or of the laws of any other nation/country.

Item 10. Executive Compensation

Information as to the aggregate compensation paid or accrued during the last three fiscal years to the Bank's Chief Executive Officer and four other most highly compensated executive officers follows (in thousand pesos):

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES			
Names	Principal Position	Aggregate Compensation (net of Bonuses)	Bonuses
2020 Estimate			
Eugene S. Acevedo	President & Chief Executive Officer	101,386	38,091
Redentor C. Bancod	Senior Executive Vice President		
Horacio E. Cebrero III	Senior Executive Vice President		
John Thomas G. Deveras	Senior Executive Vice President		

Emmanuel T. Narciso	Executive Vice President		
2019 Actual			
Eugene S. Acevedo	President & Chief Executive Officer	88,217	33,448
Redentor C. Bancod	Senior Executive Vice President		
Horacio E. Cebrero III	Senior Executive Vice President		
John Thomas G. Deveras	Senior Executive Vice President		
Emmanuel T. Narciso	Executive Vice President		
2018 Actual			
Gil A. Buenaventura	President & Chief Executive Officer	68,992	21,756
Redentor C. Bancod	Senior Executive Vice President		
John Thomas G. Deveras	Senior Executive Vice President		
Rommel S. Latinazo	Executive Vice President		
Emmanuel T. Narciso	First Senior Vice President		
Officers and Directors as a Group Unnamed			
2020 Estimate		3,957,248	1,100,145
2019 Actual		3,441,085	956,648
2018 Actual		2,931,501	891,552

The members of the Board of Directors, the Advisory Board, the Executive Committee and the Officers of the Bank are entitled to profit sharing bonus as provided for in Section 2 Article XI of the By-Laws of the Bank.

Likewise, the members of the Board of Directors and the Advisory Board are entitled to per diem for every meeting they attended. For the years 2019 and 2018, total per diem amounted to P35.0 million and P35.3 million, respectively.

The above-named executive officers and directors, and all officers and directors as a group, do not hold equity warrants or options as the Bank does not have any outstanding equity warrants or options.

Item 11. Security Ownership of Certain Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners

As of December 31, 2019, RCBC knows of no one who beneficially owns in excess of 5% of RCBC's common stock except as set forth in the table below:

(1) Title of Class	(2) Name, address of record owner and relationship with issuer	(3) Name of Beneficial Owner and Relationship with Record Owner	(4) Citizenship	(5) Number of Shares Held	(6) Percent
Common	**Pan Malayan Management & Investment Corporation** Address: 48/F Yuchengco Tower, RCBC Plaza, 6819 Ayala Ave., Makati City Relationship with Issuer:	Pan Malayan Management & Investment Corporation *The records in the possession of the Bank show that the beneficial ownership of this company belong to the shareholders of*	Filipino	806,431,473*	41.66%

	RCBC is a subsidiary of PMMIC	*record of said company. The Bank has not been advised otherwise.*			
Common	**Cathay Life Insurance Corp.** Address: 296 Ren Al Road Sec4 Taipei 10633 Taiwan R.O.C. Relationship with Issuer: Stockholder		Non-Filipino	452,018,582	23.35%
Common	**International Finance Corporation (IFC) & IFC Capitalization (Equity) Fund, L.P.** Address: 2121 Pennsylvania Avenue, NW Washington, DC 20433 USA Relationship with Issuer: Stockholder	International Finance Corporation (IFC) *The records in the possession of the Bank show that the beneficial ownership of this company belong to the shareholders of record of said company. The Bank has not been advised otherwise.*	Non-Filipino	107,875,642	5.57%

**Combined Direct and Indirect Shares of PMMIC*

(2) Security ownership of management*:

(1) Title of Class		(2) Name of beneficial owner	(3) Amount and nature of record / beneficial ownership		(4) Citizenship	(5) Percent of class (%)
			Par Amount	Nature		
Directors						
1	Common	Helen Y. Dee	13,988,060	R / B	Filipino	0.07
2	Common	Gil A. Buenaventura	50	R / B	Filipino	0.00
3	Common	Cesar E.A. Virata	1,384,340	R / B	Filipino	0.01
4	Common	Lilia B. De Lima	10	R	Filipino	0.00
5	Common	Vaughn F. Montes	50	R	Filipino	0.00
6	Common	Shih-Chiao Lin	10	R	R.O.C. Taiwan	0.00
7	Common	Richard G.A. Westlake	10	R	New Zealander	0.00
8	Common	Eugene S Acevedo	1,986,000	R / B	Filipino	0.01
9	Common	Arnold Kai Yuen Kan	10	R	Canadian	0.00
10	Common	Armando M. Medina	1,950	R	Filipino	0.00
11	Common	John Law	10	R	French	0.00
12	Common	Gabriel S. Claudio	10	R	Filipino	0.00
13	Common	Laurito E Serrano	10	R	Filipino	0.00
14	Common	Adelita A. Vergel de Dios	10	R	Filipino	0.00
15	Common	Juan B. Santos	50	R	Filipino	0.00
		Sub-total	***15,421,350***			
Executive Officers						

4	Common	Evelyn Nolasco	27,000	B	Filipino	0.00
		Sub-total	***27,000***			
		TOTAL	**17,387,580**			**0.09**

*There are no additional shares which the listed beneficial or record owners have the right to acquire within thirty (30) days, from options, warrants, rights, conversion privilege or similar obligations, or otherwise.

The aggregate number of shares owned of record by all directors and executive officers as a Group named herein as of December 31, 2019 is 1,738,758 common shares equivalent to 17,387,580 at P10.00 per share or approximately 0.09% of the Bank's outstanding common shares.

Other than the above-named persons or groups holding more than 5% of the Bank's outstanding Common stock, there are no other persons that hold more than 5% of any class of stock under a voting trust or similar agreement.

There are also no arrangements, existing or otherwise, which may result in a change in control of the Bank.

Item 12. Certain Relationships and Related Transactions

RCBC is a 41.66%-owned subsidiary of Pan Malayan Management and Investment Corporation (PMMIC), the holding company of the flagship institutions of the Yuchengco Group of Companies (YGC). As of December 31, 2019, Cathay Life Insurance Corporation (Cathay) also owns 23.35% interest in RCBC.

The Bank and its subsidiaries, in the ordinary course of business, engage in transactions with entities within the YGC. The Bank adheres to the policy that transactions with related parties are conducted at arm's length or above board, with any transaction, whether or not a price is charged, in connection with any such transaction being on terms no less favorable to the Bank than terms available to any unconnected third party under the same or similar circumstances. The same has been institutionalized in the Bank's Policy on Related Party Transactions (the "Policy").

The Policy adopts an expanded definition of "related parties." Related parties include directors, officers, stockholders and related interests ("DOSRI") as defined under the General Banking Law, BSP Circular 895, and other related issuances, as well as members of the Advisory Board of the Bank, entities within the conglomerate of which the Bank is a member, and subsidiaries of related parties. The Bank maintains a database of related parties which is regularly updated to capture organizational and structural changes within the YGC.

Transactions with related parties involving an amount of at least Pesos: Ten Million (Php10,000,000.00), or significant transactions with related parties requiring Board approval regardless of amount, are reportable to the RPT Board Committee as related party transactions ("RPTs"). Related party transactions involving amounts below the materiality threshold of Pesos: Ten Million (Php10,000,000.00) are reportable to the RPT Management Committee.

Related parties, through their respective account officers, are enjoined to notify the appropriate Related Party Transactions Committee of any potential RPT as soon as they become aware of it. The RPT Board Committee is composed of at least three members of the Board of Directors, entirely consisting of independent and non-executive directors, with independent directors comprising the majority. The Chairman is an independent director. The RPT Management Committee is composed of heads of the Controllership Group, Operations Group, Corporate Risk Management Services Group, Retail Banking Group, and Corporate Planning Group, or their selected designates.

If a transaction is determined to be an RPT, the said transaction and all its relevant details are required to be submitted to the appropriate RPT Committee for evaluation. Once determined to be on arm's length terms, RPTs evaluated by the RPT Board Committee are thereafter presented to the Board of Directors for approval while transactions reviewed and approved by the RPT Management Committee are presented to the Board of Directors for confirmation. In the event that a member of the Board has an interest in the transaction under evaluation, the said member shall not participate in the discussion and shall abstain from voting on the approval of the RPT. Pursuant to BSP Circular No. 895, as amended, and the Bank's Corporate Governance Manual, the Bank's significant transactions with its DOSRI and related parties were confirmed by majority vote of the Bank's stockholders during the last annual stockholders' meeting on 24 June 2019.

The review of related party transactions is part of the compliance testing of the Compliance Office as well as audit work program of the Internal Audit Group.

The Group's significant transactions with its related parties as of end December 2019 include loans and receivables and deposit liabilities. The total amount of loans outstanding was at P3.809 Billion [Note 28.1, Notes to Financial Statements] while total deposit liabilities was at P8.175 Billion [Note 28.2, Note to Financial Statements] as of December 31, 2019.

The Bank complies with existing BSP regulations on loans, credit accommodations and guarantees to its DOSRI.

In the ordinary course of business, the Group has loan transactions with each other, their other affiliates, and with certain DOSRIs. Under existing policies of the Group, these loans are made substantially on the same terms as loans to other non-related individuals and business of comparable risks.

Under current BSP regulations, the amount of loans to each DOSRI, 70% of which must be secured, should not exceed the amount of his deposit and book value of his investment in the Bank. In the aggregate, loans to DOSRIs, generally, should not exceed the total capital funds or 15% of the total loan portfolio of the Bank and/or any of its lending and non-banking financial subsidiaries, whichever is lower. However, non-risk loans are excluded in both individual and aggregate ceiling computations. As of December 31, 2019 and 2018, the Group and the Parent Company are in compliance with these requirements.

The total amount of Parent Company DOSRI loans was at P469 million as of end December 2018 and was at P416 million by end of December 2019. [Note 28.1, Notes to Financial Statements]

Certain of the Bank's major related party transactions are described below

- *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. [Note 28.3, Notes to Financial Statements]

- *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. [Note 28.4, Notes to Financial Statements]

Transactions with subsidiaries which are eliminated in the consolidated financial statements are as follows:

- *Lease contract with RRC and Sublease Agreements with Subsidiaries* - The Parent Company and certain subsidiaries occupy several floors of RCBC Plaza as leaseholders of RRC. The occupancy of some of subsidiaries in RCBC Plaza is covered by sublease agreements with RCBC. RCBC's lease contract with RRC is effective until December 31, 2020 [Note 28.5(a), Notes to Financial Statements]

- *Service Agreement with RBSC* - The Parent Company has Service 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. [Note 28.5(b), Notes to Financial Statements]

- *Capital Infusion to RCBC LFC* - In August 2018, the Board of Directors of RCBC approved the additional capital infusion to RCBC LFC amounting to P800 million, 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 was reclassified as an additional investment in RCBC LFC subsequent to the SEC approval of the increase in authorized capital stock in March 2019. [Note 12.1, par. 2, Notes to Financial Statements]

- The Bank has service agreements with RBSC for the in-sourced internal audit services. The Bank provides limited audit services to RBSC, specifically IT audit, operations audit and financial statements review. Also, the Bank has formalized the service agreements for the internal audit services being provided to subsidiaries namely: RCBC Capital Corp., RCBC Securities, Inc., RCBC Forex Brokers Corp., Merchant Savings and Loan Association, Inc. (Rizal Microbank), RCBC Leasing and Finance Corporation and Niyog Property Holdings, Inc.

- The Bank has a service agreement with RCBC Forex Brokers Corporation (RCBC Forex) for in-sourced services, rendered by the following business units: 1) business and operational risk, 2) compliance, 3) internal audit, 4) information technology, and 5) human resources. The services shall be limited to: compliance with relevant laws, rules and regulations, market, liquidity, and operational risk management, internal audit, information technology, review of salary and processing of payroll on a bi-monthly basis, and implementation of exclusive succession planning, human resources information system and database administration and organization of training programs.

- The Bank has a service agreement with RCBC Forex for the referral of money service business customers to RCBC Forex, to facilitate the purchase and/or sale of foreign currencies. The services to be rendered are relative to account opening and compliance with customer identification regulatory requirements.

The Bank's other transactions with affiliates include service agreements, leasing office premises to subsidiaries which is eliminated during consolidation, accreditation of RCBC Trust agent and of insurance companies, and regular banking transactions (including purchases and sales of trading account securities, securing insurance coverage on loans and property risks and intercompany advances), all of which are at arms' length and conducted in the ordinary course of business.

The Bank does not have any transactions with promoters within the past five (5) years. The Bank does not have transactions with parties that fall outside the definition of related parties under regulations, but with whom the registrants or its related parties have a relationship that enables the parties to negotiate terms of material transactions that may not be available from other, more clearly independent parties on an arm's length basis.

PART IV - EXHIBITS AND SCHEDULES

Item 13. Exhibits and Reports on SEC Form 17-C

(a) Reports on SEC Form 17-C

Reports under SEC Form 17-C (Current Reports) that were filed during the last twelve months covered by this report:

01-07-2019 Notice of Special Stockholders' Meeting (Amended)

Board Approval for the setting a Special Stockholders Meeting on February 26, 2019 with record date of January 25, 2019 for the purpose of approving the merger between the Bank and RSB, and the terms and conditions set forth in the Plan of Merger. Special Stockholders' Meeting to be held on February 26, 2019, 4:00 pm, Alfonso Sycip Executive Lounge 47th Floor Yuchengco Tower, RCBC Plaza, Ayala Ave. cor Gil Puyat Ave. Makati. Updated information on venue and provided copy of the Notice and the Agenda.

02-16-2019 Other Events

Death of Independent Director Melito S. Salazar, Jr.

02-26-2019 Other Events
02-26-2019 Change in Directors/Officers
02-26-2019 Results of Special Stockholders' Meeting

During the February 26, 2019 Regular Meeting of the Board of Directors of the Bank, where a quorum was present and acting throughout, the following were approved:

1. The Audited Financial Statements of Rizal Commercial Banking Corporation and RCBC—Trust and Investments Group as of year ended December 31, 2018, as audited by Punongbayan & Araullo, for final approval of the stockholders.
2. Declaration of cash dividends on convertible preferred shares amounting to P0.12054 per share or a total of P32,291.30, payable to holders of convertible preferred shares as of January 21, 2019.
3. Appointment of Mr. Laurito E. Serrano as Independent Director of the Bank, Member and Chairman of Audit and Compliance Committee, and Member and Vice Chairman of the Risk Oversight Committee, and approval of his interlocking positions.

4. Appointment of Ms. Marita E. Bueno as Data Science and Analytics Group Head, with the rank of First Senior Vice President, effective March 18, 2019.

During the February 26, 2019 Special Stockholders' Meeting of the Bank, where a quorum was present and acting throughout, the following was approved by the affirmative vote of stockholders owning and/or representing at least two-thirds (2/3) of the Bank's outstanding capital stock:

1. Merger of RSB into RCBC, subject to regulatory approvals
2. The Plan of Merger with attached Articles of Merger.

03-06-2019 Resignation of Director

Resignation of Mr. Yuh-Shing (Francis) Peng as member of the Board of Directors and of the Related Party Transactions and Corporate Governance Committees effective March 4, 2019, in view of his nomination by the Cathay Group to other assignments.

03-25-2019 Other Events

During its March 25, 2019 Regular Meeting, the Board of Directors of the Bank approved the appointment of Mr. Shih-Chiao (Joe) Lin as Director of the Bank, Member Corporate Governance Committee, and Member Related Party Transactions Committee, and his interlocking positions.

04-05-2019 Change in Number of Issued and/or Outstanding Shares

Change in the number of issued and outstanding shares due to conversion of 477 Preferred series shares to 121 common shares

Type of Security/Stock Symbol	Before	After
Common Shares	1,935,628,775	1,935,628,896

04-29-2019 Other Events
04-29-2019 Change in Directors/Officers

During the April 29, 2019 Regular Meeting of the Board of Directors of the Bank, where a quorum was present and acting throughout, the following were approved:

1. Declaration of cash dividends amounting to P.0446 per share or a total of approximately P863.41 Million to holders of Common and Preferred shares as of the close of the 10th trading day from approval by the Board (record date). "). The payment date shall be within ten trading days from the record date.

2. Appointment of Angelito M. Villanueva as Chief Innovation and Inclusion Officer with the rank of Executive Vice President.

05-07-2019 Notice of Annual Stockholders' Meeting

Notice of Annual Stockholders' Meeting on June 24, 2019 at 4:00pm at the Alfonso Sycip Executive Lounge, 47th Floor Yuchengco Tower, RCBC Plaza 6819 Ayala cor. Gil J. Puyat Ave., Makati City.

05-27-2019 Other Events

During the May 27, 2019 Regular Meeting of the Board of Directors of the Bank, where a quorum was present and acting throughout, the following were approved:

1. Declaration of cash dividends amounting to P0.11660 (US$0.00224) per share or a total of P31,180.02 (US$598.41 @ P52.105) payable to holders of the Bank's convertible preferred shares as of June 21, 2019.

2. Exercise of Call Option to Redeem Tier 2 Capital Notes (subject to BSP approval)

06-24-2019 Other Events
06-24-2019 Results of Annual Stockholders' Meeting
06-24-2019 Change in Directors/Officers
06-24-2019 Results of Organizational Meeting

Items approved by Stockholders at their Annual meeting and Board of Directors at their regular and organizational meetings respectively held on June 24, 2019.

Regular Meeting of the Board of Directors

1. Promotion/appointment of the Officers effective 01 July 2019, subject to the final approval/confirmation of the Monetary Board of Bangko Sentral ng Pilipinas:

   From First Senior Vice President to Executive Vice President
   Simon Javier A. Calasanz
   Emmanuel T. Narciso

   From Senior Vice President to First Senior Vice President
   Ma. Christina P. Alvarez
   Ma. Angela V. Tinio

   From First Vice President to Senior Vice President
   Bernice U. Gaspar

Annual Stockholders' Meeting

1. Election of the following Directors to hold office for a term of one year:

   As Regular Directors
   Ms. Helen Y. Dee
   Mr. Cesar E. A. Virata

Mr. Eugene S. Acevedo
Mr. Gil A. Buenaventura
Mr. Arnold Kai Yuen Kan
Mr. Richard G.A. Westlake
Mr. John Law
Mr. Shih-Chiao (Joe) Lin
Atty. Lilia B. De Lima

<u>As Independent Directors</u>
Mr. Armando M. Medina
Mr. Juan B. Santos
Atty. Adelita A. Vergel De Dios
Mr. Gabriel S. Claudio
Mr. Vaughn F. Montes
Mr. Laurito E. Serrano

2. Approval of the 2018 Annual Report and 2018 Audited Financial Statements; and
3. Appointment of Punongbayan & Araullo as the Bank's external auditor for the fiscal year 2019.

<u>Organizational Board of Directors Meeting:</u>

1. Appointment of Corporate Officers:
   Mr. Eugene S. Acevedo - President and Chief Executive Officer
   (effective July 1, 2019)
   Mr. Horacio E. Cebrero III – Treasurer
   Atty. George Gilbert G. dela Cuesta – Corporate Secretary
   Atty. Joyce Corine O. Lacson – Assistant Corporate Secretary
   Atty. Eva Marie M. Sison - Assistant Corporate Secretary
   Various Officers - SVPs and up

2. Appointment the following as Members of the Advisory Board:
   Ms. Yvonne S. Yuchengco
   Mr. Francis C. Laurel

3. Appointment of Ms. Helen Y. Dee as Chairperson, and Mr. Cesar E. A. Virata as Corporate Vice-Chairperson.

4. Appointment of the following as Chairpersons and Members of the Various Committees:

Committee	*Names*	*Position*
Executive Committee	Helen Y. Dee Eugene S. Acevedo Cesar E.A. Virata Armando M. Medina Gil A. Buenaventura	Chairperson Vice Chairperson Member Member Member
Audit and Compliance Committee	Laurito E. Serrano Vaughn F. Montes, Ph.D. Atty. Adelita Vergel de Dios	Chairperson Member Member

Risk Oversight Committee	Vaughn F. Montes, Ph.D. Laurito E. Serrano Richard G.A. Westlake John Law Eugene S. Acevedo	Chairperson Vice Chairperson Member Observer Observer
Corporate Governance Committee	Atty. Adelita A. Vergel de Dios Gabriel S. Claudio Shih-Chiao (Joe) Lin Vaughn F. Montes, Ph.D.	Chairperson Member Member Member
AML Committee	Gabriel S. Claudio Gil A. Buenaventura Vaughn F. Montes, Ph.D. Eugene S. Acevedo	Chairperson Member Member Observer
Related Party Transactions Committee	Atty. Adelita A. Vergel De Dios Shih-Chiao (Joe) Lin Gabriel S. Claudio	Chairperson Member Member
Trust Committee	Juan B. Santos Cesar E.A. Virata Eugene S. Acevedo (President) Atty. Lilia B. De Lima Trust Officer	Chairperson Member Member Member Member
Technology Committee	Helen Y. Dee Cesar E.A. Virata Eugene S. Acevedo	Chairperson Member Member

07-29-2019 Other Events

During the July 29, 2019 Regular Meeting of the Board of Directors of the Bank, where a quorum was present and acting throughout, the following were approved:

1. Increase in the Bank's Peso Bond and Commercial Paper Program to P100 Billion
2. Concurrent/interlocking positions of President and Chief Executive Officer Mr. Eugene S. Acevedo:

RCBC Capital Corporation - Director (subject to Monetary Board approval)
RCBC Leasing and Finance Corporation - Director and Vice Chairman
RCBC Rental Corporation - Director
Rizal Microbank Inc. A Thrift Bank of RCBC - Director and Chairman
RCBC Forex Brokers Corporation - Director and Chairman
Niyog Property Holdings, Inc. - Director
RCBC International Finance Limited - Director
RCBC Investment Limited - Director

08-27-2019 Other Events
08-27-2019 Change in Directors/Officers

During the meeting held on August 27, 2019 Regular Meeting of the Board of Directors of the Bank where a quorum was present and acting throughout, the following were approved:

1. Declaration of cash dividends on convertible preferred shares amounting to P0.11209 per share or a total of P29,973.98 payable to holders of convertible preferred shares as of September 21, 2019.

2. Appointment of Arniel Vincent B. Ong as Head, Cards Strategic Initiatives with the rank of Senior Vice President.

09-30-2019 Other Events
09-30-2019 Change in Directors/Officers

During the meeting held on September 30, 2019 Regular Meeting of the Board of Directors of the Bank where a quorum was present and acting throughout, the following were approved:

1. Appointment of Aline A. Novilla as AML Segment Head, Regulatory Affairs Group, with the rank of Senior Vice President
2. Appointment of Director Lilia B. De Lima to the Corporate Governance Committee

11-25-2019 Other Events
11-25-2019 Change in Directors/Officers

During the meeting held on November 25, 2019 Regular Meeting of the Board of Directors of the Bank where a quorum was present and acting throughout, the following were approved:

1. Declaration of cash dividends on convertible preferred shares amounting to P0.10513 per share or a total of P28,112.08 payable to holders of convertible preferred shares as of December 21, 2019
2. Appointment of Nilo C. Zantua as Deputy Chief Technology Officer with the rank of Senior Vice President

12-09-2019 Other Events

During the meeting held on December 9, 2019 Special Meeting of the Board of Directors of the Bank where a quorum was present and acting throughout, the proposed 2020 budget was approved.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, the City of Makati on June 10, 2020.

RIZAL COMMERCIAL BANKING CORPORATION
Issuer

By :

EUGENE S. ACEVEDO
President & CEO

HORACIO E. CEBRERO III
SEVP, Head - Treasury Group

FLORENTINO M. MADONZA
FSVP, Head – Controllership Group

MA. CHRISTINA P. ALVAREZ
FSVP, Head - Corporate Planning Group

TRISTAN JOHN A. KABIGTING
FVP, Head - General Accounting Division

ATTY. GEORGE GILBERT G. DELA CUESTA
FSVP, Corporate Secretary &
Head - Legal & Regulatory Affairs

SUBSCRIBED AND SWORN to before me this 10th day of June, 2020 affiants exhibiting to me their Community Tax Certificates, as follows:

NAMES	ID/NUMBER/EXPIRY	DATE OF ISSUE	PLACE OF ISSUE
Eugene S. Acevedo	[redacted]	[redacted]	[redacted]
Horacio E. Cebrero III	[redacted]	[redacted]	[redacted]
Florentino M. Madonza	[redacted]	[redacted]	[redacted]
Ma. Christina P. Alvarez	[redacted]	[redacted]	[redacted]
Tristan John A. Kabigting	[redacted]	[redacted]	[redacted]
Atty. George Gilbert G. Dela Cuesta	[redacted]	[redacted]	[redacted]

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ATTY. GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Until December 31, 2020
IBP No. 05729-Lifetime Member
MCLE Compliance No. VI-0024312
Appointment No. M-183-(2019-2020)
PTR No. 8116014 Jan. 2, 2020
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio Del Pilar, Makati City

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

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, 2019 and 2018, 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, 2019, 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, 2019 and 2018, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2019 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.

The following are the key audit matters identified in our audit of the financial statements of the Group and of the Parent Company:

(a) Expected Credit Loss Model for Loans and Receivables

Description of the Matter

As of December 31, 2019, the Group's and the Parent Company's ECL allowance for loans and receivables amounted to P13,430 million and P12,726 million, respectively. We have identified the Group's and the Parent Company's ECL model significant to our audit as this:

- requires significant management judgment on the interpretation and implementation of the requirements of PFRS 9, *Financial Instruments*, in assessing impairment losses based on an ECL model that involves segmenting credit risk exposures, defining when does default occur and what constitute a significant increase in the credit risk of different exposures;

- 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 counterparty, 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.

The summary of significant accounting policies, the significant judgment, including estimation applied by the management, as those related 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. The other disclosures related to this matter are presented in Notes 11 and 16.

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 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 and relevant costs, 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;

- assessed the appropriateness of the identification of forward-looking information (overlays) used in the ECL model and validated their reasonableness against publicly available information and our understanding of Group's and Parent Company's loan portfolios and industry where they operate; and,

- tested the effective interest rate used in discounting the expected credit loss.

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 evaluated the completeness of the disclosures in the financial statements against the requirements of the relevant standards.

(b) Classification and Measurement of Financial Instruments

Appropriateness of Disposals of Investment Securities at Amortized Cost

Description of the Matter

As of December 31, 2019, 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 P100,219 million. In 2019, the Parent Company disposed of certain government and corporate debt securities denominated in peso and US dollar under its HTC portfolio with carrying amount of P101,425 million. The disposals were determined to be significant in value but infrequent.

Management assessed that such disposals remain 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 disposals 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 disposals of HTC securities by reviewing the documentation of the approval of the Parent Company's Executive Committee as required by the BSP. We assessed whether the disposals were 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.

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 P1,612 million and P1,581 million, respectively, as of December 31, 2019. 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 counterparty, and the appropriate discount rate used. We also tested the mathematical accuracy of the calculation for both valuation techniques used by management.

(c) *Merger of the Parent Company and RCBC Savings Bank*

Description of the Matter

The Parent Company, together with RCBC Savings Bank (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 Securities and Exchange Commission (SEC) and was subsequently approved on July 22, 2019.

The merger of the Parent Company and RSB was significant to our audit due to the significance and complexity of the transaction and in particular determining the correct accounting treatment of the transaction. Such merger is classified as business combination under common control and is out of scope of PFRS 3, *Business Combination*, and, accordingly, judgement is involved in the accounting, presentation and disclosure of the merger.

The Parent Company has accounted for the merger using the pooling of interest method, according to which the assets and liabilities of RSB are included in the Parent Company's financial statements at their book values, no goodwill is recognized as a result of the combination and comparatives are presented as if the entities had always been combined.

The Parent Company's disclosures of the merger and pooling of interest method are set out in Notes 1, 2, 3, and 34 to the financial statements.

How the Matter was Addressed in the Audit

Our audit response included the following:

- Reviewed the minutes meeting of the BOD for the approval of the merger and approval of the SEC;

- Reviewed the Articles and Plan of Merger to understand the key terms and conditions, and confirmed our understanding with the management;

- Evaluated the appropriateness of the pooling of interest method used by the management that includes identification of assets and liabilities in accordance with the terms of Articles and Plan of Merger;

- Reviewed the carrying values of assets and liabilities of RSB at the date of merger including adjustments for the merger as determined by the management, if any;

- Assessed the impact of merger adjustment on exchange of shares and the resultant increase in the common stock of the Parent Company; and,

- Assessed the adequacy of disclosures made in the financial statements of the Parent Company.

(d) Adoption of PFRS 16, Leases

Description of the Matter

As described in Note 2 to the financial statements, the Group and the Parent Company have adopted on January 1, 2019, PFRS 16, *Leases*, which replaced Philippine Accounting Standard (PAS) 17, *Leases*, and the related interpretations to PAS 17. The adoption of this new standard, which primarily affected the Group's and the Parent Company's accounting for leases as a lessee by recognizing "right-of-use" assets and lease liabilities "on-balance sheet", is considered significant due to the complexities of the accounting requirements, significant judgement involved in determining the assumptions to be used in applying the new standard and significant data extraction exercise was undertaken by management to summarize all lease data such that the respective inputs could be uploaded into management's model. Key areas of judgment include: determination of lease term of contracts with renewal and termination options, appropriate discount rate in measuring lease liabilities and leasing arrangements within the scope of PFRS 16.

As of December 31, 2019, the adoption of the new lease requirements under PFRS 16 resulted in an increase in total resources by P2,465 million for the Group and P2,401 million for the Parent Company and total liabilities by P2,877 million for the Group and P2,797 million for the Parent Company. The right-of-use assets and lease liabilities are presented as part of Bank Premises, Furniture, Fixtures and Equipment and Other Liabilities, respectively, in the statement of financial position.

In 2019, depreciation of right-of-use assets of the Group and the Parent Company amounted to P818 million and P807 million, respectively, while interest expense from the accretion of lease liabilities of the Group and the Parent Company amounted to P221 million and P222 million, respectively.

Refer to Notes 2, 13, and 22 of the financial statements for the disclosure on the transition adjustments and details of the right-of-use assets and lease liabilities using the requirements of PFRS 16.

How the Matter was Addressed in the Audit

Our audit procedures to address the significant risk of material misstatement relating to the adoption of PFRS 16 by the Group and the Parent Company included:

- Assessed the design of key internal controls relevant to management's process in reviewing the terms and conditions of the lease contracts and determination of the related PFRS 16 adjustments;
- Evaluated the accounting policies applied by the management including the use of practical expedients permitted by the standard;
- Verified the completeness of the lease databases used by validating and comparing the scope of the operating leases identified under the previously applicable standard, PAS 17, and reviewed the residual lease expenses;
- On a representative sample basis, evaluated the reasonableness and appropriateness of the inputs and assumptions used in determining the lease term, discount rates applied in determining lease liabilities;
- Verified the accuracy of the underlying lease databases by agreeing a representative sample of leases to original contract or other supporting information, and checked the integrity and mathematical accuracy of the PFRS 16 calculations for each lease sampled through recalculation of the expected PFRS 16 adjustment; and,

- Assessed whether the disclosures within the financial statements are appropriate in light of the requirements of PFRS 16 and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors.*

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, 2019, 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, 2019 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 Revised Securities Regulation Code Rule 68 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. 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

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ... DIVISION
Date JUN 02 20... SCES
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PRECIOSA C. JAVIER

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018
(With Corresponding Figures as of January 1, 2018)
(Amounts in Millions of Philippine Pesos)

		GROUP		PARENT COMPANY		
	Notes	**2019**	2018	**December 31, 2019**	December 31, 2018 (As restated - see Note 34)	January 1, 2018 (As restated - see Note 34)
RESOURCES						
CASH AND OTHER CASH ITEMS	9	**P 16,907**	P 17,392	**P 16,808**	P 17,321	P 14,861
DUE FROM BANGKO SENTRAL NG PILIPINAS	9	**87,255**	56,495	**85,453**	55,059	57,519
DUE FROM OTHER BANKS	9	**18,818**	20,342	**18,468**	19,815	19,469
LOANS ARISING FROM REVERSE REPURCHASE AGREEMENTS	9	**5,768**	10,032	**5,629**	10,000	9,748
TRADING AND INVESTMENT SECURITIES - Net	10	**160,719**	118,449	**157,444**	114,149	69,640
LOANS AND RECEIVABLES - Net	11	**449,219**	398,300	**442,093**	392,160	348,163
INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES - Net	12	**444**	423	**7,724**	7,012	7,204
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT - Net	13	**11,059**	8,415	**9,071**	6,681	6,954
INVESTMENT PROPERTIES - Net	14	**4,142**	3,631	**4,017**	3,505	3,270
DEFERRED TAX ASSETS	26	**2,140**	2,094	**1,888**	1,874	1,771
OTHER RESOURCES - Net	15	**10,608**	9,022	**9,523**	8,631	7,720
TOTAL RESOURCES		**P 767,079**	P 644,595	**P 758,118**	P 636,207	P 546,319

See Notes to Financial Statements.

	Notes	GROUP 2019	GROUP 2018	PARENT COMPANY December 31, 2019	PARENT COMPANY December 31, 2018 (As restated - see Note 34)	PARENT COMPANY January 1, 2018 (As restated - see Note 34)
LIABILITIES AND EQUITY						
DEPOSIT LIABILITIES	17	**P 456,581**	P 423,399	**P 456,593**	P 423,529	P 389,130
BILLS PAYABLE	18	**101,606**	56,001	**93,938**	48,759	36,600
BONDS PAYABLE	19	**96,814**	53,090	**96,814**	53,090	28,060
SUBORDINATED DEBT	20	**-**	9,986	**-**	9,986	9,968
ACCRUED INTEREST, TAXES AND OTHER EXPENSES	21	**6,202**	5,277	**5,898**	5,061	4,024
OTHER LIABILITIES	22	**23,026**	15,672	**22,113**	14,707	11,608
Total Liabilities		**684,229**	563,425	**675,356**	555,132	479,390
EQUITY	23					
Attributable to:						
Parent Company's Shareholders		**82,831**	81,144	**82,762**	81,075	66,929
Non-controlling Interests		**19**	26	**-**	-	-
		82,850	81,170	**82,762**	81,075	66,929
TOTAL LIABILITIES AND EQUITY		**P 767,079**	P 644,595	**P 758,118**	P 636,207	P 546,319

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Millions of Philippine Pesos, Except Per Share Data)

		GROUP			PARENT COMPANY		
	Notes	**2019**	2018	2017	**2019**	2018 (As restated - see Note 34)	2017 (As restated - see Note 34)
INTEREST INCOME							
Loans and receivables	11	**P 32,646**	P 27,037	P 21,956	**P 31,748**	P 26,258	P 21,321
Trading and investment securities	10	**4,498**	3,403	2,430	**4,439**	3,367	2,772
Others	9	**434**	493	378	**415**	419	368
		37,578	30,933	24,764	**36,602**	30,044	24,461
INTEREST EXPENSE							
Deposit liabilities	17	**8,626**	6,295	3,959	**8,598**	6,275	3,945
Bills payable and other borrowings	18, 19, 20, 22, 24	**6,584**	4,149	2,784	**6,121**	3,815	2,885
		15,210	10,444	6,743	**14,719**	10,090	6,830
NET INTEREST INCOME		**22,368**	20,489	18,021	**21,883**	19,954	17,631
IMPAIRMENT LOSSES - Net	16	**7,397**	1,899	2,155	**7,192**	1,782	1,958
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		**14,971**	18,590	15,866	**14,691**	18,172	15,673
OTHER OPERATING INCOME							
Trading and securities gains (losses) - net	10	**7,492**	-	900	**7,432**	(21)	668
Service fees and commissions		**3,854**	3,323	3,138	**3,543**	3,112	2,748
Share in net earnings of subsidiaries and associates	12	**21**	14	92	**473**	287	833
Foreign exchange gains - net	19	**347**	843	798	**378**	1,013	790
Trust fees	27	**323**	278	279	**323**	278	279
Miscellaneous - net	25	**1,453**	1,548	1,893	**618**	825	1,066
		13,490	6,006	7,100	**12,767**	5,494	6,384
TOTAL OPERATING INCOME *(Forward)*		**P 28,461**	P 24,596	P 22,966	**P 27,458**	P 23,666	P 22,057

See Notes to Financial Statements.

	Notes	GROUP 2019	GROUP 2018	GROUP 2017	PARENT COMPANY 2019	PARENT COMPANY 2018 (As restated - see Note 34)	PARENT COMPANY 2017 (As restated - see Note 34)
TOTAL OPERATING INCOME		**P 28,461**	P 24,596	P 22,966	**P 27,458**	P 23,666	P 22,057
OTHER OPERATING EXPENSES							
Employee benefits	24	**6,833**	6,562	5,991	**6,109**	5,927	5,474
Taxes and licenses	14	**3,103**	2,238	1,821	**2,966**	2,100	1,703
Occupancy and equipment-related	28, 29	**2,800**	3,457	3,185	**2,756**	3,366	3,078
Depreciation and amortization	13, 14, 15	**2,503**	1,821	1,914	**2,183**	1,468	1,555
Miscellaneous	25	**6,559**	5,325	4,904	**6,912**	5,748	5,211
		21,798	19,403	17,815	**20,926**	18,609	17,021
PROFIT BEFORE TAX		**6,663**	5,193	5,151	**6,532**	5,057	5,036
TAX EXPENSE	26	**1,275**	872	841	**1,145**	737	728
NET PROFIT		**P 5,388**	P 4,321	P 4,310	**P 5,387**	P 4,320	P 4,308
ATTRIBUTABLE TO:							
PARENT COMPANY'S SHAREHOLDERS		**P 5,387**	P 4,320	P 4,308			
NON-CONTROLLING INTERESTS		**1**	1	2			
		P 5,388	P 4,321	P 4,310			
Earnings Per Share							
Basic and diluted	30	**P 2.78**	P 2.62	P 3.08			

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Millions of Philippine Pesos)

	Notes	GROUP 2019	GROUP 2018	GROUP 2017	PARENT COMPANY 2019	PARENT COMPANY 2018 (As restated - see Note 34)	PARENT COMPANY 2017 (As restated - see Note 34)
NET PROFIT		**P 5,388**	P 4,321	P 4,310	**P 5,387**	P 4,320	P 4,308
OTHER COMPREHENSIVE INCOME (LOSS)							
Items that will not be reclassified subsequently to profit or loss							
Actuarial gains (losses) on defined benefit plan	24	**(1,798)**	(1,269)	1,510	**(1,777)**	(1,338)	1,576
Fair value losses on equity securities at fair value through other comprehensive income (FVOCI)	10, 23	**(586)**	(1,018)	(156)	**(837)**	(628)	(269)
Share in other comprehensive income (losses) of the subsidiaries and associates:							
Actuarial gains (losses) on defined benefit plan	12	**-**	6	4	**(21)**	75	(62)
Fair value gains (losses) on equity securities at FVOCI	12, 23	**-**	-	-	**251**	(390)	113
		(2,384)	(2,281)	1,358	**(2,384)**	(2,281)	1,358
Items that will be reclassified subsequently to profit or loss							
Fair value gains (losses) on debt securities at FVOCI	10, 23	**(116)**	149	**-**	**(116)**	149	-
Translation adjustments on foreign operations	12	**-**	-	(1)	**-**	-	(1)
Reclassification of cumulative translation adjustment on dissolution of a foreign subsidiary	12, 23	**-**	(32)	-	**-**	(32)	-
		(116)	117	(1)	**(116)**	117	(1)
Total Other Comprehensive Income (Loss)	23	**(2,500)**	(2,164)	1,357	**(2,500)**	(2,164)	1,357
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**P 2,888**	P 2,157	P 5,667	**P 2,887**	P 2,156	P 5,665
ATTRIBUTABLE TO:							
PARENT COMPANY'S SHAREHOLDERS		**P 2,887**	P 2,156	P 5,665			
NON-CONTROLLING INTERESTS		**1**	1	2			
		P 2,888	P 2,157	P 5,667			

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(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	TREASURY SHARES	RESERVE FOR TRUST BUSINESS	OTHER RESERVES	GENERAL LOAN LOSS RESERVE	SURPLUS	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at January 1, 2019													
As previously reported		P 22,509	P 3	P 42,138	P 266	(P 13,230)	P 454	(P 97)	P 2,594	P 26,507	P 81,144	P 26	P 81,170
Effect of merger		-	-	430	-	(489)	-	-	-	-	(59)	-	(59)
Effect of adoption of Philippine Financial Reporting Standard (PFRS) 16	2	-	-	-	-	-	-	-	-	(277)	(277)	(8)	(285)
As restated		22,509	3	42,568	266	(13,719)	454	(97)	2,594	26,230	80,808	18	80,826
Transactions with owners -													
Cash dividends	23	-	-	-	-	-	-	-	-	(864)	(864)	-	(864)
Net profit for the year		-	-	-	-	-	-	-	-	5,387	5,387	1	5,388
Other comprehensive loss		-	-	-	(2,500)	-	-	-	-	-	(2,500)		(2,500)
General loan loss appropriation	23	-	-	-	-	-	-	-	538	(538)	-	-	-
Transfer of fair value loss on financial asset at fair value through other comprehensive income (FVOCI) to surplus	10, 23	-	-	-	41	-	-	-	-	(41)	-	-	-
Transfer from surplus to reserve for trust business	27	-	-	-	-	-	31	-	-	(31)	-	-	-
		-	-	-	(2,459)	-	31	-	538	4,777	2,887	1	2,888
Balance at December 31, 2019		**P 22,509**	**P 3**	**P 42,568**	**(P 2,193)**	**(P 13,719)**	**P 485**	**(P 97)**	**P 3,132**	**P 30,143**	**P 82,831**	**P 19**	**P 82,850**
Balance at January 1, 2018													
As previously reported		P 17,152	P 3	P 31,524	P 1,974	(P 12,042)	P 436	(P 97)	P -	P 28,049	P 66,999	P 28	P 67,027
Effect of merger		-	-	1,188	-	(1,188)	-	-	-	-	-	-	-
Effect of adoption of PFRS 9	2	-	-	-	456	-	-	-	2,227	(4,614)	(1,931)	(3)	(1,934)
As restated		17,152	3	32,712	2,430	(13,230)	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)	-	-	-
		-	-	-	(2,164)	-	18	-	367	3,935	2,156	1	2,157
Balance at December 31, 2018		P 22,509	P 3	P 42,138	P 266	(P 13,230)	P 454	(P 97)	P 2,594	P 26,507	P 81,144	P 26	P 81,170
Balance at January 1, 2017													
As previously reported		P 13,999	P 3	P 22,635	P 621	P -	P 415	(P 97)	P -	P 24,531	P 62,107	P 26	P 62,133
Effect of merger		3,153	-	8,889	-	(12,042)	-	-	-	-	-	-	-
As restated		17,152	3	31,524	621	(12,042)	415	(97)	-	24,531	62,107	26	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 FVOCI to surplus	10, 23	-	-	-	(4)	-	-	-	-	4	-	-	-
Transfer from surplus to reserve for trust business	27	-	-	-	-	-	21	-	-	(21)	-	-	-
		-	-	-	1,353	-	21	-	-	4,291	5,665	2	5,667
Balance at December 31, 2017		P 17,152	P 3	P 31,524	P 1,974	(P 12,042)	P 436	(P 97)	P -	₱ 28,049	₱ 66,999	₱ 28	₱ 67,027

See Notes to Financial Statements.

	Notes	PARENT COMPANY COMMON STOCK	PREFERRED STOCK	CAPITAL PAID IN EXCESS OF PAR	REVALUATION RESERVES	TREASURY SHARES	RESERVE FOR TRUST BUSINESS	GENERAL LOAN LOSS RESERVE	SURPLUS	TOTAL EQUITY
Balance at January 1, 2019										
As previously reported		P 22,509	P 3	P 42,138	P 266	(P 13,230)	P 454	P 2,587	P 26,348	P 81,075
Effect of adoption of Philippine Financial Reporting Standards (PFRS) 16	2	-	-	-	-	-	-	-	(277)	(277)
Effect of merger		-	-	430	-	(489)	-	-	-	(59)
As restated		22,509	3	42,568	266	(13,719)	454	2,587	26,071	80,739
Transactions with owners -										
Cash dividends	23	-	-	-	-	-	-	-	(864)	(864)
Net profit for the year		-	-	-	-	-	-	-	5,387	5,387
Other comprehensive loss		-	-	-	(2,500)	-	-	-	-	(2,500)
General loan loss appropriation	23	-	-	-	-	-	-	543	(543)	-
Transfer of fair value loss on financial asset at fair value through other comprehensive income (FVOCI) to surplus	10, 23	-	-	-	41	-	-	-	(41)	-
Transfer from surplus to reserve for trust business	27	-	-	-	-	-	31	-	(31)	-
		-	-	-	(2,459)	-	31	543	4,772	2,887
Balance at December 31, 2019		**P 22,509**	**P 3**	**P 42,568**	**(P 2,193)**	**(P 13,719)**	**P 485**	**P 3,130**	**P 29,979**	**P 82,762**
Balance at January 1, 2018										
As previously reported		P 17,152	P 3	P 31,524	P 1,974	(P 12,042)	P 431	P -	P 27,887	P 66,929
Effect of merger		-	-	1,188	-	(1,188)	-	-	-	-
Effect of adoption of PFRS 9	2	-	-	-	456	-	-	1,793	(4,179)	(1,930)
As restated		17,152	3	32,712	2,430	(13,230)	431	1,793	23,708	64,999
Transactions with owners:	23									
Issuance of common shares during the year		5,357	-	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	23	-	-	-	(2,164)	-	-	-	-	(2,164)
General loan loss appropriation		-	-	-	-	-	-	794	(794)	-
Transfer from surplus to reserve for trust business		-	-	-	-	-	23	-	(23)	-
		-	-	-	(2,164)	-	23	794	3,503	2,156
Balance at December 31, 2018		P 22,509	P 3	P 42,138	P 266	(P 13,230)	P 454	P 2,587	P 26,348	P 81,075
Balance at January 1, 2017										
As previously reported		P 13,999	P 3	P 22,635	P 621	P -	P 378	P -	P 24,401	P 62,037
Effect of merger		3,153	-	8,889	-	(12,042)	-	-	-	-
As restated		17,152	3	31,524	621	(12,042)	378	-	24,401	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 FVOCI to surplus	10, 23	-	-	-	(4)	-	-	-	4	-
Transfer from surplus to reserve for trust business	27	-	-	-	-	-	53	-	(53)	-
		-	-	-	1,353	-	53	-	4,259	5,665
Balance at December 31, 2017		P 17,152	P 3	P 31,524	P 1,974	(P 12,042)	P 431	P -	P 27,887	P 66,929

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	**2019**	2018	2017	**2019**	2018 (As restated - see Note 34)	2017 (As restated - see Note 34)
CASH FLOWS FROM OPERATING ACTIVITIES							
Profit before tax		**P 6,663**	P 5,193	P 5,151	**P 6,532**	P 5,057	P 5,036
Adjustments for:							
Interest received		**41,050**	29,528	24,455	**41,050**	28,000	23,782
Interest income	9, 10, 11	**(37,578)**	(30,933)	(24,764)	**(36,602)**	(30,044)	(24,461)
Interest expense	17, 18, 19, 20, 24	**15,210**	10,444	6,743	**14,719**	10,090	6,830
Interest paid		**(9,501)**	(11,392)	(6,886)	**(9,501)**	(9,501)	(6,662)
Gain on sale of financial assets at amortized cost -net	10	**3,685**	69	-	**3,685**	69	-
Impairment losses - net	16	**7,397**	1,899	2,155	**7,192**	1,782	1,958
Depreciation and amortization	13, 14, 15	**2,503**	1,821	1,914	**2,183**	1,468	1,555
Dividend income	25	**(304)**	(189)	(234)	**(95)**	(187)	(196)
Recoveries from written-off assets	25	**179**	206	187	**179**	206	187
Share in net earnings of subsidiaries and associates	12	**(21)**	(14)	(92)	**(473)**	(287)	(833)
Gains on assets sold - net	25	**(109)**	(96)	(441)	**(20)**	(28)	(658)
Operating profit before working capital changes		**29,174**	6,536	8,188	**28,849**	6,625	6,538
Decrease (increase) in financial assets at fair value through profit and loss		**2,022**	(21)	10,488	**1,893**	(140)	10,522
Decrease (increase) in financial assets at fair value through other comprehensive income		**(35,241)**	(16,624)	316	**(34,563)**	(14,441)	565
Increase in loans and receivables		**(61,164)**	(34,325)	(50,359)	**(51,147)**	(41,930)	(120,649)
Increase in investment properties		**(630)**	(329)	(774)	**(631)**	(376)	(323)
Decrease (increase) in other resources		**(4,081)**	1,646	1,852	**(3,505)**	2,534	8,563
Increase in deposit liabilities		**33,182**	34,987	35,335	**33,064**	34,399	128,965
Increase (decrease) in accrued interest, taxes and other expenses		**(4,499)**	1,037	(593)	**(4,096)**	242	31
Increase in other liabilities		**10,846**	74	1,911	**3,105**	4,437	4,496
Cash generated from (used in) operations		**(30,391)**	(7,019)	6,364	**(27,031)**	(8,650)	38,708
Income taxes paid		**(1,548)**	(1,015)	(605)	**(1,386)**	(613)	(988)
Net Cash From (Used in) Operating Activities		**(31,939)**	(8,034)	5,759	**(28,417)**	(9,263)	37,720
CASH FLOWS FROM INVESTING ACTIVITIES							
Additional investments in securities at amortized cost		**(128,062)**	(77,488)	(33,570)	**(126,480)**	(140,237)	(33,359)
Proceeds from disposal and maturity of securities at amoritzed cost		**116,025**	47,755	25,296	**111,217**	111,059	18,553
Acquisitions of bank premises, furniture, fixtures, and equipment	13	**(2,245)**	(1,214)	(1,521)	**(1,717)**	(980)	(3,364)
Proceeds from disposals of bank premises, furniture, fixtures and equipment	13	**908**	401	203	**831**	227	559
Acquisitions of intangible assets	15	**(233)**	(179)	(304)	**(231)**	(156)	(341)
Cash dividends received	25	**304**	189	296	**95**	187	196
Net Cash Used in Investing Activities		**(13,303)**	(30,536)	(9,600)	**(16,285)**	(29,900)	(17,756)
CASH FLOWS FROM FINANCING ACTIVITIES							
Proceeds from availments of bills payable	18, 31	**89,737**	44,522	20,561	**89,100**	42,769	15,477
Issuance of bonds payable	19, 31	**45,697**	23,520	-	**45,697**	23,520	-
Payments of bills payable	18, 31	**(44,388)**	(32,790)	(14,472)	**(44,177)**	(30,912)	(10,788)
Redemption of subordinated debt	20	**(9,986)**	-	-	**(9,986)**	18	16
Dividends paid	23	**(864)**	(863)	(773)	**(864)**	(863)	(773)
Payment of lease liabilities	22	**(1,186)**	-	-	**(1,086)**	-	-
Issuance of common stock	23	**-**	14,783	-	**-**	14,783	-
Redemption of bonds payable	19, 31	**-**	-	(13,687)	**-**	-	(13,687)
Net Cash From (Used in) Financing Activities		**79,010**	49,172	(8,371)	**78,684**	49,315	(9,755)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS *(Forward)*		**P 33,768**	P 10,602	(P 12,212)	**P 33,982**	P 10,152	P 10,209

See Notes to Financial Statements.

	Notes	GROUP 2019	GROUP 2018	GROUP 2017	PARENT COMPANY 2019	PARENT COMPANY 2018 (As restated - see Note 34)	PARENT COMPANY 2017 (As restated - see Note 34)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**P 33,768**	P 10,602	(P 12,212)	**P 33,982**	P 10,152	P 10,209
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR							
Cash and other cash items	9	**17,392**	14,693	15,176	**17,321**	14,861	11,000
Due from Bangko Sentral ng Pilipinas	9	**56,495**	58,801	66,520	**55,059**	57,519	50,871
Due from other banks	9	**20,342**	19,818	25,293	**19,815**	19,469	24,109
Loans arising from reverse repurchase agreement	9	**10,032**	9,831	7,889	**10,000**	9,748	4,931
Interbank loans receivable	9, 11	**9,522**	38	515	**9,592**	38	515
		113,783	103,181	115,393	**111,787**	101,635	91,426
CASH AND CASH EQUIVALENTS AT END OF YEAR							
Cash and other cash items	9	**16,907**	17,392	14,693	**16,808**	17,321	14,861
Due from Bangko Sentral ng Pilipinas	9	**87,255**	56,495	58,801	**85,453**	55,059	57,519
Due from other banks	9	**18,818**	20,342	19,818	**18,468**	19,815	19,469
Loans arising from reverse repurchase agreement	9	**5,768**	10,032	9,831	**5,629**	10,000	9,748
Interbank loans receivable	9, 11	**18,803**	9,522	38	**19,411**	9,592	38
		P 147,551	P 113,783	P 103,181	**P 145,769**	P 111,787	P 101,635

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

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. Under relevant authority granted by the Bangko Sentral ng Pilipinas (BSP), the Bank is also licensed to deal in different types of derivatives products such as, but not limited, to foreign currency forwards, interest rate swaps and cross currency swaps. 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 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).

The Group and the Parent Company's banking network within and outside the Philippines as of December 31 follows:

	Group		**Parent Company**	
	2019	2018	**2019**	2018
Automated teller machines (ATMs)	**1,530**	1,593	**1,530**	1,593
Branches	**496**	497	**479**	479
Extension offices	**11**	12	**7**	7

RCBC is a 41.66%-owned subsidiary of Pan Malayan Management and Investment Corporation (PMMIC), a company incorporated and domiciled in the Philippines. PMMIC is the holding company of the flagship institutions of the Yuchengco Group of Companies (YGC), with registered business address at 48th Floor, Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue cor. Sen. Gil Puyat Avenue, Makati City. As of December 31, 2019, Cathay Life Insurance Corporation (Cathay) also owns 23.35% interest in RCBC.

The Parent Company's registered address, which is also its principal office, is at Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue cor. Sen. Gil Puyat Avenue, Makati City.

1.2 Subsidiaries and Associates

The Parent Company holds ownership interests in the following subsidiaries and associates at the end of 2019 and 2018:

Subsidiaries	Line of Business	Explanatory Notes	Effective Percentage of Ownership	
			2019	2018
Subsidiaries:				
RCBC Forex Brokers Corporation (RCBC Forex)	Foreign exchange dealing		**100.00**	100.00
RCBC Telemoney Europe (RCBC Telemoney)	Remittance		**100.00**	100.00
RCBC International Finance Limited (RCBC IFL)	Remittance		**100.00**	100.00
RCBC Investment Ltd.	Remittance	(a)	**100.00**	100.00
RCBC Capital Corporation (RCBC Capital)	Investment house		**99.96**	99.96
RCBC Securities, Inc. (RSI)	Securities brokerage and dealing	(b)	**99.96**	99.96
RCBC Bankard Services Corporation (RBSC)	Credit card management	(b)	**99.96**	99.96
RCBC-JPL Holding Company, Inc. (RCBC JPL)	Property holding		**99.41**	99.41
Rizal Microbank, Inc.	Thrift banking and microfinance		**98.03**	98.03
RCBC Leasing and Finance Corporation (RCBC LFC)	Financial leasing	(c)	**99.67**	99.31
RCBC Rental Corporation (RRC)	Property leasing	(c), (d)	**99.67**	99.31
Special Purpose Companies (SPCs):	Real estate buying and selling	(e)		
Cajel Realty Corporation (Cajel)			**100.00**	100.00
Niyog Property Holdings, Inc. (NPHI)			**100.00**	100.00
Crescent Park Property and Development Corporation				
Best Value Property and Development Corporation (Best Value)			**-**	100.00
(Crescent Park)			**-**	100.00
Crestview Properties Development Corporation (Crestview)			**-**	100.00
Eight Hills Property and Development Corporation (Eight Hills)			**-**	100.00
Gold Place Properties Development Corporation (Gold Place)			**-**	100.00
Goldpath Properties Development Corporation (Goldpath)			**-**	100.00
Greatwings Properties Development Corporation(Greatwings)			**-**	100.00
Lifeway Property and Development Corporation (Lifeway)			**-**	100.00
Niceview Property and Development Corporation (Niceview)			**-**	100.00
Princeway Properties Development Corporation (Princeway)			**-**	100.00
Top Place Properties Development Corporation (Top Place)			**-**	100.00

Associates	Line of Business	Effective Percentage of Ownership
Associates:		
YGC Corporate Services, Inc. (YCS)	Support services for YGC	**40.00**
Luisita Industrial Park Co. (LIPC)	Real estate buying, developing, selling and rental	**35.00**
Honda Cars Phils., Inc. (HCPI)	Sale of motor vehicles	**12.88**

Except for RCBC Telemoney (Italy), RCBC IFL (Hongkong) and RCBC Investment Ltd. (Hongkong), all other subsidiaries and associates are incorporated and conducting their businesses in the Philippines. RCBC Telemoney was operational only until March 1, 2016. RCBC North America, Inc., a former wholly owned subsidiary, was dissolved in May 2018 after it has ceased its operations in March 2014.

Explanatory Notes:

(a) A wholly-owned subsidiary of RCBC IFL.
(b) Wholly-owned subsidiaries of RCBC Capital.
(c) The increase in ownership interest in RCBC LFC resulted from the issuance of shares of stock to the Parent Company after the former has secured in 2018 the Securities and Exchange Commission (SEC) approval of its application for increase in authorized capital stock from which the subscriptions were made (see Note 12.1).
(d) A wholly-owned subsidiary of RCBC LFC.
(e) In 2019, the SPCs, except for NPHI and Cajel, were liquidated pursuant to BSP recommendation and upon receipt of necessary regulatory clearance (see Note 15.3).

1.3 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 (see Notes 23 and 34).

1.4 Approval of Financial Statements

The consolidated financial statements of RCBC and subsidiaries and the separate financial statements of RCBC as of and for the year ended December 31, 2019 (including the comparative financial statements as of December 31, 2018 and for the years ended December 31, 2018 and 2017) were approved and authorized for issue by the BOD of the Parent Company on February 24, 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. The accounting policies have been consistently applied to all the years presented, except when otherwise indicated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group and the separate financial statements of the Parent Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB), and approved by Philippine Board of Accountancy.

These financial statements have been prepared using the measurement bases specified by PFRS for each type of resource, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(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".

The Group presents a third statement of financial position as of the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that have a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

In 2019, the Parent Company made retrospective changes in the comparative separate financial statements for the year ended December 31, 2018 and in the corresponding figures as of January 1, 2018, to reflect the merger with RSB accounted for as common control business combination using pooling of interest method [see Notes 2.3 (a)(ii) and 34]. Accordingly, the Parent Company presents a third statement of financial position as of January 1, 2018 without the related notes, except for the disclosures required under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

The effect of this restatement in the comparative financial statements of the Parent Company for December 31, 2018 and the corresponding figures as of January 1, 2018 on the affected accounts are presented in Note 34.

In 2018, the Group and the Parent Company adopted PFRS 9, *Financial Instruments*, which was applied retrospectively. The impact of the adoption of PFRS 9 resulted to an increase (decrease) in the balances as of January 1, 2018 of Revaluation Reserves, General Loan Loss Reserve, Surplus, Non-controlling Interests and Total Equity amounting to P456, P2,227, (P4,614), (P3), and (P1,934), respectively, for the Group, and of Revaluation Reserves, General Loan loss Reserve, Surplus and Total Equity amounting to P456, P1,793, (P4,179) and (P1,930), respectively, for the Parent Company.

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Group's functional and presentation currency (see Note 2.17). All amounts are in millions, except share and per share data or when otherwise indicated.

Items included in the financial statements of the Group are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

2.2 Adoption of New and Amended PFRS

(a) Effective in 2019 that are Relevant to the Group

The Group adopted for the first time the following new PFRS, interpretation, amendments and improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2019:

PAS 19 (Amendments)	:	Employee Benefits – Plan Amendment Curtailment or Settlement
PAS 28 (Amendments)	:	Investment in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures
PFRS 9 (Amendments)	:	Financial Instruments – Prepayment Features With Negative Compensation
PFRS 16	:	Leases
International Financial Reporting Interpretations Committee (IFRIC) 23	:	Uncertainty over Income Treatments
Annual Improvements to PFRS (2015 - 2017 Cycle)		
PAS 12 (Amendments)	:	Income Taxes – Tax Consequences of Dividends
PAS 23 (Amendments)	:	Borrowing Costs – Eligibility for Capitalization
PFRS 3 (Amendments) and PFRS 11 (Amendments)	:	Business Combinations and Joint Arrangements – Remeasurement of Previously Held Interest in a Joint Operation

Discussed below are the relevant information about these pronouncements.

(i) PAS 19 (Amendments), *Employee Benefits – Plan Amendment, Curtailment or Settlement*. The amendments clarify that past service cost and gain or loss on settlement is calculated by measuring the net defined benefit liability or asset using updated actuarial assumptions and comparing the benefits offered and plan assets before and after the plan amendment, curtailment or settlement but ignoring the effect of the asset ceiling that may arise when the defined benefit plan is in a surplus position. Further, the amendments now require that if an entity remeasures its net defined benefit liability or asset after a plan amendment, curtailment or settlement, it should also use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the change to the plan. The application of these amendments had no significant impact on the Group's financial statements.

(ii) PAS 28 (Amendments), *Investment in Associates and Joint Ventures – Long-term Interest in Associates and Joint Ventures*. The amendments clarify that the scope exclusion in PFRS 9 applies only to ownership interests accounted for using the equity method. Thus, the amendments further clarify that long-term interests in an associate or joint venture – to which the equity method is not applied – must be accounted for under PFRS 9, which shall also include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. The application of these amendments had no significant impact on the Group's financial statements.

(iii) PFRS 9 (Amendments), *Financial Instruments – Prepayment Features with Negative Compensation*. The amendments clarify that prepayment features with negative compensation attached to financial assets may still qualify under the "solely payments of principal and interests" (SPPI) test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at fair value through other comprehensive income (FVOCI). The application of these amendments had no significant impact on the Group's financial statements.

(iv) PFRS 16, *Leases*. The new standard replaced PAS 17, *Leases*, and its related interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*, Standard Interpretations Committee (SIC) 15, *Operating Leases – Incentives* and SIC 27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. For lessees, it requires an entity to account for leases "on-balance sheet" by recognizing a "right-of-use" asset and lease liability arising from contract that is, or contains, a lease.

For lessors, the definitions of the type of lease (i.e., finance and operating leases) and the supporting indicators of a finance lease are substantially the same with the provisions under PAS 17. In addition, basic accounting mechanics are also similar but with some different or more explicit guidance related to variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

The Group has adopted PFRS 16 using the modified retrospective approach as allowed under the transitional provisions of the standard. The adoption of the standard has resulted in adjustments to the amounts recognized in the financial statements as at January 1, 2019, with the cumulative effect recognized in equity as an adjustment to the opening balance of Surplus for the current period. Accordingly, comparative information was not restated.

The new accounting policies of the Group as a lessee are disclosed in Note 2.16(a), while the accounting policies of the Group as a lessor, as described in Note 2.16(b), were not significantly affected.

Discussed below are the relevant information arising from the Group's adoption of PFRS 16 and how the related accounts are measured and presented on the Group's financial statements as at January 1, 2019.

a. For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from PAS 17 and IFRIC 4 and has not applied PFRS 16 to arrangements that were previously not identified as leases under PAS 17 and IFRIC 4.

b.The Group recognized lease liabilities in relation to leases which had previously been classified as operating leases under PAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of January 1, 2019. The Group's weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 ranged from 6.0% to 7.06%.

c. The Group has elected not to include initial direct costs in the measurement of right-of-use assets at the date of initial application. The Group also elected to measure the right-of-use assets at its carrying amount as if the new standard had been applied since commencement date, but discounted using the Group's incremental borrowing rate at the date of application. The Right-of-use assets are presented as part of Bank Premises, Furniture, Fixtures and Equipment in the 2019 statement of financial position (see Note 13)

d. For leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Group has applied the optional exemptions to not recognize right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

e. The Group has also used the following practical expedients, apart from those already mentioned above, as permitted by the standard:

    i. application of a single discount rate to a portfolio of leases with reasonably similar characteristics; and
    ii. reliance on its historical assessments on whether leases are onerous as an alternative to performing an impairment review on right-of-use assets. As at January 1, 2019, the Group has no onerous contracts.

The following table shows the effects of the adoption of PFRS 16 in the carrying amounts and presentation of certain accounts in the statement of financial position as at January 1, 2019.

	Group		
	Carrying Amount (PAS 17) December 31, 2018	Adjustments	Carrying Amount (PFRS 16) January 1, 2019
Assets			
Bank premises, furniture, fixtures and equipment – Net	8,415	3,106	11,521
Deferred tax assets – Net	2,094	(11)	2,083
		P 3,095	
Liabilities			
Accrued interest, taxes and other expenses	5,277	(74)	5,203
Other liabilities:			
Lease liability	-	3,571	3,571
Deferred charges	125	(125)	-
		3,372	
Impact on equity		**(P 277)**	

	Parent Company (As restated – see Note 34)		
	Carrying Amount (PAS 17) December 31, 2018	Adjustments	Carrying Amount (PFRS 16) January 1, 2019
Assets			
Investment in subsidiaries and associates – Net	P 7,012	(P 14)	P 6,998
Bank premises, furniture, fixtures and equipment – Net	6,681	2,972	9,653
Deferred tax assets – Net	1,874	(37)	1,837
		P 2,921	
Liabilities			
Accrued interest, taxes and other expenses	5,061	(59)	5,002
Other liabilities:			
Lease liability	-	3,382	3,382
Deferred charges	125	(125)	-
		3,198	
Impact on equity		**(P 277)**	

A reconciliation of the opening lease liabilities recognized at January 1, 2019 and the total operating lease commitments determined under PAS 17 at December 31, 2018 is shown below.

	Notes	Group	Parent Company
Operating lease commitments, December 31, 2018 (PAS 17)	29.8	P 4,564	P 4,349
Recognition exemptions:			
Leases of low value assets and leases with remaining term of less than 12 months	2.2(a)(iv)(d)	(147)	(146)
Operating lease liabilities before discounting		4,417	4,203
Discount using incremental borrowing rate	2.2(a)(iv)(b)	(846)	(821)
Lease liabilities, January 1, 2019 (PFRS 16)		**P 3,571**	**P 3,382**

(v) IFRIC 23, *Uncertainty over Income Tax Treatments*. This interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Group to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Group has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above. The interpretation has no significant impact on the Group's financial statements.

(vi) Annual Improvements to PFRS 2015-2017 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2019, are relevant to the Group but had no significant impact on the Group's financial statements:

- PAS 12 (Amendments), *Income Taxes – Tax Consequences of Dividends*. The amendments clarify that an entity should recognize the income tax consequence of dividend payments in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions that generated the distributable profits.

- PAS 23 (Amendments), *Borrowing Costs – Eligibility for Capitalization*. The amendments clarify that if any specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, such borrowing is treated as part of the entity's general borrowings when calculating the capitalization rate.

- PFRS 3 (Amendments), *Business Combinations* and PFRS 11 (Amendments*), Joint Arrangements – Remeasurement of Previously Held Interests in a Joint Operation*. The amendments clarify that previously held interest in a joint operation shall be remeasured when the Group obtains control of the business. On the other hand, previously held interests in a joint operation shall not be remeasured when the Group obtains joint control of the business.

(b) Effective Subsequent to 2019 but Not Adopted Early

There are amendments to existing standards effective for annual periods subsequent to 2019, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's financial statements:

(i) PAS 1 (Amendments), *Presentation of Financial Statements* and PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material* (effective from January 1, 2020). The amendments provide a clearer definition of 'material' in PAS 1 by including the concept of 'obscuring' material information with immaterial information as part of the new definition, and clarifying the assessment threshold (i.e., misstatement of information is material if it could reasonably be expected to influence decisions made by primary users, which consider the characteristic of those users as well as the entity's own circumstances). The definition of material in PAS 8 has been accordingly replaced by reference to the new definition in PAS 1. In addition, amendment has also been made in other standards that contain definition of material or refer to the term 'material' to ensure consistency.

(ii) Revised Conceptual Framework for Financial Reporting (effective from January 1, 2020). The revised conceptual framework will be used in standard-setting decisions with immediate effect. Key changes include (a) increasing the prominence of stewardship in the objective of financial reporting, (b) reinstating prudence as a component of neutrality, (c) defining a reporting entity, which may be a legal entity, or a portion of an entity, (d) revising the definitions of an asset and a liability, (e) removing the probability threshold for recognition and adding guidance on derecognition, (f) adding guidance on different measurement basis, and, (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised framework from January 1, 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised framework.

(iii) PFRS 3 (Amendments), *Business Combinations – Definition of Business* (effective January 1, 2020). The amendments clarify the definition of a business by providing a new framework for determining whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The amendments also clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs.

(iv) PFRS 10 (Amendments), *Consolidated Financial Statements, and PAS 28 (Amendments) – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective date deferred indefinitely). The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3 between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale or contribution of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

2.3 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 as enumerated in Note 1.2, 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.

The financial statements of the subsidiaries are prepared in the same reporting period as the Parent Company, using consistent accounting policies.

The Parent Company accounts for its investments in subsidiaries, associates, interests in jointly controlled operations and non-controlling interests as follows:

(a) Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when it has the power over the entity; it is exposed, or has rights to, variable returns from its involvement with the entity; and, it has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Group obtains control.

The Parent Company's investments in subsidiaries are initially recognized at cost and subsequently accounted for in its separate financial statements using the equity method. Under the equity method, all subsequent changes to the ownership interest in the equity of the subsidiaries are recognized in the Parent Company's carrying amount of the investments. Changes resulting from the profit or loss generated by the subsidiaries are credited or charged against the Share in Net Earnings of Subsidiaries and Associates account in the statements of profit or loss.

These changes include subsequent depreciation, amortization, impairment and fair value adjustments of assets and liabilities. Dividends received are accounted for as reduction in the carrying value of the investment.

Changes resulting from items of other comprehensive income of the subsidiaries or items that have been directly recognized in the subsidiaries' equity are recognized in other comprehensive income or equity, respectively, of the Parent Company.

However, when the Parent Company's share in losses of subsidiaries equals or exceeds its interest in the subsidiary, including any other unsecured receivables, the Parent Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the subsidiary. If the subsidiary subsequently reports profits, the Group resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has not been recognized previously.

Unrealized gains on transactions between the Parent Company and its subsidiaries are eliminated to the extent of the Parent Company's interest in the subsidiaries. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the assets that were transferred. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the Parent Company.

The Parent Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls. Accordingly, entities are deconsolidated from the date that control ceases.

Acquired subsidiaries are subject to either of the following relevant policies:

(i) *Purchase method* – involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of a subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of a subsidiary prior to acquisition. On initial recognition, the assets and liabilities of a subsidiary are included in the consolidated statement of financial position at their revalued amounts, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. On the other hand, negative goodwill represents the excess of the Group's share in the fair value of identifiable net assets of the subsidiary at the date of acquisition over acquisition cost and is recognized directly in profit or loss.

(ii) *Pooling of interest method* – is applicable for business combinations involving entities under common control. On initial recognition, the assets and liabilities of a subsidiary are included in the consolidated statement of financial position at their book values. Adjustments, if any, are recorded to achieve uniform accounting policies. The combining entities' results and financial positions are presented in the consolidated financial statements as if they had always been combined.

No goodwill or negative goodwill is recognized. Any difference between the cost of the investment and the subsidiary's identifiable net assets is recognized on consolidation in Capital Paid in Excess of Par account under Equity.

(b) *Investments in Associates*

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor interests in joint venture. In the consolidated financial statements, investments in associates are initially recognized at cost and subsequently accounted for using the equity method. Under the equity method, the Group recognizes in profit or loss its share in the net earnings or losses of the associates. The cost of the investment is increased or decreased by the Group's equity in net earnings or losses of the associates since the date of acquisition. Dividends received are accounted for as reduction in the carrying value of the investment.

Acquired investments in associates are subject to purchase method of accounting as described in Note 2.3(a)(i). However, any goodwill that represents the excess of identifiable net assets of the acquiree at the date of acquisition or fair value adjustment attributable to the Group's share in the associate is included in the amount recognized as investments in associates. All subsequent changes to the ownership of interest in the equity of the associate are recognized in the Group's carrying amount of the investment. Changes resulting from the profit or loss generated by the associate are credited against Share in Net Earnings of Subsidiaries and Associates account in the statements of profits or loss. These changes include subsequent depreciation, amortization, impairment, and fair value adjustments of assets and liabilities.

Changes resulting from items of other comprehensive income of the associate or items that have been directly recognized in the associate's equity are recognized in other comprehensive income or equity, respectively, of the Group. However, when the Group's share in losses of an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has not been recognized previously.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the assets that were transferred. Where necessary, accounting policies of associates are changed to ensure consistency with the policies adopted by the Group.

The Group reassesses whether or not an entity qualifies as an associate in the occurrence of changes to facts and circumstances surrounding its ability to exert significant influence.

(c) *Interest in Jointly Controlled Operations*

For interests in jointly controlled operations, the Group recognizes in its financial statements the assets that it controls, the liabilities and the expenses that it incurs and its share in the income from the sale of goods or services by the joint venture. The amounts of these related accounts are presented as part of the regular asset and liability accounts and income and expense accounts of the Group.

No adjustment or other consolidation procedures are required for the assets, liabilities, income and expenses of the joint venture that are recognized in the separate financial statements of the venturers.

(d) Transactions with Non-controlling Interests

Non-controlling interests (NCI) represent the portion of the net assets and profit or loss not attributable to the Group. The Group applies a policy of treating transactions with NCI as transactions with parties external to the Group. Disposals to NCI result in gains and losses for the Group that are recorded in profit or loss. Purchases of equity shares from NCI may result in goodwill, being the difference between any consideration paid and the relevant share acquired in the carrying value of the net assets of a subsidiary.

In the consolidated financial statements, the NCI component is shown as part of the Equity account in the consolidated statement of changes in equity.

In the Parent Company's financial statements, impairment loss is provided when there is objective evidence that the investments in subsidiaries and associates will not be recovered (see Note 2.18).

2.4 Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a segment engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

The Group's operations are structured according to the nature of the services provided (primary segment) and different geographical markets served (secondary segment). Financial information on business segments is presented in Note 8.

2.5 Financial Instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the financial instrument. For purposes of classifying financial instrument, 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.

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. Deposits, amounts due to banks and customers, and loans are recognized when cash is received by the Group or advanced to the borrowers.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at Fair Value Though Profit or Loss (FVTPL), transaction costs such as fees and commissions that are incremental or directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss.

(a) Classification and Measurement of Financial Assets

The classification and measurement of financial assets is driven by the Group's business models for managing the financial assets and the contractual cash flow characteristics of the financial assets. The Group's classification and measurement of financial assets are described below.

(i) Financial Assets at Amortized Cost

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

- the financial asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect or HTC"); and,

- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets meeting these criteria are measured initially at fair value and are subsequently measured at amortized cost using the effective interest method, less any allowance for expected credit loss (ECL).

Where the business model is to hold assets to collect contractual cash flows, the Group assesses whether the financial instruments' cash flows represent SPPI. In making this assessment, the Group considers whether the contractual cash flows are consistent with basic lending arrangements, i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin . Where the contractual terms introduce exposure to risk or volatility that are inconsistent with basic lending arrangements, the related financial asset is classified and measured at FVTPL.

The Group's financial assets measured at amortized cost include those presented in the statement of financial position as Cash and Other Cash Items, Due from BSP, Due from Other Banks, Loans Arising from Reverse Repurchase Agreements, Investment securities at amortized cost under Trading and Investment Securities, Loans and Receivables and certain Other Resources accounts.

For purposes of cash flows reporting and presentation, cash equivalents comprise of accounts with original maturities of three months or less, including non-restricted balances of Due from BSP, Due from Other Banks, Loans Arising from Reverse Repurchase Agreements, and Interbank loans receivables (part of Loans and Receivables). Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Cash comprises cash and other cash items and demand deposits.

The Group may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost. In 2019 and 2018, the Group has not made such designation.

(ii) Financial Assets at Fair Value Through Other Comprehensive Income

Financial asset is classified and measured at FVOCI if both of the following conditions are met:

- the financial asset is held under a business model whose objective is achieved by both collecting contractual cash flows and selling ("hold to collect and sell"); and,

- the contractual terms of the financial asset give rise to cash flows that are SPPI on the principal amount outstanding.

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 or a contingent consideration recognized arising from a business combination. The Group has made irrevocable designation of equity instruments not held for trading into this category.

After initial recognition, financial assets at FVOCI are subsequently 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. Upon disposal, the cumulative fair value gains or losses on equity investments previously recognized in the Revaluation Reserves account is not reclassified to profit or loss, but is reclassified directly to Surplus account, while the cumulative fair value gains or losses for debt securities are reclassified to profit or loss.

Any dividends earned on holding equity instruments are recognized in profit or loss as part of Miscellaneous under Other Operating Income account, when the Group's right to receive dividends is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be reliably measured, unless the dividends clearly represent recovery of a part of the cost of the investment.

(iii) Financial Assets at Fair Value Through Profit or Loss

Debt instruments that do not meet the amortized cost criteria, or that meet the criteria but the Group has chosen to designate as at FVTPL at initial recognition, or those that do not qualify under the FVOCI or "hold to collect and sell" business model, are measured at FVTPL. Equity investments are classified as financial assets at FVTPL, unless the Group designates an equity investment that is not held for trading as at FVOCI at initial recognition. The Group's financial assets at FVTPL include government securities, corporate debt securities, equity securities, and derivative instruments, which are held for trading purposes or designated as at FVTPL.

A financial asset is considered as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or,
- it is a derivative that is not designated and effective as a hedging instrument or financial guarantee.

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

Interest earned on these investments is reported in profit or loss under Interest Income account while dividend income is reported in profit or loss under Miscellaneous included in Other Operating Income account when the right of payment has been established.

(b) Recognition of Interest Income Using Effective Interest Rate Method

Interest income on financial assets measured at amortized cost and all interest-bearing debt financial assets classified as at FVTPL, or at FVOCI, is recognized using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The effective interest rate is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of effective interest rate. The Group recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the instrument; hence, it recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset with an increase or reduction in interest income. The Group calculates interest income by applying the effective interest rate to the gross carrying amount of the financial assets, except for those that are subsequently identified as credit-impaired and or are purchased or originated credit-impaired assets.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the net carrying amount of the financial assets (after deduction of the loss allowance). If the asset is no longer credit-impaired, the calculation of interest income reverts to gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying a credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis even if the credit risk of the asset subsequently improves.

(c) Reclassification of Financial Assets

The Group can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Group is required to reclassify financial assets: (i) from amortized cost to FVTPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, (ii) from FVTPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Group's business model will be effected only at the beginning of the next reporting period following the change in the business model.

(d) Impairment of Financial Assets

The Group recognizes a loss allowance for ECL on all financial assets that are measured at amortized cost and debt instruments classified as at FVOCI, as well as financial guarantee and loan commitments. Equity securities, either measured as at FVTPL or designated as at FVOCI, are not subject to impairment.

The Group measures the ECL of a financial asset in such manner that reflects: (i) the time value of money; and, (ii) reasonable and supportable information about past events, current conditions and forecasts of future economic conditions that affect the collectability of the future cash flows of the financial assets.

The amount of allowance for ECL is updated at the end of each reporting period to reflect the changes in credit risk of the financial asset since initial recognition. The Group recognizes lifetime ECL when there has been a significant increase in credit risk (SICR) since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the end of the reporting period.

The Group's ECL model follows a three-stage impairment approach, which guide in the determination of the loss allowance to be recognized in the financial statements. The staging of financial assets and definition of default for purposes of determining ECL are further discussed in Note 4.4.

ECL is a function of the probability of default (PD), loss-given default (LGD), and exposure-at-default (EAD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgement. These elements are discussed more fully in Note 4.4.

The Group calculates ECL either on an individual or a collective basis. For modelling ECL parameters which were carried out on a collective basis, the financial instruments are grouped on the basis of shared credit risk characteristics, such as but not limited to instrument type, credit risk rating, collateral type, product type, historical net charge-offs, industry type, and geographical locations of the borrowers or counterparties.

The Group applies a simplified ECL approach for its accounts receivables wherein the Group uses a provision matrix that considers historical changes in the behavior of the portfolio of credit exposures based on internally collected data to predict conditions over the span of a given observation period. These receivables include claims from various counterparties, which are not originated through the Group's lending activities. For these instruments, the Group measures the loss allowance at an amount equal to lifetime ECL.

The Group recognizes an impairment loss in profit or loss for all financial instruments subjected to ECL impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance account. With respect to investments in debt securities that are measured at FVOCI, the related loss allowance account is recognized in other comprehensive income and accumulated in the Revaluation Reserves account, and does not reduce the carrying amount of the financial asset in the statement of financial position. For loan commitments, the loss allowance is recognized as provisions (presented and included as part of Other Liabilities account in the statement of financial position). Where a financial instrument includes a drawn and undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn commitment; the Group presents a combined allowance for ECL for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as provisions.

(e) Financial Liabilities at Amortized Cost

Financial liabilities including deposit liabilities, bills payable, bonds payable, subordinated debt, accrued interest and other expenses, and other liabilities (except derivatives with negative fair value, tax-related payables, post-employment defined benefit obligation and deferred income) 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.

Deposit liabilities are stated at amounts in which they are to be paid. Interest is accrued periodically and recognized in a separate liability account before recognizing as part of deposit liabilities.

Bills payable, bonds payable and subordinated debt are recognized initially at fair value, which is the issue proceeds (fair value of consideration received), net of direct issue costs. These are subsequently measured at amortized cost; any difference between the proceeds net of transaction costs and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Dividend distributions to shareholders are recognized as financial liabilities when the dividends are declared by the Group.

(f) Derecognition of Financial Assets

(i) Modification of Loans

When the Group derecognizes a financial asset through renegotiation or modification of the contractual payment terms of the loans due to significant credit distress of the borrower, the Group assesses whether or not the new terms are substantially different to the original terms of the instrument.

In making such assessment, the Group considers, among others:

- if the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- whether any substantial new terms are introduced that will affect the risk profile of the loan;
- significant extension of the loan term when the borrower is not in financial difficulty;
- significant change in the interest rate;
- change in the currency the loan is denominated in; and/or,
- insertion of collateral, other security or credit enhancements that will significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognizes the original financial asset and recognizes a new asset at fair value, and recalculates a new effective interest rate for the asset. The date of renegotiation is considered to be the date of initial recognition for impairment calculation, including for the purpose of determining whether SICR has occurred. However, the Group also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount between the old financial asset derecognized and the fair value of the new financial asset are recognized as gain or loss in profit or loss upon derecognition. As to the impact on ECL measurement, the expected fair value of the new financial asset is treated as the final cash flow from the existing financial asset at the date of derecognition. Such amount is included in the calculation of cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes the gain or loss arising from the modification in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows of the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

As to the impact on ECL measurement, the derecognition of the existing financial asset will result in the expected cash flows arising from the modified financial asset to be included in the calculation of cash shortfalls from the existing financial asset.

(ii) Derecognition of Financial Assets Other than Modification

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 financial asset, the Group recognizes its retained interest in the financial 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.

(g) Derecognition of Financial Liabilities

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or if the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of the new liability, and the difference in the respective carrying amounts is recognized as gain or loss in profit or loss.

(h) Financial Guarantees and Undrawn Loan Commitments

The Group issues financial guarantees and loan commitments. Financial guarantees are those issued by the Group to creditors as allowed under existing rules and regulations whereby it guarantees third party obligations by signing as guarantor in the contract or agreement. Undrawn loan commitments and letters of credit are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. The nominal contractual value of financial guarantees and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not reflected in the statement of financial position. These contracts are in the scope of the ECL requirements where the Group estimates the expected portion of the irrevocable undrawn loan commitments that will be drawn over their expected life based on the Group's historical observations of actual drawdowns and forward-looking forecasts. The ECL related to financial guarantees and loan commitments without outstanding drawn amounts is recognized under Other Liabilities account in the statement of financial position.

2.6 Derivative Financial Instruments and Hedge Accounting

The Group is a party to various foreign currency forward contracts, cross currency swaps, futures, interest rate swaps, debt warrants, options and credit default swap. These contracts are entered into as a service to customers and as a means of reducing or managing the Group's foreign exchange and interest rate exposures as well as for trading purposes. Amounts contracted are recorded as contingent accounts and are not included in the statement of financial position.

Derivatives are categorized as Financial Assets at FVTPL which are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently measured at their fair value. Fair values are obtained from active markets for listed or traded securities or determined using valuation techniques if quoted prices are not available, including discounted cash flow models and option pricing models, as appropriate. The change in fair value of derivative financial instruments is recognized in profit or loss, except when their effects qualify as a hedging instrument. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e., the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group recognizes a gain or loss at initial recognition.

2.7 Offsetting Financial Instruments

Financial assets and liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and, must be legally enforceable for both entity and all counterparties to the financial instruments.

2.8 Bank Premises, Furniture, Fixtures and Equipment

Land is stated at cost less impairment losses, if any. As no finite useful life for land can be determined, the related carrying amounts are not depreciated. All other bank premises, furniture, fixtures and equipment are carried at cost less accumulated depreciation, amortization and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized, while expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the depreciable assets as follows:

Buildings	20-50 years
Furniture, fixtures and equipment	3-15 years

Leasehold rights and improvements are amortized over the term of the lease or the estimated useful lives of the improvements, whichever is shorter.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.18).

The residual values, estimated useful lives, and method of depreciation and amortization of bank premises, furniture, fixtures and equipment (except land) are reviewed and adjusted if appropriate, at the end of each reporting period.

An item of bank premises, furniture, fixtures and equipment, including the related accumulated depreciation, amortization and any impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.9 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, which are either held by the Group for sale in the next 12 months or being used in the rendering of services or for administrative purposes. This also includes properties held for rental.

Investment properties are stated at cost, less accumulated depreciation and any impairment losses (see Note 2.18). The cost of an investment property comprises its purchases price and directly attributable costs incurred such as legal fees, transfer taxes and other transaction costs.

Transfers from other accounts (such as bank premises, furniture, fixtures and equipment) are made to investment properties when and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party or holding the property for capital appreciation, while transfers from investment properties are made when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use.

Depreciation and impairment loss are recognized in the same manner as in bank premises, furniture, fixtures and equipment.

Direct operating expenses related to investment properties, such as repairs and maintenance, and real estate taxes are normally charged against current operations in the period in which these costs are incurred.

Investment properties, including the related accumulated depreciation and any impairment losses, are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of investment properties is recognized in Miscellaneous Income or Miscellaneous Expense, respectively, under Other Operating Income or Other Operating Expenses, respectively, in the year of retirement or disposal.

2.10 Assets Held-for-Sale and Disposal Group

Assets held-for-sale and disposal group, which are presented as part of Other Resources account, include shares of stock and real and other properties acquired through repossession, foreclosure, exchange or purchase that the Group intends to sell within one year from the date of classification as held-for-sale and for which the Group is committed to immediately dispose through an active marketing plan. The Group classifies an asset (or disposal group) as held-for-sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

In the event that the sale of the asset is extended beyond one year, the extension of the period required to complete the sale does not preclude an asset from being classified as held-for-sale if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset.

Assets classified as held-for-sale are measured at the lower of their carrying amounts, immediately prior to their classification as held-for-sale and their fair value less costs to sell. Assets classified as held-for-sale are not subject to depreciation or amortization. Asset that ceases to be classified as held-for-sale is measured at the lower of: (a) its carrying amount before the asset was classified as held-for-sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had the asset not been classified as held-for-sale; and, (b) its recoverable amount at the date of the subsequent decision not to sell. Any adjustment to the carrying amount of an asset that ceases to be classified as held-for-sale resulting in either a gain or loss, is recognized in profit or loss. The Group recognizes an impairment loss for any initial or subsequent write-down of the assets held-for-sale to fair value less cost to sell, to the extent that it has not been previously recognized in profit or loss.

On the other hand, any gain from any subsequent increase in fair value less costs to sell of an asset up to the extent of the cumulative impairment loss that has been previously recognized is recognized in profit or loss.

The gains or losses arising from the sale or remeasurement of assets held-for-sale is recognized in Miscellaneous Income (Expenses) under the Other Operating Income (Expenses) account in the statement of profit or loss.

2.11 Intangible Assets

Intangible assets include goodwill, branch licenses, trading right, and computer software licenses which are accounted for under cost model and are reported under Other Resources account in the statement of financial position. The cost of the asset is the amount of cash and cash equivalents paid or the fair value of the other considerations given to acquire an asset at the time of acquisition.

Goodwill represents the excess of the cost of acquisition over the fair value of the identifiable net assets acquired at the date of acquisition (see Note 2.3).

Branch licenses represent the rights given by the BSP to the Group to establish a certain number of branches in various areas in the country.

Goodwill and branch licenses are classified as intangible assets with indefinite useful life and, thus, not subject to amortization but are tested annually for impairment (see Note 2.18). After initial recognition, goodwill and branch licenses are subsequently carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those generating units is represented by each primary reporting segment.

Trading right, included as part of Miscellaneous under Other Resources account, represents the right given to RSI, a subsidiary engaged in stock brokerage, to preserve its access to the trading facilities and to transact business at the PSE. Trading right is assessed as having an indefinite useful life. It is carried at the amount allocated from the original cost of the exchange membership seat (after a corresponding allocation was made to the value of the PSE shares) less allowance for impairment, if any. The trading right is tested annually for any impairment in value (see Note 2.18).

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on a straight line basis over the expected useful lives of the software of three to ten years.

Costs associated with developing or maintaining computer software programs are recognized as expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include employee costs incurred on software development and an appropriate portion of relevant overhead costs.

Computer software development costs recognized as assets are amortized using the straight-line method over their useful lives (not exceeding ten years).

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.12 Other Resources

Other resources (excluding items classified as intangible assets) pertain to other assets controlled by the Group as a result of past events. These are recognized in the financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably.

2.13 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).

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in provision due to passage of time is recognized as interest expense.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases, where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.14 Equity

Preferred and common stock represent the nominal value of shares of stock that have been issued.

Capital paid in excess of par includes any premiums received on the issuance of capital stock. Any transaction costs associated with the issuance of shares of stock are deducted from capital paid in excess of par, net of any related income tax benefits.

Treasury shares are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled, reissued or disposed of.

Revaluation reserves consist of:

(a) Net unrealized fair value gains or losses arising from remeasurements of financial assets at FVOCI;

(b) Reserves on remeasurements of post-employment defined benefit plan comprising of net accumulated actuarial gains or losses arising from experience adjustments and other changes in actuarial assumptions, and actual return on plan assets (excluding account included in net interest);

(c) Accumulated translation adjustments related to the cumulative gains from the translation of the financial statements of foreign subsidiaries whose functional currency is different from that of the Parent Company; and,

(d) Share in other comprehensive income or loss of subsidiaries and associates.

Reserve for trust business representing the accumulated amount set aside by the Group under existing regulations requiring the Parent Company to appropriate and transfer to surplus 10% of its net profits accruing from their trust business until the surplus shall amount to 20% of the regulatory capital. The reserve shall not be paid out in dividends, but losses accruing in the course of the trust business may be charged against this account.

Other reserves refer to the amount attributable to the Parent Company arising from the changes in the ownership of the NCI in the Group.

Surplus represents all current and prior period results of operations as disclosed in the statement of profit or loss, reduced by the amount of dividends declared.

General loan loss reserve pertains to the accumulated amount of appropriation from Surplus made by the Group arising from the excess of the one-percent general loan loss provisions for outstanding loans as required by the BSP under Circular No. 1011, *Guidelines on the Adoption of PFRS 9* (Circular No. 1011) over the computed allowance for ECL.

NCI represents the portion of the net assets and profit or loss not attributable to the Group and are presented separately in the consolidated statement of profit or loss and consolidated statement of comprehensive income and within equity in the consolidated statement of financial position and consolidated statement of changes in equity.

2.15 Other Income and Expense Recognition

Revenue is recognized when (or as) the Group satisfies a performance obligation by transferring control of the promised services to the customer. A contract with a customer that results in a recognized financial instrument in the Group's financial statements may partially be within the scope of PFRS 9 and partially within the scope of PFRS 15, *Revenue from Contracts from Customers*. In such case, the Group first applies PFRS 9 to separate and measure the part of the contract that is in-scope of PFRS 9, and then applies PFRS 15 to the residual part of the contract. Expenses and costs, if any, are recognized in profit or loss upon utilization of the assets or services or at the date these are incurred. All finance costs are reported in profit or loss on accrual basis.

The Group also earns service fees and commissions in various banking services, and gains on sale of properties, which are supported by contracts approved by the parties involved. These revenues are accounted for by the Group in accordance with PFRS 15.

For revenues arising from these various banking services which are to be accounted for under PFRS 15, the following provides information about the nature and timing of satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

a) Charges, Fees and Commissions

The following charges, fees and commissions are recognized as follows:

(i) Commissions and fees – these income arising from loans, deposits, and other banking transactions are recognized as income based on agreed terms and conditions with customers, which are generally when the services have been performed.

(ii) Annual membership fees – pertains to annual fees charged to credit cardholders. Revenues from membership fees are recognized over time from the date of renewal of the credit card until the validity date covered by the said renewal, usually termed as the expiry date of the issued cards. The credit card's validity period is deemed to be servicing period.

Interchange fees, net of interchange costs – are recognized as income upon presentation by member establishments of charges arising from RCBC Bankard and non-RCBC Bankard (associated with MasterCard, JCB, VISA and China UnionPay labels) credit card availments passing through the Point of Sale (POS) terminals of the Parent Company. These discounts are computed based on agreed rates and are deducted from the amounts remitted to member establishments. Interchange costs pertain to the other credit card companies' share in RCBC Bankard's merchant discounts whenever their issued credit cards transact in the Parent Company's POS terminals.

The Parent Company has a rewards program related to its credit card operations, which allows its cardholders to accumulate award credits or loyalty points that can be redeemed for free products. The loyalty points give rise to a separate performance obligation as they provide a material right to the cardholder.

Accordingly, the Parent Company allocates a portion of the interchange fee billed to participating merchants to the loyalty points granted to cardholders based on relative stand-alone selling price and recognizes liability equivalent to the estimated loyalty points until these are redeemed. Revenue is recognized upon actual redemption by the cardholder.

(iv) *Loan syndication fees* - are recognized as revenue when the syndication has been completed and the Group retained no part of the loan package for itself or retained a part at the same effective interest rate for the other participants.

(v) *Underwriting and arrangers fees* – are fees arising from negotiating, or participating in the negotiation of a transaction for a third party such as arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognized at the completion of the underlying transaction and where there are no further obligations to perform under the agreement.

b) Trust Fees

These are service fees calculated in reference to the net asset value of the funds managed and deducted from the customer's account balance on a monthly basis which are recognized over time as the asset management services are provided. These are also applicable for wealth management and asset custody services that are continuously provided over an extended period of time.

For other income outside the scope of PFRS 15, the following provides information about the nature and the related revenue recognition policies:

a) Trading and Securities Gains (Losses)

These are recognized when the ownership of the securities is transferred to the buyer and is computed as the difference between the selling price and the carrying amount of the securities disposed of. These also include trading gains and losses as a result of the mark-to-market valuation of investment securities classified as FVTPL.

b) Gains on Assets Sold

Gains on assets sold arise from the disposals of bank premises, furniture, fixtures and equipment, investment properties, real estate properties for sale, and assets held-for-sale. The Group recognizes the gain on sale at the time the control of the assets is transferred to the buyer, when the Group does not retain either continuing managerial involvement to the degree usually associated with ownership, or effective control over the assets sold, and when the collectability of the entire sales price is reasonably assured. Gains on assets sold are included as part of Miscellaneous income under Other Operating Income account in the statement of profit or loss.

c) Dividend Income

Dividend income is recognized when the Group's right to receive payment is established.

Collections from accounts, which did not qualify for revenue recognition are treated as customers' deposit included as part of Accounts payable under Other Liabilities account in the statement of financial position.

Costs and expenses are recognized in profit or loss upon utilization of the assets and/or services or at the date those are incurred. All finance costs are reported in profit or loss on accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset, if any (see Note 2.20).

2.16 Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

(i) Accounting for Leases in Accordance with PFRS 16 (2019)

For any new contracts entered into on or after January 1, 2019, the Group considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, estimates of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequently, the Group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the Right-of-use asset for impairment when such indicators exist (see Note 2.18).

On the other hand, the Group measures the lease liability at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed) less lease incentives receivable, if any, variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or to profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, Right-of-use assets and Lease liabilities have been included as part of Bank Premises, Furniture, Fixtures and Equipment, and Other Liabilities, respectively.

(ii) Accounting for Leases in Accordance with PAS 17 (2018)

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease, only if one of the following applies:

- there is a change in contractual terms, other than a renewal or extension of the arrangement;
- a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- there is a change in the determination of whether fulfillment is dependent on a specified asset; or,
- there is a substantial change to the asset.

(b) *Group as Lessor*

Leases which transfer to the lessee all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented at an amount equal to the Group's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Group's net investment outstanding in respect of the finance lease, and is included as part of Interest Income on loans and receivables.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term. These are recognized as part of Miscellaneous income under Other Operating Income account in the statement of profit or loss.

2.17 Foreign Currency Transactions and Translations

The Group's transactions in foreign currencies are accounted for as follows:

(a) *Transactions and Balances*

Except for the foreign subsidiaries and accounts of the Group's foreign currency deposit unit (FCDU), the accounting records of the Group are maintained in Philippine pesos. Foreign currency transactions during the period are translated into the functional currency at exchange rates which approximate those prevailing at transaction dates. Resources and liabilities denominated in foreign currencies are translated to Philippine pesos at the prevailing Bankers Association of the Philippines closing rates (BAPCR) [Philippine Dealing System closing rates (PDSCR) for 2017 and prior] at the end of the reporting period.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss, except when recognized in other comprehensive income and deferred in equity as qualifying cash flow hedges and qualifying net investment hedges. Translation differences on non-monetary items, such as equity securities classified as at FVTPL, are reported as part of fair value gain or loss in profit or loss.

For financial reporting purposes, the accounts of the FCDU are translated into their equivalents in Philippine pesos based on the BAPCR (PDSCR for 2017 and prior) prevailing at the end of each reporting period (for resources and liabilities) and at the weighted average BAPCR (PDSCR for 2017 and prior) for the period (for income and expenses). Any foreign exchange difference is recognized in profit or loss.

Changes in the fair value of monetary financial assets (debt securities) denominated in foreign currency classified as financial assets at FVTPL and financial assets at FVOCI are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Accordingly, translation differences related to changes in amortized cost of investment in debt securities are recognized in profit or loss, and other changes in the carrying amount are recognized as gains and losses in other comprehensive income.

(b) Translation of Financial Statements of Foreign Subsidiaries

The results of operations and financial position of all the Group's foreign subsidiaries (none of which has the currency dependency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities at the end of each reporting period as presented in the statement of financial position are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses are translated at average exchange rates during the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transactions' dates, in which case income and expenses are translated at the dates of the transactions); and,

(iii) All resulting exchange differences are recognized as a component of equity.

In consolidation, exchange differences arising from the translation of the net investment in foreign entities are recognized in other comprehensive income which form part of Revaluation Reserves account in equity. When a foreign operation is sold, the accumulated translation and exchange differences are recognized in profit or loss as part of the gain or loss on assets sold.

The translation of the financial statements into Philippine peso should not be construed as a representation that the amounts stated in currencies other than the Philippine peso could be converted in Philippine peso amounts at the translation rates or at any other rates of exchange.

2.18 Impairment of Non-financial Assets

Investments in subsidiaries and associates, bank premises, furniture, fixtures and equipment (including right-of-use asset), investment properties, and other resources (including intangible assets and non-current assets held for sale) and other non-financial assets are subject to impairment testing. Intangible assets (including goodwill, branch licenses and trading rights) with an indefinite useful life or those not yet available for use are tested for impairment at least annually.

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. Except for intangible assets with an indefinite useful life (i.e., goodwill, branch licenses and trading rights) or those not yet available for use, individual assets or CGU are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill has been allocated, an impairment loss is recognized immediately in profit or loss. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods.

Other intangible assets with indefinite useful lives, branch licenses and exchange trading right, are tested for impairment either individually or at the cash generating unit level, as appropriate when circumstances indicate that the intangible asset may be impaired.

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. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction, while in determining value in use management estimates the expected future cash flows to be generated from the continued use of the asset or 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, 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.

2.19 Employee Benefits

Entities under the Group provide respective post-employment benefits to employees through a defined benefit plan and defined contribution plan, as well as other benefits, which are recognized and measured as follows:

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's post-employment defined benefit plan covers all regular full-time employees. The pension plan is tax-qualified, non-contributory and administered by trustees.

The liability recognized in the statement of financial position for defined benefit post-employment plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interpolated yields of government bonds as calculated by Bloomberg which used Bloomberg Valuation (BVAL) Evaluated Pricing Service to calculate the PHP BVAL Reference Rates. These yields are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and other changes in actuarial assumptions, effect of the changes to the asset ceiling, if any, and actual return on plan assets (excluding amount included in net interest), are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in the subsequent periods.

Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Other Interest Income or Expense account in the statement of profit or loss.

Past-service costs are recognized immediately in profit or loss in the period of a plan amendment or curtailment.

(b) *Post-employment Defined Contribution Plan*

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity such as the Social Security System. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred.

(c) *Short-term Benefits*

Short-term employee benefits include wages, salaries, bonuses, and non-monetary benefits provided to current employees, which are expected to be settled before twelve months after the end of the reporting period during which an employee services are rendered, but does not include termination benefits. The undiscounted amount of the benefits expected to be paid in respect of services rendered by employees in an accounting period is recognized in profit or loss during that period and any unsettled amount at the end of the reporting period is included as part of Accrued Interest, Taxes and Other Expenses in the statement of financial position.

(d) *Termination Benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of: (i) when it can no longer withdraw the offer of such benefits, and, (ii) when it recognizes costs for a restructuring that is within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(e) *Bonus Plans*

The Group recognizes a liability and an expense for bonuses, based on a fixed formula. The Group recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(f) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in the Accrued Interest, Taxes and Other Expenses account in the statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.20 Borrowing Costs

Borrowing costs are recognized as expense in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of the cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.21 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.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of the assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities recognized by the entities under the Group are offset if they have a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.22 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.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

All material related party transactions shall be approved by at least two-thirds vote of the BOD, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock.

Transactions amounting to 10% or more of the consolidated total assets based on the latest audited consolidated financial statements entered into with related parties are considered material.

2.23 Earnings and Dilutive Earning Per Share

Basic earnings per share (EPS) is determined by dividing the adjusted net profit for the year attributable to common shareholders by the weighted average number of common stocks outstanding during the period, after giving retroactive effect to any stock dividends declared in the current period.

Diluted EPS is also computed by dividing net profit by the weighted average number of common stocks subscribed and issued during the period. However, net profit attributable to common stocks and the weighted average number of common stocks outstanding are adjusted to reflect the effects of potentially dilutive convertible preferred stocks. Convertible preferred stocks are deemed to have been converted into common stocks at the issuance of preferred stocks.

In cases of redemption of preference shares, the net income used in the computation of basic and diluted EPS is decreased by the excess of the fair value of consideration paid to holders of the instruments over the carrying amount of such repurchased the instruments.

2.24 Trust and Fiduciary Activities

The Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. The resources, liabilities and income or loss arising thereon are excluded from these financial statements, as these are neither resources nor income of the Group.

2.25 Events After the End of the Reporting Period

Any post year-end 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 year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately vary from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

(a) Determination of Lease Term of Contracts with Renewal and Termination Options (2019)

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

For leases of offices and branches, the factors that are normally the most relevant are (a) if there are significant penalties should the Group pre-terminate the contract, and (b) if any leasehold improvements are expected to have a significant remaining value, the Group is reasonably certain to extend and not to terminate the lease contract.

The Group did not include renewal options as part of the lease term as the terms are renewable upon mutual agreement.

The lease term is reassessed if an option is actually exercised or not exercised or the Group becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

(b) Application of ECL to Financial Assets at Amortized Cost and Financial Assets at FVOCI

The Group uses the general approach to calculate ECL for all debt instruments carried at amortized cost and FVOCI, together with loan commitments and financial guarantee contracts. The allowance for impairment is based on the ECLs associated with the probability of default of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since origination of the financial instrument, in such case, a lifetime ECL for the instrument is recognized.

The Group has established a policy to perform an assessment, at the end of each reporting period, 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.

(c) Evaluation of Business Models Applied in Managing Financial Instruments

The Group manages its financial assets based on business models that maintain adequate level of financial assets to match its expected cash outflows, largely, its core deposit funding arising from customers' withdrawals and continuing loan disbursements to borrowers, while maintaining a strategic portfolio of financial assets for trading activities consistent with its risk appetite.

The Group's business models reflect how it manages its portfolio of financial instruments. The Group's business models need not be assessed at entity level or as a whole but applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Group) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument, the Group evaluates in which business model a financial instrument or a portfolio of financial instruments belongs to taking into consideration the objectives of each business model established by the Group (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Group's investment, trading and lending strategies.

If more than an infrequent sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Group considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with the HTC business model if the Group can explain the reasons for those sales and why those sales do not reflect a change in the Group's objective for the business model.

In 2019 and 2018, the Parent Company disposed of certain debt securities from its HTC portfolio in accordance with its investment policy and has applied these evaluation process to ensure that the disposal is consistent with the Group's HTC business model (see Note 10.3).

(b) *Testing the Cash Flow Characteristics of Financial Assets and Continuing Evaluation of the Business Model*

In determining the classification of financial assets, the Group assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Group assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows).

If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Group considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

(c) *Determination of Timing of Satisfaction of Performance Obligation*

The Group determines that its revenue shall be recognized at a point in time for loan syndication and underwriting fees and commission. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Company to the customers. The services provided by the Company would need substantial reperformance from other entities. This demonstrates that the customers does not simultaneously receive and consume the benefits provided by the Group.

(d) *Distinction Between Investment Properties and Owner-occupied Properties*

The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by the Group. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production, supply process, and in the Group's banking operation.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease) then these portions can be accounted for separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in operations or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property.

As of the end of the reporting period, the Group has a certain building which comprise a portion that is held for rental and other portion is used for operations which were classified by the Group as Investment Property or as part of Bank Premises, Furniture, Fixtures and Equipment according to its current use.

(e) Distinction Between Operating and Finance Leases where the Group is the Lessor

The Group has entered into various lease agreements either as a lessor or a lessee. Judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets or liabilities.

In determining whether the lease arrangements of RCBC LFC qualify as a finance lease, the following factors have been considered:

(i) the lease provides the lessee an option to purchase the asset; or,

(ii) the lease transfers ownership of the property at the end of the lease and the related lease terms approximate the estimate useful life of the asset being leased.

(f) Classification and Determination of Fair Value of Acquired Properties

The Group classifies its acquired properties as Bank Premises, Furniture, Fixtures and Equipment if used in operations, as Assets Held-for-Sale and Disposal Group presented under Other Resources account if the Group expects that the assets will be sold within one year from the date of recognition, as Investment Properties if held for rental or for currently undetermined future use and is regarded as held for capital appreciation, or as financial assets. At initial recognition, the Group determines the fair value of acquired properties through internal and external appraisal depending on the Group's threshold policy. The appraised value is determined based on the current economic and market conditions, as well as the physical condition of the property.

The Group's methodology in determining the fair value of acquired properties are further discussed in Note 7.4.

(g) Assessment of Significant Influence on HCPI in which the Group and the Parent Company Holds Less than 20% Ownership

The management considers that the Group and the Parent Company have significant influence on HCPI even though it holds less than 20% of the ordinary shares in the latter. In making this judgment, management considered the Group's and the Parent Company's rights to commit and undertake to vote, and to regulate the conduct of voting and the relationship between them with respect to their exercise of their voting rights (see Note 12.2).

(h) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.13 and relevant disclosures are presented in Note 29. In dealing with the Group's various legal proceedings, the Group's estimate of the probable costs that may arise from claims and contingencies has been developed in consultation and coordination with the Group's internal and outside counsels acting in defense for the Group and the Parent Company's legal cases and are based upon the analysis of probable results.

Although the Group does not believe that its on-going proceedings, as disclosed in Note 29, will have material adverse effect on the Group's financial position, it is possible that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies conducted relating to those proceedings.

(i) Common Control Business Combination

The management considers the merger between RCBC and RSB as common control business combination because there was no change in control, the ultimate controlling party, which is RCBC, has control over the combined resources. The ultimate controlling party basically combined its resources; hence, a business combination without commercial substance. The common control business combination between RCBC and RSB was accounted as using pooling of interest method [see Notes 1.3, 2.1(b), 23 and 34].

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Determination of Appropriate Discount Rate in Measuring Lease Liabilities (2019)

The Group measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Group's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(b) Estimation of Expected Credit Loss on Financial Assets

When measuring allowance for ECL for relevant categories of financial assets, management applies judgment in defining the criteria in assessing whether a financial asset has experienced SICR since initial recognition, and in the estimation of the contractual cash flows due from counterparty and those that the Group would expect to receive, taking into account the cash flows from the realization of collateral and integral credit enhancements. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions about future economic conditions and credit behaviour of counterparties (e.g., the likelihood of counterparties defaulting and the resulting losses). The computation of the ECL also considers the use of reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other that may result in different levels of loss allowance.

Significant factors affecting the estimates on the ECL model include:

- internal rating matrix which determines the PD to be assigned to a financial asset;
- criteria for assessing if there has been an SICR and when a financial asset will be transferred between the three stages;
- the Group's definition of default for different segments of credit exposures that considers the regulatory requirements;
- establishing groups of similar financial assets (i.e., segmentation) for the purposes of measuring ECL on a collective basis;

- establishment of LGD parameters based on historical recovery rates of claims against defaulted counterparties across different group of financial instruments; and,
- establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL.

The explanation of inputs, assumptions and estimation techniques used in measuring ECL and the analysis of the allowance for ECL on various groups of financial instruments is further discussed in Note 4.4.

(c) Fair Value Measurement for Financial Assets at FVTPL and at FVOCI

The Group carries certain financial assets at fair value which requires judgment and extensive use of accounting estimates. In cases when active market quotes are not available, fair value is determined by reference to the current market value of another financial instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument or other more appropriated valuation techniques (see Note 7.2).

The amount of changes in fair value would differ if the Group had utilized different valuation methods and assumptions. Any change in fair value of the financial assets and financial liabilities would affect profit or loss or other comprehensive income.

The fair value of derivative financial instruments that are not quoted in an active market is determined through valuation techniques using the net present value computation (see Note 7.2).

The carrying values of the Group and the Parent Company's trading and investment securities and the amounts of fair value changes recognized on those financial assets are disclosed in Note 10.

(d) Estimation of Useful Lives of Bank Premises, Furniture, Fixtures and Equipment, Right-of-use Assets, Investment Properties, Computer Software, Goodwill, Branch Licenses and Trading Rights

The Group estimates the useful lives of bank premises, furniture, fixtures and equipment, right-of-use assets, investment properties and computer software based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The Group's goodwill, branch licenses and trading rights were regarded as having an indefinite useful lives considering there is no foreseeable limit to the period over which such assets are expected to generate net cash inflows for the Group. The assessment of having indefinite useful lives is reviewed periodically and is updated whether events and circumstances such as the period of control over these assets and legal or similar limits on the use of these assets continue to support such assessment.

The carrying amounts of bank premises, furniture, fixtures and equipment, including right-of-use assets, investment properties and computer software are analyzed in Notes 13, 14 and 15, respectively, while the carrying amounts of goodwill, branch licenses and trading rights are analyzed in Note 15. Based on management's assessment as of December 31, 2019 and 2018, there are no changes in the useful lives of these assets. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(e) Determination of Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Significant judgment is applied by management to determine the amount of deferred tax assets that can be recognized based on the likely timing and level of the Group's future taxable income together with its future tax planning strategies. The Group assessed its projected performance in determining the sufficiency of the future taxable income to support the recognition of deferred tax assets.

The carrying values of recognized and unrecognized deferred tax assets as of December 31, 2019 and 2018 are disclosed in Note 26.1.

(f) Estimation of Impairment Losses of Non-financial Assets

Except for intangible assets with indefinite useful lives, PFRS requires that an impairment review be performed when certain impairment indications are present. The Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.18.

The Group assesses impairment on these non-financial assets and considers the following important indicators:

- significant changes in asset usage;
- significant decline in assets' market value;
- obsolescence or physical damage of an asset;
- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of usage of the acquired assets or the strategy for the Group's overall business; and,
- significant negative industry or economic trends.

If such indications are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Though management believes that the assumptions used in the estimation of fair values of non-financial assets are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

(g) Determination of Fair Value of Investment Properties

The Group's investment properties are composed of parcels of land, buildings and condominium units which are held for capital appreciation or held-for-lease, and are measured using cost model. The estimated fair value of investment properties disclosed in Note 7.4 is determined by either an independent or internal appraiser on the basis of current appraised values of the properties or similar properties in the same location and condition.

For investment properties with appraisal conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties.

A significant change in key inputs and sources of information used in the determination of the fair value disclosed for those assets may result in adjustment in the carrying amount of the assets reported in the financial statements if their fair value will indicate evidence of impairment.

(h) Valuation of Post-employment Defined Benefits

The determination of the Group's obligation and cost of post-employment defined benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, and salary increase rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or loss, and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and related income or expense, and an analysis of the movements in the estimated present value of post-employment benefit obligation, as well as the significant assumptions used in estimating such obligation, are presented in Note 24.2.

4. RISK MANAGEMENT POLICIES AND OBJECTIVES

The Group is exposed to risks in relation to its operating, investing, and financing activities, and the business environment in which it operates. The Group's objectives in risk management are to ensure that it identifies, measures, monitors, and controls the various risks that arise from its business activities, and that it adheres strictly to the policies, procedures, and control systems which are established to address these risks.

A committee system is a fundamental part of the Group's process of managing risk. The following five committees of the Parent Company's BOD are relevant in this context:

- The Executive Committee, which meets weekly, has the power to act and pass upon such matters as the Board may entrust to it for action in between BOD meetings. It may also consider and approve loans and other credit related matters, investments, purchase of shares of stock, bonds, securities and other commercial papers for the Bank's portfolio. The Executive Committee also has the power to review an asset or loan to ensure timely resolution and recognition of losses of impaired assets.

- The Risk Oversight Committee (ROC), which meets monthly, carries out the BOD's oversight responsibility for Group's capital adequacy and risk management strategy and actions covering credit, market and operational risks under Pillar I of the Basel framework; as well as the management of other material risks determined under Pillar II and the Internal Capital Adequacy Assessment Process (ICAAP) (see Note 5.2). Risk limits are reviewed and approved by the ROC.

- The Audit and Compliance Committee (ACC), which meets monthly, reviews the results of the Internal Audit examinations and recommends remedial actions to the BOD as appropriate. The ACC also performs oversight functions over the Regulatory Affairs Group on matters such as compliance risk assessment, annual testing work plan, compliance breaches, and other regulatory issues.

- The Related Party Transactions (RPT) Committee, which meets monthly and as necessary, reviews 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 Committee endorses transactions to the BOD for approval.

- The Anti-Money Laundering (AML) Board Committee, which meets monthly, oversees the implementation of the Bank's Money Laundering and Terrorist Financing Prevention Program (MTPP) and ensures that ML/TF risks are effectively managed. This Committee also ensures that infractions are immediately corrected, issues are addressed and AML training of directors, officers, and staff are regularly conducted.

Four senior management committees also provide a regular forum to take up risk issues.

- The Credit and Collection Committee (CRECOL), chaired by the Chief Executive Officer (CEO) and composed of the heads of credit risk-taking business units and the head of credit management group, meets weekly to review and approve credit exposures within its authority. It also reviews plans and progress on the resolution of problem loan accounts.

- The Asset/Liability Committee (ALCO), chaired by the Treasurer of the Parent Company and with the participation of the CEO and key business and support unit heads meets weekly to appraise market trends, and economic and political developments. It provides direction in the management of interest rate risk, liquidity risk, foreign currency risk, and trading and investment portfolio decisions. It sets prices or rates for various asset and liability and trading products, in light of funding costs and competitive and other market conditions. It receives confirmation that market risk limits (as described in the succeeding pages) are not breached; or if breached, it provides guidance on the handling of the relevant risk exposure in between ROC meetings.

- The Related Party Transactions Management Committee (RPT ManCom), composed of the Group Heads of the business units as specified in the charter or their respective designates. It meets monthly to review and approve proposed RPT within the materiality threshold for the purpose of determining whether or not the transaction is on terms no less favorable to the Bank than terms available to any unconnected third party under the same or similar circumstances unless the transaction requires BOD approval. On favorable review, the RPT ManCom endorses the transaction for BOD confirmation.

- The Anti-Money Laundering Management Committee (AMLCom), which meets weekly, evaluates the unusual/suspicious transaction reported by the different bank units to determine the filing of Suspicious Transaction Reports (STRs) to the Anti-Money Laundering Council (AMLC).

  The AMLCom is composed of the Chief Compliance Officer as the Chairperson and Presiding Officer and the Heads of Operations Group, Retail Banking Group, Controllership Group, Legal Affairs Group, Operational Risk Management Division, Legal Affairs Division as members, and AML Monitoring and Reporting Division (AMRD) as the Rapporteur. The AMRD, through the Chief Compliance Officer, reports to the AML Board Committee its monthly activities including the results of the AMLCom meetings.

The Parent Company established a Risk Management Group, headed by the Chief Risk Officer, to ensure that consistent implementation of the objectives of risk identification, measurement and/or assessment, mitigation, and monitoring are pursued via practices commensurate with the group-wide risk profile.

In addition to established risk management systems and controls, the Group holds capital commensurate with the levels of risk it undertakes (see Note 5), in accordance with regulatory capital standards and internal benchmarks set by the Parent Company's BOD.

4.1 Group's Strategy in Using Financial Instruments

It is the Group's intent to generate returns mainly from the traditional financial intermediation and service-provision activities, augmented by returns from positions based on views on the financial markets. The main source of risk, therefore, remains to be that arising from credit risk exposures. Nevertheless, within BSP regulatory constraints, and subject to limits and parameters established by the BOD and/or the ROC, the Group is exposed to liquidity risk and interest rate risk inherent in the Group's operations, and other market risks, which include foreign exchange risk.

In the course of performing financial intermediation function, the Group accepts deposits from customers at fixed and floating rates, and for various periods, and seeks to earn interest margins by investing these funds in high-quality assets. The conventional strategy to enhance net interest margin is the investment of short-term funds in longer-term assets, such as fixed-income securities. While, in doing so, the Group maintains liquidity at prudent levels to meet all claims that fall due, the Group fully recognizes the consequent interest rate risk exposure.

The Group's investment portfolio is composed mainly of marketable, sovereign and corporate debt instruments.

The Parent Company was granted by the BSP additional derivatives authorities effective January 2011. Products approved under the Limited Dealer Authority (Type 2) are foreign currency forwards, non-deliverable forwards, interest rate and cross currency swaps while credit-linked notes and bond options were approved under the Limited User Authority (Type 3). In February 2012, bond forwards, non-deliverable swaps and foreign exchange options have been included under the same Limited User Authority (Type 3). In June 2013, the Parent Company was granted a Type 2 license non-deliverable swaps, foreign currency options, bond and interest rate options, and asset swaps. During the same period, additional Type 3 licenses for foreign exchange-option and bond-option linked notes were likewise approved. The Parent Company's derivatives portfolio consists mostly of short-term currency forward contracts and swaps, and interest rate swaps and futures.

4.2 Liquidity Risk

Liquidity risk refers to current and prospective risk to earnings or capital arising from a bank's inability to meet its obligations when they come due without incurring unacceptable losses or costs. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources. The Group manages liquidity risk by limiting the maturity mismatch between assets and liabilities, and by holding sufficient liquid assets of appropriate quality and marketability.

The Group recognizes the liquidity risk inherent in its activities, and identifies, measures, monitors and controls the liquidity risk inherent to the members of the Group which are financial intermediaries.

The Group's liquidity policy is to manage its operations to ensure that funds available are more than adequate to meet demands of its customers and to enable deposits to be repaid on maturity. The Group's liquidity policies and procedures are set out in its funding and liquidity plan which contains certain funding requirements based on assumptions and uses resources and liability maturity gap analysis.

The Group uses Maximum Cumulative Outflow (MCO) model to measure liquidity risk arising from mismatches of assets and liabilities. MCO is a liquidity gap tool to project cash flow expectations on a status quo condition.

The MCO is generated by distributing the cash flows of the Group's assets, liabilities and off-balance sheet items to time buckets based cash flow expectations such as contractual maturity, nature of the account, behavioral patterns, projections on business strategies, and/or optionality of certain products.

The incorporation of behavioral cash flow assumptions and business projections or targets results in a dynamic gap report which realistically captures the behavior of the products and creates a forward-looking cash flow projection.

The Group monitors MCO regularly to ensure that it remains within the set limits. The Parent Company generates and monitors daily its MCO. The subsidiaries generate at least monthly their respective MCO reports. The liquidity profile of the Group is reported monthly to the Parent Company's ROC. To supplement the status quo scenario parameters reflected in the MCO report, the Group also conducts liquidity stress testing to determine the impact of extreme factors, scenarios and events to the Group's liquidity profile.

The gap analyses as of December 31, 2019 and 2018 are presented below.

	Group					
	2019					
	One to Three Months	**Three Months to One Year**	**One to Five Years**	**More than Five Years**	**Non-maturity**	**Total**
Resources:						
Cash and cash equivalents	P 83,728	P 2,935	P 2,014	P -	P 58,874	P 147,551
Investments - net	81,467	3,965	38,843	35,077	1,367	160,719
Loans and receivables - net	27,376	73,230	110,665	97,738	121,407	430,416
Other resources - net	103	127	298	100	27,765	28,393
Total resources	P 192,674	P 80,257	P 151,820	P 132,915	P 209,413	P 767,079
Liabilities:						
Deposit liabilities	54,793	28,183	20,933	3	352,669	456,581
Bills payable	75,139	-	18,919	7,546	2	101,606
Bonds payable	12,304	15,000	69,510	-	-	96,814
Other liabilities	950	27	-	-	28,251	29,228
Total liabilities	143,186	43,210	109,362	7,549	380,922	684,229
Equity	-	-	-	-	82,850	82,850
Total liabilities and equity	143,186	43,210	109,362	7,549	463,772	767,079
On-book gap	49,488	37,047	42,458	125,366	(254,359)	-
Cumulative on-book gap	49,488	86,535	128,993	254,359	-	-
Contingent resources	18,088	-	-	-	-	18,088
Contingent liabilities	24,141	-	-	-	-	24,141
Off-book gap	(6,053)	-	-	-	-	(6,053)
Cumulative off-book gap	(6,053)	(6,053)	(6,053)	(6,053)	(6,053)	-
Periodic gap	**43,435**	**37,047**	**42,458**	**125,366**	**(254,359)**	**(6,053)**
Cumulative total gap	**P 43,435**	**P 80,482**	**P 122,940**	**P 248,306**	**(P 6,053)**	**P -**

	Group 2018					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-maturity	Total
Resources:						
Cash and cash equivalents	P 51,696	P 1,389	P 2,171	P 756	P 57,771	P 113,783
Investments - net	19,248	5,112	26,288	60,665	7,559	118,872
Loans and receivables - net	25,743	63,353	102,472	98,146	99,064	388,778
Other resources - net	13,497	206	400	57	9,002	23,162
Total resources	110,184	70,060	131,331	159,624	173,396	644,595
Liabilities:						
Deposit liabilities	51,950	10,390	9,920	6,119	345,020	423,399
Bills payable	7,476	42,245	5,095	1,185	-	56,001
Bonds payable	-	-	53,090	-	-	53,090
Subordinated debt	-	-	-	9,986	-	9,986
Other liabilities	12,454	41	-	-	8,454	20,949
Total liabilities	71,880	52,676	68,105	17,290	353,474	563,425
Equity	-	-	-	-	81,170	81,170
Total liabilities and equity	71,880	52,676	68,105,	17,290	434,644	644,595
On-book gap	38,304	17,384	63,226,	142,334	(261,248)	-
Cumulative on-book gap	38,304	55,688	118,914	261,248	-	-
Contingent resources	15,844	-	-	-	-	15,844
Contingent liabilities	15,960	-	-	-	-	15,960
Off-book gap	(116)	-	-	-	-	(116)
Cumulative off-book gap	(116)	(116)	(116)	(116)	(116)	
Periodic gap	38,188	17,384	63,226	142,334	(261,248)	(116)
Cumulative total gap	P 38,188	P 55,572	P 118,798	P 261,132	(P 116)	P -

	Parent Company 2019					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-maturity	Total
Resources:						
Cash and cash equivalents	P 83,036	P 2,434	P 1,689	P -	P 58,610	P 145,769
Investments - net	80,354	3,965	38,843	33,717	565	157,444
Loans and receivables - net	25,609	72,058	104,816	97,619	122,580	422,682
Other resources - net	47	127	298	100	31,651	32,223
Total resources	189,046	78,585	145,645	131,436	213,406	758,118
Liabilities:						
Deposit liabilities	53,178	25,283	19,449	3	358,680	456,593
Bills payable	74,530	-	18,460	946	2	93,938
Bonds payable	12,304	15,000	69,510	-	-	96,814
Other liabilities	863	-	-	-	27,148	28,011
Total liabilities	140,875	40,283	107,419	949	385,830	675,356
Equity	-	-	-	-	82,762	82,762
Total liabilities and equity	140,875	40,283	107,419	949	468,592	758,118
On-book gap	48,171	38,302	38,226	130,487	(255,186)	-
Cumulative on-book gap	48,171	86,473	124,699	255,186	-	-
Contingent resources	17,955	-	-	-	-	17,955
Contingent liabilities	24,019	-	-	-	-	24,019
Off-book gap	(6,064)	-	-	-	-	(6,064)
Cumulative off-book gap	(6,064)	(6,064)	(6,064)	(6,064)	(6,064)	-
Periodic gap	**42,107**	**38,302**	**38,226**	**130,487**	**(255,186)**	**(6,064)**
Cumulative total gap	**P 42,107**	**P 80,409**	**P 118,635**	**P 249,122**	**(P 6,064)**	**P -**

	Parent Company 2018 (As restated)					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-maturity	Total
Resources:						
Cash and cash equivalents	P 40,351	P 1,388	P 1,635	P 644	P 67,769	P 111,787
Investments - net	16,940	5,112	23,191	60,606	15,312	121,161
Loans and receivables - net	26,772	63,344	102,472	98,146	91,834	382,568
Other resources - net	13,516	194	385	31	6,565	20,691
Total resources	97,579	70,038	127,683	159,427	181,480	636,207
Liabilities:						
Deposit liabilities	53,518	10,763	11,890	3,580	343,778	423,529
Bills payable	4,988	368	33,386	10,017	-	48,759
Bonds payable	-	-	53,090	-	-	53,090
Subordinated debt	-	9,986	-	-	-	9,986
Other liabilities	12,098	18	-	-	7,652	19,768
Total liabilities	70,604	21,135	98,366	13,597	351,430	555,132
Equity	-	-	-	-	81,075	81,075
Total liabilities and equity	70,604	21,135	98,366	13,597	432,505	636,207
On-book gap	26,975	48,903	29,317	145,830	(251,025)	-
Cumulative on-book gap	26,975	75,878	105,195	251,025	-	-
Contingent resources	15,808	-	-	-	-	15,808
Contingent liabilities	15,912	-	-	-	-	15,912
Off-book gap	(104)	-	-	-	-	(104)
Cumulative off-book gap	(104)	(104)	(104)	(104)	(104)	-
Periodic gap	26,871	48,903	29,317	145,830	(251,025)	(104)
Cumulative total gap	P 26,871	P 75,774	P 105,091	P 250,921	(P 104)	P -

Pursuant to applicable BSP regulations, the Group is required to maintain reserves against deposit liabilities which are based on certain percentages of deposits. The required reserves against deposit liabilities shall be kept in the form of deposits placed in the Group's demand deposit accounts with the BSP. The BSP also requires the Parent Company to maintain asset cover of 100% for foreign currency-denominated liabilities of its FCDU.

4.2.1 Foreign Currency Liquidity Management

The liquidity risk management policies and objectives described also apply to the management of any foreign currency to which the Group maintains significant exposure. Specifically, the Group ensures that its measurement, monitoring, and control systems account for these exposures as well. The Group sets and regularly reviews limits on the size of the cash flow mismatches for each significant individual currency and in aggregate over appropriate time horizons. The Group also assesses its access to foreign exchange markets when setting up its risk limits.

Following BSP Circular No. 639 on ICAAP, the Group likewise calculates and maintains a level of capital needed to support unexpected losses attributable to liquidity risk (see Note 5.2).

4.2.2 Liquidity Risk Stress

To augment the effectiveness of the Group's gap analysis, the Group regularly assesses liquidity risk based on behavioral and hypothetical assumptions under stress conditions. Survivability and resilience of the Bank are assessed for a minimum stress period of 30 days for all crisis scenarios enumerated in BSP Circular 981: *Guidelines on Liquidity Risk Management*. The results of these liquidity stress simulations are reported monthly to ALCO and ROC.

4.2.3 Liquidity Coverage Ratio and Net Stable Funding Ratio

On March 10, 2016, the BSP issued Circular No. 905, *Implementation of Basel III Framework on Liquidity Standards - Liquidity Coverage Ratio and Disclosure Standards*, which provides the implementing guidelines on liquidity coverage ratio (LCR) and disclosure standards that are consistent with the Basel III framework. The LCR is the ratio of high-quality liquid assets to total net cash outflows, which should not be lower than 100.00%. Compliance with the LCR minimum requirement commenced on January 1, 2018 with the prescribed minimum ratio of 90.00% for 2018 and 100.00% effective January 1, 2019.

To promote the short-term resilience of the liquidity risk profile, the Bank maintains adequate stock of unencumbered high-quality liquid assets (HQLAs) that consists of cash or assets that can be converted into cash at little or no loss of value in private markets, to meet its liquidity needs under stressed conditions. The stock of liquid assets should enable the Bank to withstand significant liquidity shocks for at least 30 calendar days, which would give time for corrective actions to be taken by the Bank management and/or the BSP. Details of the Group and Parent Company's LCR as of December 31, 2019 are summarized below.

	Group		Parent Company	
	Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value
Total stock of HQLA	P 177,859	P 170,908	P 175,084	P 168,288
Expected Net Cash Outflows*	860,119	120,016	858,411	115,270
Liquidity Coverage Ratio		142.40%		145.99%

**Includes Restricted Term Deposits and Deposits pledged as collateral or under hold-out arrangements*

Net Stable Funding Ratio (NSFR), as detailed in BSP Circular 1007, *Implementing Guidelines on the adoption of the Basel III Framework on Liquidity Standards - Net Stable Funding Ratio*, measures the availability of medium and long-term stable funding to support illiquid assets and business activities on an on-going basis. It is an assessment of the level of sustainable funding required to reduce funding risk over a one-year time horizon. The NSFR complements the LCR, which promotes short-term resilience of the Bank's liquidity profile.

To promote long-term resilience against liquidity risk, the Bank maintains a stable funding profile in relation to the composition of its assets and off-balance sheet activities and seeks to meet this objective by limiting overreliance on short-term wholesale funding and promoting enhanced assessment of funding risk across all on- and off-balance sheet accounts.

Details of the Group and Parent Company's Basel III NSFR as of December 31, 2019 are summarized below.

	Group	Parent Company
Available stable funding	P 466,447	P 462,545
Required stable funding	420,616	409,585
Basel III NSFR	**110.90%**	**112.93%**

The Bank has complied with the daily minimum regulatory requirement of 100% for both ratios beginning in 2019. For the Bank subsidiaries, per BSP Memo dated March 8, 2019, the observation period for LCR and NSFR was extended up to end-December 2019 to give sufficient time to build up liquidity position given the combined impact of these liquidity measures.

4.3 Market Risk

The Group's exposure to market risk is the potential diminution of earnings arising from the adverse movement of market interest rates and foreign exchange rates, as well as the potential loss of market value, primarily of its holdings of foreign exchange currencies, debt securities and derivatives.

The market risks of the Group are: (a) foreign exchange risk, (b) interest rate risk and (c) equity price risk. The Group manages these risks via a process of identifying, analyzing, measuring and controlling relevant market risk factors, and establishing appropriate limits for the various exposures. The market risk metrics in use, each of which has a corresponding limit, include the following:

- Nominal Position – an open risk position that is held as of any point in time expressed in terms of the nominal amount of the exposure.

- Dollar Value of 01 (DV01) – an estimate of the price impact due to a one-basis point change in the yield of fixed income securities. It effectively captures both the nominal size of the portfolio as well as its duration. A given DV01 limit accommodates various combinations of portfolio nominal size and duration, thus providing a degree of flexibility to the trading/risk taking function, but at the same time represents a ceiling to the rate sensitivity of the exposure according to the Group's risk appetite.

- Value-at-Risk (VaR) – an estimate of the amount of loss that a given risk exposure is unlikely to exceed during a given time period, at a given level of statistical confidence. Analytically, VaR is the product of: (a) the sensitivity of the market value of the position to movements of the relevant market risk factors, and (b) the volatility of the market risk factor for the given time horizon at a specified level of statistical confidence. Typically, the Group uses a 99% confidence level for this measurement. VaR is used as a risk measure for trading positions, which are marked-to-market (as opposed to exposures resulting from banking, or accrual, book resources and liabilities). Foreign Exchange Position VaR uses a one-day holding period, while Fixed Income VaR uses a defeasance period assessed periodically as appropriate to allow an orderly unwinding of the position. VaR models are back-tested to ensure that results remain consistent with the expectations based on the chosen statistical confidence level.

The Parent Company use VaR as an important tool for measuring market risk, they are cognizant of its limitations, notably the following:

- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.
- VaR is based on historical volatility. Future volatility may be different due to either random, one-time events or structural changes (including changes in correlation). VaR may be unable to capture volatility due to either of these.
- The holding period assumption may not be valid in all cases, such as during periods of extremely stressed market liquidity.
- VaR is, by definition, an estimate at a specified level of confidence. Losses may occur beyond VaR. A 99% VaR implies that losses can exceed VaR 1% of the time.
- In cases where a parametric distribution is assumed to calculate VaR, the assumed distribution may not fit the actual distribution well.
- VaR assumes a static position over the holding period. In reality, trading positions change, even during the trading day.

In addition to the limits corresponding to the above measurements, the following are also in place:

- Loss Limit – represents a ceiling on accumulated month-to-date and year-to-date losses. For trading positions, a Management Action Trigger (MAT) is also usually defined to be at 50% of the Loss Limit. When MAT is breached, the risk-taking unit must consult with ALCO for approval of a course of action moving forward.
- Product Limit – the nominal position exposure for certain specific financial instruments is established.

Stress Testing, which uses more severe rate/price volatility and/or holding period assumptions, (relative to those used for VaR) is applied to marked-to-market positions to arrive at "worst case" loss estimates. This supplements the VaR measure, in recognition of its limitations mentioned above.

A summary of the VaR position of the trading portfolios at December 31 is as follows:

	Group			
	At December 31	Average	Maximum	Minimum
2019:				
Foreign currency risk	P 72	P 34	P 88	P 10
Interest rate risk	218	653	1,354	131
Overall	**P 290**	**P 687**	**P 1,442**	**P 141**
2018:				
Foreign currency risk	P 34	P 38	P 72	P 13
Interest rate risk	730	190	843	47
Overall	P 764	P 228	P 915	P 60

	Group			
	At December 31	**Average**	**Maximum**	**Minimum**
2017:				
Foreign currency risk	P 7	P 11	P 32	P 2
Interest rate risk	363	287	501	154
Overall	P 370	P 298	P 533	P 156

	Parent Company			
	At December 31	**Average**	**Maximum**	**Minimum**
2019:				
Foreign currency risk	P 72	P 34	P 88	P 10
Interest rate risk	218	653	1,354	131
Overall	**P 290**	**P 687**	**P 1,442**	**P 141**
2018 (As restated):				
Foreign currency risk	P 34	P 38	P 71	P 13
Interest rate risk	672	153	773	44
Overall	P 706	P 191	P 844	P 57
2017 (As restated):				
Foreign currency risk	P 7	P 11	P 31	P 2
Interest rate risk	147	125	277	40
Overall	P 154	P 136	P 308	P 42

4.3.1 Foreign Exchange Risk

Foreign exchange risk is the risk to earnings or capital arising from changes in foreign exchange rates. The net foreign exchange exposure, or the difference between foreign currency denominated assets and foreign currency denominated liabilities, is capped by current BSP regulations. Compliance with this ceiling by the Group and the respective foreign currency positions of its subsidiaries are reported to the BSP on a daily basis as required. Beyond this constraint, the Group manages its foreign exchange exposure by limiting it within the conservative levels justifiable from a return/risk perspective. In addition, the Group regularly calculates VaR for each currency position, which is incorporated in the foregoing market risk management discussion.

The breakdown of the financial resources and financial liabilities as to foreign and Philippine peso-denominated balances, after elimination of intercompany accounts or transactions, as of December 31 follows:

	Group		
	Foreign Currencies	Philippine Pesos	Total
2019:			
Resources:			
Cash and other cash items	P 1,184	P 15,723	P 16,907
Due from BSP	-	87,255	87,255
Due from other banks	17,973	845	18,818
Loans arising from reverse repurchase agreements	-	5,768	5,768
Financial assets at FVTPL	1,657	3,891	5,548
Financial assets at FVOCI	42,696	11,549	54,245
Investment securities at amortized cost - net	93,922	7,004	100,926
Loans and receivables - net	92,602	356,617	449,219
Other resources	69	829	898
	P 250,103	**P 489,481**	**P 739,584**
Liabilities:			
Deposit liabilities	P 89,630	P 366,951	P 456,581
Bills payable	93,937	7,669	101,606
Bonds payable	66,314	30,500	96,814
Accrued interest and other expenses	1,162	4,857	6,019
Other liabilities	833	16,518	17,351
	P 251,876	**P 426,495**	**P 678,371**
2018:			
Resources:			
Cash and other cash items	P 1,554	P 15,838	P 17,392
Due from BSP	-	56,495	56,495
Due from other banks	19,470	872	20,342
Loans arising from reverse repurchase agreements	-	10,032	10,032
Financial assets at FVTPL	3,088	4,482	7,570
Financial assets at FVOCI	506	21,481	21,987
Investment securities at amortized cost - net	73,224	15,668	88,892
Loans and receivables - net	75,755	322,545	398,300
Other resources	66	919	985
	P 173,663	P 448,332	P 621,995
Liabilities:			
Deposit liabilities	P 86,766	P 336,633	P 423,399
Bills payable	38,671	17,330	56,001
Bonds payable	53,090	-	53,090
Subordinated debt	-	9,986	9,986
Accrued interest and other expenses	849	4,135	4,984
Other liabilities	716	11,228	11,944
	P 180,092	P 379,312	P 559,404

	Parent Company		
	Foreign Currencies	Philippine Pesos	Total
2019:			
Resources:			
Cash and other cash items	P 1,167	P 15,641	P 16,808
Due from BSP	-	85,453	85,453
Due from other banks	17,919	549	18,468
Loans and receivables arising from reverse repurchase agreements	-	5,629	5,629
Financial assets at FVTPL	1,581	3,219	4,800
Financial assets at FVOCI	42,072	10,353	52,425
Investment securities at amortized cost - net	93,215	7,004	100,219
Loans and receivables - net	92,596	349,497	442,093
Other resources	69	827	896
	P 248,619	**P 478,172**	**P 726,791**
Liabilities:			
Deposit liabilities	P 89,630	P 366,963	P 456,593
Bills payable	93,937	1	93,938
Bonds payable	66,314	30,500	96,814
Accrued interest and other expenses	1,162	4,596	5,758
Other liabilities	833	15,720	16,553
	P 251,876	**P 417,780**	**P 669,656**
2018 (As restated):			
Resources:			
Cash and other cash items	P 1,542	P 15,779	P 17,321
Due from BSP	-	55,059	55,059
Due from other banks	18,861	954	19,815
Loans and receivables arising from reverse repurchase agreements	-	10,000	10,000
Financial assets at FVTPL	3,000	3,693	6,693
Financial assets at FVOCI	500	18,315	18,815
Investment securities at amortized cost	74,744	13,897	88,641
Loans and receivables - net	75,729	316,431	392,160
Other resources	66	916	982
	P 174,442	**P 434,044**	**P 609,486**
Liabilities:			
Deposit liabilities	P 85,732	P 337,797	P 423,529
Bills payable	43,404	5,355	48,759
Bonds payable	53,090	-	53,090
Subordinated debt	-	9,986	9,986
Accrued interest and other expenses	849	3,985	4,834
Other liabilities	635	10,378	11,013
	P 183,710	**P 367,501**	**P 551,211**

4.3.2 Interest Rate Risk in the Banking Book (IRRBB)

The interest rate risk inherent in the Group's financial statements arises from re-pricing mismatches between financial assets and financial liabilities. The IRRBB Management Framework details the Group's policy on managing its assets and liabilities to ensure that exposure to fluctuations in interest rates are kept within acceptable limits.

To aid the Group in managing IRRBB, the following measurement techniques are used. These are prepared and reported to ALCO and ROC, on a monthly basis.

Technique	Description
Interest Rate Gap or Repricing Gap	*Contractual Gap* Measures the sensitivity of assets, liabilities and off-balance sheet items towards changes in the market interest rates based on the repricing frequency of each item. *Behavioral Gap* Behavioral assumption (BeA) is applied to the contractual cash flows to reflect sensitivity to market conditions or behavioral characteristics (i.e. early redemption of deposits, prepayment of loans, etc.).
Earnings Approach	
Net Interest Income at Risk	Measures the sensitivity of earnings to market interest rates movements over a short- and medium-term horizon. Interest rate volatility is based on the maximum volatility of the 1-mo, 3-mo, 6-mo and 1-yr tenors over a 260-day look back.

Technique	Description
Economic Value Approach	
Earnings-at-Risk	Measures the sensitivity of capital to market interest rates given the resulting Net Interest Income (NII)-at-Risk and fair value through profit and loss portfolio value-at-risk (FVTPL VaR).
Capital-at-Risk	Measures the sensitivity of capital to market interest rates given the resulting EaR and fair value through other comprehensive income value-at-risk (FVOCI VaR).
Economic Value of Equity	Measures the sensitivity of economic value of all non-trading book assets, liabilities and interest rate sensitive off-balance sheet products to interest rate movements over a longer time horizon
Stress Test	Assesses the ability to withstand such changes, usually in relation to the capacity of its capital and earnings to absorb potentially significant loses. Stress testing, which includes both scenario and sensitivity analysis, is an integral part of IRR management. Scenario analysis estimates possible outcomes given an event or series of events, while sensitivity analysis estimates the impact of change in one or only a few of model's significant parameters. *Earnings approach*: NII-at-Risk Stress Test assumes gradual increase in Peso and USD interest rates to 400bps and 300bps, respectively. These are based on past local and global market events. *Economic Value approach*: The EVE Stress Test uses Basel's six interest rate scenarios to capture parallel and non-parallel gap risks. The standardized scenarios are as follows: 1) parallel shock up; 2) parallel shock down; 3) steepener shock(short rates down and long rates up); 4) flattener shock (short rates up and long rates down; 5) short rates shock up; and 6) short rates shock down.

The interest rate gap analyses of financial assets and financial liabilities as of end of the reporting period based on re-pricing maturities are shown below and in the succeeding pages. It should be noted that such interest rate gap analyses are based on the following key assumptions:

- Loans and time deposits are subject to re-pricing on their contractual maturity dates. Non-performing loans, however, are not re-priced;
- Debt securities at amortized cost are bucketed based on their re-pricing profile;
- Held-for-trading securities and derivatives are considered as non-rate sensitive; and,
- For financial assets and financial liabilities with no definite re-pricing schedule or maturity, slotting is based on the Group's empirical assumptions.

These assumptions are reviewed on a regular basis. Similarly, other assumptions and behavioral models used in the preparation of other IRRBB metrics are also being reviewed, annually, at the minimum.

	Group 2019					
	One to Three Months	**Three Months to One Year**	**One to Five Years**	**More than Five Years**	**Non-rate Sensitive**	**Total**
Resources:						
Cash and cash equivalents	P 96,972	P 1,380	P 2,014	P -	P 47,185	P 147,551
Investments - net	77,604	3,965	38,843	35,077	5,230	160,719
Loans and receivables - net	195,605	58,556	78,541	38,456	59,258	430,416
Other resources - net	107	127	294	187	27,678	28,393
Total resources	P 370,288	P 64,028	P 119,692	P 73,720	P 139,351	P 767,079
Liabilities:						
Deposit liabilities	148,379	12,456	20,939	3	274,804	456,581
Bills payable	75,139	-	18,917	7,549	1	101,606
Bonds payable	12,305	15,000	69,509	-	-	96,814
Other liabilities	86	27	-	-	29,115	29,228
Total liabilities	235,909	27,483	109,365	7,552	303,920	684,229
Equity	-	-	-	-	82,850	82,850
Total liabilities and equity	235,909	27,483	109,365	7,552	386,770	767,079
On-book gap	134,379	36,545	10,327	66,168	(247,419)	-
Cumulative on-book gap	134,379	170,924	181,251	247,419	-	-
Contingent resources	18,088	-	-	-	-	18,088
Contingent liabilities	24,141	-	-	-	-	24,141
Off-book gap	(6,053)	-	-	-	-	(6,053)
Cumulative off-book gap	(6,053)	(6,053)	(6,053)	(6,053)	(6,053)	-
Periodic gap	**128,326**	**36,545**	**10,327**	**66,168**	**(247,419)**	**(6,053)**
Cumulative total gap	**P 128,326**	**P 164,871**	**P 175,198**	**P 241,366**	**(P 6,053)**	**P -**

	Group 2018					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-rate Sensitive	Total
Resources:						
Cash and cash equivalents	P 44,797	P 423	P 856	P 112	P 67,595	P 113,783
Investments - net	1,227	7,063	22,311	70,923	17,348	118,872
Loans and receivables - net	225,566	31,295	71,307	18,113	42,497	388,778
Other resources - net	208	173	400	57	22,324	23,162
Total resources	271,798	38,954	94,874	89,205	149,764	644,595
Liabilities:						
Deposit liabilities	148,687	21,665	19,122	3,576	230,349	423,399
Bills payable	39,181	3,122	10,943	2,755	-	56,001
Bonds payable	-	-	53,090	-	-	53,090
Subordinated debt	-	-	-	9,986	-	9,986
Other liabilities	1,902	152	-	-	18,895	20,949
Total liabilities	189,770	24,939	83,155	16,317	249,244	563,425
Equity	-	-	-	-	81,170	81,170
Total liabilities and equity	189,770	24,939	83,155	16,317	330,414	644,595
On-book gap	82,752	14,015	11,719	72,888	(181,374)	-
Cumulative on-book gap	82,752	96,767	108,486	181,374	-	-
Contingent resources	15,844	-	-	-	-	15,844
Contingent liabilities	15,922	-	-	-	38	15,960
Off-book gap	(78)	-	-	-	(38)	(116)
Cumulative off-book gap	(78)	(78)	(78)	(78)	(116)	-
Periodic gap	82,674	14,015	11,719	72,888	(181,412)	(116)
Cumulative total gap	P 82,674	P 96,689	P 108,408	P 181,296	(P 116)	P -

	Parent Company 2019					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-rate Sensitive	Total
Resources:						
Cash and cash equivalents	P 96,281	P 879	P 1,689	P -	P 46,920	P 145,769
Investments - net	76,491	3,965	38,843	33,717	12,152	165,168
Loans and receivables - net	194,109	57,384	72,692	38,228	60,269	422,682
Other resources - net	51	127	294	187	23,840	24,499
Total resources	366,932	62,355	113,518	72,132	143,181	758,118
Liabilities:						
Deposit liabilities	146,240	9,532	19,449	3	281,369	456,593
Bills payable	74,530	-	18,460	946	2	93,938
Bonds payable	12,304	15,000	69,510	-	-	96,814
Other liabilities	-	-	-	-	28,011	28,011
Total liabilities	233,074	24,532	107,419	949	309,382	675,356
Equity	-	-	-	-	82,762	82,762
Total liabilities and equity	233,074	24,532	107,419	949	392,144	758,118
On-book gap	133,858	37,823	6,099	71,183	(248,963)	-
Cumulative on-book gap	133,858	171,681	177,780	248,963	-	-
Contingent resources	17,955	-	-	-	-	17,955
Contingent liabilities	24,019	-	-	-	-	24,019
Off-book gap	(6,064)	-	-	-	-	(6,064)
Cumulative off-book gap	(6,064)	(6,064)	(6,064)	(6,064)	(6,064)	-
Periodic gap	**127,794**	**37,823**	**6,099**	**71,183**	**(248,963)**	**(6,604)**
Cumulative total gap	**P 127,794**	**P 165,617**	**P 171,716**	**P 242,899**	**(P 6,064)**	**P -**

	2018 (As restated)					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-rate Sensitive	Total
Resources:						
Cash and cash equivalents	P 34,259	P 158	P -	P -	P 77,370	P 111,787
Investments - net	1,074	7,063	22,311	49,409	41,304	121,161
Loans and receivables - net	226,304	31,053	66,896	18,113	40,202	382,568
Other resources - net	138	160	385	31	19,977	20,691
Total resources	261,775	38,434	89,592	67,553	178,853	636,207
Liabilities:						
Deposit liabilities	147,960	21,665	19,122	3,579	231,203	423,529
Bills payable	36,531	1,631	9,141	1,456	-	48,759
Bonds payable	-	-	53,090	-	-	53,090
Subordinated debt	-	9,986	-	-	-	9,986
Other liabilities	1,634	129	-	-	18,005	19,768
Total liabilities	186,125	33,411	81,353	5,035	249,208	555,132
Equity	-	-	-	-	81,075	81,075
Total liabilities and equity	186,125	33,411	81,353	5,035	330,283	636,207
On-book gap	75,650	5,023	8,239	62,518	(151,430)	-
Cumulative on-book gap	75,650	80,673	88,912	151,430	-	-
Contingent resources	15,808	-	-	-	-	15,808
Contingent liabilities	15,874	-	-	-	38	15,912
Off-book gap	(66)	-	-	-	(38)	(104)
Cumulative off-book gap	(66)	(66)	(66)	(66)	(104)	-
Periodic gap	75,584	5,023	8,239	62,518	(151,468)	(104)
Cumulative total gap	P 75,584	P 80,607	P 88,846	P 151,364	(P 104)	P -

The table below summarizes the potential impact on the Group and the Parent Company's annual interest income of parallel rate shifts using the repricing.

	Changes in Interest Rates (in basis points)			
	- 100	**- 200**	**+ 100**	**+ 200**
December 31, 2019				
Group	**(P 1,225)**	**(P 2,450)**	**P 1,225**	**P 2,450**
Parent Company	**(1,205)**	**(2,410)**	**1,205**	**2,410**
December 31, 2018				
Group	(P 1,167)	(P 2,334)	P 1,167	P 2,334
Parent Company (As restated)	(1,420)	(2,841)	1,420	2,841

4.3.3 Equity Price Risk

The Group's exposure to price risk on equity securities held and classified in the statement of financial position as financial assets at FVTPL or financial assets at FVOCI as of December 31, 2019 and 2018 is managed through diversification of portfolio and monitoring of changes in market prices. Diversification of the portfolio is done in accordance with the limits set by the Group.

Moreover, RCBC Capital and RSI estimate the potential loss and determine the market and position risk requirement on equity securities at FVTPL in the computation of the market and position risk requirement for all equity positions.

RCBC Capital uses the delta-normal approach as its VaR model to estimate the daily potential loss that can be incurred from equity securities held for trading. VaR is a key measure in the management of market price risk. VaR is defined as a statistical estimate of the maximum possible loss on a given position during a time horizon within a given confidence interval. RCBC Capital uses a 99% confidence level and a minimum 260-day observation period in VaR calculation. In addition, RSI computes its market and position risk for all equity positions, if any, in conjunction with the Risk Based Capital Adequacy ratio required to be maintained. Market and position risk requirement is calculated using position risk factor multiplied by mark-to-market value security.

4.4 Credit Risk

Credit risk is the risk that the counterparty in a transaction may default, and arises from lending, trade finance, treasury, derivatives and other activities undertaken by the Group. The Group manages credit risk through a system of policies and authorities that govern the processes and practices of all credit-originating and borrowing relationship management units.

The Enterprise Risk Division of CRISMS assists senior management: (a) in establishing risk concentration limits at the portfolio level; and (b) in the continuous monitoring of the actual credit risk portfolio from the perspective of those limits and other risk management objectives. The Credit Management Group (CMG), on the other hand, is responsible for: (a) the development of credit policies relating to account management; (b) the financial evaluation and credit risk rating of borrowers; and, (c) asset quality review.

At the individual borrower level, exposure to credit risk is managed via adherence to a set of policies, the most notable features of which, in this context are: (a) credit approving authority, except as noted below, is not exercised by a single individual but rather, through a hierarchy of limits that is effectively exercised collectively; (b) business center managers have limited approval authority only for credit exposure related to deposit-taking operations in the form of bills purchase, acceptance of second endorsed checks and 1:1 loan accommodations; (c) an independent credit risk assessment by the CMG of large corporate and middle-market borrowers, summarized into a borrower risk rating, is provided as input to the credit decision-making process; and, (d) borrower credit analysis is performed at origination and at least annually thereafter or co-terminus with the renewal of the credit line. In addition, adverse economic and market conditions that may impact a certain borrower or a group of borrowers may trigger the Group to conduct a special credit review prior to expiry of credit line.

In 2018, CMG also started identifying homogenous target market and design Credit Programs that will accelerate credit processing of accounts without sacrificing underwriting quality, and, set up enhanced data framework that would deepen the Bank's ability to identify potential problem accounts earlier.

4.4.1 Concentrations of Credit Risk

Credit risk concentration in the context of banking generally denotes the risk arising from an uneven distribution of counterparties in credit or in any other business relationships, or from a concentration in business sectors or geographic regions which is capable of generating losses large enough to jeopardize an institution's solvency. The Group monitors concentrations of credit risk by sector.

An analysis of concentrations of credit risk of the loan portfolio at the end of the reporting period is shown in Note 11.1.

In the course of the Group's implementation of ICAAP (see Note 5.2), it adopts a quantification of credit risk concentration following frameworks prescribed by some of the more advanced European central banks as well as established concentration metrics. Using sector distribution as a tool, the Group performs a straightforward application of the Herfindahl-Hirshman Index (HHI) to determine the existence of credit risk concentration. The Group supplements this methodology with the use of the Comprehensive Concentration Index (CCI) to monitor and analyze name concentration.

The Group, however, recognizes the inherent limitations of the use of HHI and CCI to assess credit concentration risk. To augment this measure and to appropriately manage said risk, the Group performs an in-depth analysis of its large borrowing groups. To ensure the independence of this process, the review and analysis are done during the ROC meetings.

4.4.2 Credit Risk Assessment

The Group's credit risk assessment is performed based on the different segments of financial asset portfolio such as (a) corporate, which generally include corporate banking group loans, commercial and small-medium size segment loans, lease contract and finance receivables, and unquoted debt securities classified as loan (UDSCL), (b) retail, which include housing, auto, credit cards, and microfinance lending; and, (c) treasury, which covers credit exposures on debt securities under the Group's HTC portfolio and financial assets at FVOCI. The Group also established credit risk assessment procedures for sales contract receivables and other risk assets including accounts receivables.

(a) Corporate Loans

Loans, regardless if the accounts have been fully paid, extended or renewed in subsequent period, are subjected to evaluation for possible losses. The Group's estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions (or industry performance), expected cash flows, and the passage of time. The assessment of credit risk of a portfolio of assets requires further estimations as to the PDs occurring, of the associated loss ratios, and of default correlations between counterparties; accordingly, such credit risk is measured using PD, LGD, and EAD, for purposes of measuring ECL.

The Group uses its internal credit risk rating system (ICRRS) to determine any evidence of potential deterioration in the quality of an instrument that take into consideration both quantitative and qualitative criteria. The rating system classifies performing accounts from a scale of AAA indicating an extremely strong capacity of the counterparty to meet financial commitments down to ratings lower than CCC demonstrating weakness in the counterparty's economic and financial condition that could lead to payment default on financial commitments. Past due accounts, accounts identified for phase-out and those that exhibit the characteristics of classified loans shall be risk-rated following the guidelines on credit classification per BSP Manual of Regulations for Banks and under the BSP Circular No. 1011, i.e., Especially Mentioned, Substandard, Doubtful or Loss. These guidelines are used by the Group to assign the individually assessed loan or a group of loans within a particular portfolio segment to a specific stage category under the PFRS 9 loan impairment standards (i.e. Stage 1, 2, 3).

In assessing accounts subject to individual assessment, the Group has established a materiality threshold of P15 for all exposures classified under Stage 3. Such threshold shall be regularly reviewed at the end of reporting period to ensure that it appropriately captures what the Parent Company considers as material items of loan for individual assessment. The provision for ECL for individually assessed exposures shall reflect consideration of the facts and circumstances that affect the repayment of each individual loan as of evaluation date.

The ICRRS is established by the Group in congruence with and with reference to the credit risk rating methodology used by Standard & Poor's (S&P) in measuring the creditworthiness of an individual borrower, whether the related borrowing is still performing or current in status. The risk ratings determined by the Group for its portfolio of loans and receivables at a given review date is updated to consider the possible shift in the economy or business environment or circumstances affecting the industry and the entity or borrower, in particular. Accordingly, a periodic assessment of credit quality may improve the borrower's rating or it could lead to one or more rating downgrades over time; hence, could lead to the transfer of credit exposure in different stages of impairment. The credit risk ratings in ICRRS are calibrated such that the risk of default increases exponentially at each higher risk rating (e.g., a difference in the PD between a risk rating of A and A- is lower than the difference in the PD between a B and B- risk rating).

In the process of applying the Group's ICRRS in determining the credit quality of loans and receivables, the Group analyzes the credit quality of the borrowers and counterparties through a set of criteria and rating scale classified into the following:

Rating Scale	Rating Description/Criteria
AAA	Extremely strong capacity to meet financial commitments
AA*	Very strong capacity to meet financial commitments
A*	Strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances
BBB*	Adequate capacity to meet financial commitments, but more subject to adverse economic conditions

Rating Scale	Rating Description/Criteria
BB*	Less vulnerable in the near-term but faces major ongoing uncertainties to adverse business, financial and economic conditions
B*	More vulnerable to adverse business, financial and economic conditions but currently has the capacity to meet financial commitments
CCC and below*	Not at risk of loss at the moment and the borrower has the financial capacity to meet its obligations but its exposure to adverse business, financial or economic conditions has weakened it and, unless present trends are reversed, could eventually lead to losses.
Especially Mentioned	Has potential weaknesses that deserve management's close attention and if left uncorrected, these weaknesses may affect the repayment of the loan.
Substandard	Have well-defined weakness(es), that may jeopardize repayment/liquidation in full, either in respect of the business, cash flow or financial position, which may include adverse trends or developments that affect willingness or repayment ability of the borrower.
Doubtful	Loans and credit accommodations that exhibit more severe weaknesses than those classified as "Substandard", whose characteristics on the basis of currently known facts, conditions and values make collection or liquidation highly improbable.
Loss	Loans considered absolutely uncollectible or worthless

** Ratings from AA to CCC are modified by a plus (+) or minus (-) sign to show relative standing within the rating categories.*

As part of credit risk assessment documentation and reporting, the Group includes financial instruments rated as AAA to B- under the "Pass" classification, while instruments rated CCC+ and below are grouped under the Watchlisted classification. Generally, "Pass" classification include loans and other credit accommodations that do not have a greater-than-normal credit risk and do not possess the characteristics of classified loans. These are credits that have the apparent ability and willingness to satisfy their obligations in full and therefore, no loss in ultimate collection is anticipated. On the other hand, watchlisted counterparties are characterized by the following:

- those that belong to an unfavorable industry or has company-specific risk factors which represent a concern;
- the operating performance and financial strength may be marginal and it is uncertain if borrower can attract alternative course of finance;
- borrower finds it hard to cope with any significant economic downturn and a default in such a case is more than a possibility; and,
- borrower incurs net losses and has salient financial weaknesses, reflected on their financial statements, specifically in profitability.

Split classification/rating may apply for non-performing secured loans and other credit accommodations, depending on the recoverability and liquidity of the collateral. The secured portion may be classified as "substandard" or "doubtful", as appropriate, while the unsecured portion shall be classified "loss" if there is no other source of payment other than the collateral.

In the case of syndicated loans, the Group shall maintain credit information on the borrower, and grade and make provision for its portion of the syndicated loan in accordance with its policy. The lead financial institution or bank shall provide participating financial institutions with the credit information on the borrower upon request by the participating financial institutions and inform the latter if the loan will be classified so as to achieve uniform classification of the syndicated loan.

(b) Retail Products

Credit Risk Management Division (CRMD) is tasked to measure, control and manage credit risk on the consumer loans business of the Group through the performance of regular monitoring, reporting and recommendation of risk mitigation measures of the actual credit risk portfolio to the Credit Committee and Risk Committee, as well as accomplishment of the corresponding review and development of credit policies and guidelines to sustain asset quality.

For consumer loans, risk assessment is performed on an individual borrower through the use of a credit application scorecard for Housing, Auto and Personal Loans while for Corporate Salary Loans, rule-based credit criteria on company accreditation and borrower evaluation has been established. The credit application scorecard makes use of customer, loan and collateral characteristics which have been assigned weights based on their predictive power in determining the propensity of an account to default or maintain a satisfactory credit performance. Credit decisions are based on recommended score cut-offs.

Asset quality of the Group is monitored through a regular portfolio performance review including customer segmentation and loan concentration risk assessment to identify sources of risk and to determine risk mitigation on segments that drive delinquency or manifests triggers for default. Likewise, close monitoring and review of industry performance, economic changes and market conditions that may affect the consumer loans business is also taken into consideration to establish a holistic risk assessment process.

For the credit card portfolio of the Group, credit risk assessment is performed through segmentation process to diversify the portfolio risk into different homogeneous populations or segments. Over-all account distribution is analyzed for three different snapshots with respect to month-on-month days past due to see consistency in the portfolio.

For microfinance and small business loans, regardless if the accounts have been fully paid, extended or renewed in subsequent period, are subjected to evaluation for possible losses. Credit risk assessment is performed based on groups of loan portfolio segmented by product type such as (a) credit accommodations to small-medium size borrowers; and, (b) agricultural and microfinance loans.

The groupings of financial instruments into a pool of shared credit quality are subject to the regular review by the Group's CMD in order to ensure that credit exposures within a particular group remain appropriately homogenous.

(c) Debt Securities at Amortized Cost and at FVOCI

For debt securities, the Group adopts similar credit risk ratings published by reputable external rating agency (such as S&P). These ratings are continuously monitored and updated. The PD associated with each rating is determined based on realized default rates over the previous 12 months, as published by the rating agency.

4.4.3 Assessment of Significant Increase in Credit Risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group assesses the change in the risk of a default occurring over the remaining life of the financial instrument. In making this assessment, the Group assesses on a periodic basis both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information as appropriate. These may include macroeconomic conditions, economic sector and geographical region relevant to the counterparty or borrower and other factors that are counterparty-specific. As the Group holds various arrays of financial instruments, the extent of assessment may depend on the materiality of the financial instrument or the complexity of the portfolio being assessed.

The Group ECL model follows a three-stage impairment approach in determining the loss allowance to be recognized in the financial statements:

(i) Stage 1 – comprises of all credit exposures that are considered 'performing' and with no observed SICR since initial recognition. These include those financial instruments with low credit risk. For these financial instruments, the loss allowance is determined based on a 12-month ECL.

(ii) Stage 2 – comprises of all financial instruments assessed to have SICR since initial recognition based on the Group's quantitative and qualitative criteria, though not yet deemed to be credit-impaired. Using the Group's ICRR, Stage 2 includes credit exposures that are considered 'under-performing' in which risk ratings were downgraded by at least three notches and/or downgraded to CCC+ to Especially Mentioned. Stage 2 financial instruments may also include those facilities where the credit risk has improved and have been reclassified from Stage 3 subject to the Group's observation period on the creditworthiness of the counterparty. A lifetime ECL is recognized for these financial instruments.

(iii) Stage 3 – comprises credit exposures which are assessed as 'credit-impaired', thus considered by the Group as 'non-performing', which is assessed consistently with the Group's definition of default. Generally, this includes accounts classified as Substandard, Doubtful and Loss. The Group recognizes a lifetime ECL for all credit-impaired financial assets.

The Group considers low credit risk for listed debt security when its credit risk rating is equivalent to a globally understood definition of 'investment grade' (which should be from at least one major rating agency); other debt securities are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Financial assets that are credit-impaired on initial recognition are classified as purchased or originated credit-impaired assets. ECL is only recognized or released to the extent that there is a subsequent change in the ECLs.

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in probabilities of default and qualitative factors, including a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's internal credit assessment, the borrower or counterparty is determined to have well-defined credit weaknesses. Under the Group's ICRRS, these are exposures rated at least Substandard. For exposures with no internal credit risk rating performed, if contractual payments are more than a specified days past due threshold, the credit risk is deemed to have increased significantly since initial recognition. Depending on the number of days past due which differ across the various retail products of the Group, a credit exposure may be transferred to Stage 2 or Stage 3. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, the Group shall revert to recognizing a 12-month ECL. As a general rule, an upgrade or transfer of credit exposure from Stage 3 to Stage 1 is allowed when there is sufficient evidence to support that full collection of principal and interest is probable, consistent with the Group's definition of curing period.

For portfolios in respect of which the Group has limited historical data, external benchmark information (e.g., Basel LGD) is used to supplement the internally available data. The portfolios for which external benchmark information represents a significant input into measurement of ECL include exposures to foreign borrowers and low default borrower segments.

4.4.4 Definition of Default and Credit-impaired Assets

(a) Loans and Receivables

The Group defines a loan instrument as in default, which is aligned with the definition of credit-impaired, when the borrower is more than 90 days past due on its contractual payments, except for the 30 days past due threshold for retail loans of the Group and one day past due for microfinance loan portfolio of Rizal Microbank. As part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances and factors that may indicate unlikeliness to pay which may include (a) significant financial difficulty of the issuer or borrower; (b) the restructuring of a loan by the Group, for economic or legal reasons relating to the borrower's financial difficulty, on terms that the Group would not consider otherwise; or (c) it becoming probable that the borrower will enter bankruptcy or other financial reorganization. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

An instrument is considered to be no longer in default or have cured when the borrower is able to repay the installments in arrears and the account no longer meets any of the default criteria for a consecutive period of 180 days, observation period, within which the borrower shall make consecutive payments.

The definitions of default and observation period have been aligned with the definition used for regulatory capital purposes. Definitions of default and cure period can be rebutted and the rebuttal will be monitored and reviewed by the CRMD on annual basis to ensure definitions remains appropriate.

These criteria are consistent with the definition of default used for internal credit risk management purposes that is aligned with the default criteria used for regulatory capital purposes. Such definition is consistently applied in determining PD, LGD, and EAD for each loan portfolio segment and throughout the ECL calculations of the Group.

(b) Investments in Debt Securities

Investments in debt securities is assessed as credit-impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of an event that occurred after the initial recognition of the security (a "loss event") and that loss event has impact on the estimated future cash flows of the securities. Losses expected as a result of future events, shall also be considered in estimating the ECL. Objective evidence that the security is impaired includes observable data that comes to the attention of the holder of the security about the following loss events:

- significant financial difficulty of the issuer or obligor;
- breach of contract, such as a default or delinquency in interest or principal payments;
- the financial institution, for economic or legal reasons relating to the issuer's financial difficulty, granting to the issuer a concession that the financial institution would not otherwise consider;
- it becoming probable that the issuer will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that security because of financial difficulties; or,
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of securities since the initial recognition of those assets, although the decrease cannot yet be identified with the individual securities in the portfolio, including adverse change in the payment status of issuers in the portfolio; or national or local economic conditions that correlate with defaults on the securities in the portfolio.

The disappearance of an active market because a financial institution's held securities are no longer publicly traded is not evidence of impairment. A downgrade of an issuer's credit rating is not, by itself, evidence of impairment, although it may be evidence of impairment when considered with other available information. A decline in the fair value of a security below its cost or amortized cost is not necessarily evidence of impairment (for example, a decline in fair value of an investment in debt security that results from an increase in the risk-free interest rate).

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors:

- the market's assessment of creditworthiness as reflected in the bond yields;
- the rating agencies' assessment of creditworthiness;
- the country's ability to access the capital markets for new debt issuance;
- the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness; or,
- the internal support mechanism in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfill the required criteria.

4.4.5 Modifications of Financial Assets

In certain cases, the Group modifies the terms of the loans provided to the borrowers due to commercial renegotiations, or for distressed loans, with a view of maximizing recovery of the contractual amount of obligation that the Group is owed to. Restructuring policies and practices are based on indicators or criteria which, in the management's judgment, indicate that payment will most likely continue. Such policies are continuously reviewed and updated as necessary. Restructuring is most commonly applied to term or corporate loans (see Note 11.2).

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Group monitors the performance of the financial asset subsequent to its modification.

The Group may determine that the credit risk has significantly improved after restructuring (in accordance with the new terms for six consecutive months or more), so that the assets are moved from Stage 3 or Stage 2.

The Group continues to monitor if there is a subsequent SICR in relation to such modified assets through the use of specific models for modified assets.

4.4.6 Expected Credit Loss Measurement Inputs

Integral in the Group's established policies in measuring and calculating ECL on financial instrument is the use of appropriate model for each segment of financial asset that applies relevant inputs and assumptions, including forward-looking information as appropriate.

(a) Key Inputs and Assumptions in the Expected Credit Loss Model

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment.

(i) Probability of default (PD) represents an estimate of likelihood of a borrower defaulting on its financial obligation over a given time horizon, either over the next 12 months (12-month PD) or over the remaining lifetime (lifetime PD) of the obligation. PD is calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures which considers both quantitative and qualitative factors. In determining PD, the Group performed segmentation of its credit exposures based on homogenous characteristics [including corporate loan and retail loan (including credit-card and microfinance)] and developed a systematic PD methodology for each portfolio. Generally, if a counterparty or exposure migrates between rating classes, this will lead to a change in the estimate of the associated PD.

(ii) Loss given default (LGD) pertains to estimate of loss related to the amount that may not be recovered after the borrower defaults. The Group estimates LGD parameters based on historical recovery rates of claims against defaulted counterparties, which takes into consideration the realization of any collateral that is integral to the financial asset. For secured credit exposure, the determination of LGD is dependent on the Group's collateral data which are available at the origination of the instrument which takes into account the amount and timing of the cash inflows (actual recovery) and outflows (actual expenses) and on the time value of money. Recoveries are calculated on a discounted cash flows basis using the effective interest rate as the discounting factor.

(iii) Exposure at default (EAD) represents the gross carrying amount of the exposure in the event of default which include the amortized cost amount of an instrument and any accrued interest receivable. For lending commitments, the EAD includes the amount of drawn and undrawn irrevocable loan commitments under the contract, which are estimated based on historical observations and forward-looking forecast. For some financial assets (e.g., credit card lending), EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical technique which considers the ability of borrowers to increase its exposure from the time of ECL calculation to the time of default (i.e., credit conversion factor).

These three components are multiplied together and adjusted for the likelihood of survival (i.e., the exposure has not been prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to and summed at the end of the reporting period. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the life of the instrument. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. Such profile is supported by a historical analysis (i.e., an observation period of five years) which uses, among others the number of rated accounts and ratings of bad accounts at the time of default. Bad accounts are defaulted accounts classified into three classes such as the non-performing loans, accounts classified as Substandard, Doubtful or Loss, and real past due accounts.

In a risk rating model applied by the Group, a better rating or score denotes less probability of default than those of a worse rating. Identifying the counterparty default is done through a computation of the portfolio's observed default frequency (ODF). In cases when ODF method and the data to be used is limited, the Group may also employ the implied probability of default frequency (IPD) and the application of overlay factors in the PD. Using the historical defaults under the Group's ICRRS based on S&P scale, ODF is calculated per rating class using the cumulative five-year data as the basis for grouping. This represents the actual numbers of bad borrower cases that have occurred during the five-year timeframe. On the other hand, unrated account are distributed to existing S&P rating classes using normal distribution assumption. In cases when there is zero-percent ODF in any of the rating class, these are grouped together with the next rating class with at least one bad borrower using cumulative five-year data. If there is no rating class after certain rating, grouping shall be decided by management.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

For loans with periodic amortization and one-time full payment at end of the term, EAD is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment or refinancing assumptions are also incorporated into the calculation.

For revolving products (such as credit cards and credit line facilities), EAD is determined by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilization band, based on analysis of the Group's recent default data.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default, and may vary by product type. For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market or book values due to forced sales, time to repossession and recovery costs observed. For unsecured products, LGD is typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. The LGD is influenced by collection strategies.

For cash and cash equivalents and debt securities, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECL on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from S&P to determine whether the debt instrument has significantly increased in credit risk and to estimate ECL.

The assumptions underlying the ECL calculation are monitored and reviewed on an annual basis. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

The determination of the 12-month and lifetime PD, LGD, and EAD includes the overlay of forward-looking economic information discussed below.

(b) Overlay of Forward-looking Information

The Group incorporates forward-looking information (FLI) in its calculation of ECL. The Group has performed historical analysis and has identified the key macroeconomic variables (MEVs) impacting credit risk associated with its borrowers and/or counterparties and the ECL for relevant portfolio of debt instruments.

The MEVs and their associated impact on the PD, LGD and EAD vary by financial instrument. To project the MEVs for the full remaining life of each financial instrument, a mean reversion approach has been used, which means that MEVs tend to either a long run average rate (e.g., for unemployment) or a long run average growth rate (e.g., GDP) over a period of two to five years. The impact of these economic variables on the PD, LGD and EAD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

The MEVs considered by the Group includes economic data and forecasts published by government bodies (e.g., BSP and Philippine Statistics Authority), international organizations (e.g., International Monetary Fund), and certain reputable private and academic organizations involved in forecasting. Accordingly, the Group has identified key drivers for credit risk for its corporate loans portfolio, which include among others, Gross Domestic Product (GDP) growth rate, inflation rate unemployment rate, interest rate (i.e., based on 91-day T-bill Yield), and foreign currency exchange rates. On the other hand, the key drivers for the Group's retail and consumer loans portfolio include unemployment rate, GDP growth rate, consumer spending growth rate, and inflation rate. Using an analysis of historical data, the Group has estimated relationships between MEVs and credit risk and credit losses.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, and therefore, the actual outcomes may be significantly different to those projections. The Group considers these forecasts to represent its best estimate of the possible outcomes.

Management has also considered other FLI not incorporated within the above economic scenarios, such as any regulatory, legislative, or political changes, but are not deemed to have a significant impact on the calculation of ECL. Management reviews and monitors the appropriateness of FLIs on a regular basis and additional factors may be incorporated from time to time as deemed appropriate.

4.4.7 Credit Risk Exposures

An analysis of the maximum credit risk exposure relating to loans and receivables is shown below:

	2019			
	Gross Maximum Exposure	Fair Value of Collaterals	Net Exposure	Financial Effect of Collaterals
Group				
Loans and discounts	P 377,947	P 604,210	P -	P 377,947
Credit card receivables	31,043	-	31,043	-
	P 408,990	**P 604,210**	**P 31,043**	**P 377,947**

	2019			
	Gross Maximum Exposure	**Fair Value of Collaterals**	**Net Exposure**	**Financial Effect of Collaterals**
Parent Company				
Loans and discounts	P 373,480	P 596,863	P -	P 373,480
Credit card receivables	31,043	-	31,043	-
	P 404,523	**P 596,863**	**P 31,043**	**P 373,480**

	2018			
	Gross Maximum Exposure	Fair Value of Collaterals	Net Exposure	Financial Effect of Collaterals
Group				
Loans and discounts	P 340,011	P 506,783	P -	P 340,011
Credit card receivables	21,550	-	21,550	-
	P 361,561	P 506,783	P 21,550	P 340,011
Parent Company (As restated)				
Loans and discounts	P 337,065	P 501,526	P -	P 337,065
Credit card receivables	21,550	-	21,550	-
	P 358,615	P 501,526	P 21,550	P 337,065

The table below sets out the gross carrying amounts of the exposures to credit risk on financial assets with low credit risk measured at amortized cost and debt securities at FVOCI as of December 31.

	Group		**Parent Company**	
	2019	2018	**2019**	2018 (As restated)
Cash equivalents	**P 130,644**	P 96,391	**P 128,961**	P 94,466
Debt securities				
At amortized cost	**101,065**	89,027	**100,268**	88,686
At FVOCI	**50,612**	15,526	**49,584**	15,138
	P 282,321	P 200,944	**P 278,813**	P 198,290

Cash equivalents includes loans and advances to banks [i.e., Due from BSP, Due from Other Banks, Loans Arising from Repurchase Agreements, and Interbank Loans Receivables (see Note 9)]. Debt securities includes government and corporate bonds and bills. These are held with central bank, financial institutions and other counterparties that are reputable and with low credit risk; hence, ECL is negligible.

The information about the credit exposures on the above financial assets as well as on loan commitments by stages of impairment as of December 31, 2019 and 2018, shown at their gross carrying amounts with the corresponding allowance for ECL are shown in the succeeding pages. All instruments, which were not assessed by the Group for ECL based on individual credit risk rating were evaluated on a collective basis, applying applicable PD and LGD based on the segment of instrument.

The maximum exposure to credit risks for other financial assets is limited to their carrying values as of December 31, 2019 and 2018.

a) *Loans and receivables – Group and Parent Company*

	Corporate Loans				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased credit-impaired***	**Total**
2019					
Pass					
AAA to BBB	P 13,625	P 28	P 17	P -	P 13,670
BBB- to B-	261,751	21	266	-	262,038
Watchlisted	29	5,811	46	-	5,886
Especially mentioned	-	1,053	268	-	1,321
Defaulted	-	-	8,416	52	8,468
Unrated	2,361	83	106	-	2,550
	277,766	6,996	9,119	52	293,933
Allowance for ECL	(706)	(529)	(4,659)	(36)	(5,930)
Carrying amount	**P 277,060**	**P 6,467**	**P 4,460**	**P 16**	**P 288,003**
2018					
Pass					
AAA to BBB	P 8,085	P 4	P 1	P -	P 8,090
BBB- to B-	244,778	3	182	-	244,963
Watchlisted	60	2,596	7,610	-	10,266
Especially mentioned	-	247	90	-	337
Defaulted	-	-	2,553	52	2,605
Unrated	1,879	6	26	-	1,911
	254,802	2,856	10,462	52	268,172
Allowance for ECL	(483)	(294)	(3,145)	(36)	(3,958)
Carrying amount	P 254,319	P 2,562	P 7,317	P 16	P 264,214

**Purchased credit-impaired financial assets pertain to the non-performing loans of RCBC – JPL which were acquired as credit-impaired prior to 2018.*

	Retail and Other Products			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2019				
Housing loans				
Standard monitoring	P 44,966	P 5,845	P -	P 50,811
Default	-	-	2,603	2,603
	44,966	5,845	2,603	53,414
Allowance for ECL	(450)	(258)	(226)	(934)
Carrying amount	**44,516**	**5,587**	**2,377**	**52,480**
Credit cards				
Current	28,331	-	-	28,331
1-29 dpd	779	-	-	779
30-59 dpd	-	356	-	356
60-89 dpd	-	310	-	310
Defaulted	-	-	1,267	1,267
	29,110	666	1,267	31,043
Allowance for ECL	(510)	(278)	(1,051)	(1,839)
Carrying amount	**28,600**	**388**	**216**	**29,204**

	Retail and Other Products			
	Stage 1	Stage 2	Stage 3	Total
2019				
Auto loans				
Standard monitoring	P 34,092	P 5,176	P -	P 39,268
Default	-	-	2,147	2,147
	34,092	5,176	2,147	41,415
Allowance for ECL	(341)	(202)	(755)	(1,298)
Carrying amount	**33,751**	**4,974**	**1,392**	**40,117**
Personal and salary loans				
Standard monitoring	P 998	P 108	P -	P 1,106
Default	-	-	42	42
	998	108	42	1,148
Allowance for ECL	(54)	(47)	(37)	(138)
Carrying amount	**944**	**61**	**5**	**1,010**
Leasing and finance receivables*				
AAA+ – B+	P 1,891	P -	P -	P 1,891
B – B-	-	1,985	-	1,985
CCC and below	-	-	569	569
	1,891	1,985	569	4,445
Allowance for ECL	(62)	(275)	(246)	(583)
Carrying amount	**1,829**	**1,710**	**323**	**3,862**
Micro and small business loans*				
Unclassified	P 1,142	P -	P -	P 1,142
Especially mentioned	-	29	-	29
Defaulted	-	-	143	143
	1,142	29	143	1,314
Allowance for ECL	(15)	(11)	(55)	(81)
Carrying amount	**1,127**	**18**	**88**	**1,233**
Total gross amount	P 112,199	P 13,809	P 6,771	P 132,779
Total allowance for ECL	(1,432)	(1,071)	(2,370)	(4,873)
Total carrying amount	**P 110,767**	**P 12,738**	**P 4,401**	**P 127,906**

**Leasing and finance receivables are from RLFC*

*** Micro and small business loans are from RMB*

	Retail and Other Products			
	Stage 1	Stage 2	Stage 3	Total
2018				
Housing loans				
Standard monitoring	P 41,561	P 4,998	P -	P 46,560
Default	-	-	797	797
	41,561	4,998	797	47,356
Allowance for ECL	(416)	(337)	(138)	(891)
Carrying amount	41,145	4,661	659	46,465
Credit cards				
Current	19,815	20	-	19,835
1-29 dpd	430	5	-	435
30-59 dpd	-	220	-	220
60-89 dpd	-	168	-	168
Defaulted	-	-	892	892
	20,245	413	892	21,550
Allowance for ECL	(380)	(163)	(757)	(1,300)
Carrying amount	19,865	250	135	20,250
Auto loans				
Standard monitoring	P 31,823	P 4,162	P -	P 35,985
Default	-	-	707	707
	31,823	4,162	707	36,692
Allowance for ECL	(340)	(352)	(166)	(858)
Carrying amount	31,483	3,810	541	35,834
Personal and salary loans				
Standard monitoring	P 645	P 32	P -	P 647
Default	-	-	19	19
	645	32	19	696
Allowance for ECL	(84)	(20)	(17)	(121)
Carrying amount	561	13	2	575
*Leasing and finance receivables**				
AAA+ – B+	P 1,795	P -	P -	P 1,795
B – B-	-	1,543	-	1,543
CCC and below	-	-	652	652
	1,795	1,543	652	3,990
Allowance for ECL	(33)	(254)	(183)	(470)
Carrying amount	1,762	1,289	469	3,520
*Micro and small business loans***				
Unclassified	P 1,098	P -	P -	P 1,098
Especially mentioned	-	41	-	41
Defaulted	-		82	82
	1,098	41	82	1,221
Allowance for ECL	(9)	(7)	(64)	(80)
Carrying amount	1,089	34	18	1,141

	Retail and Other Products			
	Stage 1	Stage 2	Stage 3	Total
Total gross amount	P 97,167	P 11,189	P 3,149	P 111,505
Total allowance for ECL	(1,262)	(1,133)	(1,325)	(3,720)
Total carrying amount	**P 95,905**	**P 10,056**	**P 1,824**	**P 107,785**

**Leasing and finance receivables are from RLFC*
*** Micro and small business loans are from RMB*

b) *Investments in debt securities at amortized cost and at FVOCI*

	Group		**Parent Company**	
	HTC	**FVOCI**	**HTC**	**FVOCI**
2019				
Government securities				
AAA to A+	P 68,342	P 24,226	P 68,342	P 24,226
BBB+ to BBB-	23,869	19,055	23,869	19,055
	92,211	43,281	92,211	43,281
Corporate debt securities				
AAA	267	2,396	267	2,396
AA+ to A+	5,527	1,824	5,527	1,824
A to A-	1,002	999	1,002	999
BBB+ to BBB-	897	1,702	862	1,085
BB+ to BB-	636	412	399	-
B+ and below	525	-	-	-
	8,854	7,333	8,057	6,304
Allowance for ECL	(139)	(2)	(49)	(1)
	8,715	7,331	8,008	6,303
	P 100,926	**P 50,612**	**P 100,219**	**P 49,584**
2018 (As restated)				
Government securities				
AA+ to A+	P 2,058	P -	P 2,058	P -
BBB+ to BBB-	64,026	15,138	64,026	15,138
	66,084	15,138	66,084	15,138
Corporate debt securities				
AAA	1,352	-	1,352	-
AA+ to A+	2,255	-	2,255	-
A to A-	1,283	-	1,283	-
BBB+ to BBB-	12,135	5	13,125	-
BB+ to BB-	5,828	383	5,478	-
B+ and below	90	-	109	-
	22,943	388	23,602	-
Allowance for ECL	(135)	-	(45)	-
	22,808	388	23,557	
	P 88,892	P 15,526	P 89,641	P 15,138

Credit exposures for debt securities not held for trading are all classified as Stage 1.

c) Loan Commitments

The credit quality of the Group and Parent Company's irrevocable loan commitments with amounts determined after considering credit conversion factor, as of December 31 follows:

	Group and Parent Company			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2019				
Corporate loans				
Pass				
AAA to BBB	P 2,180	P -	P -	P 2,180
BBB- to B-	3,307	-	-	3,307
Watchlisted	-	226	-	226
Unrated	101	-	13	114
	5,588	226	13	5,827
ECL provisions	(10)	(9)	(5)	(24)
	5,578	217	8	5,803
Credit cards				
Current	7,599	-	-	7,599
1-29 dpd	-	-	-	-
30-59 dpd	-	-	-	-
60-89 dpd	-	-	-	-
Defaulted	-	-	-	-
	7,599	-	-	7,599
ECL provisions	(101)	-	-	(101)
	7,498	-	-	7,498
	P 13,076	**P 217**	**P 8**	**P 13,301**
2018				
Corporate loans				
Pass				
AAA to BBB	P 1,479	P -	P -	P 1,479
BBB- to B-	24,967	-	-	24,967
Watchlisted	-	16	-	16
Unrated	657	-	-	657
	27,103	16	-	27,119
ECL provisions	(10)	-	-	(10)
	27,093	16	-	27,109
Credit cards				
Current	54,153	37	-	54,190
1-29 dpd	341	7	-	348
30-59 dpd	-	71	-	71
60-89 dpd	-	45	-	45
Defaulted	-	-	241	241
	54,494	160	241	54,895
ECL provisions	(84)	-	-	(84)
	54,410	160	241	54,811
	P 81,503	P 176	P 241	P 81,920

4.4.8 Allowance for Expected Credit Loss

The following tables show the reconciliation of the loss allowance for ECL by class of significant financial instruments.

a) Loans and receivables – Group and Parent Company

	Corporate Loans				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
2019					
Balance at beginning of year	P 483	P 294	P 3,145	P 36	P 3,958
Transfers:					
Stage 1 to Stage 2	(14)	14	-	-	-
Stage 1 to Stage 3	(9)	-	9	-	-
Assets derecognized or repaid	(1,347)	(20)	519	-	(848)
New assets originated:					
Remained in Stage 1	1,598	-	-	-	1,598
Moved to Stages 2 and 3	-	241	986	-	1,227
	228	235	1,514	-	1,972
Balance at end of year	**P 706**	**P 529**	**P 4,659**	**P 36**	**P 5,930**
2018					
Balance at beginning of year	P 471	P 1,193	P 1,700	P 46	P 3,410
Transfers:					
Stage 1 to Stage 2	(1)	1	-	-	-
Stage 1 to Stage 3	(1)	-	1	-	-
Stage 2 to Stage 1	13	(13)	-	-	-
Stage 3 to Stage 1	1	-	(1)	-	-
Assets derecognized or repaid	(390)	(963)	(293)	-	(1,646)
New assets originated:					
Remained in Stage 1	388	-	-	-	388
Moved to Stage 2 and 3	-	77	1,738	(10)	1,805
	12	(899)	1,445	(10)	548
Balance at end of year	P 483	P 294	P 3,145	P 36	P 3,958

	Retail and Other Products			
	Stage 1	Stage 2	Stage 3	Total
2019				
Housing loans				
Balance at beginning of year	P 416	P 337	P 138	P 891
Transfers:				
Stage 1 to Stage 2	(36)	36	-	-
Stage 1 to Stage 3	(6)	-	6	-
Stage 2 to Stage 1	69	(69)	-	-
Stage 2 to Stage 3	-	(99)	99	-
Assets derecognized or repaid	(17)	(53)	(54)	(124)
New assets originated:				
Remained in Stage 1	24	-	-	24
Moved to Stage 2 and 3	-	106	37	143
	34	(79)	88	43
Balance at end of year	**450**	**258**	**226**	**934**
Credit cards				
Balance at beginning of year	380	163	757	1,300
Transfers:				
Stage 1 to Stage 2	(15)	15	-	-
Stage 1 to Stage 3	(28)	-	28	-
Stage 2 to Stage 3	-	(28)	28	-
Stage 3 to Stage 2	-	17	(17)	-
Stage 2 to Stage 1	23	(23)	-	-
Stage 3 to Stage 1	26	-	(26)	-
New assets originated:				
Assets derecognized	(946)	(291)	(663)	(1,900)
Assets originated	1,156	395	867	2,418
Write offs	-	-	(1,559)	(1,559)
Others	(86)	(30)	1,636	1,580
	130	115	294	539
Balance at end of year	**510**	**278**	**1,051**	**1,839**
Auto loans				
Balance at beginning of year	340	352	166	858
Transfers:				
Stage 1 to Stage 2	(40)	40	-	-
Stage 1 to Stage 3	(9)	-	9	-
Stage 2 to Stage 1	68	(68)	-	-
Stage 2 to Stage 3		(95)	95	-
New assets originated:				
Remained in Stage 1	7	-	-	7
Moved to Stages 2 and 3	-	79	881	960
Financial assets derecognized or repaid	(25)	(93)	(26)	(144)
Write-offs	-	(13)	(370)	(383)
	1	(150)	589	440
Balance at end of year	**P 341**	**P 202**	**P 755**	**P 1,298**

	Retail and Other Products			
	Stage 1	Stage 2	Stage 3	Total
Personal and salary loans				
Balance at beginning of year	P 84	P 20	P 17	P 121
Transfers:				
Stage 1 to Stage 2	(8)	8	-	-
Stage 1 to Stage 3	(5)	-	5	-
Stage 2 to Stage 1	1	(1)	-	-
Stage 2 to Stage 3		(11)	11	-
New assets originated:				
Remained in Stage 1	22	-	-	22
Moved to Stages 2 and 3	-	7	7	14
Financial assets derecognized or repaid	(15)	(2)	-	(17)
Write-offs	-	-	(16)	(16)
Others	(25)	26	13	14
	(30)	27	20	18
Balance at end of year	**54**	**47**	**37**	**138**
Leasing and finance receivables*				
Balance at beginning of year	P 33	P 254	P 183	P 470
Transfers:				
Stage 1 to Stage 2	(142)	142	-	-
Stage 2 to Stage 3	-	(234)	234	-
Stage 3 to Stage 2	-	3	(3)	-
New assets originated:				
Remained in Stage 1	36	-	-	36
Moved to Stages 2 and 3	-	34	-	34
Others	135	76	(168)	(43)
	29	21	63	113
Balance at end of year	**62**	**275**	**246**	**583**
Micro and small business loans*				
Balance at beginning of year	P 9	P 7	P 64	P 80
Transfers:				
Stage 1 to Stage 2	(4)	4	-	-
Stage 2 to Stage 3	-	(3)	3	-
Financial assets derecognized or repaid	(2)	(3)	-	(5)
New assets originated:				
Remained in Stage 1	12	-	-	12
Moved to Stages 2 and 3	-	6	-	6
Write-offs	-	-	(12)	(12)
	6	4	(9)	1
Balance at end of year	**15**	**11**	**55**	**81**
	P 1,479	**P 939**	**P 1,800**	**P 4,218**

**Leasing and finance receivables are from RLFC*
*** Micro and small business loans are from RMB*

	Retail and Other Products			
	Stage 1	Stage 2	Stage 3	Total
2018				
Housing loans				
Balance at beginning of year	P 147	P 180	P 767	P 1,094
Transfers:				
Stage 1 to Stage 2	(33)	33	-	-
Stage 2 to Stage 1	327	(327)	-	-
Stage 2 to Stage 3	-	(165)	165	-
Stage 3 to Stage 2	-	423	(423)	-
New assets originated:				
Remained in Stage	63	-	-	63
Moved to Stage 2 and 3	-	366	2	368
Financial assets derecognized or repaid	(88)	(173)	(373)	(634)
	269	157	(629)	(204)
Balance at end of year	416	337	138	891
Credit cards				
Balance at beginning of year	P 260	P 355	P 439	P 1,054
Transfers:				
Stage 1 to Stage 2	(9)	9	-	-
Stage 1 to Stage 3	(25)	-	25	-
Stage 2 to Stage 1	28	(28)	-	-
Stage 2 to Stage 3	-	(61)	61	-
Stage 3 to Stage 1	14	-	(14)	-
Stage 3 to Stage 2	-	42	(42)	-
New assets originated:				
Remained in Stage 1	76	-	-	76
Moved to Stage 2 and 3	-	23	33	56
Write-offs	-	-	(1,129)	(1,129)
Others	36	(177)	1,384	1,243
	120	(192)	318	246
Balance at end of year	380	163	757	1,300
Auto Loans				
Balance at beginning of year	P 82	P 268	P 329	P 679
Transfers:				
Stage 1 to Stage 2	(40)	40	-	-
Stage 1 to Stage 3	(1)	-	1	-
Stage 2 to Stage 1	- 14	(14)	-	-
Stage 2 to Stage 3	-	(32)	32	-
New assets originated:				
Remained in Stage 1	296	-	-	296
Moved to Stage 2	-	324	24	348
Financial assets derecognized or repaid	(11)	(234)	(210)	(455)
Write-offs	-	-	(10)	(10)
	258	84	(163)	179
Balance at end of year	340	352	166	858

	Retail and Other Products			
	Stage 1	Stage 2	Stage 3	Total
Personal and salary loans				
Balance at beginning of year	P 25	P 4	P 24	P 53
Transfers:				
Stage 1 to Stage 2	(1)	1	-	-
Stage 1 to Stage 3	(24)	-	24	-
Stage 2 to Stage 3	-	(13)	13	-
Stage 3 to Stage 2	-	41	(41)	-
New assets originated:				
Remained in Stage 1	118	-	-	118
Moved to Stages 2 and 3	-	40	-	40
Financial assets derecognized or repaid	(34)	(53)	-	(87)
Write-offs	-	-	(3)	(3)
	59	16	(7)	67
Balance at end of year	84	20	17	121
*Leasing and finance receivables**				
Balance at beginning of year	39	186	145	370
Transfers:				
Stage 1 to Stage 2	(16)	16	-	-
Stage 2 to Stage 3	-	(4)	4	-
New assets originated:				
Remained in Stage 1	10	-	-	10
Moved to Stages 2 and 3	-	56	134	190
Write off	-	-	(100)	(100)
	(6)	68	38	100
Balance at end of year	33	254	183	470
*Micro and small business loans***				
Balance at beginning of year	8	2	66	76
Transfers:				
Stage 1 to Stage 2	(6)	6	-	-
Stage 2 to Stage 3	-	(3)	3	-
Financial assets derecognized or repaid	(22)	(6)	(19)	(47)
New assets originated:				
Remained in Stage 1	29	-	-	29
Moved to Stages 2 and 3	-	8	14	22
	1	5	(2)	4
Balance at end of year	9	7	64	80
	P 1,262	P 1,133	P 1,373	P 3,768

**Leasing and finance receivables are from RLFC*
*** Micro and small business loans are from RMB*

Presented below are the composition of allowance for ECL as by loan portfolio (see Note 11):

	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018 (As restated – see Note 34)
Corporate	**P 5,930**	P 3,958	**P 5,894**	P 3,922
Credit card	**1,839**	1,300	**1,839**	1,300
Auto	**1,298**	858	**1,298**	858
Personal and salary	**138**	121	**138**	121
Leasing and finance	**583**	470	**-**	-
Microfinance and small business	**81**	80	**-**	-
Other receivables	**3,561**	3,504	**3,557**	3,488
	P 13,430	P 10,291	**P 12,726**	P 9,689

b) *Investments in debt securities at amortized cost and at FVOCI*

ECL for investments in debt securities at amortized cost amounted to P4 and P45 in 2019 and 2018, respectively, for the Group and P4 and P26, respectively, for the Parent Company. The allowance for ECL for investments in debt securities at amortized cost amounted to P139 and P135 for the Group and P49 and P45 for the Parent Company in December 31, 2019 and 2018, respectively. No ECL was recognized for debt securities at FVOCI acquired in 2019 and 2018.

c) *Loan commitments*

Allowance for ECL recognized both by the Group and Parent Company related to undrawn loan commitments as of December 31, 2019 and 2018 amounted to P125 and P94, respectively, presented as ECL provisions on loan commitments under Other Liabilities account (see Note 22). ECL (recovery) recognized in profit or loss in 2019 and 2018 amounted to P23 and (P13), respectively.

The information on how the significant changes in the gross carrying amount of the financial instruments contributed to the changes in the amount of allowance for ECL are presented in Note 4.4.9.

4.4.9 Significant Changes in Gross Carrying Amount Affecting Allowance for ECL

The tables below provides information how the significant changes in the gross carrying amount of financial instruments in 2019 contributed to the changes in the allowance for ECL.

a) Loans and receivables – Group and Parent Company

	Corporate Loans				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased credit-impaired**	**Total**
2019					
Balance at beginning of year	P 254,802	P 2,856	P 10,462	P 52	P 268,172
Transfers:					
Stage 1 to Stage 2	(1,666)	1,666	-	-	-
Stage 1 to Stage 3	(831)	-	831	-	-
Stage 2 to Stage 3	-	(8)	8	-	-
Assets derecognized or repaid	(137,855)	(2,319)	(4,448)	-	(144,622)
New assets originated:					
Remained in Stage 1	163,316	-	-	-	162,316
Moved to Stages 2 and 3	-	4,801	2,266	-	7,067
	22,964	4,140	(1,343)	-	24,761
Balance at end of year	**P 277,766**	**P 6,996**	**P 9,119**	**P 52**	**P 292,933**

	Corporate Loans				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
2018					
Balance at beginning of year	P 235,021	P 10,361	P 2,692	P 70	P 248,143
Transfers:					
Stage 1 to Stage 2	(49)	49	-	-	-
Stage 1 to Stage 3	(109)	-	109	-	-
Stage 2 to Stage 1	95	(95)	-	-	-
Stage 3 to Stage 1	2	-	(2)	-	-
Assets derecognized or repaid	(118,573)	(9,497)	(980)	(18)	(129,067)
New assets originated:					
Remained in Stage 1	138,415	-	-	-	138,415
Moved to Stage 2 and 3	-	2,038	8,643	-	10,681
	19,781	(7,505)	7,770	(18)	20,029
Balance at end of year	P 254,802	P 2,856	P 10,462	P 52	P 268,172

	Retail and Other Products			
	Stage 1	Stage 2	Stage 3	Total
2019				
Housing loans				
Balance at beginning of year	P 41,561	P 4,998	P 797	P 47,356
Transfers:				
Stage 1 to Stage 2	(3,635)	3,635	-	-
Stage 1 to Stage 3	(583)	-	583	-
Stage 2 to Stage 3	-	(1,281)	1,281	-
Stage 3 to Stage 2	-	5	(5)	-
Stage 2 to Stage 1	1,176	(1,176)	-	-
Assets derecognized or repaid	(5,235)	(1,168)	(642)	(7,045)
New assets originated:				
Remained in Stage 1	11,672	-	-	11,672
Moved to Stages 2 and 3	-	832	589	1,421
	3,405	847	1,806	6,058
Balance at end of year	**44,966**	**5,845**	**2,603**	**53,414**
Credit cards				
Balance at beginning of year	P 20,245	P 413	P 892	P 21,550
Transfers:				
Stage 1 to Stage 2	(424)	424	-	-
Stage 1 to Stage 3	(678)	-	678	-
Stage 2 to Stage 1	72	(72)		-
Stage 2 to Stage 3	-	(71)	71	-
Stage 3 to Stage 1	34	-	(34)	-
Stage 3 to Stage 2	-	21	(21)	-
New assets originated:				
Remained in Stage 1	94,718	-	-	94,718
Moved to Stage 2 and 3	-	978	1,184	2,162
Write-offs	(690)	(258)	(611)	(1,559)
Asset derecognized or repaid	(84,167)	(769)	(892)	(85,828)
	8,865	253	375	9,493
Balance at end of year	**29,110**	**666**	**1,267**	**31,043**
Auto Loans				
Balance at beginning of year	P 31,823	P 4,162	P 707	P 36,692
Transfers:				
Stage 1 to Stage 2	(3,155)	3,155	-	-
Stage 1 to Stage 3	(665)	-	665	-
Stage 2 to Stage 1	981	(981)		-
Stage 2 to Stage 3	-	(1,000)	1,000	-
Stage 3 to Stage 2	-	2	(2)	-
New assets originated:				
Remained in Stage 1	7,358	-	-	7,358
Moved to Stage 2 and 3	-	765	178	943
Write-offs	-	(74)	(309)	(383)
Asset derecognized or repaid	(2,250)	(853)	(92)	(3,195)
	2,269	1,014	1,440	4,722
Balance at end of year	**34,092**	**5,176**	**2,147**	**41,415**

	Retail and Other Products			
	Stage 1	Stage 2	Stage 3	Total
Personal and salary loans				
Balance at beginning of year	P 645	P 32	P 19	P 696
Transfers:				
Stage 1 to Stage 2	(71)	71	-	-
Stage 1 to Stage 3	(24)	-	24	-
Stage 2 to Stage 1	4	(4)		-
Stage 2 to Stage 3	-	(15)	15	-
New assets originated:				
Remained in Stage 1	667	-	-	667
Moved to Stage 2 and 3	-	60	11	71
Write-offs	-	-	(16)	(16)
Asset derecognized or repaid	(223)	(36)	(11)	(270)
	353	76	23	452
Balance at end of year	**998**	**108**	**42**	**1,148**
Leasing and finance receivables				
Balance at beginning of year	P 1,795	P 1,543	P 652	P 3,990
Transfers:				
Stage 1 to Stage 3	(205)	-	205	-
Stage 2 to Stage 3	-	(103)	103	-
New assets originated:				
Remained in Stage 1	1,745	-	-	1,745
Moved to Stages 2 and 3	-	1,294	374	1,668
Asset derecognized or repaid	(1,444)	(749)	(765)	(2,958)
	96	442	(83)	455
Balance at end of year	**1,891**	**1,985**	**569**	**4,445**
Microfinance and small business loans				
Balance at beginning of year	P 1,098	P 41	P 82	P 1,221
Transfers:				
Stage 1 to Stage 2	(20)	20	-	-
Stage 1 to Stage 3	(3)	-	3	-
Stage 2 to Stage 1	9	(9)		-
Stage 2 to Stage 3	-	(3)	3	-
New assets originated:				
Remained in Stage 1	807	-	-	807
Moved to Stages 2 and 3	-	16	70	86
Write-offs	-	-	(12)	(12)
Asset derecognized or repaid	(749)	(36)	(3)	(788)
	44	(12)	61	93
Balance at end of year	**1,142**	**29**	**143**	**1,314**
	P 112,199	**P 13,809**	**P 6,771**	**P 132,779**

**Leasing and finance receivables are from RLFC*
*** Micro and small business loans are from RMB*

	Retail and Other Products			
	Stage 1	Stage 2	Stage 3	Total
2018				
Housing loans				
Balance at beginning of year	P 41,165	P 922	P 1,675	P 43,762
Transfers:				
Stage 1 to Stage 2	(3,283)	3,283	-	-
Stage 1 to Stage 3	-	-	-	-
Stage 2 to Stage 1	394	(394)	-	-
Stage 2 to Stage 3	-	(2,020)	2,020	-
Stage 3 to Stage 2	-	2,115	(2,115)	-
Assets derecognized or repaid	(4,288)	(1,136)	(789)	(6,213)
New assets originated:				
Remained in Stage 1	7,573	-	-	7,573
Moved to Stage 2 and 3	-	2,228	6	2,234
	396	4,076	(878)	3,594
Balance at end of year	41,561	4,998	797	47,356
Credit cards				
Balance at beginning of year	15,488	478	439	16,405
Transfers:				
Stage 1 to Stage 2	(300)	300	-	-
Stage 1 to Stage 3	(490)	-	490	-
Stage 2 to Stage 1	39	(39)	-	-
Stage 2 to Stage 3	-	(83)	83	-
Stage 3 to Stage 1	14	-	(14)	-
Stage 3 to Stage 2	-	42	(42)	-
New assets originated:				
Remained in Stage 1	3,972	-	-	3,972
Moved to Stage 2 and 3	-	58	45	103
Write-offs	-	-	(1,129)	(1,129)
Others	1,522	(343)	1,020	2,199
	4,757	(65)	453	5,145
Balance at end of year	20,245	413	892	21,550
Auto Loans				
Balance at beginning of year	P 30,156	P 5,880	P 559	P 36,595
Transfers:				
Stage 1 to Stage 2	(316)	316	-	-
Stage 1 to Stage 3	(73)	-	73	-
Stage 2 to Stage 1	266	(266)		-
Stage 2 to Stage 3	-	(376)	376	-
New assets originated:				
Remained in Stage 1	2,788	-	-	2,788
Moved to Stage 2 and 3	-	1,961	-	1,961
Write-offs	-	-	(53)	(53)
Assets derecognized repaid	(998)	(3,353)	(248)	(4,599)
	1,667	(1,718)	148	97
Balance at end of year	31,823	4,162	707	36,692

	Retail and Other Products			
	Stage 1	Stage 2	Stage 3	Total
Personal and salary loans				
Balance at beginning of year	P 381	P 17	P 52	P 450
Transfers:				
Stage 1 to Stage 2	(23)	23	-	-
Stage 1 to Stage 3	(358)	-	358	-
Stage 2 to Stage 3	-	(130)	130	-
Stage 3 to Stage 2	-	507	(507)	-
New assets originated:				
Remained in Stage 1	3,961	-	-	3,961
Moved to Stages 2 and 3	-	263	2	265
Write-offs	-	-	(8)	(8)
Asset derecognized or repaid	(3,316)	(648)	(8)	(3,972)
	264	15	(33)	246
Balance at end of year	645	32	19	696
*Leasing and finance receivables**				
Balance at beginning of year	P 1,395	P 1,403	P 344	P 3,142
Transfers:				
Stage 1 to Stage 2	(215)	215	-	-
Stage 3 to Stage 2	-	11	(11)	-
New assets originated:				
Remained in Stage 1	769	-	-	769
Moved to Stage 2 and 3	-	68	419	487
Write off	-	-	(100)	(100)
Asset derecognized or repaid	(154)	(154)	-	(308)
	400	140	308	848
Balance at end of year	1,795	1,543	652	3,990
*Microfinance and small business loans***				
Balance at beginning of year	P 909	P 9	P 66	P 984
Transfers:				
Stage 1 to Stage 2	(27)	27	-	-
Stage 2 to Stage 3	-	(3)	3	-
New assets originated:				
Remained in Stage 1	879	-	-	879
Moved to Stage 2 and 3	-	20	44	64
Asset derecognized or repaid	(663)	(12)	(31)	(706)
	189	32	16	237
Balance at end of year	1,098	41	82	1,221
Balance at end of year	P 97,167	P 11,189	P 3,149	P 111,505

**Leasing and finance receivables are from RLFC*
*** Micro and small business loans are from RMB*

The amounts of "Transfers to" include the changes in the ECL on the exposures transferred from one stage to another during the year.

Generally, the increase in the ECL allowances was driven by an increase in the gross size of the portfolio and movements between stages as a result of increase in credit risk and improvement in economic conditions.

The Group's receivables arising from salary loans are generally fully recoverable as those are collected through salary deductions, except for those receivables from resigned employees which were provided with full ECL allowance.

b) Investment in debt securities at amortized cost and at FVOCI

	Group		Parent Company	
	HTC	**FVOCI**	**HTC**	**FVOCI**
2019				
Balance at beginning of year	P 89,027	P 15,526	P 88,686	P 15,138
Assets purchased	128,062	143,095	126,480	140,237
Assets derecognized	(116,025)	(107,893)	(114,898)	(105,675)
Fair value gains	-	(116)	-	(116)
Balance at end of year	**P 101,065**	**P 50,612**	**P 100,268**	**P 49,584**

	Group		Parent Company (As restated)	
	HTC	FVOCI	HTC	FVOCI
2018				
Balance at beginning of year	P 60,068	P -	P 59,648	P -
Effect of adoption of PFRS 9 (see Note 2.2)	(261)	415	35	-
Assets purchased	77,488	19,828	77,237	19,827
Assets derecognized	(48,403)	(4,866)	(48,234)	(4,838)
Fair value gains	-	149	-	149
Balance at end of year	P 89,027	P 15,526	P 88,686	P 15,138

4.4.10 Collateral Held as Security and Other Credit Enhancements

The Group holds collateral against loans and advances to customers in the form of hold-out deposits, real estate mortgage, standby letters of credit or bank guaranty, government guaranty, chattel mortgage, assignment of receivables, pledge of equity securities, personal and corporate guaranty and other forms of security. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are generally updated annually.

Generally, collateral is not held over loans and advances to other banks, except when securities are held as part of reverse repurchase and securities borrowing arrangements. Collateral is not usually held against trading and investment securities, and no such collateral was held as of December 31, 2019 and 2018.

The estimated fair value of collateral and other security enhancements held against the loan portfolio as of December 31 are presented below.

	Group			
	Stage 1	Stage 2	Stage 3	Total
2019				
Real properties	P 273,269	P 19,945	P 5,185	P 298,399
Chattel	85,646	2,815	1,181	89,462
Hold-out deposits	8,465	410	16	8,891
Equity securities	23,537	395	7,072	31,004
Others	171,591	1,668	3,015	176,274
	P 562,508	**P 25,233**	**P 16,469**	**P 604,210**

	Group			
	Stage 1	Stage 2	Stage 3	Total
2018				
Real properties	P 229,742	P 19,220	P 4,458	P 253,960
Chattel	51,450	21,290	4,286	77,026
Hold-out deposits	9,175	21	620	9,816
Equity securities	6,437	-	-	6,437
Others	149,065	9,401	1,618	159,544
	P 445,869	P 49,932	P 10,982	P 506,783

	Parent Company			
	Stage 1	Stage 2	Stage 3	Total
2019				
Real properties	P 272,429	P 19,930	P 5,099	P 297,458
Chattel	83,734	2,802	989	87,525
Equity securities	23,537	395	7,072	31,004
Hold-out deposits	8,465	410	16	8,891
Others	167,768	1,623	2,594	171,985
	P 555,933	**P 25,160**	**P 15,770**	**P 596,863**
2018 (As restated)				
Real properties	P 229,264	P 19,220	P 4,395	P 253,419
Chattel	65,926	8,535	1,653	76,114
Hold-out deposits	9,175	21	274	9,470
Equity securities	6,437	-	-	6,437
Others	145,974	9,372	740	156,086
	P 456,776	P 37,148	P 7,602	P 501,526

The Group and the Parent Company have recognized certain properties arising from foreclosures in settlement of loan account amounting to P924 and P912, respectively, in 2019 and P672 and P818, respectively, in 2018 (see Note 14.1).

The Group and the Parent Company's manner of disposing the collateral for impaired loans and receivables is normally through sale of these assets after foreclosure proceedings have taken place. The Group and the Parent Company do not generally use the non-cash collateral for its own operations.

There were no changes in the Group and the Parent Company's collateral policies in 2019 and 2018.

4.4.11 Maximum Exposure to Credit Risk of Financial Instruments not Subject to Impairment

The following table contains analysis of the maximum credit risk exposure from financial assets not subject to impairment (i.e., FVTPL).

	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
Derivative financial assets	**1,075**	1,727	**1,075**	1,727
	P 4,800	P 6,895	**P 4,800**	P 6,693

4.4.12 Write-offs

The Group and the Parent Company write off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery of the financial asset. Indicators that there is no reasonable expectation of recovery include: cessation of enforcement activity; and, where the Group and Parent Company's recovery method is through foreclosure of collateral and the value of the collateral is less than the outstanding contractual amounts of the financial assets to be written-off.

The Group and Parent Company may write off financial assets that are still subject to enforcement activity. The outstanding amounts of such assets written off in 2019 and 2018 amounted to P2,701 and P2,790 respectively, for the Group, and P2,689 and P1,469, respectively, for the Parent Company. The Group and the Parent Company still seek to recover amounts legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

4.4.13 Credit Risk Stress Test

To enhance the assessment of credit risk, the Group adopted a credit risk stress testing framework using break-even sales and cash flow debt service to determine a borrower's vulnerability and ultimately impact to the Group's capital adequacy. The Parent Company adopted a portfolio credit risk testing framework that takes into consideration the causal relationships among industry sectors.

4.4.14 Sensitivity Analysis on ECL Measurement

Set out below are the changes to the Group's ECL as of December 31, 2019 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Group's economic variable assumptions:

	Change in MEVs		Impact on ECL	
	Upside Scenario	Downside Scenario	Upside Scenario	Downside Scenario
Credit card receivables			(P 772)	P 114
Unemployment rate	- 2.75%	+ 4.25%		
Inflation rate	- 6.60%	+ 1.10%		
Corporate loans			(447)	337
GDP growth rate	+ 0.70%	- 1.40%		
Inflation rate	- 3.61%	+ 3.49%		
91D TD bill	- 3.81%	+1.00%		
Salary loans			(34)	3
Unemployment rate	- 2.50%	+ 4.50%		
USD-Php exchange rate	- P10.50	+ P3.00		
Inflation rate	- 0.50%	+ 2.50%		
Bank lending rate	- 0.50%	+ 5.00%		
Housing loans			(23)	65
Unemployment rate	- 2.00%	+ 4.50%		
Inflation rate	- 0.50%	+ 2.50 %		
Bank lending rate	- 0.50%	+ 5.00%		
Auto loans			(10)	47
GDP	+ P12,470	- P162,112		
USD-Php exchange rate	- P3.00	+ P10.50		
Bank lending rate	- 0.01%	+ 0.05%		
Personal loans			(7)	28
GDP	+ P12,470	- P162,112		
USD-Php exchange rate	- P3.00	+ P10.50		
Bank lending rate	- 0.01%	+ 0.05%		

4.5 Operational Risk

Operational risks are risks arising from the potential inadequate information systems and systems, operations or transactional problems (relating to service or product delivery), breaches in internal controls, fraud, or unforeseen catastrophes that may result in unexpected loss. Operational risks include the risk of loss arising from various types of human or technical error, settlement or payments failures, business interruption, administrative and legal risks, and the risk arising from systems not performing adequately.

The Operational Risk Management Division (ORMD) assists management in meeting its responsibility to understand and manage operational risk exposures and to ensure consistent application of operational risk management tools across the Group.

The ORMD applies a number of techniques to efficiently manage operational risks. Among these are as follows:

- Each major business line has an embedded designated operational risk officer who acts as a point person for the implementation of various operational risk tools. The operational risk officers attend annual risk briefings conducted by the ORMD to keep them up-to-date with different operational risk issues, challenges and initiatives;

- With ORMD's bottom up self-assessment process, which is conducted at least annually, areas with high risk potential are highlighted and reported, and control measures are identified. The result of said self-assessment exercise also serves as one of the inputs in identifying specific key risk indicators (KRIs);

- KRIs are used to monitor the operational risk profile of the Group and of each business unit, and alert management of impending problems in a timely fashion;

- Internal loss information is collected, reported, and utilized to model operational risk; and,

- The ORMD reviews product and operating manuals, policies, procedures and circulars, thus allowing the embedding of desired operational risk management practices in all business units.

Operational Risk Management, as it relates to capital adequacy, is currently under Basic Indicator Approach (see Note 5.2).

The Group has also developed a Business Continuity Plan (BCP) based on several crisis severity levels which is tested at least annually and updated for any major changes in systems and procedures. Central to the Group's BCP is a disaster recovery plan to address the continued functioning of systems, recovery of critical data, and contingency processing requirements in the event of a disaster.

4.5.1 Reputation Risk

Reputation risk is the risk to earnings or capital arising from negative public opinion. This affects the Group's ability to establish new relationships or services, or to continue servicing existing relationships. This risk can expose the Group to litigation, financial loss, or damage to its reputation. Reputation risk arises whenever technology-based banking products, services, delivery channels, or processes may generate adverse public opinion such that it seriously affects the Group's earnings or impairs its capital. This risk is present in activities such as asset management and regulatory compliance.

The Group adopted a reputation risk monitoring and reporting framework to manage public perception. Central to the said framework is the creation of the RCBC Marketing Council chaired by the head of the Parent Company's Chief Marketing Officer.

4.5.2 Legal Risk and Regulatory Risk Management

Changes in laws and regulations and fiscal policies could adversely affect the Group's operations and financial reporting. In addition, the Group faces legal risks in enforcing its rights under its loan agreements, such as foreclosing of collateral. Legal risk is higher in new areas of business where the law remains untested by the courts. The Group uses a legal review process as the primary control mechanism for legal risk. Such a legal review aims to verify and validate the existence, genuineness and due execution of legal documents, and verify the capacity and authority of counterparties and customers to enter into transactions. In addition, the Group seeks to minimize its legal risk by using stringent legal documentation, imposing certain requirements designed to ensure that transactions are properly authorized, and consulting internal and external legal advisors.

Regulatory risk refers to the potential for the Group to suffer financial loss due to mid-stream changes in regulatory regime affecting current position and/or strategy. Compliance Risk is the risk of loss resulting from failure to comply with laws, regulations, rules, related self-regulatory organization standards, and codes of conduct applicable to its banking activities. The Group's Compliance Program, the design and implementation of which is overseen and coordinated by the Chief Compliance Officer, is the primary control process for regulatory and compliance risk issues. The Compliance Office is committed to safeguard the integrity of the Group by maintaining a high level of regulatory compliance. It is responsible for communicating and disseminating new rules and regulations to all units, assessing and addressing identified compliance issues, performing periodic compliance testing an, and reporting compliance findings to the Audit and Compliance Committee and the BOD.

4.6 Anti-Money Laundering Controls

The AMLA or RA No. 9160 was passed in September 2001. It was subsequently amended by RA No. 9194, RA No. 10167, and RA No. 10365 in March 2003, June 2012 and February 2013, respectively. Together with the Terrorism Financing Prevention and Suppression Act (CFT) which was passed in June 2012 by virtue of RA No. 10168, these laws provide the regulatory framework for the Philippine Anti-Money Laundering and Terrorist Financing Prevention regulations.

On January 27, 2011, BSP Circular No. 706 (the Circular) was implemented superseding prior rules and regulations on AMLA. The Circular requires the Group to adopt a comprehensive and risk-based Money Laundering and Terrorist Financing Prevention Program (MTPP) designed according to the covered institution's corporate structure and risk profile. In compliance with the risk-based approach mandated by the Circular, the Group profiles its clients based on their level of risk, specifically, Low, Normal, or High. These risk levels have their corresponding level of due diligence, specifically, Reduced, Average or Enhanced. BSP Circular No. 706 was later amended by BSP Circular Nos. 950 and 1022.

The salient changes in the MORB in light of BSP Circular No. 1022 includes the definition of a beneficial owner, expansion of the definition of Politically Exposed Persons or PEPs to include persons who are related to a PEP within the second degree of affinity and consanguinity, mandatory conduct of an institutional risk assessment ("IRA") every two years, adoption of procedures on sanctions screening, among others.

The Group's MTPP follows a risk-based approach wherein enhanced controls are applied on certain aspects of the business that pose higher ML/TF risks in order to mitigate the same.

The Bank strengthened its first line of defense by separating sales and service functions and delineated the reporting line of said functions. The Sales function is focused on marketing and sales, relationship management, cross-selling, credit-related matters and documentation, and loan-related referrals and documentation; while the Service function is focused on BC operations such as: (a) customer servicing, which includes KYC and account opening, account maintenance and tellering, cash and vault management and ATM servicing, (b) BC administration, (c) customer experience management such as inquiries, feedback and problem resolution, and (d) compliance and audit.

The Bank also created middle offices, Customer Information Management Division (CIMD) and Branch Operations Control Division (BOCD), tasked to review and validate KYC documents. The CIMD ensures the uniqueness of Customer Information Files and accuracy of information captured in the CRM. It also reviews the completeness of account opening documents. The BOCD, on the other hand, ensures the proper implementation of KYC, the performance of independent EDD based on customer risk profile, and monitoring adherence of BCs to standard operating procedures. It also acts as the additional control layer to track exceptions and decides on dispositions, recommends sanctions or additional trainings for BCs, and recommends process improvements. The key processes of the BOCD are KYC, exceptions reporting, and quality assurance.

The Bank implemented automated client risk profiling through its Finacle CRM. The risk assessment process involves a detailed analysis of the data obtained during the identification stage in order to more accurately determine whether the customer poses a low, medium or high risk for money laundering/terrorism financing.

In order to manage the risks of some of its higher risk customers like Money Service Businesses and Online Gambling Businesses, the Bank established a Special Handling Unit ("SHU") responsible in the conduct of EDD, account review and transaction monitoring of said clients.

The Bank also uses technology to automate its compliance activities and to equip itself with improved defenses against money laundering and terrorist financing. It uses watch list filtering, transaction monitoring and automated regulatory reporting systems..

The Group's Chief Compliance Officer, through the Testing and Monitoring Division, monitors AML/CFT compliance by conducting regular compliance testing of the head office and business units. Results of its AML/CFT activities and compliance monitoring are regularly reported to the AML Board Committee, Audit and Compliance Committee and the BOD to ensure that all AML/CFT matters are appropriately escalated.

In summary, the Group continuously improved controls over Money Laundering risks and had implemented the necessary enhancements of the on-boarding procedures, risk profiling model, transaction processing and monitoring, covered and suspicious transaction reporting and watchlist management.

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

	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										
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
Segment operating income	P 9,353	P 6,069	P 1,935	P 7,898	P 933	P 26,188
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
Segment operating income	P 7,507	P 7,426	P 1,061	P 2,122	P 674	P 18,790
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
Segment operating income	P 6,831	P 7,650	P 874	P 2,411	P 548	P 18,314
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	**3.25.00% - 15.00%**	3.25% - 8.13%	2.13% - 8.75%
Foreign currency denominated	**2.05.00% - 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		Fair Values 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 2019	Group 2018	Parent Company 2019	Parent Company 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):

	Note	Group	
		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:

	Notes	Group 2019	Group 2018	Parent Company 2019	Parent Company 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 2019	Group 2018	Parent Company 2019	Parent Company 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		**29**	292	290
		P 1,432	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	Group 2018	Group 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	Parent Company 2018 (As restated – see Note 34)	Parent Company 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 2019	Statements of Financial Position 2018	Statements of Profit or Loss 2019	Statements of Profit or Loss 2018	Statements of Profit or Loss 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	Withdrawals	Interest Expense	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	27,304	69,510	96,814	27,304	69,510	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
	189,164	489,207	678,371	184,032	485,624	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 212,942	P 471,287	P 684,229	P 184,455	P 490,901	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.*

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	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.*

RIZAL COMMERCIAL BANKING CORPORATION
INDEX TO SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2019

RCBC
We believe in you.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Rizal Commercial Banking and Subsidiaries (the Group), is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, as of and for the year ended December 31, 2019 (including the comparative financial statements as of December 31, 2018 and for the years ended December 31, 2018 and 2017), in accordance with the prescribed financial reporting framework indicated therein, 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 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 or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, have audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date JUN 02 2020 SCES
RECEIVED
PRECIOSA C. JAVIER

RCBC
We believe in you.

HELEN Y. DEE
Chairperson, Board of Directors

EUGENE S. ACEVEDO
President & Chief Executive Officer

HORACIO E. CEBRERO III
SEVP, Head – Treasury Group

FLORENTINO M. MADONZA
FSVP, Head – Controllership Group

SUBSCRIBED AND SWORN TO BEFORE ME, this ___ day of MAR 1 0 2020 ______, 2020 at Makati City, Philippines, affiants exhibited to me their valid identifications, to wit:

Name	*ID No.*	*Date/Place of Issue*
Helen Y. Dee	Driver's License N11-75-016658	5/11/2018, Makati
Eugene S. Acevedo	Passport No. P7511081A	6/11/2018, Manila
Horacio E. Cebrero III	Passport No. P4378507B	1/12/2020, Manila
Florentino M. Madonza	PRC License 0088956	8/3/2017, Manila

Doc. No. 182;
Page No. 38;
Book No. 072;
Series of 2020.

ATTY. CATALINO VICENTE L. ARABIT
Notary Public
Appointment No. M-30(2019-2020)
Until 31 December 2020
PTR NO. 8117178; 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

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ... DIVISION
Date JUN 02 20[illegible] SCES
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P&A
Grant Thornton
An instinct for growth™

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date JUN 02 2020
RECEIVED
PRECIOSA C. JA...

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

T +63 2 988 2288

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	-

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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)

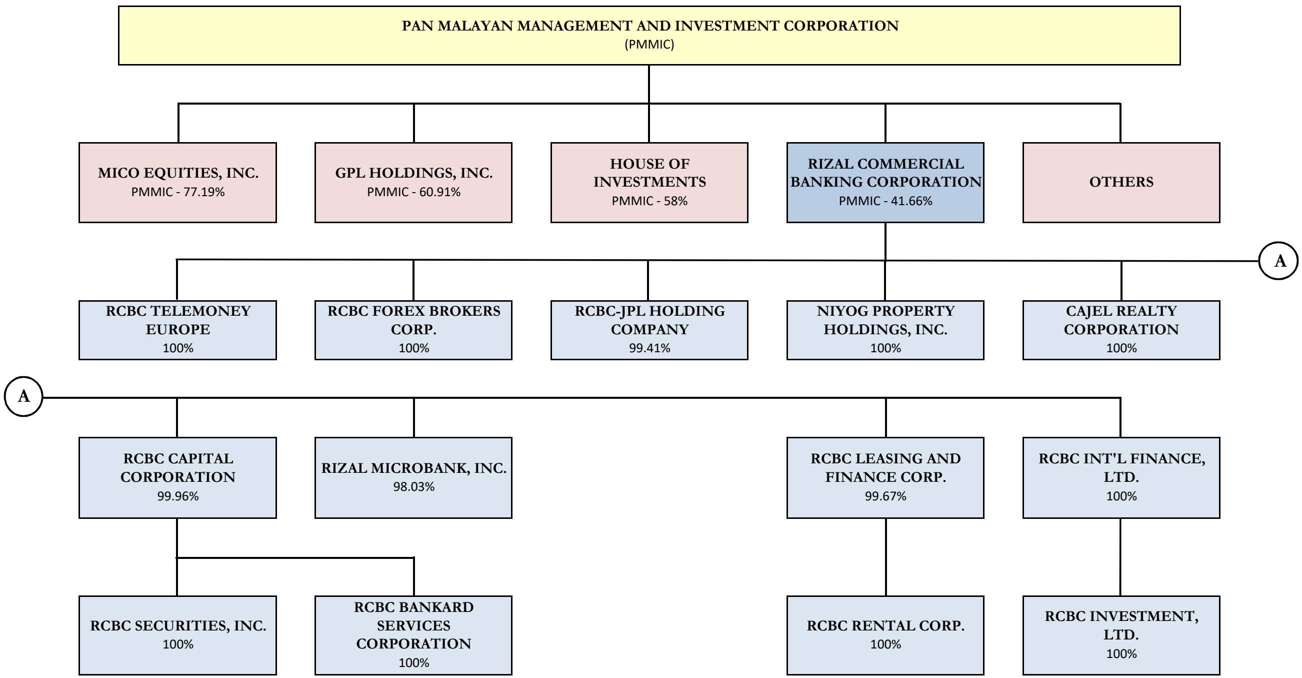
2019- P8,000,000,000 RCB 06-21 ASEAN BOND 2021

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



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Report of Independent Auditors on Components of Financial Soundness Indicators

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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

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