

(d) Other Information

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

(i) Sensitivity Analysis

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

Group					
Impact on Post-employment Defined Benefit Obligation					
	Change in Assumption		Increase in Assumption		Decrease in Assumption
2019:					
Discount rate	+/- 1 %	(P	130)	P	746
Salary growth rate	+/- 1 %		746	(	646)
2018:					
Discount rate	+/- 1%	(P	97)	P	465
Salary growth rate	+/- 1%		478	(	421)
Parent Company					
Impact on Post-employment Defined Benefit Obligation					
	Change in Assumption		Increase in Assumption		Decrease in Assumption
2019:					
Discount rate	+/- 1%	(P	63)	P	722
Salary growth rate	+/- 1%		716	(	620)
2018 (RCBC):					
Discount rate	+/- 1%	(P	34)	P	397
Salary growth rate	+/- 1%		404	(	355)
2018 (RSB):					
Discount rate	+/- 1%	P	50	(P	44)
Salary growth rate	+/- 1%	(	51)		46

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

(ii) *Asset-liability Matching Strategies*

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

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

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

(iii) *Funding Arrangements and Expected Contributions*

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

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

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

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

25. MISCELLANEOUS INCOME AND EXPENSES

These accounts consist of the following:

25.1 Miscellaneous Income

	Notes	Group		
		2019	2018	2017
Rentals	14.2	P 811	P 765	P 741
Dividend income	10	304	189	234
Recoveries from written off assets		179	206	187
Gains on assets sold – net	11, 14.1, 15.3	109	96	441
Others		50	292	290
		P 1,453	P 1,548	P 1,893
	Notes	Parent Company		
		2019	2018 (As restated – see Note 34)	2017 (As restated – see Note 34)
Rentals	14.2, 28.5(a)	P 321	P 282	P 268
Recoveries from written off assets		179	206	187
Dividend income	10.2	95	187	196
Gains on assets sold – net	14.1, 15.3	20	28	658
Others		3	122	181
		P 618	P 825	P 1,490

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

25.2 Miscellaneous Expenses

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

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

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

26. INCOME AND OTHER TAXES

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

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

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

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

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

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

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

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

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

26.1 Current and Deferred Taxes

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

	Group		
	2019	2018	2017
Current tax expense:			
Final tax	P 717	P 403	P 203
RCIT	611	664	711
Excess MCIT over RCIT	4	3	2
	<u>1,332</u>	<u>1,070</u>	<u>916</u>
Application of MCIT	-	-	(356)
	<u>1,332</u>	<u>1,070</u>	<u>560</u>
Deferred tax expense (income) relating to origination and reversal of temporary differences	(57)	(198)	281
	<u>P 1,275</u>	<u>P 872</u>	<u>P 841</u>
	Parent Company		
		2018	2017
		(As restated – see Note 34)	(As restated – see Note 34)
	2019		
Current tax expense:			
RCIT	P 498	P 577	P 631
Final tax	698	387	196
	<u>1,196</u>	<u>964</u>	<u>827</u>
Application of MCIT	-	-	(356)
	<u>1,196</u>	<u>964</u>	<u>471</u>
Deferred tax expense (income) relating to origination and reversal of temporary differences	(51)	(227)	257
	<u>P 1,145</u>	<u>P 737</u>	<u>P 728</u>

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

	Group		
	2019	2018	2017
Tax on pretax profit at 30%	P 1,999	P 1,558	P 1,545
Adjustments for income subjected to lower income tax rates	(403)	(496)	(434)
Tax effects of:			
Non-deductible expenses	1,110	1,059	595
Non-taxable income	(1,391)	(1,239)	(786)
FCDU income	(635)	(182)	(306)
Recognition of previously unrecognized deferred tax asset	38	123	-
Unrecognized temporary differences	551	46	(130)
Utilization of NOLCO	(1)	-	1
Utilization of MCIT	-	-	356
Others	7	3	-
	P 1,275	P 872	P 841
Parent Company			
	2019	2018 (As restated – see Note 34)	2017 (As restated – see Note 34)
Tax on pretax profit at 30%	P 1,956	P 1,517	P 1,511
Adjustments for income subjected to lower income tax rates	(395)	(486)	(430)
Tax effects of:			
Non-deductible expenses	1,096	1,107	577
Non-taxable income	(1,465)	(1,247)	(876)
FCDU income	(635)	(182)	(286)
Unrecognized temporary differences	550	28	(119)
Recognition of previously unrecognized deferred tax asset	38	-	(5)
Utilization of MCIT	-	-	356
	P 1,145	P 737	P 728

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

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

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

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

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

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

The unrecognized deferred tax assets relate to the following:

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

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

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

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

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

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

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

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

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

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

26.2 Supplementary Information Required Under RR 15-2010

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

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

27. TRUST OPERATIONS

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

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

28. RELATED PARTY TRANSACTIONS

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

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

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

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

		Group					
		2019		2018		2017	
<u>Notes</u>		<u>Amount of Transaction</u>	<u>Outstanding Balance</u>	<u>Amount of Transaction</u>	<u>Outstanding Balance</u>	<u>Amount of Transaction</u>	<u>Outstanding Balance</u>
Key Management Personnel							
Loans and receivables	28.1	P -	P 13	(P 198)	P 13	P 210	P 211
Deposit liabilities	28.2	108	202	(192)	94	43	286
Interest income from							
loans and receivables	28.1	1	-	1	-	2	-
Interest expense on deposits	28.2	6	-	1	-	3	-
Salaries and employee benefits	28.5(d)	418	-	637	-	458	-
Other Related Interests							
Loans and receivables	28.1	(436)	2,717	(6,953)	3,153	5,565	10,106
Deposit liabilities	28.2	1,906	2,968	(1,232)	1,062	2,189	2,294
Interest income from							
loans and receivables	28.1	159	-	182	-	560	-
Interest expense on deposits	28.2	96	-	26	-	16	-
Parent Company							
		2019		2018		2017	
				(As restated)		(As restated)	
<u>Notes</u>		<u>Amount of Transaction</u>	<u>Outstanding Balance</u>	<u>Amount of Transaction</u>	<u>Outstanding Balance</u>	<u>Amount of Transaction</u>	<u>Outstanding Balance</u>
Stockholders							
Loans and receivables	28.1	(P 55)	P 206	(P 55)	P 261	(P 55)	P 316
Deposit liabilities	28.2	736	959	(265)	215	(593)	480
Interest expense on deposits	28.2	15	-	2	-	5	-
Cash received from issuance of							
shares of stock	23.2	-	-	14,783	-	-	-
Interest income from							
loans and receivables	28.1	19	-	17	-	16	-

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

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

28.1 Loans and Receivables

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

<u>Related Party Category</u>	<u>Group</u>			
	<u>Issuances</u>	<u>Repayments</u>	<u>Interest Income</u>	<u>Loans Outstanding</u>
2019:				
Stockholders	P -	P 55	P 19	P 206
Associates	617	-	2	617
Related parties under common ownership	108	210	-	256
Key management personnel	-	-	1	13
Other related interests	<u>676</u>	<u>1,112</u>	<u>159</u>	<u>2,717</u>
	<u>P 1,401</u>	<u>P 1,377</u>	<u>P 181</u>	<u>P 3,809</u>

2018:

Stockholders	P -	P 55	P 17	P 261
Related parties under common ownership	376	32	2	358
Key management personnel	9	207	1	13
Other related interests	<u>2,480</u>	<u>9,433</u>	<u>182</u>	<u>3,153</u>
	<u>P 2,865</u>	<u>P 9,727</u>	<u>P 202</u>	<u>P 3,785</u>

2017:

Stockholders	P -	P 55	P 16	P 316
Related parties under common ownership	210	196	-	14
Key management personnel	691	481	2	211
Other related interests	<u>8,267</u>	<u>2,702</u>	<u>560</u>	<u>10,106</u>
	<u>P 9,168</u>	<u>P 3,434</u>	<u>P 578</u>	<u>P 10,647</u>

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

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

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

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

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

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

*excludes exposure from a subsidiary

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

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

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

28.2 Deposit Liabilities

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

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

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

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

28.3 Sale and Purchase of Securities

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

28.4 Retirement Fund

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

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

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

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

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

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

28.5 Other Related Party Transactions

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

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

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

(b) Service Agreement with RBSC

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

(c) Key Management Personnel Compensation

The breakdown of key management personnel compensation follows:

	Group		
	2019	2018	2017
Short-term employee benefits	P 406	P 619	P 442
Post-employment defined benefits	12	18	16
	<u>P 418</u>	<u>P 637</u>	<u>P 458</u>
	Parent Company		
	2019	2018 (As restated – see Note 34)	2017 (As restated – see Note 34)
Short-term employee benefits	P 329	P 405	P 416
Post-employment defined benefits	-	6	14
	<u>P 329</u>	<u>P 411</u>	<u>P 430</u>

29. COMMITMENTS AND CONTINGENCIES

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

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

29.1 *Contingent Accounts, Guarantees and Other Commitments*

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

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

29.2 *Sale of National Steel Corporation (NSC) Plant Asset*

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

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

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

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

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

29.3 Verotel Merchant Services B.V. Case

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

In a letter dated May 30, 2019, VMS requested the California Court of Appeals to take cognizance of the ruling in *Mazik vs. Geico General Insurance Company*, claiming that it is relevant in resolving its punitive damages appeal. In a letter dated June 3, 2019, the Bank/ Bankard objected to the letter filed by VMS as it violates Rule 8.254 of the California Rules of Court, which prohibits the inclusion of "argument or other discussion of authority" and description of 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.

29.4 Applicability of RR 4-2011

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

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

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

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

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

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

29.5 Alleged Unauthorized Transfer of Funds – Bank of Bangladesh

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

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

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

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

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

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

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

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

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

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

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

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

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

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

29.5.2 Philippine Litigation relating to the Bangladesh Bank Incident

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

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

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

29.5.3 Specific Litigation Involving the Bank's Officers

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

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

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

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

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

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

29.6 RCBC Securities Case

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

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

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

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

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

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

29.7 HHIC-Philippines, Inc. Rehabilitation Proceedings

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

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

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

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

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

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

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

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

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

29.8 Lease Commitments

(a) Parent Company as a Lessor

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

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

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

(b) Group as Lessee

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

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

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

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

30. EARNINGS PER SHARE

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

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

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

31. NOTES TO STATEMENTS OF CASH FLOWS

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

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

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

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

32. SELECTED FINANCIAL PERFORMANCE INDICATORS

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

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

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

33. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

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

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

34. RESTATEMENT

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

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

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

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

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

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

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

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

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

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

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

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

As of December 31, 2018								
As Previously Reported		RSB Balances		Adjustments*		As Restated		
<i>Change in cash flows from investing activities:</i>								
Additional investments in securities at amortized cost	(	76,286	(	951	(	63,000	(	140,237
Proceeds from sale of investment securities at FVOCI	-			195	(	195		-
Acquisition of investment securities at FVOCI	-		(	3,463		3,463		-
Proceeds from disposal and maturity of securities at amortized cost		45,832		2,394		62,333		111,059
Acquisitions of bank premises, furniture, fixtures, and equipment	(	836	(	183		39	(	980
Cash dividends received		291		108	(	212		187
Acquisitions of intangible assets	(	163	(	15		22	(	156
Proceeds from disposals of bank premises, furniture, fixtures and equipment		226		3	(	2		227
	(	30,936	(	1,912		2,948	(	29,900
<i>Change in cash flows from financing activities:</i>								
Proceeds from availments of bills payable		42,769		34,200	(	34,200		42,769
Payments of bills payable	(	30,912	(	34,200		34,200	(	30,912
Issuance of bonds payable		23,520		-		-		23,520
Issuance of common stock		14,783		-		-		14,783
Dividends paid	(	863		-		-	(	863
Redemption of subordinated debt		-		-		18		18
		49,297		-		18		49,315
Cash and cash equivalents at the beginning of the year		83,442		19,257	(	1,064		101,635
Net effect on cash flows					(	P 1,047		
As of January 1, 2018								
As Previously Reported		RSB Balances		Adjustments*		As Restated		
<i>Change in cash flows from operating activities:</i>								
Excess of revenues over expenses before taxes	P	5,005	P	1,382	(P	1,351	P	5,036
Adjustments for:								
Interest income	(	17,313	(	6,787	(	361	(	24,461
Interest received		17,182		6,673	(	73		23,782
Interest paid	(	4,733	(	1,502	(	427	(	6,662
Interest expense		4,918		1,560		352		6,830
Impairment losses – net		1,164		793		1		1,958
Depreciation and amortization		1,085		483	(	13		1,555
Dividend income	(	196		-		-	(	196
Share in net earnings of subsidiaries and associates	(	2,110	(	72		1,349	(	833
Recoveries from written-off accounts	-		-			187		187
Gains on asset sold	(	199	(	90		256	(	33
Adjustments for:								
Decrease (increase) in financial assets at FVTPL		10,522		-		-		10,522
Decrease (increase) in financial assets at FVOCI		139		-		426		565
Decrease (increase) in loans and receivables	(	38,690	(	9,912	(	72,047	(	120,649
Decrease (increase) in investment properties	(	45	(	746	(	157	(	948
Decrease (increase) in other resources		139		1,043		7,381		8,563
Increase (decrease) in deposit liabilities		28,502		6,924		93,539		128,965
Increase (decrease) in accrued interest, taxes and other expenses	(	292	(	159		482		31
Increase (decrease) in other liabilities		948		846		2,702		4,496
Cash generated from (used in) operations		6,026		436		32,246		38,708
Income taxes paid	(	477	(	116	(	395	(	988
		5,549		320		31,851		37,720
<i>Change in cash flows from investing activities:</i>								
Additional investments in securities at amortized cost	(	27,549	(	5,810		-	(	33,359
Proceeds from disposal and maturity of securities at amortized cost		24,251		1,188	(	6,886		18,553
Acquisitions of bank premises, furniture, fixtures, and equipment	(	899	(	246	(	2,219	(	3,364
Cash dividends received		600		22	(	426		196
Acquisitions of intangible assets	(	267	(	74		-	(	341
Proceeds from disposals of bank premises, furniture, fixtures and equipment		102		46		411		559
	(	3,762	(	4,874	(	9,120	(	17,756
<i>Change in cash flows from financing activities:</i>								
Proceeds from availments of bills payable		15,477		820	(	820		15,477
Payments of bills payable	(	10,788	(	820		820	(	10,788
Dividends paid	(	773		-		-	(	773
Redemption of subordinated debt	-		-			16		16
Redemption of bonds payable	(	13,687		-		-	(	13,687
	(	9,771		-		- 16	(	9,755
Cash and cash equivalents at the beginning of the year		91,426		23,812	(	23,812		91,426
Net effect on cash flows					(	P 1,065		

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

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

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

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

PUNONGBAYAN & ARAULLO



By: Anthony L. Ng
Partner

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

February 24, 2020

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

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

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

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

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

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

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

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

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

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

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

<i>Name of related party</i>	<i>Balance at beginning of period</i>	<i>Balance at end of period</i>
------------------------------	---------------------------------------	---------------------------------

Not applicable

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

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

Not applicable

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

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



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

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

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

PUNONGBAYAN & ARAULLO

By: Anthony L. Ng
Partner

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

February 24, 2020

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

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

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

2014 - P2,100,000,000 Long Term Negotiable Certificates of Time Deposit (LTNCD)

Gross Proceeds: P2,100,000,000 (Issue Price: 100.00%)

Use of Proceeds: To expand the Bank's long-term deposit base and support long-term asset growth and for other general funding purposes.

2015 - US\$ 243,000,000 Senior Note

Gross Proceeds: US\$243,000,000 (Issue Price: US\$ 200,000,000 @ 100.00% and US\$43,000,000 @ P102)

Related Expenses: US\$1,400,857

Use of Proceeds: To be used for general banking and re-lending purposes.

2015 - US\$ 320,000,000 Senior Note

Gross Proceeds: US\$320,000,000 (Issue Price: US\$ 320,000,000 @ 100.00%)

Related Expenses: US\$1,042,758

Use of Proceeds: To be used for general banking and re-lending purposes.

2017 - P2,502,000,000 Long Term Negotiable Certificate of Deposit

Gross Proceeds: P2,502,000,000 (Issue Price: P2,502,000,000 @ 100.00%)

Related Expenses: P15,703,828

Use of Proceeds: To be used for general funding purposes.

2018- P3,580,000,000 Long Term Negotiable Certificate of Deposit

Gross Proceeds: P3,580,000,000 (Issue Price: P3,580,000,000 @ 100.00%)

Related Expenses: P30,915,597.18

Use of Proceeds: To be used for general funding purposes.

2018 - US\$ 450,000,000 Senior Note

Gross Proceeds: US\$450,000,000 (Issue Price: US\$ 420,000,000 @ 100.00%)

Related Expenses: US\$885,914.99

Use of Proceeds: To be used for general banking and re-lending purposes.

2018 - P15,000,000,000 Stock Rights Offering (535,710,378 shares)

Gross Proceeds: P15,000,000,000 (Issue Price: P28 per share)

Related Expenses: P217,262,589

Use of Proceeds: To strengthen the Bank's capital ratio and fund its business expansion (i.e. loan growth).

2019 - US\$ 300,000,000 Senior Note

Gross Proceeds: US\$300,000,000 (Issue Price: US\$ 300,000,000 @ 99.751%)

Related Expenses: US\$862,031.65

Use of Proceeds: To be used for general banking and re-lending purposes.

2019- P15,000,000,000 RCB 08-20 ASEAN GREEN BOND

Gross Proceeds: P15,000,000,000 (Issue Price: P15,000,000,000 @ 100.00%)

Related Expenses: P29,805,550.13

Use of Proceeds: To be used and/or allocated by the Bank to finance and refinance RCBC's loans to customers or its own operating activities in Green Eligible Categories as defined in RCBC's Green Finance Framework and in accordance with SEC Memorandum Circular No. 12 (2018)

2019- P8,000,000,000 RCB 06-21 ASEAN BOND 2021

Gross Proceeds: P8,000,000,000 (Issue Price: P8,000,000,000 @ 100.00%)

Related Expenses: P1,868,828.37

Use of Proceeds: To support and finance and/or refinance the Bank's loans to customers or its own operating activities in eligible green and social categories as defined in the Bank's Sustainable Finance Framework

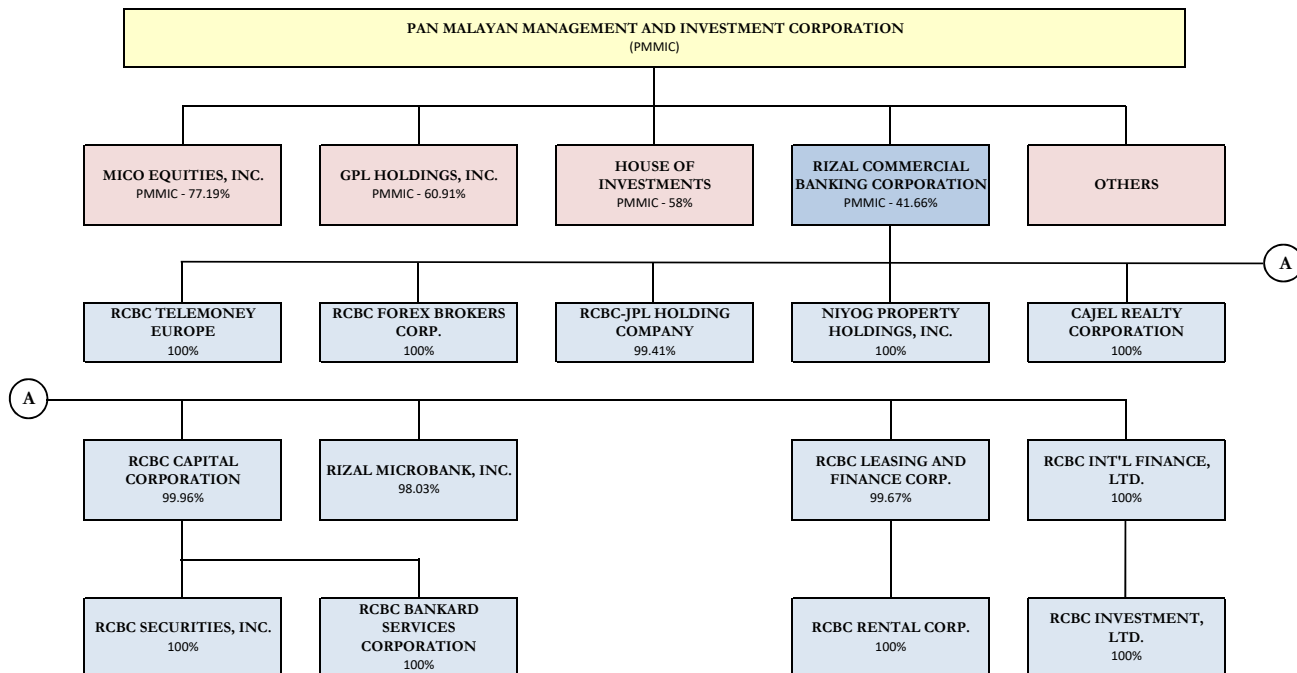
2019- P7,500,000,000 RCBC FIXED RATE BOND 2022

Gross Proceeds: P7,500,000,000 (Issue Price: 7,500,000,000 @ 100.00%)

Related Expenses: P7,122,119.9

Use of Proceeds: To be used and/or allocated by the Bank to support asset growth, re-finance maturing liabilities, and other general funding purposes

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



Report of Independent Auditors on Components of Financial Soundness Indicators

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

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

PUNONGBAYAN & ARAULLO



By: Anthony L. Ng
Partner

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

February 24, 2020

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

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

COVER SHEET

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S.E.C. Registration Number

R	I	Z	A	L		C	O	M	M	E	R	C	I	A	L		B	A	N	K	I	N	G					
C	O	R	P	O	R	A	T	I	O	N		A	N	D		S	U	B	S	I	D	I	A	R	I	E	S	

(Company's Full Name)

Y	U	C	H	E	N	G	C	O		T	O	W	E	R	,		R	C	B	C		P	L	A	Z	A			
6	8	1	9		A	Y	A	L	A		A	V	E	N	U	E	,		M	A	K	A	T	I		C	I	T	Y

MARIETA O. MIRANDA

Contact Person

8	8	9	4	9	9	3	2
---	---	---	---	---	---	---	---

Company Telephone Number

0	3
Month	
3	1
Day	
Fiscal Year	

	1	7	Q
FORM TYPE			

Month	
Day	
Annual Meeting	

--

Secondary License Type, If Applicable

S	E	C
Dept. Requiring this Doc.		

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings	
Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number									
Document I.D.									

LCU
Cashier

STAMPS									
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SEC Number 17514
PSE Code _____
File Number _____

**RIZAL COMMERCIAL BANKING
CORPORATION AND SUBSIDIARIES**

(Company's Full Name)

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

(Company's Address)

8894-9000

(Telephone Number)

March 31, 2020

(Fiscal Quarter Ending)

SEC FORM 17-Q

Form Type

Amendment Designation (if applicable)

Period Ended Date

(Secondary License Type and File Number)

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q**

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

1. For the fiscal year ended March 31, 2020
2. SEC Identification Number 17514 4. BIR Tax Identification No. 000-599-760-000
3. Exact name of registrant as specified in its charter: RIZAL COMMERCIAL BANKING CORPORATION
4. Philippines 6. (SEC Use Only)
Province, Country or other jurisdiction of incorporation or organization Industry Classification Code:
7. RCBC Plaza Yuchengco Tower 6819 Ayala Ave. cor. Sen. Puyat Avenue, Makati City 0727
Address of principal office Postal Code
8. (632) 8894-9000
Registrant's telephone number, including area code
9. Not applicable
Former name, former address & former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 4 and 8 of the RSA

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

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

Yes (x) No ()

12. Check whether the registrant:

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

Yes (x) No ()

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

Yes (x) No ()

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AGING OF ACCOUNTS RECEIVABLES	44

Item 1. Financial Statements

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

(Amounts in Millions of Philippine Pesos)

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

See Notes to Interim Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

STATEMENTS OF INCOME

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

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

See Notes to Interim Financial Statements

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

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

See Notes to Interim Financial Statements.

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

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

See Notes to Interim Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

(Amounts in Millions of Philippine Pesos)

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

See Notes to Interim Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS
MARCH 31, 2020 AND DECEMBER 31, 2019
(Amounts in Millions of Philippine Pesos)

1. CORPORATE MATTERS

1.1 Incorporation and Operations

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

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

(b) Presentation of Financial Statements

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

(c) Functional and Presentation Currency

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

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

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

2.3 Financial Assets

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

(a) *Classification, Measurement and Reclassification of Financial Assets*

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

(i) *Financial Assets at Amortized Cost*

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

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

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

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

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

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

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

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

Debt Instruments at FVOCI

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

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

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

Equity Instruments at FVOCI

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

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

(b) Impairment of Financial Assets

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

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

- Stage 1 : When loans are first recognized, the Group recognizes an allowance based on the twelve-month ECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2 : When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the lifetime ECLs. Stage 2 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3 : When a loan is considered as credit impaired, the Group records an allowance for the lifetime ECL.

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

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

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

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

(c) *Derecognition of Financial Assets*

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

2.4 Financial Liabilities

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

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

2.5 Provisions and Contingencies

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

2.6 Revenue and Expense Recognition

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

2.7 *Impairment of Non-financial Assets*

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

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

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

2.8 *Income Taxes*

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

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

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

2.9 *Related Party Relationships and Transactions*

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

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

2.10 Events After the End of the Reporting Period

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

3. TRADING AND INVESTMENT SECURITIES

This account is composed of the following:

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

3.1 Financial Assets at FVPL

This account is composed of the following:

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

3.2 Financial Assets at FVOCI

This account is composed of the following:

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

3.3 Investments at Amortized Cost

This account is composed of the following:

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

4. LOANS AND RECEIVABLES

This account consists of the following:

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

5. OTHER RESOURCES

This account consists of the following:

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

6. DEPOSIT LIABILITIES

The following is the breakdown of deposit liabilities:

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

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

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

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

7. BILLS PAYABLE

This account consists of borrowings from:

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

8. BONDS PAYABLE

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

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

9. OTHER LIABILITIES

Other liabilities consist of the following:

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

10. SUBORDINATED DEBT

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

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

11. EQUITY

The movements in the outstanding capital stock are as follows:

	Number of Shares*	
	March 31, 2020	December 31, 2019
	(Unaudited)	(Audited)
Preferred stock – voting, non-cumulative non-redeemable, participating convertible into common stock – P10 par value		
Authorized – 200,000,000 shares		
Balance at beginning of year	267,410	267,887
Conversion of shares during the period	(-)	(477)
Balance at end of period	<u>267,410</u>	<u>267,410</u>
	Number of Shares*	
	March 31, 2020	December 31, 2019
	(Unaudited)	(Audited)
Common stock – P10 par value		
Authorized – 2,600,000,000 shares		
Balance at beginning of year	1,935,628,896	1,935,628,775
Issuance of shares during the year	-	-
Conversion of shares during the year		121
Balance at end of year	<u>1,935,628,896</u>	<u>1,935,628,896</u>

**Amounts in absolute number of shares*

12. MISCELLANEOUS INCOME AND EXPENSES

These accounts consist of the following:

12.1 Miscellaneous Income

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

12.2 Miscellaneous Expenses

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

13. COMMITMENTS AND CONTINGENCIES

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

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

13.1 Contingent Accounts, Guarantees and Other Commitments

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

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

13.2 Sale of National Steel Corporation (NSC) Plant Asset

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

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

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

Notwithstanding the finality of the Philippine Supreme Court's ruling on the pre-closing taxes, on October 19, 2016, the City of Iligan foreclosed on NSC's properties after issuing a Notice of Delinquency against the NSC, seeking to collect the taxes covering the period 1999 to 2016. In an Order dated April 4, 2017, the Makati City Regional Trial Court ("Makati Trial Court") (a) nullified the public auction of the NSC Plant Assets, among others, (b) enjoined any and all real property tax

collection actions against the NSC until the decision dated October 7, 2011, which held that the NSC pre-closing taxes have been paid, is fully executed and NSC's remaining tax liabilities are correctly computed. Likewise, in an Omnibus Order dated May 21, 2018, the Makati Trial Court denied the Motion for Reconsideration and the Urgent Motion to recall the Orders dated October 18, 2016 and April 4, 2017 filed by the Iligan City LGU and Iligan City Treasurer, among others.

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

13.3 Verotel Merchant Services B.V. Case

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

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

13.4 RCBC Securities Case

In December 2011, RCBC Securities ("RSEC") initiated a criminal case for falsification against its former agent, Mary Grace V. Valbuena ("Valbuena"), arising from questionable transactions with her own personal clients. Since then, RSEC has filed additional criminal and civil cases, including charges of violation of Batas Pambansa Blg. 22 ("BP 22"), against Valbuena. On November 17, 2016, the Metropolitan Trial Court of Makati City, Branch 66, convicted Valbuena of the crime of violation of BP 22. Valbuena's conviction has been sustained by the Regional Trial Court of Makati, Branch 141, and the Court of Appeals in its Decision dated September 6, 2019, which denied Valbuena's Petition

for Review for lack of merit, and directed Valbuena to pay RSEC the amount of P7.2, except that interest on the said amount shall be at the rate of (a) twelve percent (12%) per annum from January 18, 2012 to June 30, 2013, and (b) six percent (6%) per annum from July 1, 2013 until full satisfaction of the amount due. Valbuena has filed a Motion for Reconsideration dated October 7, 2019 on the Decision of the Court of Appeals. On January 2, 2020, in compliance with the Resolution dated November 11, 2019, the Office of the Solicitor General ("OSG") filed its Comment on the aforesaid Motion for Reconsideration. The matter remains pending to date.

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

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

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

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

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

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

13.5 HHIC-Philippines, Inc. Rehabilitation Proceedings

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

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

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

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

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

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

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

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

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

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

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

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

13.6 Applicability of RR 4-2011

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

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

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

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

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

In response/compliance with the Resolution dated March 27, 2019, the Bank/other BAP-member banks pointed out that (a) the filing of the Makati Trial Court case was proper since the issue relates

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

13.7 Alleged Unauthorized Transfer of Funds – Bank of Bangladesh

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

U.S. Litigation relating to the Bangladesh Bank Incident

On January 31, 2019, the Bangladesh Bank filed a complaint with the U.S. District Court Southern District of New York ("SDNY") against the Bank, some of its current/former officers who were involved in the incident, a money service business and its principals, junket operators, and the casinos where the questioned funds passed through, claiming the existence of a conspiracy with North Korean hackers to steal funds from its FRBNY bank account/laundry 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/laundry 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/laundry the same, which repeated negative publicity is apparently designed to force the Bank to settle therewith.

In his Officer's Return dated March 14, 2019, the Sheriff of the Makati Trial Court reported that, on March 12, 2019, he tendered the Summons and a copy of the Complaint upon the Deputy Governor of Bangladesh Bank and Head of its Financial Intelligence Unit ("Deputy Governor"). On the other hand, the Bangladesh Bank, via its Return of Summons and Manifestation by Special Appearance, disputed the propriety of the service of summons in the case. It likewise refused to formally submit

to the jurisdiction of the Makati Trial Court and file any Answer, and did not send any representative during any of the mediation conferences held.

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

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

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

Specific Litigation involving the Bank's Officers

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

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

In a Resolution dated December 26, 2019, the Makati Trial Court granted the Demurrer to Evidence of three (3) of the current/former employees and dismissed the case against them, taking note of (a) their non-involvement in the opening of the beneficiary accounts/validation of the inward remittances; (b) Philippine jurisprudence (forming part of Philippine law) which prohibit banks from unilaterally freezing accounts *after* the credit of funds suspected to be of shady origins, and Section 10

of R.A. No. 9160 which bars the same *sans* a Court of Appeals-issued freeze order; (c) the account closure/termination of relationship directive of BSP Circular No. 706 upon an adverse Enhanced Due Diligence (“EDD”) finding (instead of a freeze on the account); and (d) the former Treasurer’s directive on February 5, 2016, to file a Suspicious Transaction Report (“STR”) upon the lifting of the hold.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

14. EVENT AFTER THE REPORTING PERIOD

In December 2019, a novel strain of corona virus (COVID-19) was reported to have surfaced in China. The World Health Organization has declared the outbreak as a 'public health

emergency of international concern.’ COVID-19 started to become widespread in the Philippines in early March 2020 causing the government to declare the country in a state of public health emergency followed by implementation of enhanced quarantine and social distancing measures and restrictions within the Luzon area with other cities and provinces in the country enacting similar measures thereafter. This resulted in a wide-ranging business suspension - disrupting the supply chains, affecting production and sales across a range of industries, and weakening the stock market.

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

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

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

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

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

ADDITIONAL DISCLOSURES TO ITEM I – FINANCIAL STATEMENTS

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

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

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

Seasonality or Cyclicity 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 Billion to USD 3 Billion.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial Performance

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

* March 31, 2020 ratios/amounts were annualized

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

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

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

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

5/- Excluding Interbank Loans

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

Performance Indicators for Wholly-Owned/Majority Owned Subsidiaries

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

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

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

* March 31, 2020 ratios/ amounts were annualized

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

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

*March 31, 2020 ratios/ amounts were annualized

RCBC LEASING AND FINANCE CORP. and Subsidiary In Php 000s	Unaudited		Audited	
	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.*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

INCOME STATEMENT: 31 March 2020 vs. 31 March 2019

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

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

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

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

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

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

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

- Total Manpower costs was flat at P1.7110 billion;
- Occupancy and equipment-related decreased by 4.51% or P33 million from P736 million to P702 million. It consumed 7.03% of total operating income;

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

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

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

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

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

Commitments and Contingent Liabilities

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

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

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

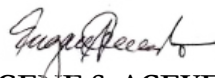
Similarly, there were no significant elements of income or loss that did not arise from the Bank's continuing operations.

SIGNATURES

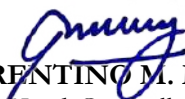
Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer **RIZAL COMMERCIAL BANKING CORPORATION**

Date **May 28, 2020**



EUGENE S. ACEVEDO
President & CEO



FLORENTINO M. MADONZA
FSVP, Head-Controllershship Group



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

RIZAL COMMERCIAL BANKING CORPORATION**Aging of Other Receivables****As of March 31, 2020****(Amounts in Millions of Philippine Pesos)**

	1-90 days	91-180 days	181-1 year	Over one year	Total	Allow	Net
Accounts Receivable	2,512	378	229	1,028	4,147	1,427	2,720

ANNEX C

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S S.

CERTIFICATION

I, **GEORGE GILBERT G. DELA CUESTA**, incumbent Corporate Secretary of the Rizal Commercial Banking Corporation (the "Bank"), a corporation organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal place of business at Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue corner Sen. Gil Puyat Avenue, Makati City, do hereby certify that, to the best of my knowledge, except as indicated below, none of the directors and officers listed in the Information Statement work with the government.

Mr. Gabriel S. Claudio currently serves as a member of the Board of Directors of the Philippine Amusement and Gaming Corporation (PAGCOR). Attached is a copy of a certification on the latest authority from the Board of Directors of PAGCOR allowing Mr. Gabriel S. Claudio to sit on the Board of Directors of the Bank.

IN WITNESS WHEREOF, I have hereunto signed this Certification this
JUN 10 2020 at Makati City, Philippines.


GEORGE GILBERT G. DELA CUESTA
Corporate Secretary

SUBSCRIBED AND SWORN to before me this JUN 10 2020 at
Makati City, affiant **GEORGE GILBERT G. DELA CUESTA** who is personally known
to me exhibiting to me his IBP ID Lifetime Member No. 03276.

Doc. No. 64 ;
Page No. 19 ;
Book No. 521 ;
Series of 2020.


ATTY. CATALINO VICENTE L. ARABIT
Notary Public
Appointment No. M-30(2019-2020)
Until 31 December 2020
PTR NO. 8117176; 01-02-20; Makati City
IBP NO. 089306; 01-02-20; Makati City
ROLL NO. 40145
21st Floor Yuchengco Tower 2, RCBC Plaza
Ayala Avenue, Makati City



Philippine Amusement and Gaming Corporation

Creating Opportunities Beyond Gaming

09 June 2020

SECURITIES AND EXCHANGE COMMISSION

SEC MAIN OFFICE

Secretariat Building, PICC Complex

Roxas Boulevard, Metro Manila Philippines

ATTENTION: **ATTY. EMILIO BENITO AQUINO**
Chairman

SUBJECT: Appointment of Director Gabriel S. Claudio

Dear Chairman Aquino:

We write pursuant to the request of Director Gabriel S. Claudio who has been appointed as a Director of the Philippine Amusement and Gaming Corporation ("PAGCOR") by the President of the Republic of the Philippines and is currently one of the Independent Directors of the Rizal Commercial Banking Corporation ("RCBC"), and in compliance with the requirement of the Securities and Exchange Commission ("SEC").

On behalf of the PAGCOR Board of Directors ("PAGCOR Board"), please be informed that the PAGCOR Board does not object against Mr. Gabriel S. Claudio, an appointed director of PAGCOR, to concurrently hold the position of Independent Director in RCBC, subject to existing laws, rules and regulations, and to any conflict of interest that may arise in the future.

Very truly yours,



JUANITO L. SAÑOSA, JR.
Corporate Secretary

Copy Furnished:

ANDREA D. DOMINGO
Chairperson/Chief Executive Officer

ALFREDO C. LIM
President/Chief Operating Officer

REYNALDO E. CONCORDIA
Director

DIRECTOR GABRIEL S. CLAUDIO
Director

CARMEN N. PEDROSA
Director

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ARMANDO M. MEDINA**, Filipino, of legal age and a resident of 101 Lanzones Dr. Ayala Westgrove Heights, Silang, Cavite, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of the Rizal Commercial Banking Corporation and have been its independent director since February 26, 2003. Pursuant to SEC Memorandum Circular No. 4 series of 2017, I have a maximum of 9 years (cumulative) from 2012, or until 2021, within which to serve as Independent Director.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
RCBC Capital Corporation	Independent Director	2011/02/17 to present
Malayan Insurance Co. Inc.	Independent Director	2011/07/26 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Rizal Commercial Banking Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of (RCBC and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code, (where applicable)

NAME OF DIRECTOR/ OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N/A		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding or I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/ INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
N/A		

6. I am not in government service/affiliated with a government agency or GOCC.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of any changes in the abovementioned information within five days from its occurrence.

Done, this day of JUN 10 2020 at Makati City.


ARMANDO M. MEDINA
Affiant

SUBSCRIBED AND SWORN to before me this day of JUN 10 2020 at MAKATI CITY, affiant, who is personally known to me, appeared before me and exhibited to me his Philippine Passport No. P4912127B which is valid until February 21, 2030.

Doc. No. 74 ;
Page No. 16 ;
Book No. 521 ;
Series of 2020.


ATTY. CATALINO VICENTE L. ARABIT
Notary Public
Appointment No. M-30(2019-2020)
Until 31 December 2020
PTR NO. 8117176; 01-02-20; Makati City
IBP NO. 089306, 01-02-20; Makati City
ROLL NO. 40145
21st Floor Yuchengco Tower 2, RCBC Plaza
Ayala Avenue, Makati City

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **JUAN B. SANTOS**, Filipino, of legal age and a resident of 2420 Bougainvillea St., Dasmariñas Village, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of the Rizal Commercial Banking Corporation and have been its independent director since November 2, 2016.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Philippine Investment Management Corp.	Director	Dec 2018 - Present
Mitsubishi Motor Phil. Corp.	Advisory Board	Jan-15 to present
House of Investments, Inc.	Director	Oct-14 to present
Philippine Investment Management, Inc. (PHINMA)	Director	Aug-13 to present
Dualtech Training Center Foundation	Trustee	Mar-12 to present
First Philippine Holdings Co.	Director	Jun-09 to present
East-West Seed Co. Inc. (Phils.)	Advisory Board	2008 to present
Marsman-Drysdale Group	Consultant	Sep-07 to present
SunLife Grepa Financial, Inc.	Independent Director	Oct-06 to present
St. Luke's Medical Center	Trustee	Aug-05 to present
Allamanda Management Corp.	Director	January 2000 – Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Rizal Commercial Banking Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of (RCBC and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code, (where applicable)

NAME OF DIRECTOR/ OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N/A		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding or I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/ INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
N/A		

6. I am not in government service/affiliated with a government agency or GOCC.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of any changes in the abovementioned information within five days from its occurrence.

Done, this day of JUN 10 2020 at Makati City.

JUAN B. SANTOS
Affiant

JUN 10 2020

SUBSCRIBED AND SWORN to before me this day of _____ at Makati City, affiant who is personally known to me, appeared before me and exhibited to me his Philippine Passport No. P4425820A which is valid until September 18, 2022

Doc. No. 73 ;
Page No. 16 ;
Book No. 521 ;
Series of 2020.


ATTY. CATALING VICENTE L. ARABIT
Notary Public
Appointment No. M-30(2019-2020)
Until 31 December 2020
PTR NO. 8117176; 01-02-20; Makati City
IBP NO. 089306, 01-02-20; Makati City
ROLL NO. 40145
21st Floor Yuchengco Tower 2, RCBC Plaza
Ayala Avenue, Makati City

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ADELITA A. VERGEL DE DIOS**, Filipino, of legal age and a resident of 280 Tomas Morato Avenue, Quezon City after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of the Rizal Commercial Banking Corporation and have been its independent director since June 27, 2016.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
N/A		

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Rizal Commercial Banking Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of (RCBC and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code, (where applicable)

NAME OF DIRECTOR/ OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N/A		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding or I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/ INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
N/A		

6. I am not currently in government service/affiliated with a government agency or GOCC.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing

Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of any changes in the abovementioned information within five days from its occurrence.

JUN 10 2020

Done, this day of _____ at Makati City.



ADELITA A. VERGEL DE DIOS

Affiant

JUN 10 2020

SUBSCRIBED AND SWORN to before me this day of _____ at Makati City, affiant, who is personally known to me, appeared before me and exhibited to me her Philippine Passport No. P7262666A which is valid until May 21, 2028.



ATTY. CATALINO VICENTE L. ARABIT
Notary Public

Appointment No. M-30(2019-2020)
Until 31 December 2020

PTR NO. 8117176; 01-02-20; Makati City

IBP NO. 089306; 01-02-20; Makati City

ROLL NO. 40145

21st Floor Yuchengco Tower 2, RCBC Plaza
Ayala Avenue, Makati City

Doc. No. 72 ;
Page No. 16 ;
Book No. 521 ;
Series of 2020.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **GABRIEL S. CLAUDIO**, Filipino, of legal age and a resident of 800 Alpha Road, Alpha Village, Capitol Hills Drive, Old Balara, Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of the Rizal Commercial Banking Corporation and have been its independent director since July 25, 2016.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Philippine Amusement & Gaming Corporation	Member, Board of Directors	Jul-16 to present
Ginebra San Miguel, Incorporated	Member, Board of Directors	Jun-11 to present
Risk & Opportunities Assessment Management	Vice Chairman/Member, Board of Directors	Nov-11 to present
Conflict Resolution Group Foundation (CORE)	Member, Board of Directors	Sep-10 to present
Toby's Youth Sports Foundation	Member, Board of Directors	Mar-11 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Rizal Commercial Banking Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of (RCBC and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code, (where applicable)

NAME OF DIRECTOR/ OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N/A		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding or I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/ INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
N/A		

6. I have the required written permission or consent from the head of the Philippine Amusement and Gaming Corporation to be an independent director in the Rizal Commercial Banking Corporation, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of any changes in the abovementioned information within five days from its occurrence.

Done, this day of JUN 10 2020 at Makati City.


GABRIEL S. CLAUDIO

Affiant

SUBSCRIBED AND SWORN to before me this day of JUN 10 2020 at Makati City, affiant, who is personally known to me, appeared before me and exhibited to me his Philippine Passport No. P3227481B which is valid until September 15, 2029.

Doc. No. 71 ;
Page No. 16 ;
Book No. 521 ;
Series of 2020.


ATTY. CATALINO VICENTE L. ARABIT
Notary Public
Appointment No. M-30(2019-2020)
Until 31 December 2020
PTR NO. 8117176; 01-02-20; Makati City
IBP NO. 089306; 01-02-20; Makati City
ROLL NO. 40145
21st Floor Yuchengco Tower 2, RCBC Plaza
Ayala Avenue, Makati City

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **VAUGHN F. MONTES**, Filipino, of legal age and a resident of 30 Nottingham St. Hillsborough Alabang Village, Cupang, Muntinlupa 1770, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of the Rizal Commercial Banking Corporation and have been its independent director since September 26, 2016.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Parents for Education Foundation (PAREF)	Trustee	2000 to present
PAREF Southridge School for Boys	Chairman and President	2014 to present
PAREF Westbridge School for Boys	Trustee	2000 to present
PAREF Northfield School for Boys	Trustee	2000 to present
Foundation for Economic Freedom	Founding Fellow/Trustee	2014 to present
Center for Family Advancement	President	2017 to present
Center for Excellence in Governance	Director	2016 to present
Institute for Corporate Directors	Teaching Fellow - Corporate Governance	2015 to present
Asian Development Bank Technical Assistance Grant on Public Private Partnerships Program	National Consultant on Public Private Partnerships Risk Management to the National Economic Development Authority / Public Private Partnership Center	2012 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Rizal Commercial Banking Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of (RCBC and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code, (where applicable)

NAME OF DIRECTOR/ OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
NA		

5. I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/ INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
<u>State offense investigated</u> (suit filed against all DBP Directors)	Office of the Ombudsman (OMB-C-C-16-0408; OMB-C-A-16-0360; Business Driven Resource Realignment Program)	Case dismissed
<u>State offense investigated</u> (suit filed against all DBP Directors)	Office of the Ombudsman (July 2015 complaint re GCG-approved bonuses given to more than 2,200 DBP employees)	Pending. There has been no action on the case by the Ombudsman ever since the complaint was filed in 2015.
<u>State offense investigated</u> (suit filed against all DBP Directors)	Office of the Ombudsman (OMB-L-A-16-0543; Loan to Province of Marinduque)	Case dismissed.
Suit filed against all DBP Directors, Ombudsman, and Governor of Marinduque (deceased)	Court of Appeals. CA G.R. SP. No. 154733	Pending.

6. I am not in government service/affiliated with a government agency or GOCC. I was, however, a national consultant on Public Private Partnerships (PPP) Risk Management to Department of Finance/Bureau of Treasury (from December 2011 to December 2016) and am a national consultant on PPP Risk Management to the National Economic Development Authority/PPP Center (from February 2012 to the present), both under the Asian Development Bank Technical Assistance Grant on PPP Program. The posts are appointive and part-time.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of any changes in the abovementioned information within five days from its occurrence.

Done, this day of JUN 10 2020 at Makati City.



VAUGHN F. MONTES

Affiant

JUN 10 2020

SUBSCRIBED AND SWORN to before me this day of JUN 10 2020 at Makati City, affiant, who is personally known to me, appeared before me and exhibited to me his Philippine Passport No. P1186014B which is valid until March 24, 2029.

Doc. No. 69 ;
Page No. 15 ;
Book No. 521 ;
Series of 2020.



ATTY. CATALINO VICENTE L. ARABIT

Notary Public

Appointment No. M-30(2019-2020)

Until 31 December 2020

PTR NO. 8117176; 01-02-20; Makati City

IBP NO. 089306; 01-02-20; Makati City

ROLL NO. 40145

21st Floor Yuchengco Tower 2, RCBC Plaza
Ayala Avenue, Makati City

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **LAURITO E. SERRANO**, Filipino, of legal age and a resident of 32M One Roxas Triangle, Paseo De Roxas Avenue, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of the Rizal Commercial Banking Corporation and have been its independent director since March 20, 2019.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
2GO Group Inc.	Independent Director	April, 2017 to present
Atlas Consolidated Mining & Development Corporation	Independent Director	August, 2012 to present
Pacific Online Systems Corporation	Independent Director	May, 2014 to present
APC Group, Inc.	Independent Director	June, 2013 to ASM of 2020
Axelum Resources Corp.	Independent Director	April, 2017 to present
MRT Development Corporation	Director	July, 2013 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Rizal Commercial Banking Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of (RCBC and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code, (where applicable)

NAME OF DIRECTOR/ OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N/A		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding or I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/ INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
N/A		

6. I am not in government service/affiliated with a government agency or GOCC.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of any changes in the abovementioned information within five days from its occurrence.

Done, this day of JUN 10 2020 at Makati City.


LAURITO E. SERRANO
Affiant

SUBSCRIBED AND SWORN to before me this day of JUN 10 2020 at Makati City, affiant who is personally known to me appeared before me and exhibited to me his Philippine Passport No. P1780647A, which is valid until January 26, 2022.

Doc. No. 70
Page No. 15
Book No. 521
Series of 2020.


ATTY. CATALINO VICENTE L. ARABIT
Notary Public
Appointment No. M-30(2019-2020)
Until 31 December 2020
PTR NO. 8117176; 01-02-20; Makati City
IBP NO. 089306; 01-02-20; Makati City
ROLL NO. 40145
21st Floor Yuchengco Tower 2, RCBC Plaza
Ayala Avenue, Makati City



RIZAL COMMERCIAL BANKING CORPORATION
Minutes of the Annual Stockholders' Meeting

Date : **24 June 2019**

Time : **4:00 PM**

Place : **Alfonso Sycip Executive Lounge**
47th Floor, RCBC Plaza
6819 Ayala Avenue corner
Sen. Gil J. Puyat Avenue,
Makati City

Pursuant to notices served to all stockholders, the Annual Stockholders' Meeting of Rizal Commercial Banking Corporation (the "Bank") was held on June 24, 2019 at 4:00 PM at the Alfonso Sycip Executive Lounge, 47th Floor, RCBC Plaza, 6819 Ayala Avenue corner, Sen. Gil J. Puyat Avenue, Makati City.

Chairperson H. Y. Dee presided over the meeting, while the Corporate Secretary, Atty. George Gilbert G. dela Cuesta, recorded the proceedings. Calling the meeting to order, Chairperson H. Y. Dee asked the Corporate Secretary whether proper notice of the meeting was sent to each stockholder of record and whether there was quorum for the transaction of business.

I. Proof of Notice — The Corporate Secretary presented a certificate stating the notices for the meeting were duly served to all stockholders of record in accordance with the Bank's By-Laws, as proof of notice of the meeting.

II. Quorum — The Corporate Secretary reported that there were present in person and by proxy stockholders representing a total of 1,607,576,384 common and preferred shares of stocks or 83.04% of the Bank's total outstanding 1,935,896,306 common and preferred shares entitled to vote

In view of the foregoing, the Corporate Secretary certified the presence of a quorum. The list of stockholders who were personally present and those who were represented by proxy is hereto attached and made an integral part of the record.

All the directors and the senior management officers were in attendance.

The Corporate Secretary explained that voting is by poll and the Bank has engaged an independent party, Punongbayan & Araullo, to count and/or validate the votes of the meeting.

Having been ascertained of the presence of a quorum, the Chairperson declared the agenda open for deliberation.

III. Approval of the Minutes — The reading of the Minutes of the Annual Stockholders' Meeting held on June 25, 2018 and the Special Meeting held on February 26, 2019, was dispensed with upon motion duly made and seconded.

There being no other objections, comments, or corrections on the Minutes of the Annual Stockholders' Meeting held on June 25, 2018 and the Special Meeting held on February 26, 2019, the stockholders present in person or by proxy representing

1,607,576,880 shares or 100% of the votes cast and 1,593,390,318 or 99.12% of the votes cast voted in favor of approval of the minutes of the Annual Stockholders' Meeting held on June 25, 2018 and the Special Meeting held on February 26, 2019, respectively, under the following resolution:

Resolution No. 19-02

“BE IT RESOLVED, AS IT IS HEREBY IS RESOLVED, That the stockholders hereby approve, confirm and ratify the Minutes of the Annual Stockholders' Meeting held on June 25, 2018 and the Special Meeting held on February 26, 2019, copies of which were circulated earlier before the start of the meeting to the stockholders present.”

VI. Approval of the Annual Report and Audited Financial Statement for 2018— The Annual Report and the 2018 audited financial statements of the Bank contained therein, copies of which were furnished the stockholders together with the notice of meeting, were explained and submitted to the stockholders for approval.

Atty. dela Cuesta explained that the Annual Report furnished the stockholders together with the Definitive Information Statement includes, among others, the following matters: (a) an explanation of the dividend policy and dividend payments; (b) material information on the current stockholders and their voting rights; and (c) a detailed, descriptive and balanced assessment of the Bank's performance. The duly signed and certified Audited Financial Report also includes a statement on the adequacy of the corporation's internal controls or risk management systems, and a statement of all external audit and non-audit fees.

The President and CEO, Mr. Gil A. Buenaventura, reported that the Bank generated a net income of Php4.32 billion in 2018, Php11 million higher than last year, as a result of the Bank's focus on the core business and going back to basics. Out of the total Php26 billion Revenue generated in 2018, majority of the income is attributed to the Bank's business of lending, the Net Interest Income comprises 77% of the Gross Income. The Bank has managed to boost Net Interest Income of Php20.6 billion in 2018, an increase of 14% from the previous performance. Despite the challenging macro environment in 2018, with inflation reaching a high of 6.7% in October and the 1.75 percentage points rate hike of the BSP, the Bank still managed to close the year with a Net Interest Margin of 4.00%, among the highest in the banking industry. The Bank's balance sheet position is also now stronger than ever - by the end of 2018, the Bank's Php645 billion balance sheet was 16% higher than last year's Php554 billion, based on solid growth in loans. In nearly all of the borrowing segments served by the Bank, it saw sustained double digit growth. The Bank's growth strategy is anchored on a growing and well-diversified loan portfolio. The Bank's Net loans increased by 12% year-on-year, reaching P398 billion in 2018 or a 3-year compounded annual growth rate of 14%. As for the funding strategy, this was supported by a diversified funding mix from deposits, growing by 9% year-on-year to P423 billion or a 3-year compounded annual growth rate of 10%. Loans to key segments have been growing at a double digit pace, with the SME portfolio growing by 28% and consumer loans by 17%. With consumer spending continuing to drive the Philippine economy, the need for financial services contributed to the Bank's growth in this market: mortgage or housing loans increased by 14% and demand for auto financing was likewise strong in 2018 with a growth of 13%, while credit card receivables increased by a substantial 31%. Building and maintaining a strong capital base remains key in the Bank's strategy. Regulatory developments and a stable source of funding for asset growth were main considerations for the Bank to actively strengthen its capital base. As a result of the stock rights offering, capital ratios are significantly higher, with Capital Asset Ratio of 16.13% and Common Equity Tier 1 ratio of 13.38%, both poised to support the future growth plans of the bank.

Mr. Buenaventura also presented the Bank's digital platforms through which it improves its customer service. He said that the Bank continuously builds customer centric integrated channels that are flexible and scalable and will result to more meaningful and

profitable customer relationships. He also highlighted the platforms that open opportunities for new business models and create digital solutions for a more convenient, seamless and secure banking experience. The Bank, with the support of the BSP, is taking the lead in bringing digital financial services closer to more Filipinos as it works with eCurrency Mint's solution to introduce RCBC ePiso. It is the country's first digital currency that is stored in a mobile wallet app to enable everyone to enjoy daily cashless transactions. The Bank has launched an Online FX Trading Platform allowing the clients to buy and sell currencies, the first and only online foreign exchange execution platform in the country. The Bank introduced the RCBC Cash Express, the country's first neighborhood ATM that enables the bank's customers to do various regular banking transactions even through sari-sari stores.

Mr. Buenaventura mentioned that in 2018, the Bank's efforts in good governance were recognized and it received regulatory relief from previous restrictions. Moreover, the AMLC and the BSP have specifically identified RCBC to actively participate and extend the necessary assistance in the conduct of the Asia Pacific Group's 3rd round of Mutual Evaluation for the Philippines by the Financial Action Task Force (FATF), particularly due to the improvements that the Bank implemented in relation with its Money Laundering/Terrorist Financing Prevention Program. The international body saw merit in the Bank's AML practices and envisioned the process to become best practices for the industry.

Mr Buenaventura then mentioned that he Bank initiated partnerships with its respected peers abroad to help foster the growth of trade and commerce among their countries. The Bank signed cooperative partnerships with Kookmin Bank, one of South Korea's largest banks, and Shoko Chukin Bank Ltd of Japan, paving the way for RCBC to provide banking services and financial information assistance to Korean corporates and Japanese-owned SMEs. Its ties with Japan's 5th largest banking group, Resona Holdings, will assist small and mid-sized Japanese and Filipino businesses seeking to expand their markets. The Bank continued to actively fund renewable energy projects, such as the 330MegaWatt solar farm in Vietnam, one of the largest solar farms in Southeast Asia. The bank is the sole lender, providing non-recourse project financing of \$232 million dollars. The Bank also fulfilled its role in the goal of nation-building through engagements such as the financing of one of the country's biggest infrastructure projects, the Cebu-Cordova Link Expressway under a Public-Private Partnership arrangement with the local governments of Cebu City and Cordova Municipality and the construction and development of CALAX, a 45km tolled expressway crossing the provinces of Cavite and Laguna. Lastly, as part of the Bank's strategy to improve over-all efficiencies, the Bank's board approved the plan merger of RCBC Savings Bank and the Parent Universal Bank in February 2019.

Mr. Buenaventura extended his sincerest thanks to the Chairperson and the rest of the members of the Bank's Board of Directors for their trust and support for the last three years.

The stockholders were given the opportunity to ask questions on the Bank's Annual Report and 2018 Audited Financial Statements. There being no questions, on motion duly made and seconded, the stockholders present in person or by proxy representing 1,606,391,545 shares or 99.93% of the votes cast passed and approved the following resolution:

Resolution No. 19-03

“BE IT RESOLVED, AS IT IS HEREBY IS RESOLVED, That the stockholders hereby approve the Annual Report and Audited Financial Statements of the Bank for the year 2018.”

V. Ratification of actions of the Board of Directors, different Committees and Management — The stockholders present then considered the ratification of the actions of the Board of Directors, the different Committees and Management of the Bank during the year in review.

After proper deliberation and on motion duly made and seconded, the stockholders present in person or by proxy representing 1,606,391,545 shares or 99.93% of votes cast approved the following resolution:

Resolution No. 19-04

“BE IT RESOLVED, AS IT IS HEREBY IS RESOLVED, That the stockholders hereby approve, confirm and ratify, the actions of the Board of Directors, different Committees and Management for the year 2018.”

VI. Confirmation of Significant Transactions with DOSRI and Related Parties — The stockholders present then considered the confirmation of significant transactions with DOSRI and related parties approved by the Board of Directors, the different Committees and Management of the Bank during the year in review.

Atty. dela Cuesta reported that significant transactions with DOSRI and related parties for the year 2018 include loans and deposit liabilities; trading of investment securities; lease and sub-lease with RCBC Realty Corporation; lease with RCBC Savings Bank (RSB); service agreement with Bankard Inc. (now RBSC); capital infusion into RCBC Leasing and Finance Corporation; service agreement with RSB and RBSC; service agreement with RCBC Forex Brokers Corp and RSB; service agreements with RCBC Capital Corp., RCBC Securities, Inc., RCBC Merchant Savings and Loan Association, Inc., RCBC Leasing and Finance Corporation and Niyog Property Holdings, Inc.; and the administration and management of some of the retirement funds of the Bank’s subsidiaries. The Bank’s other transactions with affiliates include service agreements, leasing office premises to subsidiaries, and regular banking transactions (such as purchases and sales of trading account securities, securing insurance coverage on loans and property risks and intercompany advances). Details of said related party transactions are disclosed in the Bank’s SEC 17-A Report which is also available at the Bank’s website. Proper references to the disclosures on the details of the said transactions were indicated in the Annual Report accompanying the Definitive Information Statement which documents were furnished to all stockholders together with the Notice of Meeting.

After proper deliberation and on motion duly made and seconded, the stockholders present in person or by proxy representing 1,607,576,880 shares or 100% of the votes cast approved the following resolution:

Resolution No. 19-05

“BE IT RESOLVED, AS IT IS HEREBY IS RESOLVED, That the stockholders hereby approve, confirm and ratify, the significant transactions with DOSRI and related parties approved by the Board of Directors, the different Committees and Management for the year 2018.”

VII. Election of Directors — The next item in the Agenda was the election of Directors of the Bank for the year 2019-2020. Submitted for nomination were the following stockholders as members of the Board of Directors.

As Regular Directors

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

6. Mr. John Law
7. Mr. Arnold Kai Yuen Kan
8. Mr. Shih-Chiao (Joe) Lin, and
9. Atty. Lilia B. De Lima

As Independent Directors

1. Mr. Armando M. Medina
2. Mr. Juan B. Santos
3. Atty. Adelita A. Vergel De Dios
4. Mr. Gabriel S. Claudio
5. Mr. Vaughn F. Montes, and
6. Mr. Laurito E. Serrano

The Chairperson stated that the stockholders are required to elect at least five independent directors to the Board as the Bank is a listed company. The Definitive Information Statement and its Annexes, which were provided the stockholders together with the Notice of Meeting, include the qualifications, experience, length of service, training and representations of each of the nominated directors. Likewise included were information on the attendance of each incumbent director at the relevant meetings of the Bank, appraisal and performance reports of the Board (with the criteria and assessment procedure), as well as the director compensation report.

Upon motion made and duly seconded, the nominations were closed. There being no objection to the closure of the nomination, and the persons nominated being equal to the number of the directors to be elected, Chairperson H.Y. Dee then directed the Corporate Secretary to cast all votes equally in favor of the aforementioned nominees, subject to specific instructions on casting of votes on the proxies received by the Bank. As verified and tabulated by independent third party Punongbayan and Araullo, the votes for the directors were as follows:

	FOR	PERCENTAGE
1. Ms. Helen Y. Dee	1,607,218,181	99.98%
2. Mr. Eugene S. Acevedo	1,607,576,880	100.00%
3. Mr. Gil A. Buenaventura	1,607,576,880	100.00%
4. Mr. Cesar E.A. Virata	1,607,257,587	99.98%
5. Mr. Richard Westlake	1,607,257,587	99.98%
6. Mr. John Law	1,607,576,880	100.00%
7. Mr. Arnold Kai Yuen Kan	1,607,576,880	100.00%
8. Mr. Shih-Chiao (Joe) Lin	1,607,576,880	100.00%
9. Atty. Lilia B. De Lima	1,499,701,238	93.29%
10. Mr. Armando M. Medina	1,499,381,945	93.27%
11. Mr. Juan B. Santos	1,591,307,175	98.99%
12. Atty. Adelita A. Vergel De Dios	1,607,576,880	100.00%
13. Mr. Gabriel S. Claudio	1,607,576,880	100.00%
14. Mr. Vaughn F. Montes	1,607,576,880	100.00%
15. Mr. Laurito E. Serrano	1,536,106,082	95.55%

Thereafter, Chairperson H.Y. Dee declared all the nominees elected under the following resolution:

Resolution No. 19-06

“BE IT RESOLVED, AS IT IS HEREBY IS RESOLVED, That the stockholders duly elected the members of the Board of Directors of the Bank as named hereunder, to hold office for a term of one year until their successors shall have been duly elected and qualified:

As Regular Directors:

1. Ms. Helen Y. Dee
2. Mr. Eugene S. Acevedo
3. Mr. Gil A. Buenaventura
4. Mr. Cesar E.A. Virata
5. Mr. Richard Westlake
6. Mr. John Law
7. Mr. Arnold Kai Yuen Kan
8. Mr. Shih-Chiao (Joe) Lin, and
9. Atty. Lilia B. De Lima

As Independent Directors:

1. Mr. Armando M. Medina
2. Mr. Juan B. Santos
3. Atty. Adelita A. Vergel De Dios
4. Mr. Gabriel S. Claudio
5. Mr. Vaughn F. Montes, and
6. Mr. Laurito E. Serrano

VIII. Appointment of External Auditor— The appointment of the External Auditor of the Bank was next taken up. Punongbayan & Araullo is proposed to be re-appointed as auditor of the Bank for the year ending December 31, 2019.

After proper deliberation and on motion duly made and seconded, the stockholders present in person or by proxy representing 1,536,395,375 shares or 95.57% of the votes cast approved the following resolution:

Resolution No. 19-07

“BE IT RESOLVED, AS IT IS HEREBY IS RESOLVED, That the stockholders approve that the services of Punongbayan & Araullo be retained as External Auditor of the Bank for the fiscal year 2019.”

IX. Open Forum – The Chairperson opened the floor to the stockholders for questions. There were no questions and other matters brought up or transacted by the stockholders.

X. Adjournment — There being no other business to transact, the body, on motion duly made and seconded, adjourned its meeting at 04:25 P.M.

Attachment:

1. *List of Stockholders Present*

TEMPLANZA, ELIZABETH C.
 LAO, JOHN T.
 DIPASUPIL, EUSEBIO A.
 CO KIAN CHAY
 CO, KIAN CHAY G.
 VALENCIA, JESUS SAN LUIS
 VILLANUEVA, FRANK CHUA
 BOTSCHAFT N. CHENG OR SEVILA NGO
 DEE, HELEN Y.
 YUCHENGCO, ALFONSO T.
 A. T. YUCHENGCO, INC.
 PAN MALAYAN MANAGEMENT AND INVESTMENT CORPORATION
 VIRATA, CESAR E.A.
 CRUZ, NORLABEL DELA
 ZIALCITA, XAVIER
 UY CHUN BING
 CHUA, TERESITA WY
 CHUA, WILLINGTON WY
 LAUREL, FRANCIS
 YUCHENGCO, YVONNE S.
 DIPASUPIL, MARGARITA F.
 HYDEE MANAGEMENT & RESOURCE CORPORATION
 NERA, MEDEL T.
 CHAN, TZE CHING I.
 LAW, JOHN
 DIPASUPIL, CHRISTIAN FANDIALAN
 ESTERO, FELICITAS DIPASUPIL
 HSBC OBO MLA
 STANDARD CHARTERED OBO RBC INVESTOR SERVICES TRUST CLIENT AC
 DEUTSCHE BANK AG MANILA
 CITIBANK FAO CITIOMNIFOR
 CITIBANK FAO CITIOMNIFOR
 CITIBANK FAO CITIOMNIFOR
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 CITIBANK FAO CITIOMNIFOR
 RCBC TRUST & INVESTMENT GROUP FAO ROWENA C. PAGCU/GUI9LLERMO B. IBALLO JR
 MALAYAN INSURANCE CO., INC
 BANKERS ASSURANCE CORP
 FIRST NATIONWIDE ASSURANCE CORP
 MICO EQUITIES INC
 PHILSTOCKS FAO ESPERANZA S. LOPEZ AND OR GERTRESPER L. CATOLICO
 ABACUS SEC FAO TAN TOK SUY &/OR TERESITA QUE TAN
 COL FAO CARINA SI. NONATO JOINTLY RAMONCITO SI. NONATO
 FIRST METRO FAO JOSE L. ONG JR.
 COL FAO RUDOLFO G. ALDAY WITH ROWEL G. ALDAY
 BDO SEC FAO MEYNARDO TORNEROS TALENS JR.OR MEYNARDO CABRERA TALENES
 COL FAO JOSE L. ONG JR.
 TOWER SEC FAO CARLOS S. TAN &/OR ELSIE DIOSO
 COL FAO YOLANDA M. DELA CRUZ JOINTLY EMILIO M. DELA CRUZ
 COL FAO PRINCESS GRACE M. DELA CRUZ JOINTLY EMILIO M. DELA CRUZ
 COL FAO PAUL JOSEPH M. DELA CRUZ
 COL FAO GREGORIO I. CALIXTO
 BPI SEC FAO SOCORRO MARIA I. CALIXTO
 COL FAO ROMMEL V. SONGCO
 COL FAO ROMMEL 2 V. SONGCO
 TANSENGCO & CO. FAO CONSTANTINO CHUA
 BDO NOMURA FAO ALLAN JALIMAO VEGA
 MAYBANK ATR KIMENG FAO JOSE JIMENEZ LEONARDO
 BDO SEC FAO JERRY TEO CHUA OR BONIFACIO T. CHUA ENG GEE
 COL FAO ERBITO G. ABILLON
 COL FAO RAMONCITO S. NONATO JOINTLY RAMON B. NONATO
 ANSALDO GODINEZ FAO DY CATLINA AND JACINTO G CO
 RCBC SECURITIES
 PAPA SEC FAO BUENAVENTURA, NELDA /OR AMIEL, JR
 COL FAO PLANTILLA III, NIMFA R. JOINTLY PLANTILLA, JAN KEANU JR.
 COL FAO DANILO L. MONTE JOINTLY LOLITA T. MONTE
 COL FAO LAIZA EUNICE T. MONTE
 PHILSTOCKS FAO CHARLES KENRICK CO SO SY OR ABIGAIL CO SO CY