COVER SHEET

1 7 5 1 4

S.E.C. Registration Number

RIZAL COMMERCIAL BANKING CORPORATION

(Company's Full Name)

6819 AYALA AVENUE CORNER GIL PUYAT AVENUE MAKATI CITY

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

GEORGE GILBERT G. DELA CUESTA	**8894-95-59**
Contact Person	Company Telephone Number

PRELIMINARY INFORMATION STATEMENTS
FOR THE YEAR 2020

1 2	3 1		0 7	2 7
Month	Day	FORM TYPE	Month	Day
Fiscal Year			Annual Meeting	

GSED

Secondary License Type, If Applicable

C F D	
Dept. Requiring this Doc.	Amended Articles Number/Section

Total Amount of Borrowings

831		
Total No. Of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number	LCU
Document I.D.	Cashier

STAMPS

Remarks= pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION
SEC FORM IS
INFORMATION STATEMENT PURSUANT TO SECTION 17.1 (b)
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [√] **Preliminary Information Statement**
   [ ] Definitive Information Statement

2. Name of Registrant as specified in its charter: **Rizal Commercial Banking Corporation**

3. Province, Country or other jurisdiction of incorporation or organization: **Philippines**

4. SEC Identification Number: **17514**

5. BIR Tax Identification Code: **000-599-760-000**

6. Address of principal office: **Yuchengco Tower, RCBC Plaza, 6819 Ayala Ave. cor. Sen. Gil J. Puyat Avenue, Makati City**
   Postal Code **0727**

7. Registrant's telephone number, including area code: **(632) 8894-9000**

8. Date, time and place of the meeting of the security holders: **July 27, 2020, 4:00 P.M. via virtual meeting (no physical place of meeting) in view of the COVID-19 pandemic. The link for the virtual meeting will be provided to stockholders of record who register to confirm their attendance.**

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **June 30, 2020**

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common	(as of May 30, 2020) 1,935,628,896

11. Are any or all of registrant's securities listed on the Philippine Stock Exchange? Yes [√] No [ ]

A. GENERAL INFORMATION

1. Date, Time and Place of Meeting of Security Holders

Date	:	July 27, 2019
Time	:	4:00 P.M.
Place	:	There is no physical place for the meeting The meeting will be held virtually in view of the COVID-19 pandemic. The link for the virtual meeting will be provided to stockholders of record who register to confirm their attendance.
Complete mailing address of Principal office	:	21st Floor, RCBC Plaza, Tower II 6819 Ayala Avenue corner 333 Sen. Gil J. Puyat Avenue Makati City
Approximate date on which the Information Statement is first to be sent or given to security holders	:	June 30, 2020

WE ARE NOT ASKING YOU FOR A PROXY
AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

2. Dissenter's Right of Appraisal

There are no matters or proposed actions as specified in the attached Notice of Annual Stockholders' Meeting that may give rise to a possible exercise by shareholders of their appraisal rights or similar right as provided in Title X of the Corporation Code of the Philippines. However, if at any time after this Information Statement has been sent out, an action (which may give rise to exercise of appraisal right) is proposed at the Annual Stockholders' Meeting, any stockholder who wishes to exercise such right and who voted against the proposed action must make a written demand within thirty (30) days after the Annual Stockholders' Meeting.

Under Title X of the Corporation Code, shareholders dissenting from and voting against the following corporate actions may demand payment of the fair value of their shares as of the day prior to the date on which the vote was taken for such corporation action: (i) amendment to the Bank's articles and by-laws which has the effect of changing or restricting the rights of any shareholder or class of shares, or authorizing preferences in any respect superior to those of outstanding shares of any class; (ii) sale, lease, exchange, transfer, mortgage, pledge, or other disposition of all or substantially all of the Bank's assets; (iii) merger or consolidation; (iv) investment of corporate funds in another corporation or business or for any purpose other than its primary purpose; and (v) extension or shortening of term of corporate existence.

The appraisal right may be exercised by any shareholder who shall have voted against the proposed corporate action, by making a written demand on the Bank within thirty (30) days after the date on which the vote was taken for payment of the fair market value of such shareholder's shares. The failure to make demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or effected, the Bank shall pay the dissenting shareholder, upon surrender of the certificate(s) representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

No director or officer of the Bank and, to the best knowledge of the Bank, no associate of a director or officer of the Bank has any substantial interest, direct or indirect, by security holdings or otherwise, in any of the corporate actions to be acted upon at the Annual Stockholders' Meeting, other than election to office of the directors.

None of the directors of the Bank has informed the Bank of his/her intention to oppose any of the corporate actions to be acted upon at the Annual Stockholders' Meeting. Moreover, all directors and management of the Bank act in the best interest of the Shareholders and there have been no adverse findings of conflict of interest or insider trading involving any director or management in the past 2 years.

B. CONTROL AND COMPENSATION INFORMATION

4. Voting Securities and Principal Holders Thereof

Class of Voting Securities: As of April 30, 2020, 1,935,628,896 Common shares and 267,410 Preferred shares are outstanding, and are entitled to be represented and vote at the Annual Stockholders' Meeting. Each share is entitled to one vote.

Record Date: Only stockholders of record as of July 7, 2020 shall be entitled to notice and vote at the meeting.

Manner of Voting: The By-Laws of the Bank provides that the election shall be by ballots, and that every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing in his own name in the stock and transfer books of the Bank at the time the books were closed and said stockholder may vote such number of shares for as many persons as there are directors, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected, multiplied by the number of shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, Provided, that the whole number of votes cast by him shall not exceed the number of shares owned by him, as shown in the books of the Bank, multiplied by the whole number of directors to be elected; and Provided, that no stock declared delinquent by the Board of Directors for unpaid subscriptions shall be voted. The votes shall be verified and tabulated by Punongbayan and Araullo, which is an independent third party.

Security Ownership of Certain Record Owners of more than 5% (as of March 31, 2020)

(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** (PMMIC) Address: 48/F Yuchengco Tower, RCBC Plaza, 6819 Ayala Ave., Makati City Relationship with Issuer: RCBC is a subsidiary of PMMIC	Pan Malayan Management & Investment Corporation *The records in the possession of the Bank show that the beneficial ownership of this company belongs to the shareholders of record of said company. The Bank has not been advised otherwise.*	Filipino	807,582,173*	41.72% This includes certificated shares (30.70%) and shares under PCD Nominee (11.02%)

	Atty. Guia Margarita Y. Santos and Michele Marie Y. Dee are authorized to vote the certificated shares (594,248,085) of PMMIC. *RCBC Securities, Inc.'s Marilen B. Zuñiga and Simeon A. Lorica, Jr. are authorized to vote the 213,334,088 shares of PMMIC under PCD Nominee.*				
	Cathay Life Insurance Co. LTD (Cathay) Address: No. 296 Ren Ai Road Sec. 4 Taipei R.O.C. (Taiwan) 10633 Relationship with Issuer: Stockholder *HSBC's Karina del Rosario and Paul Arthur O. Austria are authorized to vote the shares of Cathay which are all under PCD Nominee.*	Cathay Life Insurance Co.Ltd. *The records in the possession of the Bank show that the beneficial ownership of this company belongs to the shareholders of record of said company. The Bank has not been advised otherwise.*	Non-Filipino	452,018,582	23.35% (Shares are under PCD Nominee)
Common	**International Finance Corporation (IFC) & IFC Capitalization (Equity) Fund, L.P.** (IFC) Address:2121 Pennsylvania Avenue, NW Washington, DC 20433 USA Relationship with Issuer: Stockholder *HSBC's Karina del Rosario and Paul Arthur O. Austria are authorized to vote 71,151,505 shares of IFC under PCD Nominee. Citibank's Rachel Oliveros, and Ginger Aguirre-Reyes are authorized to vote 36,724,137 shares of IFC under PCD Nominee.*	International Finance Corporation (IFC) *The records in the possession of the Bank show that the beneficial ownership of this company belongs to the shareholders of record of said company. The Bank has not been advised otherwise.*	Non-Filipino	107,875,642	5.57% (Shares are under PCD Nominee)

**Combined Direct and Indirect Shares of PMMIC*

No other individual or corporation under PCD Nominee Corp. holds shares in excess of 5%.

The participants under PCD owning more than 5% of the voting securities (common) are (as of March 31, 2020):

Name	Shares	% of Total
RCBC Securities, Inc.	308,272,581	15.93%
The Hongkong and Shanghai Bank	579,268,712	29.93%

Security Ownership of Certain Record Owners of more than 5% (as of March 31, 2020)

Title of Class	Name & Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizen-ship	No. of Shares	Percent
Preferred	None				

Security Ownership of Foreigners (as of April 30, 2020)

Title of Class	Shares	% of Total
Common	658,928,779	34.04%
Preferred	0	0.00

Security Ownership of Management (as of March 31, 2020)

Title of Class	***Name of Beneficial Owner/ Position***		***Amount and Nature of Beneficial Ownership "r"/"b"****	***Citizen-ship***	***Percent of Class***
a. Board of Directors:					
Common	Helen Y. Dee	Chairperson	P4,380.00 "r" P13,983,680.00 "b"	Filipino	0.07%
Common	Cesar E. A. Virata	Director/ Corporate Vice-Chairman	P1,670 "r" P1,382,670.00 "b"	Filipino	0.01%
Common	Eugene S. Acevedo	President and CEO	P1,986,000.00 "b"	Filipino	0.01%
Common	Gil A Buenaventura	Director	P50.00 "r"	Filipino	0.000%
Common	John Law	Director	P10.00 "r"	French	0.000%
Common	Richard G.A. Westlake	Director	P10.00 "r"	New Zealander	0.000%
Common	Shih-Chiao (Joe) Lin	Director	P10.00 "r"	R.O.C. (Taiwan)	0.000%
Common	Arnold Kai Yuen Kan	Director	P10.00 "r"	Canadian	0.000%
Common	Lilia B. De Lima	Director	P10.00 "r"	Filipino	0.000%
Common	Adelita A Vergel De Dios	Director	P10.00 "r"	Filipino	0.000%
Common	Gabriel S Claudio	Director	P10.00 "r"	Filipino	0.000%
Common	Vaughn F Montes	Independent Director	P50.00 "r"	Filipino	0.00%
Common	Armando M. Medina	Independent Director	P1,950.00 "r"	Filipino	0.000%
Common	Laurito E. Serrano	Independent Director	P10.00 "r"	Filipino	0.000%
Common	Juan B Santos	Independent Director	P50.00 "r"	Filipino	0.00%
b. Senior Management:					
Common	Evelyn Nolasco	Senior Vice President	P27,000.00 "b"	Filipino	0.00%
c. Directors & Principal Officers (as a Group)			P17,387,580.00		0.09%

*"r" refers to registered ownership and "b" refers to beneficial ownership

Changes in Control: At present, there is no arrangement known to the Bank which may result in a change in control.

Voting Trust Holders of 5% or More: There are no shareholdings holding any Voting Trust Agreement or any such similar agreement.

5. <u>Directors and Executive Officers</u>

(a) Nominees for Independent Directors:

i. Mr. Armando M. Medina
ii. Mr. Juan B. Santos
iii. Atty. Adelita A. Vergel De Dios
iv. Mr. Gabriel S. Claudio
v. Mr. Vaughn F. Montes
vi. Mr. Laurito E. Serrano

(b) Nominees for Directors:

i. Ms. Helen Y. Dee
ii. Mr. Cesar E.A. Virata
iii. Mr. Eugene S. Acevedo
iv. Mr. Gil A. Buenaventura
v. Mr. John Law
vi. Mr. Shih-Chiao (Joe) Lin
vii. Mr. Arnold Kai Yuen Kan
viii. Atty. Lilia B. De Lima
ix. Ms. Gayatri P. Bery

Mr. Eduardo S. Lopez, Jr., a stockholder who is not in any way related to the nominees, nominated to the Board the re-election of Mr. Armando M. Medina, Mr. Juan B. Santos, Atty. Adelita A. Vergel De Dios, Mr. Gabriel S. Claudio, Mr. Vaughn F. Montes, and Mr. Laurito E. Serrano as Independent Directors.

The Corporate Governance Committee composed of five (5) members, three (3) of whom are independent directors, reviews and evaluates the qualifications of all persons to be nominated to the Board as well as those to be nominated to other positions requiring appointment by the Board of Directors, i.e, with the ranks of Vice President and higher. The Corporate Governance Committee is composed of Atty. Adelita A. Vergel De Dios as the Chairperson; and Mr. Gabriel S. Claudio, Mr. Shih-Chiao (Joe) Lin, Mr. Vaughn F. Montes, and Atty. Lilia B. De Lima as Members. The Directors will be nominated and elected in accordance with SRC Rule 38.

All the nominated directors comply with all the qualifications required of a director mentioned under Section 132 (for director) of the Manual of Regulations for Banks (MORB) and do not possess any of the disqualifications mentioned under Section 138 (for director) of the MORB.

Likewise, pursuant to the Code of Corporate Governance, all the directors have satisfied the required number of attendance in board meetings, as well as in their respective Committees.

The Directors shall hold office for one (1) year and until their successors are elected and qualified.

The Independent Directors, Mr. Armando M. Medina, Mr. Juan B. Santos, Atty. Adelita A. Vergel De Dios, Mr. Gabriel S. Claudio, Mr. Vaughn F. Montes, and Mr. Laurito E. Serrano have each always possessed the qualifications and none of the disqualifications of an independent director. The Certification of Independent Director of each of the foregoing Independent Directors is attached.

(c) Directors:

Directors	(Age)/ *Citizenship*	*Position/Period which they have served*
Helen Y. Dee	(76)/ Filipino	Board Chairperson (June 25, 2007 to present) Director (March 28, 2005 to present)

Ms. Dee 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.

Recent training/continuing education (2017 to present): Cybersecurity Seminar with Anti-Money Laundering Updates (RCBC); Corporate Governance and Financial Technology (RCBC); Sustainability Reporting, and Customer Due Diligence and Trade-Based Money Laundering (RCBC).

Company	**Position**
Hydee Management & Resources, Inc.	Chairperson/President
House of Investments, Inc.	Chairperson
Mapua Information Technology Center, Inc.	Chairperson
Malayan Insurance Co. Inc.	Chairperson
Pan Malayan Realty Corp.	Chairperson
RCBC Leasing and Finance Corporation	Chairperson
RCBC Forex Brokers Corporation	Director
RCBC Land, Inc.	Director
Landev Corp.	Chairperson
HI-Eisai Pharmaceuticals, Inc.	Chairperson
Manila Memorial Park Cemetery, Inc.	Chairperson
La Funeraria Paz Sucat	Chairperson
Pan Malayan Management & Investment Corp.	Chairperson
Philippine Long Distance Telephone Company	Director
Petro Energy Resources Inc.	Chairperson
Petrowind Energy Inc.	Chairperson
MICO Equities, Inc.	Chairperson
AY Holdings, Inc.	Chairperson
AY Foundation, Inc.	Chairperson
A.T. Yuchengo, Inc.	Chairperson
Yuchengco Center, Inc.	Chairperson
Pan Malayan Express	Chairperson
Isuzu Philippines, Inc.	Director
Honda Cars Philippines, Inc.	Director
Honda Cars Kalookan, Inc.	Director
Philippine Integrated Advertising Agency, Inc.	Director
Sunlife Grepa Financial, Inc.	Chairperson
Philippine Business for Education, Inc.	Board Member Trustee

EEI Corporation	Chairperson
GPL Holdings, Inc.	Chairperson
YGC Corporate Services, Inc.	Chairperson
RCBC Realty Corporation	Chairperson
Luisita Industrial Park Corporation	Director
Y Realty Corporation	Director
E.T. Yuchengco, Inc.	Chairperson
Malayan Educational Systems, Inc.	Chairperson
Malayan Colleges Laguna, Inc.	Trustee
Malayan High School of Science, Inc.	Chairperson
Malayan Colleges Mindanao (A Mapua School), Inc.	Chairperson
Luis Miguel Foods	Director
Mayahin Holdings Corporation	Chairperson

Cesar E.A. Virata (89)/ Filipino — Director (1995 to present)
Corporate Vice-Chairman (June 22, 2000 to present)

Mr. Virata has been a Director since 1995, Corporate Vice Chairman since June 2000 and Senior Adviser from 2007. Mr. Virata's roster of companies where he is also a Director and/or Chairman includes RCBC Realty Corp., RCBC Land, Inc., Malayan Insurance Co., Inc., Business World Publishing Corporation, Belle Corporation, Luisita Industrial Park Corporation, RCBC Bankard Services Corporation, 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

Recent training/continuing education (2017 to present): Cybersecurity Seminar with Anti-Money Laundering Updates (RCBC); Advanced Corporate Governance Training Program (Institute of Corporate Directors or "ICD"); Corporate Governance and Financial Technology (RCBC).

Company	**Position**
ATAR VI Property Holding Company, Inc.	Chairman & Director
RCBC Realty Corp.	Director
RCBC Bankard Services Corporation	Chairman/ Director
RCBC Land, Inc.	Chairman/ Director
ALTO Pacific Company, Inc.	Chairman / Director
Malayan Insurance Co., Inc.	Director
Luisita Industrial Park Corporation	Vice-Chairman/ Director

Lopez Holdings Corp.	Independent Director
Cavitex Holdings, Inc.	Chairman/ Director
YGC Corporate Services, Inc.	Director
Niyog Properties Holdings, Inc.	Director
Business World Publishing Corp.	Vice-Chairman/ Director
Belle Corporation	Independent Director
City and Land Developers, Inc.	Independent Director
AY Foundation, Inc.	Trustee
Malayan University (Operating under Mapua Institute of Technology)	Trustee
Micah Quality Property Development Corporation	Director
World Trade Center Management, Inc.	Director
Yuchengco Center	Trustee
Tan Yan Kee Foundation, Inc.	Trustee
IFI Support Foundation, Inc.	Trustee
UP Business Research Foundation, Inc.	Trustee & President
DLSU-Dasmariñas Cultural Heritage Foundation	Trustee
Yuchengco Museum, Inc.	Trustee

Eugene S. Acevedo (56)/ Filipino Director, President and CEO (July 1, 2019 to present)

Mr. Acevedo is the Bank's President and Chief Executive Officer. He has over thirty years (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. He also holds a Professional Certificate in Clean Power from the Imperial College London.

Recent training/continuing education (2018 to present): Corporate Governance Orientation Program (ICD); Sustainability Reporting, and Customer Due Diligence and Trade-Based Money Laundering (RCBC).

Company	**Position**
De La Salle John Bosco College	Trustee
Holly Tree Holdings	Chairman
Amadeus Arabica Corp	Director
Rizal Microbank, Inc. – A Thrift Bank of RCBC	Chairman
RCBC Leasing and Finance Corporation	Vice Chairman
RCBC Capital Corporation	Director
RCBC International Finance Limited	Director
RCBC Investment Limited	Director
Niyog Property Holdings, Inc.	Director
Bankers Association of the Philippines	Director
Bancnet	Director
PPMI	Director
Asian Institute of Management	Trustee

Gil A. Buenaventura	(67)/ Filipino	Director (July 1, 2016 to present)

Mr. Buenaventura has been a Director of the Bank since July 2016 and has since been sitting as a member of the Bank's Executive Committee. He was also President and Chief and Executive Officer of the Bank until June 30, 2019. He holds directorship and officership positions in De La Salle Philippines School System, Malayan Insurance Company, Inc., House of Investments, Inc., and Manila Memorial Park Cemetery, Inc. He graduated with a Bachelor of Arts degree, major in Economics, from the University of San Francisco, California, and with a Master's of Business Administration in Finance from the University of Wisconsin.

Recent training/continuing education (2017 to present): Cybersecurity Seminar with Anti-Money Laundering Updates (RCBC); Corporate Governance and Financial Technology (RCBC); Sustainability Reporting, and Customer Due Diligence and Trade-Based Money Laundering (RCBC).

Company	Position
De La Salle Philippines School System	Member of the Investment Committee
Malayan Insurance Company, Inc.	Director
House of Investments, Inc.	Director
Manila Memorial Park Cemetery, Inc.	Director

Gayatri P. Bery	(54)/ American	Nominated for Director (July 27, 2020 – Annual Stockholders' Meeting)

Ms. Bery gained experience from Drexel Burnham & Lambert (New York), Ranieri & Company (New York), Morgan Stanley & Co. Incorporated (New York), being an investment advisor in Hong Kong, and being a member of the Steering Committee of Morgan Stanley's HK Women's Business Alliance Team. She also served as Chief Operating Officer, Global Capital Markets, of Morgan Stanley (Hong Kong). She graduated with a Bachelor of Science degree in Applied Mathematics/Computer Science from the Carnegie Mellon University, and obtained a Master's degree in Business Administration (with concentrations in finance and international business) from the Columbia Business School (New York).

Recent training/continuing education (2019 to present): Financial Times Non-Executive Director Diploma (Hong Kong); She will attend the required corporate governance orientations.

Company	Position
The Centre for Asian Philanthropy and Society	Director of Finance and Philanthropic Partnerships

John Law	(69)/ French & Taiwanese (dual citizen)	Director (April 27, 2015 to present)

Mr. Law 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 and Khan Bank in Mongolia. He holds a Bachelor of Science degree, major in Psychology, from 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.

Recent training/continuing education (2017 to present): Cybersecurity Seminar with Anti-Money Laundering Updates (RCBC); Corporate Governance and Financial Technology (RCBC);

Customer Due Diligence and Trade-Based Money Laundering (RCBC); Sustainability Reporting, and Customer Due Diligence and Trade-Based Money Laundering (RCBC).

Company	Position
Oliver Wyman	Senior Advisor, Greater China
Far East Horizon Ltd.	Non-Executive Director
Khan Bank (Mongolia)	Non-Executive Director

Shih-Chiao (Joe) Lin (48)/ Chinese Director (March 25, 2019 to present)

Mr. Lin has been a Director of the Bank since March 25, 2019. He has been with Cathay Life Insurance for over 20 years and is currently an Executive Vice President there. He graduated with a Bachelor's degree in Business Administration from the National Chengchi University and holds an MBA from the National Taiwan University.

Recent training/continuing education (2018 to present): Corporate Governance Orientation Program (ICD)

Company	Position
Cathay Life Insurance	Executive Vice President

Atty. Lilia B. De Lima (79)/ Filipino Director (June 24, 2019 to present)

Atty. De Lima has been has been a Director of the Bank since June 24, 2019. She was an Independent Member of the Bank's Advisory Board from July 3, 2017 to June 24, 2019. Prior thereto, 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 was an Elected Delegate to the 1971 Constitutional Convention representing the 2nd District of Camarines Sur. 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), The Outstanding Women in the Nation's Service (TOWNS) in the field of law, and the 2010 Management Man of the Year.

Recent training/continuing education (2018 to present): Briefing on Best Practices in Board Risk Oversight (PHINMA); Corporate Governance Orientation Program (ICD); Sustainability Reporting, and Customer Due Diligence and Trade-Based Money Laundering (RCBC).

Company	Position
PHINMA Corporation	Independent Director
IONICS, Inc.	Independent Director
EMS, Inc.	Independent Director
Science Park of the Philippines	Director
RFM Science Park of the Philippines	Director
Fatima Center for Human Development	Trustee
FWD Life Insurance Corporation	Independent Director
TOWNS, Inc.	Trustee
Dusit Thani Philippines	Director
Asian Institute of Management	Executive in Residence

Arnold Kai Yuen Kan (59)/ Canadian Director (June 24, 2019 to present)

Mr. Kai Yuen Kan 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 Co-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.

Recent training/continuing education (2019): Corporate Governance Orientation Program (ICD).

Company	**Position**
Cathay United Bank	Chief Executive, Hong Kong Branch Head of International Banking Group
Cathay United Bank (China) Ltd	Director
New Foresight Limited	Director
Alpha Vantage Investments Limited	Director
Alpha Guard Investments Limited	Director
Krea Capital Limited	Director

The Bank is compliant with SEC Memorandum Circular No. 4, Series of 2017 on the term limit of independent directors. It provides that an independent director shall serve for a maximum cumulative term of nine years, and that the reckoning period for the cumulative nine-year term is 2012. All Independent Directors set forth below have served for less than nine (9) years reckoned from 2012.

Armando M. Medina (70)/ Filipino Independent Director (February 26, 2003 to present)

Mr. Medina 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 Malayan Insurance and RCBC Capital. He graduated from De La Salle University with a Bachelor of Arts degree in Economics and a Bachelor of Science degree in commerce with a major in Accounting.

Recent training/continuing education (2017 to present): Corporate Governance and Financial Technology (RCBC); Sustainability Reporting, and Customer Due Diligence and Trade-Based Money Laundering (RCBC)

Company	**Position**
RCBC Capital Corp.	Independent Director
Malayan Insurance Co.	Independent Director

Juan B. Santos (81)/ Filipino Independent Director (November 2, 2016 to present)

Mr. Santos 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., Philippine Investment Management (PHINMA), Inc. PHINMA Corp.and House of Investment.He is Trustee at Dualtech Training Center Foundation, Inc., St. Luke's Medical Center, 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.

Recent training/continuing education (2017 to present): Cybersecurity Seminar with Anti-Money Laundering Updates (RCBC); Advanced Corporate Governance Training (ICD)

Company	**Position**
Philippine Investment Management Corp.	Director
Mitsubishi Motor Phil. Corp.	Advisory Board
House of Investments, Inc.	Director
Philippine Investment Management, Inc. (PHINMA)	Director
Dualtech Training Center Foundation	Trustee
First Philippine Holdings Co.	Director
East-West Seed Co. Inc. (Phils.)	Advisory Board
Marsman-Drysdale Group	Consultant
SunLife Grepa Financial, Inc.	Independent Director
St. Luke's Medical Center	Trustee
Allamanda Management Corp.	Director

Atty. Adelita A. Vergel De Dios (74)/ Filipino Independent Director (June 27, 2016 to present)

Atty. Vergel De Dios has been an Independent Director of the Bank since June 2016. She was also an Independent Director of RCBC Savings Bank before the merger of the same into RCBC. 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.

Recent training/continuing education (2017 to present): Sustainability, and Customer Due Diligence and Trade-Based Money Laundering (RCBC)

Company	**Position**
none	none

Gabriel S. Claudio (65)/ Filipino Independent Director (July 25, 2016 to present)

Mr. Claudio 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 the Cabinet and government including: Presidential Political and Legislative Adviser, 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.

Recent training/continuing education (2017 to present): Corporate Governance and Financial Technology (RCBC); Corporate Governance and Crisis Management (Ginebra San Miguel, Inc.-GSMI).

Company	**Position**
Philippine Amusement & Gaming Corporation	Member, Board of Directors
Ginebra San Miguel, Incorporated	Member, Board of Directors
Risk & Opportunities Assessment Management	Vice Chairman/Member, Board of Directors
Conflict Resolution Group Foundation (CORE)	Member, Board of Directors
Toby's Youth Sports Foundation	Member, Board of Directors

Vaughn F. Montes, Ph.D.	(69)/ Filipino	Independent Director (September 26, 2016 to present)

Mr. Montes has been an Independent Director of the Bank since September 2016. He is a Trustee and Founding Fellow of the Foundation for Economic Freedom. He is a Teaching Fellow at the Institute for Corporate Directors, and a Director of the Center for Excellence in Governance, and President of the Center for Family Advancement. He is a national consultant for Risk Management to the NEDA PPP Center under an ADB technical assistance grant. He is also currently a Trustee at Parents for Education Foundation (“PAREF”), and Chairman and President at PAREF Southridge School for Boys. He worked in Citibank over a period of 25 years in various capacities including: Senior Economist in Philippine Debt Restructuring Committee; Head of the International Corporate Finance Unit; and Director and Head of Public Sector. He worked as an Associate Economist at the Wharton Econometric Forecasting Associates in Philadelphia 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, USA.

Recent training/continuing education (2017 to present): Cybersecurity Seminar with Anti-Money Laundering Updates (RCBC); Corporate Governance and Financial Technology (RCBC); Sustainability Reporting, and Customer Due Diligence and Trade-Based Money Laundering (RCBC).

Company	**Position**
Parents for Education Foundation (PAREF)	Trustee
PAREF Southridge School for Boys	Chairman and President
PAREF Westbridge School for Boys	Trustee
PAREF Northfield School for Boys	Trustee
Foundation for Economic Freedom	Founding Fellow/Trustee
Center for Family Advancement	President
Center for Excellence in Governance	Director
Institute for Corporate Directors	Teaching Fellow-Corporate Governance
Asian Development Bank Technical Assistance Grant on Public Private Partnerships Program	National Consultant on Public Private Partnerships Risk Management to the National Economic Development Authority / Public Private Partnership Center

Laurito E. Serrano	(59)/ Filipino	Independent Director (March 20, 2019 to present)

Mr. Serrano was elected as an independent director of the Bank effective March 20, 2019. Mr. Serrano was part of the Audit & Business Advisory Group and a partner of SGV & Co - Corporate Finance Consulting Group. He is currently in the financial advisory practice with clients mostly in the private sector. His past experience include, among others, directorships in Metro Global Holdings Group, Travellers Hotels Philippines, Inc. (Resorts World), MJCI Investments, Inc., United Paragon Mining Corp., Sagittarius Mining Corporation, and Philippine Veterans Bank. Mr. Serrano holds a Bachelor of Science degree in Commerce (Major in Accounting) from the Polytechnic University of the Philippines and has a Masters in Business Administration degree from the Harvard Graduate School of Business.

Recent training/continuing education (2018 to present): Corporate Governance Orientation Program (Institute of Corporate Directors)

Company	**Position**
2GO Group Inc.	Independent Director
Atlas Consolidated Mining & Development Corporation	Independent Director
Pacific Online Systems Corporation	Independent Director
APC Group, Inc.	Independent Director
Axelum Resources Corp.	Independent Director
MRT Development Corporation	Director

Please see the Annual Report Accompanying the Information Statement (Annex A) for reports on attendance, performance appraisal, and compensation of directors.

(d) Executive Officers:

Senior Executive Vice Presidents

BANCOD, Redentor C.	Group Head Chief of Staff	Office of the Group Head – ITSSG & Operations Office of the President & Chief Executive Officer
CEBRERO, Horacio III E.	Treasurer/Group Head	Office of the Group Head - Treasury
DEVERAS, John Thomas G.	Head, Strategic Initiatives Group Head	Office of the President & Chief Executive Officer Office of the Group Head - Asset Management & Remedial

Executive Vice-Presidents

CALASANZ, Simon Javier A.	President and Chief Executive Officer	RCBC Bankard Services Corporation (Seconded)
LATINAZO, Rommel S.	Group Head	Office of the Group Head - Consumer Lending
LIM, Ana Luisa S.	Chief Compliance Officer / Group Head	Office of the Group Head- Regulatory Affairs
LIM, Richard C.	Group Head	Office of the Group Head- Retail Banking
NARCISO, Emmanuel T.	Group Head	Office of the Group Head – Global Transaction Banking
VEGAMORA, Edel Mary G.	Chief Audit Executive / Group Head	Office of the Group Head – Internal Audit
VILLANUEVA, Angelito M.	Chief Innovation and Inclusion Officer/ Group Head	Office of the Group Head – Digital Enterprise & Innovation

First Senior Vice-Presidents

AHMAD, Jamal	Group Head	Office of the Group Head - Risk Management
ALVAREZ, Ma. Christina P.	Group Head	Office of the Group Head – Corporate Planning
BUENO, Marita E.	Group Head	Office of the Group Head – Data Science & Analytics
CORONEL, Elizabeth E.	Group Head	Office of the Group Head – Corporate Banking
DELA CUESTA, George Gilbert G.	Group Head / Corporate Secretary	Office of the Group Head – Legal Affairs and Corporate Secretariat
MADONZA, Florentino M.	Group Head	Office of the Group Head – Controllership
MATSUMOTO, Yasuhiro	Segment Head	Global and Ecozone Segment
PEDROSA, Alberto N.	Segment Head	Investment & Markets Trading
RODRIGUEZ, Joseph Colin B.	Segment Head	Subsidiaries Treasury Risk Positions
SANTIAGO, Bennett Clarence D.	Group Head	Office of the Group Head – Credit Management
SUBIDO, Rowena F.	Group Head	Office of the Group Head – Human Resources
TINIO, Ma. Angela V.	Group Head	Small Medium Enterprises Banking Group

Senior Vice-Presidents

BILAOS, Lalaine I.	Division Head	Local Corporate Banking Segment Division II
BOLISAY, Ma. Carmela S.	Division Head	Office of the Division Head – Management Services
BORROMEO, Jose Maria P.	Segment Head	Central Funding Division
BUENAFLOR, Enrique C.	Segment Head	Global Transaction Banking
CANLAS, Karen K.	Division Head	Wealth Management Division 2
CAPINA, Brigitte B.	Regional Sales Director	Makati Region
CONTRERAS, Claro Patricio L.	Division Head	Remedial Management
CRUZ, Antonio Manuel E. Jr.	Segment Head	Chinese Banking Segment 1
ERMITA, Edwin, R.	Bank Security Officer	Office of the President & Chief Executive Officer
ESTACIO, Benjamin E.	Regional Service Head	Mindanao Service Region
GASPAR, Bernice U.	Chinese Banking Segment – Division III	Division Head
LUMAIN, Jonathan Edwin F.	Chief Technology Officer	Office of the Group Head - ITTSG
MACATANGAY, Mary Grace P.	Segment Head	Consumer Loans
MAÑAGO, Jane N.	Group Head	Office of the Group Head - Wealth Management
MENDOZA, Jose Jayson L.	Division Head	Mindanao Division
MIRAL, Gerardo G.	Division Head	Global & Ecozone Segment – Division II
NATIVIDAD, Maria Cecilia F.	Group Head	Office of the Group Head – Marketing
NOLASCO, Evelyn	Division Head	Asset Disposition Division
PAPILLA, Loida, C.	Division Head	Asset Management Support Division
PEJO, Arsilito A.	Regional Sales Director	Central/East Visayas Region
PO, Honorata V.	Regional Sales Director	Metro South Region

QUIOGUE, Nancy J.	Regional Service Head	North Metro Manila Region
RAMOS, Elsie S.	Division Head	Legal Services Division
REYES, Ismael S.	Regional Sales Director	Quezon City Region
REYES, Steven Michael T.	Segment Head	Treasury Sales & Digital Service Delivery
RODRIGO, Ma. Rosanna M.	Regional Sales Director	Central Luzon Region
SANTOS, Raoul V.	Division Head	Investment Services Division
SELIRIO, Libertine R.	Division Head	Global & Ecozone Segment – Division 1
SO, Johan C.	Division Head	Local Corp. Banking Segment Division 1
SORIANO, Elvira D.	Segment Head	BCLC Audit Segment 1
TABUENA, Cecilia E.	Segment Head	Local Corporate Banking Segment
TIRADO, Gianni Franco D.	Regional Sales Director	West Mindanao Region
TOMAS, Juan Gabriel R. IV	Segment Head	Customer Services & Support Segment
USON, Raul Martin D.	Segment Head	Branch Services Support Segment
VALDES, Emmanuel Mari K.	Division Head	Deposit Product & Promotion Division
ZAMORA, Paula Fritzie C.	Segment Head	Financial Institutions & Support Segment
ZANTUA, Nilo C.	Deputy Group Head / Chief Technology Officer	Office of the Group Head - ITTSG

Three of the Directors and most of the Executive Officers mentioned herein have held their positions for at least five (5) years.

There are no compensation arrangements for members of the Board of Directors, other than the per diem and dividends/profit sharing provided under Article V, Section 8, and Article XI, Section 2, respectively, of the Bank's Revised By-Laws. Key executives also receive long term bonuses earned over a 5-year period, the amount of which is tied directly to shareholder value, profitability and enterprise value.

(e) Significant Employees: There is no person other than the entire human resources as a whole, and the executive officers, who is expected to make a significant contribution to the Bank.

(f) Family Relationships: None of the Bank's Directors are related to one another or to any of the Bank's executive officers.

(g) Legal Proceedings:

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

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

HHIC-Philippines, Inc. Rehabilitation Proceedings

On January 9, 2019, HHIC-Phil, Inc. ("HHIC-Phil") filed a petition for corporate rehabilitation ("Petition") under Republic Act No. 10142, the Financial Rehabilitation and Insolvency Act of 2010

(“FRIA”,) with the Regional Trial Court, Branch 72, Olongapo City (the “Rehabilitation Court”). On January 14, 2019, the Rehabilitation Court gave due course to the Petition and appointed a Rehabilitation Receiver, who was soon replaced by Atty. Rosario S. Bernaldo.

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

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

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

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

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

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

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

In the Order dated February 7, 2020, the Rehabilitation Court approved KDB's motion, but denied the motions filed by the ship-owners/ship engines supplier in its Orders dated February 10, 2020 and February 11, 2020, respectively, for lack of merit. The Rehabilitation Court pointed out that the Order confirming the MRP with Clarifications can only be questioned via a petition for certiorari, and the ship-owners/ship engines supplier did not avail of this remedy within the time prescribed in A.M. No. 12-12-11 SC, otherwise known as the FRIA Rules. The Rehabilitation Court, however, has yet to rule on the Motion to Lift Order of Approval of Becker Marine System, GMBH, which seeks the admission of its claim in the amount of USD1,252,000.00.

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

As of March 31, 2019, the outstanding loan obligation of HHIC-Phil to the Bank remains at USD149,441,585.67, inclusive of accrued and compounded interest as well as penalty on interest and principal.

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

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

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

Verotel Merchant Services B.V. Case

In 2011, Verotel Merchant Services B.V. ("VMS"), a Dutch corporation, and Verotel International Industries, Inc. ("VII"), a Philippine corporation, civilly sued the Bank, Bankard, Inc. ("Bankard")

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

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

RCBC Securities Case

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

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

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

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

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

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

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

Applicability of RR 4-2011

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

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

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

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

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

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

Alleged Unauthorized Transfer of funds – Bank of Bangladesh

In February 2016, four allegedly unauthorized fund transfers were wired to four accounts with the Bank from the Bangladesh Bank's account with the Federal Reserve Bank of New York

(“FRBNY”), before being further dispersed to other accounts with other banks and casinos. In August 2016, the Monetary Board approved the imposition of a P1,000 fine upon the Bank which it paid in full ahead of the August 2017 deadline. Such fine was fully recognized as part of miscellaneous expenses in the Bank’s 2016 AFS. While the Bank’s payment of the penalty did not affect its ability to perform its existing obligations or unduly hamper its operations, there may still be other regulatory cases arising from these events.

U.S. Litigation relating to the Bangladesh Bank Incident

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

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

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

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

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

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

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

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

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

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

On August 23, 2019 (U.S. Time), but without prior leave, the Bangladesh Bank tried to intervene in the case/vacate the aforesaid Order, claiming that (a) the target documents/testimonial evidence contain potentially confidential/personal information; (b) these relate to the Federal RICO Act case, where discovery was stayed; (c) setting aside the propriety of its intervention, it has standing to question the discovery orders due to the BNYM's failure to quash the subpoena; (d) the target evidence include those not germane to the Philippine Injunction and Damages case; and (e) the former NSD's Petition violated the Local Rules requiring notification to the U.S. District

Court SDNY Branch handling the Federal RICO Act case, and his subpoena application should be consolidated therewith. To cure its procedural misstep, the counsel for Bangladesh Bank formally sought to stay the enforcement of the subpoena on BNYM, claiming that it is the ultimate target of such discovery proceedings.

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

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

Philippine Litigation relating to the Bangladesh Bank Incident

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

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

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

The Makati Trial Court directed the Bangladesh Bank to file its Answer to the Complaint within fifteen (15) days from notice, and set a status hearing which has been further reset to February 14, 2020.

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

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

Specific Litigation involving the Bank's officers

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

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

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

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

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

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

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

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

Traversing the Prosecution’s contentions in his Rejoinder, the former CSH argued, among others, that (a) the grant of the separate trial is consistent with his right to a speedy trial; (b) the Prosecution did not comment/object to his motion during the January 23, 2020 hearing despite having the time and opportunity to do so; and (c) the Prosecution is not prejudiced by the granting of the motion. Nonetheless, the former CSH filed a Manifestation and Submission, stating that he will no longer present any further witnesses and will file his Formal Offer of Evidence, which he did on March 9, 2020. The Prosecution’s Motion for Reconsideration on the issue was ultimately denied by the Makati Trial Court.

Acting on the criminal complaints filed by the Bank and the Centurytex Trading account owner in connection with a series of unauthorized acts/transactions relating to the money-laundering of

US$81, the Office of the City Prosecutor of Makati City found probable cause to charge former BM Deguito and the former SCRO with several counts of falsification of commercial document and perjury, respectively, before the Metropolitan Trial Court of Makati City ("Makati MTC").

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

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

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

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

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

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

(h) Non-Involvement in Certain Legal Proceedings:

To the knowledge and/or information of the Bank, the nominees for election as Directors of the Bank, its present members of the Board of Directors or its Executive Officers, are not, presently or during the last five (5) years, involved or have been involved in any legal proceeding decided adversely affecting/involving themselves, and/or their property before any court of law or administrative body in the Philippines or elsewhere.

No director has resigned or declined to stand for re-election to the board of directors since the date of the annual meeting of security holders because of disagreement with the Bank on any matter relating to the Bank's operations, policies or practices.

To the knowledge and/or information of the Bank, none of the following events has occurred with respect to the nominees for election as Directors of the Bank, its present members of the Board of Directors, its Executive Officers, underwriters, or control persons during the last five (5) years:

a. Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
b. Any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
c. Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
d. Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended, or vacated.

(i) Certain Relationships and Related Transactions:

As of December 31, 2019, the Bank 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.

The foregoing information is correlated with the information in Note 28 of the Audited Financial Statements annexed to this Information Statement (please see Notes to Financial Statements, Annex “B-1").

6. Compensation of Directors and Executive Officers

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

Profit Sharing Bonus:

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.

7. Independent Public Accounts

Punongbayan and Araullo (P&A) acts as the independent auditor of RCBC, RCBC Savings Bank, RCBC Forex Brokers Inc., and RCBC Leasing and Finance Corporation since 2006, of RCBC Capital since 2003, of Merchants Savings and Loan Association, Inc. since 2008 and of RCBC JPL since 2009.

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 P&A on any matter of accounting principles or practices, financial statement disclosures, audit scope or procedure.

P&A has been the independent external auditor of the Bank beginning with the audited financial statements (AFS) for the year ended December 31, 2005 and they will be recommended for re-appointment at the scheduled annual stockholders' meeting. For period 2005-2009 Mr. Leonardo Cuaresma, Jr. was the handling/signing partner of the Bank. Mr. Cuaresma, Jr. was replaced by Mr. Romualdo V. Murcia III as the handling/signing partner in 2010 and 2011. Mr. Murcia was replaced by Mr. Benjamin P. Valdez in 2012 and 2013. For the years 2014 to 2017, Ms. Maria Isabel E. Comedia was the handling/signing partner of the Bank which was further replaced by Mr. Anthony L. Ng for the year 2018.

Representatives of P&A are expected to be present at the stockholders' meeting and will have the opportunity to make a statement if they desire to do so and will be available to answer appropriate questions.

The Members of the Audit and Compliance Committee are as follows: Mr. Laurito E. Serrano as Chairman, and Atty. Adelita A. Vergel De Dios and Vaughn F. Montes as Members.

The Bank is in compliance with the SRC Rule 68 (3)(b)(iv).

8. Compensation Plans – Not Applicable

C. ISSUANCE AND EXCHANGE OF SECURITIES

9. Authorization or Issuance of Securities Other than for Exchange – Not applicable

10. Modification or Exchange of Securities – Not applicable

11. Financial and Other Information

a. **Financial statements meeting the requirements of SRC Rule 68, as amended**
Please see Annex "B" (includes Supplementary Schedules required by SRC Rule 68- Please see Annex "B-1"), Also attached are the Interim Financial Statements for the First Quarter 2019 (17-Q), please see Annex "B-2".

b. **Management's Discussion and Analysis (MD & A) or Plan of Operation**
Please see Annex "A"

c. **Changes in and Disagreements with Accountants on Accounting and Financial Disclosures -** None.

d. **A statement as to whether or not representatives of the principal accountants for the current year and for the most recently completed fiscal year:**
Representatives of Punongbayan & Araullo are expected to be present at the stockholders' meeting and will have the opportunity to make a statement if they desire to do so and will be available to answer appropriate questions.

12. Acquisition or Disposition of Property – Please see Notes 13 and 14 of the attached Audited Financial Statements in Annex B

13. Restatement of Accounts – Please see Note 2 of the attached Audited Financial Statements in Annex B

D. OTHER MATTERS

15. Action with Respect to Reports

The Management Report, as set forth in the Annual Report, and the Minutes of the previous stockholders' regular meeting held on June 24, 2019 will be submitted for stockholders' approval.

Approval of the Annual Report constitutes a ratification of the Bank's performance during the previous fiscal years as contained in the Annual Report.

Approval of the June 24, 2019 Minutes constitutes a ratification of the accuracy and faithfulness of the Minutes to the events that transpired during said meeting, such as: (a) 2018 annual report and audited financial statements, (b) ratification of actions and proceedings of the Board of Directors, different Committees and Management during the year 2018, (d) confirmation of significant transactions with DOSRI and related parties, (e) election of directors, and (f) appointment of external auditor. A copy of the Minutes for the foregoing meeting is attached as Annex E.

The corporate acts of the Board of Directors, different Committees and Management that are subject to ratification are those made from the date of the last annual stockholders' meeting (June 24, 2019) up to the date of the meeting (July 27, 2020). These include, among others, those that involve day-to-day operation, administration and management of the corporate affairs such as approval of loans, write-offs, restructuring of past due accounts, sale of ROPOAs, appointment/resignation of directors/officers, sanctions/disciplinary measures imposed to erring officers/employees, and authority to file criminal/civil complaints.

16. **Matters Not Required to be Submitted**

In 2019, subsequent to the effective date of the merger, the Bank acquired the 315,287,248 common shares issued in exchange of the net assets of RCBC Savings Bank (RSB) equal to the Bank's investment in RSB as at December 31, 2018 amounting to P13,718,967,478. The BIR is currently processing the Bank's request for the Tax Free Ruling related to the issuance of the shares.

17. Amendment of Charter, By-Laws or Other Documents – Not applicable

18. Other Proposed Action – Not applicable

19. Voting Procedures

The vote required for election or approval.

In the election of Directors, the fifteen (15) nominees with the greatest number of votes will be elected Directors.

In the other proposals or matters submitted to a vote, a vote of the majority or super majority, as the case may be, of the shares of the capital stock of the Bank whether given *in absentia*, by remote communication or represented by proxy at the meeting is necessary for approval of such proposals or matters.

The method by which votes will be counted

Each shareholder may vote *in absentia*, by remote communication, or by proxy the number of shares of stock standing in his name on the books of the Bank. Each share represents one vote. Voting shall be by balloting. An independent third party, Punongbayan & Araullo, shall validate and count the votes to be cast.

No director has informed the Bank of any intention to oppose the matters to be taken up in the annual meeting.

E. OTHER CERTIFICATIONS

Attached is the written certification by the Corporate Secretary on directors and officers working with the government as Annex "C." Attached as Annex "D" to "D-5" are the Certifications of Independent Directors.

SIGNATURES

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information given in this Information Statement is true, complete and correct. This Statement is signed in the City of Makati on June 11, 2020.

RIZAL COMMERCIAL BANKING CORPORATION

By:

GEORGE GILBERT G. DELA CUESTA
Corporate Secretary

E

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

Dear Stockholder:

Please be advised that the Annual Stockholders' Meeting of the Bank will be conducted virtually through https://www.rcbc.com/ASM2020 on **July 27, 2020 at 4:00 P.M.**, for the purpose of considering and acting on the following matters:

1. Approval of the Minutes of the Annual Meeting of the Stockholders held on June 24, 2019
2. Approval of the Annual Report and the Audited Financial Statements for 2019
3. Ratification of the actions and proceedings of the Board of Directors, different Committees and Management during the year 2019
4. Confirmation of significant transactions with DOSRI and related parties
5. Appointment of External Auditor
6. Election of Directors
7. Such other matters as may properly come before the meeting

Enclosed is a copy of the Information Statement pursuant to Section 20-IS of the Securities Regulation Code, as well as a copy of the Agenda and Rationale/Explanation for the Agenda Items.

Only stockholders of record at close of business on **July 7, 2020** will be entitled to participate and vote at the meeting or any adjournment thereof. Votes shall be cast by ballot in accordance with the attached form and procedures.

For the safety and well-being of all the Bank's stakeholders, there will be no physical meeting on July 27, 2020. Stockholders may participate in the virtual meeting either by remote communication by themselves or by proxy, or by casting their votes in absentia. For this purpose, stockholders must register and/or cast their votes by sending a registration email to RCBC-ASM-2020@rcbc.com in accordance with the attached procedures **until 5:00 pm of July 19, 2020**. Only stockholders or their proxies who duly register by email shall be allowed to access the virtual meeting at https://www.rcbc.com/ASM2020.

We are not soliciting your proxy. If you opt to attend the meeting by proxy, please submit a duly-accomplished proxy substantially in the form attached hereto together with your registration email.

The validation of ballots and proxies shall be held on **July 20, 2020 at 9:00 am** at the Office of the Corporate Secretariat.

Due to logistical limitations at the virtual meeting, only relevant comments and questions on agenda items which are submitted by email to CorSecRCBC@rcbc.com **by 5:00 pm of July 24, 2020** will be considered during the open forum.

June 11, 2020 Makati City, Metro Manila, Philippines.

GEORGE GILBERT G. DELA CUESTA
Corporate Secretary

PROCEDURE FOR THE ANNUAL STOCKHOLDERS' MEETING

1. Only stockholders of record at close of business on **July 7, 2020** (Stockholders) will be entitled to participate and vote at the meeting or any adjournment thereof.

2. For the safety and well-being of all the Bank's stakeholders, there will be no physical meeting on July 27, 2020.

3. Stockholders may participate in the virtual meeting either by remote communication by themselves or by proxy, or by casting their votes in absentia. For this purpose, Stockholders must duly register by sending a **registration email** to RCBC-ASM-2020@rcbc.com **by 5:00 pm of July 19, 2020**. Only duly registered stockholders shall be counted for purposes of quorum.

4. **REGISTRATION** - The **registration email** should contain the following:

   a. Form of participation (choose one)
      (i) stockholder by remote communication
      (ii) proxy by remote communication
      (iii) vote in absentia

   b. Information of the stockholder
      (i) name
      (ii) address
      (iii) telephone number
      (iv) mobile number
      (v) valid and active email address

      For corporate stockholders, please include the following information:
      (i) name of authorized representative
      (ii) mobile number of authorized representative
      (iii) valid and active email address of authorized representative

   c. Supporting documents – Each must be in either JPEG or PDF format and must not exceed 400 KB.

      For individual stockholders:
      (i) Scanned copy of a valid government-issued ID with photo, signature and personal details, preferably with residential address.

      For corporate stockholders:
      (i) Scanned copy of Secretary's Certificate attesting to the authority of the representative to participate by remote communication for and on behalf of the Corporation
      (ii) Scanned copy of the authorized representative's valid government-issued ID with photo, signature and personal details, preferably with residential address

   d. Duly accomplished Proxy Form (for those attending through proxy by remote communication). If a stockholder opts to attend through proxy by remote communication but does not indicate the name of the proxy, the stockholder shall be deemed to have appointed the Chairperson as his proxy.

   e. Duly Accomplished Vote Ballot
      Each stockholder personally attending by remote communication or voting in absentia shall submit a duly accomplished Vote Ballot.

5. Duly registered Stockholders who signified attendance by remote communication or their identified proxies shall receive an email with a link and password for the meeting.

6. **OPEN FORUM** - Due to logistical limitations at the virtual meeting, only relevant comments and questions on agenda items which are submitted by email to CorSecRCBC@rcbc.com with subject: **QUESTIONS/COMMENTS by 5:00 pm of July 24, 2020** will be considered during the open forum.

7. **VOTING** - Votes of duly registered Stockholders can only be cast through ballots or proxies. The ballot or proxy should be substantially in the form provided in the Definitive Information Statement and filled in accordance with the instructions set forth therein. All ballots and proxies should be received by the Bank together with the registration email not later than **5:00 P.M. of July 19, 2020**. Failure of the stockholder to send his/her votes as stated herein shall be deemed a vote of approval for all the agenda items.

   If a stockholder avails of the option to vote through ballots and also issues proxy votes with differing instructions, the ballots shall replace the proxy votes issued by the stockholder.

8. Validation of ballots and proxies will be on **July 20, 2020 at 9:00 A.M.**

9. Stockholders shall be responsible for their own internet connectivity during the virtual meeting.

10. The proceedings of the meeting will be recorded.

Should you have questions or requests for clarification on the procedure for attending the annual stockholders' meeting through remote communication, please email them to CorSecRCBC@rcbc.com with subject: **CLARIFICATION NEEDED**.

PROXY

KNOW ALL MEN BY THESE PRESENTS:

That I, _____________________, a shareholder of the RIZAL COMMERCIAL BANKING CORPORATION (the "Corporation"), a domestic corporation, do hereby nominate, constitute and appoint ___________________________, with full power of substitution and delegation, as the proxy, of the undersigned to represent and vote all shares registered in my name on the books of Corporation, or owned by me at the Annual Meeting of Stockholders on June 25, 2018 of said Corporation, and any adjournment/s thereof, as fully to all intents and purposes as I might or could do if present and acting in my person, hereby ratifying and confirming any and all acts which my said attorney and proxy may do in or upon any and all matters which may properly come before any said meeting, or any adjournment or adjournments thereof, upon the proposals enumerated below.

In case of absence of ________________________ and any substitute proxy designated by him at the said meeting, the undersigned hereby grants the Chairman of the meeting chosen accordance with the Corporation's By-Laws or, in case of his absence the President of the Corporation, full power and authority to act as alternate proxy of the undersigned at such meeting.

The proxy/substitute proxy/alternate proxy, as the case may be, shall vote subject to the instructions indicated below and the proxy/substitute proxy/alternate proxy, as the case may be, is authorized to vote in his discretion upon other business as may properly come before the Annual Meeting of Stockholders and any adjournments or postponements thereof. Where no specific instruction is clearly indicated below, the proxy/substitute proxy/alternate proxy, as the case may be, shall vote and shall be deemed authorized to vote "FOR" with respect to Proposal 1 to 6 and "FOR ALL" with respect to Proposal 7.

PROPOSALS AND VOTING INSTRUCTIONS

Management recommends a "FOR" vote for Proposals 1 to 6, and a "FOR ALL" vote for Proposal 7

	FOR	AGAINST	ABSTAIN
1. Approval of the Minutes of the Annual Meeting of the Stockholders held on June 24, 2019	☐	☐	☐
2. Approval of the Annual Report and the Audited Financial Statements for 2019	☐	☐	☐
3. Ratification of the actions and proceedings of the Board of Directors, different Committees and Management during the year 2019	☐	☐	☐
4. Confirmation of Significant Transactions with DOSRI and Related Parties	☐	☐	☐
5. Appointment of Punongbayan & Araullo as External Auditor	☐	☐	☐
6. At their discretion, the proxies named above are authorized to vote upon such other matters as may properly come before the meeting.	☐	☐	☐

7. Election of Directors 15 Directors (9 Regular Directors and 6 Independent Directors)

REGULAR DIRECTORS

a. Ms. Helen Y. Dee
b. Mr. Cesar E.A. Virata
c. Mr. Eugene S. Acevedo
d. Mr. Gil A. Buenaventura
e. Mr. John Law
f. Mr. Shih-Chiao (Joe) Lin
g. Mr. Arnold Kai Yuen Kan
h. Atty. Lilia B. De Lima
i. Ms. Gayatri Bery

INDEPENDENT DIRECTORS

j. Mr. Armando M. Medina
k. Mr. Juan B. Santos
l. Atty. Adelita A. Vergel De Dios
m. Mr. Gabriel S. Claudio
n. Mr. Vaughn F. Montes
o. Mr. Laurito E. Serrano

For All ☐ **Withhold For All** ☐ **Exceptions** ☐

Exceptions:

a.	____________	f.	____________	k.	____________
b.	____________	g.	____________	l.	____________
c.	____________	h.	____________	m.	____________
d.	____________	i.	____________	n.	____________
e.	____________	j.	____________	o.	____________

The stockholder may withhold authority to vote for any or some nominee(s), by marking the exception box and writing the name(s) of such nominee(s) on the space provided above. If the stockholder designates exception(s), the number of shares to be distributed to each of the remaining nominees must be indicated on the spaces provided above.

The stockholder can either (a) vote for all of the nominees, in which case the stockholder's total votes will be split and cast equally among the nominee(s); (b) withhold his vote for all of the nominees; or (c) vote only for some and not all of the nominees, in which case the stockholder's total votes will be distributed and cast as indicated by the stockholder in the spaces provided above. If the stockholder does not indicate the number of shares to be distributed among the remaining nominees who are not named on the spaces for exceptions above, then the stockholder's total votes will be split and cast equally among the remaining nominees. The total number of votes which a stockholder may cast is equal to fifteen (15) times the number of shares of common stock and voting preferred stock held as of the Record Date.

This proxy shall be valid for the Annual Meeting of Stockholders of the Corporation on July 27, 2020 unless sooner withdrawn by me through notice in writing delivered to the Corporate Secretary. In case I shall be present at the meeting, this proxy stands revoked.

IN WITNESS WHEREOF, I, the undersigned shareholder, have executed this proxy at ____________________ this _______day of __________________ 2020.

____

(Signature Over Printed Name)

☐ Stockholder

☐ Authorized Representative of Stockholder

Date: _______________ , 2020

PLEASE SEE NEXT PAGE

OTHER INFORMATION AND INSTRUCTIONS FOR THE PROXY FORM

1. Submission of Proxy

(a) The proxy form must be duly completed, signed and dated by the stockholder or his duly authorized representative, and received by email via RCBC-ASM-2020@rcbc.com together with the stockholder's registration mail by **5:00 P.M. of July 19, 2019.** If the name of the proxy is not specified, the stockholder shall be deemed as having appointed the Chairperson as proxy.

(b) If the proxy is given by one or more joint owners of shares of stock of the Company, the proxy form must be signed by all of the joint owners.

(c) If the shares of stock of the Company are owned in an "and/or" capacity, the proxy form must be signed by either one of the registered owners.

(d) If the proxy is given by a holder of shares of stock of the Company that is a corporation, association, partnership or unincorporated entity, the proxy form must be accompanied by a certification signed by a duly authorized officer, partner or representative of such corporation, association, partnership or unincorporated entity, to the effect that the person signing the proxy form has been authorized by the governing body or has the power pursuant to the By-Laws, constitutive documents or duly approved policies of such corporation, association, partnership or unincorporated entity, for such purpose.

(e) A proxy given by a broker or dealer in respect of shares of stock of the Company carried by such broker or dealer for the account of a customer must be supported by a sworn certification that the same is given with the express prior authorization of such customer.

(f) If any customer of a broker or dealer who is the beneficial owner of shares of stock of the Company executes a sub-proxy, the broker or dealer shall certify that the signature on the sub-proxy is the true and genuine signature of its customer.

2. Revocation of Proxy

A holder of shares of stock of the Company who has given a proxy has the power to revoke it by written instrument duly signed and dated, which must be received by email via RCBC-ASM-2020@rcbc.com not later than **5:00 P.M. of July 24, 2020**. A proxy is also considered suspended if an individual stockholder signifies by email to RCBC-ASM-2020@rcbc.com on or before **5:00 P.M. of July 19, 2020** that he is attending the meeting by remote communication.

3. Validation of Proxy

The validation of proxies will be held on **July 20, 2019** at **2:00 pm** at the Office of the Corporate Secretary. Validation of proxies will be done by the Corporate Secretary and persons designated by the Corporate Secretary who shall be under his supervision and control, in accordance with the procedure and guidelines set out in the Company's By-Laws and Section 11(b) of the SRC Rule 20.

VOTE BALLOT

___ Attending by remote communication **___ Voting in absentia**

PROPOSALS AND VOTING INSTRUCTIONS

Management recommends a "FOR" vote for Proposals 1 to 6, and a "FOR ALL" vote for Proposal 7.

	FOR	AGAINST	ABSTAIN
1. Approval of the Minutes of the Annual Meeting of the Stockholders held on June 24, 2019	☐	☐	☐
2. Approval of the Annual Report and the Audited Financial Statements for 2019	☐	☐	☐
3. Ratification of the actions and proceedings of the Board of Directors, different Committees and Management during the year 2019	☐	☐	☐
4. Confirmation of Significant Transactions with DOSRI and Related Parties	☐	☐	☐
5. Appointment of Punongbayan & Araullo as External Auditor	☐	☐	☐
6. At their discretion, the proxies named above are authorized to vote upon such other matters as may properly come before the meeting.	☐	☐	☐

7. Election of Directors 15 Directors (9 Regular Directors and 6 Independent Directors)

REGULAR DIRECTORS
a. Ms. Helen Y. Dee
b. Mr. Cesar E.A. Virata
c. Mr. Eugene S. Acevedo
d. Mr. Gil A. Buenaventura
e. Mr. John Law
f. Mr. Shih-Chiao (Joe) Lin
g. Mr. Arnold Kai Yuen Kan
h. Atty. Lilia B. De Lima
i. Ms. Gayatri Bery

INDEPENDENT DIRECTORS
j. Mr. Armando M. Medina
k. Mr. Juan B. Santos
l. Atty. Adelita A. Vergel De Dios
m. Mr. Gabriel S. Claudio
n. Mr. Vaughn F. Montes
o. Mr. Laurito E. Serrano

For All	**Withhold For All**	**Exceptions**
☐	☐	☐

Exceptions:

a. ________________	f. ________________	k. ________________
b. ________________	g. ________________	l. ________________
c. ________________	h. ________________	m. ________________
d. ________________	i. ________________	n. ________________
e. ________________	j. ________________	o. ________________

The stockholder may withhold authority to vote for any or some nominee(s), by marking the exception box and writing the name(s) of such nominee(s) on the space provided above. If the stockholder designates exception(s), the number of shares to be distributed to each of the remaining nominees must be indicated on the spaces provided above.

The stockholder can either (a) vote for all of the nominees, in which case the stockholder's total votes will be split and cast equally among the nominee(s); (b) withhold his vote for all of the nominees; or (c) vote only for some and not all of the nominees, in which case the stockholder's total votes will be distributed and cast as indicated by the stockholder in the spaces provided above. If the stockholder does not indicate the number of shares to be distributed among the remaining nominees who are not named on the spaces for exceptions above, then the stockholder's total votes will be split and cast equally among the remaining nominees. The total number of votes which a stockholder may cast is equal to fifteen (15) times the number of shares of common stock and voting preferred stock held as of the Record Date.

Where no specific instruction is clearly indicated above in any, some, or all of the items, the vote shall be deemed as a vote "FOR" with respect to Proposal 1 to 6, and "FOR ALL" with respect to Proposal 7.

IN WITNESS WHEREOF, I, the undersigned stockholder have cast the foregoing Vote Ballot at ____________________ this _______day of __________________ 2020.

____

(Signature Over Printed Name)

□ Stockholder

□ Authorized Representative of Stockholder

Date: _______________ , 2020

RIZAL COMMERCIAL BANKING CORPORATION

AGENDA

ANNUAL MEETING OF THE STOCKHOLDERS

DATE	:	July 27, 2020
TIME	:	4:00 P. M.
PLACE	:	Virtual Meeting https://www.rcbc.com/ASM2020

1. Proof of the Due Notice of the Meeting
2. Determination of the presence of a Quorum
3. Approval of the Minutes of the Annual Meeting of the Stockholders held on June 24, 2019
4. Approval of the Annual Report and the Audited Financial Statements for 2019
5. Ratification of the actions and proceedings of the Board of Directors, different Committees and Management during the year 2019
6. Confirmation of significant transactions with DOSRI and related parties
7. Election of Directors
8. Appointment of External Auditor
9. Other Matters
10. Open Forum
11. Adjournment

RATIONALE / EXPLANATION
FOR AGENDA ITEMS REQUIRING SHAREHOLDERS' APPROVAL

1. Proof of Due Notice of the Meeting

Rationale/ Explanation:	Only stockholders of record as of July 7, 2020 shall be entitled to notice and vote at the meeting. The notice of the meeting, which shall contain, in addition to the date, hour and link to the virtual meeting, a statement of the matters to be taken up at such meeting, shall be published for 2 consecutive days in 2 newspapers of general circulation in both print and online formats in accordance with the rules of the Securities and Exchange Commission. The Corporate Secretary shall confirm that due notice of the meeting was made.

2. Determination of the presence of a Quorum

Rationale/ Explanation:	Quorum shall consist of stockholders owning the majority of the subscribed capital stock represented in person or by proxy, or with votes cast in absentia who duly registered through RCBC-ASM-2020@rcbc.com as of July 19, 2020. On the basis of such registration, the Corporate Secretary shall declare whether or not a quorum exists for the Annual Stockholders Meeting. Stockholders who cast their votes in absentia shall be deemed present for purposes of quorum.

3. Approval of the Minutes of the Annual Meeting of the Stockholders held on June 24, 2019

Rationale/ Explanation:	Approval of the June 24, 2019 Minutes of the Annual Meeting of the Stockholders constitutes a ratification of the accuracy and faithfulness of the Minutes to the events that transpired during said meeting, such as, (a) 2018 annual report and audited financial statements, (b) ratification of actions and proceedings of the Board of Directors, different Committees and Management during the year 2018, (c) confirmation of significant transactions with DOSRI and related parties, (d) election of directors, and (e) appointment of external auditor. The said Minutes is available on the Bank's website. A vote representing majority of stockholders represented and eligible to vote during the meeting is required to pass a resolution on this matter.

4. Approval of the Annual Report and the Audited Financial Statements for 2019

Rationale/ Explanation:	Approval of the Annual Report constitutes a ratification of the Bank's performance during the previous fiscal years as contained in the Annual Report. The Annual Report will contain the results of the operation of the Company during the year 2019. The financial statements as of December 31, 2019 will also be presented and endorsed for approval by the Board of Directors and the Audit Committee. The Audited Financial Statements for 2019 will be attached to the Definitive Information Statement and is incorporated in the Bank's SEC 17-A (Annual Report) submitted to the Securities and Exchange Commission (SEC) and available on the Bank's website. A vote representing majority of stockholders represented and eligible to vote during the meeting is required to pass a resolution on this matter.

5. Ratification of the actions and proceedings of the Board of Directors, different Committees and Management during the year 2019

Rationale/ Explanation:

The corporate acts of the Board of Directors, different Committees and Management that are subject to ratification are those made from the date of the last annual stockholders' meeting (June 24, 2019) up to the date of the meeting (July 27, 2020). These include, among others, those that involve the day-to-day operation, administration and management of the corporate affairs such as approval of loans, restructuring of past due accounts, sale of ROPOAs, appointment/ resignation of directors/ officers, sanctions/disciplinary measures imposed to erring officers/ employees, authority to file criminal/civil complaints, and related matters.

A vote representing majority of stockholders represented and eligible to vote during the meeting is required to pass a resolution on this matter.

6. Confirmation of Significant Transactions with DOSRI and Related Parties

Rationale/ Explanation:

Significant transactions with DOSRI and related parties for the year 2019 include: loans and deposit liabilities; trading of investment securities; lease and sub-lease with RCBC Realty Corporation; service agreement with Bankard Inc. (now RBSC); capital infusion into RCBC Leasing and Finance Corporation (RFLC); service agreement with RBSC; service agreement with RCBC Forex Brokers Corp (RCBC Forex); service agreements with RCBC Capital Corp., RCBC Securities, Inc., Rizal Microbank – A Thrift Bank of RCBC, RCBC Leasing and Finance Corporation and Niyog Property Holdings, Inc.; and the administration and management of some of the subsidiaries' retirement funds. The Bank's other transactions with affiliates include service agreements, leasing office premises to subsidiaries, accreditation of RCBC Trust agent and of insurance companies, and regular banking transactions (such as purchases and sales of trading account securities, securing insurance coverage on loans and property risks and intercompany advances). Details of said related party transactions are disclosed in the Bank's SEC 17-A Report which is also available on the Bank's website. These are also provided in the Annual Report accompanying the Definitive Information Statement, Annex A.

In accordance with BSP Circular No. 895 dated December 14, 2015, which requires the Bank's stockholders to confirm by majority vote, the Bank's significant transactions with DOSRI and related parties, the above-mentioned significant transactions are presented to the stockholders for confirmation.

7. Election of Directors

Rationale/ Explanation:

The By-Laws of the Bank allows all shareholders, including minority stockholders, the right to nominate candidates for the Board of Directors. Nominees for election as members of the Board of Directors of RCBC, including nominees for election as independent Directors, as well as their profiles will be provided in the Definitive Information Statement.

A vote representing majority of stocks represented and eligible to vote during the meeting is required to pass a resolution on this matter.

8. Appointment of External Auditor

Rationale/ Explanation:	The Audit and Compliance Committee will screen and endorse to the stockholders the appointment of a selected qualified SEC-accredited auditing firm as external auditor of RCBC for the year 2020, including their proposed remuneration. The profile of the external auditor is provided in the Definitive Information Statement. A vote representing majority of stocks represented and eligible to vote during the meeting is required to pass a resolution on this matter.

9. Other Matters

Rationale/ Explanation:	Other matters that may have arisen after the Notice of Meeting and Agenda have been sent out, or those raised throughout the meeting may be presented to the stockholders for consideration. Stockholders may also propose to consider such other relevant matters or issues.

10. Open Forum

Rationale/ Explanation:	Due to logistical limitations at the virtual meeting, only relevant comments and questions on agenda items which are submitted by email to CorSecRCBC@rcbc.com with subject: **QUESTIONS/COMMENTS by 5:00 pm of July 24, 2020** will be considered during the open forum.

11. Adjournment

ANNUAL REPORT ACCOMPANYING INFORMATION STATEMENT REQUIRED UNDER SRC RULE 17.1 (b)

(A) Audited Consolidated Financial Statements

The Audited Financial Statements of the Bank as of December 31, 2019 are contained in the latest annual report sent to security holders at the Annual Stockholders' meeting on June 24, 2019. They are also attached to the Information Statement.

(B) Management Discussion and Analysis of Financial Conditions and Results of Operations (2017-2019) and 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.

<u>Financial and Operating Highlights</u>

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 US$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 the 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%
Capital to Total Assets	95.31%	77.08%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings per Share (EPS)	Php (39.33)	Php 31.83

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 US$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%	0.823
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:

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.*

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

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 (Income)	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

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES				
	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%	96.89%	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	**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 (Loss) 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%
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%	1.29%
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:

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.*

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.

Note to Financial Statements as of March 31, 2020

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

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

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

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

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

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

On January 27, 2020, the Board of Directors approved the increase in the Programme Size of the Bank's Medium Term Note Programme from USD 2 Billon to USD 3 Billion.
On April 7, 2020, RCBC listed its P7.05 billion, 2 year fixed rate bonds due April 2022 on the Philippine Dealing and Exchange Corporation (PDEX). The bonds carry a coupon of 4.848% per annum.

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

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

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

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

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

In its meeting held on April 29, 2019, the Board of Directors approved the declaration and payment of cash dividends amounting to P0.4460 per share or a total of approximately P863 million payable to holders of Common Class and a total of approximately P119 thousand payable to holders of Preferred Class shares, both were paid on May 29, 2019.
In its meeting held on February 26, 2019, the Board of Directors approved the declaration and payment of cash dividends amounting to P0.1205 per share or a total of approximately P32 thousand payable to holders of Preferred Class shares and paid on March 25, 2019.

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

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

Segment Information. The following table presents revenues and expenses of the Parent Company that are directly attributable to primary business segments for the period ended March 31, 2019 (in millions).

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

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

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

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

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

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

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

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Financial Performance

(PLEASE SEE TABLE ON NEXT PAGE)

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

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

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

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

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

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

5/ Excluding Interbank Loans

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

Performance Indicators for Wholly-Owned/Majority Owned Subsidiaries

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

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

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

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

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

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

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

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

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

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

RCBC LEASING AND FINANCE CORP. and Subsidiary	Unaudited		Audited	
In Php 000s		31-Mar-20		31-Dec-19
Net Income	Php	64,502	Php	105,628
Return on Average Assets (ROA)*		2.30%		1.04%
Return on Average Equity (ROE)*		11.89%		5.47%
Capital to Total Assets		18.98%		20.50%
Non-Performing Loans (NPL) Ratio		15.32%		13.41%
Non-Performing Assets (NPA) Ratio		9.74%		9.70%
Earnings per Share (EPS)	Php	0.18	Php	0.07

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

Statement of Condition 31 March 2020 vs 31 December 2019

RCBC's Total Assets was recorded at P715.322 billion.

Cash and Other Cash Items decreased by 2.68% or P454 million from P16.907 billion to P16.453 billion.

Due from Bangko Sentral ng Pilipinas also decreased by 38.00% or P33.157 billion from P87.255 billion to P54.098 billion mainly due to the decline in Due from BSP and Term Deposit accounts by P24 billion and P16 billion respectively.

Loans under reverse repurchase agreement increased by 431.59% or P24.894 billion from P5.768 billion to P30.662 billion mainly due to higher placements with the BSP.

Total trading investment securities, representing 13.64% of Total Resources, decreased by 39.29% or P63.149 billion from P160.719 billion to P97.57 billion mainly due to sale of Investment Securities at Amortized Cost which decreased by 72.71% or P73.388 billion from P100.926 billion to P27.538 billion; Financial Assets at Fair Value Through Profit or Loss increased by 39.47% or P2.19 billion from P5.548 billion to P7.738 billion due to the purchase of additional government securities; Financial Assets at Fair Value Through Comprehensive Income also increased by 14.84% or P8.049 billion from P54.245 billion to P62.294 billion also due to the purchase of additional government bonds.

Loans and Receivables-net grew by 4.67% or P20.979 billion from P449.219 billion to P470.198 billion primarily due to increase in corporate accounts and consumer loans portfolio. It represented 65.73% of Total Resources.

Deferred Tax Assets declined by 8.23% or P176 million from P2.140 billion to P1.964 billion due to the write off of allowance for credit losses and utilization of other temporary differences.

Bank Premises, Furniture, Fixtures & Equipment, net increased by 0.14% or P15 million from P11.059 billion to P11.074 billion.

Deposit liabilities were recorded at P488.335 billion and represented 68.27% of Total Resources. Demand deposits grew by 13.03% or P9.186 billion from P70.523 billion to P79.709 billion and accounted for 11.14% of Total Resources; Savings Deposits were recorded at P182.249 billion and accounted for 25.48% of Total Resources. Time deposits reached P226.376 billion and accounted for 31.65% of total resources.

Bills payable decreased by 69.86% or P70.987 billion from P101.606 billion to P30.619 billion primarily due to pay-off of foreign and local borrowings; it represented 4.28% of total resources. Bonds payable decreased by 12.65% or P12.242 billion from P96.814 billion to P84.572 billion attributable to the maturity of the $243 million Senior Notes in January 2020.

Other Liabilities decreased by 6.51% or P1.499 billion from P23.026 billion to P21.527 billion primarily due to the lower liabilities on bills purchased and outstanding acceptances payables.

Total liabilities stood at P630.614 billion and represented 88.16% of Total Resources

Net Unrealized Gains/ (Losses) on Financial Assets At Fair Value Through Other Comprehensive Income decreased by 53.06% or P474 million from P894 million to P420 million primarily due to lower market valuation of equity securities.

Retained Earnings increased by 7.63% or P2.299 billion from P30.143 billion to P32.442 billion mainly due to the net profit for the period.

Total Capital Funds was recorded at P84.708 billion and accounted for 11.84% of Total Resources.

Income Statement

31 March 2020 vs. 31 March 2020

Total interest income increased by 4.72% or P429 million from P9.083 billion to P9.512 billion and accounted for 95.19% of total operating income. Interest income on loans and receivables went up by 11.89% or P912 million from P7.671 billion to P8.583 billion and accounted for 85.89% of total operating income. The increase is mainly due to increase in average yield and volume of Loans and Receivables. Interest income on investment securities decreased by 42.33% or P559 million from P1.320 billion to P761 million mainly due to decline in interest rates, it accounted for 7.62% of total operating income. Other interest income, on the other hand, increased by 81.94% or P76 million from P93 million to P168 million primarily as a result of the increase in volume of Term Deposit.

Total interest expense decreased by 15.38% or P584 million from P3.796 billion to P3.212 billion and accounted 32.14% of total operating income. Interest expense on deposit liabilities decreased by 26.33% or P597 million from P2.268 billion to P1.671 billion primarily as a result of decrease in average cost; it represented 16.72% of total operating income. Interest expense on bills payable and other borrowings increased by 0.90% or P14 million from P1.527 billion to P1.541 billion mainly due to increase in ADB volume of Bonds Payable.

As a result, net interest income increased by 19.15% or P1.013 billion from P5.288 billion to P6.3 billion.

The Group booked higher impairment losses at P1.601 billion, up by 41.23% or P467 million from P1.134 billion and represented 16.02% of total operating income. Increase in impairment losses-net was mainly due to specific provisions and additional requirements following the bank's ECL methodology.

Other operating income increased by 29.17% or P834 million from last year's P2.859 billion now at P3.693 billion, this accounted for 36.95% of total operating income, and is broken down as follows:

- Trading and securities gain-net increased by P725 million from P1.451 billion to P2.176 billion, attributable to increase in realized trading gains from sale of investment securities, it accounted 21.77% of total operating income.
- Service fees and commissions decreased by 8.49% or P83 million from P977 million to P894 million largely due to lower service fees from the Bank's investment banking subsidiary.
- Trust fees decreased by 11.85% or P9 million from P79 million to P70 million due to lower market valuation of assets under management.
- Foreign exchange gains increased by 280 million from last year's loss of P5 million to this year's gain of P275 million. This was primarily due to higher net foreign currency position gains.
- Miscellaneous income decreased by 22% or P79 million from P357 million to P279 million partly due to lower gain on assets sold.

Operating expenses, accounted for 55.6% of Total Operating Income, increased by 6.2% or P324 million from P5.232 billion to P5.556 billion due to the following:

- Total Manpower costs was flat at P1.7110 billion.

- Occupancy and equipment-related decreased by 4.51% or P33 million from P736 million to P702 million. It consumed 7.03% of total operating income.
- Taxes and licenses grew by 14.87% or P104 million from P697 million to P801 million attributable gross receipt tax impact on higher gross revenues and higher documentary stamp tax due to higher volume of time deposits.
- Depreciation and amortization was recorded at P709 million, up by 23.05% or P133 million from P576 million attributable to higher depreciation of Other acquired assets and Computer software and equipment.
- Miscellaneous expenses went up by 7.99% or P121 million to settle at P1.633 billion from P1.512 billion primarily as a result of higher credit card and other volume-related expenses.

Tax expense increased by 10.9% or P52 million from P476 million to P527 million mainly due to higher final tax paid and lower deferred tax during the period.

Net profit attributable to non-controlling interest settled at P172 thousand, 60.56% or P264 thousand lower than last year's P436 thousand.

Overall, net income increased by 76.89% or P1.003 billion from P1.305 billion to P2.308 billion.

There were no significant elements of income or loss that did not arise from the bank's continuing operations.

Commitments and Contingent Liabilities

See accompanying Notes to FS for the detailed discussion of Commitments and Contingent Liabilities and the summary of contingencies and commitments arising from off-balance sheet items and their equivalent peso contractual amounts (Note 13).

There are also no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.

There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

Similarly, there were no significant elements of income or loss that did not arise from the Bank's continuing operations.

(C) Financial Statements

The consolidated financial statements have been prepared in conformity with Financial Reporting Standards in the Philippines for Banks (FRSPB) and reflect amounts that are based on the best estimates and informed judgment of management with appropriate consideration to materiality. (Please see Annex B for the audited financial statements for 2019)

If material;

(i) Commitments and Contingent Liabilities

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

In the opinion of Management, the suits and claims arising from the normal course of operations of the Bank thatremain unsettled, if decided adversely, will not involve sums that would have a material effect on Bank's financial position or operating results. These suits are specified in the Legal Proceedings portion of the Information Statement.

There are no known trends, demands, and commitments, events, or uncertainties that will have a material impact on the Bank's operational performance and ability to service obligations.

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

(ii) events that will trigger direct or contingent financial obligation that is material to the company; including any default or acceleration of an obligation

To the knowledge and/or information of the Bank, there are no events that will trigger a direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

(iii) all material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period

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

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

(iv) description of any material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures

There were no material commitments for capital expenditures.

(v) any known trends, events or uncertainties (material impact on sales)

There are also no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.

(D) External Audit Fees

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.

The audit fees already incorporate fees for tax accounting, compliance, advice, planning and any other form of tax services rendered by the external auditor. There is no separate breakdown of tax fees since the tax compliance procedures are normal/recurring procedures conducted by the external auditor during their year-end audit and is not engaged separately by the Bank from the annual financial statements audit.

As for non-audit services and other fees, these pertain only to the quarterly financial statements review.

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.

The Members of the Audit and Compliance Committee are as follows: Mr. Laurito E. Serrano. as Chairman, and Atty. Adelita A. Vergel De Dios and Vaughn F. Montes as Members.

The Audit and Compliance Committee approved the policies and procedures for the above services.

(F) Brief Description of the General Nature and Scope of Business of RCBC and its Subsidiaries

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 (7^{th}) 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. – A Thrift Bank of RCBC (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), 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.

(G) Directors and Executive Officers

The directors of the Company are elected at the annual stockholders' meeting to hold office until the next succeeding annual meeting and until their respective successors have been elected and qualified. **Incumbent directors** are:

Name	**Age**	**Position**	**Inclusive Dates**	**Citizenship**
Helen Y. Dee	76	Director	March 28, 2005 to present	Filipino
		Chairperson of the Board	June 27, 2005 to present	
		Interim President and Chief Executive Officer	March 23, 2016 to June 30, 2016	
Cesar E. A. Virata	89	Director	1995 to present	Filipino
		Corporate Vice-Chairman	June 22, 2000 to present	
		Acting Chief Executive Officer	January 28, 2002 to June 29, 2003	
		Chief Executive Officer	June 30, 2003 to June 28, 2004	
Eugene S. Acevedo	56	Director	July 1, 2019 to present	Filipino
		President and Chief Executive Officer	July 1, 2019 to present	
		Deputy Chief Executive Officer	January 2, 2019 to June 30, 2019	
Gil A. Buenaventura	67	Director	July 1, 2016 to present	Filipino
		President and Chief Executive Officer	July 1, 2016 to June 30, 2019	
Richard G.A. Westlake	68	Director	October 1, 2014 to present	New Zealand

John Law	69	Director	April 27, 2015 to present	French & Taiwanese (dual citizen)
Shih-Chiao (Joe) Lin	48	Director	March 25, 2019 to present	Chinese
Lilia B. De Lima	79	Director	June 24, 2019 to present	Filipino
		Independent Member of the Advisory Board	July 3, 2017 to June 23, 2019	
Arnold Kai Yuen Kan	59	Director	June 24, 2019 to present	Canadian
Armando M. Medina	70	Independent Director	Feb. 26, 2003 to present	Filipino
Juan B. Santos	81	Independent Director	Effective July 1, 2016 (assumption of office is on November 2, 2016) to present	Filipino
Adelita A. Vergel De Dios	74	Independent Director	June 27, 2016 to present	Filipino
Gabriel S. Claudio	65	Independent Director	July 25, 2016 to present	Filipino
Vaughn F. Montes, PhD	69	Independent Director	September 26, 2016 to present (appointed on July 25, 2016)	Filipino
Laurito E. Serrano	59	Independent Director	March 20, 2019 to present	Filipino

Regular Directors

Ms. Helen Y. Dee 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 has been a Director since 1995, Corporate Vice Chairman since June 2000 and Senior Adviser from 2007. Mr. Virata's roster of companies where he is also a Director and/or Chairman includes RCBC Realty Corp., RCBC Land, Inc., Malayan Insurance Co., Inc., Business World Publishing Corporation, Belle Corporation, Luisita Industrial Park Corporation, RCBC Bankard Services Corporation, 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 is the Bank's President and Chief Executive Officer. He has over thirty years (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. He also holds a Professional Certificate in Clean Power from the Imperial College London.

Mr. Gil A. Buenaventura Mr. Buenaventura has been a Director of the Bank since July 2016 and has since been sitting as a member of the Bank's Executive Committee. He was also President and Chief and Executive Officer of the Bank until June 30, 2019. He holds directorship and officership positions in De La Salle Philippines School System, Malayan Insurance Company, Inc., House of Investments, Inc., and Manila Memorial Park Cemetery, Inc. He graduated with a Bachelor of Arts degree, major in Economics, from the University of San Francisco, California, and with a Master's of Business Administration in Finance from the University of Wisconsin.

Mr. Richard Gordon Alexander Westlake 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 and trainer on Corporate Governance. He has over 25 years of experience as a Director and Board Chairman across a wide range of industries. He is currently the Independent Chairman of the New Zealand Home Loan Company Limited, New Zealand, and of Co-op Money NZ, which provides core banking system and other infrastructure for New Zealand's credit unions, and manages most of New Zealand's non-bank ATMs. He holds a Master's degree from Oxford University in England. He is a Chartered Fellow at the Institute of Directors in New Zealand.

Mr. John Law 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 and Khan Bank in Mongolia. He holds a Bachelor of Science degree, major in Psychology, from 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 has been a Director of the Bank since March 25, 2019. He has been with Cathay Life Insurance for over 20 years and is currently an Executive Vice President there. He graduated with a Bachelor's degree in Business Administration from the National Chengchi University and holds an MBA from the National Taiwan University.

Atty. Lilia B. De Lima has been a Director of the Bank since June 24, 2019. She was an Independent Member of the Bank's Advisory Board since July 3, 2017. Prior thereto, 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 was an Elected Delegate to the 1971 Constitutional Convention representing the 2nd District of Camarines Sur. 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), The Outstanding Women in the Nation's Service (TOWNS) in the field of law, and the 2010 Management Man of the Year.

Mr. Arnold Kai Yuen Kan has been a Director of the Bank since June 24, 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 Co-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.

Independent Directors

Mr. Armando M. Medina 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 Malayan Insurance and RCBC Capital. He graduated from De La Salle University with a Bachelor of Arts degree in Economics and a Bachelor of Science degree in commerce with a major in Accounting.

Mr. Juan B. Santos 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., Philippine Investment Management (PHINMA), Inc. PHINMA Corp.and House of Investment.He is Trustee at Dualtech Training Center Foundation, Inc., St. Luke's Medical Center, 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 has has been an Independent Director of the Bank since June 2016. She was also an Independent Director of RCBC Savings Bank before the merger of the same into RCBC. 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. Gabriel S. Claudio 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 the Cabinet and government including: Presidential Political and Legislative Adviser, 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. Vaughn F. Montes, Ph.D has been an Independent Director of the Bank since September 2016. He is a Trustee and Founding Fellow of the Foundation for Economic Freedom. He is a Teaching Fellow at the Institute for Corporate Directors, and a Director of the Center for Excellence in Governance, and President of the Center for Family Advancement. He is a national consultant for Risk Management to the NEDA PPP Center under an ADB technical assistance grant. He is also currently a Trustee at Parents for Education Foundation ("PAREF"), and Chairman and President at PAREF Southridge School for Boys. He worked in Citibank over a period of 25 years in various capacities including: Senior Economist in Philippine Debt Restructuring Committee; Head of the International Corporate Finance Unit; and Director and Head of Public Sector. He worked as an Associate Economist at the Wharton Econometric Forecasting Associates in Philadelphia 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, USA.

Mr. Laurito E. Serrano has been an independent director of the Bank since March 20, 2019. Mr. Serrano was part of the Audit & Business Advisory Group and a partner of SGV & Co - Corporate Finance Consulting Group. He is currently in the financial advisory practice with clients mostly in the private sector. His past experience include, among others, directorships in Metro Global Holdings Group, Travellers Hotels Philippines, Inc. (Resorts World), MJCI Investments, Inc., United Paragon Mining Corp., Sagittarius Mining Corporation, and Philippine Veterans Bank. Mr. Serrano holds a Bachelor of Science degree in Commerce (Major in Accounting) from the Polytechnic University of the Philippines and has a Masters in Business Administration degree from the Harvard Graduate School of Business.

The names, ages and positions of all **incumbent executive officers** (including those who retired/resigned after the 2019 Annual Stockholders' Meeting) are as follows:

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.

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.

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..

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.

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, Chief Internal Auditor/ Head of Internal Audit of BDO Unibank, Inc., Director / Head of Finance at ING Bank NV -Philippine Branch, Controller at Philippine Savings Bank, and Head of Division 1 of Audit Group in Metrobank Among others, she was also Managing Director for Worldwide Financial Marketing Alliance; Senior Consultant/Partner at Diaz, Murillo Dalupan & Co., CPAs; Chief Financial Officer, Treasurer of Sun Life of Canada (Phils) Inc.; Director for Assurance (Banking and Insurance Business) of KPMG Laya Mananghaya & Co. CPAs; and Regional Finance Head of Sun Life Assurance Co. of Canada - Asia Pacific Division (Philippine Branch). She started as Financial Auditor (Banking Clients) in 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 Master’s 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, Chief Innovation and Inclusion Officer. He has over 20 years of combined experience and expertise on telecommunications, payments, money transfer, consumer banking, digital transformation, strategy, and marketing. He is an award-winner with numerous local and global accolades on digital transformation and inclusive digital innovations. Previous positions include being Head of Customer Strategy and Market Activation with VISA, and Managing Director of FINQnologies Corp. He graduated from the University of Santo Tomas in 1992 with a degree in Bachelor of Arts in Political Science. He completed his 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.

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, 50, 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 Master’s in Business Management from the Asian Institute of Management. .(*Resigned effective November 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.

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.

Reynaldo P. Orsolino, 58, 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.

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.

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, 50, 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 Master's 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. Mañago, 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 t.

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 July1999 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 Union Bank 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.

Most of the Directors and executive officers mentioned above have held their positions for at least five (5) years.

(H) Market Price and Dividends

(1) Market Price of Bank's Common Equity and Related Stockholder Matters

The common shares of the Bank are listed in the Philippine Stock Exchange. As of April 3, 2019, the market price of RCBC's common shares closed at 17.10 per share. The trading prices of said shares for the different quarters of the years 2019, 2018 and 2017 are as follows:

		Q1 Last Practicable Trading Date		Q2 Last Practicable Trading Date		Q3 Last Practicable Trading Date		Q4 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

(2) Number of Stockholders as of June 8, 2020 — *749 stockholders (common)*
— 72 stockholders (preferred)

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.

(3) Recent sales of unregistered or exempt securities including recent issuance of securities constituting an exempt transaction

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

(4) Top 20 Stockholders of RCBC as of March 31, 2020

<u>Common stockholders</u>

Name	No. of Shares	% to Total
PCD NOMINEE CORP.(NON-FILIPINO) Includes Cathay Life Insurance Co. Ltd - (452,018,582 or 23.35%) Includes International Finance Corporation and IFC Capitalization (Equity Fund, LP - (107,875,642 or 5.57%) *No other PCD Nominee shareholder holds more than 5%	658,316,326.00	29.25
PCD NOMINEE CORP (FILIPINO) Includes Pan Malayan Management and Investment Corporation - (213,334,088 or 11.02%)	654,870,933.00	29.09
PAN MALAYAN MANAGEMENT AND INVESTMENT CORPORATION	594,248,085.00	26.40
SYBASE EQUITY INVESTMENTS CORPORATION	23,528,800.00	1.05
HYDEE MANAGEMENT & RESOURCE CORPORATION	2,173,349.00	0.10
A. T. YUCHENGCO, INC.	255,190.00	0.01
CONCEPCION, CARMENCITA DE LAS ALAS	224,490.00	0.01
ALAS, CARLOS DE LAS	114,298.00	0.01
ALAS, CORNELIO DE LAS	114,195.00	0.01
CHAN, FREDERICK	111,677.00	0.00
YANG JIN LIANG	100,000.00	0.00
RUFINO, JOSIE PADILLA	92,865.00	0.00
LOMBOS, MANUEL C. &/OR MEYRICK J.	68,574.00	0.00
YAO, SHUOBIN	57,000.00	0.00
YAO, SHUOYU	57,000.00	0.00
RUFINO, JOSEFINA PADILLA	54,292.00	0.00
QUE, LIONG HEE G.	52,297.00	0.00
CIPRIANO, BIENVENIDO C.	45,354.00	0.00
REYES JR., MAURO C.	45,183.00	0.00
CHAM TENG HUI	40,000.00	0.00

Preferred stockholders

Name	No. of Shares	% to Total
ROSARIO, RODOLFO P. DEL	81,521.00	30.49
GO, HOMER	46,355.00	17.33
CONCEPCION, CARMENCITA	31,842.00	11.91
OPTIMUM SECURITIES CORP.	16,666.00	6.23
BDO SECURITIES CORP.	9,304.00	3.48
NGO, LORETA	8,600.00	3.22
MANDARIN SECURITIES CORPORATION	7,583.00	2.84
TAN, LUCIANO H.	7,309.00	2.73
ABACUS SECURITIES CORP.	6,021.00	2.25
HWANG, HANS YAP	5,558.00	2.08
ANG, TONY ANG &/OR ROSEMARIE	5,372.00	2.01
SIA, JOHNSON CHUA	5,000.00	1.87
CAMPOS LANUZA & CO. INC.	3,535.00	1.32
ACERO, NICASIO MARIN JR., &/OR ARNOLFO O.	3,371.00	1.26
CO, JUSTINA DY	3,258.00	1.22
CHENG, SUSAN	2,665.00	1.00
GLOBALINKS SEC. & STOCKS	2,454.00	0.92
BEDAN CORPORATION	2,100.00	0.79
LUYS SECURITIES CO. INC.	1,852.00	0.69
GO, ROBERTO CHAN	1,367.00	0.51

Security Ownership of Foreigners (as of June 8, 2020)

Title of Class	Shares	% of Total
Common	658,530,772	34.02%
Preferred	0	0.00

(4) Cash Dividends **(from 2017 and as of December 31, 2019)**

Nature of Securities	Dividend		Record Date	Date Approved		Date Paid/Payable
	Per Share	Total Amount (in Thousand 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, 2018	November 26, 2018	**	December 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 15, 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.

(I) Compliance with leading practices on Corporate Governance

Core Principles

RCBC affirms its commitment to good corporate governance. With an empowered Board leading the way, RCBC continues to work towards a solid control environment, high levels of transparency and disclosure, and well-defined shareholders' rights.

The corporate governance framework of RCBC combines global best practices such as the G20/OECD Principles of Good Governance and the general principles of the ASEAN Corporate Governance Scorecard, and the regulatory requirements of SEC Memorandum Circular No. 19, series of 2016 or the *Code of Corporate Governance for Publicly-listed Companies* and BSP Circular No. 969, series of 2017 or the *Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions*. RCBC's corporate governance framework is embodied in its Corporate Governance Manual, the latest version of which was approved by the Board in November 2017.

The Board of Directors

Key Roles and Responsibilities

RCBC is headed by a competent and working board that oversees the implementation of the Bank's strategic objectives, governance framework and corporate values.

The Board of Directors is primarily responsible for establishing a sound corporate governance framework not only for the Bank but for the whole RCBC Group. It has the fiduciary responsibility to the Bank and all its shareholders, including minority shareholders. Among its many functions include the approval and oversight on the implementation of RCBC's strategies to achieve corporate objectives, risk governance framework, and systems of checks and balances. The Board also approves the selection of the CEO and key members of senior management and heads of control functions.

Board Composition

In accordance with RCBC's By-Laws and Corporate Governance Manual, its Board of Directors is comprised of fifteen (15) members, all of whom are known for their integrity, experience, education, training and competence. The Corporate Governance Committee ensures that majority of the Board are non-executive directors who possess the necessary qualifications to effectively participate and help secure objective and independent judgment on corporate affairs and to substantiate proper check and balances. Out of the 15-member board, 14 are non-executive directors including the 6 independent directors, and 1 executive director.

The Board of Directors promotes diversity in its membership. It is the policy of RCBC that no person shall be disqualified to sit as member of its Board on the basis of gender, age, religion or political affiliation. The representation of women in the Board has increased from 14% in 2015 to 20% in 2016, and remained at 20% from 2017 to 2019. Among the women in the Board is Mrs. Helen Y. Dee, the Chairperson.

Nomination and Election

Directors of RCBC are elected at the Annual Stockholders' Meeting, each of whom shall hold office for a term of one year or until his successor shall have been duly chosen and qualified. The first fifteen candidates receiving the highest number of votes shall be declared as elected.

All nomination for election of directors by the stockholders shall be submitted in writing to the President and the Corporate Secretary at RCBC's principal place of business at least thirty (30) working days before the regular or special meeting of the stockholders for the purpose of electing directors. The Corporate Governance Committee reviews the qualifications of persons nominated to the Board, and applies the *fit and proper standards* in its evaluation. The Committee considers the nominee's educational background, professional experience, nature and business of the corporations of which he/she is a director, age, number of directorships/active memberships and officerships in other corporations/organizations, and possible conflict of interest in determining his/her suitability to be nominated to the Board. The Committee ensures that each nominee possesses all of the minimum qualifications and none of the disqualifications as prescribed under existing laws and regulations. It is provided in the By-Laws that no person shall be qualified or be eligible for nomination or election to the Board of Directors if he is engaged in any business that competes with or is antagonistic to that of RCBC, its subsidiaries and affiliates, as may be determined by the Board of Directors, in the exercise of its judgment in good faith, by at least a majority vote.

Maximum Board Seats

Being a director of the Bank necessitates commitment. Thus, under the Bank's Corporate Governance Manual, a non-executive director may concurrently serve as a director in a maximum of five (5) publicly-listed companies. In applying this policy to concurrent directorships in entities within a conglomerate, each entity where the non-executive director is concurrently serving as director shall be separately considered in assessing compliance with this requirement.

Who Are In Our Board

Non-Executive Non-Independent	Non-Executive Independent	Executive
Ms. Helen Y. Dee	Mr. Armando M. Medina	Mr. Eugene S. Acevedo
Mr. Cesar E.A. Virata	Mr. Juan B. Santos	
Mr. Gil A. Buenaventura	Atty. Adelita A. Vergel De Dios	
Mr. Richard G.A. Westlake	Mr. Gabriel S. Claudio	
Mr. John Law	Mr. Vaughn F. Montes, Ph.D.	
Mr. Shih-Chiao Lin	Mr. Laurito E. Serrano	
Atty. Lilia B. De Lima		
Mr. Arnold Kai Yuen Kan		

Independent Directors

The Bank adopts the definition of independent directors under SEC's *Code of Corporate Governance* and BSP's *Enhanced Guidelines on Corporate Governance for BSP Supervised Financial Institutions*. In 2016, the Board reinforced its independence by increasing the number of independent directors. The attributes of an independent director include independence from management or from any business or relationship which could, or could reasonably be perceived to materially interfere with the exercise of independent judgment, and the lack of relationship to the Bank, its related companies or substantial shareholders as a regular director or officer or relative of said director or officer, as an executive or professional adviser within the past three (3) years, or business relations other than arm's length, immaterial or insignificant transactions.

The Bank's independent directors are active in board-level committees. It is the policy of the Bank, however, that an independent director who is a member of any committee that exercises executive or management functions that can potentially impair such director's independence cannot accept membership in committees that perform independent oversight or control functions such as the Audit and Compliance Committee, Risk Oversight Committee, Corporate Governance Committee, Related Party Transactions Committee, and the Anti-Money Laundering Committee.

An independent director of RCBC is only allowed to serve for a maximum cumulative term of nine (9) years. After which the independent director shall be perpetually barred from serving as independent director in the Bank, but may continue to serve as a regular director. The maximum cumulative term of nine (9) years shall be reckoned from 2012.

The incumbent independent directors are *Mr. Gabriel S. Claudio, Mr. Armando M. Medina, Mr. Vaughn F. Montes, Ph.D., Mr. Juan B. Santos, Atty. Adelita A. Vergel De Dios, and Mr. Laurito E. Serrano*.

The Chairperson

The Chairperson of the Board of Directors, Mrs. Helen Y. Dee, provides leadership in the Board of Directors. She ensures the effective functioning of the Board of Directors, including maintaining a relationship of trust with members of the Board of Directors.

To promote checks and balances, it is provided under the Bank's Corporate Governance Manual that the Chairperson of the Board of Directors shall be a non-executive director or an independent director, and must not have served as CEO of the Bank within the past three (3) years. Moreover, the Chairperson should not concurrently serve as CEO. However, in exceptional cases where the positions of Chairperson and CEO of the Bank are allowed by the Monetary Board of the Bangko Sentral ng Pilipinas to be held by one person, the Corporate Governance Manual prescribes that a lead independent director shall be appointed who shall perform a more enhanced function over other independent directors. The lead independent director is tasked to direct the independent directors at Board of Directors meetings in raising queries and pursuing matters, and to head meetings of independent directors without the presence of executive directors.

The Corporate Vice Chairman

The By-laws of the Bank provides that the Corporate Vice Chairman shall have such powers and perform such duties as the Board of Directors may from time to time prescribe. In the absence or inability of the Chairperson to act, the Corporate Vice Chairman will act in her stead, and will exercise any and all such powers and perform any and all duties pertaining to the office of the Chairperson conferred upon it by the By-laws. Mr. Cesar E.A. Virata is the Bank's Corporate Vice Chairman.

Meetings and Quorum Requirement

The regular meeting of the Board of Directors is every last Monday of the month at the principal office of RCBC. Should the meeting date fall on a holiday, the meeting shall be held at the same hour on the next succeeding business day. A majority of the incumbent Directors shall constitute a quorum at any meeting, and a majority of the members in attendance at any Board meeting shall decide its action.

The meetings of the Board of Directors may be conducted through modern technologies such as, but not limited to, teleconferencing and video conferencing as long as the director who is taking part in said meetings can actively participate in the deliberations on matters taken up therein. It is further required that every member shall physically attend at least twenty-five percent (25%) of all meetings of the Board of Directors every year. The absence of a director in more than fifty percent (50%) of all regular and special meetings of the board of directors during his/her incumbency is a ground for disqualification in the succeeding election.

Meetings of board committees are prescribed in their respective charters. Participation of committee members may likewise be in person or through modern technologies. A director's attendance in committee meetings is considered by the Corporate Governance Committee in the assessment of the director's continuing fitness and propriety as a member of the said board-level committee and of the Board of Directors.

Non-executive directors are required to have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive directors present to ensure that proper checks and balances are in place within the Bank.

From the period January to December 2019, the members' attendance at Board and Committee meetings are as follows.

DIRECTORS	BOARD		EXCOM		TRUST		TECH		ACC		ROC		CG		RPT		AML		TOTAL		% ATTENDANCE
	M	A	M	A	M	A	M	A	M	A	M	A	M	A	M	A	M	A	M	A	
HELEN Y. DEE	13	12	47	39			11	11											71	62	87.32%
CESAR E.A. VIRATA	13	13	47	44	11	10	11	11											82	78	95.12%
GIL A. BUENAVENTURA	13	13	47	39	6	6	6	6									5	5	77	69	89.61%
EUGENE S. ACEVEDO[1]	8	8	24	22	5	5	5	5											42	40	95.24%
RICHARD G.A. WESTLAKE	13	10									12	9							25	19	76.00%
JOHN LAW	13	10																	13	10	76.92%
LILIA B. DE LIMA[2]	7	7			5	5							1	1					13	13	100.00%
LAURITO E. SERRANO[3]	11	9							9	8	10	7							30	24	80.00%
ARNOLD KAI YUEN KAN[4]	7	7																	7	7	100.00%
ARMANDO M. MEDINA	13	12	47	46															60	58	96.67%
SHIH-CHIAO (JOE) LIN[5]	11	9											8	8	8	8			27	25	92.59%
VAUGHN F. MONTES	13	12							12	10	12	12	10	9			11	11	58	54	93.10%
JUAN B. SANTOS	13	12			11	10													24	22	91.67%

DIRECTORS	BOARD		EXCOM		TRUST		TECH		ACC		ROC		CG		RPT		AML		TOTAL		% ATTENDANCE
	M	A	M	A	M	A	M	A	M	A	M	A	M	A	M	A	M	A	M	A	
ADELITA A. VERGEL DE DIOS	13	11							12	12			10	10	11	11			46	44	95.65%
GABRIEL S. CLAUDIO	13	12											10	10	11	11	11	11	45	44	97.78%
YUH-SHING PENG[6]	2	2											2	1	2	2			6	5	83.33%
T. C. CHAN[7]	7	6																	7	6	85.71%
LILIA R. BAUTISTA[8]	7	4	23	18	6	4													36	26	72.22%
FLORENTINO M. HERRERA[9]	7	4															6	5	13	9	69.23%
MELITO S. SALAZAR, JR.[10]	1	0							1	1	1	0							3	1	33.33%

M = Numbers of Meetings
A = Meetings Attended

Notes:

[1] Effective July 1, 2019
[2] Effective June 24, 2019
[3] Effective March 20, 2019
[4] Effective June 24, 2019
[5] Effective March 25, 2019
[6] BOD member until March 25, 2019
[7–9] BOD members until June 24, 2019
[10] Passed away on Feb. 16, 2019

Board Performance

The Corporate Governance Committee oversees the periodic evaluation of contribution and performance of the Board of Directors, board-level committees, and senior management. This exercise covers the assessment of the ongoing suitability of each member, taking into account his or her performance in the board of directors and board-level committees.

The Corporate Governance Committee decides the manner by which the Board's performance may be evaluated, and propose an objective performance criteria approved by the Board. The performance indicators determine how the Board has enhanced long-term shareholder value.

For the year 2019, the results of the performance appraisal of the Board and the criteria are as follows (scoring is from 1 to 5 with 5 being the highest):

Board Self-Assessment	
ESTABLISHING A COMPETENT BOARD	4.85
ESTABLISHING CLEAR ROLES AND RESPONSIBILITIES IN THE BOARD	4.61
ESTABLISHING BOARD COMMITTEES	4.59
REINFORCING BOARD INDEPENDENCE	4.56
ASSESSING BOARD PERFORMANCE	4.53
STRENGTHENING BOARD ETHICS	4.77
ENHANCING COMPANY DISCLOSURE POLICIES AND PROCEDURES	4.57
INCREASING FOCUS ON NON-FINANCIAL AND SUSTAINABILITY REPORTING	4.40
STRENGTHENING THE INTERNAL CONTROL SYSTEM AND ENTERPRISE RISK MANAGEMENT FRAMEWORK	4.56
PROMOTING SHAREHOLDER RIGHTS	4.48
RESPECTING RIGHTS OF STAKEHOLDERS AND EFFECTIVE REDRESS FOR VIOLATION OF STAKEHOLDER'S RIGHTS	4.40
ENCOURAGING EMPLOYEES' PARTICIPATION	4.56
	4.59

Board of Directors Training Program

The Corporate Governance Committee oversees the continuing education program for the Board of Directors. The Training Program for the members of the Board has been adopted in the Bank's Corporate Governance Manual.

Under the Bank's Corporate Governance Manual, all new directors must undergo proper orientation upon joining the Board. This ensures that new members are appropriately apprised of their duties and responsibilities before beginning their directorships. The orientation program covers SEC-mandated topics on corporate governance and an introduction to the Bank's business, Articles of Incorporation, and Code of Conduct. The Orientation Program is designed to meet the specific needs of the individual directors and aid any new director in effectively performing his or her functions.

In addition to the Orientation Program, first-time directors are required to attend a seminar on corporate governance following the BSP-prescribed syllabus. The directors are required to submit a certification of compliance of this requirement to BSP.

The members of the Board also undergo the Annual Continuing Training Program. The program covers courses on corporate governance, matters relevant to the company, including audit, internal controls, risk management, sustainability and strategy. The Board of Directors, through the Corporate Governance Committee, assesses its members' training and development needs in determining the coverage of the Annual Continuing Training Program. The directors are required to complete at least four hours of the Annual Continuing Training Program.

Remuneration of the Board

Remuneration of directors is commensurate with their contributions and scope of their responsibilities.

Executive directors do not receive any per diem for attendance in board and board committee meetings. They are entitled to remuneration and benefits by virtue of their being officers of the Bank.

Non-executive directors are entitled to reasonable per diem for attendance in board and board committee meetings. Non-executive directors receive a per diem of P35,000.00 for attendance in board meetings. The Audit and Risk Oversight Committee Chairmen receive P20,000.00 while members of the said committees receive P15,000.00 per diem for attendance in meetings. Per diem in other board committees is at no greater than P15,000.00 for the chairman and P10,000.00 for members.

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 in accordance with the By-Laws of the Bank.

Remuneration Item	**2019** (in Php '000)
(a) Per diem Allowance Non-Executive Directors, Independent Directors and members of the Advisory Board are entitled to per diem	**12,205** (aggregate amount for NED's, ID's, for the Board and Committees for the year 2019)
(b) Directors' Bonuses Directors' bonuses are given to non-executive and independent directors based on the formula provided for in the Bank's By-Laws**.**	**47,041** (aggregate amount for NED's, ID's, for the Board and Executive Committee for the year 2019)
TOTAL	**59,246**

Board Committees

The Board of Directors has delegated some of its functions to the following board-level committees:

1. Executive Committee

Composition:
Chairperson and at least four (4) members of the Board of Directors

Members:
Helen Y. Dee - *Chairperson*
Eugene S. Acevedo - *Vice Chairperson (effective July 1, 2019)*
Gil A. Buenaventura - *Vice Chairperson (until June 2019); member (effective July 1, 2019)*
Cesar E.A. Virata
Armando M. Medina (ID)

The Executive Committee has the power to act and pass upon such matters as the Board of Directors may entrust to it for action. However, matters affecting general policy are always referred to the Board of Directors for decision. The Executive Committee has the power to review an asset or loan to ensure timely recognition and resolution of impaired assets. In 2019, the Executive Committee:

- Discussed various issuances by regulatory agencies;
- Approved non-DOSRI loans that reach the Single Borrower's Limit (SBL);
- Evaluated and approved various operations/product manuals;
- Reviewed and endorsed for Board approval various management matters;
- Deliberated upon and approved various management matters within its approving authority.

2. Audit and Compliance Committee

Composition:
The Audit and Compliance Committee shall be composed of at least three (3) members of the board of directors, majority of whom shall be independent including the Chairperson. The Chairperson should not be the Chairperson of the Board or of any other board-level committees. Members of the committee should have the knowledge of the industry in which the bank operates, the ability to read and understand fundamental financial statements, and the ability to understand key business and financial risks and related controls and control processes.

Members:
Laurito E. Serrano (ID) - *Chairperson*
Vaughn F. Montes (ID)
Adelita A. Vergel De Dios (ID)

The Audit and Compliance Committee assists the Board in oversight responsibilities on: (1) internal control and risk management; (2) internal and external audit function; (3) financial reporting; and (4) compliance function.

In 2019, the highlights of the Audit and Compliance Committee's actions pertaining to Internal Audit, External Audit and Compliance functions are as follows:

a. For External Audit Function

- Approval of the Fees for the Quarterly Review of the Financial Statements (FS) of RCBC and selected Subsidiaries.

- Review of Results and Endorsement for Board Approval of the Punongbayan & Araullo's (P&A) Quarterly Review of the FS of RCBC and selected Subsidiaries
- Review of Results and Endorsement for Board Approval of the P&A's Audit of the RCBC and Subsidiaries' FS for the year ending December 31, 2018.
- Reappointment of P&A as External Financial Auditor and corresponding Review and Approval of P&A's Plan for Audit of the RCBC and Subsidiaries' FS for the year ending December 31, 2019.

b. For Internal Audit Function

- Engaging in discussions of the results of internal audits handled by both the Internal Audit Group (IAG) and the Outsourced Service Providers during monthly Audit and Compliance Committee meetings to evaluate the adequacy and effectiveness of internal control system and risk management including financial reporting and information technology security.
- Directing to escalate matters that need immediate attention of the responsible business units, Board-level Committees and Bank personnel.
- Monthly review and notation of the status of Audit Plans, IAG manpower complement and vacancies, and outstanding/unresolved audit issues.
- Approval of Outsourced Service Providers to handle audits of business units to address the deficiency in IAG's manpower due to vacancies.
- Approval of Special Audits to be conducted by the Internal Audit Group 1) Special Audit of RCBC Valenzuela Business Center (BC); 2) Special Audit of RCBC Olongapo BC; 3) Special Audit of RCBC Garnet BC; 4) Special Audit of RCBC Tuguegarao BC; 5) Special Audit of RCBC Pasay BC; 6)Special Audit of RCBC Amoranto BC; 7)Special Audit of RCBC E. Rodriguez BC
- Approval of Audit Strategy for Low and Moderate Risk Business Centers
- Approval of factors for the evaluation of the performance of Chief Audit Executive (CAE) and corresponding performance evaluation for the year 2018
- Approval of appointment of Deputy CAE due to impending retirement of CAE by August 2020.
- Approval of Revised IAG Table of Organization effective June 2019 subject to Approval of Executive Committee
- Approval of revisions on 2018 and 2019 Annual Audit Plan
- Approval of 2020 Annual Audit Plan and Budget
- Approval of 2018 Internal Audit Group's Annual Report
- Approval of Revised Audit and Compliance Committee Charter and Internal Audit Charter effective June 21, 2019
- Approval of Risk Based Annual Audit Planning Policy effective June 21, 2019 and October 18, 2019
- Approval of Policy on IAG's Role in Implementing Sanctions effective May 15, 2019
- Approval of Exceptions and Management Issues for Tracking Policy effective March 13, 2019
- Approval of Policies and Procedures on Audit Sampling effective May 15, 2019 and June 24, 2019
- Approval of Onboarding and On-the-Job Training Policy effective July 24, 2019
- Approval of Revised Audit Examination Policy effective October 18, 2019
- Review and approval of IAG's Reply to the BSP's Report on Examination (ROE) pertaining to the Internal Audit

c. For Compliance Function

- Review of the extent and scope, activities, staffing, resources and organizational structure of the Compliance Function.
- Review and approval of the annual testing plan and monitoring the status thereof.
- Review of the compliance reports of the Compliance Officer to assess compliance with laws, rules and regulations. This also included the review of findings of any examinations by regulatory agencies (e.g., BSP, National Privacy Commission, etc.).

- Review and Approval of Privacy Impact Assessment (PIA) Criteria for Risks and Risk Acceptance
- Notation and review of status of the Bank's compliance to the Data Privacy Act (DPA).
- Notation of Data Privacy Impact Assessment (Key Highlights and Findings)
- Notation of reports and submissions to National Privacy Commission
- Approval of Compliance Culture Change : 3-Year Road Map
- Approval of the Revised Data Privacy Policy
- Approval of Compliance Manual Updating
- Approval of Revision to the 2019 Annual Testing and Monitoring Division's Workplan
- Approval of Compliance Checklist Updating
- Approval of Change of FATCA Responsible Person
- Approval of Appointment of Temporary Associated Person
- Approval of Factors for Performance Evaluation of Chief Compliance Officer
- Approval of the Subsidiary Oversight framework
- Notation of Compliance Performance Assessment
- Notation of BSP Advance Report of Examination (AREF) and corresponding BSP Examiner's Comment
- Notation of BSP Report of Examination (ROE)

3. Risk Oversight Committee

Composition:
The Risk Oversight Committee (ROC) shall be composed of at least three (3) members of the board of directors, majority of whom shall be independent directors, including the chairperson. The ROC's chairperson shall not be the chairperson of the board of directors, or any other board-level committee. The risk oversight committee shall possess a range of expertise and adequate knowledge on risk management issues and practices.

Members:
Vaughn F. Montes (ID) – *Chairperson*
Laurito E. Serrano (ID) – *Vice Chairperson*
Richard G.A. Westlake

Observers:
John Law
Gil A Buenaventura - *until June 30, 2019*
Eugene S. Acevedo - *effective July 1, 2019*

The ROC supports the Board with respect to oversight and management of risk exposures of the RCBC parent bank and subsidiaries (the Group). In this regard, the ROC exercises authority over all 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.

The highlights of the Risk Oversight Committee's actions in 2019 are as follows:

<u>Risk Governance Framework</u>
- Approved Amendments to the ROC Charter and Risk Governance Framework

<u>Enterprise Risk and ICAAP</u>
- Approved:
  - Amendments to ICAAP Management Committee Charter
  - 2019 ICAAP and Recovery Plan
  - Revisions to Stress Testing Framework

- Industry Limit Monitoring Framework
- Revisions to the Back-Testing Policy Revisions

- Monitored RCBC Group Risk Profile, Risk Dashboards, and Risk Heat Maps
- Noted the Enterprise Risk Reports including Asset Quality Monitoring, Concentration Risk Reports, Loan Portfolio Stress Testing Results and Capital & Risk Weighted Assets Analysis Reports
- Noted the Results of Uniform Stress Testing for Credit Risk
- Noted the review of the performance of the Credit Rating Model and Back-testing

Credit Risk

- Noted the Credit Management Reports
- Approved Amendments to Delegated Credit Authorities/ Approval Limits of the Credit and Collection Committee

Market & Liquidity Risk

- Approved:
  - Market & Liquidity Risk Framework
  - Market & Liquidity Risk Limits (2019)
  - Treasury Limits (2019)
  - PSR Factors (2019)
  - Core Deposit and Loan Rollover Ratios
  - Contingency Funding Plan
  - Limit Governance on Non-Trading Book
  - Revised Liquidity Stress Testing Methodology
  - Amendments to the MCO Policy
  - Off Market Rate Tolerance Factors
  - Trust Risk Management Framework
- Noted the Results of Uniform Stress Testing for Market Risk
- Noted the Market & Liquidity Risk Reports and Stress Test Reports

Portfolio Quality

- Approved the Sustainable Finance Framework and Amendments to Social and Environmental Management System (SEMS) Policy
- Noted the Portfolio Quality Reports, Independent Credit Review Reports and SEMS Reports

Operational Risk

- Approved:
  - Amendments to Operational Risk Management Framework and Consumer Protection Framework
  - Key Risk Indicator (KRI) Library
  - Control Sample Tests (CST)
- Reviewed RCBC Comprehensive Crime Insurance and Directors & Officers Insurance Cover
- Noted the Operational Risk Reports, KRI Monitoring Reports, RCSA Results, CST Results and reports on various control activities performed by Operational Risk Management Division
- Noted the Revised AML Key Risk Indicators and AML CST Results

Enterprise Fraud Risk

- Approved Amendments to Enterprise Fraud Framework
- Noted Fraud Incident Reports and Fraud Management Updates

Information Security Governance

- Approved:
  - Information Security Risk Management Framework
  - Information Security Strategic Plan
  - Information Security Annual Certification (ISAC) Process
  - Cyber Security Incident Response Plan (CSIRP)
  - Submissions to Banker's Association of the Philippines Cyber Intelligence Database (BAP CIB)
  - Renewal of Cyber Security Insurance
  - Revisions to the Information Security Policies and Minimum standards for Information Classification
- Noted Information Security Reports, InfoSec KRI Monitoring Reports and Risk Management Systems Reports

Business Continuity Management

- Approved the Industry-Wide Earthquake Resiliency Plan
- Oversaw Annual Disaster Recovery and Business Continuity Program (BCP) Exercise
- Noted reports on Business Continuity Management (BCM) Framework Presentations and Business Resiliency Reports

4. The Corporate Governance Committee

Composition:
The Corporate Governance Committee shall be composed of at least five (5) members of the board of directors who shall all be non-executive directors, majority of whom shall be independent directors, including the chairperson, with (1) one member representing the minority shareholders.

Members:
Adelita A. Vergel de Dios (ID) – *Chairperson*
Vaughn F. Montes (ID)
Gabriel S. Claudio (ID)
Shih-Chiao (Joe) Lin
Lilia B. de Lima – *effective Sept. 30, 2019*

The Corporate Governance Committee assists the Board of Directors in fulfilling its corporate governance responsibilities. The highlights of the actions of the Corporate Governance Committee in 2019 are as follows:

- The Board approved the increase of the Corporate Governance Committee membership to five (5);
- Exercised oversight on the nomination process for members of the Board of Directors and for positions requiring board approval;
- Reviewed and endorsed for Board approval the interlocking positions of directors and officers;
- Ensured the implementation of the training program for the members of the Board of Directors;
- Facilitated the performance evaluation process of the Board of Directors, the Board-level Committees, the individual members, the Chairperson and the CEO;
- Reviewed and endorsed for Board approval the proposed changes to the Bank's table of organization;
- Reviewed and approved the revisions to the Corporate Governance Charter;
- Reviewed and endorsed for Board approval the Retirement Policy for Directors as part of the Bank's Succession Plan;

- Reviewed and endorsed for Board approval the reclassification of Personnel Evaluation and Review Committee (PERC) from Boar-level Committee to Management-level Committee, including its amended charter;
- Approval of the 2019 Integrated Annual Corporate Governance Report (iACGR).

5. The Related Party Transactions Committee

Composition:
The Related Party Transactions (RPT) Committee shall be composed of at least three (3) members of the board of directors, two (2) of whom shall be independent directors, including the chairperson. The Committee shall at all times be entirely composed of independent directors and non-executive directors, with independent directors comprising majority of the members.

Members:
Adelita A. Vergel De Dios (ID) – *Chairperson*
Gabriel S. Claudio (ID)
Shih-Chiao (Joe) Lin

The RPT Committee assists the Board in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulations to protect the interest of depositors, creditors and other stakeholders. In 2019, the RPT Committee fulfilled its mandate under its charter particularly on the review and disclosure of material related party transactions. Work done by the Committee in 2019 includes the following:

- Reviewed and evaluated all material related party transactions, those within the threshold amount of Php10,000.00 and above and those that require Board approval regardless of amount, i.e., DOSRI loans, to ensure that such transactions are conducted on an arm's length basis and that no stakeholder is unduly disadvantaged;
- All vetted material RPTs were endorsed to the Board for approval;
- Reviewed and reported to the Board on a quarterly basis the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties;
- Exercised oversight on the filing of the required reports to BSP under BSP Circular No. 895, as amended:
  - Report on Conglomerate Structure; and
  - Report on Material Related Party Transactions.

6. The Anti-Money Laundering Committee

Composition:
Three (3) directors, majority of which are independent directors including the chairperson.

Members:
Gabriel S. Claudio (ID) – *Chairperson*
Vaughn F. Montes
Gil A. Buenaventura – *effective July 1, 2019*

Observer:
Eugene S. Acevedo – *effective July 1, 2019*

The AML Committee assists the Board of Directors in 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 Manual of Regulations for Banks (MORB); and to ensure that oversight on the Bank's compliance management is adequate. Its specific duties and responsibilities include:

Client Profiling

- To review and approve the AML client risk profiling model and changes thereto;
- To review and note changes in the risk profiles of clients, *i.e.*, downgrading from high risk to normal or low risk, and upgrading from low risk to normal or high risk;
- To review and approve changes in the sensitivity of watch list name screening on Base60;

STR Reporting

- To note the suspicious transaction reports filed pursuant to the approval of the AML Management Committee;

Alerts Monitoring

- To approve changes in alert scenarios, rules, parameters and thresholds in AML alert management and transaction monitoring systems;
- To review and approve reports on transactions disposed as false positive;

Disposition of Issues

- To review and recommend actions for AML critical issues;
- To review and approve reports on transactions disposed via Triage;
- To review and note closure of accounts;

Compliance Testing and Monitoring

- To review and approve AML compliance risk assessment;
- To review and approve the annual testing plan and changes thereto;
- To review the findings of Compliance Testing for AML and approve sanctions to be imposed as a result of such findings;
- To monitor and oversee timely compliance and responses to BSP/AMLC findings on regular or special examination in relation to AML.

Policy and Manuals

- To review the Bank's MLPP for the approval of the Board of Directors;
- To review and approve the Manuals on the following:
    a. System;
    b. Alerts
    c. Policy;
    d. Testing

Others

- To review and approve training plan for the Board and bank employees on AML;
- To note the Covered Transactions Reports~~;~~
- To note the AML risk indicators set by the Risk Oversight Committee;
- To confirm minutes of the AML Management Committee;
- To monitor the status of requests for information by the regulators, *i.e.*, BSP and AMLC.

7. The Trust Committee

Composition:
At least five (5) members including (i) the president or any senior officer of the bank and (ii) the trust officer. The remaining committee members, including the chairman, may be any of the following: (i) non-executive directors or independent directors who are not part of the Audit Committee or (ii) those considered as qualified independent professionals, provided that in case there are more than five (5) Trust Committee members, the majority shall be composed of qualified non-executive members.

Members:
Juan B. Santos (ID) – Chairperson
Cesar E.A. Virata
Gil A. Buenaventura – *until June 2019*
Eugene S. Acevedo – *effective July 1, 2019*
Lilia B. De Lima
Trust Officer

The Trust Committee is a special committee which reports directly to the Board of Directors and is primarily responsible for overseeing the fiduciary activities of the Bank. Its activities in 2019 include the following:

- Formulation of new policies and guidelines
  - Approval of Revised Trust Policy Manual (April 2019)
  - Approval of Revised Trust Risk Governance Framework (October 2019)
  - Approval of new and amended Trust policies

- Oversight of trust business
  - Review of Trust performance for 2019 and approval business plans for 2020
  - Review of quarterly financial performance of Trust for 2019
  - Approval of the Audited Financial Statements of TIG and the RCBC UITFs for 2018 (February 2019)
  - Discussions on the results of the Self-Assessment of the Trust Committee for 2018
  - Discussions of impact of new regulations issued on the trust business
  - Administrative and Performance review of accounts
  - Discussions on the monthly market updates and investment strategies of Trust
  - Product development efforts for 2019
    - Amended the Plan Rules of seven (7) UITFs to improve features (e.g. lower minimum investment amounts)
    - Creation of the two (2) new R25 Equity Funds
  - Review of organization structure, succession plan for Trust and other HR matters

- Evaluation and approval of management recommendations on the investment and disposition of funds or properties held in trust

- Management of risks in the conduct of the trust business
  - Monthly discussions and review of various risk management reports (market risk, credit risk, operational risk, reputation risk, strategic risk, legal risk)
  - Discussions on incident reports and issues affecting Trust
  - Monitoring of the proper implementation of approved policies and guidelines
  - Review of compliance with applicable laws and regulations
  - Development of the New Trust core system (Miles Moneyware) and integration with the RSB Trust system (Infobanker)
  - Updates on regulatory developments affecting the Trust business

- Audit and compliance
  - All trust units (except for Stock Transfer which was rated Needs Improvement) obtained a satisfactory rating from Internal Audit for the period as of June 30, 2018
  - Completed compliance review of TIG as of August 31, 2018 and as of May 31, 2019
  - Addressed various audit and compliance issues in BSP examination, internal audit and compliance reviews

8. The Technology Committee

Composition:
At least three (3) members of the Board of Directors.

Members:
Helen Y. Dee – *Chairperson*
Cesar E.A. Virata
Gil A. Buenaventura – *until June 30, 2019*
Eugene S. Acevedo) – *effective July 1, 2019*

The Technology Committee exercises authority over all IT Project Steering Committees of the various RCBC Business Groups and subsidiaries (The Group), with the principal purpose of assisting the Board in fulfilling the following oversight responsibilities:

- Approves major IT investments.
- Manages and aligns IT initiatives across the Group.
- Reviews status of major projects.
- Prioritizes IT initiatives, when warranted.
- Evaluates emerging IT solutions for use of the Group.
- Reviews and resolves IT risks and other IT related issues raised in the TechCom.
- Ensures compliance to BSP rules and regulations relating to Information Technology.

Advisory Board

The Bank has an Advisory Board that provides informed guidance to the Board of Directors. Members of the Advisory Board are appointed by the Board of Directors. They do not have any voting rights but contribute by way of providing non-binding but relevant advice during board meetings. While the By-Laws allow for up to 10 members in the Advisory Board, the Bank has 2 appointed Advisory Board members. Each of these members is considered as business leaders and is of known probity and integrity. The members of the Advisory Board are Mr. Francis C. Laurel and Ms. Yvonne S. Yuchengco

Shareholdings in the Company

As of December 31, 2019, only the following stockholders own more than 5% of RCBC's common stock:

Title of Class	Name, Address of record owner and relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Held	Percent (%)
Common	**Pan Malayan Management & Investment Corporation** Address: 48/F Yuchengco Tower, RCBC Plaza 6819 Ayala Avenue Makati City Relationship with issuer: RCBC is a subsidiary of PMMIC	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 record of said company. The Bank has not been advised otherwise.*	Filipino	806,431,473*	41.66%

Title of Class	Name, Address of record owner and relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Held	Percent (%)
Common	**Cathay Life Insurance Corporation** 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		Non-Filipino	107,875,642	5.57%

**Combined Direct and Indirect Shares of PMMIC*

The following **directors and officers** directly and indirectly own shares in RCBC:

Title of Class	Name of Beneficial Owner	Amount and nature of record / beneficial ownership		Citizenship	Percent of Class (%)
		Par Amount	Nature		
Directors					
Common	Helen Y. Dee	13,988,060	R / B	Filipino	0.07
Common	Gil A. Buenaventura	50	R / B	Filipino	0.00
Common	Cesar E.A. Virata	1,384,340	R / B	Filipino	0.01
Common	Lilia B. De Lima	10	R	Filipino	0.00
Common	Vaughn F. Montes	50	R	Filipino	0.00
Common	Eugene S. Acevedo	1,986,000	R / B	Filipino	0.00
Common	Richard G.A. Westlake	10	R	New Zealander	0.00
Common	Shih-Chiao Lin	10	R	R.O.C. Taiwan	0.00
Common	Arnold Kai Yuen Kan	10	R	Canadian	0.00
Common	Armando M. Medina	1,950	R	Filipino	0.00
Common	John Law	10	R	French	0.00
Common	Gabriel S. Claudio	10	R	Filipino	0.00
Common	Laurito E. Serrano	10	R	Filipino	0.00
Common	Adelita A. Vergel de Dios	10	R	Filipino	0.00
Common	Juan B. Santos	50	R	Filipino	0.00
	Subtotal	***17,360,580***			
Executive Officers					
Common	Evelyn Nolasco	27,000	B	Filipino	0.00
	Subtotal	***27,000***			
	TOTAL	***17,387,580***			

Shareholders' Rights and Protection of Minority Stockholders' Interest

The Bank respects the rights of the stockholders as provided for in the Corporation Code; namely:

1. Right to vote on all matters that require their consent or approval;
2. Right to inspect the books and records of the Bank;
3. Right to information;
4. Right to dividends; and
5. Appraisal right.

It is the duty of the Board to promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights, *i.e.*, any shareholder or group of shareholders with at least five percent (5%) share of the total outstanding shares of the company shall be allowed to propose any relevant item for inclusion in the agenda for the meeting.

Right to Nominate Candidates for Board of Directors

The By-Laws of the Bank allows to all shareholders, including minority stockholders, the right to nominate candidates for the Board of Directors.

Voting Right

The Board shall be transparent and fair in the conduct of the annual and special stockholders' meetings of the Bank. The stockholders shall be encouraged to personally attend such meetings.

In case the stockholders cannot attend the annual and special stockholders' meetings, they shall be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy shall be resolved in the stockholders' favor.

The Board shall take the appropriate steps to remove excessive costs and other administrative impediments to the stockholders' participation in meetings, whether in person or by proxy. Accurate and timely information shall be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

Stockholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.

A director shall not be removed without cause if it shall deny minority stockholders representation in the Board.

Conduct of Shareholders' Meeting

Stockholders are encouraged to personally attend shareholders' meetings. In case the stockholders cannot attend the annual and special stockholders' meetings, they are apprised ahead of time of their right to appoint a proxy. Accurate and timely information is made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval. Stockholders are allowed to pose questions and/or raise matters in person during the meeting and are addressed by the Chairperson, members of the Board and/or management.

The last Annual Stockholders' Meeting was held on June 24, 2019. The Bank hired an independent party, Punongbayan & Araullo, to count and validate votes cast at the said meeting.

Proper and timely disclosures were made immediately after the ASM. Results of the meeting as well as minutes thereof are available in the Bank's website.

Right to Inspection

All stockholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.

Right to Information

The stockholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the Bank's shares, dealing with the Bank, relationships among directors and key officers, and the aggregate compensation of directors and officers.

The minority stockholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.

The minority stockholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority stockholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".

Dividend Policy

Article XI, Section 1 of the By-Laws of the Bank, provides that dividends shall be 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 Central Bank of the Philippines.

As a policy, management shall determine the amount of dividends to be declared and present the recommendation for the declaration of the same to the Board of Directors for approval. If it has stipulated dividend payment obligations, the Bank shall declare dividends in accordance with its commitment.

The Bank ensures compliance with pre-requisites set by the BSP for the declaration of dividends.

The net amount available for dividends is also in accordance with the formula provided under §124 of the BSP's Manual of Regulations for Banks (MORB), as follows:

Amount of unrestricted or free earned surplus and undivided profits less:

a. Bad debts against which valuation reserves are not required by the BSP to be set up;
b. Unbooked valuation reserves, and other unbooked capital adjustments required by the BSP, whether or not allowed to be set up on a staggered basis;
c. Deferred income tax;
d. Accumulated profits not yet received but already recorded by a bank representing its share in profits of its subsidiaries under the equity method of accounting;
e. Accrued interest as required to be excluded pursuant to §305 of the MORB, net of booked valuation reserves on accrued interest receivable or allowance for uncollectible interest on loans; and
f. Foreign exchange profit arising from revaluation of foreign exchange denominated accounts.

For purposes of the subsection, any balance of *Paid-in Surplus* account may be included in the amount available for stock dividends.

Appraisal Right

The stockholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 81 of the Corporation Code of the Philippines.

Investor Relations Program

The Board shall commit at all times to fully disclose material information dealings. It shall cause the timely filling of all required information for the interest of its shareholders and other stakeholders. The reports or disclosures required under this Manual shall be prepared and submitted to the SEC and Philippine Stock Exchange (PSE) by the responsible committee or officer through the Bank's Compliance Officer. Material Information emanating from the Board of Directors shall be disclosed and the responsibility of the Corporate Information Officer (CIO). The CIO shall be responsible for efficiency providing information and addressing concerns of its shareholders and other stakeholders through the Bank webpage which provides complete information about the Bank in a form that is user-friendly.

Transactions between related parties shall be disclosed to include the nature of the related party relationship as well as information about the transactions and outstanding balances necessary for an understanding of the potential effect of the relationship of the financial statements.

All material information about the Bank, *i.e.*, anything that could adversely affect share price, shall be publicly disclosed. Such information and/or transactions shall include, among others, earnings results, acquisition or disposal of significant assets, related party transactions, board membership changes, shareholdings of directors and officers and any changes thereto, and such material events or information which are required to be disclosed pursuant to the SRC and its Implementing Rules and Regulations.

Other information that shall always be disclosed includes remuneration (including stock options) of all directors and senior management, corporate strategy, and off balance sheet transactions.

All disclosed information shall be released via the approved and established stock exchange procedure for corporate announcements as well as through the annual report.

The governance of the bank shall be adequately transparent to its shareholders and other stakeholders.

The Bank shall designate authorized signatories and alternates for disclosures. All disclosures or information state or relayed by the authorized signatory shall be presumed to have been made with the approval of the Chairman of the board, and principal officers of the Bank. The officers, including the signatories and their alternates, shall be responsible and liable for the truthfulness of the disclosures.

Other Stakeholders

Creditors' Rights

It is the policy of the Bank to conduct its business in an efficient and fair manner in order for it to meet its contractual obligations to its depositors, subordinated debt noteholders, and service providers. In the event of any liquidation or bankruptcy proceeding, such creditors have preference over the assets of the Bank in accordance with Philippine laws on preference of credits.

As a listed company, the Bank discloses, either through its website or the required stock exchanges, the relevant terms and conditions of their investment and fund-raising activities.

Supplier/Contractor Selection and Criteria

The Bank has a board-approved Policy on Outsourcing in accordance with BSP Circular No. 765 re: "Revised Outsourcing Framework for Banks." The Bank's policy provides for guidelines, processes, and controls in managing outsourcing risks. The Bank is required under the policy and in accordance with the BSP Circular to conduct due diligence on service providers to ensure their integrity, technical expertise, operational capability, financial capacity, and suitability to perform the outsourced activity.

In certain cases as permitted by law and regulations, the supplier/contractor selection process is being handled by House of Investments, Inc. (HOI), an affiliate of the Bank.

HOI's Procurement Shared Services has the following policies:

a. Code of Ethics for Procurement
b. Code of Ethics for Suppliers
c. Supplier Management
d. Policies in Choosing a Supplier
e. Procurement Process
f. Contract Management
g. Manual Structure, Use, Revisions/Amendments
h. Early Involvement in Procurement

Suppliers are evaluated based on compliance with user requirements, quality, performance record in the industry, technical competence, customer service, design, delivery, dependability. Accreditation of new suppliers is based on recommendations of procurement heads or officers and is evaluated and approved by the HOI's PSS Manager and General Manager. Accredited suppliers are likewise subject to performance evaluation..

Environmentally-friendly Value Chain

RCBC has a Sustainable Finance strategy that recognizes its role in promoting sustainable practices for the Bank and its clients that will minimize any negative environmental, social and reputation impact of the Bank's financing activities and its clients' operation. The Bank believes that good sustainable practices are a key pillar of responsible lending which can have a meaningful impact on the environment and communities. In pursuit thereof, the Bank has instituted the Environmental and Social Management System (ESMS) and has developed a Sustainable Finance Framework.

RCBC's ESMS requires that all lending relationships/credits, both pipeline and portfolio, are vetted from an environmental and social (E&S) risk perspective. ESMS is implemented to safeguard our lending operations from exposure to activities with identified E&S risks. We aim to develop environmental awareness and social responsibility in our lending personnel, and ultimately, our clients. We work alongside our customers and as needed advise them on how to reduce their impact on the environment and communities. The ESMS Policy is a declaration of our commitment to sustainable development and management of E&S issues by integrating this in the lending process from initiation, evaluation, approval, documentation, implementation, and monitoring of loan accounts. The ESMS Policy goes through a comprehensive review process on a regular basis with latest revisions made effective and re-issued in January 2020.

The E&S risk and impact assessment process is a systematic way of identifying and assessing the type and scale of impact a project may have on the environment and communities. All credit proposals for loans and other credit accommodations from RCBC need to go through E&S risk and impact assessment. Only activities or projects which pass the E&S risk and impact assessment shall be eligible for financing and are screened using the applicable requirements – the Exclusion List, applicable national and international laws on environment, biodiversity, deforestation, marine environment, water risk, pollution prevention, indigenous peoples and protection of cultural heritage, health, human and labour rights, safety and social issues and any standards established therein, and the Performance Standards. Environmental Risk Categories are assigned, and credit approvals obtained in accordance with requirements depending on the risk category. This assessment takes place before a lending decision is made, and continues during the life cycle of the loan agreement with the client. Applicable environmental covenants are incorporated in the loan/credit agreement and these are periodically evaluated and monitored to ensure they are complied with for the entire duration of the loan.

The ESMS is based on IFC Performance Standards, directives of Environmental Management Bureau (EMB) and other government agencies, and international/domestic best practices.

The environmental and social impact assessment process is a systematic way of identifying and assessing the type and scale of impact a project may have on the environment and social conditions. The ESMS assessment takes place before a lending decision is made and continues during the life cycle of the lending agreement with the client.

In addition to ESMS, the Bank developed its Sustainable Finance Framework in 2019, which articulates its intention to fund loans and projects that have clear environmental and/or social benefits. Under this framework, RCBC can issue green, social or sustainable debt instruments to finance and refinance RCBC's loans to customers or its own operating activities in Eligible Green Categories and/or Eligible Social Categories. Green and Sustainability bonds were successfully issued in 2019, with proceeds supporting RCBC's portfolio of Eligible Green Assets (17 obligors) and Eligible Social Assets (9,347 obligors), amounting to PHP51.74 billion as of 31 December 2019. Disclosures on the value created for the environment and society are discussed through RCBC's Impact Report released in January 2020.

Internal Control

Effective internal control is the foundation of safe and sound banking. It reduces the possibility of significant errors and irregularities, and in the event of occurrence, said internal control assists in timely detection. A properly designed and consistently enforced system of operational and financial internal controls helps the Bank's Board of Directors and Management to safeguard the Bank's resources, produce reliable financial reports and comply with applicable laws and regulations.

The Bank has established an effective internal control system to ensure that the Bank is managed and controlled in a sound and prudent manner. It includes the following critical components:

- Control Environment

Control environment is the framework under which internal controls are developed, implemented and monitored. It consists of the mechanisms and arrangements that ensure internal and external risks to which the company is exposed to are identified, and appropriate and effective internal controls are developed and implemented to manage said risks soundly.

The control environment emanates from the Board of Directors and reflects Management's commitment to internal controls. In line with this, the Management has ensured the strategic implementation of internal controls that provide for an organizational structure that establishes clear lines of authority and responsibility for monitoring adherence to prescribed policies, effective risk assessment, timely and accurate financial and regulatory reports, and adequate procedures to safeguard and manage the Bank's assets.

- Risk Assessment

Risk assessment is the identification and analysis of relevant inherent and residual risks and the corresponding control mechanisms that can adversely affect the achievement of the Bank's objectives. The assessment helps determine the adequacy and effectiveness of control mechanisms in mitigating risks and the strengths and weaknesses of the risk environment.

The Risk Management Group (RMG) has come up with a Risk Governance Framework which provides a detailed discussion on each type of risk including the identification, measurement and management of risks.

The assessment of control mechanisms in managing inherent and residual risks by the business units is an effective risk engine in the risk management process. By determining and assessing the risks involved in banking operations, the Bank can decide what types of controls are needed and how they should be managed.

- Control Activities

Control activities refer to the policies and procedures designed to help ensure that all bank personnel are properly guided by the control measures established by the Bank. Control activities form an integral part of the daily activities of the Bank. An effective internal control system requires that appropriate control mechanisms are set up, with control activities defined at every business level. In this regard, the Bank has ensured that control activities, which are directed through policies and procedures, are designed and implemented to address the risks involved in banking operations.

The control activities implemented by the Bank include, but are not limited to, the following:

a. Establishing approvals and authorization for transactions and activities;
b. Reconciliation;
c. Review of operating performance and exception reports;
d. Establishing safeguards or physical controls for use of assets and records;
e. Segregation of duties to reduce a person's opportunity to commit and conceal fraud or errors;
f. Requirement on mandatory leaves;
g. Rotation of duties; and
h. Number control

- Management Reporting System

Another element in an effective internal control program involves accurate accounting and comprehensive information and communication systems that are relevant to decision-making. These systems not only capture information and generate necessary reports, but also enable all personnel to understand their roles in the overall control system, how their activities relate to others, and their accountability for the activities they conduct.

- Monitoring Activities and Correcting Deficiencies

Monitoring activities entails assessing the quality of performance over time and making any necessary modifications to correct any deficiencies.

The overall effectiveness of the Bank's internal controls is monitored on an ongoing basis. In view of changing internal and external conditions, Management continually monitors and evaluates the Bank's internal control system to ensure that these are adequate and continue to function properly. Periodic assessment and evaluation of control mechanisms used in managing risks are conducted by the business units in coordination with internal audit, risk management and other support units. Internal control deficiencies, whether identified by business units, internal audit or other control personnel, are reported in a timely manner to the appropriate management level so that the same can be addressed immediately.

Internal control is the responsibility of all employees of the Bank. Everyone in the organization is responsible in ensuring that the internal control measures being adopted by the organization are properly and strictly enforced and are effectively operational. The channels of communication have ensured that all employees fully understand and adhere to policies and procedures affecting their work, and that other relevant information is properly communicated to the appropriate personnel. Likewise, the Bank’s internal audit, risk management unit and external audit provide an objective, independent review of bank activities, internal controls and management information systems to help the Board of Directors and the Management monitor and evaluate internal control adequacy and effectiveness.

Compliance Function

The compliance function of the Bank facilitates the effective management of compliance risks or risks of legal or regulatory sanctions, material financial loss, or loss to reputation that a bank may suffer as a result of its failure to comply with laws, rules, related self-regulatory organization standards, and codes of conduct applicable to its activities.

The Compliance Function is discharged by the Regulatory Affairs Group (RAG) headed by the Chief Compliance Officer (CCO). The RAG is a separate and independent unit with no business function. It reports to the Board of Directors through the Audit and Compliance Committee and the AML Committee.

The Regulatory Affairs Group shall facilitate the effective management of compliance risks by:

a. Advising the Board of Directors and senior management on relevant laws, rules and standards, including keeping them informed on developments in the area;

b. Apprising Bank personnel on compliance issues, and acting as a contact point within the Bank for compliance queries from its personnel;

c. Establishing written guidance to staff on the appropriate implementation of laws, rules and standards through policies and procedures and other documents such as compliance manuals, internal codes of conduct and practice guidelines;

d. Identifying, documenting and assessing the compliance risks associated with the Bank's business activities, including new products and business units;

e. Assessing the appropriateness of the Bank's compliance procedures and guidelines, promptly following up any identified deficiencies, and where necessary, formulating proposals for amendments;

f. Monitoring and testing compliance by performing sufficient and representative compliance testing; and

g. Maintaining a constructive working relationship with the BSP and other regulators.

The functions of the RAG are discharged by the following divisions which are under the direct supervision of the CCO:

a. The Regulatory Affairs Divisions (RADs) performs horizon scanning and impact assessment of new regulations and market trends, and the embedding of rules and regulations to the Bank’s policies, procedures, and controls.

b. The Anti-Money Laundering Monitoring and Reporting Division (AMRD) is responsible for the monitoring, analysis, disposition and investigation of AML alerts; reporting of possible suspicious transactions; filing of reports on crimes and losses; monitoring and filing of covered transactions reports and suspicious transactions reports; recommending new or updating AML alert rules; and updating AML watchlists for name screening.

c. The Testing and Monitoring Division (TMD) is responsible for the identification, assessment and monitoring of compliance risks and level of compliance of the different business lines, products and services with the relevant regulations governing banks. It also supports the overall operations of RAG which includes project management for key compliance projects; dissemination and reporting of regulatory issuances; planning, and administrative matters

Internal Audit

The Bank has in place an independent internal audit function headed by the Chief Audit Executive (CAE) who functionally and administratively reports to the Audit and Compliance Committee.

The scope of work of Internal Audit encompasses, but is not limited to, the examination and evaluation of all business systems, processes, operation, function and activities within the Bank including functions that are outsourced, its subsidiaries and branches. Such scope of work determines the adequacy and effectiveness of the Bank's risk management, control and governance process to provide reasonable assurance that:

- Risks are appropriately identified and managed in the context of current and potential risks;
- Interaction with various governance groups and controls units occurs as needed;
- Programs, plans and objectives are achieved;
- Resources are acquired economically , used efficiently and protected adequately;
- Quality and continuous improvement are fostered in the Bank's control process;
- Significant financial, managerial and operating information is accurate, reliable and timely;
- Employees' actions including performance of trading activities are in compliance with policies, standards, procedures and applicable laws and regulations;
- Significant legislative or regulatory issues impacting the Bank are appropriately recognized and addressed including areas of interest to regulators such as, among others monitoring of compliance with relevant laws, rules and regulations, including but not limited to the assessment of the adequacy of capital and provisions; liquidity level; regulatory and internal reporting;
- Management and financial information system including the electronic information system and electronic banking services are reliable and effective and resulting data has integrity.

The Internal Audit adheres to the applicable professional standards and code of ethics, including the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing (ISPPIA), Information Systems Audit and Control Association and the relevant requirements of the Bangko Sentral ng Pilipinas and other bank regulators.

An independent assessment of the internal audit function is conducted every five (5) years by an external auditor through a quality assurance review. In 2015, the internal audit function underwent full external quality assessment review by an independent assessor and the latest Quality Assurance Report was released on November 25, 2015.

The External Auditor

External Audit Fees and Services. The Audit and Compliance Committee is empowered to appoint the external auditor of the Bank and 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.

The following are audit and non-audit fees paid to the bank's external auditor, Punongbayan and Araullo, in 2019:

2019	**Audit Fee (in Million Pesos)**	**Non-Audit Fee (in Million Pesos)**	**Total (in Million Pesos)**
Parent	P 7.39	P6.39	P13.78
Group	P 12.68	P7.81	P20.49

Non-audit fees include engagements for the quarterly review and agreed upon procedures in connection with the Bank's Offering Circulars.

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.

Policies

Code of Conduct

All employees are governed by the Bank's Code of Conduct, which revolves around the Core Values of the company. It is designed to serve as a guide to employees on how they should conduct themselves within and outside the Bank premises and in dealing with clients/customers and co-associates.

Adherence to this Code is the responsibility of each and every associate. It is administered uniformly throughout the Bank and is independent of the practices of other banks. It is a condition for continuous employment. Any breach of this Code may result in disciplinary action ranging from reprimand to termination of employment, depending on the gravity of the offense, after the observance of due process.

The Code of Conduct is divided into five parts as follows:

A. Treatment of Clients
B. Treatment of Bank Assets
C. Treatment of Others
D. Conflict of Interests
E. Knowledge, Understanding & Compliance

Anti-Corruption Policies

Under Part D of the Code of Conduct on Conflict of Interests, to avoid conflict of interest, employees are to conduct business transactions for the Bank in accordance with Bank policy and avoid direct or indirect use of the Bank's goodwill, reputation, funds and property or other resources for personal gain. This involves, among other things, accepting gifts, entertainment or favors from customers or suppliers; outside employment; outside directorship; and receiving commissions or benefits from customers or suppliers.

Gifts and Entertainment. The Bank does not allow solicitation of gifts, directly or indirectly, from customers or suppliers. Under no circumstance do employees accept, directly or indirectly, payments, loans, kickbacks, special privileges or services in exchange for favors.

Favors. The Bank does not buy business. This is obtained on the merits of the Bank's products, services and people. It does not bend rules nor offer money, illegal or inappropriate favors of unusual value to obtain or retain business. In this regard, any and all significant donations or contributions to or through a customer for whatever purpose using Bank property or funds should be with the prior authorization of the concerned Group Head. Should said donation or contribution be through the purchase of a raffle or lottery ticket, any prize or winnings therefrom, regardless of whether the ticket is in the employee's possession or in the employee's name, must be turned over to the Bank.

Receiving Commissions or Benefits. Employees must avoid situations which may unduly influence the relationships with customers or suppliers in a position to transact business with the Bank. Employees must make sure that the procedures laid down in providing customer services or in purchasing goods and services are strictly followed. Employees who have a direct hand in choosing companies from which purchases of the Bank's business requirements are to be made, are discouraged to use said authority to obtain commissions or leverage to purchase the same item/s for personal interests at terms not otherwise available to his/her colleagues or the public. Suppliers and customers are chosen based on merit and not on what can be gained from them.

The Code of Conduct is a main topic included in the Bank's Employee Orientation Program which is held on a regular basis.

The Code of Discipline provides for penalties for violations of the Code of Conduct. Administrative cases are handled in accordance with the Bank's Administrative Cases Procedure and existing laws. The Personnel Evaluation and Review Committee, as mentioned, acts as an independent body in the evaluation and review of cases involving dishonesty, fraud, negligence or violation of any internal Bank policy, rule or procedure committed by an RCBC employee and ensures that the appropriate preventive, corrective and disciplinary measures are imposed on cases involving dishonesty, fraud, negligence or violation of any internal Bank policy, rule or procedure committed by an RCBC employee.

Use of Insider Information

There are laws that prohibit the use of inside information when buying, selling or trading publicly traded securities, including RCBC securities. Inside information can take many forms, but always includes information which is not available to the public and which might influence an investor's decision to buy, sell or hold securities in a company.

Under the Code of Conduct, employees are prohibited from buying, selling or trading RCBC securities or the securities of other companies about which employees have inside information, until that information becomes public. In addition, this information should not be shared with anyone else, including family members or friends or anyone about trading in any securities based on this information.

Whistleblowing Policy

The Bank's Whistleblowing Policy is a key element in safeguarding the Bank's integrity. It aims to enhance the Bank's transparency and system for combating practices that might damage its activities and reputation. Protecting the integrity and reputation of the Bank requires the active support of its stakeholders, particularly its employees.

The following are the basic principles of the Bank's Whistleblowing Policy:

1. Employees and other stakeholders must be provided with alternative and sufficient channels for whistleblowing and communication. In certain instances, they must be able to bypass the main channels for whistleblowing if these prove inappropriate;
2. Employees and other stakeholders making the report in good faith should at all times be protected against reprisals;
3. Identity of the whistleblower making the report in good faith should remain confidential;
4. Reported incidents shall be verified in an appropriate manner, and if confirmed, the Bank must take the necessary actions;
5. The rights of any person implicated in any report must be respected.

Reports of any actual or suspected criminal activities, unlawful acts or omissions, fraud, violations of the Code of Conduct and other bank policies, danger to health and safety, improprieties or malpractice in the workplace, including those relative to matters of financial reporting, internal control and/or auditing may be sent through YGC's Open Communication system at www.rcbc.com/TalktoUs.

AMLA

The Money Laundering and Terrorist Financing Prevention Program (MTPP) manual was created to adopt the policies of the State to:

1. protect and preserve the integrity of the Philippine financial system, including the confidentiality if bank accounts;
2. ensure that the Philippines, in general, and the covered persons, in particular, shall not be used as money laundering sites and conduit for proceeds of unlawful activities as herein defined;
3. protect life, liberty and property from acts of terrorism and to condemn terrorism and those who support and finance it and reinforce the fight against terrorism by criminalizing the financing of terrorism and related offenses;
4. recognize terrorism and terrorist financing as inimical and dangerous to national security and the welfare of the people; and make the financing of terrorism a crime against the Filipino people, against humanity and against the law of nations; and
5. adhere to international commitments to combat financing of terrorism, specifically the International Convention for the Suppression of the Financing of Terrorism, as well as other binding terrorism related resolutions of the United Nations Security Council, pursuant to Chapter 7 of the United Nations Charter.

The MTPP's main purpose is to comply with any of the provisions of the Philippines' Anti-Money Laundering Act (AMLA), as amended, the Terrorism Financing Prevention and Suppression Act (TFPSA), their Revised Implementing Rules and Regulations (RIRR), and all Anti-Money Laundering Council (AMLC) and Bangko Sentral issuances.

The MTPP is strategically aligned with the results of the National Risk Assessment (NRA) on Money Laundering (ML) and Terrorist Financing (TF) of the Philippines, a government-wide assessment of the overall exposure of the country to money laundering and its related predicate offenses, terrorism and terrorist financing. It is a comprehensive process of identifying and analyzing the money laundering and terrorist financing (ML/TF) risks within the realm of the supervised sectors, financial institutions, and covered persons and entities under the AMLA, as amended.

The MTPP shall be updated at least once every two (2) years or as needed to properly adhere to the new rules and regulations of regulatory agencies, laws of the Republic of the Philippines and other countries, and policies and procedures of the Bank.

Related Party Transactions

In July 2019, the Board approved the revised Policy on Related Party Transactions (RPT) following SEC Memorandum Circular No. 10, series of 2019 or the “Rules on Material Related Party Transactions for Publicly-listed Companies” issued on April 27, 2019. The said policy defines “related party transactions” as transactions or dealings with related parties of the Bank, including its trust department, regardless of whether or not a price is charged. These shall include, but not limited, to the following:

- On- and off-balance sheet credit exposures and claims and write-offs;
- Investments and/or subscriptions for debt/equity issuances;
- Consulting, professional, agency and other service arrangements/contracts;
- Purchases and sales of assets, including transfer of technology and intangible items (e.g. research and development, trademarks and license agreements)
- Construction arrangements/contracts;
- Lease arrangements/contracts;
- Trading and derivative transactions;
- Borrowings, commitments, fund transfers and guarantees;
- Sale, purchase or supply of any goods or materials; and
- Establishment of joint venture entities.

RPTs shall be interpreted broadly to include not only transactions that are entered into with related parties but also outstanding transactions that were entered into with an unrelated party that subsequently becomes a related party.

The term “related parties” under the Bank’s policy is broader in scope as it includes the members of the Advisory Board of the Bank.

Under the revised policy, the coverage of the definition of close family member has been extended up to the 4th civil degree of consanguinity and affinity of the director, officer or stockholder of the bank.

A new provision requiring fairness opinion by an external independent party for transactions involving an amount of at least 10% of the combined assets of the RCBC Group is also added. The external independent party shall be appointed by the Board of Directors which may include but not limited to, auditing or accounting firms and third party consultants and appraisers.

The Bank constituted the Related Party Transactions Committee and RPT Management Committee to review and approve, as the case may be, related party transactions.

The Related Party Transactions Committee is a board-level committee that reviews material related party transactions to ensure that the terms are no less favorable to the Bank than terms available to any unconnected third party under the same or similar circumstances. A transaction is considered “material” if it involves an amount of at least P10,000,000.00, or the transaction requires Board approval, regardless of amount, such as in the case of DOSRI loans and other credit transactions. Material related party transactions are approved by the Board and subsequently presented to the stockholders at the Annual Stockholders Meeting for confirmation.

Further, all material RPTs shall be approved by at least two-thirds (2/3) vote of the Board of Directors, with at least a majority of the independent directors voting to approve the material RPT. In case that a majority of the independent directors’ vote is not secured, the material RPT may be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock.

Transactions below the materiality threshold of P10,000,000.00 are reviewed and approved by the RPT Management Committee composed of Group Heads of the following units, or their respective designates:

1. Controllership Group
2. Operations Group
3. Risk Management Group
4. Retail Banking Group
5. Corporate Planning Group

Transactions approved the RPT Management Committee are confirmed by the Board of Directors.

The Bank observes the following limits on exposures to related parties:

	INDIVIDUAL	AGGREGATE
LOANS / CREDIT	SBL	50% of Capital
OTHER CONTRACT	NONE*	10% of Capital

* Not to exceed the aggregate limit for Other Contracts

Breaches in the foregoing limits are reportable to the Board of Directors with the decision of the Board to accept the exposure or to take steps to address the breaches, as may be necessary, duly documented in the minutes of the meeting.

Under BSP Circular No. 895, Banks are required to submit a report on material exposures to related parties, which shall include the material RPTs of their non-bank financial subsidiaries and affiliates within 20 calendar days after the end of the reference quarter.

Details of the Bank's major related party transactions in 2019 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.

- *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 and RSB's Trust Departments in accordance with the respective trust agreements covering the plan.

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 Php3.809 Billion while total deposit liabilities was at Php8.175 Billion as of December 31, 2019. The total amount of Parent Company DOSRI loans was Php416 Million by end of December 2019.

The RPT Policy as well as any update thereto shall be submitted to the Securities and Exchange Commission (SEC) pursuant to SEC Memorandum Circular No. 10, series of 2019 or the 'Rules on Material Related Party Transactions for Publicly-Listed Companies.' The policy shall be signed by the Chairperson and the Chief Compliance Officer. The policy shall also be posted in RCBC's website within 5 days from submission to the SEC.

For transactions with amounts of at least 10% of the consolidated assets of the RCBC Group based on the latest audited financial statement, an Advisement Report on Material RPTs shall be filed with the SEC within 3 calendar days after the execution date of the transaction. The Advisement Report shall be signed by the Corporate Secretary.

A summary of material related party transactions entered into during the reporting year shall be disclosed in the Bank's Integrated Annual Corporate Governance Report (IACGR).

To manage potential or actual conflict of interest, it is in the Bank's RPT Policy that interested directors and officers with personal interest in the transaction shall fully and timely disclose any and all material facts, including their respective interests in the related party transaction. Interested directors and officers shall abstain from discussion, approval and management of such transaction or matter affecting the company. In case they refuse to abstain, their attendance shall not be counted for purposes of assessing the quorum and their votes shall not be counted for purposes of determining majority approval.

Provision on restitution for losses and remedies for abusive RPTs is also added. Abusive RPTs are defined as RPTs that are not entered at arm's-length and unduly favor a related party. Reporting and investigation of abusive RPTs shall be handled following the Bank's existing Code of Conduct and Whistleblowing Policy.

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
- *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.
- *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. As the application for the increase in authorized capital stock is not yet filed by RCBC LFC to the SEC as of December 31, 2018, the P800 deposit for future stock subscription is recognized and presented as part of Other Resources Account in the 2018 statement of financial position of RCBC.
- 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 thet 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.

(J) Undertaking to Provide Annual Report

The Bank undertakes to provide each stockholder without charge a copy of the annual report on SEC Form 17-A upon written request to the Bank addressed to:

Atty. George Gilbert G. dela Cuesta
Corporate Secretary
Rizal Commercial Banking Corporation
46/F, Yuchengco Tower, RCBC Plaza
6819 Ayala Ave. cor. Sen. Gil J. Puyat Ave.
Makati City

"B"

P&A
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An instinct for growth™

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Report of Independent Auditors

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ... DIVISION
Date JUN 02 2020 SCES
RECEIVED
PRECIOSA C. JAVIER

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,

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- 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.

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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. [illegible]8552, 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

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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)

	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)
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	28	**2,140**	2,094	**1,888**	1,874	1,771
OTHER RESOURCES - Net	15	**10,608**	9,022	**9,323**	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.

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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)

	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)
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	1,803	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.

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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

	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
		ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDERS											
Balance at January 1, 2019													
As previously reported		P 22,509	P 1	P 42,176	P 266	(P 13,230)	P 434	(P 77)	P 3,594	P 24,837	P 81,144	P 36	P 81,170
Effect of merger		-	-	436	-	(489)	-	-	-	-	(53)	-	(53)
Effect of adoption of Philippine Financial Reporting Standard (PFRS) 16	2	-	-	-	-	-	-	-	-	(277)	(277)	(8)	(285)
As restated		22,509	1	42,612	266	(13,719)	434	(77)	3,594	24,560	80,814	28	80,842
Transactions with owners - Cash dividends	33	-	-	-	-	-	-	-	-	(844)	(844)	-	(844)
Net profit for the year		-	-	-	-	-	-	-	-	5,371	5,371	1	5,372
Other comprehensive loss		-	-	-	(3,500)	-	-	-	-	-	(3,500)	-	(3,500)
General loan loss appropriation	33	-	-	-	-	-	-	-	538	(538)	-	-	-
Transfer of fair value loss on financial asset at fair value through other comprehensive income (FVOCI) to surplus	10, 11	-	-	-	41	-	-	-	-	(41)	-	-	-
Transfer from surplus to reserve for trust business	37	-	-	-	-	-	21	-	-	(21)	-	-	-
		-	-	-	(3,459)	-	21	-	538	4,771	3,867	1	3,868
Balance at December 31, 2019		P 22,509	P 1	P 42,612	(P 3,193)	(P 13,719)	P 455	(P 77)	P 4,132	P 29,331	P 83,801	P 29	P 83,830
Balance at January 1, 2018													
As previously reported		P 17,132	P 1	P 31,514	P 1,979	(P 12,092)	P 434	(P 77)	P -	P 28,649	P 64,995	P 28	P 65,023
Effect of merger		-	-	1,488	-	(1,188)	-	-	-	-	-	-	-
Effect of adoption of PFRS 9	4	-	-	-	454	-	-	-	2,627	(5,834)	(3,351)	(3)	(3,354)
As restated		17,132	1	33,002	2,438	(13,280)	434	(77)	2,627	22,815	60,668	25	60,693
Transactions with owners	25												
Issuance of common stock		5,357	-	9,426	-	-	-	-	-	-	14,783	-	14,783
Cash dividends		-	-	-	-	-	-	-	-	(802)	(802)	-	(802)
Total transactions with owners		5,357	-	9,426	-	-	-	-	-	(802)	13,981	-	13,981
Net profit for the year		-	-	-	-	-	-	-	-	4,338	4,338	1	4,339
Other comprehensive loss		-	-	-	(2,194)	-	-	-	-	-	(2,194)	-	(2,194)
General loan loss appropriation	19	-	-	-	-	-	-	-	507	(507)	-	-	-
Transfer from surplus to reserve for trust business	37	-	-	-	-	-	19	-	-	(19)	-	-	-
		-	-	-	(2,194)	-	19	-	507	3,812	2,144	1	2,145
Balance at December 31, 2018		P 22,489	P 1	P 42,428	P 244	(P 13,280)	P 453	(P 77)	P 3,134	P 26,502	P 81,144	P 26	P 81,170
Balance at January 1, 2017													
As previously reported		P 13,979	P 1	P 22,603	P 633	P -	P 415	(P 77)	P -	P 26,026	P 63,507	P 26	P 63,533
Effect of merger		3,153	-	8,889	-	(12,092)	-	-	-	-	-	-	-
As restated		17,132	1	31,492	633	(12,092)	415	(77)	-	26,026	63,507	26	63,533
Transactions with owners - Cash dividends	33	-	-	-	-	-	-	-	-	(721)	(721)	-	(721)
Net profit for the year		-	-	-	-	-	-	-	-	4,388	4,388	2	4,390
Other comprehensive income	20	-	-	-	1,357	-	-	-	-	-	1,357	-	1,357
Transfer of fair value gains on financial assets at FVOCI to surplus	10, 11	-	-	-	(8)	-	-	-	-	8	-	-	-
Transfer from surplus to reserve for trust business	37	-	-	-	-	-	19	-	-	(19)	-	-	-
		-	-	-	1,349	-	19	-	-	4,356	5,024	2	5,026
Balance at December 31, 2017		P 17,132	P 1	P 31,514	P 1,979	(P 12,092)	P 434	(P 77)	P -	P 28,649	P 64,995	P 28	P 65,023

See Notes to Financial Statements.

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	Notes	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
		PARENT COMPANY								
Balance at January 1, 2019										
As previously reported		P 22,509	P 5	P 42,138	P 266	(P 13,234)	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	5	42,568	266	(13,723)	454	2,587	26,071	80,739
Transactions with owners -										
Cash dividends	25	-	-	-	-	-	-	-	(864)	(864)
Net profit for the year		-	-	-	-	-	-	-	5,387	5,387
Other comprehensive loss		-	-	-	(2,500)	-	-	-	-	(2,500)
General loan loss appropriation	25	-	-	-	-	-	-	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 5	P 42,568	(P 2,193)	(P 13,723)	P 485	P 3,130	P 29,979	P 82,762
Balance at January 1, 2018										
As previously reported		P 17,152	P 5	P 31,524	P 1,974	(P 12,042)	P 431	P -	P 27,887	P 66,929
Effect of merger		-	-	1,188	-	(1,192)	-	-	-	-
Effect of adoption of PFRS 9	2	-	-	-	456	-	-	1,793	(4,179)	(1,930)
As restated		17,152	5	32,712	2,430	(13,234)	431	1,793	23,708	64,999
Transactions with owners:	25									
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 5	P 42,138	P 266	(P 13,234)	P 454	P 2,587	P 26,348	P 81,075
Balance at January 1, 2017										
As previously reported		P 13,999	P 5	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	5	31,524	621	(12,042)	378	-	24,401	62,037
Transactions with owners -	25									
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 5	P 31,524	P 1,974	(P 12,042)	P 431	P -	P 27,887	P 66,929

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See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019, 2017 AND 2016
(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)
CASH FLOWS FROM OPERATING ACTIVITIES							
Profit before tax		P 6,663	P 5,191	P 5,151	P 6,332	P 5,057	P 5,036
Adjustments for:							
Interest received		41,050	29,528	24,455	41,650	28,000	23,782
Interest income	9, 10, 11	(37,578)	(30,933)	(24,764)	(36,602)	(30,044)	(24,461)
Interest expense	11, 18, 19, 20, 24	15,218	10,444	6,745	14,759	10,090	6,830
Interest paid		(9,581)	(11,392)	(6,086)	(9,001)	(9,501)	(6,667)
Gain on sale of financial assets at amortized cost - net	10	3,688	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	1,835	1,914	2,183	1,468	1,555
Dividend income	28	(304)	(189)	(234)	(95)	(187)	(196)
Recoveries from written-off assets	25	179	266	187	179	206	187
Share in net earnings of subsidiaries and associates	12	(21)	(14)	(92)	(473)	(287)	(853)
Gains on assets sold - net	25	(109)	(96)	(441)	(28)	(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)	346	(34,863)	(14,441)	565
Increase in loans and receivables		(61,164)	(34,529)	(50,339)	(51,187)	(41,930)	(120,649)
Increase in investment properties		(630)	(329)	(774)	(638)	(376)	(323)
Decrease (increase) in other resources		(4,081)	1,646	1,852	(3,905)	2,534	8,563
Increase in deposit liabilities		33,182	34,987	35,335	33,064	54,399	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	3,108	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		(128,862)	(77,488)	(33,570)	(126,480)	(140,237)	(31,359)
Proceeds from disposal and maturity of securities at amortized cost		116,038	47,755	25,296	111,217	111,059	18,553
Acquisitions of bank premises, furniture, fixtures and equipment	13	(2,245)	(1,214)	(1,525)	(1,717)	(980)	(3,364)
Proceeds from disposals of bank premises, furniture, fixtures and equipment	13	908	401	203	831	227	558
							(341)
Cash dividends received	28	304	189	296	95	187	196
Net Cash Used in Investing Activities		(13,070)	(30,357)	(9,296)	(16,054)	(29,744)	(17,756)
CASH FLOWS FROM FINANCING ACTIVITIES							
Proceeds from availments of bills payable	18, 31	89,237	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)	(18,788)
Redemption of subordinated debt	20	(9,986)	-		(9,986)	18	36
Dividends paid	28	(864)	(865)	(775)	(864)	(865)	(775)
Payment of lease liabilities	22	(3,186)	-		(1,086)	-	-
Issuance of common stock	25	-	14,785		-	14,785	-
Redemption of bonds payable	19, 30	-	-	(13,687)	-		(13,687)
Net Cash From (Used in) Financing Activities		79,850	49,172	(8,371)	78,694	49,315	(9,755)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS *(Forward)*		P 34,881	P 10,781	(P 11,908)	P 34,223	P 10,308	P 10,209

See Notes to Financial Statements.

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	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	14,695	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	58,871
Due from other banks	9	20,342	19,818	25,293	19,815	19,469	20,109
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	14,695	16,808	17,321	14,861
Due from Bangko Sentral ng Pilipinas	9	87,299	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

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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).

(d) 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.

(e) 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.

(f) 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.

(g) 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.

(h) 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.

(i) 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).

(j) 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.

(k) 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		Parent Company	
	2019	2018	**2019**	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**
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.