RCBC
Partners Through Generations

November 15, 2021

Director Vicente Graciano F. Felizmenio, Jr.
Head, Markets and Securities Regulation Department (MSRD)
G/F Secretariat Building
Securities and Exchange Commission
PICC Complex, Roxas Boulevard
Pasay City, 1307

Dear **Director Felizmenio**,

We submit herewith the September 2021 SEC 17-Q report of Rizal Commercial Banking Corporation.

Thank you.

Very truly yours,

Florentino M. Madonza
FSVP, Head-Controllership Group

cc: The Philippine Stock Exchange, Inc.
6/F PSE Tower
5th Avenue corner 28th Street
Bonifacio Global City, Taguig City

COVER SHEET

1	7	5	1	4

S.E.C. Registration Number

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

(Company's Full Name)

YUCHENGCO TOWER, RCBC PLAZA, 6819 AYALA AVENUE, MAKATI CITY

MARIETA O. MIRANDA

Contact Person

8 8 9 4 9 9 3 2

Company Telephone Number

0 9 | 3 0

Month *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 Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

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)

December 31

(Fiscal Year Ending)

SEC FORM 17-Q

Form Type

Amendment Designation (if applicable)

September 30, 2021

For the Quarterly Period Ended

(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 quarterly period ended **September 30, 2021**
2. SEC Identification Number 17514 3. BIR Tax Identification No. 000-599-760-000
4. Exact name of registrant as specified in its charter: **RIZAL COMMERCIAL BANKING CORPORATION**
5. Philippines
Province, Country or other jurisdiction of incorporation or organization
6. (SEC Use Only)
Industry Classification Code:
7. RCBC Plaza Yuchengco Tower 6819 Ayala Ave. cor. Sen. Puyat Avenue, Makati City 1200
Address of principal office Postal Code
8. (632) 8894-9000
Registrant's telephone number, including area code
9. Not applicable
Former name, former address & former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock, P10 par value	2,037,478,896 (September 30, 2021)

11. 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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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

(Amounts in Millions of Philippine Pesos)

	Notes	9/30/2021 (Unaudited)	12/31/2020 (Audited)
RESOURCES			
Cash and Other Cash Items		P 13,163	P 16,520
Due From Bangko Sentral ng Pilipinas		82,895	115,467
Due From Other Banks		11,891	15,707
Loans Under Reverse Repurchase Agreement		12,025	13,356
Trading and Investment Securities - Net	3	194,237	88,064
Loans and Receivables - Net	4	525,887	491,284
Investments in Associates - Net		332	339
Bank Premises, Furniture, Fixtures & Equipment - Net		12,516	13,062
Investment Properties - Net		3,698	3,725
Deferred Tax Assets		3,126	3,044
Other Resources - Net	5	13,197	11,538
TOTAL RESOURCES		P 872,967	P 772,106
LIABILITIES AND CAPITAL FUNDS			
Deposit Liabilities	6	626,885	P 535,788
Bills Payable	7	15,077	13,167
Bonds Payable	8	87,206	90,439
Accrued Taxes, Interest and Other Expenses		5,853	5,900
Other Liabilities	9	28,356	25,434
Total Liabilities		763,377	670,728
CAPITAL FUNDS			
Attributable to Parent Company Shareholders:			
Preferred Stock	10	3	3
Common Stock	10	22,509	22,509
Hybrid Perpetual Securities	10	14,463	14,463
Capital Paid in Excess of Par	10	42,553	42,568
Treasury Shares		(9,287)	(13,719)
Other Comprehensive Income:			
Net Unrealized Gains on Financial Assets At Fair Value Through Other Comprehensive Income		1,018	664
Cumulative Translation Adjustment		54	54
Retirement plan		(2,784)	(2,788)
Reserve for Trust Business		508	499
Other Reserves		(97)	(97)
Retained Earnings Appropriated for General Provision		3,571	3,442
Retained Earnings		37,061	33,763
		109,572	101,361
Non-controlling Interest		18	17
Total Capital Funds		109,590	101,378
TOTAL LIABILITIES AND CAPITAL FUNDS		P 872,967	P 772,106

See Notes to Interim Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

STATEMENTS OF PROFIT OR LOSS

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

	Note	**1/1/2021 to 9/30/2021 (Unaudited)**	1/1/2020 to 9/30/2020 (Unaudited)	**7/1/2021 to 9/30/2021 (Unaudited)**	7/1/2020 to 9/30/2020 (Unaudited)
INTEREST INCOME ON					
Loans and receivables		**P 23,879**	P 25,984	**8,198**	P 8,606
Investment securities		**2,853**	1,563	**1,413**	331
Others		**647**	749	**107**	286
		27,379	28,296	**9,717**	9,222
INTEREST EXPENSE ON					
Deposit liabilities		**3,011**	4,388	**1,104**	1,114
Bills payable and other borrowings		**3,204**	4,230	**1,032**	1,243
		6,215	8,618	**2,136**	2,357
NET INTEREST INCOME		**21,164**	19,678	**7,581**	6,865
IMPAIRMENT LOSSES - Net		**3,932**	7,222	**1,600**	2,019
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		**17,232**	12,456	**5,980**	4,846
OTHER OPERATING INCOME (CHARGES)					
Trading and securities gain - net		**668**	5,839	**540**	185
Service fees and commissions		**3,399**	2,420	**1,024**	829
Trust fees		**288**	234	**100**	77
Foreign exchange gains (losses) - net		**43**	446	**(31)**	214
Miscellaneous	12	**1,157**	737	**389**	326
		5,555	9,676	**2,021**	1,631
OTHER OPERATING EXPENSES					
Employee benefits		**4,793**	5,017	**1,602**	1,618
Occupancy and equipment-related		**2,128**	2,040	**705**	694
Taxes and licenses		**2,588**	2,458	**958**	739
Depreciation and amortization		**2,262**	2,172	**730**	740
Miscellaneous	12	**5,064**	4,685	**1,675**	1,569
		16,835	16,372	**5,670**	5,361
PROFIT BEFORE TAX		**5,952**	5,760	**2,331**	1,116
TAX EXPENSE		**614**	1,759	**320**	225
NET PROFIT		**5,338**	4,001	**2,011**	891
Net Profit Attributable to Non-Controlling Interest		**1**	(1)	**1**	(1)
Net Profit Attributable to Parent Company Shareholders		**P 5,337**	P 4,002	**2,010**	P 892
Earnings Per Share (Annualized)					
Basic		**P 3.14**	P 3.21		
Diluted		**P 3.14**	P 3.21		

See Notes to Interim Financial Statements

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

	1/1/2021 to 9/30/2021 (Unaudited)	1/1/2020 to 9/30/2020 (Unaudited)
NET PROFIT FOR THE PERIOD	**P 5,338**	P 4,001
OTHER COMPREHENSIVE INCOME (LOSSES) DURING THE PERIOD:		
Fair value gains (losses) on Financial assets at Other Comprehensive Income	**354**	(768)
Retirement plan	**4**	15
Translation adjustments on foreign operations	**(0)**	1
Other Comprehensive Income (Loss) for the period	**358**	(752)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**5,696**	3,249
COMPREHENSIVE INCOME ATTRIBUTABLE TO NON-CONTROLLING INTEREST	**(0)**	-
COMPREHENSIVE INCOME ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDERS	**P 5,697**	P 3,249

See Notes to Interim Financial Statements.

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

	1/1/2021 to 9/30/2021 (Unaudited)	1/1/2020 to 9/30/2020 (Unaudited)
ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS		
PREFERRED STOCK		
Balance at beginning and end of period	3	3
COMMON STOCK		
Balance at beginning and end of period	22,509	22,509
HYBRID PERPETUAL SECURITIES		
Balance, beginning	14,463	-
Issuance during the year	-	14,471
Balance, end	14,463	14,471
CAPITAL PAID IN EXCESS OF PAR		
Balance, beginning	42,568	42,568
Issuance costs	(15)	0
Balance,end	42,553	42,568
TEASURY SHARES, At Cost		
Balance, beginning	(13,719)	(13,719)
Re-issuance during the period	4,432	-
Balance, end	(9,287)	(13,719)
NET UNREALIZED GAINS/(LOSSES) ON FINANCIAL ASSETS AT OTHER COMPREHENSIVE INCOME		
Beginning balance	664	894
Fair value gains (losses) during the period	354	(768)
Balance, end	1,018	126
CUMULATIVE TRANSLATION ADJUSTMENTS		
Balance, beginning	54	53
Translation adjustment during the period	(0)	1
Balance, end	54	54
OTHER COMPREHENSIVE INCOME - RETIREMENT PLAN		
Balance, beginning	(2,788)	(3,141)
Remeasurement of the defined benefits during the priod	4	16
Balance, end	(2,784)	(3,125)
RESERVE FOR TRUST BUSINESS		
Balance, beginning	499	485
Transfer from retained earnings - free	9	10
Balance, end	508	495
OTHER RESERVES	(97)	(97)
RETAINED EARNINGS APPROPRIATED FOR GENERAL PROVISION		
Beginning balance	3,442	3,132
Transfer from retained earnings - free	129	318
Balance, end	3,571	3,450
RETAINED EARNINGS		
Beginning balance	33,763	30,143
Net profit	5,337	4,002
Cash dividends on common shares	(939)	(1,076)
Cash dividends on preferred shares	-	(0)
Dividends on Hybrid Capital Securities	(964)	-
Transfer of fair value reserves on FVOCI	2	-
Transfer to retained earnings appropriated for general provision	(129)	(319)
Transfer to reserves for trust business	(9)	(10)
Balance, end	37,061	32,740
ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS	109,572	99,476
MINORITY INTEREST		
Balance, beginning	17	19
Fair value gains (losses) on FVOCI	(0)	(0)
Net Profit (Loss) for the year	1	(1)
Balance, end	18	18
TOTAL CAPITAL FUNDS	109,590	99,494

See Notes to Interim Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

(Amounts in Millions of Philippine Pesos)

	YTD Ended 9/30/2021 (Unaudited)	YTD Ended 9/30/2020 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profits before tax	**5,952**	5,760
Adjustments for:		
Interest income	**(27,379)**	(28,277)
Interest expense	**6,215**	8,618
Impairment losses	**3,932**	7,222
Depreciation and amortization	**2,262**	2,172
Dividend income	**(76)**	(61)
Share in net earnings of associates	**1**	110
Operating income before working capital changes	**(9,094)**	(4,406)
Decrease (Increase) in financial assets at fair value through profit and loss	**(1,079)**	892
Increase in loans and receivables	**(47,886)**	(21,051)
Decrease in investment properties	**27**	336
Increase in other resources	**(10,205)**	(171)
Increase in deposit liabilities	**91,097**	40,250
Increase in accrued taxes, interest and other expenses	**570**	354
Increase in other liabilities	**3,356**	235
Cash generated from operations	**26,787**	16,439
Interest received	**26,332**	27,614
Interest paid	**(6,584)**	(9,748)
Cash paid for taxes	**(879)**	(1,474)
Net Cash From Operating Activities	**45,656**	32,831
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in Financial Assets at FVOCI	**(8,944)**	13,466
Decrease (increase) in Investment securities at amortized cost	**(95,799)**	79,461
Acquisitions of bank premises, furniture, fixtures and equipment (net)	**(1,933)**	(1,785)
Cash dividends received	**76**	61
Acquisitions of intangibles	**(393)**	(202)
Net Cash From (Used in) Investing Activities	**(106,993)**	90,951
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceed from (payments of) bills payable	**1,910**	(86,735)
Issuance of Hybrid Perpetual Securities	**-**	14,471
Dividends paid	**(1,903)**	(1,076)
Redemption of bonds payable	**(3,233)**	(5,882)
Issuance costs on common stock	**(16)**	0
Net Cash Used in Financing Activities	**(3,241)**	(79,223)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(64,579)**	44,559
CASH AND CASH EQUIVALENTS, BEGINNING		
Cash and other cash items	**16,520**	16,907
Due from Bangko Sentral ng Pilipinas	**115,467**	87,170
Due from other banks	**15,707**	18,783
Interbank Loans and Loans and Receivables under reverse repurchase agreement	**56,037**	24,571
	203,731	147,431
CASH AND CASH EQUIVALENTS, END		
Cash and other cash items	**13,163**	12,758
Due from Bangko Sentral ng Pilipinas	**82,895**	91,430
Due from other banks	**11,891**	13,962
Interbank Loans and Loans and Receivables under reverse repurchase agreement	**31,204**	73,840
	139,153	191,989

See Notes to Interim Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND DECEMBER 31, 2020
(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).

The Parent Company is a 39.64% owned subsidiary of Pan Malayan Management and Investment Corporation (PMMIC), a company incorporated and domiciled in the Philippines. PMMIC is the holding company of the flagship institutions of the Yuchengco Group of Companies.

The registered address of the Parent Company is Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue cor. Sen. Gil Puyat Avenue, Makati City. PMMIC's registered business address is 48th Floor, Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue, Makati City.

The condensed consolidated interim financial statements of the Group as of and for the nine months ended September 30, 2021 (including the comparatives for the nine months ended September 30, 2020) and the year ended December 31, 2020 were presented to and reviewed by the Bank's Audit and Compliance Committee.

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 periods 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 its statement of financial position broadly in order of liquidity and 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 paragraphs.

(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 FVTPL are initially measured at fair value and transaction costs are expensed 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)

<u>Debt Instruments at FVOCI</u>

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 initially measured at fair value plus transaction costs. They 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.

b.1 Impact of COVID-19 on Measurement of ECL

In response to the COVID-19 situation and the Group's expectations of economic impacts, the key conditions and assumptions utilized in the Group's calculation of ECL have been revisited and recalibrated. The Bank considers economic scenarios and forward-looking macroeconomic assumptions underpinning the ECL calculation. As of September 30, 2021, the expected impacts of COVID-19 have been reasonably captured using the Group's business-as-usual (BAU) ECL methodology (i.e., the ECL methodology consistently used in the prior years) and post-model adjustments (or the "COVID-19 overlay").

The BAU ECL methodology have been constructed and calibrated using historical trends and correlations as well as forward-looking economic scenarios. The severity of the current macroeconomic projections and the added complexity caused by the various support schemes and regulatory guidance could not be reliably modelled for the time being. Therefore, the BAU ECL model may generate results that are either overly conservative or overly optimistic depending on the specific portfolio or segment. As a result, post-model adjustments are needed to reflect the considerable uncertainty in BAU ECL methodology given the unprecedented impacts of COVID-19.

Given BAU ECL model changes take a significant amount of time to develop and validate, and the data limitation in respect of lagging credit information and granular behavior analysis of customers, the Group expects that post-model adjustments will continue to be applied for the foreseeable future. Notwithstanding that the measurement inputs and assumptions, including forward-looking macroeconomic assumptions were recalibrated in response to the COVID-19 situation, the fundamental ECL mechanics and methodology underpinning the Group's measurement of ECL have remained consistent with the prior periods.

In identifying the impact of COVID-19 pandemic to the Group's customers, the Group re-segmented its loan portfolio based on the perceived and expected COVID-19 impact to the customers' businesses and industries which also considers additional qualitative characteristics that would elevate COVID-19 changes to SICR such as differentiation of temporary liquidity need from permanently impacted or SICR.

Supporting the re-segmentation is the COVID-19 Assistance and Recovery Enhancement (CARE) Program, primarily designed to: (1) extend financial assistance to customers by way of extended repayment plans given cash flow tightness and (2) immediately get the customer back into the habit of paying based on amounts they can afford. In accordance with regulatory guidance, the Group also implemented mandatory payment holidays to all eligible loans.

The following are the considerations in measuring ECL under the COVID-19 situation:

(a) SICR

The offer or uptake of COVID-19 related repayment deferrals, whether coming from government reliefs or from the Group's CARE Program, does not itself constitute an SICR event unless the exposure is considered to have experienced an SICR based on other available information. SICR has been reassessed with reference to the Group's CARE Program credit risk rating which considers industry or segment assessment under the COVID-19 situation, financial performance indicators, historical credit information of the borrower and other modifiers. The Group's reassessment is to determine if changes in the customers' circumstances were sufficient to constitute SICR.

(b) COVID-19 Overlay

COVID-19 overlay represents adjustments in relation to data and model limitations as a result of the COVID-19 economic disruption. The adjustments are based on a combination of portfolio level credit risk analysis and an evaluation of ECL coverage at an exposure level. This also includes the effect of government and other support program. Considerations included the potential severity and duration of the economic disruption and the heightened credit risk of specific sectors and loan classes or segments.

(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.

(d) Modification of Loans

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

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

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

2.4 Financial Liabilities

Financial liabilities which include deposit liabilities, bills payable, bonds payable, 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:

		September 30, 2021 (Unaudited)		December 31, 2020 (Audited)
Financial assets at FVPL	P	5,967	P	4,888
Financial assets at FVOCI		49,446		40,150
Investment securities at amortized cost - net		138,824		43,026
	P	194,237	P	88,064

3.1 Financial Assets at FVPL

This account is composed of the following:

		September 30, 2021 (Unaudited)		December 31, 2020 (Audited)
Government securities	P	2,689	P	1,876
Equity securities		2,038		1,173
Derivative financial assets		1,195		1,129
Corporate debt securities		45		710
	P	5,967	P	4,888

3.2 Financial Assets at FVOCI

This account is composed of the following:

		September 30, 2021 (Unaudited)		December 31, 2020 (Audited)
Government bonds	P	31,743	P	20,563
Corporate debt securities		14,379		16,157
Unquoted equity securities		1,859		1,570
Quoted equity securities		1,465		1,860
	P	49,446	P	40,150

3.3 Investments at Amortized Cost

This account is composed of the following:

		September 30, 2021 (Unaudited)		December 31, 2020 (Audited)
Government securities	P	118,939	P	37,022
Corporate debt securities		20,030		6,146
		138,969		43,168
Allowance for impairment	(	145)	(	142)
	P	138,824	P	43,026

4. LOANS AND RECEIVABLES

This account consists of the following:

		September 30, 2021 (Unaudited)		December 31, 2020 (Audited)
Receivable from customers:				
Loans and discounts	**P**	**457,747**	P	400,846
Credit card receivables		**31,877**		31,973
Customers' liabilities on acceptances, import bills and trust receipts		**18,846**		18,868
Lease contract receivable		**2,679**		3,115
Bills purchased		**1,838**		2,109
Receivables financed		**299**		343
		513,286		457,254
Unearned discount		**(533)**		(689)
		512,753		456,565
Other receivables:				
Interbank loans receivables		**19,179**		42,681
Accrued interest receivable		**6,801**		5,677
Accounts receivable		**3,160**		3,661
Unquoted debt securities classified as loans		**965**		965
Sales contract receivable		**848**		928
		30,953		53,912
		543,707		510,477
Allowance for impairment		**(17,819)**		(19,193)
	P	**525,887**	P	491,284

5. OTHER RESOURCES

This account consists of the following:

		September 30, 2021 (Unaudited)		December 31, 2020 (Audited)
Assets held-for-sale and disposal group	**P**	**4,971**	P	4,182
Creditable withholding taxes		**2,292**		2,154
Prepaid expenses		**1,744**		1,003
Software – net		**1,329**		1,184
Branch licenses		**1,000**		1,000
Refundable and other deposits		**482**		720
Unused stationery and supplies		**481**		311
Goodwill		**426**		426
Deferred charges		**330**		176
Returned checks and other cash items		**86**		155
Margin deposits		**68**		17
Miscellaneous		**1,025**		1,012
		14,234		12,340
Allowance for impairment		**(1,037)**		(802)
	P	**13,197**	P	11,538

6. DEPOSIT LIABILITIES

The following is the breakdown of deposit liabilities:

		September 30, 2021 (Unaudited)		December 31, 2020 (Audited)
Demand	**P**	**131,402**	P	107,172
Savings		**222,929**		195,164
Time		**266,472**		227,370
Long-term Negotiable Certificate of Deposits (LTNCD)		**6,082**		6,082
	P	**626,885**	P	535,788

The details of the Parent Company's Long-term Negotiable Certificates of Deposits (LTNCDs) as of September 30, 2021 and December 31, 2020 are as follows:

			Outstanding Balance			
Issuance Date	**Maturity Date**	**Coupon Interest**		**September 30, 2021 (Unaudited)**		December 31, 2020 (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
			P	**6,082**	P	6,082

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:

		September 30, 2021 (Unaudited)		December 31, 2020 (Audited)
Local banks	**P**	**8,346**	P	8,983
Foreign banks		**6,727**		4,183
Others		**4**		1
	P	**15,077**	P	13,167

8. BONDS PAYABLE

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

Issuance Date	Maturity Date	Coupon Interest		Face Value	Outstanding Balance September 30, 2021 (Unaudited)		Outstanding Balance December 31, 2020 (Audited)	
March 31, 2021	September 30, 2023	3.20%	**P**	**13,743**	**P**	**13,743**	P	16,616
March 31, 2021	June 30, 2026	4.18%	**P**	**4,130**		**4,130**		7,054
July 27, 2020	July 27, 2022	3.25%	**P**	**16,616**	**P**	**16,616**	P	16,616
April 7, 2020	April 7, 2022	4.85%	**P**	**7,054**		**7,054**		7,054
November 13, 2019	November 13, 2022	4.43%	**P**	**7,500**		**7,500**		7,500
September 11, 2019	September 11, 2024	3.05%	**$**	**300**		**15,277**		14,362
June 4, 2019	June 4, 2021	6.15%	**P**	**8,000**		**-**		8,000
March 15, 2018	March 16, 2023	4.13%	**$**	**450**		**22,886**		21,540
November 2, 2015	February 2, 2021	3.45%	**$**	**320**		**-**		15,367
					P	**87,206**	P	90,439

9. OTHER LIABILITIES

Other liabilities consist of the following:

		September 30, 2021 (Unaudited)		December 31, 2020 (Audited)
Accounts payable	**P**	**8,864**	P	8,811
Lease liabilities		**3,896**		4,385
Outstanding acceptances payable		**3,275**		2,417
Post-employment defined benefit obligation		**2,957**		2,993
Manager's checks		**1,657**		1,150
Derivative financial liabilities		**1,422**		1,484
Guaranty deposits		**1,335**		20
Bills purchased – contra		**808**		915
Deposits on lease contracts		**761**		621
Unearned income		**607**		152
Other credits		**453**		446
Withholding taxes payable		**405**		220
Sundry credits		**323**		478
Payment orders payable		**230**		194
Expected credit loss provisions on loan commitments		**139**		139
Due to BSP		**28**		49
Miscellaneous		**1,196**		960
	P	**28,356**	P	25,434

10. EQUITY

The movements in the outstanding capital stock are as follows:

	Number of Shares*	
	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Preferred stock – voting, non-cumulative non-redeemable, participating convertible into common stock – P10 par value Authorized – 200,000,000 shares		
Balance at beginning and end of period	**267,410**	267,410
Common stock – P10 par value Authorized – 2,600,000,000 shares		
Balance at beginning of period	**1,935,628,896**	1,935,628,896
Re-issuance of treasury shares	**101,850,000**	-
Balance at end of period	**2,037,478,896**	1,935,628,896

**Amounts in absolute number of shares*

10.1 Treasury Shares

In 2019, subsequent to the effective date of the merger, the Parent Company acquired the 315,287,248 common shares issued in exchange of the net assets of RSB equal to the Parent Company's investment in RSB as at December 31, 2018.

On June 28, 2021, the Board of Directors approved the sale of 101,850,000 common shares held by the Bank in treasury to Sumitomo Mitsui Banking Corporation (SMBC) at a price of Php44.00 per share or for a total amount of P4,480. On July 28, 2021, the Bank received the P4,480 capital infusion representing a 4.99% stake of the Bank.

10.2 Hybrid Perpetual Securities

On August 27, 2020, the Parent Company issued US$300 non-cumulative, unsecured, subordinated capital securities which qualify as AT1 capital under Basel III standards. As of September 30, 2021, the hybrid perpetual securities amounted to P14,463, net of issuance costs.

The capital securities are perpetual in respect of which there is no fixed redemption date. The Parent Company may redeem the capital securities only in certain circumstances as described in the conditions of the securities and with prior written consent of BSP. Distributions are non-cumulative and payable semi-annually in arrear at a rate of 6.5%. Certain conditions provide for circumstances under which the Parent Company will not be obliged to pay any distribution on the applicable payment date.

The proceeds of the hybrid perpetual securities are used to support and finance medium-term to long-term asset growth, loans to customers, other general corporate purposes and to maintain sufficient buffers above the minimum capital thresholds required by BSP.

11. MISCELLANEOUS INCOME AND EXPENSES

These accounts consist of the following:

11.1 Miscellaneous Income

	For the Nine Months Ended	
	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Rentals	**P 693**	P 631
Gains on assets sold	**98**	36
Dividend income	**76**	61
Others	**290**	9
	P 1,157	P 737

11.2 Miscellaneous Expenses

	For the Nine Months Ended	
	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Insurance	**P 1,010**	P 854
Credit card related expenses	**789**	638
Communication and information	**487**	466
Litigation/asset acquired expenses	**451**	280
Service processing fees	**409**	338
Management and other professional fees	**355**	255
Banking fees	**239**	202
Advertising and publicity	**223**	211
Transportation and travel	**135**	135
Other outside services	**110**	103
Stationery and office supplies	**93**	180
Donations and charitable contributions	**59**	82
Shipment and freight	**40**	20
Representation and entertainment	**29**	27
Others	**635**	894
	P 5,064	P 4,685

12. 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.

12.1 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 September 30, 2021 and December 31, 2020:

		September 30, 2021 (Unaudited)		December 31, 2020 (Audited)
Trust department accounts	**P**	**134,118**	P	116,652
Outstanding guarantees issued		**77,599**		67,297
Derivative assets		**55,166**		36,980
Derivative liabilities		**53,877**		28,135
Unused commercial letters of credit		**13,846**		20,495
Spot exchange bought		**15,631**		8,681
Spot exchange sold		**15,618**		8,674
Inward bills for collection		**3,068**		1,694
Late deposits/payments received		**454**		644
Outward bills for collection		**116**		94
Others		**17**		17

12.2 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), initiated arbitration proceedings with the Singapore International Arbitration Centre ("SIAC") seeking damages on account of the non-delivery of the NSC Plant Assets free and clear from liens and encumbrance, which purportedly deprived Global Steel of the opportunity to use the same to secure additional loans for the operations/upgrade of the NSC Steel Mill Plant.

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, the Singapore High Court set aside the partial award, which was affirmed by the Singapore Court of Appeals on March 31, 2015. The Liquidator and Secured Creditors were, however, still required to deliver 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. The Bank's exposure, however, may be varied depending on the validity of the Iligan City's post-closing tax assessment (including those imposed on non-operational machineries).

Notwithstanding the finality of the Supreme Court's ruling on the pre-closing taxes, the City of Iligan insisted on collecting the taxes covering the period 1999 to 2016, and foreclosed the NSC properties in October 2016. In an Order dated April 4, 2017, the Makati City Regional Trial Court ("Makati Trial Court") nullified the public auction, and enjoined any and all real property tax collection actions against the NSC pending the full execution of the decision on the pre-closing taxes/the correct computation of NSC's remaining tax liability. The City of Iligan filed a motion for reconsideration but this was denied.

Aggrieved, the City of Iligan filed a Petition for Certiorari with the Court of Appeals. Due to non-submission of the documents by the City of Iligan, the Court of Appeals dismissed the Petition for Certiorari. On appeal, the Supreme Court ordered the Court of Appeals to either determine the propriety of consolidating the same with CA-G.R. SP No. 1249852, or resolve the merits of the case.

To stop the take-over of the NSC Plant/other assets by the City of Iligan, the NSC Liquidator filed a Prohibition case against the City of Iligan, arguing that this is illegal given the nullification of the public auction, and citing the earlier Stay Orders of the Securities and Exchange Commission ("SEC") in SEC Case No. 12-99-6959 against the City Treasurer/her agents. The Court of Appeals, however, dismissed the same in its Decision dated July 24, 2019, citing NSC's alleged forum-shopping/failure to observe the hierarchy of the courts, and denied its Motion for Reconsideration on December 18, 2019.

The NSC elevated the case to the Supreme Court on February 20, 2020, assailing the Court of Appeal's ruling on the supposed commonality of interest between the NSC/Global Steel vis-à-vis the charge of forum-shopping. In a Resolution dated March 2, 2020, the Supreme Court directed the Iligan City LGU to file its Comment to the Petition for Review.

12.3 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$2, 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 the initial jury verdict in favor of VMS, and the subsequent reduction of the monetary damages awarded to VMS, the Bank/Bankard filed their Notice of Appeal with the California Court of Appeals on July 11, 2016. VMS followed suit to overturn the deletion of the punitive damages award in its favor. The parties filed their required Briefs between October 2, 2017 and October 31, 2018, and oral arguments were heard on November 12, 2020. In a Decision dated January 13, 2021, the Court of Appeals affirmed the modified ruling of the Los Angeles Superior Court on the monetary award in favor of VMS, and the deletion of the US$8 punitive damages award. On February 16, 2021, the Bank/Bankard remitted and fully settled the monetary award in favor of VMS, inclusive of interest and other charges.

12.4 RCBC Securities Case

In December 2011, RCBC Securities ("RSEC") initiated criminal proceedings against its former agent, Mary Grace V. Valbuena ("Valbuena"), due to questionable transactions with her personal clients, followed by additional criminal/civil cases. In November 2016, the Metropolitan Trial Court of Makati City convicted Valbuena of the crime of violation of BP 22. Valbuena's conviction has been upheld by the Supreme Court, which directed her to: (a) pay a fine in the amount of P0.2, with subsidiary imprisonment in case of insolvency; (b) indemnify RSEC in the amount of P7, with legal interest at the rate of (i) twelve percent (12%) per annum from 08 January 2012, the earliest date she received the notice of dishonor, to 30 June 2013, and (ii) six percent (6%) interest per annum from 01 July 2013 until full payment, and the total amount of the foregoing shall, in turn, earn an interest at the rate of 6% per annum from finality of the Resolution until full payment; and (c) pay the costs of suit. Valbuena's Motion for Reconsideration was also denied, with the Supreme Court directing the immediate issuance of an Entry of Final Judgment in its Resolution dated March 1, 2021. RSEC has since filed a Motion for the Issuance of a Writ of Execution with the Metropolitan Trial Court, which granted the same in its Order dated June 23, 2021.

In May 2012, the Capital Markets Integrity Corporation ("CMIC") investigated the complaint filed by Francisco Ken Cortes against RSEC. After due proceedings, the CMIC dismissed the complaint filed by Mr. Cortes and denied his Motion for Reconsideration. The aforesaid Resolutions have since become final and executory.

In December 2013, Cognatio Holdings, Inc. ("Cognatio") filed a complaint against Valbuena, RSEC, and its former Operations/Chief Finance Officer, and Compliance Officer with the Enforcement and Investor Protection Department of the SEC ("EIPD-SEC"). In April 2019, the EIPD-SEC found RSEC liable for violating the Securities Regulations Code. RSEC was fined and was directed to amend its internal control procedures. In an Order dated July 16, 2019, the EIPD-SEC accepted RSEC's negotiated settlement offer of P2.5, *sans* any finding of fault. RSEC likewise submitted its Board-approved Amended Internal Protocols on August 5, 2019.

During the pendency of foregoing EIPD-SEC proceedings, Carlos S. Palanca IV ("Palanca") and Cognatio complained against RSEC before the CMIC, which dismissed the same in its Decision dated December 4, 2014, holding that Palanca/Cognatio's complaint has prescribed, if not barred by prior judgment. The matter eventually reached the Supreme Court, which reinstated the ruling of the SEC en banc, directing the CMIC to grant the request for assistance sought by Palanca/ Cognatio, in its Decision dated 11 March 2020.

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/cash payments approximately valued at P103, which he claims to have been turned over to Valbuena. On May 20, 2013, RSEC sought the dismissal of the complaint citing, among others, Ku's non-payment of the correct filing fees. This particular issue was eventually elevated to the Supreme Court which held, in its Decision dated October 17, 2018, that Ku's subsequently payment of the deficient docket fees proves he did not intentionally attempt to evade paying the correct filing fees, and directed the Makati Trial Court to proceed with the trial of the case.

The Makati Trial Court terminated the pre-trial conference of the case on February 27, 2020, and set the presentation of Ku's evidence in March 2020. However, due to the COVID-19 pandemic, Ku's presentation of evidence only commenced on July 14, 2020, and continued on January 25, 2021, February 24, 2021 and May 28, 2021. Ku terminated his presentation of evidence on July 16, 2021, and has since then filed his Formal Offer of Evidence.

12.5 HHIC-Philippines, Inc. Rehabilitation Proceedings

On January 9, 2019, HHIC-Phil, Inc. ("HHIC-Phil") filed a petition for corporate rehabilitation (the "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 eventually appointed the current Rehabilitation Receiver.

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, which was further revised in time for the sending of the Notice of Conference to HHIC-Phil's creditors and stakeholders. During the May 9, 2019 conference, more than fifty percent (50%) of the secured/unsecured creditors and stakeholders approved the Modified Rehabilitation Plan with Clarifications ("MRP with Clarifications").

A number of creditors (principally ship-owners with warranty claims/manufacturers of ship parts/engines) sought the revision of the Final Registry of Claims/recall of the Order confirming the MRP with Clarifications. The Korean Development Bank ("KDB") also sought to enforce its lien on the HHIC-Phil account in its possession.

While the Rehabilitation Court approved KDB's Motion in its Order dated February 7, 2020, the Rehabilitation Court sustained the Bank/co-creditor banks' opposition and ruled against the ship owners/ship engine supplier in its Orders dated February 10, 2020 and February 11, 2020, respectively.

Several ship owners affected by the February 10, 2020 Order, and a ship engine supplier affected by the Order dated February 11, 2020, filed separate petitions for Certiorari with the Court of Appeals. These Petitions were withdrawn after the petitioners' claims were settled by HHIC-Phil/HHIC-Korea. On December 14, 2020, the Court of Appeals deemed all the certiorari cases closed and terminated.

In a Manifestation dated March 16, 2021, the Subic Bay Metropolitan Authority (a) made a claim for unpaid wharfage due in the amount of approximately P214; and (b) made reservations to make additional claims covering the period October 2010 to 8 January 2019. In a Motion for Leave to Amend Notice of Claims and Include in the Final Registry of Claims dated 20 September 2021, the SBMA increased its claim for unpaid wharfage dues to P222.

As of September 30, 2021, the outstanding loan obligation of HHIC-Phil to the Bank remains at USD82, exclusive of accrued and compounded interest, as well as penalty on interest and principal.

12.6 Applicability of RR 4-2011

In March 2011, the BIR issued RR 4-2011, prescribing a new way of reporting income solely for banks/other financial institutions, and issued assessment notices to banks/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 the 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 Makati Trial Court, which issued a Temporary Restraining Order prohibiting the enforcement of RR 4-2011, including the issuance of any Preliminary/Final Assessment Notice pendente lite, unless sooner dissolved; and a Confirmatory Order also prohibiting the BIR from ruling/deciding any RR 4-2011 administrative matter pending before it. The Makati Trial Court subsequently declared RR 4-2011 null and void in its Order dated May 25, 2018, and made permanent the Writ of Preliminary Injunction it issued earlier.

The Department of Finance ("DOF")/BIR elevated the matter to the Supreme Court via a Petition for Review. The Bank/other BAP-member banks countered among others that RR 4-2011 was issued by the BIR in the exercise of its quasi-legislative power, hence, original jurisdiction over the Declaratory Relief case lies with the Makati Trial Court; and RR 4-2011 was correctly invalidated for mandating banks/other financial institutions to adopt a different method of accounting from the other classes of taxpayers; 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. In a Resolution dated September 30, 2020, the Supreme Court directed the DOF/BIR to file their reply to the separate Comments filed by the Bank/other BAP-member banks.

In their Consolidated Reply dated March 30, 2021, the DOF/BIR claimed, among others, that: (a) the Court of Tax Appeals may take cognizance of petitions to nullify RR No. 4-2011 under its expanded jurisdiction; (b) declaratory relief actions are no longer proper as the Bank/other BAP-members banks have already been served with Preliminary Assessment Notices; and (c) public hearings are not required in all instances involving the issuance of regulations.. It is anticipated that the Supreme Court will issue a Resolution submitting the case for decision.

12.7 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 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.

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/its principals, junket operators, and the casinos, seeking to recover the full amount allegedly stolen (notwithstanding is earlier recovery of the USD15 surrendered by one of the defendants), plus interest, attorney's fees, and other damages, including treble damages under the Federal Racketeer Influence and Corrupt Organizations ("RICO") Act alleging they conspired with North Korean hackers to steal funds from its FRBNY bank account.

The complaint cited nine (9) causes of action and sought the return of the full amount allegedly stolen (notwithstanding is earlier recovery of the amount of USD15 from another defendant), 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 failure of the Complaint to plead a legitimate basis for Federal court jurisdiction; and (c) lack of subject matter jurisdiction. On March 20, 2020 (NY Time), the U.S. District Court SDNY dismissed the complaint filed by Bangladesh Bank, ruling that the Complaint failed to plead all the elements of a claim under the RICO Act. The U.S. District Court SDNY then declined to retain any supplemental jurisdiction over the related state-law claims.

After initially appealing to the United States Court of Appeals and requesting that it be allowed to submit its opening brief, Bangladesh Bank withdrew its appeal.

On May 27, 2020 (NY Time), Bangladesh Bank initiated another Complaint against the Bank/the same other defendants before the New York State Court the very same causes of action in its earlier case, and still seeking to recover the full amount wired from of its FRBNY bank account, plus interest and damages. The Bank received a Notice from the Regional Trial Court of Makati City, together with the attached copies of the Summons / Complaint filed by Bangladesh Bank before the New York State Court, on January 11, 2021. On February 8, 2021, the Bank timely filed its Memorandum of Law in Support of its Motion to Dismiss, principally citing (a) New York's lack of personal jurisdiction over the Bank; (b) the impropriety of New York as a forum, given the ongoing Philippine proceedings relating to the case and the location of material witnesses/evidence; and (c) the untenable nature of the fraud charge against the Bank due to the lack of any fiduciary duty to disclose information on the RCBC accounts. Bangladesh Bank filed its Opposition to the Bank's Motion to Dismiss on March 5, 2021 (NY Time), and the Bank has since filed its Reply on March 29, 2021 (NY Time). The Bank has since received Bangladesh Bank's Memorandum in support of its Opposition to the Bank's Motion to Dismiss dated 5 March 2021.

After being given until July 7, 2021 within which to serve summons via email, Facebook or LinkedIn on the unserved defendant officers of the Bank, Bangladesh Bank filed on even date (NY Time), its Memorandum of Law in support of its ex-parte motion for additional time for process service/service by alternative means (a) claiming that it needs additional time to submit its proof of service coming from the Philippine Central Authority, citing the ongoing lockdowns in the country; and (b) praying anew that it be allowed to serve the Summons/Complaint upon the unserved defendant officers of the Bank vis-à-vis the other defendants through their counsels of record in the related Philippine/US proceedings, or local publication and/or via email, Twitter, Facebook, LinkedIn and/or any similar social media communication platform. On September 9, 2021 (NY Time), the New York State Court granted the motion and gave Bangladesh Bank until October 7, 2021 to accomplish the same.

Meanwhile, on July 26, 2021, the Summons/Complaint intended for the unserved defendant bank officers were served on the Bank itself, following Bangladesh Bank's service attempt on the former National Sales Director ("NSD") via his LinkedIn account. On August 13, 2021 (NY Time), the former NSD filed his Memorandum of Law in support of his Motion to Dismiss, followed on September 1, 2021 (NY Time) by the filing of the Memorandum of Law of the other unserved defendant Bank officers in support of their own Motion to Dismiss, which similarly pointed out that (a) Bangladesh Bank failed to properly plead a conspiracy claim against them vis-à-vis the North Korean hackers; (b) the allegations against them (save in the case of the former Customer Service Head ("CSH") essentially suggest oversight; (c) nonetheless, the Complaint failed to allege any awareness of the link of the funds/their alleged actions/inactions to New York, or any benefit to them; (d) the special fact doctrine does not apply, as the Complaint also failed to state they were involved in the supposedly misleading message about the funds; and (e) the availability of an alternative forum.

On September 17 and 30, 2021 (NY Time), respectively, Bangladesh Bank filed its Memorandum of Law in support of its Opposition to the former NSD's Motion to Dismiss and a separate Memorandum of Law in Opposition to the Motion to Dismiss filed by the other defendant officers of the Bank, wherein Bangladesh Bank alleged matters not found in the Complaint and made several claims which are factually untrue/belied by the records, such as (a) the former NSD's supposed role in Philrem's forex transactions; (b) the supposed decommissioning of the Bank's SWIFT printer to prevent the Bank's receipt of Bangladesh Bank's messages; and (c) the former CSH's supposed role in the transfer of funds in February 2016, which he has been cleared of by the Makati Trial Court.

The New York State Court maintained the scheduled hearing on the Bank's Motion to Dismiss on October 14, 2021.

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 Bangladesh Bank with the Makati Trial Court.

Bangladesh Bank disputed the propriety of the service of summons and refused to formally submit to the jurisdiction of the Makati Trial Court and to participate in any of the mediation conferences held.

The Makati Trial Court has since ruled that Bangladesh Bank's claim of immunity from suit cannot be sustained in view of the power to sue/be sued in its own Charter document, and the valid service of summons to Bangladesh Bank. The Makati Trial Court likewise struck down Bangladesh Bank's claim of forum-shopping.

The Makati Trial Court has since reset the hearing several times, principally due to the continuing absence of the counsel for Bangladesh Bank. After being required to give a short briefing on their respective positions during the November 24, 2020 status hearing, the counsel for Bangladesh Bank filed a Manifestation (re: Authority of Counsel) dated December 11, 2020, alleging that (a) his client is supposedly different from the named defendant in the case, and (b) he has no authority to act any further therein. The Bank has since filed a Motion to Declare Defendant in Default dated December 22, 2020.

In an abrupt turn-around, the counsel for Bangladesh Bank belatedly filed a Motion to Dismiss dated January 27, 2021, but cited the same stale grounds struck-down by the Makati Trial Court. In its Consolidated Comment/Opposition, the Bank pointed this out and emphasized, among others, that (a) the civil (not criminal) nature of the case negates any territorial consideration; (b) defamatory utterances do not fall automatically within the ambit of protected speech; and (c) the U.S case cited relative to the forum-shopping charge has been dismissed. At the July 30, 2021 hearing conducted via video-conferencing, the parties reiterated their previous arguments, with the Bank stressing that most of the arguments raised in Bangladesh Bank's Motion to Dismiss have already been ruled upon by the court in the Order dated July 19, 2019, which it has not been set aside and is therefore controlling. The Acting Presiding Judge stressed that Bangladesh Bank could have questioned the aforecited Order, even if it had not conceded to the jurisdiction of the court. Both Motion to Dismiss and the Motion to declare Bangladesh Bank in default are now submitted for resolution.

Specific Litigation involving the Bank's Officers

The Anti-Money Laundering Council of the Philippines ("AMLC") initiated a second criminal complaint against five (5) current/former officers of the Bank for alleged violation of Section 4(f) of R.A. No. 9160, as amended, premised on their alleged failure to perform an act, which purportedly facilitated the money-laundering of US$81. Acting on the complaint, the Department of Justice found probable cause and filed the corresponding Information with the Regional Trial Court of Makati City ("Makati Trial Court").

On December 26, 2019, the Makati Trial Court granted the Demurrer to Evidence of three (3) of the current/former bank officers, and dismissed the case against them, principally citing their non-participation in the opening of the beneficiary accounts/validation of the remittances and Philippine jurisprudence prohibiting banks from unilaterally freezing accounts *after* the credit of the funds. The Makati Trial Court, however, held for further trial the former Senior Customer Relationship Office ("SCRO") and the former Customer Relationship Head ("CSH") of the Makati Jupiter Business Center ("Makati Jupiter BC") directing them to present their evidence.

The Prosecution and the former SCRO filed their respective Motion for Reconsideration. The Prosecution principally argued that the failure of the three (3) current/former bank officers to conduct EDD facilitated the alleged money-laundering. The former SCRO, on the other hand, argued that the evidence against her is hearsay, and that the rationale for the dismissal of the charge against the three (3) other current/former officers is applicable to her.

On March 11, 2020, the Makati Trial Court denied the Prosecution's Motion for Reconsideration on the acquittal of the three (3) current/former bank officers. The Prosecution appealed the Order of Denial of its Motion for Reconsideration via a Petition for Review with the Court of Appeals, where the same remains pending to date.

On March 8, 2021, the Makati Trial Court promulgated the Judgment (a) acquitting the former CSH of the Makati Jupiter BC, for failure of the Prosecution to prove his guilt beyond reasonable doubt; and (b) finding the former SCRO guilty beyond reasonable doubt of the offense charged, and sentencing her to suffer imprisonment of four (4) to five (5) years, and directing her to pay a fine of P1.5. The former SCRO was granted provisional liberty pending appeal.

Acting on the criminal complaints filed by the Bank and the Centurytex Trading account owner in connection with the 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 Branch Manager Maia Deguito ("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").

On account of the death of the Centurytex Trading account owner, the Prosecution in the falsification of commercial document cases sought to present the bank teller who processed the questioned transactions in February 2016, which former BM Deguito opposed. In a Resolution dated February 28, 2020, the Makati MTC denied the Prosecution's aforesaid motion and directed the Heirs of the Centurytex Trading account owner to present their evidence. The Prosecution sought the reconsideration of this Resolution, which former BM Deguito belatedly opposed in her Comment dated March 11, 2021. At the May 4, 2021 hearing held via video conferencing, the Makati MTC (a) noted the filing of the Prosecution's Motion to expunge former BM Deguito's Comment, and deemed the matter submitted for resolution; (b) clarified the date of filing of the Prosecution's Formal Offer of Evidence; and (c) set the case for hearing via video conferencing on October 5 and 19, 2021, and November 9, 2021, still for the Prosecution's presentation of evidence.

The trial before the Makati MTC hearing the perjury case against the former SCRO, which grounded to a halt due to the COVID-19 pandemic, resumed on February 18, 2021 with the presentation of the Internal Auditor who conducted the investigation/audit of the Makati Jupiter Business Center. The Prosecution then rested its case and filed its Formal Offer of Evidence on March 5, 2021. The June 17, 2021 hearing for the former SCRO's initial presentation of evidence which had been continued to August 12 and 26, 2021, did not push through on account of the suspension of work in the courts because of the surge in the Covid-19 Delta variant cases.

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.

13. OTHER MATTERS

13.1 Continuing Impact of COVID-19

In December 2019, 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 ECQ 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. While the disruption is currently expected to be temporary, management expects the suspension of businesses to negatively impact the Group's financial condition and results of operations.

On March 23, 2020, BAHO Act was signed into law declaring a national health emergency throughout the Philippines as a result of the COVID-19 crisis. The implementation of Section 4(aa) of said law has directed banks and other private and government financial institutions to implement a minimum thirty (30)-day grace period on all loans with principal and interests falling due within the period of the Enhanced Community Quarantine (ECQ), which started on March 17, 2020 up to April 30, 2020, which was extended until May 31, 2020, without incurring interest, penalties, fees or other charges. On September 11, 2020, BARO Act was signed into law which directed banks and other private and government financial institutions particularly under Section 4 (uu) the grant of one-time sixty (60)-day grace period for payments and/or maturity periods of all existing, current and outstanding loans as of September 15, 2020, falling due, or any part thereof, on or before December 31, 2020, without incurring interest on interests, penalties, fees or other charges, thereby extending the maturity of the said loans, subject to compliance with regulatory requirements.

The Group has continued to operate and provide banking services to its customers since the imposition of ECQ in the Philippines commencing in mid-March 2020. To safeguard employee health and well-being, the Group activated its business continuity plan (BCP) and implemented precautionary workplace measures such as work from home arrangements and skeletal work force. The Group's BCP has back-up sites for critical functions such as client servicing, trading and treasury operations and information technology. Key personnel have also been identified to facilitate both critical and non-critical units and senior management have been spread across different sites to ensure banking operations continue even in the event of a severe business interruption such as when one site becomes contaminated. Meanwhile, information campaigns on health preparedness and preventive measures are being applied by the Group to fight the spread of the virus.

These measures include travel restrictions, controlled entry designated points equipped with thermal scanners and personal disinfectants and protocols on visitors, meetings and events. Management believes that these measures can mitigate the further negative impact of the outbreak to the Group's business and to its financial condition and performance.

The Group has been able to keep approximately 50-60% of its branches open during the early part of the community quarantine in mid-March 2020, and around 40-50% in April and May, with a skeletal workforce and corresponding adjustments in banking hours and cut-off times similar to adjustments instituted by the BSP and Bankers Association of the Philippines. By end-September 2020, the Group has kept about 98% of its branches open. Among the steps taken to address its customers' needs during the COVID-19 outbreak, the Group has (i) ensured cash availability at its ATMs and branches and (ii) extended loan payments for corporate and consumer loans for 60 days and waived fees on electronic and similar forms of payments for its clients. The Group has also encouraged its customers to use its online and mobile banking services to pay bills, send money, as well as use ATMs and cash acceptance machines as an alternative to branch banking. The Group also did not experience massive withdrawals from its depositors as the deposit liabilities still increased during the ECQ period.

Further, the Group focused on supporting customers who are experiencing and about to experience financial difficulties as a result of the COVID-19 global pandemic and has offered a range of financial assistance measures including temporary loan repayment deferrals (principal and/or interest) through its COVID-19 Assistance and Recovery Enhancement (CARE) Program. The Group's CARE Program is primarily designed to provide financial assistance to customers by way of extended repayment plans. The assistance would help get the customer back into the habit of paying based on amounts they can afford. Albeit using tighter credit underwriting parameters, the Group continued its lending activities including on-boarding of new customer for both wholesale and consumer lending. Despite these challenges, cash flow remained stable given the growth in deposits and with some clients still opting to continue their amortization payments despite the loan payment moratorium provided for under the BAHO Act and BARO Act.

As of September 30, 2021, an increase in volume of transactions is evident to the Group which was mainly due to customer acquisition driven by data science and digital marketing. The Group expects the general business environment to improve as quarantine restrictions ease and vaccination uptake increases in the last quarter of 2021. While economic recovery is expected, the Group will stay focused on keeping efficient operations as it embarks on transformation projects such as: (1) fully automated KYC process and (2) enhanced credit and control systems. These activities include various business process reengineering exercises such as process reviews and digital enhancements that support efficiency, lower cost of transaction and reduced costs in product delivery.

13.2 Corporate Recovery and Tax Incentives for Enterprises Act (CREATE Law)

On March 26, 2021, R.A. No. 11534, CREATE Law, amending certain provisions of the National Internal Revenue Code of 1997, as amended, was signed into law and took effect on April 11, 2021. The following are the major changes brought about by the CREATE Law that are relevant to the Bank:

a. regular corporate income tax rate is decreased from 30% to 25% starting July 1, 2020;
b. minimum corporate income tax rate is decreased from 2% to 1% starting July 1, 2020 until June 30, 2023
c. the imposition of 10% tax on improperly accumulated retained earnings is repealed; and, the allowable deduction for interest expense is reduced by 20% (from 33%) of the interest income subjected to final tax.

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

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

Issuances, Repurchases and Repayments of Debt and Equity Securities. On June 28, 2021, the Board of Directors approved the sale of 101,850,000 common shares held by the Bank in treasury (Sale Shares) to Sumitomo Mitsui Banking Corporation (SMBC) at a price per Sale Share of Php44.00 which will generate Php4.48 billion of new Core Equity Tier 1 capital for the Bank. On July 28, 2021, the Bank received Php4.48 billion capital infusion from SMBC due to its acquisition of 101.85 million common shares representing a 4.99% stake of the Bank.

On June 4, 2021, the Bank redeemed the Php8.0 billion ASEAN Bonds with a coupon rate of 6.15% per annum.

On March 31, 2021, the Bank raised Php17.873 billion through the issuance of the 2.5-year and 5.25-year fixed rate ASEAN Sustainability Peso Bond Offering. The bonds carry a fixed coupon rate of 3.2% and 4.18% per annum for the 2.5-year and 5.25-year tenor, respectively.

On February 2, 2021, the Bank redeemed the USD320.0 million or Php15.367 billion Senior Notes with coupon rate of 3.45%.

Dividends Paid for Ordinary or Other Shares. In its meeting held on August 31, 2021, the Board of Directors approved the declaration and payment of cash dividends amounting to P0.0545 per share or a total of approximately P14.6 thousand payable to holders of Preferred Class shares and paid on September 24, 2021.

In its meeting held on July 26, 2021, the Board of Directors approved the declaration and payment of the cash dividends on the Bank's USD300 million Non-cumulative Hybrid Perpetual Securities at a dividend rate of 6.50% per annum or a total of USD9.75 million or approximately P491,108 thousand payable to holders of said Securities, which was paid on August 26, 2021.

In its meeting held on May 31, 2021, the Board of Directors approved the declaration and payment of cash dividends amounting to P0.0559 per share or a total of approximately P15.0 thousand payable to holders of Preferred Class shares and paid on June 25, 2021.

In its meeting held on April 26, 2021, the Board of Directors approved the declaration and payment of cash dividends amounting to P0.4850 per share or a total of approximately P938,780 thousand and P130.0 thousand payable to holders of Common Class and Preferred Class shares, respectively, both paid on May 25, 2021.

In its meeting held on February 22, 2021 the Board of Directors approved the declaration and payment of cash dividends amounting to P0.0560 per share or a total of approximately P15.0 thousand payable to holders of Preferred Class shares and paid on March 31, 2021.

In its meeting held on February 22, 2021 the Board of Directors approved the declaration and payment of the first semi-annual cash dividends/distributions on the Bank's USD300 million Non-cumulative Hybrid Perpetual Securities at a dividend rate of 6.50% per annum or a total of USD9.75 million or approximately P472,397 thousand payable to holders of said Securities, which was paid on February 26, 2021.

In its meeting held on December 1, 2020, the Board of Directors approved the declaration and payment of cash dividends amounting to P0.0563 per share or a total of approximately P15.0 thousand payable to holders of Preferred Class shares and paid on January 7, 2021.

In its meeting held on September 1, 2020, the Board of Directors approved the declaration and payment of cash dividends amounting to P0.0589 per share or a total of approximately P16.0 thousand payable to holders of Preferred Class shares and paid on September 24, 2020.

In its meeting held on May 26, 2020, the Board of Directors approved the declaration and payment of cash dividends amounting to P0.556 per share or a total of approximately P1.076 billion payable to holders of Common Class shares and a total of approximately P149.0 thousand payable to holders of Preferred Class shares, both were paid on June 24, 2020.

In its meeting held on May 26, 2020, the Board of Directors approved the declaration and payment of cash dividends amounting to P0.0808 per share or a total of approximately P22.0 thousand payable to holders of Preferred Class shares and paid on June 24, 2020.

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 P27.0 thousand payable to holders of Preferred Class shares and paid on April 1, 2020.

The details of the cash dividend approvals and distributions from 2020 up to September 30, 2021 are as follows (amounts in Thousand Php except per share figures):

Date Declared	Dividend		Date Paid / Payable	Nature of Securities
	Per Share	Total Amount (in Thousand)		
24-Feb-20	P 0.0993	P 27	1-Apr-20	Convertible Preferred Stock
26-May-20	P 0.0808	P 22	24-Jun-20	Convertible Preferred Stock
26-May-20	P 0.5560	P 1,076,210	24-Jun-20	Common Stock
26-May-20	P 0.5560	P 149	24-Jun-20	Convertible Preferred Stock
1-Sep-20	P 0.0589	P 16	24-Sep-20	Convertible Preferred Stock
1-Dec-20	P 0.0563	P 15	7-Jan-21	Convertible Preferred Stock
22-Feb-21	Not Applicable	P 472,397	26-Feb-21	Hybrid Perpetual Securities
22-Feb-21	P 0.0560	P 15	31-Mar-21	Convertible Preferred Stock
26-Apr-21	P 0.4850	P 938,780	25-May-21	Common Stock
26-Apr-21	P 0.4850	P 130	25-May-21	Convertible Preferred Stock
31-May-21	P 0.0559	P 15	25-Jun-21	Convertible Preferred Stock
26-Jul-21	Not Applicable	P 491,108	26-Aug -21	Hybrid Perpetual Securities
31-Aug-21	P 0.5455	P 15	24-Sep-21	Convertible Preferred Stock

Note: In 2015, the BSP, through the monetary board, approved the liberalized rules for banks and quasi-banks on dividend declaration. The policy requires that dividend declaration be immediately recognized as a liability upon the approval of the BOD and that it be disclosed in the statement of changes in equity. Further, prior BSP approval is no longer required except for certain cases.

Segment Information. The following table presents revenues and expenses of the Group that are directly attributable to primary business segments and secondary information (by geographical locations) for the period ended September 30, 2021 (in millions).

RESULTS OF OPERATIONS

Primary	Retail Banking	Corporate Banking	SME Banking	Treasury /Trust	Others	Total
Net Interest Income	11,440	6,997	3,100	2,302	(2,675)	21,164
Non-Interest Income	4,878	1,703	122	1,062	(2,211)	5,555
Total Income	16,318	8,700	3,222	3,364	(4,885)	26,719
Non-Interest Expense	14,702	2,643	154	575	2,693	20,767
Income (Loss) before Tax	1,616	6,057	3,069	2,789	(7,578)	5,952
Income Tax Expense	1,512	50	-	391	(1,339)	614
Net Income (Loss)	104	6,007	3,069	2,398	(6,239)	5,338
Total Assets	154,373	232,530	74,409	228,671	182,984	872,967
Total Liabilities	369,838	230,316	85,703	19,586	57,935	763,378
Depreciation and Amortization	894	491	21	38	818	2,262

Secondary	Philippines	Asia and Europe*	Total
Total Income	32,934	-	32,934
Total Expense	27,596	-	27,596
Net Income (Loss)	5,338	-	5,338
Total Assets	872,937	30	872,967
Total Liabilities	763,302	76	763,378
Depreciation and Amortization	2,262	-	2,262

** Except Philippines*

Material Events Subsequent to the End of the Interim Period Not Reflected in the Financial Statements. 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 13).

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
	30-Sep-21	31-Dec-20	30-Sep-21	31-Dec-20
Return on Average Assets (ROA)* 1/	0.87%	0.68%	0.88%	0.69%
Return on Average Equity (ROE) *2/	6.83%	5.54%	6.84%	5.55%
Risk-based Capital Adequacy Ratio (CAR)	15.15%	16.14%	14.81%	15.86%
Common Equity Tier 1 Ratio	12.05%	12.64%	11.65%	12.28%
Non-Performing Loans (NPL) Ratio 3/	3.30%	2.94%	3.16%	2.83%
Non-Performing Assets (NPA) Ratio 4/	2.86%	2.78%	2.75%	2.70%
Net Interest Margin (NIM)*	4.11%	4.31%	4.10%	4.30%
Cost-to-Income Ratio	63.01%	58.15%	62.42%	57.80%
Loans-to-Deposit Ratio 5/	81.79%	85.21%	80.43%	83.59%
Current Ratio	0.54	0.78	0.54	0.78
Liquid Assets-to-Total Assets Ratio	0.17	0.27	0.16	0.27
Debt-to-Equity Ratio	6.97	6.62	6.89	6.53
Asset-to-Equity Ratio	7.97	7.62	7.89	7.53
Asset-to-Liability Ratio	1.14	1.15	1.15	1.15
Interest Rate Coverage Ratio	1.96	1.61	1.98	1.64
Earnings per share (EPS) 6/				
Quarter-to-date Basic and Diluted	PHP 0.88	PHP 0.40	PHP 0.88	PHP 0.41
Year-to-date Basic and Diluted	PHP 2.35	PHP 2.43	PHP 2.35	PHP 2.43
Basic and Diluted*	PHP 3.14	PHP 2.43	PHP 3.14	PHP 2.43

** September 30, 2021 ratios/amounts were annualized*

1/ Average assets for the consolidated and parent ratios were computed based on the 9-month average of end of month balances of total assets. Unaudited net income for the 9-month period ended September 30, 2021 in the amount of P5.337 billion represented the consolidated and parent.

2/ Average equity for the consolidated and parent ratios were, likewise, computed based on the 9-month average of end of month balances. Unaudited net income for the 9-month period ended September 30, 2021 in the amount of P4.591 billion represented the consolidated and parent, net of dividends on Hybrid Perpetual Securities of P746 million.

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

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

5/ Excluding Interbank Loans

6/ Total weighted average number of issued and outstanding common shares (diluted) were 1,953,545,511 shares as of September 30, 2021 and 1,935,686,818 shares as of December 31, 2020. The determined net income was net of dividends on Hybrid Capital Securities.

Performance Indicators for Wholly-Owned/Majority Owned Subsidiaries

RIZAL MICROBANK	Unaudited		Audited	
In Php 000s	30-Sep-21		31-Dec-20	
Net Income (Loss)	Php	203	Php	(88,981)
Return on Average Assets (ROA)*		0.02%		-4.85%
Return on Average Equity (ROE)*		0.06%		-15.73%
Risk-based Capital Adequacy Ratio (CAR)		29.52%		30.67%
Non-Performing Loans (NPL) Ratio		3.69%		1.89%
Non-Performing Assets (NPA) Ratio		4.80%		2.86%
Quarter-to-date Loss per Share (EPS)	Php	(0.09)	Php	(3.68)
Year-to-date Earnings (Loss) per Share (EPS)	Php	0.02	Php	(7.90)
Earnings (Loss) per Share (EPS)*	Php	0.02	Php	(7.90)

RCBC CAPITAL CORPORATION and Subsidiaries	Unaudited		Audited	
In Php 000s	30-Sep-21		31-Dec-20	
Net Income	Php	232,809	Php	160,673
Return on Average Assets (ROA)*		7.19%		3.50%
Return on Average Equity (ROE)*		9.37%		4.61%
Risk-based Capital Adequacy Ratio (CAR)		46.22%		39.91%
Non-Performing Loans (NPL) Ratio		0.00%		-
Non-Performing Assets (NPA) Ratio		0.03%		0.03%
Quarter-to-date Earnings per Share (EPS)	Php	0.37	Php	1.63
Year-to-date Earnings per Share (EPS)	Php	1.97	Php	1.36
Earnings per Share (EPS)*	Php	2.63	Php	1.36

RCBC FOREX BROKERS CORPORATION	Unaudited		Audited	
In Php 000s	30-Sep-21		31-Dec-20	
Net Income	Php	681	Php	5,503
Return on Average Assets (ROA)*		0.55%		3.15%
Return on Average Equity (ROE)*		0.57%		3.30%
Capital to Total Assets		95.34%		92.09%
Non-Performing Loans (NPL) Ratio		0.00%		0.00%
Non-Performing Assets (NPA) Ratio		0.00%		0.00%
Quarter-to-date Loss per Share (EPS)	Php	(11.54)	Php	(6.47)
Year-to-date Loss per Share (EPS)	Php	(34.54)	Php	(37.12)
Loss per Share (EPS)*	Php	(46.18)	Php	(37.12)

** September 30, 2021 ratios/amounts were annualized*
****Net of 12% dividend on preferred shares of P12.00 per share*

RCBC INTERNATIONAL FINANCE, LTD. and Subsidiary	Unaudited		Audited	
In Php 000s	**30-Sep-21**		**31-Dec-20**	
Net Loss	Php	(6,050)	Php	(9,101)
Return on Average Assets (ROA)*		-7.38%		-7.85%
Return on Average Equity (ROE)*		-7.65%		-7.83%
Capital to Total Assets		97.04%		103.20%
Non-Performing Loans (NPL) Ratio		0.00%		0.00%
Non-Performing Assets (NPA) Ratio		0.00%		0.00%
Quarter-to-date Loss per Share (EPS)	Php	(0.89)	Php	(1.51)
Year-to-date Loss per Share (EPS)	Php	(2.42)	Php	(3.64)
Loss per Share (EPS)*	Php	(3.24)	Php	(3.64)

RCBC TELEMONEY EUROPE S.P.A	Unaudited		Audited	
In Php 000s	**30-Jun-21**		**31-Dec-20**	
Net Income	Php	0.00	Php	0.00
Return on Average Assets (ROA)*		0.00%		0.00%
Return on Average Equity (ROE)*		0.00%		0.00%
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%
Quarter-to-date Earnings per Share (EPS)	Php	0.00	Php	0.00
Year-to-date Earnings per Share (EPS)	Php	0.00	Php	0.00
Earnings per Share (EPS)*	Php	0.00	Php	0.00

**In the process of liquidation*

RCBC-JPL HOLDING COMPANY, INC. (Formerly JP Laurel Bank, Inc.)	Unaudited		Audited	
In Php 000s	**30-Sep-21**		**31-Dec-20**	
Net Income (Loss)	Php	(1,431)	Php	2,276
Return on Average Assets (ROA)*		-1.22%		1.40%
Return on Average Equity (ROE)*		1.72%		-2.01%
Capital to Total Assets		-70.61%		-72.57%
Non-Performing Loans (NPL) Ratio		0.00%		0.00%
Non-Performing Assets (NPA) Ratio		0.00%		0.00%
Quarter-to-date Earnings (Loss) per Share (EPS)	Php	(0.01)	Php	0.02
Year-to-date Earnings (Loss) per Share (EPS)	Php	(0.01)	Php	0.01
Earnings (Loss) per Share (EPS)*	Php	(0.01)	Php	0.01

** September 30, 2021 ratios/amounts were annualized*

NIYOG PROPERTY HOLDINGS, INC.	Unaudited		Audited	
In Php 000s	30-Sep-21		31-Dec-20	
Net Income	Php	18,917	Php	13,695
Return on Average Assets (ROA)*		4.53%		2.30%
Return on Average Equity (ROE)*		4.81%		2.42%
Capital to Total Assets		93.45%		93.07%
Non-Performing Loans (NPL) Ratio		0.00%		0.00%
Non-Performing Assets (NPA) Ratio		0.00%		0.00%
Quarter-to-date Earnings (Loss) per Share (EPS)	Php	10.41	Php	(0.20)
Year-to-date Earnings per Share (EPS)	Php	13.60	Php	9.85
Earnings per Share (EPS)*	Php	18.18	Php	9.85

RCBC LEASING AND FINANCE CORP. and Subsidiary	Unaudited		Audited	
In Php 000s	30-Sep-21		31-Dec-20	
Net Income (Loss)	Php	134,991	Php	(61,919)
Return on Average Assets (ROA)*		1.55%		-0.51%
Return on Average Equity (ROE)*		8.31%		-2.85%
Capital to Total Assets		18.98%		17.87%
Non-Performing Loans (NPL) Ratio		15.02%		11.20%
Non-Performing Assets (NPA) Ratio		9.66%		7.17%
Quarter-to-date Earnings (Loss) per Share (EPS)	Php	0.03	Php	(0.04)
Year-to-date Earnings (Loss) per Share (EPS)	Php	0.09	Php	(0.04)
Earnings (Loss) per Share (EPS)*	Php	0.12	Php	(0.04)

CAJEL REALTY CORPORATION	Unaudited		Audited	
In Php 000s	30-Sep-21		31-Dec-20	
Net Loss	Php	(361)	Php	(119)
Return on Average Assets (ROA)*		-0.86%		-0.21%
Return on Average Equity (ROE)*		-0.86%		-0.21%
Capital to Total Assets		99.98%		100.00%
Non-Performing Loans (NPL) Ratio		0.00%		0.00%
Non-Performing Assets (NPA) Ratio		0.00%		0.00%
Quarter-to-date Earnings (Loss) per Share (EPS)	Php	(0.23)	Php	(0.07)
Year-to-date Earnings (Loss) per Share (EPS)	Php	(0.60)	Php	(0.20)
Earnings (Loss) per Share (EPS)*	Php	(0.81)	Php	(0.20)

** September 30, 2021 ratios/amounts were annualized*

STATEMENT OF CONDITION: 30 September 2021 vs. 31 December 2020

RCBC's Total Assets stood at P872.967 billion.

Cash and other Cash Items decreased by 20.32% or P3.357 billion from P16.520 billion to P13.163 billion due to the decline in cash on hand and cash in ATMs as of period-end due to the usually higher cash levels at year-end to service the expected high volume of withdrawals during the holidays.

Due from BSP decreased by 28.21% or P32.572 billion from P115.467 billion to P82.895 billion largely attributable to net movement in Overnight and Term deposits with the BSP.

Due from Other Banks decreased by 24.29% or P3.816 billion from P15.707 billion to P11.891 billion, mainly due to decrease in foreign bank placements as a result of redeployment of funds.

Loans under Reverse Repurchase Agreement decreased by 9.96% or P1.331 billion from P13.356 billion to P12.025 billion due to lower placements with the BSP.

Total Investment Securities, representing 22.25% of Total Resources, increased by 120.56% or P106.173 billion from P88.064 billion to P194.237 billion on account of the increase in Investment Securities at Amortized Cost by 222.65% or P95.799 billion from P43.026 billion to P138.825 billion; Financial Assets at FVOCI increased by 23.15% or P9.296 billion from P40.150 billion to P49.446 billion. Financial Assets at Fair Value Through Profit or Loss increased by 22.07% or P1.079 billion from P4.888 billion to P5.967 billion.

Loans and Receivables – net, were higher by 7.04% or P34.603 billion from P491.284 billion to P525.887 billion attributable to the increases in Corporate accounts by 17.72% or P42.198 billion, Small Medium Enterprises accounts by 13.35% or P10.512 billion and Consumer loans including credit cards portfolio by 2.54% or P3.519 billion. It represented 60.24% of Total Resources.

Investment in Associates – net, were slightly lower by 2.19% or P7.420 million from P339.0 million to P331.580 million.

Bank Premises, Furniture, Fixtures & Equipment – Net, decreased by 4.18% or P546.054 million from P13.062 billion to P12.516 billion.

Investment Properties – net, slightly declined by 0.74% or P27.395 million from P3.725 billion to P3.698 billion.

Deferred Tax Assets slightly increased by 2.70% or P82.331 million from P3.044 billion to P3.126 billion.

Other Resources – net, increased by 14.38% or P1.659 billion from P11.538 billion to P13.197 billion mainly attributable to the increase in Assets held-for-sale and disposal group and prepayments.

Deposit Liabilities were recorded at P626.885 billion and represented 71.81% of Total Resources. Demand deposits grew by 22.61% or P24.230 billion from P107.172 billion to P131.402 billion and accounted for 15.05% of Total Resources. Savings deposits grew by 14.23% or P27.765 billion from P195.164 billion to P222.929 billion and accounted for 25.54% of Total Resources. Time deposits reached P272.554 billion, which grew by 16.75% or P39.102 billion from P233.452 billion to P272.554 billion and accounted for 31.22% of Total Resources.

Bills Payable increased by 14.51% or P1.910 billion from P13.167 billion to P15.077 billion primarily due to increase in foreign borrowings as an alternative source of funding.

Bonds Payable decreased by 3.58% or P3.233 billion from P90.439 billion to P87.206 billion.

Accrued Taxes, Interest and Other Expenses slightly decreased by 0.80% or P47.303 million from P5.900 billion to P5.853 billion.

Other Liabilities increased by 11.49% or P2.922 billion from P25.434 billion to P28.356 billion due to increase in outstanding acceptances and trade payables.

Total Liabilities stood at P763.377 billion and represented 87.45% of Total Resources.

Other Comprehensive Income increased by 17.29% or P357.905 million due to improvement in market valuation of FVOCI securities.

Retained Earnings increased by 9.21% or P3.427 billion from P37.205 billion to P40.632 billion attributable to the net income for the period, net of the cash dividends paid.

Total Capital Funds were recorded at P109.590 billion and accounted for 12.55% of Total Resources.

INCOME STATEMENT: 30 September 2021 vs. 30 September 2020

Total interest income decreased by 3.24% or P916.667 million from P28.295 billion to P27.379 billion and accounted for 102.47% of total operating income. Interest income on loans and receivables went down by 8.10% or P2.105 billion from P25.984 billion to P23.879 billion due to lower average yield year-on-year, net of the growth in volume. It accounted for 89.37**%** of total operating income. Interest income on investment securities increased by 82.55% or P1.290 billion from P1.563 billion to P2.853 billion as a result of the increase in volume and improvement in average yield; it accounted 10.68**%** of total operating income. Other interest income, on the other hand, decreased by 13.60% or P101.861 million from P748.722 million to P646.861 million due to the lower interest income on placements with the BSP.

Total interest expense went down by 27.88% or P2.403 billion from P8.618 billion to P6.215 billion and accounted for 23.26**%** of total operating income. Interest expense on deposit liabilities decreased by 31.38% or P1.377 billion from P4.388 billion to P3.011 billion primarily due to decrease in average costs, net of the increase in average volume; it represented 11.27**%** of total operating income. Interest expense on bills payable and other borrowings decreased by 24.26% or P1.026 billion from P4.230 billion to P3.204 billion due to decline in average volume and lower average costs year-on-year.

As a result, net interest income expanded by 7.55% or P1.486 billion from P19.677 billion to P21.164 billion.

As the general business environment improves and the economic activities started to pick up, the Bank booked 45.56% or P3.290 billion lower Impairment losses on loans receivables year-on-year from P7.222 billion to P3.932 billion. It can be noted that provisioning in 2020 was exceptionally high due to the anticipated impact of the COVID-19 pandemic. The P3.932 billion Impairment loss provision during the period represented 14.72% of total operating income.

Other operating income decreased by 42.59% or P4.122 billion from last year's P9.676 billion to P5.555 billion this year. This accounted for 20.79% of total operating income, and is broken down as follows:

- Trading and securities gains and losses – net, decreased by 88.57% or P5.172 billion from P5.839 billion to P667.643 million, largely attributable to lower realized trading gains from sale of investment securities. It accounted for 2.50**%** of total operating income;
- Service fees and commissions increased by 40.48% or P979.381 million from P2.420 billion to P3.399 billion mainly due to improvement in fee income from all products. It represented 12.72% of total operating income;
- Trust fees increased by 22.74% or P53.299 million from P234.429 million to P287.727 million due to significant increase in volume of managed funds;
- Foreign exchange gains – net, decreased by 90.29% or P402.591 million from P445.901 million to P43.310 million. This was primarily due to lower foreign currency position revaluation profits.;
- Miscellaneous income increased by 56.98% or P419.913 million from P737.001 million to P1.157 billion largely due to higher gain on sale of assets, recoveries from credit card accounts and higher rental income from the Bank's leasing and finance subsidiary.

Operating expenses, which accounted for 63.01**%** of total operating income, slightly increased by 2.84% or P464.479 million from P16.371 billion to P16.835 billion due to the following:

- Total Manpower costs decreased by 4.46% or P223.916 million from P5.017 billion to P4.793 billion. It represented 17.94% of total operating income;
- Occupancy and equipment-related expenses increased by 4.30% or P87.721 million from P2.040 billion to P2.128 billion. It represented 7.96% of total operating income;
- Taxes and licenses, which accounted for 9.68% of total operating income, increased by 5.27% or P129.578 million from P2.458 billion to P2.588 billion due to higher documentary stamp tax , net of lower gross receipts tax.

- Depreciation and amortization was recorded at P2.262 billion, up by 4.18% or P90.706 million from P2.172 billion. It represented 8.47% of total operating income;
- Miscellaneous expenses went up by 8.12% or P380.390 million to settle at P5.064 billion from P4.684 billion mainly due to the increase in regulatory related fees as a result of the growth in deposit liabilities and total resources and higher credit card related expenses. It accounted for 18.95% of total operating income.

Tax expense decreased by 65.10% or P1.145 billion from P1.759 billion to P613.961 million due to the lower final tax and the combined effects of lower taxable income this year and the impact of the implementation of Corporate Recovery and Tax Incentives for Enterprises Act Law reducing the corporate income tax rate by 5% effective July 1, 2020.

Net profit attributable to non-controlling interest settled at P524.244 thousand.

Overall, net income increased by 33.38% or P1.336 billion from P4.001 billion to P5.337 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 12).

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 **November 9, 2021**

EUGENE S. ACEVEDO
President & CEO

FLORENTINO M. MADONZA
FSVP, Head-Controllership Group

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

RIZAL COMMERCIAL BANKING CORPORATION
Aging of Other Receivables
As of September 30, 2021
(Amounts in Millions of Philippine Pesos)

	1 - 90 days	91 - 180 days	181 -1 year	Over 1 year	Total	Allowance	Net
Accounts Receivable	1,929	131	214	886	3,160	1,232	1,928