CR03687-2021

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 17.1(b) OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

☐ Preliminary Information Statement

☑ Definitive Information Statement

2. Name of Registrant as specified in its charter

RIZAL COMMERCIAL BANKING CORPORATION

3. Province, country or other jurisdiction of incorporation or organization

Philippines

4. SEC Identification Number

17514

5. BIR Tax Identification Code

000-599-760-000

6. Address of principal office

6819 Ayala cor. Gil J. Puyat Ave., Makati City

Postal Code

0727

7. Registrant's telephone number, including area code

8894-9000

8. Date, time and place of the meeting of security holders

June 28, 2021, 4:00 pm, Virtual Meeting via https://www.rcbc.com/ASM2021

9. Approximate date on which the Information Statement is first to be sent or given to security holders

May 31, 2021

10. In case of Proxy Solicitations:

Name of Person Filing the Statement/Solicitor

Atty. George Gilbert G. dela Cuesta

Address and Telephone No.

46/F Yuchengco Tower, RCBC Plaza 6819 Ayala Ave. cor. Sen. Gil Puyat Ave., Makati City - 88949000

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	1,935,628,896

13. Are any or all of registrant's securities listed on a Stock Exchange?

☑ Yes ☐ No

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange - common

Rizal Commercial Banking Corporation
RCB

PSE Disclosure Form 17-5 - Information Statement for Annual or Special Stockholders' Meeting
References: SRC Rule 20 and Section 17.10 of the Revised Disclosure Rules

Date of Stockholders' Meeting	Jun 28, 2021
Type (Annual or Special)	Annual
Time	4:00 p.m.
Venue	Virtual Meeting via https://www.rcbc.com/ASM2021
Record Date	May 31, 2021

Inclusive Dates of Closing of Stock Transfer Books

Start Date	N/A
End date	N/A

Other Relevant Information
Please see attached Definitive Information Statement as filed with and accepted by the SEC.

Filed on behalf by:

Name	Maria Cecilia Chaneco-Lonzon
Designation	Assistant Corporate Secretary

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

1. Check the appropriate box:

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

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

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

4. SEC Identification Number: **17514**

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

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

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

8. Date, time and place of the meeting of the security holders: **June 28 2021, 4:00 P.M. via virtual meeting (no physical place of meeting) in view of the COVID-19 pandemic. The link for the virtual meeting will be provided to stockholders of record who register to confirm their attendance.**

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **May 31, 2021**

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

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common	(as of May 19, 2021) 1,935,628,896

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

A. GENERAL INFORMATION

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

Date	:	June 28, 2021
Time	:	4:00 P.M.
Place	:	There is no physical place for the meeting The meeting will be held virtually in view of the COVID-19 pandemic. The link for the virtual meeting will be provided to stockholders of record who register to confirm their attendance.
Complete mailing address of Principal office	:	21st Floor, RCBC Plaza, Tower II 6819 Ayala Avenue corner 333 Sen. Gil J. Puyat Avenue Makati City
Approximate date on which the Information Statement is first to be sent or given to security holders	:	May 31, 2021

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

2. Dissenter's Right of Appraisal

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

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

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

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

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

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

B. CONTROL AND COMPENSATION INFORMATION

4. Voting Securities and Principal Holders Thereof

Class of Voting Securities: As of April 30, 2021, 1,935,628,896 Common shares and 267,410 Preferred shares are outstanding, and are entitled to be represented and vote at the Annual Stockholders' Meeting. Each share is entitled to one vote.

Record Date: Only stockholders of record as of May 31, 2021 shall be entitled to notice and vote at the meeting.

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

Security Ownership of Certain Record Owners of more than 5% (as of March 31, 2021)

(1) Title of Class	(2) Name, address of record owner and relationship with issuer	(3) Name of Beneficial Owner and Relationship with Record Owner	(4) Citizenship	(5) Number of Shares Held	(6) Percent
Common	**Pan Malayan Management & Investment Corporation** (PMMIC) Address: 48/F Yuchengco Tower, RCBC Plaza, 6819 Ayala Ave., Makati City Relationship with Issuer: RCBC is a subsidiary of PMMIC	Pan Malayan Management & Investment Corporation *The records in the possession of the Bank show that the beneficial ownership of this company belongs to the shareholders of record of said company. The Bank has not been advised otherwise.*	Filipino	807,582,173*	41.72% This includes certificated shares (30.70%) and shares under PCD Nominee (11.02%)

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

**Combined Direct and Indirect Shares of PMMIC*

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

The participants under PCD owning more than 5% of the voting securities (common) are (as of March 31, 2021):

Name	Shares	% of Total
RCBC Securities, Inc.	312,084,934	16.12%
The Hongkong and Shanghai Bank	577,704,337	29.85%

Security Ownership of Certain Record Owners of more than 5% (as of May 15, 2021)

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

Security Ownership of Foreigners (as of May 15, 2021)

Title of Class	Shares	% of Total
Common	638,447,347	32.98%
Preferred	0	0.00

Security Ownership of Management (as of May 15, 2021)

Title of Class	***Name of Beneficial Owner/ Position***		***Amount and Nature of Beneficial Ownership "r"/"b"****	***Citizen-ship***	***Percent of Class***
a. Board of Directors:					
Common	Helen Y. Dee	Chairperson	P4,380.00 "r" P14,923,060.00 "b"	Filipino	0.08%
Common	Cesar E. A. Virata	Director/ Corporate Vice-Chairman	P1,670 "r" P1,382,670.00 "b"	Filipino	0.01%
Common	Eugene S. Acevedo	President and CEO	P1,986,000.00 "b"	Filipino	0.01%
Common	Gil A Buenaventura	Director	P50.00 "r"	Filipino	0.000%
Common	John Law	Director	P10.00 "r"	French/ Taiwanese	0.000%
Common	Shih-Chiao (Joe) Lin	Director	P10.00 "r"	R.O.C.	0.000%
Common	Arnold Kai Yuen Kan	Director	P10.00 "r"	Canadian	0.000%
Common	Lilia B. De Lima	Director	P10.00 "r"	Filipino	0.000%
Common	Gayatri P. Bery	Director	P10.00 "r"	American	0.000%
Common	Armando M. Medina	Director	P1,950.00 "r"	Filipino	0.000%
Common	Adelita A Vergel De Dios	Independent Director	P10.00 "r"	Filipino	0.000%
Common	Gabriel S Claudio	Independent Director	P10.00 "r"	Filipino	0.000%
Common	Vaughn F Montes	Independent Director	P50.00 "r"	Filipino	0.00%
Common	Laurito E. Serrano	Independent Director	P10.00 "r"	Filipino	0.000%
Common	Juan B Santos	Independent Director	P50.00 "r"	Filipino	0.00%
b. Senior Management:					
Common	Evelyn Nolasco	Senior Vice President	P27,000.00 "b"	Filipino	0.00%
c. Directors & Principal Officers (as a Group)			P18,326,960.00		0.09%

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

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

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

5. Directors and Executive Officers

(a) Nominees for Independent Directors:

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

(b) Nominees for Directors:

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

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

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

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

Likewise, pursuant to the Code of Corporate Governance for Publicly-Listed Companies (2016), all the directors have satisfied the required number of attendance in board meetings, as well as in their respective Committees.

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

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

(c) Directors:

Directors	(Age)/ *Citizenship*	*Position/Period which they have served*
Helen Y. Dee	(77)/ Filipino	Board Chairperson (June 25, 2007 to present) Director (March 28, 2005 to present)

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

Recent training/continuing education (2018 to present): Corporate Governance and Financial Technology (RCBC); Sustainability Reporting, and Customer Due Diligence and Trade-Based Money Laundering (RCBC); Best Practices to Manage ML/TF Risks from Online Sexual Exploitation of Children Coursed through Banks and MSBs, and ML/TF Typologies (ABCOMP and Baiphil); BSP Supervisory Assessment Framework to replace CAMELS and ROCA Rating Systems for BSFIs (ABCOMP and Baiphil), How to Lead Courageously During a Crisis (PLDT); Lessons from a Pandemic: the MPIC Hospital Group COVID-19 Experience and Best Practices (PLDT)

Company	**Position**
Hydee Management & Resources Corporation	Chairperson
Philippine Long Distance Telephone Company	Director
Moira Management, Inc.	President
Promotions Personalized, Inc.	Chairperson
Silver Falcon Insurance Agency, Inc.	Chairperson
Tameena Resources, Inc.	Chairperson / CEO
Landev Corp.	Chairperson
House of Investments, Inc.	Chairperson
HI-Eisai Pharmaceuticals, Inc.	Chairperson
Manila Memorial Park Cemetery, Inc.	Chairperson
Luis Miguel Foods	Director
Shayamala Corporation	Chairperson
Honda Cars Philippines, Inc.	Director
Isuzu Philippines, Inc.	Director
EEI Corporation	Director
Luisita Industrial Park Corporation	Director
Malayan Education System, Inc.	Chairperson / Trustee
Pan Malayan Management & Investment Corp.	Chairperson
Pan Malayan Realty Corp.	Chairperson
Honda Cars Kalookan, Inc.	Director
GPL Holdings, Inc.	Chairperson
La Funeraria Paz Sucat	Chairperson
Mijo Holdings	Chairperson / President
Dee Yu Corporation	Chairperson
Malayan Insurance Co. Inc.	Chairperson
Xamdu Motors, Inc.	Chairperson

Philippine Integrated Advertising Agency, Inc.	Director
Petro Energy Resources Inc.	Chairperson
RCBC Leasing and Finance Corporation	Chairperson
Philippine Business for Education, Inc.	Board Member / Trustee
Petrowind Energy Inc.	Chairperson
Y Realty, Inc.	Director
Malayan High School of Science, Inc.	Chairperson
Malayan Colleges Laguna, Inc.	Trustee
Pan Malayan Express	Chairperson
Sunlife Grepa Financial, Inc.	Chairperson
Malayan Colleges of Mindanao (A Mapua School), Inc.	Chairperson
MICO Equities, Inc.	Chairperson
Yuchengco Center, Inc.	Chairperson
AT Yuchengo, Inc.	Chairperson
ET Yuchengco, Inc.	Chairperson
YGC Corporate Services, Inc.	Chairperson / President
AY Foundation, Inc.	Chairperson / Trustee
EEI Corporation	Chairperson
RCBC Realty Corporation	Chairperson
RCBC Land, Inc.	Director
AY Holdings, Inc.	Chairperson
Mayahin Holdings Corporation	Chairperson

Cesar E.A. Virata	(90)/ Filipino	Director (1995 to present) Corporate Vice Chairperson (June 22, 2000 to present)

Mr. Virata has been a Director since 1995, Corporate Vice Chairman since June 2000 and Senior Adviser from 2007. Mr. Virata's roster of companies where he is also a Director and/or Chairman includes RCBC Realty Corp., RCBC Land, Inc., Malayan Insurance Co., Inc., Business World Publishing Corporation, Luisita Industrial Park Corporation, RCBC Bankard Services Corporation, and AY Foundation, Inc., among others. Mr. Virata has held important/key positions in the Philippine government, including Prime Minister, Secretary/Minister of Finance, Chairman of the Committee on Finance of the Batasang Pambansa (National Assembly) and member of the Monetary Board. He was also Chairman of the Land Bank of the Philippines. He has served as Governor for the Philippines to the World Bank, the Asian Development Bank and the International Fund for Agriculture Development. He was Chairman of the Development Committee of the World Bank and International Monetary Fund from 1976 to 1980 and Chairman of the Board of Governors of the Asian Development Bank. Prior to his Government positions, he was a Professor and Dean of the College of Business Administration of the University of the Philippines and Principal, SyCip Gorres Velayo and Company, Management Services Division. Mr. Virata has also held membership in various international committees/fora in the past, including: Bretton Woods Committee, Group of 30, Institute of International Finance, Rockefeller Tripartite Commission for Asia, Davao Forum, World Development Committee of the World Bank and IMF, ADB Forum. Mr. Virata graduated from the University of the Philippines with degrees in Mechanical Engineering and Business Administration (Cum Laude). He completed his Master's in Business Administration from the Wharton Graduate School, University of Pennsylvania.

Recent training/continuing education (2018 to present): Advanced Corporate Governance Training Program (Institute of Corporate Directors or "ICD"); Corporate Governance and Financial Technology (RCBC); Sustainability Reporting, and Customer Due Diligence and Trade-Based Money Laundering (RCBC); Best Practices to Manage ML/TF Risks from Online Sexual

Exploitation of Children Coursed through Banks and MSBs, and ML/TF Typologies (ABCOMP and Baiphil); BSP Supervisory Assessment Framework to replace CAMELS and ROCA Rating Systems for BSFIs (ABCOMP and Baiphil)

Company	**Position**
ATAR VI Property Holding Company, Inc.	Chairman / Director
RCBC Realty Corporation.	Director
RCBC Bankard Services Corporation	Chairman / Director
RCBC Land, Inc.	Chairman / Director
ALTO Pacific Company, Inc.	Chairman / Director
Malayan Insurance Co., Inc.	Director
Luisita Industrial Park Corporation	Vice Chairman / Director
Lopez Holdings Corp.	Independent Director
Cavitex Holdings, Inc.	Chairman / Director
YGC Corporate Services, Inc.	Director
Niyog Properties Holdings, Inc.	Director
Business World Publishing Corp.	Vice Chairman / Director
City and Land Developers, Inc.	Independent Director
Cajel Realty Corporation	Director
AY Foundation, Inc.	Trustee
Malayan University (Operating under Mapua Institute of Technology)	Trustee
World Trade Center Management, Inc.	Director
Yuchengco Center	Trustee
Tan Yan Kee Foundation, Inc.	Trustee
IFI Support Foundation, Inc.	Trustee
UP Business Research Foundation, Inc.	Chairman / Trustee / Adviser
Yuchengco Museum, Inc.	Trustee
UCMP Foundation, Inc.	Chairman / Trustee
UP Engineering Foundation, Inc.	Member
MAP Agribusiness Foundation, Inc.	Member
Federation for Economic Freedom	Adviser
Makati Business Club	Member

Eugene S. Acevedo	(57)/ Filipino	Director, President and CEO (July 1, 2019 to present)

Mr. Acevedo is the Bank's President and Chief Executive Officer. He has over thirty years (30) years of banking experience gained from local and multinational banks including Union Bank of the Philippines, CitySavings Bank, Philippine National Bank, and Citibank Philippines, N.A. He is a Magna Cum Laude graduate from the University of San Carlos where he earned a degree in Bachelor of Science in Physics in 1984. He has a Master's degree in Business Administration from the Asian Institute of Management and completed an Advanced Management Program at the Harvard Business School. He also holds a Professional Certificate in Clean Power from the Imperial College London.

Recent training/continuing education (2018 to present): Corporate Governance Orientation Program (ICD); Sustainability Reporting, and Customer Due Diligence and Trade-Based Money Laundering (RCBC); Best Practices to Manage ML/TF Risks from Online Sexual Exploitation of Children Coursed through Banks and MSBs, and ML/TF Typologies (ABCOMP and Baiphil); BSP Supervisory Assessment Framework to replace CAMELS and ROCA Rating Systems for BSFIs (ABCOMP and Baiphil)

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

Gil A. Buenaventura (68)/ Filipino Director (July 1, 2016 to present)

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

Recent training/continuing education (2018 to present): Corporate Governance and Financial Technology (RCBC); Sustainability Reporting, and Customer Due Diligence and Trade-Based Money Laundering (RCBC); Best Practices to Manage ML/TF Risks from Online Sexual Exploitation of Children Coursed through Banks and MSBs, and ML/TF Typologies (ABCOMP and Baiphil); BSP Supervisory Assessment Framework to replace CAMELS and ROCA Rating Systems for BSFIs (ABCOMP and Baiphil)

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

Armando M. Medina (71)/ Filipino Director (January 1, 2021 to present)

Mr. Medina was an Independent Director of the Bank from 2003 to 2020. He became a regular director of the Bank starting January 1, 2021. He is a member of the Bank's Executive Committee. He is also an Independent Director of Malayan Insurance. He served as an Independent Director of RCBC Capital Corporation until December 31, 2021. He graduated from De La Salle University with a Bachelor of Arts degree in Economics and a Bachelor of Science degree in commerce with a major in Accounting.

Recent training/continuing education (2018 to present): Corporate Governance and Financial Technology (RCBC); Sustainability Reporting, and Customer Due Diligence and Trade-Based Money Laundering (RCBC); Best Practices to Manage ML/TF Risks from Online Sexual Exploitation of Children Coursed through Banks and MSBs, and ML/TF Typologies (ABCOMP and

Baiphil); BSP Supervisory Assessment Framework to replace CAMELS and ROCA Rating Systems for BSFIs (ABCOMP and Baiphil).

Company	Position
Malayan Insurance Co.	Independent Director

John Law (70)/ French & Taiwanese (dual citizen) Director (April 27, 2015 to present)

Mr. Law has been a Director of the Bank since April 2015. He is also currently a Director of Far East Horizon Ltd. in Hong Kong and Khan Bank in Mongolia. He served as Senior Advisor for Greater China for Oliver Wyman until his retirement as of December 31, 2020. He holds a Bachelor of Science degree, major in Psychology, from Chung Yuan University in Taiwan; a Master's of Business Administration degree from Indiana University; and a Master's of Arts degree, major in Poetry, from the University of Paris, France.

Recent training/continuing education (2018 to present): Corporate Governance and Financial Technology (RCBC); Customer Due Diligence and Trade-Based Money Laundering (RCBC); Sustainability Reporting, and Customer Due Diligence and Trade-Based Money Laundering (RCBC); Best Practices to Manage ML/TF Risks from Online Sexual Exploitation of Children Coursed through Banks and MSBs, and ML/TF Typologies (ABCOMP and Baiphil); BSP Supervisory Assessment Framework to replace CAMELS and ROCA Rating Systems for BSFIs (ABCOMP and Baiphil).

Company	Position
Far East Horizon Ltd.	Non-Executive Director
Khan Bank (Mongolia)	Non-Executive Director

Shih-Chiao (Joe) Lin (49)/ R.O.C Director (March 25, 2019 to present)

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

Recent training/continuing education (2018 to present): Corporate Governance Orientation Program (ICD); Best Practices to Manage ML/TF Risks from Online Sexual Exploitation of Children Coursed through Banks and MSBs, and ML/TF Typologies (ARCCO-Phil.); BSP Supervisory Assessment Framework to replace CAMELS and ROCA Rating Systems for BSFIs (ABCOMP and Baiphil)

Company	Position
Cathay Life Insurance	Executive Vice President

Arnold Kai Yuen Kan (60)/ Canadian Director (June 24, 2019 to present)

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

Recent training/continuing education (2019): Corporate Governance Orientation Program (ICD). Best Practices to Manage ML/TF Risks from Online Sexual Exploitation of Children Coursed through Banks and MSBs, and ML/TF Typologies (ABCOMP and Baiphil); BSP Supervisory Assessment Framework to replace CAMELS and ROCA Rating Systems for BSFIs (ABCOMP and Baiphil)

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

Atty. Lilia B. De Lima (80)/ Filipino Director (June 24, 2019 to present)

Atty. De Lima has been has been a Director of the Bank since June 24, 2019. She was an Independent Member of the Bank's Advisory Board from July 3, 2017 to June 24, 2019. Prior thereto, she served as the Director General of PEZA from 1995 to 2016. Other positions she has held include being Board Member of the Cagayan and Zamboanga Economic Zones, Commissioner of the National Amnesty Commission, Executive Director of the Department of Trade and Industry Price Stabilization Council and Director of the Bureau of Trade, and Chief Operating Officer of the World Trade Center Manila. She was an Elected Delegate to the 1971 Constitutional Convention representing the 2nd District of Camarines Sur. She is the recipient of numerous local and international awards including the 2017 Ramon Magsaysay Award, The Order of the Rising Sun-Gold and Silver Star (Japan), The Outstanding Women in the Nation's Service (TOWNS) in the field of law, and the 2010 Management Man of the Year.

Recent training/continuing education (2018 to present): Briefing on Best Practices in Board Risk Oversight (PHINMA); Corporate Governance Orientation Program (ICD); Sustainability Reporting, and Customer Due Diligence and Trade-Based Money Laundering (RCBC); . Business Continuity Planning: Executive Briefing for Board Directors and Management (PHINMA); Best Practices to Manage ML/TF Risks from Online Sexual Exploitation of Children Coursed through Banks and MSBs, and ML/TF Typologies (ABCOMP and Baiphil); BSP Supervisory Assessment Framework to replace CAMELS and ROCA Rating Systems for BSFIs (ABCOMP and Baiphil); Investment, Trust and Estate Management (Wealth Management Center for Communication and Research, Inc.)

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

Dusit Thani Philippines	Director
Regatta Properties, Inc.	Director
Pueblo de Oro Development Corporation	Trustee

Gayatri P. Bery (55)/ American Director (July 27, 2020 to present)

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

Recent training/continuing education (2019 to present): Financial Times Non-Executive Director Diploma (Hong Kong); Corporate Governance Orientation Program (ICD); Best Practices to Manage ML/TF Risks from Online Sexual Exploitation of Children Coursed through Banks and MSBs, and ML/TF Typologies (ABCOMP and Baiphil); BSP Supervisory Assessment Framework to replace CAMELS and ROCA Rating Systems for BSFIs (Baiphil)

Company	Position
None	none

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

Juan B. Santos (82)/ Filipino Independent Director (November 2, 2016 to present)

Mr. Santos has been an Independent Director of the Bank since November 2016. He serves as Lead Independent Director of the Bank. He holds director, trustee, and advisory positions in various companies as detailed below. Prior to joining the Bank, he was the Chairman of the Social Security Commission. He served briefly as Secretary of Trade and Industry and was CEO and Chairman of Nestle Philippines, Singapore, and Thailand. He also served as Director of various publicly listed companies, including the Philippine Long Distance Telephone Company, Philex Mining Corporation, San Miguel Corporation, Equitable Savings Bank, Inc., and PCI Leasing and Finance, Inc. He holds a Bachelor of Science in Business Administration degree from the Ateneo de Manila University and a degree in Foreign Trade from the Thunderbird School of Management in Arizona, USA. He completed his Advanced Management Course at the International Institute for Management Development in Lausanne, Switzerland.

Recent training/continuing education (2018 to present): Advanced Corporate Governance Training (ICD); Best Practices to Manage ML/TF Risks from Online Sexual Exploitation of Children Coursed through Banks and MSBs, and ML/TF Typologies (ABCOMP and Baiphil); BSP Supervisory Assessment Framework to replace CAMELS and ROCA Rating Systems for BSFIs (ABCOMP and Baiphil)

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

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

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

Recent training/continuing education (2018 to present): Sustainability, and Customer Due Diligence and Trade-Based Money Laundering (RCBC); Best Practices to Manage ML/TF Risks from Online Sexual Exploitation of Children Coursed through Banks and MSBs, and ML/TF Typologies (ABCOMP and Baiphil); BSP Supervisory Assessment Framework to replace CAMELS and ROCA Rating Systems for BSFIs (ABCOMP and Baiphil); Investment, Trust and Estate Management (Wealth Management Center for Communication and Research, Inc.)

Company	Position
none	none

Gabriel S. Claudio	(66)/ Filipino	Independent Director (July 25, 2016 to present)

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

Recent training/continuing education (2018 to present): Corporate Governance and Financial Technology (RCBC); Corporate Governance and Crisis Management (Ginebra San Miguel, Inc.-GSMI); Best Practices to Manage ML/TF Risks from Online Sexual Exploitation of Children

Coursed through Banks and MSBs, and ML/TF Typologies (ABCOMP and Baiphil); BSP Supervisory Assessment Framework to replace CAMELS and ROCA Rating Systems for BSFIs (ABCOMP and Baiphil)

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

Vaughn F. Montes, Ph.D. (70)/ Filipino Independent Director (September 26, 2016 to present)

Mr. Montes has been an Independent Director of the Bank since September 2016. He is a Trustee at the Institute of Corporate Directors (ICD) as well as a Teaching Fellow on Corporate Governance courses of the ICD. He is a Director of the Center for Excellence in Governance, and President of the Center for Family Advancement. He is a national consultant for Risk Management to the NEDA PPP Center under an ADB technical assistance grant. He is a Trustee and Founding Fellow of the Foundation for Economic Freedom. He is also currently a Trustee at Parents for Education Foundation (“PAREF”), and Chairman and President at PAREF Southridge School for Boys. He worked in Citibank over a period of 25 years in various capacities including: Senior Economist in Philippine Debt Restructuring Committee; Head of the International Corporate Finance Unit; and Director and Head of Public Sector. He worked as an Associate Economist at the Wharton Econometric Forecasting Associates in Philadelphia USA. He holds an AB (Bachelor of Arts) Economics degree from the Ateneo de Manila University, an MS (Master of Science) Industrial Economics degree from the Center for Research and Communications (now University of Asia and the Pacific), and a PhD in Business Economics from the Wharton Doctoral Programs, University of Pennsylvania, USA.

Recent training/continuing education (2018 to present): Corporate Governance and Financial Technology (RCBC); Sustainability Reporting, and Customer Due Diligence and Trade-Based Money Laundering (RCBC); Best Practices to Manage ML/TF Risks from Online Sexual Exploitation of Children Coursed through Banks and MSBs, and ML/TF Typologies (ABCOMP and Baiphil); BSP Supervisory Assessment Framework to replace CAMELS and ROCA Rating Systems for BSFIs (ABCOMP and Baiphil)

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

Laurito E. Serrano	(60)/ Filipino	Independent Director (March 20, 2019 to present)

Mr. Serrano was elected as an independent director of the Bank effective March 20, 2019. Mr. Serrano was part of the Audit & Business Advisory Group and a partner of SGV & Co - Corporate Finance Consulting Group before joining companies in general finance and special project functions. He is currently in the financial advisory practice with clients mostly in the private sector and has over 30 years of experience in the management and execution of engagements involving fund raising, business/asset acquisitions, public offerings, securitization, and project development works. His past experience also includes, among others, directorships in Metro Global Holdings Group, Metro Rail Transit Group, Travellers Hotels Philippines, Inc. (Resorts World), MJCI Investments, Inc., United Paragon Mining Corp., Sagittarius Mining Corporation, APC Group, Inc., and Philippine Veterans Bank. Mr. Serrano holds a Bachelor of Science degree in Commerce (Major in Accounting) from the Polytechnic University of the Philippines and has a Masters in Business Administration degree from the Harvard Graduate School of Business.

Recent training/continuing education (2018 to present): Corporate Governance Orientation Program (Institute of Corporate Directors); Best Practices to Manage ML/TF Risks from Online Sexual Exploitation of Children Coursed through Banks and MSBs, and ML/TF Typologies (ARCCO-Phil.); BSP Supervisory Assessment Framework to replace CAMELS and ROCA Rating Systems for BSFIs (ABCOMP and Baiphil).

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

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

(d) Executive Officers:

Senior Executive Vice Presidents

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

Executive Vice-Presidents

CALASANZ, Simon Javier A.	Group Head (*until May 14, 2021)	Office of the Group Head - Consumer Lending
LIM, Richard C.	Group Head	Office of the Group Head- Retail Banking
NARCISO, Emmanuel T.	Group Head	Office of the Group Head – Global Transaction Banking
VILLANUEVA, Angelito M.	Chief Innovation and Inclusion Officer/ Group Head	Office of the Group Head – Digital Enterprise & Innovation

First Senior Vice-Presidents

ALVAREZ, Ma. Christina P.	Group Head	Office of the Group Head – Corporate Planning
BUENO, Marita E.	Group Head	Office of the Group Head – Data Science & Analytics
CORONEL, Elizabeth E.	Group Head	Office of the Group Head – Corporate Banking
DELA CUESTA, George Gilbert G.	Group Head / Corporate Secretary	Office of the Group Head – Legal Affairs and Corporate Secretariat
ESTRELLA, Brent C.	Chief Compliance Officer / Group Head	Compliance Office and Office of the Group Head – Regulatory Affairs
MADONZA, Florentino M.	Group Head	Office of the Group Head – Controllership
MATSUMOTO, Yasuhiro	Segment Head	Global and Ecozone Segment
PEDROSA, Alberto N.	Segment Head	Asset Portfolio Management Segment
RAMOS, Robert Rol Richard Raymond B.	Trust Officer / Group Head	Office of the Group Head – Trust & Investments
RODRIGUEZ, Joseph Colin B.	Segment Head	Subsidiaries Treasury Risk Positions
SANTIAGO, Bennett Clarence D.	Group Head	Office of the Group Head – Credit Management
SUBIDO, Rowena F.	Group Head	Office of the Group Head – Human Resources
TINIO, Ma. Angela V.	Group Head	Small & Medium Enterprise Banking

Senior Vice-Presidents

BILAOS, Lalaine I.	Division Head	Local Corporate Banking Segment Division II
BOLISAY, Ma. Carmela S.	Division Head	Office of the Division Head – Management Services
BORROMEO, Jose Maria P.	Segment Head	Central Funding Division
BUENAFLOR, Enrique C.	Segment Head	Global Transaction Banking
CANLAS, Karen K.	Division Head	Wealth Management Division 2
CRUZ, Antonio Manuel E. Jr.	Segment Head	Chinese Banking Segment 1
DE VILLA, Ramil M.	Segment Head (until May 14, 2021) Group Head (effective May 15, 2021)	Consumer Collection Segment Office of the Group Head – Consumer Lending
ERMITA, Edwin, R.	Bank Security Officer	Office of the President & Chief Executive Officer
ESTACIO, Benjamin E.	Regional Service Head	Mindanao Service Region
GASPAR, Bernice U.	Division Head	Chinese Banking Segment – Division III
MACATANGAY, Mary Grace P.	Segment Head	Consumer Finance Services Division
MAÑAGO, Jane N.	Group Head	Office of the Group Head - Wealth Management
MENDOZA, Jose Jayson L.	Division Head	Metro Manila Division
MIRAL, Gerardo G.	Division Head	Global & Ecozone Segment – Division II

NATIVIDAD, Maria Cecilia F.	Group Head	Office of the Group Head – Marketing
NOVILLA, Aline A.	Chief Audit Executive / Group Head	Office of the Group Head – Internal Audit
ONG, Arniel Vincent B.	President and Chief Executive Officer	RCBC Bankard Services Corporation (Seconded)
PAPILLA, Loida, C.	Division Head	Asset Management Support Division
QUIOGUE, Nancy J.	Regional Service Head	North Metro Manila Region
RAMOS, Elsie S.	Division Head	Litigation / Labor Division
REYES, Ismael S.	Regional Sales Director	Metro Central Region
REYES, Steven Michael T.	Segment Head	Treasury Sales & Digital Service Delivery
RODRIGO, Ma. Rosanna M.	Regional Sales Director	Central Luzon Region
SANTOS, Raoul V.	Segment Head	Investment Services Division
SELIRIO, Libertine R.	Division Head	Global & Ecozone Segment – Division 1
SO, Johan C.	Division Head	Local Corp. Banking Segment Division 1
SORIANO, Elvira D.	Segment Head	BCLC Audit Segment 1
TABUENA, Cecilia E.	Segment Head	Local Corporate Banking Segment
TIRADO, Gianni Franco D.	Regional Sales Director	West Mindanao Region
TOMAS, Juan Gabriel R. IV	Chief Risk Officer / Group Head	Office of the Group Head – Risk Management
USON, Raul Martin D.	Segment Head	Branch Services Support Segment
VALDES, Emmanuel Mari K.	Division Head	Deposit Product & Promotion Division
ZAMORA, Paula Fritzie C.	Segment Head	Financial Institutions & Support Segment
ZANTUA, Nilo C.	Chief Technology Officer	Office of the Group Head - ITSSG

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

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

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

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

(g) Legal Proceedings:

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

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

HHIC-Philippines, Inc. Rehabilitation Proceedings

On January 9, 2019, HHIC-Phil, Inc. ("HHIC-Phil") filed a petition for corporate rehabilitation (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"). 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. 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 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, the Rehabilitation Court sustained the Bank/co-creditor banks' opposition and ruled against the ship owners/ship engine supplier.

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

As of March 31, 2021, the outstanding loan obligation of HHIC-Phil to the Bank remains at USD149,441,585.67, inclusive of accrued and compounded interest, as well as penalty on interest and principal.

Sale of National Steel Corporation (NSC) Plant Asset

In October 2008, Global Steel Philippines (SPV-AMC), Inc. and Global Ispat Holdings (SPVAMC), Inc. (collectively, "Global Steel"), which purchased the Iligan Plant assets ("NSC Plant Assets") of the National Steel Corporation ("NSC") , 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.

In May 2012, the SIAC rendered a partial award in favor of Global Steel in the amounts of (a) US$80 Million, as and by way of lost opportunity to make profits, and (b) P1.403 Billion, 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 in 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 P216.67 Million. 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 April 2017, the Makati City Regional Trial Court ("Makati Trial Court") nullified the public auction, and enjoined any real property tax collection actions against the NSC. The City of Iligan filed a motion for reconsideration but this was denied.

The City of Iligan filed a Petition for Certiorari with the Court of Appeals. 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, 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 in SEC Case No. 12-99-6959 against the City Treasurer. The Court of Appeals, however, dismissed the same citing NSC's alleged forum-shopping/failure to observe the hierarchy of the courts, and denied its Motion for Reconsideration.

The NSC elevated the case to the Supreme Court in February 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.

Verotel Merchant Services B.V. Case

In 2011, Verotel Merchant Services B.V. ("VMS"), a Dutch corporation, and Verotel International Industries, Inc. ("VII"), a Philippine corporation, civilly sued the Bank, Bankard, Inc. ("Bankard"), Grupo Mercarse Corp., CNP. Worldwide, Inc. and several individuals before the Los Angeles Superior Court for various causes of action including fraud, breach of contract and accounting, claiming that VII and its alleged parent company, VMS, failed to receive the total amount of US$1.5 Million, 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 in 2016. VMS followed suit to overturn the deletion of the punitive damages award in its favor. In a Decision dated January 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$7.5 Million punitive damages award. On February 16, 2021, the Bank/Bankard remitted US$3,244,745.41 in full settlement of the monetary award in favor of VMS, inclusive of interest and other charges.

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. In November 2016, the Metropolitan Trial Court of Makati City convicted Valbuena of the crime of violation of BP 22. Valbuena's conviction has since been sustained further by the Court of Appeals, which directed her to pay RSEC the amount of P7.2 Million, and interest at the rate of 12% per annum from January 18, 2012 to June 30, 2013, and 6% per annum from July 1, 2013 until full satisfaction. On September 21, 2020, Valbuena filed a Petition for Review with the Supreme Court, seeking the reversal of the Decision of the Court of Appeals.

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. The EIPD-SEC accepted RSEC’s negotiated settlement offer of P2.5 Million, *sans* any finding of fault.

During the pendency of foregoing EIPD-SEC proceedings, Carlos S. Palanca IV ("Palanca") and Cognatio complained against RSEC before the CMIC. In its Decision of December 2014, CMIC dismissed the complaint holding that Palanca/Cognatio’s complaint has prescribed and 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 of March 2020.

In February 2013, Stephen Y. Ku ("Ku") filed a complaint against RSEC with the Regional Trial Court of Makati, Branch 149 (the "Makati Trial Court"), praying for the return of his shares of stock/cash payments approximately valued at P103 Million, which he claims to have been turned over to Valbuena. In 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 that Ku’s remediation 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 in February 2020, and set the presentation of Ku’s evidence. However, due to the COVID-19 pandemic, Ku’s presentation of evidence only commenced in July 2020. His cross-examination, which began in January 2021 has since been reset to April 2021, due to the resurgence of COVID-19 incidents affecting the Makati Trial Court.

Applicability of RR 4-2011

In March 2011, the Bureau of Internal Revenue (“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 RBU.

In April 2015, the Bank/other Bankers Association of the Philippines member banks (“BAP-member banks”) filed a Petition for Declaratory Relief with application for provisional remedies with the Regional Trial Court of Makati ("Makati Trial Court"), which issued (a) 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 (b) a Confirmatory Order 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 and made permanent the Writ of Preliminary Injunction it issued earlier.

The Department of Finance (“DOF”)/BIR filed a Petition for Review with the Supreme Court. The Bank/other BAP-member banks countered that (a) 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 (b) 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, and for unlawfully amending the NIRC or Tax Code, thereby depriving the Bank/other BAP-member banks of their substantive rights to fully deduct legitimate business expenses. In a Resolution of September 2020, the Supreme Court directed the DOF/BIR to file their reply to the separate Comments filed by the Bank/other BAP-member banks. However, as of March 2021, the DOF/BIR has yet to file the required Reply.

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. In August 2016, the Monetary Board approved the imposition of a P1 Billion fine upon the Bank which it paid in full. Such fine was fully recognized as part of miscellaneous expenses in the Bank's 2016 AFS. The Bank's payment of the penalty did not affect its ability to perform its existing obligations or unduly hamper its operations.

U.S. Litigation relating to the Bangladesh Bank Incident

In January 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 where the questioned funds passed through, alleging they conspired with North Korean hackers to steal funds from its FRBNY 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 Million from another defendant), plus interest, attorney's fees, and other damages, including treble damages under the Federal Racketeer Influence and Corrupt Organizations ("RICO") Act.

In March 2020 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 also declined to retain any supplemental jurisdiction over the related state-law claims. After initially appealing to the United States Court of Appeals, Bangladesh Bank withdrew its appeal.

In May 2020, Bangladesh Bank initiated another complaint against the Bank/the same other defendants before the New York State Court, citing the same causes of action and still seeking to recover the full amount wired from of its FRBNY bank account, plus interest and damages. Due to the continuing COVID-19 pandemic, Bangladesh Bank was given until July 2021 to serve summons and the new Complaint in accordance with the Hague Convention.

In January 2021, the Bank received a Notice from the Regional Trial Court of Makati City, together with the attached copies of the Summons and the Complaint filed by Bangladesh Bank before the New York State Court. In February 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. Bangladesh Bank filed its Opposition to the Bank's Motion to Dismiss, and the Bank has since filed its Reply in March 2021.

Philippine Litigation relating to the Bangladesh Bank Incident

On March 6, 2019, the Bank/the former National Sales Director ("NSD") filed a complaint for Injunction and Damages against Bangladesh Bank with the Regional Trial Court of Makati City ("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 participate in any of the mediation conferences held. However, the Makati Trial Court struck-down Bangladesh Bank's claim of (a) immunity from suit in view of the power to sue/be sued in its own Charter document, and the valid service of summons upon it; and (b) forum-shopping.

Due mainly to the continuing absence of the counsel for Bangladesh Bank, the hearings in the case have been reset several times. In the wake of the November 24, 2020 status hearing, the counsel for Bangladesh Bank filed a Manifestation alleging (a) that his client is supposedly different from the named case defendant, and (b) his lack of authority to act any further therein. The Bank filed a Motion to Declare Defendant in Default in December 2020.

In an abrupt turn-around, the counsel for Bangladesh Bank belatedly filed a Motion to Dismiss in January 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. Both Motions to declare Bangladesh Bank in default, and dismiss the case, remain pending.

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 Million. 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").

In December 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.
In March 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 with the Court of Appeals.

In March 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 Million. 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 Million, 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 2016, which former BM Deguito opposed. In a Resolution dated February 2020, the Makati MTC denied the Prosecution's motion to present the testimony of the bank teller; and directed the Heirs of the Centurytex Trading account owner to present their evidence. The Prosecution filed its Motion for Reconsideration, arguing that it should be allowed to present additional witnesses in the interest of greater Justice. To date, the incident remains unresolved.

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 in February 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 presentation of evidence for the former SCRO is tentatively set in June 2021.

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

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

(h) Non-Involvement in Certain Legal Proceedings:

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

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

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

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

(i) Certain Relationships and Related Transactions:

As of December 31, 2020, the Bank is a 41.72%-owned subsidiary of Pan Malayan Management and Investment Corporation (PMMIC), the holding company of the flagship institutions of the Yuchengco Group of Companies (YGC). As of December 31, 2020, Cathay Life Insurance Corporation (Cathay) also owns 23.35% interest in RCBC. These figures remain the same as of April 15, 2021.

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

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

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

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

If a transaction is determined to be an RPT, the said transaction and all its relevant details are required to be submitted to the appropriate RPT Committee for evaluation. Once determined to be on arm's length terms, RPTs evaluated by the RPT Board Committee are thereafter presented to the Board of Directors for approval while transactions reviewed and approved by the RPT Management Committee are presented to the Board of Directors for confirmation. In the event that a member of the Board has an interest in the transaction under evaluation, the said member shall not participate in the discussion and shall abstain from voting on the approval of the RPT. Pursuant to BSP Circular No. 895, as amended, and the Bank's Corporate Governance Manual, the Bank's significant transactions with its DOSRI and related parties were confirmed by majority vote of the Bank's stockholders during the last annual stockholders' meeting on July 27, 2020.

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

The Group's significant transactions with its related parties as of end December 2020 include loans and receivables and deposit liabilities. The total amount of loans outstanding was at P11.565 Billion [Note 28.1, Notes to Financial Statements] while total deposit liabilities was at P11.620 Billion [Note 28.2, Note to Financial Statements] as of December 31, 2020.

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

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

Under current BSP regulations, the amount of loans to each DOSRI, 70% of which must be secured, should not exceed the amount of his unencumbered deposit and book value of his investment in the Bank. In the aggregate, loans to DOSRIs, generally, should not exceed the total capital funds or 15% of the total loan portfolio of the Bank and/or any of its lending and non-banking financial subsidiaries, whichever is lower. However, non-risk loans are excluded in both individual and aggregate ceiling computations. As of December 31, 2020 and 2019, the Group and the Parent Company are in compliance with these requirements. [Note 28.1, Notes to Financial Statements]

The total amount of Parent Company DOSRI loans was at P920 million by end of December 2020 and at P416 million as of end December 2019.

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

- *Sale and Purchase of Securities* - The Parent Company and certain subsidiaries engage in the trading of investment securities as counterparties to the transaction. These transactions are priced similar to transactions with other counterparties outside the Group and there are no unsettled transactions as of the end of each reporting period. [Note 28.3, Notes to Financial Statements]
- *Retirement Fund* - The Parent Company and certain subsidiaries' retirement funds covered under their defined benefit post-employment plan maintained for qualified employees are administered and managed by the Parent Company's Trust Department in accordance with the respective trust agreements covering the plan. [Note 28.4, Notes to Financial Statements]

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

- *Lease contract with RRC and Sublease Agreements with Subsidiaries* - The Parent Company and certain subsidiaries occupy several floors of RCBC Plaza as leaseholders of RRC. The occupancy of some of subsidiaries in RCBC Plaza is covered by sublease agreements with RCBC. RCBC's lease contract with RRC is effective until December 31, 2020 [Note 28.5(a), Notes to Financial Statements]
- *Service Agreement with RCBC Bankard Services Corporation* (RBSC). The Parent Company has Service Agreement with RBSC, wherein RBSC shall provide the Parent Company with marketing, distribution, technical, collection and selling assistance and processing services in connection with the operation of the Parent Company's credit card business. [Note 28.5(b), Notes to Financial Statements]
- The Bank has service agreements with RBSC for the in-sourced internal audit services. The Bank provides limited audit services to RBSC, specifically IT audit, operations audit and financial statements review. Also, the Bank has formalized the service agreements for the internal audit services being provided to subsidiaries namely: RCBC Capital Corp., RCBC Securities, Inc., RCBC Forex Brokers Corp., Rizal Microbank-A Thrift Bank of RCBC, RCBC Leasing and Finance Corporation and Niyog Property Holdings, Inc.

- The Bank has a service agreement with RCBC Forex Brokers Corporation (RCBC Forex) for in-sourced services, rendered by the following business units: 1) business and operational risk, 2) compliance, 3) internal audit, 4) information technology, and 5) human resources. The services shall be limited to: compliance with relevant laws, rules and regulations, market, liquidity, and operational risk management, internal audit, information technology, review of salary and processing of payroll on a bi-monthly basis, and implementation of exclusive succession planning, human resources information system and database administration and organization of training programs.
- The Bank has a service agreement with RCBC Forex for the referral of money service business customers to RCBC Forex, to facilitate the purchase and/or sale of foreign currencies. The services to be rendered are relative to account opening and compliance with customer identification regulatory requirements.
- The Bank has a service agreement with RCBC International Finance Limited (RIFL) to facilitate the remittance tie-up and account solicitation arrangement agreement with RIFL which is based in Hongkong.
- The Bank has an agreement with RCBC Rentals Corp. (RRC) for the lease of 1,600 new ATMs with a lease term of 60 months. The agreement is expected to be implemented over a period of 3 years.

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

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

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

6. Compensation of Directors and Executive Officers

Executive Compensation:

Information as to the aggregate compensation paid or accrued during the last three fiscal years of the Bank's Directors, Chief Executive Officer and four other most highly compensated executive officers and all other officers as a group is presented below (in thousand pesos):

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES			
Names	**Principal Position**	**Aggregate Compensation** (net of Bonuses)	**Bonuses**
2021 Estimate			
Eugene S. Acevedo	President & Chief Executive Officer	93,740	45,654
Redentor C. Bancod	Senior Executive Vice President		
Horacio E. Cebrero III	Senior Executive Vice President		
John Thomas G. Deveras	Senior Executive Vice President		
Angelito M. Villanueva	Executive Vice President		

2020 Actual			
Eugene S. Acevedo	President & Chief Executive Officer	89,276	39,699
Redentor C. Bancod	Senior Executive Vice President		
Horacio E. Cebrero III	Senior Executive Vice President		
John Thomas G. Deveras	Senior Executive Vice President		
Angelito M. Villanueva	Executive Vice President		

2019 Actual			
Eugene S. Acevedo	President & Chief Executive Officer	88,217	33,448
Redentor C. Bancod	Senior Executive Vice President		
Horacio E. Cebrero III	Senior Executive Vice President		
John Thomas G. Deveras	Senior Executive Vice President		
Emmanuel T. Narciso	Executive Vice President		

Officers as a Group Unnamed		
2021 Estimate	4,763,512	1,150,922
2020 Actual	4,253,136	1.027,609
2019 Actual	3,441,085	956,648

All Directors (Fees and Other Compensation)*		
2021 Estimate		69,628
2020 Actual		59,941
2019 Actual		37,068

* *Inclusive of per diem of Directors amounting to P11,415 in 2019, P12,900 in 2020 and P13,000 in 2021 (estimate).*

Profit Sharing Bonus and Per Diem of Directors

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

Likewise, the members of the Board of Directors and the Advisory Board are entitled to per diem for every meeting they attended. For the year 2020, total fees and other compensation of all Directors amounted to P59.94 million, inclusive of P12.90 million representing per diem paid for the meetings they attended during the year.

For the protection of its directors from threats against the security of their persons, property, and private data, the Bank presents above the aggregate compensation of the members of the Board of Directors and Advisory Board for 2020, inclusive of bonuses received in accordance with the By-Laws. A report on the total compensation per director shall be presented to the stockholders during the Annual Stockholders' Meeting of the Bank on June 28, 2021, and a similar report will be directly submitted to the SEC.

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

7. <u>Independent Public Accounts</u>

Punongbayan and Araullo (P&A) acts as the independent auditor of RCBC, RCBC Savings Bank, RCBC Forex Brokers Corporation, and RCBC Leasing and Finance Corporation since 2006, of RCBC Capital Corporation since 2003, of Rizal Microbank, Inc.-A Thrift Bank of RCBC since 2008 and of RCBC-JPL Holding Company, Inc. since 2009.

In connection with the audits of the Bank's financial statements for the two (2) most recent years ended December 31, 2020 and 2019, there were no disagreements with P&A on any matter of accounting principles or practices, financial statement disclosures, audit scope or procedure.

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

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

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

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

8. Compensation Plans – Not Applicable

C. ISSUANCE AND EXCHANGE OF SECURITIES

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

10. Modification or Exchange of Securities – Not applicable

11. Financial and Other Information

a. **Financial statements meeting the requirements of SRC Rule 68, as amended**
Please see Annex "B" (includes Supplementary Schedules required by SRC Rule 68- Please see Annex "B-1"), Also attached are the Interim Financial Statements for the First Quarter 2020 (17-Q), please see Annex "B-2".

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

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

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

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

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

D. OTHER MATTERS

15. Action with Respect to Reports

The Management Report, as set forth in the Annual Report, and the Minutes of the previous stockholders' regular meeting held on July 27, 2020 will be submitted for stockholders' approval.

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

Approval of the July 27, 2020 Minutes constitutes a ratification of the accuracy and faithfulness of the Minutes to the events that transpired during said meeting, such as: (a) 2019 annual report and audited financial statements, (b) ratification of actions and proceedings of the Board of Directors, different Committees and Management during the year 2019, (d) confirmation of significant transactions with DOSRI and related parties, (e) election of directors, and (f) appointment of external auditor. A copy of the Minutes for the foregoing meeting is attached as Annex E.

The corporate acts of the Board of Directors, different Committees and Management that are subject to ratification are those made from the date of the last annual stockholders' meeting (July 27, 2020) up to the date of the meeting (June 28, 2021). These include, among others, those that involve day-to-day operation, administration and management of the corporate affairs such as approval of loans, write-offs, restructuring of past due accounts, sale of ROPOAs, appointment/resignation of directors/officers, sanctions/disciplinary measures imposed to erring officers/employees, and authority to file criminal/civil complaints.

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

In 2019, subsequent to the effective date of the merger, the Bank acquired the 315,287,248 common shares issued in exchange of the net assets of RCBC Savings Bank (RSB) equal to the Bank's investment in RSB as at December 31, 2018 amounting to P13,718,967,478. The Bank obtained a favorable tax ruling from the Bureau of Internal Revenue dated 27 April 2021, confirming that the merger of the Bank, as the surviving corporation, and RSB, as the absorbed corporation, is a tax-free exchange pursuant to Section 40 (C) (2) in relation to Section 40(C)(6)(b) of the of the National Internal Revenue Code of 1997, as amended.

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

18. Other Proposed Action – Not applicable

19. Voting Procedures

The vote required for election or approval.

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

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

The method by which votes will be counted

Each shareholder may vote *in absentia*, by remote communication, or by proxy the number of shares of stock standing in his name on the books of the Bank. Each share represents one vote.

Voting shall be by balloting. An independent third party, Punongbayan & Araullo, shall validate and count the votes to be cast.

The procedures for voting are also detailed in the Procedure for the Annual Stockholders' Meeting, the Proxy Form, and the Vote Ballot with Instructions and Procedures, all of which are attached to this Information Statement on the pages that follow the Notice of Meeting.

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

E. OTHER CERTIFICATIONS

Attached is the written certification by the Corporate Secretary on directors and officers working with the government as Annex "C." Attached as Annex "D/D-1" to "D-5" are the Certifications of Independent Directors.

SIGNATURES

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information given in this Information Statement is true, complete and correct. This Statement is signed in the City of Makati on May 19, 2021.

RIZAL COMMERCIAL BANKING CORPORATION

By:

GEORGE GILBERT G. DELA CUESTA
Corporate Secretary

RCBC
Partners Through Generations

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

Dear Stockholder:

Please be advised that the Annual Stockholders' Meeting of the Bank will be conducted virtually through https://www.rcbc.com/ASM2021 on **June 28, 2021 at 4:00 P.M.**, for the purpose of considering and acting on the following matters:

1. Approval of the Minutes of the Annual Meeting of the Stockholders held on July 27, 2020
2. Approval of the Annual Report and the Audited Financial Statements for 2020
3. Ratification of the actions and proceedings of the Board of Directors, different Committees and Management during the year 2020
4. Confirmation of significant transactions with DOSRI and related parties
5. Appointment of External Auditor
6. Election of Directors
7. Such other matters as may properly come before the meeting

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

Only stockholders of record at close of business on **May 31, 2021** will be entitled to participate and vote at the meeting or any adjournment thereof. Votes shall be cast by ballot in accordance with the attached form and procedures.

For the safety and well-being of all the Bank's stakeholders, there will be no physical meeting on June 28, 2021. Stockholders may participate in the virtual meeting either by remote communication by themselves or by proxy, or by casting their votes in absentia. For this purpose, stockholders must register and/or cast their votes by sending a registration email to RCBC-ASM-2021@rcbc.com in accordance with the attached procedures **until 5:00 pm of June 20, 2021.** Only stockholders or their proxies who duly register by email shall be allowed to access the virtual meeting at https://www.rcbc.com/ASM2021.

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

The validation of ballots and proxies shall be held on **June 21, 2021 at 9:00 am** at the Office of the Corporate Secretariat.

Due to logistical limitations at the virtual meeting, only relevant comments and questions on agenda items which are submitted by email to CorSecRCBC@rcbc.com **by 5:00 pm of June 25, 2021** will be considered during the open forum.

May 11, 2021 Makati City, Metro Manila, Philippines.

GEORGE GILBERT G. DELA CUESTA
Corporate Secretary

PROCEDURE FOR THE ANNUAL STOCKHOLDERS' MEETING

1. Only stockholders of record at close of business on **May 31, 2021** (Stockholders) will be entitled to participate and vote at the meeting or any adjournment thereof.

2. For the safety and well-being of all the Bank's stakeholders, there will be no physical meeting on June 28, 2021.

3. Stockholders may participate in the virtual meeting either by remote communication by themselves or by proxy, or by casting their votes in absentia. For this purpose, Stockholders must duly register by sending a **registration email** to RCBC-ASM-2021@rcbc.com **by 5:00 pm of June 20, 2021**. Only duly registered stockholders shall be counted for purposes of quorum.

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

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

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

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

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

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

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

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

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

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

6. **OPEN FORUM** - Due to logistical limitations at the virtual meeting, only relevant comments and questions on agenda items which are submitted by email to CorSecRCBC@rcbc.com with subject: **QUESTIONS/COMMENTS by 5:00 pm of June 25, 2021** will be considered during the open forum. The Corporate Secretary will reply, by email, to relevant comments and questions received after the June 25, 2021 cut-off and until the end of the meeting.

7. **VOTING** - Votes of duly registered Stockholders can only be cast through ballots or proxies. The ballot or proxy should be substantially in the form provided in the Definitive Information Statement and filled in accordance with the instructions set forth therein. All ballots and proxies should be received by the Bank together with the registration email not later than **5:00 pm of June 20, 2021**. Failure of the stockholder to send his/her votes as stated herein shall be deemed a vote of approval for all the agenda items.

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

8. Validation of ballots and proxies will be on **July 21, 2021 at 9:00 am.**

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

10. The proceedings of the meeting will be recorded.

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

P R O X Y

KNOW ALL MEN BY THESE PRESENTS:

That I, ______________________, a shareholder of the RIZAL COMMERCIAL BANKING CORPORATION (the "Corporation"), a domestic corporation, do hereby nominate, constitute and appoint _____________________________, with full power of substitution and delegation, as the proxy, of the undersigned to represent and vote all shares registered in my name on the books of Corporation, or owned by me at the Annual Meeting of Stockholders on June 28, 2021 of said Corporation, and any adjournment/s thereof, as fully to all intents and purposes as I might or could do if present and acting in my person, hereby ratifying and confirming any and all acts which my said attorney and proxy may do in or upon any and all matters which may properly come before any said meeting, or any adjournment or adjournments thereof, upon the proposals enumerated below.

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

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

PROPOSALS AND VOTING INSTRUCTIONS

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

	FOR	AGAINST	ABSTAIN
1. Approval of the Minutes of the Annual Meeting of the Stockholders held on July 27, 2020	☐	☐	☐
2. Approval of the Annual Report and the Audited Financial Statements for 2020	☐	☐	☐
3. Ratification of the actions and proceedings of the Board of Directors, different Committees and Management during the year 2020	☐	☐	☐
4. Confirmation of Significant Transactions with DOSRI and Related Parties	☐	☐	☐
5. Appointment of Punongbayan & Araullo as External Auditor	☐	☐	☐
6. At their discretion, the proxies named above are authorized to vote upon such other matters as may properly come before the meeting.	☐	☐	☐

(proposal 7 on next page)

7. Election of Directors 15 Directors (10 Regular Directors and 5 Independent Directors)

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

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

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

Exceptions:

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

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

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

This proxy shall be valid for the Annual Meeting of Stockholders of the Corporation on June 28, 2021 unless sooner withdrawn by me through notice in writing delivered to the Corporate Secretary. In case I shall be present at the meeting, this proxy stands revoked.

IN WITNESS WHEREOF, I, the undersigned shareholder, have executed this proxy at ______________________ this ________day of ___________________ 2021.

____
(Signature Over Printed Name)
☐ Stockholder
☐ Authorized Representative of Stockholder
Date: ________________, 2021

PLEASE SEE NEXT PAGE

OTHER INFORMATION AND INSTRUCTIONS FOR THE PROXY FORM

1. *Submission of Proxy*

(a) The proxy form must be duly completed, signed and dated by the stockholder or his duly authorized representative, and received by email via RCBC-ASM-2021@rcbc.com together with the stockholder's registration mail by **5:00 pm of June 20, 2021.** If the name of the proxy is not specified, the stockholder shall be deemed as having appointed the Chairperson as proxy.

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

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

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

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

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

2. *Revocation of Proxy*

A holder of shares of stock of the Company who has given a proxy has the power to revoke it by written instrument duly signed and dated, which must be received by email via RCBC-ASM-2020@rcbc.com not later than **5:00 pm of June 25, 2021**. A proxy is also considered suspended if an individual stockholder signifies by email to RCBC-ASM-2021@rcbc.com on or before **5:00 pm of June 20, 2021** that he is attending the meeting by remote communication.

3. *Validation of Proxy*

The validation of proxies will be held on **June 20, 2021** at **9:00 am** at the Office of the Corporate Secretary. Validation of proxies will be done by the Corporate Secretary and persons designated by the Corporate Secretary who shall be under his supervision and control, in accordance with the procedure and guidelines set out in the Company's By-Laws and Section 11(b) of the SRC Rule 20.

VOTE BALLOT

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

PROPOSALS AND VOTING INSTRUCTIONS

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

	FOR	AGAINST	ABSTAIN
1. Approval of the Minutes of the Annual Meeting of the Stockholders held on July 27, 2020	☐	☐	☐
2. Approval of the Annual Report and the Audited Financial Statements for 2020	☐	☐	☐
3. Ratification of the actions and proceedings of the Board of Directors, different Committees and Management during the year 2020	☐	☐	☐
4. Confirmation of Significant Transactions with DOSRI and Related Parties	☐	☐	☐
5. Appointment of Punongbayan & Araullo as External Auditor	☐	☐	☐
6. At their discretion, the proxies named above are authorized to vote upon such other matters as may properly come before the meeting.	☐	☐	☐

7. Election of Directors 15 Directors (10 Regular Directors and 5 Independent Directors)

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

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

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

Exceptions:

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

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

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

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

IN WITNESS WHEREOF, I, the undersigned stockholder have cast the foregoing Vote Ballot at ____________________ this _______day of __________________ 2021.

____

(Signature Over Printed Name)

□ Stockholder

□ Authorized Representative of Stockholder

Date: _______________ , 2021

RIZAL COMMERCIAL BANKING CORPORATION

AGENDA

ANNUAL MEETING OF THE STOCKHOLDERS

DATE	:	June 28, 2021
TIME	:	4:00 P. M.
PLACE	:	Virtual Meeting https://www.rcbc.com/ASM2021

1. Proof of the Due Notice of the Meeting
2. Determination of the presence of a Quorum
3. Approval of the Minutes of the Annual Meeting of the Stockholders held on July 27, 2020
4. Approval of the Annual Report and the Audited Financial Statements for 2020
5. Ratification of the actions and proceedings of the Board of Directors, different Committees and Management during the year 2020
6. Confirmation of significant transactions with DOSRI and related parties
7. Election of Directors
8. Appointment of External Auditor
9. Other Matters
10. Open Forum
11. Adjournment

RATIONALE / EXPLANATION
FOR AGENDA ITEMS REQUIRING SHAREHOLDERS' APPROVAL

1. Proof of Due Notice of the Meeting

Rationale/ Explanation: Only stockholders of record as of **May 31, 2021** shall be entitled to notice and vote at the meeting. The notice of the meeting, which shall contain, in addition to the date, hour and link to the virtual meeting, a statement of the matters to be taken up at such meeting, shall be published for 2 consecutive days in 2 newspapers of general circulation in both print and online formats in accordance with the rules of the Securities and Exchange Commission. The Corporate Secretary shall confirm that due notice of the meeting was made.

2. Determination of the presence of a Quorum

Rationale/ Explanation: Quorum shall consist of stockholders owning the majority of the subscribed capital stock represented in person or by proxy, or with votes cast in absentia who duly registered through RCBC-ASM-2021@rcbc.com as of June 20, 2021. On the basis of such registration, the Corporate Secretary shall declare whether or not a quorum exists for the Annual Stockholders Meeting. Stockholders who cast their votes in absentia shall be deemed present for purposes of quorum.

3. Approval of the Minutes of the Annual Meeting of the Stockholders held on July 27, 2020

Rationale/ Explanation: Approval of the July 27, 2020 Minutes of the Annual Meeting of the Stockholders constitutes a ratification of the accuracy and faithfulness of the Minutes to the events that transpired during said meeting, including, (a) approval of the Minutes of the 2019 meeting, (b) 2019 annual report and audited financial statements, (c) ratification of actions and proceedings of the Board of Directors, different Committees and Management during the year 2019, (d) confirmation of significant transactions with DOSRI and related parties, (e) election of directors, and (f) appointment of external auditor. The said Minutes is available on the Bank's website and attached to the Information Statement.

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

4. Approval of the Annual Report and the Audited Financial Statements for 2020

Rationale/ Explanation: Approval of the Annual Report constitutes a ratification of the Bank's performance during the previous fiscal years as contained in the Annual Report. The Annual Report will contain the results of the operation of the Company during the year 2020. The financial statements as of December 31, 2020 will also be presented and endorsed for approval by the Board of Directors and the Audit Committee. The Audited Financial Statements for 2020 will be attached to the Definitive Information Statement and is incorporated in the Bank's SEC 17-A (Annual Report) submitted to the Securities and Exchange Commission (SEC) and available on the Bank's website.

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

5. Ratification of the actions and proceedings of the Board of Directors, different Committees and Management during the year 2020

Rationale/ Explanation:	The corporate acts of the Board of Directors, different Committees and Management that are subject to ratification are those made from the date of the last annual stockholders' meeting (July 27, 2020) up to the date of the meeting (June 28, 2021). These include, among others, those that involve the day-to-day operation, administration and management of the corporate affairs such as approval of loans, restructuring of past due accounts, sale of ROPOAs, appointment/ resignation of directors/ officers, sanctions/disciplinary measures imposed to erring officers/ employees, authority to file criminal/civil complaints, and related matters. A vote representing majority of stockholders represented and eligible to vote during the meeting is required to pass a resolution on this matter.

6. Confirmation of Significant Transactions with DOSRI and Related Parties

Rationale/ Explanation:	Significant transactions with DOSRI and related parties for the year 2020 include: loans/receivables and deposit liabilities; trading of investment securities; lease and sub-lease with RCBC Realty Corporation; various service agreements with RCBC Bankard Serivces Corporation, RCBC Forex Brokers Corporation, RCBC Capital Corporation, RCBC Securities, Inc., Rizal Microbank – A Thrift Bank of RCBC, RCBC Leasing and Finance Corporation, Niyog Property Holdings, Inc., and RCBC International Finance Limited; lease agreement with RCBC Rentals Corporation for the lease of ATMs; and the administration and management of some of the subsidiaries' retirement funds. The Bank's other transactions with affiliates include service agreements, leasing office premises to subsidiaries, accreditation of RCBC Trust agent and of insurance companies, and regular banking transactions (such as purchases and sales of trading account securities, securing insurance coverage on loans and property risks and intercompany advances). Details of said related party transactions are disclosed in the Bank's SEC 17-A Report which is also available on the Bank's website. These are also provided in the Annual Report accompanying the Definitive Information Statement, Annex A. In accordance with BSP Circular No. 895 dated December 14, 2015, which requires the Bank's stockholders to confirm by majority vote, the Bank's significant transactions with DOSRI and related parties, the above-mentioned significant transactions are presented to the stockholders for confirmation.

7. Election of Directors

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

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

8. Appointment of External Auditor

Rationale/ Explanation: The Audit and Compliance Committee will screen and endorse to the stockholders the appointment of a selected qualified SEC-accredited auditing firm as external auditor of RCBC for the year 2021, including their proposed remuneration. The profile of the external auditor is provided in the Definitive Information Statement.

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

9. Other Matters

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

10. Open Forum

Rationale/ Explanation: Due to logistical limitations at the virtual meeting, only relevant comments and questions on agenda items which are submitted by email to CorSecRCBC@rcbc.com with subject: **QUESTIONS/COMMENTS by 5:00 pm of June 25, 2021** will be considered during the open forum. The Corporate Secretary will reply, by email, to relevant comments and questions received after the June 25, 2021 cut-off and until the end of the meeting.

11. Adjournment

ANNEX A

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

(A) Audited Consolidated Financial Statements

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

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

2018

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

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

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

Output and employment

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

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

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

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

Prices

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

Money and Interest Rates

The BSP raised its local policy rates by a total of 1.75 percentage points in 2018 due to higher inflation. This has led to higher local interest rates that reached decade highs last Oct. 22, 2018, but already started to ease thereafter alongside the declining trend in inflation.

Peso exchange rate (vs. US dollar) closed at 52.58 in end-2018 vs. 49.93 in end-2017 amid record trade deficit that required increased purchase of foreign exchange needed for the sharp increase in net imports. Peso was also weaker due to external factors including stronger dollar vs. major global currencies after the Federal Reserve increased key US interest rates and the increased volatility in Emerging Markets, among others.

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

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

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

External Sector

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

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

Philippine economy remains to be supported against global headwinds with gross international reserves at US$79.2bn (as of end-2018) that covers 7 months of imports, structural US dollar flows from OFW remittances (growing at 3% to US$32.21bn, highest annual level to date) and

BPO revenues, and continued inflows of foreign direct investments at US$9.1bn for the first 11 months of 2018 (although declined by -3.2% vs. US$9.4bn in in the same period last year due to uncertainties on the proposed rationalization of fiscal incentives). Net foreign portfolio investments inflows in 2018: US$1.2bn vs. outflows of –US$1.95bn in 2017.

Public Finance

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

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

Financial and Operating Highlights

Balance Sheet

RCBC's Total Assets stood at ₱645.0 billion.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Income Statement

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

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

Total interest expense stood at P10.444 billion and accounted 42.46% of total operating income. Interest expense on deposit liabilities grew by 59.00% from P3.959 billion to P6.295 billion, representing 25.59% of total operating income. The increase was a result of higher volume and cost of time deposits. Interest expense on bills payable and other borrowings increase by 49.03% or P1.365 billion from P2.784 billion to P4.149 billion mainly due to issuance of Senior Notes in 2018.

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

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

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

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

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

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

Tax expense was at P872 million.

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

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

Performance Indicators

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

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

Wholly-Owned/Virtually Wholly Owned Subsidiaries

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

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

RCBC CAPITAL CORPORATION and Subsidiaries	Audited	
In Php 000s (Except EPS)	2018	2017
Net Income	Php 109,679	Php 547,620
Return on Average Assets (ROA)	2.54%	12.33%
Return on Average Equity (ROE)	2.89%	14.39%

BIS Capital Adequacy Ratio (CAR)	20.43%	39.36%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	0.03%	0.03%
Earnings per Share (EPS)	Php 0.93	Php 4.64

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

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

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

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

**Dissolved in May 2018;.*

RCBC TELEMONEY EUROPE S.P.A *	**Audited**	
In Php 000s (Except EPS)	**2018**	**2017**
Net Loss	Php (16,222)	Php (9,172)
Return on Average Assets (ROA)	-111.16%	-55.15%
Return on Average Equity (ROE)	34.62%	12.43%
Capital to Total Assets	-310.72%	-647.61%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Loss per Share (EPS)	Php (162.22)	Php (91.72)

** Closed operations in March 2016*

RCBC-JPL HOLDING COMPANY, INC. (Formerly JP Laurel Bank, Inc.)	**Audited**	
In Php 000s (Except EPS)	**2018**	**2017**
Net Income	Php 1,203	Php 0.11
Return on Average Assets (ROA)	0.62%	0.05%

Return on Average Equity (ROE)	-1.04%	-0.09%
Capital to Total Assets	-62.20%	-61.78%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	-	-
Earnings per Share (EPS)	Php 1.02	Php 0.10

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

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

Notes to the Computations:

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

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

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

2019

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

Budget delay a major factor that slowed down 2019 economic growth

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

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

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

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

Easing inflationary pressures supported monetary easing in 2019

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

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

Philippine economy remained adequately cushioned against external headwinds

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

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

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

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

Financial and Operating Highlights

Balance Sheet

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

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

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

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

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

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

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

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

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

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

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

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

Total Capital Funds was recorded at P82.850 billion and accounted for 10.80% of Total Resources.

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

Income Statement

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

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

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

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

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

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

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

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

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

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

Net profit attributable to non-controlling interest settled at P1 million.
Overall, net income was recorded at P5.388 billion, 24.69% or P1.067 billion higher than last year's P4.321 billion.

Performance Indicators

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

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

Wholly-Owned/Virtually Wholly Owned Subsidiaries

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

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

RCBC CAPITAL CORPORATION and Subsidiaries	Audited	
In Php 000s (Except EPS)	2019	2018
Net Income	Php 277,001	Php 109,679
Return on Average Assets (ROA)	5.48%	2.58%
Return on Average Equity (ROE)	7.19%	2.93%

BIS Capital Adequacy Ratio (CAR)	56.35%	27.99%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	0.03%	0.03%
Earnings per Share (EPS)	Php 2.34	Php 0.94

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

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

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

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

***Closed operations in March 2016.*

RCBC-JPL HOLDING COMPANY, INC. (Formerly JP Laurel Bank, Inc.)	**Audited**	
In Php 000s (Except EPS)	**2019**	**2018**
Net Income	Php 2,007	Php 1,203
Return on Average Assets (ROA)	1.10%	0.75%
Return on Average Equity (ROE)	-1.76%	-1.26%
Capital to Total Assets	-63.26%	-62.20%
Non-Performing Loans (NPL) Ratio	0	0
Non-Performing Assets (NPA) Ratio	0	0
Earnings per Share (EPS)	Php 0.01	Php 0.01

NIYOG PROPERTY HOLDINGS, INC.	**Audited**	
In Php 000s (Except EPS)	**2019**	**2018**
Net Income	Php 51,382	Php 33,920
Return on Average Assets (ROA)	8.36%	5.00%

Return on Average Equity (ROE)	8.85%	5.26%
Capital to Total Assets	95.27%	94.96%
Non-Performing Loans (NPL) Ratio	0	0
Non-Performing Assets (NPA) Ratio	0	0
Earnings per Share (EPS)	Php 36.94	Php 24.39

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

Notes to the Computations:

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

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

3. *NPL ratio is determined by using the following formula: (Total NPLs net of total specific provision for losses 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. *For some subsidiaries, the NPL/NPA ratios were not computed since these ratios were not applicable.*

2020

Philippines has been enjoying strong economic growth over the years, making it one of the fastest-growing economies in Asia. Real GDP grew on an average of 6.3% over ten years to 2019. However, the raging COVID-19 pandemic in 2020 brought global economic activity to a near-standstill as countries imposed tight restrictions on movement to prevent the spread of the virus. Global output has contracted to levels much worse relative to other global recessions since 1990. This same pandemic brought Philippines to a recession—its worst annual contraction on record, breaking almost three decades of uninterrupted growth.

COVID-19 delivered multiple shocks to the Philippine economy—a health crisis, strict quarantine measures, and a global recession of unprecedented scale. The economy plunged -9.5% in 2020 following a lockdown described as one of the longest and strictest, where about 75% of the economy was shut down. The sharp contraction was mainly driven by the steep dive in domestic demand and the collapse of trade due to the impact of strict quarantine measures domestically and globally. Moreover, the country was hit by a series of strong typhoons that severely affected economic activities in some areas.

Household consumption dropped -7.9%, its worst performance on record, after being a major growth driver in the demand side of the economy in the past years. The decline was mainly due to a combination of factors that crippled domestic demand including record-high unemployment, declining household incomes, movement restrictions that reduced consumption, and a historic decline in consumer confidence. Unemployment rate reached 10.3% in 2020 as factories and public transportation were shut down, businesses were closed, and supply chains were cut. Meanwhile, OFW remittances, which were heavily relied on by Filipino families for household consumption, contracted by -0.8% as of November 2020 as the global economic slump under the pandemic forced thousands of OFWs out of their jobs.

The deepest contraction, with respect to domestic demand, was registered in the consumption of non-essential goods and services and those that were affected by the implementation of strict quarantine measures, while essential goods such as food registered small positive growth. In particular, the combination of travel restrictions and weak consumer confidence resulted in a collapse in domestic tourism expenditures, which make up about a fifth of private consumption.

Headline inflation averaged 2.6%, at the lower end of the government's 2%-4% target band, as weak household consumption led to lower price pressures. The benign inflation environment has rendered the BSP ample space to aggressively implement an accommodative monetary policy to mitigate the impact of the crisis. Since the beginning of 2020, BSP has reduced the key policy rate by a cumulative 200 basis points (bps) to a record low of 2.00% and the reserve requirement (RRR) by 200 bps to 12.0%. Local long-term interest rates (PHP BVAL yields) hovered near record lows as a result, with the 10-year BVAL yield ending the year at about 100 bps below its levels in end-2019.

The collapse in private consumption was compounded by the sharp decline in external demand and exports, due to significant disruptions in domestic and global supply chains and international travel restrictions. Exports fell by -16.7% due to contractions in both services and merchandise exports. Transport and travel services were hit the hardest among services exports, which both declined by -51% and -81% respectively, as the global tourism industry suffered from strict travel and mobility restrictions. Foreign tourist arrivals contracted by -87%, resulting in an -83% contraction in inbound tourism revenues. Merchandise exports contracted by -10.1% across all major product categories, a reversal from the 2.3% growth recorded in 2019. The decline in trade activity was caused by disruptions in source countries and weak consumption in key export markets due to the economic fallout caused by the pandemic.

The country's economic condition has impacted positively the overall balance of payments position of the country. Contraction in private consumption, deterioration in private investment activities, and a shift of public resources from public investment spending toward immediate COVID-19 response, all resulted in a -23.3% goods import contraction in 2020, vs. -1.1% in 2019. As a result, current account turned into a surplus of US$8.7 billion (3.4% of GDP) as of 3Q 2020, outpacing net capital outflow, leading to a balance of payment surplus of US$11.8 billion as of November 2020. The significant contraction in imports lessened the demand for US dollars contributing to the appreciation of the Philippine peso to its strongest in more than four years, and record high foreign reserve accumulation.

To mitigate the negative impact of COVID-19 on the economy, the government responded swiftly by increasing public spending through economic stimulus packages despite falling revenues. As a result, fiscal deficit (as of 3Q 2020) widened to -6.9% of GDP from -2.1% over the same period in 2019. This is the result of a shrinking tax base amid a slumping global and domestic economy while public spending increased rapidly to mitigate the effects of the crisis. Total public revenues fell by -9.6% in nominal terms as a result of a -12.2% decline in tax revenues. Public spending increased by 11.6%, mainly due to the implementation of the Bayanihan to Heal as One Act. The sharp increase in the fiscal deficit resulted in the public debt ratio reaching its highest level in nearly a decade. Yet, the country's long-term fiscal sustainability remains manageable, benefitting from years of prudent fiscal management by the government.

Financial and Operating Highlights

Balance Sheet

BALANCE SHEET			
In Million Pesos	**2020**	**2019**	**2018**
Total Assets	772,106	767,079	644,595
Investment Securities	88,064	160,719	118,449
Loans and Receivables (Net)	491,284	449,219	398,300
Total Deposits	535,788	456,581	423,399
Capital Funds	101,378	82,850	81,170

RCBC's Total Assets stood at P772.106 billion.

Cash and other Cash Items decreased by 2.29% or P387.0 million from P16.907 billion to P16.520 billion mainly due to the closure of sixty (60) business centers as part of the Bank's branch repositioning project following the merger with its thrift bank arm in mid-2019.

Due from Bangko Sentral ng Pilipinas (BSP) increased by 32.33% or P28.212 billion from P87.255 billion to P115.467 billion attributable to the increase in level of Overnight Deposits and Special Savings Account with BSP used as clearing account to service increased volume of online fund transfer transactions.

Due from Other Banks decreased by 16.53% or P3.111 billion from P18.818 billion to P15.707 billion, mainly due to decrease in foreign bank placements as a net result of servicing the matured obligations of the Bank.

Loans under Reverse Repurchase Agreement increased by 131.55% or P7.588 billion from P5.768 billion to P13.356 billion due to higher placements with BSP shifted from Term Deposits.

Total Investment Securities, representing 11.41% of Total Resources, decreased by 45.21% or P72.655 billion from P160.719 billion to P88.064 billion mainly due to the sale of Investment Securities at Amortized Cost and Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI). Investment Securities at Amortized Cost decreased by 57.37% or P57.900 billion from P100.926 billion to P43.026 billion; Financial Assets at FVOCI decreased by 25.98% or P14.095 billion from P54.245 billion to P40.150 billion. Financial Assets at Fair Value Through Profit or Loss (FVTPL) also decreased by 11.90% or P660.0 million from P5.548 billion to P4.888 billion as part of the Bank's regular trading activities.

Loans and Receivables – net, grew by 9.36% or P42.065 billion from P449.219 billion to P491.284 billion largely attributable to the increase in level of Interbank Loans by 126.99% or P23.878 billion and recorded moderate increases in Corporate and SME accounts by 4.2% or P9.602 billion and 7.8% or P5.711 billion, respectively. Consumer loans including credit cards portfolio also grew by 5.4% or P7.125 billion. It represented 63.63% of Total Resources.

Investment in Associates – net, decreased by 23.65% or P105.0 million from P444.0 million to P339.0 million mainly attributable to the decrease in equity investment in associates due to lower share in equity earnings during the year.

Bank Premises, Furniture, Fixtures & Equipment – net, increased by 18.11% or P2.003 billion from P11.059 billion to P13.062 billion largely due to the recognition of right-of-use (ROU) asset relative to the five-year incremental lease of the Bank's head office following PFRS 16, *Leases*.

Investment Properties – net, declined by 10.07% or P417.0 million from P4.142 billion to P3.725 billion as a result of the disposals and additional provisioning on real estate properties and auto during the year.

Deferred Tax Assets increased by 42.24% or P904.0 million from P2.140 billion to P3.044 billion due to recognition of additional deferred tax asset on higher provision for impairment losses, net of write-offs, during the year.

Other Resources – net, increased by 8.77% or P930.0 million from P10.608 billion to P11.538 billion mainly attributable to the increase in non-current assets held for sale, software and prepaid expenses during the year.

Deposit Liabilities were recorded at P535.788 billion and represented 69.39% of Total Resources. Demand deposits grew by 51.97% or P36.649 billion from P70.523 billion to P107.172 billion and accounted for 13.88% of Total Resources. Savings deposits grew by 8.88% or P15.917 billion from P179.247 billion to P195.164 billion and accounted for 25.28% of Total Resources. Total Current and Savings Account deposits grew by 21.05% or P52.566 billion from P249.770 billion to P302.336 billion from previous year. Time deposits reached P233.452 billion, which grew by 12.88% or P26.641 billion from P206.811 billion and accounted for 30.24% of Total Resources.

Bills Payable decreased by 87.04% or P88.439 billion from P101.606 billion to P13.167 billion primarily due to maturities of foreign and local borrowings during the year. The Bank also prepaid a syndicated foreign borrowing of USD 300.0 million or P14.917 billion as part of the Bank's liquidity management.

Bonds Payable decreased by 6.58% or P6.375 billion from P96.814 billion to P90.439 billion attributable to the maturity of the USD 243.0 million or P12.304 billion Senior Notes in January 2020 and P15.0 billion Green Bonds in August 2020, net of the P23.670 billion Peso Bond issuances during the year.

Accrued Taxes, Interest and Other Expenses decreased by 4.87% or P302.0 million from P6.202 billion to P5.900 billion due to lower interest expense on Time Deposits as a result of the decline in interest rates and impact of lower volume of Bills Payables and Other Borrowings.

Other Liabilities increased by 10.46% or P2.408 billion from P23.026 billion to P25.434 billion primarily due to the recognition of finance lease liability on the incremental lease of Bank's head office following PFRS 16, as discussed above.

Total Liabilities stood at P670.728 billion and represented 86.87% of Total Resources.

On August 27, 2020, the Bank issued foreign currency denominated Securities eligible as Additional Tier 1 Capital amounting to USD 300.0 million or P14.463 billion with an interest rate of 6.5% per annum payable semi-annually in arrears due on February 27 and August 27 of each year.

Other Comprehensive Income increased by 5.61% or P123.0 million from loss of P2.193 billion to P2.070 billion mainly due to the improvement in the market value of retirement plan assets, net of the decline in Net Unrealized Gains on Financial Assets at FVOCI securities as compared with previous year.

Retained Earnings increased by 11.81% or P3.930 billion from P33.275 billion to P37.205 billion mainly on account of the net income during the year, net of P1.076 billion cash dividends paid on Common and Preferred Shares.

Total Capital Funds were recorded at P101.378 billion and accounted for 13.13% of Total Resources.

Income Statement

INCOME STATEMENT			
In Million Pesos	**2020**	**2019**	**2018**
Interest Income	36,952	37,578	30,933
Interest Expense	10,671	15,210	10,444
Net Interest Income	26,281	22,368	20,489
Other Operating Income	11,632	13,490	6,006
Impairment Losses	9,375	7,397	1,899
Operating Expenses	22,045	21,798	19,403
Tax Expense (Income)	1,475	1,275	872
Net Income attributable to non-controlling interest	(2)	1	1
Net income	5,020	5,387	4,320

Total interest income slightly decreased by 1.67% or P626.0 million from P37.578 billion to P36.952 billion and accounted for 97.47% of total operating income. Interest income on loans and receivables went up by 3.87% or P1.263 billion from P32.646 billion to P33.909 billion and accounted 89.44**%** of total operating income. The increase was mainly due to the growth in average volume of Loans and Receivables, net of the impact of lower average yield. Interest income on Investment Securities decreased by 53.78% or P2.419 billion from P4.498 billion to P2.079 billion as a result of decline in average volume due to the sale of Securities at Amortized Costs and FVOCI securities; it accounted 5.48**%** of total operating income. Other interest income, on the other hand, increased by 122.12% or P530.0 million from P434.0 million to P964.0 million due to the increase in volume of Overnight and Term Deposits with the BSP.

Total interest expense went down by 29.84% or P4.539 billion from P15.210 billion to P10.671 billion and accounted for 28.15**%** of total operating income. Interest expense on deposit liabilities decreased by 38.70% or P3.338 billion from P8,626 billion to P5,288 billion primarily as a result of lower average costs, partly off-set by the impact of the increase in average volume; it represented 13.95**%** of total operating income. Interest expense on bills payable and other borrowings decreased by 18.24% or P1.201 billion from P6.584 billion to P5.383 billion due to lower average costs and the decline in average volume year-on-year. As a result, net interest income increased by 17.49% or P3.913 billion from P22.368 billion to P26.281 billion.

As part of the Bank's conservative stance on loan loss provisioning, the Bank booked total impairment losses of P9.375 billion, up by 26.74% or P1.978 billion from P7.397 billion last year to cover the expected increase in non-performing loans due to COVID-19 pandemic. It represented 24.73% of total operating income.

Other operating income decreased by 13.77% or P1.858 billion from last year's P13.490 billion now at P11.632 billion. This accounted for 30.68% of total operating income, and is broken down as follows:

- Trading and securities gain – net, decreased by 18.79% or P1.408 billion from P7.492 billion to P6.084 billion, due to lower realized trading gains from sale of investment securities. It accounted 16.05% of total operating income;
- Service fees and commissions decreased by 9.03% or P348.0 million from P3.854 billion to P3.506 billion mainly due to lower credit card related fees and fees on loans and trade commitments. It represented 9.25% of total operating income;
- Trust fees remained flat at P323.0 million year-on-year;
- Foreign exchange gains – net, increased by 65.42% or P227.0 million from P347.0 million to P574.0 million. This was primarily due to higher foreign currency position profit, net of the lower income from commercial transactions;
- Share in net earnings of subsidiaries and associates decreased by 547.62% or P115.0 million due to lower equity earnings from Investments in Associates;

- Miscellaneous income decreased by 14.73% or P214.0 million from P1.453 billion to P1.239 billion due to lower dividend income.

Operating expenses, which accounted for 58.15**%** of total operating income, slightly increased by 1.13% or P247.0 million from P21.798 billion to P22.045 billion due to the following:

- Total Manpower costs decreased by 3.03% or P207.0 million from P6.833 billion to P6.626 billion as a result of the headcount and branch rationalization programs following the merger with a subsidiary in the middle of 2019. It represented 17.48% of total operating income;
- Occupancy and equipment-related expenses slightly increased by 0.68% or P19.0 million from P2.800 billion to P2.819 billion mainly due to higher repairs and maintenance on computer equipment and software. It represented 7.44% of total operating income;
- Taxes and licenses, which accounted for 8.40% of total operating income, slightly increased by 2.61% or P81.0 million from P3.103 billion to P3.184 billion on account of higher Documentary Stamp Tax coming from the growth in peso time deposits, net of lower Gross Receipts Tax;
- Depreciation and amortization was recorded at P2.924 billion, up by 16.82% or P421.0 million from P2.503 billion largely due to higher depreciation on consumer loan-related ROPAs and leased equipment of its leasing subsidiary. It represented 7.71% of total operating income;
- Miscellaneous expenses declined by 1.02% or P67.0 million to P6.492 billion from P6.559 billion largely due to lower credit card related expenses (volume-driven) and lower management and other professional fees, net of the increase in regulatory fees such as BSP and PDIC. It accounted for 17.12% of total operating income.

Tax expense increased by 15.69% or P200.0 million from P1.275 billion to P1.475 billion due to higher final tax on investment securities and higher regular corporate income tax, net of higher deferred income tax (negative expense) largely from the increase in expected credit loss provisioning requirement.

Net loss attributable to non-controlling interest settled at P2.0 million.

Overall, net income declined by 6.87% or P370.0 million from P5.388 billion to P5.018 billion.

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

Performance Indicators

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES				
	Audited			
	Consolidated		**Parent**	
	2020	**2019**	**2020**	**2019**
Return on Average Assets (ROA)	0.68%	0.80%	0.69%	0.81%
Return on Average Equity (ROE)	5.54%	6.47%	5.55%	6.48%
BIS Capital Adequacy Ratio (CAR)	16.14%	13.76%	15.86%	13.16%
Common Equity Tier 1 Ratio	12.64%	12.89%	12.28%	12.29%
Non-Performing Loans (NPL) Ratio	2.94%	2.15%	2.83%	1.96%
Non-Performing Assets (NPA) Ratio	2.78%	2.01%	2.70%	1.88%
Net Interest Margin (NIM)	4.31%	4.03%	4.30%	4.02%
Cost-to-Income Ratio	58.15%	60.79%	57.80%	60.39%
Loans-to-Deposit Ratio**	85.21%	95.30%	83.59%	93.30%
Current Ratio	0.78	0.47	0.78	0.45
Liquid Assets-to-Total Assets Ratio	0.27	0.20	0.27	0.21

Debt-to-Equity Ratio	6.62	8.26	6.53	8.18
Asset-to- Equity Ratio	7.62	9.26	7.53	9.18
Asset -to- Liability Ratio	1.15	1.12	1.15	1.12
Interest Rate Coverage Ratio	1.61	1.44	1.64	1.44
Earnings per Share (EPS)				
Basic	Php 2.43	Php 2.78	Php 2.43	Php 2.78
Diluted	Php 2.43	Php 2.78	Php 2.43	Php 2.78

** Excluding Interbank loans and Loans under Reverse Repurchase Agreement*
***Net of dividends on Hybrid Tier 1 Securities in 2020*

Wholly-Owned/Virtually Wholly Owned Subsidiaries

RIZAL MICROBANK	**Audited**	
In Php 000s (Except EPS)	**2020**	**2019**
Net Income (Loss)	Php (88,981)	Php 13,269
Return on Average Assets (ROA)	*4.85%	0.79%
Return on Average Equity (ROE)	-15.73%	2.23%
BIS Capital Adequacy Ratio (CAR)	30.67%	29.46%
Non-Performing Loans (NPL) Ratio	1.89%	6.76%
Non-Performing Assets (NPA) Ratio	2.86%	5.61%
Earnings (Loss) per Share (EPS)	Php (7.90)	Php 1.18

RCBC CAPITAL CORPORATION and Subsidiaries	**Audited**	
In Php 000s (Except EPS)	**2020**	**2019**
Net Income	Php 160,673	Php 277,001
Return on Average Assets (ROA)	3.50%	5.48%
Return on Average Equity (ROE)	4.61%	7.19%
BIS Capital Adequacy Ratio (CAR)	39.91%	56.35%
Non-Performing Loans (NPL) Ratio	-	-
Non-Performing Assets (NPA) Ratio	0.03%	0.03%
Earnings per Share (EPS)	Php 1.36	Php 2.34

RCBC FOREX BROKERS CORPORATION	**Audited**	
In Php 000s (Except EPS)	**2020**	**2019**
Net Income	Php 5,503	Php 15,588
Return on Average Assets (ROA)	3.15%	7.83%
Return on Average Equity (ROE)	3.30%	8.22%
Capital to Total Assets	92.09%	96.58%
Non-Performing Loans (NPL) Ratio	0	0
Non-Performing Assets (NPA) Ratio	0	0
Loss per Share (EPS)*	Php (37.12)	Php (31.18)

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

RCBC INTERNATIONAL FINANCE, LTD. and Subsidiary	**Audited**	
In Php 000s (Except EPS)	**2020**	**2019**
Net Income (Loss)	Php (9,101)	Php 2,301
Return on Average Assets (ROA)	-7.58%	1.85%
Return on Average Equity (ROE)	-7.83%	1.92%
Capital to Total Assets	103.20%	97.56%
Non-Performing Loans (NPL) Ratio	0.00%	0.00%
Non-Performing Assets (NPA) Ratio	0.00%	0.00%
Earnings (Loss) per Share	Php (3.64)	Php 0.92

RCBC TELEMONEY EUROPE S.P.A *	Audited	
In Php 000s (Except EPS)	**2020**	**2019**
Net Loss	Php 0.00	Php (13,630)
Return on Average Assets (ROA)	0.00%	-49.17%
Return on Average Equity (ROE)	0.00%	33.63%
Capital to Total Assets	-158.46%	-158.46%
Non-Performing Loans (NPL) Ratio	0	0
Non-Performing Assets (NPA) Ratio	0	0
Loss per Share (EPS)	Php 0.00	Php (136.30)

**In the process of liquidation.*

RCBC-JPL HOLDING COMPANY, INC. (Formerly JP Laurel Bank, Inc.)	Audited	
In Php 000s (Except EPS)	**2020**	**2019**
Net Income	Php 2,276	Php 2,007
Return on Average Assets (ROA)	1.40%	1.10%
Return on Average Equity (ROE)	-2.01%	-1.76%
Capital to Total Assets	-72.57%	-63.26%
Non-Performing Loans (NPL) Ratio	0	0
Non-Performing Assets (NPA) Ratio	0	0
Earnings per Share (EPS)	Php 0.01	Php 0.01

NIYOG PROPERTY HOLDINGS, INC.	Audited	
In Php 000s (Except EPS)	**2020**	**2019**
Net Income	Php 13,695	Php 51,382
Return on Average Assets (ROA)	2.30%	8.36%
Return on Average Equity (ROE)	2.42%	8.85%
Capital to Total Assets	93.07%	95.27%
Non-Performing Loans (NPL) Ratio	0	0
Non-Performing Assets (NPA) Ratio	0	0
Earnings per Share (EPS)	Php 9.85	Php 36.94

RCBC LEASING AND FINANCE CORP. and Subsidiary	Audited	
In Php 000s (Except EPS)	**2020**	**2019**
Net Income (Loss)	Php (61,919)	Php 105,628
Return on Average Assets (ROA)	-0.51%	1.04%
Return on Average Equity (ROE)	-2.85%	5.47%
Capital to Total Assets	17.87%	20.50%
Non-Performing Loans (NPL) Ratio	11.20%	13.41%
Non-Performing Assets (NPA) Ratio	7.17%	9.70%
Earnings (Loss) per Share (EPS)	Php (0.04)	Php 0.07

CAJEL REALTY CORPORATION	Audited	
In Php 000s (Except EPS)	**2020**	**2019**
Net Loss	Php (119)	Php (726)
Return on Average Assets (ROA)	-0.21%	-1.28%
Return on Average Equity (ROE)	-0.21%	-1.27%
Capital to Total Assets	100.00%	99.87%
Non-Performing Loans (NPL) Ratio	0	0
Non-Performing Assets (NPA) Ratio	0	0
Loss per Share (EPS)	Php (0.20)	Php (1.21)

Notes to the Computations:

1. *Consolidated and Parent Company ROA and ROE ratios were taken from the corresponding audited financial statements. ROA ratio of the subsidiaries was determined based on the average of the quarterly ending balances of total assets, audited and/or unaudited. ROE ratio of the subsidiaries was likewise computed based on the average of the quarterly ending balances of total equity, audited and/or unaudited.*
2. *CAR covers combined credit, market and operational risks. Where the Risk-based CAR was not computed, the simple Capital to Total Assets ratio formula was used.*
3. *NPL ratio is determined by using the following formula: (Total NPLs net of total specific provision for losses 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. *For some subsidiaries, the NPL/NPA ratios were not computed since these ratios were not applicable.*

Key Variable and Other Qualitative and Quantitative Factors

Plans for 2021

The 2021 plans are based on the recovery of the country from the effects of the 2020 quarantine and working to be a Challenger Bank in this new normal. The Bank will grow its deposits, mostly CASA, through cash management services and increasing the customer base. Asset quality will be managed through a tight and strict monitoring of accounts and improvement in credit and remedial systems and loan growth will be moderate and in selective segments. The Challenger Bank strategy is anchored on customer acquisition; improve processes to deliver fast and efficient service and give the best customer experience; and become the best Digital alternative with a fully loaded mobile app.

Note to Financial Statements as of March 31, 2021

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 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 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 February 22, 2021 meeting, the Board of Directors approved the declaration and payment of the first semi-annual 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 P472,397 thousand payable to holders of said Securities, which was paid on February 26, 2021.

In its 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 September 1, 2020 meeting, 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 May 26, 2020 meeting, 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 May 26, 2020 meeting, 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 February 24, 2020 meeting, 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 March 31, 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

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 March 31, 2021 (in millions).

RESULTS OF OPERATIONS						
Primary	**Retail Banking**	**Corporate Banking**	**SME Banking**	**Treasury / Trust**	**Others**	**Total**
Net Interest Income	3,536	2,353	1,036	541	(1,001)	6,465
Non-Interest Income	1,654	605	39	189	(639)	1,848
Total Income	5,190	2,959	1,076	730	(1,641)	8,313
Non-Interest Expense	4,422	861	(167)	142	1,369	6,627
Income (Loss) before Tax	768	2,098	1,243	588	(3,010)	1,686
Income Tax Expense	508	20	-	73	(495)	106
Net Income (Loss)	260	2,078	1,243	515	(2,515)	1,580
Total Assets	12,976	249,435	69,571	212,122	256,692	800,796
Total Liabilities	373,882	213,409	78,364	18,260	14,407	698,322
Depreciation and Amortization	228	165	6	13	384	796

Secondary	Philippines	Asia and Europe	Total
Total Income	10,277	4	10,281
Total Expense	8,696	5	8,701
Net Income (Loss)	1,581	(1)	1,580
Total Assets	800,687	109	800,796
Total Liabilities	698,319	3	698,322
Depreciation and Amortization	796	-	796

Material Events Subsequent to the End of the Interim Period Not Reflected in the Financial Statements. In its meeting held on April 26, 2021, the Board of Directors approved the declaration and payment of cash dividends amounting to P0.485 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 payable within (10) trading days from record date.

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
	31-Mar-21	31-Dec-20	31-Mar-21	31-Dec-20
Return on Average Assets (ROA)* [1/]	0.82%	0.68%	0.83%	0.69%
Return on Average Equity (ROE)* [2/]	6.23%	5.54%	6.24%	5.55%
Risk-based Capital Adequacy Ratio (CAR)	15.31%	16.14%	15.00%	15.86%
Common Equity Tier 1 Ratio	11.99%	12.64%	11.60%	12.28%
Non-Performing Loans (NPL) Ratio [3/]	3.15%	2.94%	3.06%	2.83%
Non-Performing Assets (NPA) Ratio [4/]	2.82%	2.78%	2.75%	2.70%
Net Interest Margin (NIM)*	4.00%	4.31%	4.00%	4.30%
Cost-to-Income Ratio	68.47%	58.15%	68.18%	57.80%
Loans-to-Deposit Ratio [5/]	85.60%	85.21%	84.10%	83.59%

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES				
	Consolidated		Parent	
	Unaudited	Audited	Unaudited	Audited
	31-Mar-21	31-Dec-20	31-Mar-21	31-Dec-20
Current Ratio	0.70	0.78	0.70	0.78
Liquid Assets-to-Total Assets Ratio	0.23	0.27	0.23	0.27
Debt-to-Equity Ratio	6.81	6.62	6.73	6.53
Asset-to-Equity Ratio	7.81	7.62	7.73	7.53
Asset-to-Liability Ratio	1.15	1.15	1.15	1.15
Interest Rate Coverage Ratio	1.86	1.61	1.87	1.64
Earnings per share (EPS)* [6/]				
Basic	PHP 2.81	PHP 2.43	PHP 2.81	PHP 2.43
Diluted	PHP 2.81	PHP 2.43	PHP 2.81	PHP 2.43

** March 31, 2021 ratios/amounts were annualized*

[1/] Average assets for the consolidated and parent ratios were computed based on the 3-month average of end of month balances of total assets. Unaudited net income for the 3-month period ended March 31, 2021 in the amount of P1.580 billion represented the consolidated and parent.

[2/] Average equity for the consolidated and parent ratios were, likewise, computed based on the 3-month average of end of month balances. Unaudited net income for the 3-month period ended March 31, 2021 in the amount of P1.343 billion represented the consolidated and parent, net of dividends on Hybrid Perpetual Securities.

[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 1,935,686,881 shares as of March 31, 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	31-Mar-21		31-Dec-20	
Net Income (Loss)	Php	4,573	Php	(88,981)
Return on Average Assets (ROA)*		1.18%		-4.85%
Return on Average Equity (ROE)*		3.75%		-15.73%
Risk-based Capital Adequacy Ratio (CAR)		29.66%		30.67%
Non-Performing Loans (NPL) Ratio		3.26%		1.89%
Non-Performing Assets (NPA) Ratio		3.62%		2.86%
Earnings (Loss) per Share (EPS)	Php	1.65	Php	(7.90)

RCBC CAPITAL CORPORATION and Subsidiaries	Unaudited		Audited	
In Php 000s	31-Mar-21		31-Dec-20	
Net Income	Php	65,750	Php	160,673
Return on Average Assets (ROA)*		6.09%		3.50%
Return on Average Equity (ROE)*		8.23%		4.61%
Risk-based Capital Adequacy Ratio (CAR)		42.15%		39.91%
Non-Performing Loans (NPL) Ratio		0.00%		-
Non-Performing Assets (NPA) Ratio		0.04%		0.03%
Earnings per Share (EPS)	Php	2.26	Php	1.36

RCBC FOREX BROKERS CORPORATION	Unaudited		Audited	
In Php 000s	31-Mar-21		31-Dec-20	
Net Income	Php	516	Php	5,503
Return on Average Assets (ROA)*		1.23%		3.15%
Return on Average Equity (ROE)*		1.30%		3.30%
Capital to Total Assets		94.80%		92.09%
Non-Performing Loans (NPL) Ratio		0.00%		0.00%
Non-Performing Assets (NPA) Ratio		0.00%		0.00%
Loss per Share (EPS)**	Php	(43.82)	Php	(37.12)

*** Net of 12% dividend on preferred shares of P12.00 per share*

RCBC INTERNATIONAL FINANCE, LTD. and Subsidiary	Unaudited		Audited	
In Php 000s	**31-Mar-21**		**31-Dec-20**	
Net Loss	Php	(1,558)	Php	(9,101)
Return on Average Assets (ROA)*		-5.72%		-7.85%
Return on Average Equity (ROE)*		-5.93%		-7.83%
Capital to Total Assets		97.14%		103.20%
Non-Performing Loans (NPL) Ratio		0.00%		0.00%
Non-Performing Assets (NPA) Ratio		0.00%		0.00%
Loss per Share (EPS)	Php	(2.53)	Php	(3.64)

** March 31, 2021 ratios/amounts were annualized*

RCBC TELEMONEY EUROPE S.P.A*	Unaudited		Audited	
In Php 000s	**31-Mar-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%
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	**31-Mar-21**		**31-Dec-20**	
Net Income (Loss)	Php	(1,222)	Php	2,276
Return on Average Assets (ROA)*		-3.17%		1.40%
Return on Average Equity (ROE)*		4.42%		-2.01%
Capital to Total Assets		-71.58%		-72.57%
Non-Performing Loans (NPL) Ratio		0.00%		0.00%
Non-Performing Assets (NPA) Ratio		0.00%		0.00%
Earnings (Loss) per Share (EPS)	Php	(0.03)	Php	0.01

NIYOG PROPERTY HOLDINGS, INC.	Unaudited		Audited	
In Php 000s	**31-Mar-21**		**31-Dec-20**	
Net Income	Php	2,696	Php	13,695
Return on Average Assets (ROA)*		1.95%		2.30%
Return on Average Equity (ROE)*		2.05%		2.42%
Capital to Total Assets		94.89%		93.07%
Non-Performing Loans (NPL) Ratio		0.00%		0.00%
Non-Performing Assets (NPA) Ratio		0.00%		0.00%
Earnings per Share (EPS)	Php	7.86	Php	9.85

RCBC LEASING AND FINANCE CORP. and Subsidiary	Unaudited		Audited	
In Php 000s	**31-Mar-21**		**31-Dec-20**	
Net Income (Loss)	Php	46,628	Php	(61,919)
Return on Average Assets (ROA)*		1.58%		-0.51%
Return on Average Equity (ROE)*		8.72%		-2.85%
Capital to Total Assets		18.38%		17.87%
Non-Performing Loans (NPL) Ratio		9.93%		11.20%
Non-Performing Assets (NPA) Ratio		6.77%		7.17%
Earnings (Loss) per Share (EPS)	Php	0.13	Php	(0.04)

** March 31, 2021 ratios/amounts were annualized*

CAJEL REALTY CORPORATION	Unaudited		Audited	
In Php 000s	**31-Mar-21**		**31-Dec-20**	
Net Loss	Php	(83)	Php	(119)
Return on Average Assets (ROA)*		-0.60%		-0.21%
Return on Average Equity (ROE)*		-0.60%		-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%
Loss per Share (EPS)	Php	(0.01)	Php	(0.20)

** March 31, 2021 ratios/amounts were annualized*

<u>Statement of Condition 31 March 2021 vs 31 December 2020</u>

RCBC's Total Assets stood at P800.796 billion.

Cash and other Cash Items decreased by 19.29% or P3.187 billion from P16.520 billion to P13.333 billion due to the decline in cash on hand and cash in ATMs as of period-end. The cash level at year-end was normally higher to service the expected increase in volume of withdrawals during the long holidays.

Due from BSP increased by 7.09% or P8.183 billion from P115.467 billion to P123.650 billion attributable to the P35.0 billion increases in level of Term deposits with BSP, net of the P28.3 billion decrease in Overnight deposits.

Due from Other Banks decreased by 19.59% or P3.076 billion from P15.707 billion to P12.631 billion, mainly due to decrease in foreign bank placements as a net result of servicing the matured obligations of the Bank.

Loans under Reverse Repurchase Agreement increased by 13.37% or P1.786 billion from P13.356 billion to P15.142 billion due to higher placements with the BSP

Total Investment Securities, representing 14.54% of Total Resources, increased by 32.18% or P28.335 billion from P88.064 billion to P116.399 billion on account of the increase in Investment Securities at Amortized Cost by 102.94% or P44.292 billion from P43.026 billion to P87.318 billion; Financial Assets at FVOCI decreased by 41.01% or P16.465 billion from P40.150 billion to P23.685 billion. Financial Assets at Fair Value Through Profit or Loss increased by 10.38% or P507.437 million from P4.888 billion to P5.395 billion.

Loans and Receivables – net, were slightly lower by 0.78% or P3.825 billion from P491.284 billion to P487.459 billion. It represented 60.87% of Total Resources.

Investment in Associates – net, decreased by 2.43% or P8.225 million from P339.0 million to P330.775 million.

Bank Premises, Furniture, Fixtures & Equipment – net, slightly decreased by 1.19% or P155.947 million from P13.062 billion to P12.906 billion.

Investment Properties – net, declined by 3.37% or P125.716 million from P3.725 billion to P3.599 billion.

Deferred Tax Assets slightly increased by 1.22% or P37.183 million from P3.044 billion to P3.081 billion.

Other Resources – net, increased by 6.30% or P726.388 million from P11.538 billion to P12.264 billion mainly attributable to the increase in non-current assets held for sale, computer software and prepaid expenses.

Deposit Liabilities were recorded at P562.859 billion and represented 70.29% of Total Resources. Demand deposits grew by 3.08% or P3.299 billion from P107.172 billion to P110.471 billion and accounted for 13.80% of Total Resources. Savings deposits grew by 6.46% or P12.617 billion from P195.164 billion to P207.781 billion and accounted for 25.95% of Total Resources. Time deposits reached P244.607 billion, which grew by 4.78% or P11.155 billion from P233.452 billion and accounted for 30.55% of Total Resources.

Bills Payable decreased by 25.07% or P3.302 billion from P13.167 billion to P9.865 billion primarily due to maturities of foreign and local borrowings.
Bonds Payable increased by 3.20% or P2.897 billion from P90.439 billion to P93.336 billion.

Accrued Taxes, Interest and Other Expenses decreased by 9.23% or P544.502 million from P5.900 billion to P5.355 billion. The decrease was primarily due to the reversal of accruals upon payment of interest due on Bonds Payable, Time deposits and payment of Philippine Deposit Insurance Corporation assessment.

Other Liabilities increased by 5.78% or P1.471 billion from P25.434 billion to P26.905 billion due to increase in outstanding acceptances by P1.813 billion, net of decrease in accounts payable.

Total Liabilities stood at P698.322 billion and represented 87.20% of Total Resources.

Other Comprehensive Income slightly decreased by 0.44% or P9.033 million from P2.070 billion to P2.079 billion.

Retained Earnings increased by 2.97% or P1.105 billion from P37.205 billion to P38.310 billion.

Total Capital Funds were recorded at P102.474 billion and accounted for 12.80% of Total Resources.

Income Statement

31 March 2020 vs. 31 March 2021

Total interest income decreased by 11.53% or P1.098 billion from P9.531 billion to P8.432 billion and accounted for 101.43% of total operating income. Interest income on loans and receivables went down by 11.77% or P1.010 billion from P8.583 billion to P7.572 billion and accounted for

91.09**%** of total operating income. The decrease was mainly due to the lower average yield on loans and receivables net of the growth in average volume. Interest income on investment securities decreased by 23.0% or P179.363 million from P779.677 million to P600.314 million as a result of decline in average volume; it accounted 7.22**%** of total operating income. Other interest income, on the other hand, increased by 54.24% or P91.349 million from P168.424 million to P259.722 million due to the increase in volume of Overnight and Term deposits with the BSP.

Total interest expense went down by 38.75% or P1.245 billion from P3.212 billion to P1.967 billion and accounted for 23.67**%** of total operating income. Interest expense on deposit liabilities decreased by 45.33% or P757.492 million from P1.671 billion to P913.427 million primarily due to lower average costs, net of the increase in average volume of deposits; it represented 10.99**%** of total operating income. Interest expense on bills payable and other borrowings decreased by 31.61% or P487.099 million from P1.541 billion to P1.054 billion due to decline in average volume year-on-year.

As a result, net interest income increased by 2.31% or P146.113 million from P6.319 billion to P6.465 billion.

The Bank booked total impairment losses of P935.501 million, down by 41.57% or P665.587 million from P1.601 billion in the same period last year due to lower provisioning on loans and credit card receivables. It represented 11.25% of total operating income.

Other operating income decreased by 49.69% or P1.826 billion from last year's P3.674 billion now at P1.848 billion. This accounted for 22.23% of total operating income, and is broken down as follows:

- Trading and securities gains and losses – net, decreased by 101.63% or P2.193 billion from P2.157 billion gain to P35.267 million loss, largely attributable to lower realized trading gains from sale of investment securities in 2021. It accounted for 0.42**%** of total operating income.
- Service fees and commissions increased by 49.36% or P441.231 million from P893.964 million to P1.335 billion mainly due higher credit card fees and securities and brokering fees. It represented 16.06% of total operating income.
- Trust fees increased by 30.07% or P20.930 million from P69.594 million to P90.524 million due to higher fees on unit investment trust funds and investment management account products.
- Foreign exchange gains – net, decreased by 83.08% or P228.436 million from P274.970 million to P46.534 million. This was primarily due to lower foreign exchange gains during the period.
- Miscellaneous income increased by 47.69% or P132.853 million from P278.579 million to P411.432 million largely due to higher gain on sale of acquired assets and higher rental income from the Bank's leasing and finance subsidiary.

Operating expenses, which accounted for 68.47**%** of total operating income, slightly increased by 2.44% or P135.668 million from P5.556 billion to P5.692 billion due to the following:

- Total Manpower costs decreased by 6.88% or P117.666 million from P1.711 billion to P1.593 billion as a result of the headcount and branch rationalization programs following the merger with a subsidiary in the middle of 2019. It represented 19.16% of total operating income.
- Occupancy and equipment-related expenses increased by 2.86% or P20.092 million from P702.452 million to P722.545 million. It represented 8.69% of total operating income.
- Taxes and licenses, which accounted for 9.47% of total operating income, slightly decreased by 1.74% or P13.902 million from P801.123 million to P787.221 million.
- Depreciation and amortization was recorded at P796.289 million, up by 12.37% or P87.661 million from P708.628 million largely due to higher depreciation of office equipment and ROPAs. It represented 9.58% of total operating income.

- Miscellaneous expenses went up by 9.76% or P159.484 million to settle at P1.793 billion from P1.633 billion mainly due to the increase in deposit insurance fees as a result of the growth in deposit liabilities, higher service fees and higher litigation expenses on consumer loans. It accounted for 21.56% of total operating income.

Tax expense decreased by 79.95% or P421.711 million from P527.466 million to P105.754 million due to the combined effects of lower taxable income year-on-year and 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 P172 thousand, 60.56% or P264 thousand lower than last year's P436 thousand.

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

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

Commitments and Contingent Liabilities

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

(C) Financial Statements

The consolidated financial statements have been prepared in conformity with Philippine Financial Reporting Standards and reflect amounts that are based on the best estimates and informed judgment of management with appropriate consideration to materiality. (Please see Annex B for the audited financial statements for 2020)

If material;

(i) Commitments and Contingent Liabilities

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

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

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

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

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

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

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

The following is a summary of contingencies and commitments arising from off-statement of financial position items at their equivalent peso contractual amounts as of March 31, 2021 and December 31, 2020:

		March 31, 2021 (Unaudited)		December 31, 2020 (Audited)
Trust department accounts	P	**127,309**	P	116,652
Outstanding guarantees issued		**69,108**		67,297
Derivative liabilities		**49,471**		28,135
Derivative assets		**46,940**		36,980
Unused commercial letters of credit		**11,369**		20,495
Spot exchange bought		**9,167**		8,681
Spot exchange sold		**9,161**		8,674
Inward bills for collection		**2,781**		1,694
Late deposits/payments received		**428**		644
Outward bills for collection		**118**		94
Others		**17**		17

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

There were no material commitments for capital expenditures.

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

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

(D) External Audit Fees

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

For the audit of the Bank's annual financial statements and services provided in connection with statutory and regulatory filings or engagements, the aggregate amount to be billed/billed, excluding out-of-pocket expenses, by its independent accountant amounts/amounted to P12.02 million and P12.68 million for 2020 and 2019, respectively. Additionally, approximately P7.14 million was paid for other services rendered by the independent accountant in 2020.

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

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

Changes in and Disagreements With Accountants on Accounting and Financial Disclosure. In connection with the audits of the Bank's financial statements for the two (2) most recent years ended December 31, 2020 and 2019, there were no disagreements with Punongbayan and Araullo on any matter of accounting principles or practices, financial statement disclosures, audit scope or procedures.

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

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

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

Rizal Commercial Banking Corporation (RCBC or the Bank) is a universal bank in the Philippines that provides a wide range of banking and financial products and services. It has total resources of P772.106 billion and total networth of P101.378 billion, including minority interest, as of end-December 2020. The Bank ranked sixth (6^{th}) in terms of assets among private local banks. In terms of business centers, the Bank, excluding government-owned and foreign banks, ranked seventh (7^{th}) with a consolidated network of 447 business centers inclusive of 7 extension offices and supplemented by 1,426 automated teller machines (ATMs) as of December 31, 2020.

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

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

RCBC's common shares are 41.72% directly and indirectly owned by Pan Malayan Management and Investment Corporation (PMMIC), a company incorporated and domiciled in the Philippines. PMMIC is the holding company of the flagship institutions comprising the Yuchengco Group of Companies (YGC) and other investments. Other significant investors include the World Bank's

International Finance Corporation and Cathay Life Insurance Co. Ltd., a wholly-owned subsidiary of Cathay Financial which is the largest publicly listed financial holding company in Taiwan.

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

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

The Bank's subsidiaries are as follows:

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

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

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

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

Rizal Microbank, Inc. – A Thrift Bank of RCBC (formerly Merchants Savings and Loan Association, Inc.), a 98.03% owned subsidiary, was acquired on May 15, 2008 to engage in microfinancing and development of small businesses. Rizal Microbank has 16 branches and 2 branch lite offices with operations in Southern Luzon and Mindanao. Rizal Microbank moved its Head Office (HO) and branch from Makati City to Davao City in April 2011.

RCBC Leasing and Finance Corporation (formerly First Malayan Leasing and Finance Corporation) (RCBC LFC), a 99.67% owned subsidiary of the Bank acquired in March 2012**,** is a pioneer in the leasing and financing industry in the Philippines as the company started its operations in 1957. RCBC LFC is a non-bank financial institution with a quasi-banking license granted by the Bangko Sentral ng Pilipinas (BSP). It serves the requirements of corporate, commercial and consumer markets through its innovative loans, leases and investment products.

RCBC Rental Corporation is a wholly-owned subsidiary of RCBC LFC engaged in renting and leasing business machines, transport vehicles and heavy equipment under an operating lease arrangement.

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

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

(G) Directors and Executive Officers

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

Name	Age	Position	Inclusive Dates	Citizenship
Helen Y. Dee	77	Director	March 28, 2005 to present	Filipino
		Chairperson of the Board	June 27, 2005 to present	
		Interim President and Chief Executive Officer	March 23, 2016 to June 30, 2016	
Cesar E. A. Virata	90	Director	1995 to present	Filipino
		Corporate Vice-Chairman	June 22, 2000 to present	
		Acting Chief Executive Officer	January 28, 2002 to June 29, 2003	
		Chief Executive Officer	June 30, 2003 to June 28, 2004	
Eugene S. Acevedo	57	Director	July 1, 2019 to present	Filipino
		President and Chief Executive Officer	July 1, 2019 to present	
		Deputy Chief Executive Officer	January 2, 2019 to June 30, 2019	
Gil A. Buenaventura	68	Director	July 1, 2016 to present	Filipino
		President and Chief Executive Officer	July 1, 2016 to June 30, 2019	
Armando M. Medina	71	Director	January 1, 2021 to present	Filipino
		Independent Director	Feb. 26, 2003 to December 31, 2020	
John Law	70	Director	April 27, 2015 to present	French & Taiwanese (dual citizen)
Shih-Chiao (Joe) Lin	49	Director	March 25, 2019 to present	R.O.C.
Arnold Kai Yuen Kan	60	Director	June 24, 2019 to present	Canadian
Lilia B. De Lima	80	Director	June 24, 2019 to present	Filipino
		Independent Member of the Advisory Board	July 3, 2017 to June 23, 2019	
Gayatri P. Bery	55	Independent Director	July 27, 2020 to present	American

Juan B. Santos	82	Independent Director	Effective July 1, 2016 (assumption of office is on November 2, 2016) to present	Filipino
Adelita A. Vergel De Dios	74	Independent Director	June 27, 2016 to present	Filipino
Gabriel S. Claudio	66	Independent Director	July 25, 2016 to present	Filipino
Vaughn F. Montes, PhD	70	Independent Director	September 26, 2016 to present (appointed on July 25, 2016)	Filipino
Laurito E. Serrano	60	Independent Director	March 20, 2019 to present	Filipino

Regular Directors

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

Mr. Cesar E. A. Virata has been a Director since 1995, Corporate Vice Chairman since June 2000 and Senior Adviser from 2007. Mr. Virata's roster of companies where he is also a Director and/or Chairman includes RCBC Realty Corp., RCBC Land, Inc., Malayan Insurance Co., Inc., Business World Publishing Corporation, Luisita Industrial Park Corporation, RCBC Bankard Services Corporation, and AY Foundation, Inc., among others. Mr. Virata has held important/key positions in the Philippine government, including Prime Minister, Secretary/Minister of Finance, Chairman of the Committee on Finance of the Batasang Pambansa (National Assembly) and member of the Monetary Board. He was also Chairman of the Land Bank of the Philippines. He has served as Governor for the Philippines to the World Bank, the Asian Development Bank and the International Fund for Agriculture Development. He was Chairman of the Development Committee of the World Bank and International Monetary Fund from 1976 to 1980 and Chairman of the Board of Governors of the Asian Development Bank. Prior to his Government positions, he was a Professor and Dean of the College of Business Administration of the University of the Philippines and Principal, SyCip Gorres Velayo and Company, Management Services Division. Mr. Virata has also held membership in various international committees/fora in the past, including: Bretton Woods Committee, Group of 30, Institute of International Finance, Rockefeller Tripartite Commission for Asia, Davao Forum, World Development Committee of the World Bank and IMF, ADB Forum. Mr. Virata graduated from the University of the Philippines with degrees in Mechanical Engineering and Business Administration (Cum Laude). He completed his Master's in Business Administration from the Wharton Graduate School, University of Pennsylvania.

Mr. Eugene S. Acevedo is the Bank's President and Chief Executive Officer. He has over thirty years (30) years of banking experience gained from local and multinational banks including Union Bank of the Philippines, CitySavings Bank, Philippine National Bank, and Citibank Philippines, N.A. He is a Magna Cum Laude graduate from the University of San Carlos where he earned a degree in Bachelor of Science in Physics in 1984. He has a Master's degree in Business Administration from the Asian Institute of Management and completed an Advanced Management Program at the Harvard Business School. He also holds a Professional Certificate in Clean Power from the Imperial College London.

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

Mr. Armando M. Medina was an Independent Director of the Bank from 2003 to 2020. He became a regular director of the Bank starting January 1, 2021. He is a member of the Bank's Executive Committee. He is also an Independent Director of Malayan Insurance. He served as an Independent Director of RCBC Capital Corporation until December 31, 2021. He graduated from De La Salle University with a Bachelor of Arts degree in Economics and a Bachelor of Science degree in commerce with a major in AccountingHe is the founder and managing director of Westlake Governance Limited, a New Zealand-based globally focused business now regarded as a leading adviser and trainer on Corporate Governance. He has over 25 years of experience as a Director and Board Chairman across a wide range of industries. He is currently the Independent Chairman of the New Zealand Home Loan Company Limited, New Zealand, and of Co-op Money NZ, which provides core banking system and other infrastructure for New Zealand's credit unions, and manages most of New Zealand's non-bank ATMs. He holds a Master's degree from Oxford University in England. He is a Chartered Fellow at the Institute of Directors in New Zealand.

Mr. John Law has been a Director of the Bank since April 2015. He is also currently a Director of Far East Horizon Ltd. in Hong Kong and Khan Bank in Mongolia. He served as Senior Advisor for Greater China for Oliver Wyman until his retirement as of December 31, 2020 He holds a Bachelor of Science degree, major in Psychology, from Chung Yuan University in Taiwan; a Master's of Business Administration degree from Indiana University; and a Master's of Arts degree, major in Poetry, from the University of Paris, France.

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

Mr. Arnold Kai Yuen Kan has been a Director of the Bank since June 24, 2019. He gained experience from Citibank, the First National Bank of Chicago, the National Westminster Bank, JP Morgan Chase Bank, Credit Agricole Corporate & Investment Bank, and Krea Capital Limited. He is currently the Chief Executive of Cathay United Bank's Hong Kong Branch and Co-Head of the International Banking Group. He is also a Director of Cathay United Bank (China) Ltd. He graduated with a Bachelor of Social Sciences degree from the University of Hong Kong and obtained a Master's degree in Business Administration from the York University in Canada.

Atty. Lilia B. De Lima has been a Director of the Bank since June 24, 2019. She was an Independent Member of the Bank's Advisory Board from July 3, 2017 to June 24, 2019. Prior thereto, she served as the Director General of PEZA from 1995 to 2016. Other positions she has held include being Board Member of the Cagayan and Zamboanga Economic Zones, Commissioner of the National Amnesty Commission, Executive Director of the Department of Trade and Industry Price Stabilization Council and Director of the Bureau of Trade, and Chief Operating Officer of the World Trade Center Manila. She was an Elected Delegate to the 1971 Constitutional Convention representing the 2nd District of Camarines Sur. She is the recipient of numerous local and international awards including the 2017 Ramon Magsaysay Award, The Order of the Rising Sun-Gold and Silver Star (Japan), The Outstanding Women in the Nation's Service (TOWNS) in the field of law, and the 2010 Management Man of the Year.

Ms. Gayatri P. Bery has been a Director of the Bank since July 27, 2021. She gained experience from Drexel Burnham & Lambert (New York), Ranieri & Company (New York), Morgan Stanley & Co. Incorporated (New York), being an investment advisor in Hong Kong, and being a member of the Steering Committee of Morgan Stanley's HK Women's Business Alliance Team. She also served as Chief Operating Officer, Global Capital Markets, of Morgan Stanley (Hong Kong). She graduated with a Bachelor of Science degree in Applied Mathematics/Computer Science from the Carnegie Mellon University, and obtained a Master's degree in Business Administration (with concentrations in finance and international business) from the Columbia Business School (New York).

Independent Directors

Mr. Juan B. Santos has been an Independent Director of the Bank since November 2016. He serves as Lead Independent Director of the Bank. He holds director, trustee, and advisory positions in various companies including Philippine Investment Management Corporation, Mitsubishi Motor Phil. Corporation, PHINMA, East-west Seed Co., Inc. (Phils.), Marsman-Drysdale Group, Dualtech Training Center Foundation, and St. Luke's Medical Center, among others. Prior to joining the Bank, he was the Chairman of the Social Security Commission. He served briefly as Secretary of Trade and Industry and was CEO and Chairman of Nestle Philippines, Singapore, and Thailand. He also served as Director of various publicly listed companies, including the Philippine Long Distance Telephone Company, Philex Mining Corporation, San Miguel Corporation, Equitable Savings Bank, Inc., and PCI Leasing and Finance, Inc. He holds a Bachelor of Science in Business Administration degree from the Ateneo de Manila University and a degree in Foreign Trade from the Thunderbird School of Management in Arizona, USA. He completed his Advanced Management Course at the International Institute for Management Development in Lausanne, Switzerland.

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

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

Mr. Vaughn F. Montes, Ph.D has been an Independent Director of the Bank since September 2016. He is a Trustee at the Institute of Corporate Directors (ICD) as well as a Teaching Fellow on Corporate Governance courses of the ICD. He is a Director of the Center for Excellence in Governance, and President of the Center for Family Advancement. He is a national consultant for Risk Management to the NEDA PPP Center under an ADB technical assistance grant. He is a Trustee and Founding Fellow of the Foundation for Economic Freedom. He is also currently a Trustee at Parents for Education Foundation ("PAREF"), and Chairman and President at PAREF Southridge School for Boys. He worked in Citibank over a period of 25 years in various capacities including: Senior Economist in Philippine Debt Restructuring Committee; Head of the

International Corporate Finance Unit; and Director and Head of Public Sector. He worked as an Associate Economist at the Wharton Econometric Forecasting Associates in Philadelphia USA. He holds an AB (Bachelor of Arts) Economics degree from the Ateneo de Manila University, an MS (Master of Science) Industrial Economics degree from the Center for Research and Communications (now University of Asia and the Pacific), and a PhD in Business Economics from the Wharton Doctoral Programs, University of Pennsylvania, USA.

Mr. Laurito E. Serrano has been an independent director of the Bank since March 20, 2019. Mr. Serrano was part of the Audit & Business Advisory Group and a partner of SGV & Co - Corporate Finance Consulting Group before joining companies in general finance and special project functions. He is currently in the financial advisory practice with clients mostly in the private sector and has over 30 years of experience in the management and execution of engagements involving fund raising, business/asset acquisitions, public offerings, securitization, and project development works. His past experience also includes, among others, directorships in Metro Global Holdings Group, Metro Rail Transit Group, Travellers Hotels Philippines, Inc. (Resorts World), MJCI Investments, Inc., United Paragon Mining Corp., Sagittarius Mining Corporation, APC Group, Inc., and Philippine Veterans Bank. Mr. Serrano holds a Bachelor of Science degree in Commerce (Major in Accounting) from the Polytechnic University of the Philippines and has a Masters in Business Administration degree from the Harvard Graduate School of Business.

The names, ages and positions of all **incumbent executive officers** (including those who retired/resigned after the 2020 Annual Stockholders' Meeting) are as follows:

Redentor C. Bancod, 56, Filipino, Senior Executive Vice President, is the Bank's Chief of Staff and the Head of the IT Shared Services Group. He was appointed on 1 July 2018 as concurrent Head of the Operations Group of the Bank. He was also designated as Chief of Staff on 2 November 2017. Prior to assuming these roles, he was the Head of IT Shared Services & Operations Group and the concurrent Head of Digital Banking Group before assuming his current role. Previously, he was Vice-President & General Manager, Central Systems Asia of Sun Life Financial, Asia and Senior Vice-President and Chief Technology Officer of Sun Life Of Canada (Philippines) Inc. from October 2003 to 2007; Senior Vice-President & Chief Information Officer of Equitable Bank from July 1996 to September 2003; Assistant Vice-President and Head of Applications Development in Far East Bank from October 1993 to June 1996; Assistant Vice-President of Regional Operations (Asia Pacific) of Sequel Concepts, Inc. U.S.A/Ayala Systems Technology Inc. from November 1992 to September 1993; Project Manager in Union Bank of Switzerland, NA from April 1988 to November 1992; and Chief Designer and Technical Adviser in Computer Information System Inc. from March 1984 to April 1998. He obtained his Bachelor of Arts degree in Philosophy from the University of the Philippines and is a candidate for a Master of Science degree in Information Management from the Ateneo de Manila University.

Horacio E. Cebrero III, 57, Filipino, 58, Filipino, Senior Executive Vice-President, is the Treasurer/Head of Treasury Group. Prior to joining RCBC in November 5, 2018, he was connected with the Philippine National Bank where he was the Treasury Head, a role which he handled since July 2010. He was previously employed by East West Banking Corporation where he worked as Treasurer from August 2006 to July 2010. He also worked in RCBC in 2004 until 2006 as Deputy Treasurer. He had stints with other firms as follows: Citibank N.A. (Manila) as Chief Dealer; Asian Bank Corporation as Vice President for Treasury Group, AB Capital and Investment House as Manager for Financial Markets; Anscor Capital and Investment House as Manager for Financial Markets, Asian Savings Bank as Manager for Trust and Investments Division; Asia Trust Development Bank as Account Officer; and at Far East Bank & Trust Company as Account Supervisor for Branch Treasury Marketing and Loans & Credit Analyst for Loans and Credit Department. He also held directorships in various firms as follows: PNB Europe as Chairman from January 2016 to November 2018; PNB Capital and Investment Corporation as Director from July 2016 to November 2018; PNB Forex Corporation as Director from August 2014 to 2017; and AIG Philam Savings Bank as Director from March 2009 to September 2009. He graduated with a degree in Bachelor of Science in Commerce major in Marketing Management in 1983 at De La Salle University in Manila. He earned some units in Master of Business Administration at the Graduate School of Business Economics of the same university. He attended and finished Stanford Senior Executive Leadership Program (SSELP), an advance 5-part Executive Education Course Series in Stanford University at Arthur and Toni Rembe Rock Center Hong Kong in December 2017.

John Thomas G. Deveras, 57, Filipino, Senior Executive Vice-President, is the Head of Asset Management & Remedial Group and Strategic Initiatives. Initially, he was the Strategic Initiatives Head when he joined RCBC in 2007 but was appointed as Head of Asset Management & Remedial Group in October 2015. Prior to joining the Bank, he was an Investment Officer at International Finance Corporation. He also worked for PNB Capital and Investment Corporation as President and PNB Corporate Finance as Senior Vice-President. He obtained his Bachelor of Science degree in Management Engineering from the Ateneo de Manila University and earned his Masters in Business Administration from the University of Chicago.

Rommel S. Latinazo, 61, Filipino, Executive Vice-President, is Head of Consumer Lending Group effective July 22, 2019. He was formerly the President and Chief Executive Officer of RCBC Savings Bank. Prior to this role, he was the Head of Corporate Banking Segment 1 under the Corporate Banking Group of RCBC. He joined the Bank in 2000 as First Vice -President. Previously, he held various positions in Solidbank Corporation, Standard Chartered Bank, CityTrust Banking Corporation, First Pacific Capital Corporation and Philamlife Insurance Company. Mr. Latinazo obtained his Bachelor of Science degree in Management from the Ateneo de Manila University and his Masters in Business Administration from the University of the Philippines. *(Retirement effective September 9, 2020)*

Richard C. Lim, 52, Filipino, Executive Vice President, is the Head of Retail Banking Group effective September 14, 2018. Prior to this, he was seconded to RCBC Savings as Chief Operating Officer. Mr. Lim previously worked with Maybank Inc. Last position he held in the said bank was as Head of Retail Banking. He also handled the following roles in the said bank: Head of Retail Marketing Management, Assistant Vice President for Cash Management Services, Head of Consumer Sales Department, and Cluster Head for Binondo Manila area. He also had stints with other banks namely , Philam Bank -AIG where he worked as Manager for Binondo Branch, International Exchange where he functioned as Assistant Manager/ Sales Officer, Banco De Oro where he was a Marketing Officer, Urban Bank where he performed the role of a Marketing Associate, and Chinabank where he was designated as Officer’s Assistant at Cash Department. He graduated from the University of Santo Tomas in 1991 with a degree in Bachelor of Science major in Biology.

Ana Luisa S. Lim, 60, Filipino, Executive Vice-President, is the Chief Compliance Officer and Head of Regulatory Affairs Group. She was formerly the Head of Operational Risk Management Group prior to assuming her current role. She was also the Head of Internal Audit Group prior to her transfer to Operational Risk Management. She is also a Director and Corporate Secretary of BEAM Exchange, Inc. She joined the Bank in 2000 primarily to implement the risk-based audit approach under a shared-services set-up in conformity with the Bank's strategic risk management initiatives. Ms. Lim obtained her Bachelor of Science degree in Business Administration and Accountancy from the University of the Philippines. She is a Certified Public Accountant, Certified Information Systems Auditor and Certified Internal Auditor. *(Retirement effective* December 1, 2020)

Edel Mary G. Vegamora, 60, Filipino, Executive Vice President, is the Chief Audit Executive and Head of the Internal Audit Group. Her banking background includes being the Chief Financial Officer and Controller of Bank of Commerce, Chief Internal Auditor/ Head of Internal Audit of BDO Unibank, Inc., Director / Head of Finance at ING Bank NV -Philippine Branch, Controller at Philippine Savings Bank, and Head of Division 1 of Audit Group in Metrobank Among others, she was also Managing Director for Worldwide Financial Marketing Alliance; Senior

Consultant/Partner at Diaz, Murillo Dalupan & Co., CPAs; Chief Financial Officer, Treasurer of Sun Life of Canada (Phils) Inc.; Director for Assurance (Banking and Insurance Business) of KPMG Laya Mananghaya & Co. CPAs; and Regional Finance Head of Sun Life Assurance Co. of Canada - Asia Pacific Division (Philippine Branch). She started as Financial Auditor (Banking Clients) in Sycip Gorres Velayo & Co. Ms. Vegamora graduated from the University of the East in 1980 with a degree in BS Business Administration, major in Accounting. She completed her Master's in Business Administration (Abridged) in 1998 offered in Manila by the New York Institute of Finance. She is a Certified Public Accountant (1980) and a Certified Internal Auditor (Institute of Internal Auditors International, USA 1999). She also obtained a Certification in Risk Management Assurance given by the Internal Auditors International, USA 2012. She is a graduate of the Professional Directors Program of the Institute of Corporate Directors and a Fellow at the same institute. *(Retirement effective August 10, 2020).*

Angelito M. Villanueva, 48, Filipino, Executive Vice President, is the Bank's Chief Innovation and Inclusion Officer/ Head of Digital Enterprise and Innovations Group. Prior to joining RCBC, he pioneered the financial technology business in firms such as PLDT Group and was among the founding executives of PayMaya wallet. He was the Managing Director of FINTQnologies Corp, the financial technology (FinTech) arm of Voyager Innovations from June 2013 to March 31, 2019. He was also a Member of the Board of Directors in FINTQnologies (June 2017 to March 2019) and FINTQSurelite Insurance Agency (June 2017 to March 2019). His previous stints include the following roles in various institutions and organizations : Founder and Lead Convenor of KasamaKa Financial Inclusion Movement (September 2017 to March 31, 2019); Head, Customer Strategy and Market Activation, Visa, Nov 2011 – Jan 2013; Short-term Consultant on Mobile Money Transfer in Mongolia at IFC World Bank Group, Aug 2011 – Dec 2011; Monitoring and Evaluation (M&E) Consultant at Department of Social Welfare and Development-World Bank, March 2011 – February 2012; VP and Head, Mobile Financial Services - Smart Communications, Inc., Feb 2007 – Jan 2009; Regional Manager for Marketing and Special Projects for APAC and EMEA at BCD Travel 2003 – 2006; Executive Director and VP at Luntiang Pilipinas (Green PH) Foundation, Inc. 2000 – 2003; Chief of Division, Overseas Correspondent Banking Department, Global Banking Group at Land Bank of the Philippines, 1995 – 2000; Senior Research Associate and Associate Editor at Economist Intelligence Unit (EIU) Phils. 1993 – 1995. Mr. Villanueva graduated from the University of Santo Tomas in 1992 with a degree in Bachelor of Arts in Political Science. He completed a Master in National Security Administration at the National Defense College of the Philippines in 2000. He also finished his Master in Public Administration as Magna Cum Laude at the University of Santo Tomas in 2000.

Emmanuel T. Narciso, 59, Filipino, Executive Vice President, is the Group Head of Global Transaction Banking. Prior to joining RCBC, he was the Group Head of Transaction Banking in Banco de Oro Unibank, Inc. from June 2011 to August 2015. He was also previously connected with the Hongkong and Shanghai Banking Corporation, where he handled the following roles: Head of Business Banking Division (Philippines), Head of Payments and Cash Management for Vietnam and Philippines. He also worked for Security Bank Corporation as Head of Corporate Transaction Banking Division and Citibank N.A. where his last appointment was as Business Development Head for Global Transaction Services. Mr. Narciso started his career in the banking industry when he was hired by the Bank of the Philippine Islands as an Analyst/Programmer in 1984. He obtained his Bachelor of Arts in Economics from the Ateneo de Manila University in 1984 and finished his Master in Business Management from the Asian Institute of Management in 1989.

Simon Javier A. Calasanz, 41, Filipino, Executive Vice President, is the Head of Consumer Lending Group. Prior to this role in RCBC, he was formerly seconded to RCBC Bankard Services Corporation where he served as President and CEO until recall of his secondment and appointment to current role in July 16, 2020. Prior to joining RCBC, he worked for over 13 years at Hong Kong Shanghai Banking Corporation where he handled the following roles : Senior Vice President and Head of Contact Center Management and Consumer Loans (February 2012 to October 2015), Senior Vice President and Head of Cards and Consumer Assets (January 2009 to

January 2012), Vice President for Credit Approval Risk Management (May 2007 to January 2009), OIC for Consumer Credit and Risk (September 2008 to November 2008), Assistant Vice President for Personal Financial Services (September 2006 to April 2007), Manager for Third Party Verification Agencies and Process Management (July 2005 to September 2006), Assistant Manager for Quality Review and Systems Support (December 2004 to July 2005), Manila Credit and Risk Support Manager-Manila Project Team (August 2004 to October 2004), Assistant Manager for Management Information Systems (June 2003 to December 2004), Management Information Credit Analyst (September 2002 to June 2003) and Credit Approval Unit Credit Analyst (April 2002 to September 2002). In addition, he also performed significant roles for the Credit Card Association of the Philippines where he is currently the Special Advisor to the Board, and for the Credit Management Association of the Philippines in which the last position he assumed was as Director in 2008. Mr. Calasanz graduated from De La Salle University with a Bachelor of Science degree in Commerce, major in Marketing Management and Bachelor of Arts degree in Psychology. *(Resignation effective May 15, 2021)*

Frederick E. Claudio, 56, Filipino, Executive Vice President, is the Chief Risk Officer and Head of Risk Management Group. Before joining RCBC, he was previously connected with CTBC Bank (Philippines) Corporation where he served as President and CEO from June 2019 to July 2019. Prior to this appointment, he was Group Head of Institutional Banking Group from October 2018 to May 2019. He also had stints with other local banks where he handled various roles as follows: Union Bank of the Philippines where he was employed from August 1995 to September 2018 (Center Head for Corporate Banking Group, Business Head for Cash Management Services, Group Head for Commercial Banking, Group Head for Corporate Banking) ; Far East Bank and Trust Company where he was twice employed from May 1993 to 1995 and July 1986 to June 1989 (Manager for Corporate Banking, Branch Banking positions : Senior Credit Analyst , Credit Analyst, Credit Assistant, Credit Trainee, and Distributing Clerk); Metropolitan Bank and Trust Company where he worked from July 1989 to April 1993 (Corporate Banking functions in the following capacities: Assistant Manager, Assistant Cashier, Acting Assistant Cashier, and Official Assistant). He graduated with a degree in Bachelor of Arts in Interdisciplinary Studies at the Ateneo De Manila University in 1986. *(Resignation effective February 1, 2021)*

Jamal Ahmad, 53, Canadian, First Senior Vice President, is the Chief Risk Officer and Head of Risk Management Group. He has expertise in Risk Management, Risk Governance, and Project Management, which he gained from over twenty-nine years of professional experience. His experiences include serving as Country Chief Risk Officer and Executive Director of Standard Chartered Bank, Vietnam from May 2015 to June 2017. He was also assigned in the Philippines as Country Chief Risk Officer of the same bank from February 2012 to April 2015. Mr. Ahmad also had previous stints as Head of Operational Risk and Assurance at Bank Permata Indonesia; Head of Operational Risk at Standard Chartered Philippines; Senior Manager of Beaufort Associates in Dubai, UAE; Sales and Project Manager at Datamex Technologies, Canada; Sales and Business Development Manager at Marcus Evans, Canada. He was also a Partner of Industrial Diamond Products of Pakistan, Ltd. He finished his college degrees in Political Science and Journalism in 1987 at the University of Punjab, Pakistan. He completed his Master's Degree in Business Administration at Ateneo De Manila University in 2005 and obtained his Master of Finance at the Stern School of Business, New York University and Hong Kong University of Science and Technology in 2012. *(Resignation effective July 16, 2020)*

Ma. Christina P. Alvarez, 50, Filipino, First Senior Vice-President, is the Head of Corporate Planning Group. Prior to assuming this position, she was the OIC of Corporate Planning Group from October to December 2014 and the Financial Planning and Development Division Head from August 2006 to September 2014. She worked with various institutions in the following capacities: Financial Planning Officer at Banco de Oro from July 2005 to July 2006, Corporate Planning Officer at RCBC from 1999 to 2005, Risk Management and Planning Officer of Malayan Bank from 1998 to 1999, Research Officer of Unicapital, Inc. from 1995 to 1996 and Credit/Financial Analyst of Multinational Investment Corporation from 1991 to 1995. Ms. Alvarez graduated from Ateneo de Manila University in 1991 with a Bachelor of Arts degree in

Management Economics. She earned her Masters in Business Management degree from the Asian Institute of Management in 1998.

Marita E. Bueno, 52, Filipino, First Senior Vice President, is the Head of Data Science and Analytics Group. She has over twenty-four (24) years of professional experience and her expertise are in the fields of data analytics and predictive modeling, risk management, program management, credit management, credit policy development and implementation, and portfolio risk management. Prior to joining RCBC, she was previously connected with Union Bank of the Philippines where she was the Head of Data Science and Analytics Group, a role which she handled since August 2015. By April 2018, she was appointed to concurrently handle the same role in Aboitiz Equity Venture. Ms. Bueno also had previous stints with other banking/financial firms such as Citibank and JP Morgan Chase. She started her banking career with Citibank in 1994 as an Analyst for Credit Acquisitions Direct Mail Processing. She handled other roles such as Project Manager for Credit Card Acquisitions Preapproved Direct Mail Processing; Unit Manager for Credit Acquisitions; Senior Credit Analyst and Vice President for Portfolio Risk Management; Vice President for Existing Cardmember Marketing; Vice President for Travel & Leisure Acquisitions Risk Management (New York); Vice President for Regional Decision Management (Singapore); Chief of Staff, Regional Risk Management (Hong Kong). Her last position in the said bank was as Regional Director/Credit Products Analytics Head, Regional Decision Management (Singapore). During her employment with JP Morgan Chase, she handled the following roles: Scored Underwriting Policy Manager/Vice President for Small Business Financial Services Risk Management and Vice President for Credit Policy and Account Management for Overdraft Line of Credit and Loans. She is a Magna Cum Laude graduate of St. John's University in New York where she earned a Bachelor of Science degree in Computer Science in 1991. She finished Master of Business Administration on Quantitative Analysis in the same university in 1994.

Elizabeth E. Coronel, 52, Filipino, First Senior Vice-President, is the Head of Corporate Banking Group. She joined RCBC in June 2013 as Senior Banker and Head of Conglomerate Banking Division and was assigned as Segment Head of Conglomerates and Global Corporate Banking, a role which she performed on August 2014 until she was appointed as Group Head in June 2018. Previously, she was the Senior Vice-President and Chief Operations Officer of Equicom Savings Bank, a position she held for more than five years. She also held various positions in local and foreign banks namely Mizuho Corporate Bank as Vice President and Co-Head of Corporate Finance Department (January 2007 to February 2008), Equitable PCIBank as Vice-President and Head of Corporate Banking Division 4 (1996 to 2007) and Citibank as Relationship Manager of Global Consumer Bank (1993 to 1996). She started her career in the banking industry when she joined RCBC in 1989 as Marketing Assistant for Corporate Banking. Ms. Coronel obtained her Bachelor of Arts degree in Behavioral Science from the University of Santo Tomas and earned MBA units from the Ateneo Graduate School of Business. She also completed the Mizuho-ICS (MICS) Mini-MBA program at Hitotsubashi University Graduate School of International Corporate Strategy.

George Gilbert G. dela Cuesta, 52, Filipino, First Senior Vice President, is the Group Head of the Legal Affairs Group and the Bank's Corporate Secretary. He joined RCBC in November 2016. Previously, he was General Counsel Asian Terminals Inc. He previously worked also as General Counsel for Hanjin Heavy Industries & Construction Co. Ltd. and for Mirant (Phils) Corporation. He had previous consultancy engagements and employment with Follosco Morallos & Herce Law Office, PNOC-EDC and at the Department of Environmental and Natural Resources. He started his career at Quisumbing and Torres. Atty. dela Cuesta graduated from the University of the Philippines in 1988 with a degree in Bachelor of Arts major in Political Science. He earned his Law degree from the same university in 1992.

Brent C. Estrella, 37, Filipino, is the Chief Compliance Officer and Head of Regulatory Affairs Group effective December 2, 2020. He has 16 years of compliance and risk management experience which he gained from the Hong Kong and Shanghai Banking Corporation (HSBC) across various jurisdictions in Southeast Asia (the Philippines), the Middle East (UAE) and Sub Saharan Africa (Mauritius). He is a Certified Anti-Money Laundering Specialist, with broad experience in supporting multiple lines of business specifically Wealth and Personal Banking, Commercial Banking, and Global Banking and Markets. Prior to joining RCBC, he was the Senior Vice President and Country Head for Financial Crime Compliance and an Executive Committee member at Hong Kong and Shanghai Banking Corporation (HSBC) – Philippines.. He has handled this role since October 2018. He handled other positions prior his current post as follows: HSBC Mauritius (April 2016 to October 2018) as Chief Compliance Officer/Executive Committee Member; HSBC United Arab Emirates (December 2012 to April 2016) as Country Head of AML and UAE Money Laundering Reporting Officer, Regional Manager, Global Banking and Markets Compliance Advisory; HSBC Philippines (September 2004 to December 2012) as Vice President, Compliance & Money Laundering Control Officer, Assistant Vice President, Fraud Risk Management, Security and Fraud Risk, Supervisor, Legal and Compliance, and Compliance Staff for Legal and Compliance. He graduated with a degree in Bachelor of Science in Legal Management (Academic Scholar) at the Ateneo De Manila University in 2004.

Florentino M. Madonza, 50, Filipino, First Senior Vice-President, is the Head of Controllership Group effective October 14, 2014. He was the Deputy Group Head of Controllership from August 2014 to October 2014, General Accounting and Services Division Head from July 2004 to July 2014, General Accounting Department Head from September 2001 to July 2004, Assistant to the Department Head of General Accounting from January 1998 to September 2001, Asset Management and Sundry Section Head from September 1997 to December 1997 and Corporate Disbursement and Payroll Section Head from June 1996 to September 1997. Prior to joining the Bank, he worked for Sycip, Gorres, Velayo and Co. from July 1993 to May 1996 as Auditor. Mr. Madonza completed his Bachelor of Science in Commerce major in Accounting (Cum Laude) from the Araullo University, and is a Certified Public Accountant.

Yasuhiro Matsumoto, 61, Japanese, First Senior Vice-President, is the Head of Global and Ecozone Segment and concurrently, Head of the Japanese Business Relationship Office. Prior to this, he worked for The Bank of Tokyo-Mitsubishi UFJ, Ltd. since 1984, when the bank was named The Sanwa Bank, Ltd. He has also previously served as a director of the Bank. He obtained his Bachelor of Economics degree from Waseda University, Japan.

Alberto N. Pedrosa, 51, Filipino, First Senior Vice-President, is the Head of Asset and Liability Management in Treasury Group. Prior to assuming this role in May 2019, he was Head of Investment and Markets Trading and Balance Sheet Management Group since July 2017. He handled other roles in the bank as follows: Head of Investment and Markets Trading Segment from July 2015 to June 2017 and Investment Portfolio Management Division Head from August 2009 to June 2015. Prior to joining the Bank, he was the Chief Trader for Uniworks, Inc. (April 2009 to July 2009), Vice-President and Head of Global Liquid Products Trading for JG Summit Capital Markets (2000 to 2008), Assistant Vice-President of Asset, Liquidity Management and Investment Trading for PCIBank (1995 to 2000) and Senior Assistant Manager and Junior FX Trader for the Bank of the Philippine Islands (1993 to 1995). Mr. Pedrosa started his career when he joined BPI's Officer Training Program in 1993. He completed his Bachelor of Science degree in Commerce majoring in Philosophy at the London School of Economics.

Robert Rol Richard Raymond B. Ramos, 47, Filipino, First Senior Vice President, is the Trust Officer and Head of Trust and Investments Group. Prior to joining RCBC, he was connected with East West Banking Corporation as Chief Trust Officer and Chief Investment Officer /Senior Vice President for Trust and Asset Management Group. Prior to joining East West Banking Corporation in October 2017, he worked at Union Bank of the Philippines from February 2007 to October 2017. The last role that he held in this bank was as Trust Officer and Chief Investment Officer/First Vice President. Other roles he handled in the said bank are as follows: Business Development Head and Portfolio Manager. He also had other stints with other banks such as in BDO Private Bank, Inc. (formerly Banco Santander Philippines, Inc.) where he worked as Senior Manager/Relationship Manager from October 2001 to January 2007; at Bank of the Philippine

Islands where he handled roles such as Branch Manager/Branch Service Officer/Treasury Staff/Trust Staff from May 1999 to September 2001. He rendered services with the United States Agency for International Development Project as Project Development Officer from January 1996 to May 1997 and with the World Health Organization Strategy Development Project as Technical Writer from March 1995 to December 1995. Mr. Ramos completed his undergraduate degree of Bachelor of Science in Management Engineering from the Ateneo de Manila (as Honorable Mention) in 1995. He finished his masteral degrees at the Asian Institute of Management (Business Management) in 1999 and the University of Asia and the Pacific (Business Economics) in 2012. He completed his doctoral degree in Business and Economics from De La Salle University in 2016. He is a Chartered Financial Analyst (CFA), a Chartered Alternative Investment Analyst (CAIA), a Certificant for the Certificate in Investment Performance Measurement (CIPM), Certified Securities Representative, a Registered Financial Consultant, and a Certified Treasury Professional. He also completed a 1-year course on Trust Operations with distinction. He has also served as President of the Trust Officers Association of the Philippines and the De La Salle University Doctoral Society and currently, he is the President of the CFA Society of the Philippines.

Joseph Colin B. Rodriguez, 53, Filipino, First Senior Vice President, is the President and CEO of RCBC Forex Brokers Corporation. Upon merger, he was also assigned at Treasury Group as Head of Subsidiaries Treasury Risk Positions Segment Prior to this appointment, he served as Treasurer of RCBC Savings Bank effective September 2016 and before assuming this post, he was the President and Chief Executive Officer of RCBC Forex Brokers Corporation from April 2015 to August 2016 and Senior Vice President and Treasurer of RCBC Savings Bank from August 2011 to March 2015. He also assumed various positions in Rizal Commercial Banking Corporation as Head of the FX Risk Division and Head of Institutional Relationship Management Division. Before joining RCBC, he spent over two decades at the Treasury division of several foreign /local banks. He was Vice President and Head of the Foreign Exchange and Swap Desk at ING Bank Manila. He was also a Dealer at the Manila office of Banque Indosuez and Assistant Dealer at the Riyadh office of Banque Al Hollandi (ABN AMRO Bank). He also headed the FX and Swaps division of Bank of the Philippine Islands. He graduated from De La Salle University with a double degree in Liberal Arts & Commerce, Major in Marketing and in Political Science.

Bennett Clarence D. Santiago, 51, Filipino, First Senior Vice President, is the Head of the Credit Management Group. He has over 21 years of professional experience in risk management with significant years focused to commercial credit risk management and evaluation as well as enterprise risk management. Prior to joining RCBC, he was the Business Head for Small Business Loans in the Consumer Lending Group of Banco De Oro Unibank. His experiences also include serving as Head, Commercial Banking Credit Evaluation Unit, Risk Management Group of BDO; Risk Head of Citibank N.A.; Chief Compliance Officer, Union Bank of the Philippines; and various officer positions in International Exchange Bank, Globe Telecom Inc., and Hongkong and Shanghai Banking Corporation. He graduated from the University of the Philippines in 1991 with a Bachelor of Science degree in Business Administration. He finished his Master's in Business Administration in 2001 from Ateneo Business School.

Rowena F. Subido, 54, Filipino, First Senior Vice-President, is the Group Head of Human Resources. She was also the Deputy Group Head of Human Resources before assuming her current position. Prior to joining the Bank, she worked with Citibank, N.A. as Country Lead Human Resources Generalist/Senior Vice-President, prior to which she was Head of Human Resources for the Institutional Clients Group for almost two years. She has also worked with Citifinancial Corporation, the Consumer Finance Division of Citigroup, as Human Resources Head for four years. She also has HR experience in retail, distribution and manufacturing industries, having worked for California Clothing Inc. where she was Human Resources Head, International Marketing Corporation as Division Manager for Human Resources & Operations, Tricom Systems (Philippines), Inc. as Personnel and Administration Officer and Seamark Enterprises, Inc. as a Personnel Officer. Ms. Subido obtained her Bachelor of Science degree majoring in Psychology from the University of Santo Tomas and earned units in Masters in Psychology majoring in Organisational /Industrial Psychology at De La Salle University.

Ma. Angela V. Tinio, 57, Filipino, First Senior Vice-President, is the Head of Small Medium Enterprises Banking Group (previously a Segment under the National Corporate Banking Group). She has been with the Bank since 2000, holding various positions in National Corporate Banking as Segment Head for Commercial Small and Medium Enterprise Banking (October 2013 to June 2019) and in Corporate Banking, as VisMin Lending Region Head (December 2010 to September 2013), Metro Manila-Luzon Region Head (April 2006 to November 2010) and Account Management Department Head (July 2000 to April 2006). She worked with Bank of the Philippine Islands as Special Business Unit/Corporate Banking II Manager and Market Head in April 2000. She also held various positions in Far East Bank and Trust Company from June 1997 to April 2000, PDB Leasing and Finance Corporation from February 1996 to April 1997 and Traders Royal Bank from January 1985 to January 1996. Ms. Tinio obtained her Bachelor of Arts degree in Economics from the University of the Philippines and her Master's degree in Business Administration from the De La Salle University.

Lalaine I. Bilaos, 52, Filipino, Senior Vice President, is the Head of the Local Corporate Banking Segment – Division II. Prior to occupying the position of Division Head on April 2011, she was holding the position of a Relationship Manager. She joined the bank in June 1992 as a Secretary for Corporate Planning. Six months thereafter, she moved to Credit Operations Department to handle a Credit Analyst role. By January 1994, she joined Corporate Banking Group and was assigned under Project Finance as a Project Analyst. She also had other roles in the said team as Marketing Assistant and Jr. Project Account Officer. She became an Account Officer in 2000 at the Corporate Division 1 of Corporate Banking Group in Ortigas. Before joining RCBC, she had stints with Dynamic Union of Consultants and Managers, Inc. and American Home Assurance Co. as Credit and Collection Assistant and Billing Assistant respectively. She graduated from De La Salle University in Manila in 1989 with a degree in Bachelor of Arts major in Economics.

Ma. Carmela S. Bolisay, 52, Filipino, Senior Vice President, is the Head of Management Services Division in Operations Group. Prior to being employed at RCBC, she was last employed from June 2016 to February 2017 as the Chief of Staff for the Chairman (Vice President on consultant status) of W Hydrocolloids Inc. of W Group. She also previously worked with the following firms and banks: Standard Chartered Bank where she handled roles such as Business Planning Manager/VP for the CEO, Country Manager for Service Excellence/VP, Business Project Director/VP, and Vice President for Product and Process Management in Cards & Personal Loans Service Quality; Security International Card Corporation as First Vice President for Consumer Services Group, Credit Risk Management Division, Member Services Division, Member Services and Collections Division, Mastercard Task Force Head, and Vice President/Assistant Vice President for Clubmember Services Division, Equitable Cardnetwork, Inc. as Senior Manager for Customer Service; Assistant Manager for Collections and Junior Collections Assistant. She graduated with a degree in Bachelor of Arts major in Psychology, minor in Education at the University of the Philippines in 1990. She took up Basic Management Program at Asian Institute of Management (AIM) in 1992.

Jose Maria P. Borromeo, 54, Filipino, Senior Vice President, is the Head of Reserves and Liquidity Management Segment in Treasury Group. Prior to assuming this role, he was Head of Balance Sheet Management Segment from July 2018 to April 2019. He joined the bank in February 2016 and was initially assigned as Head of Central Funding. He was previously employed at Standard Chartered Bank as Head of Asset and Liability Management, Financial Markets Group. He had a stint with the Bank of the Philippine Islands where had the following roles: Head of FX Swaps and Domestic Liquidity Department; Head of Product Development and Financial Markets Research Department; Head of Risk Management Department in Treasury Group, and Dealer for Financial Derivatives Division. He also had previous experience with Citytrust Banking Corporation where he worked as Head of Balance Sheet Management Unit. He started as a Management Associate Trainee in the said bank. Early in his professional career, he was connected with the Private Development Corporation of the Philippines as an Account Officer for Project Loans and as an Associate Economist for Economic and Corporate Research. He earned his undergraduate degree, Bachelor of Science in Economics from the University of the Philippines in 1988. He took up Masters in Business Administration in 1993 in the same university.

Enrique C. Buenaflor, 50, Filipino, Senior Vice President, is the Head of Corporate Cash Management Segment. He joined RCBC in 2010 as Business Development Manager of Global Transaction Banking Group and was later appointed as Head of Business Development Division in 2011. Prior to joining RCBC, he was the Group Head/Vice-President of Structure Products for Philippine Bank of Communications (August 2005 to March 2010), Operations Head of Central Verification Unit for Citifinancial Corporation (July 2004 to July 2005), Sales Head/Assistant Vice-President of Corporate Cash Management Services (2001 to 2004) and Product Manager (1999 to 2001) for ABN AMRO Bank. He also worked for Philippine Global Communications Corporation as Senior Manager for Corporate Planning (July 1999 to November 1999) and Capitol Wireless, Inc as Business Development Director/Marketing and Sales Manager (March 1997 to May 1999). He started his career in Citibank N.A. as Operations Staff in 1992 and then as Management Associate in 1996. Mr. Buenaflor earned his undergraduate degree, Bachelor of Science in Business Management from Ateneo de Manila University and finished his Masters in Business Management at Asian Institute of Management.

Karen K. Canlas, 46, Filipino, Senior Vice-President, is the Division 2 Head of Wealth Management Segment 2. She was the OIC of Division 1 from February to August 2011 and the Senior Relationship Manager of the same division from February 2010 to February 2011. Prior to joining RCBC, she was the Corporate Sales Unit Head/Vice President of Export Bank from August 2005 to January 2010, Relationship Manager/Senior Manager of Equitable PCI Bank from February 2003 to August 2005, Branch Head (Main Office) of Bank of Commerce from May 2002 to January 2003, Manager (Relationship Banking Group) of Export and Industry Bank from September 2001 to May 2002 and Branch Head of Global Business Bank from September 2000 to September 2001. She also held various positions at Urban Bank for almost 6 years in which her last appointment was as Manager of Alabang Regional Office, Business Development Group. Ms. Canlas started her career as Technical Staff at the National Economic Development Authority in March 1994. She obtained her Bachelor of Arts major in Economics minor in Political Science degree from De La Salle University in 1994.

Brigitte B. Capina, 60, Filipino, Senior Vice-President, is the Regional Sales Director of Makati Region, a post which she assumed after the same role assignment for South Metro Manila Region. Prior to occupying this position, she was the Marketing and Sales Director of Makati Central Business District in 2013, the Regional Sales Manager of South Metro Manila in 2012, Regional Sales Manager of Corporate Headquarters in 2009 and Business Manager for various branches such as RCBC Plaza in 2005, Buendia in 2004 and Makati Avenue in 2003. She obtained her Bachelor of Science degree in Commerce majoring in Accounting from the University of San Agustin, Iloilo City and her Masters in Business Management from the University of the Philippines, Visayas. *(Retirement effective November 16, 2020)*

Claro Patricio L. Contreras, 60, Filipino, Senior Vice-President, is the Head of Corporate Remedial Management Division and concurrent Head of Consumer Collection & Remedial Division. Prior to joining RCBC, he was the AVP for Special Accounts Management Services Group at BPI (April 2000 to June 2000), AVP for Credit Mgmt. Services Group at FEBTC (January 1997 to March 2000), and Manager for Credit Management Services Group at FEBTC (October 1995 to December 1996). He completed his Bachelor of Science degree in Commerce majoring in Business Management from San Beda College. *(Retirement effective October 7, 2020)*

Antonio Manuel E. Cruz, Jr., 53, Filipino, Senior Vice President, is the Head of Chinese Banking Segment. Prior to being designated to this role, he was the Division 1 Head for Emerging Corporates Segment. He joined the Bank in 2008 and assumed the following positions for Commercial & Small Medium Enterprises under National Corporate Banking: Metro Manila-Luzon Head from December 2012 to September 2013, Makati Lending Center Head from September 2009 to December 2012 and Metro Manila Lending Center Head from January 2008 to September 2009. Before joining RCBC, he was the Ortigas Lending Center Head for Philippine National Bank from December 2005 to December 2007 and the Relationship Manager for Asia United Bank from September 2000 to November 2005. He started his banking career at Solidbank Corporation where he assumed the following positions: Relationship Manager from January 1994 to August 2000, Management Trainee from July 1993 to December 1993, Senior Analyst from January 1993 to June 1993 and Junior Analyst from July 1990 to December 1992. Mr. Cruz obtained his degree in AB Economics from the Ateneo de Manila University in 1990.

Ramil M. De Villa, 47, Filipino, Senior Vice President, is the Head of Consumer Collection Segment in Credit Management Group. Effective May 15, 2021, he will be the Head of the Consumer Lending Group. Before he joined RCBC, he was connected with Maybank Phils, Inc as Head/Senior Vice President of Asset Quality Management in Consumer Finance. Prior to assuming this in July 2019, he was Head of Asset Quality Management in Group Finance with the rank of Vice President from 2017 to June 2019. He started his employment with the said bank in 2014 as Head of Asset Quality Management with the rank of Senior Assistant Vice President. He previously worked with Premier Development Bank where he was initially hired in February 1999 as Legal Assistant/Officer. He left the said bank in December 1999 to work in a law office and joined the same bank again in 2001. During this second employment, he was assigned to handle the following roles: as Head of the Documentation Unit of Legal Services Department from 2007 to 2012 and as Litigation Lawyer of Legal Department from 2001 to 2007. He also gained legal experience from Demetria Escondo Maloloyon Law Offices where he was a Senior Associate from 1999 to 2001. He graduated with a degree in Bachelor of Laws (LLB) at University of Santo Tomas, 1997. He finished his undergraduate studies, Bachelor of Arts major in Philosophy in 1993 from the same university. He passed the Philippine Bar Exams on September 1998.

Edwin R. Ermita, 58, Filipino, Senior Vice-President, is the Bank Security Officer. He was also the Corporate Services Division Head prior to assuming his current position. Previously, Mr. Ermita worked for CTK Incorporated as Consultant, Solidbank as Security and Safety Department Head and UCPB as Security and Safety Department Head. He started his career in UCPB as Teller in 1983 before moving to Branch Marketing in 1985. Mr. Ermita earned his Bachelor of Science in Management from Ateneo de Manila University. He finished his Masters in Business Administration with specialization in Industrial Security Management from the Philippine Women's University.

Benjamin E. Estacio, 50, Filipino, Senior Vice-President, is the Regional Service Head of Mindanao. Prior to assuming this position, he was the District Service Head of Southern Mindanao from May 2004 to March 2011. Mr. Estacio started his career with the Bank as SA Bookkeeper in February 1992 after which he assumed various positions in the branch. He graduated from the University of San Carlos, Cebu City with a Bachelor of Science in Commerce major in Accounting in 1991.

Bernice Uy-Gaspar, 53, Filipino, Senior Vice-President, is the Head of Division III in Chinese Banking Segment. Prior to this role, she was Head of Caloocan Division for the same segment. She had previous stints with other local banks as follows: Philippine National Bank where she worked as Business Center Head for the Manila Commercial Banking Center; BDO Universal Bank, Inc. where she was assigned as Relationship Officer for Corporate Banking Group; Equitable PCI Bank where she functioned as Account Officer for Chinese Banking Group, and BDO Commercial Bank where she handled an Account Officer role for Corporate Banking Group. She graduated from the University of Santo Tomas in 1987 with a degree in Bachelor of Science in Food Technology. She completed all courses leading to an MBA except the required thesis at De La Salle University in 1992.

Jonathan Edwin F. Lumain, 60, Filipino, Senior Vice President, is the Bank's Chief Technology Officer. Mr. Lumain joined the Bank in 2001 and held the following IT-related positions: IT Head for Shared Technology Services (January 2008 to May 2016), Application Systems Department Head (August 2003 to December 2007) and Information Management Head (August 2001 to August 2003). Prior to joining RCBC, he was the Department Head of Branch Systems for BPI (November 1999 to July 2001), Department Head of Trust Banking Systems Development for Far East Bank and Trust Company (August 1993 to October 1999), Project Manager for Philippine Commercial International Bank Automation Center (November 1990 to July 1993) and Systems Analyst for Al Ajlani Ent., KSA (May 1985 to October 1990). He started his career in IT when he joined Andres Soriano Corporation as Programmer Trainee in December 1981. Mr. Lumain earned his Bachelor of Science in Business Administration degree from the University of the Philippines in 1981. He obtained his Master of Science in Computer Science from the Ateneo de Manila University in 1997. *(Retirement effective February 14, 2021)*

Mary Grace P. Macatangay, 50, Filipino, Senior Vice-President, is the Head of Consumer Loans Segment in Credit Management Group. She was previously, the Group Head of Credit Management in RCBC Savings Bank from March 01, 2016 to July 21, 2019. Prior to this, she held the following positions in RCBC Savings Bank : Group Head for Asset Management and Remedial: Head for Loan Operations Division; Head for Planning and Budgeting Department and Head of Collection and Admin Department in Mortgage Banking Division. She also had previous experience in other banks such as Capitol Development Bank where she was Head of Admin and Collections Department; Asiatrust Development Bank where she was assigned with roles such as Assistant Manager for Trust Department and Account Officer for Business Development Group. She had exposure in a non-banking institution such as Nikon Industrial Corporation where she was Head of Corporate Planning Department. She earned her degree in Bachelor of Science in Business Administration in 1990 at the University of the Philippines. She completed her Masters in Business Administration from the same university in 1997.

Jane N. Mañago, 56, Filipino, Senior Vice-President, is the Group Head of Wealth Management. Prior to this appointment, she was the OIC of Wealth Management Group from December 2015 to January 2016, Segment Head of Wealth Management 1 from September 2014 to November 2015, Division 2 Head of Wealth Management from December 2006 to August 2014 and Relationship Manager for Division 2 from April 2006 to December 2006. She also worked for YGC Corporate Services Inc. as Officer-In-Charge and Marketing Head. Prior to joining the Bank, she worked with Citibank as Cash Product Manager for Global Transaction Services (September 1998 to January 1999), Account Manager (April to August 1998) and Head of Corporate Banking for Chinatown Branch (November 1996 to March 1998) and at Equitable Banking Corporation from May 1986 to October 1996, where her last appointment was the Head of the Research and Special Projects Unit. She obtained her Bachelor of Science degree in Commerce degree majoring in Business Administration and her Bachelor of Arts degree majoring in Behavioural Science from the University of Santo Tomas.

Jose Jayson L. Mendoza, 49, Filipino, Senior Vice President, is the Head of Metro Manila Division in SME Banking. Prior to this, he was Head of the VisMIn Lending Region. He joined the Bank in 2008 as Lending Center Head for Small & Medium Enterprises Division-Luzon. Previously, he worked with MayBank Philippines as Head of Retail Loans Management (January 2005 to August 2008), Philippine National Bank as Account Officer (January 2003 to December 2004), Philippine Savings Bank as Account Officer (August 1996 to December 2002) and Islacom as Senior Credit Investigator (May 1994 to July 1996). He started his banking career when he joined Allied Banking Corp. as Credit Investigator in 1993. Mr. Mendoza graduated in 1993 from De La Salle University with a degree of AB Management.

Gerardo G. Miral, 55, Filipino, Senior Vice-President, is the Head of Global & Ecozone Segment – Division 2. He was previously the Head of Consumer Lending Group of RCBC Savings Bank. Prior to his secondment to RCBC Savings Bank, he was the Division II Head of Global and Ecozone Segment from April 2011 to January 2016 and Relationship Manager for JES Division II from February 2002 to April 2011. He also assumed various positions in the branch from September 1987 to February 2002. Mr. Miral obtained his Bachelor of Arts major in Economics degree from the University of Sto. Tomas in 1986.

Ma. Cecilia F. Natividad, 46, Senior Vice President, is the Head of the Marketing Group. Before joining RCBC, she served as Head of Marketing at Western Union Financial Services, Inc. She previously worked with other firms like Nestle Philippines Incorporated as Consumer Marketing Manager and at Ayala Life Assurance Incorporated as Sales Trainor, and at Amon Trading as Management Trainee. She graduated from the Ateneo de Manila University in 1995 with a Bachelor of Science degree in Management major in Legal Management.

Evelyn Nolasco, 60, Filipino, Senior Vice-President, is the Head of the Asset Disposition Division. Before she joined the Bank, she was the Senior Vice-President and Treasury Head of the AGSB Group of Companies in 1995 and Manager for Corporate Finance for SGV & Company from 1994 to 1995. She graduated from De La Salle University with a Bachelor of Science degree in Commerce majoring in International Marketing and obtained her Master's degree in Business Management from the Asian Institute of Management. *(Retirement effective February 26, 2021)*

Aline A. Novilla, 38, Filipino, Senior Vice President, is the Chief Audit Executive/Head of Internal Audit Group effective August 10, 2020. She joined RCBC in November 2019 as Head of AML Segment in Regulatory Affairs Group, a position she held prior to her transfer to Internal Audit Group as Deputy Group Head in January 2, 2020. Prior to joining the bank, she was a Partner at the Financial Services Audit Group of R.G. Manabat & Co. Before rejoining KPMG in 2011 as Audit Director, she served as Senior Manager for Assurance Services, Financial Services Industry Practice for Isla Lipana & Co (a member firm of Pricewaterhouse Coopers). In her earlier stint with KPMG, she was assigned in Hong Kong as an Assistant Manager for Audit Services. She gained her first auditing exposure at Manabat San Agustin & Co., CPAs (formerly Laya Mananghaya & Co., a member firm of KPMG network of Independent member firms affiliated with KPMG International). She started as an Associate Auditor in November 2003 and was promoted to more senior audit roles during her employment with the said firm. Last position held was as Supervising Senior Auditor. Ms. Novilla graduated Cum Laude at the University of the Philippines in 2003 with a degree in Bachelor of Science in Business Administration and Accountancy. She passed the CPA Licensure Exam in October 2003.

Arniel Vincent B. Ong, 35, Senior Vice President, is the President and CEO of RCBC Bankard Corporation. Upon joining RCBC in December 2, 2019, he was seconded to RCBC Bankard Services Corporation as Head of Cards Strategic Initiatives and functioned as such until July 15, 2020. Prior to joining RCBC, he was connected with HSBC Philippines where last position held was as Head of Contact Management Centre and Digital of Retail Banking and Wealth Management since January 2016. He started as Management Trainee of the said bank in 2006. He also served the said bank in various roles which included the following: as Vice President of Policy, Acquisition and Portfolio Management in Retail Banking and Wealth Management; as Head of Consumer Credit Risk for Short Term Attachment assigned at HSBC Vietnam (stint from February 2013 to May 2013); various roles within Retail Credit Risk Management; and as Manager for Payment Services. He also worked as an Assistant Instructor at Ateneo De Manila University after graduation from college. He graduated with a double degree in Bachelor of Science major in Management Engineering and AB Economics. He finished his undergraduate course with honors at Ateneo de Manila University, 2006.

Loida C. Papilla, 60, Filipino, Senior Vice-President, is the Asset Management Support Division Head. She joined RCBC in 2006 as Operations Support Division Head. She worked for various institutions in the following capacities : Assistant Vice-President / Head of Billing and Collections

Section in PNB (April 2004 to February 2006), Assistant Vice-President/OIC in UCPB Securities Inc. (August 1999 to January 2004), Operations Finance Manager in Guoco Securities Inc. (January 1994 to August 1999), Media Consultant in the Office of the Senate President (October 1992 to December 1993), Research Director in Philippine Newsday (June 1989 to June 1992), Research Head in Business Star (June 1987 to June 1989) and Researcher in Business Day Corp. (November 1981 to June 1987). Ms. Papilla graduated from the University of the East in 1981 with a Bachelor of Science in Business Administration major in Accounting. She is also a Certified Public Accountant. *(Retirement effective April 5. 2021)*

Arsilito A. Pejo, 58, Filipino, Senior Vice-President, is the Regional Sales Director of Visayas. Prior to this, he was the Regional Sales Director of Eastern Visayas. Mr. Pejo joined RCBC in 1982. His noteworthy stints include being the Regional Service Head of Visayas from June 2008 to December 2014 and Area Service Head of Visayas from May 2004 to May 2008, Regional Operations Head from October 2002 to April 2004 and Cebu Operations Center Head from June 1998 to September 2002. He obtained his Bachelor of Science degree in Commerce major in Accounting from Colegio de San Jose – Recoletos in 1982. *(Early retirement effective September 1, 2020)*

Honorata V. Po, 60, Filipino, Senior Vice President, is the Regional Sales Director for Metro South. She was previously assigned to handle South Luzon Region. Prior to assuming the role of Regional Sales Director in 2016, she was a District Sales Director and a District Sales Manager for Southeast Luzon District from 2014 to 2016 and 2008 to 2013 respectively. In between these roles, she was designated as Financial Center Head based in Lucena in 2013. She joined the bank in 1994 as Business Center Manager, a position which she held until 2008. Before she joined RCBC, she was connected with Philippine National Bank from 1983 to 1993. She handled various roles in the said bank which include the following - Audit Clerk, Statistician, Audit Examiner, Accountant, Cashier and Branch Manager. Her first banking experience was gained from Far East Bank where she worked as a Teller from 1980 to 1982. Outside the banking industry, she had engagements in other institutions as follows: as Regional Governor for the Philippine Chamber of Commerce and Industry (2009 to 2010), as President of Quezon - Lucena Chamber of Commerce and Industry (2007 to 2008) and as a Director/Minor stockholder of Moldedcraft Consulting Corporation. She obtained a Bachelor of Science in Business Administration major in Accounting at the University of the East in 1980. *(Retirement effective December 29, 2020)*

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

Elsie S. Ramos, 55, Filipino, Senior Vice-President, is the Legal Affairs Division Head. She joined the Bank in 2006 and assumed the position of Litigation Department Head. Prior to joining RCBC, she was the Corporate Lawyer and Head of Legal and Corporate Affairs Division for Empire East/Land Holdings (2004 to 2006), Senior Associate and Lawyer-In-Charge of the Docket/Records Section for Ponce Enrile Reyes and Manalastas (2003 to 2004), Senior Associate for Martinez and Mendoza (2001 to 2002), Senior/Junior Associate for Ponce Enrile Reyes and Manalastas (1996 to 2000) and Legal Consultant for Companero Y Companera (1997 to 1998). She held various positions in the University of the Philippines, Department of History such as Assistant Professor (1994 to 1998), Assistant to the Chairman (1992 to 1993) and Instructor (1988 to 1994). She was also a Part-Time Instructor at the St. Scholastica's College, Manila from 1987 to 1989. She obtained her Bachelor of Arts and Master of Arts degree in History from the University of the Philippines, Diliman. She also finished her Bachelor of Law in the same university.

Ismael S. Reyes, 54, Filipino, Senior Vice-President, is a Regional Sales Director for Quezon City. Prior to this, he served as Head of Retail Banking Marketing Segment. He was formerly the National Sales Director when he joined the Bank in 2013. Prior to joining RCBC, he assumed various positions in Philippine Savings Bank as First Vice-President/ Head of the Loans Operations Group (October 2012 to October 2013), First Vice President/Branch Banking Group Head (January 2011 to October 2012), Vice-President/Deputy Branch Banking Group Head (June 2010 to December 2010) and Vice- President/ Business Development Unit Head (October 2008 to May 2010). He worked for iRemit Inc where he handled roles such as Division Head for Market Management (January 2004 to September 2008) and Deputy Head for the Global Sales and Marketing Division (August 2001 to December 2003). He also worked with Bank of the Philippine Islands where he was assigned as Operations Manager/Section Head for Funds Transfer Department from 1999 to 2001. His banking career started in Far East Bank in 1987 when he was hired as Staff for International Operations Division. By 1990 he was promoted to a supervisory rank in the same division and as an officer in 1993. He held the position of Department Head in International Operations in 1995 and became a Project Officer for the Remittance Center in 1996. Mr. Reyes earned his Bachelor of Science degree in Commerce major in Economics at the University of Santo Tomas.

Steven Michael T. Reyes, 49, Filipino, Senior Vice-President, is the Head of Treasury Sales and Digital Service Delivery Segment. Prior to being designated into this role, he was Head of Commercial Trading and Sales Segment until the reorganization in Treasury in May 2019. Previously, he was First Vice President of Global Markets for Australian & New Zealand Banking Group (March 2009 to January 2014), Vice President / Head of Capital Markets for Banco De Oro (October 2006 to March 2009), Assistant Vice President /Debt and Interest Rate Trader for Citibank, Singapore (January 2006 to October 2006) and Assistant Vice President/Bonds Trader for Citibank, Manila (January 2002 to December 2005). He also worked for Equitable PCIBank from July 1999 to December 2001 and PCIBank from May 1996 to July 1999 and held the following positions: Senior Manager/Head of Capital Markets Desk (July 2000 to December 2001), Manager /Global Fixed Income Proprietary Trader (July 1999 to July 2000), Assistant Manager / Fixed Income Proprietary Bond Trader (July 1997 to July 1999) and Proprietary Bond Trader (May 1996 to July 1997). Mr. Reyes started his banking career when he joined Bank of the Philippine Islands in 1993 as Position Analyst. He completed his Bachelor of Science in Tourism Management at the University of the Philippines in 1993.

Ma. Rosanna M. Rodrigo, 59, Filipino, Senior Vice President, is the Regional Sales Director of Central Luzon Region. She was previously assigned in the same role to focus on North Luzon Sales for Retail Banking. Ms. Rodrigo joined the Bank in 1992 and assumed the following positions: Marketing and Sales Director of North West Luzon (February 2013 to September 2013), District Sales Manager of North Central Luzon (November 2009 to February 2013), Branch Manager of Tarlac (February 2005 to November 2009), Branch Manager of Hacienda Luisita (July 1997 to January 2005) and Senior Personal Banker of Tarlac (November 1992 to June 1997). She also worked for Producers Bank of the Philippines as Cashier of Tarlac Branch (April 1983 to October 1992), Far East Bank and Trust Co. as New Accounts Clerk of Tarlac Branch (March 1982 to March 1983) and as contractual employee for New Accounts of Tarlac Branch (December 1981 to February 1982). Ms. Rodrigo obtained her Bachelor of Arts degree in Mass Communication major in Broadcasting from the University of the Philippines in 1981.

Raoul V. Santos, 54, Filipino, Senior Vice-President, is the Head of Trust Investment Segment in Trust and Investments Group. Concurrently, he also handles the role of the Head for Institutional Relationship Management Division. He joined RCBC in 2001 as Portfolio Management Section Head before assuming the Investment Services Department Head position in 2008. He also worked for Metropolitan Bank and Trust Company (2000 to 2001), Solidbank Corporation (1999 to 2000). Phinma, Inc. (1991 to 1999) and SGV & Co. (1990 to 1991). Mr. Santos obtained his Bachelor of Science degree in Management of Financial Institutions and Bachelor of Arts degree in Asian Studies from the De La Salle University.

Libertine R. Selirio, 55, Filipino, Senior Vice-President, is the Division I Head of Global and Ecozone Segment in Corporate Banking. Prior to this, she was the Deputy Division Head of JES II from June 2011 to October 2012, Relationship Manager of JES Division II from February 2002 to May 2011, Branch Manager of Dasmarinas from September 2000 to February 2002, Branch Manager of Carmona from July 1998 to September 2000 and Branch Manager of Imus from September 1997 to July 1998. Before joining RCBC, she worked for Pilipinas Bank and assumed the following positions: Account Officer (1993 – 1997) , Financial Analysis and Evaluation Section Head (1991 – 1993), Credit Analyst (1989 – 1991) and EDP Teller (1987 – 1989). Ms. Selirio earned her Bachelor of Science in Commerce major in Accounting from St. Scholastica's College in 1986.

Johan C. So, 50, Filipino, Senior Vice-President, is the Head of Division 1 in Local Corporate Banking Segment. Prior to assuming current position, he was the Head of Kaloocan Division from July 2013 to January 2014 and Head of Chinese Banking Division III from June 2008 to June 2013. From August 2005 to May 2008, he worked for Philippine Bank of Communications in which the last position he assumed was as Vice-President/Unit Head of Corporate Banking Group 5. He also worked for Standard Chartered Bank from May 1999 to May 2002, T.A. Bank of the Philippines, Inc. from February 1997 to May 1999 and China Banking Corporation from 1993 to 1997. Mr. So graduated from De La Salle University in 1992 with a degree in Bachelor of Science in Applied Economics and Bachelor of Science in Commerce major in Marketing Management. He obtained his Masters degree in Business Administration from the Ateneo Graduate School of Business in 1999.

Elvira D. Soriano, 54, Filipino, Senior Vice President, is the Segment Head of BLC Audit of Internal Audit Group. She had prior assignment to handle the Head Office Audit Segment. Before assuming this role in September 2017, she was an Audit Cluster Head since January 2008. She previously worked with other banks namely: United Coconut Planters Bank where she performed roles in Audit and Credit Review; PDCP Bank where she was assigned with roles such as Account Officer, Project Analyst, Accountant and Audit Assistant. She earned a Bachelor of Science degree in Commerce at the University of Bohol in 1986.

Cecilia E. Tabuena, 53, Filipino, Senior Vice President, is the Head of Local Corporate Banking Segment. She was previously connected with CTBC Bank (Philippines) Corporation as Officer-in-Charge /Senior Vice President of the Institutional Banking Group. Prior to assuming this role, she was Deputy Head of Origination & Structuring of the same group. She previously worked in other banks in various roles as follows: Security Bank Corporation as Head of Fixed Income; Citigroup Philippines as Head of Debt Capital Markets and Senior Transactor; Citicorp Securities International R.P. Inc as Equities Research Analyst; The Long Term Credit Bank of Japan, Los Angeles California Agency as Associate for Corporate Finance; and All Asia Capital and Trust Company as Money Market Trader. She obtained her Master's in Business Administration degree in Finance at Peter F. Drucker Graduate School of Management at Claremont Graduate University (California, USA) in 1994. Her undergraduate degrees were Bachelor of Science in Commerce major in Marketing Management and Bachelor of Arts major in Psychology which she both finished at De La Salle University in 1990.

Gianni Franco D. Tirado, 48, Filipino, Senior Vice President, is the Regional Sales Director of West Mindanao and concurrent Regional Sales Director for Davao City. Prior to assuming his current role, he was the Marketing and Sales Director of Central Mindanao (February 2013 to September 2013), District Sales Manager of Central Mindanao (March 2009 to February 2013) and Branch Manager for several branches in Mindanao (November 2000 to February 2009). He also assumed the Branch Operations Head of Marbel (February 1998 to October 2000), CI/Appraiser/Loans Clerk (June 1996 to January 1998) and CASA Bookkeeper of Dadiangas (October 1993 to May 1996). Mr. Tirado earned his Bachelor of Science in Commerce major in Accounting degree from the Notre Dame of Dadiangas University in 1993. He also completed his Master's in Education major in Special Education at the Holy Cross of Davao College in 2009.

Juan Gabriel R. Tomas IV, 49, Filipino, Senior Vice President, is the Head of the Customer Service Support Segment in, Operations Group. His experiences include serving as Head of Capital Markets and Custody, Operations Group, Citibank N. A., Head of Treasury Services Unit, Citibank N. A., Production Officer for Treasury Services Unit, Citibank, Consultant for Controllers' Department, Deutsche Bank AG Manila, and Consultant, for Process Competency Group at Accenture (formerly Andersen Consulting). Mr. Tomas graduated from Ateneo de Manila University in 1993 with a Bachelor of Science degree in Management. He completed his Masters in Business Management major in Finance in 2001 at the Asian Institute of Management..

Raul Martin J. Uson, 58, Filipino, Senior Vice President, is the Segment Head for Branch Services Support Segment. Prior to joining RCBC, he was previously connected with PBCom as Business Centre Operations and Oversight Head. He also assumed the following roles at Citibank N.A. prior to joining PBCom in 2012 : Operations and Services Head (2007 to 2012), Deputy Senior Country Operations Officer for Citi Indonesia (2006), Credit Operations and Transaction Services Head for Citigroup Business Process Solutions (2004 to 2006), Transaction Services Head (2001 to 2004), Internal Control Head (1999 to 2001), Infrastructure Head (1998 to 2001), Quality Assurance Head (1996 to 1998), Expense Processing Department Head (1993 to 1995), Quality Assurance Officer (1991 to 1993), Trade and Reconcilement Unit Head (1988 to 1991), Cash Officer for Greenhillls Branch (1985 to 1988) and Teller for Makati Branch (1984 to 1985). Mr. Uson graduated from the University of the Philippines Baguio with a degree in AB Economics and Psychology in 1983.

Emmanuel Mari K. Valdes, 47, Filipino, Senior Vice President, is the Head of Products and Promotions Division in Retail Banking Group. Prior to assuming this role, he was the Head of Retail Financial Products Division with the rank of First Vice President from October 2013 to June 2017. He joined the RCBC in 2010 as Head of Cash Management Services Department and was assigned in 2013 as Financial Center Head under Retail Banking Group. He started his banking career in January 1996 when he joined CityTrust Banking Corporation as a Sales Officer in Retail Banking Branch. He then transferred to Bank of Southeast Asia in 1997 where he handled the same role. He had previous stints thereafter with other banks such as UnionBank of the Philippines where he was Head of Sales Department for Cash Management Services and Standard Chartered where he was a Sales Head also. He graduated from De La Salle University in 1995 with a degree in Bachelor of Science in Commerce major in Business Management.

Paula Fritzie C. Zamora, 50, Filipino, Senior Vice President, is the Head of Financial Institutions Management Segment in Treasury Group, a role which she has been handling since June 2012. Prior to assuming this role, she was the Head of Derivatives Department and Head of Financial Engineering Department. She had previous work experience which she gained from other firms like Tokio Marine Malayan Insurance Co. where she was a Finance Officer for Cash Department and Far East Bank & Trust Company where she was employed as Treasury Trader. She graduated from the Ateneo De Manila University in 1992 with a degree in Bachelor of Science in Management.

Nilo C. Zantua, 55, Filipino, Senior Vice President, is the Deputy Chief Technology Officer. Prior to joining RCBC, he was connected with Nexus Technologies, Inc as Vice President) and was a Director-Group Advisory for Jupiter Systems, Inc. (under the Nexus Group of Companies). He also had a stint with Trends & Technologies, Inc. as Group Head – Managed ICT Services. He previously worked also with Philam Life where he handled significant roles as Chief Technology Officer and Deputy Head of IT and Head of IT Infrastructure. He was also previously employed at Sunlife Financial Asia where he performed roles as follows: Head of Shared IT Infrastructure and Operations-Asia, Asia Shared IT Services; IT Director of Manila Shared Services Center; and Head of Regional IT Infrastructure and Operations in Sun Life of Canada Philippines, Inc.; Manager for Operations and Network Computing; Network Services Supervisor for Sun Life Assurance Company of Canada. He also worked in KSA with Binzagr Co. as Technical Services Supervisor and in other institutions and firms as Senior Computer Operator/Programmer at the Department of Health, Central Office Manila; and at Capitol Wireless Inc. as Telecoms Engineer. He graduated with a degree in Bachelor of Science major in Electronics and Communications Engineering in University of Santo

Tomas, 1987. He passed the licensure examination in 1987. He completed a Management Diploma-BMP, a four-month short course in Asian Institute of Management, 1999.

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

(H) Market Price and Dividends

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

The common shares of the Bank are listed in the Philippine Stock Exchange. As of April 8, 2021, the market price of RCBC's common shares closed at P17.30 per share. The trading prices of said shares for the different quarters of the years 2020, 2019 and 2018 are as follows:

		Q1	Last Practicable Trading Date	Q2	Last Practicable Trading Date	Q3	Last Practicable Trading Date	Q4	Last Practicable Trading Date
2021	High	19.00	1.19.21						
	Low	16.82	3.31.21						
		Q1	**Last Practicable Trading Date**	**Q2**	**Last Practicable Trading Date**	**Q3**	**Last Practicable Trading Date**	**Q4**	**Last Practicable Trading Date**
2020	High	23.50	1.20.20	21.85	6.03.20	17.20	7.06.20	19.80	11.24.20
	Low	15.60	3.19.20	14.50	5.26.20	15.30	9.02.20	16.40	10.01.20
2019	High	29.50	1.09.19	28.50	6.20.19	30.70	7.31.19	27.00	10.17.19
	Low	26.00	2.01.19	25.55	4.23.19	26.35	7.10.19	22.10	12.17.19
2018	High	53.39	1.17.18	42.86	4.17.18	30.90	7.27.18	29.30	10.30.18
	Low	40.30	3.22.18	27.70	6.26.18	24.85	9.21.18	25.40	10.01.18

Source: Philippine Stock Exchange

(2) ***Number of Stockholders as of May 15, 2021*** — 750 stockholders (common)
— 72 stockholders (preferred)

There were 72 preferred shareholders and 750 common shareholders of record as of May 15, 2021. Likewise, preferred shares and common shares outstanding as of May 15, 2021 were 267,410 and 1,935,628,896, respectively.

As of May 15, 2021, total equity ownership of foreigners on the Bank's common shares was at 32.98% or 638,447,347 shares.

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

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

(4) Top 20 Stockholders of RCBC as of May 15, 2021

Common stockholders

Name	No. of Shares	% to Total
PCD NOMINEE CORP - FILIPINO Includes Pan Malayan Management and Investment Corporation	674,552,429.00	34.849264
PCD NOMINEE CORP - NON-FILIPINO Includes Cathay Life Insurance Co. Ltd Includes International Finance Corporation and IFC Capitalization (Equity Fund, LP *No other PCD Nominee shareholder holds more than 5%	638,232,928.00	32.972897
PAN MALAYAN MANAGEMENT AND INVESTMENT CORPORATION	594,248,085.00	30.700517
SYBASE EQUITY INVESTMENTS CORPORATION	23,528,800.00	1.215564
HYDEE MANAGEMENT & RESOURCE CORPORATION	2,173,349.00	0.112281
REGINA CAPITAL DEVELOPMENT CORP	324,454.00	0.016762
A. T. YUCHENGCO, INC.	255,190.00	0.013184
CONCEPCION, CARMENCITA DE LAS ALAS	224,490.00	0.011598
ALAS, CARLOS DE LAS	114,298.00	0.005905
ALAS, CORNELIO DE LAS	114,195.00	0.005900
CHAN, FREDERICK	111,677.00	0.005770
YANG JIN LIANG	100,000.00	0.005166
RUFINO, JOSIE PADILLA	92,865.00	0.004798
LOMBOS, MANUEL C. &/OR MEYRICK J.	68,574.00	0.003543
MANUEL A. SANTIAGO OR ELLA C. SANTIAGO	65,900.00	0.003405
YAO, SHUOBIN	57,000.00	0.002945
YAO, SHUOYU	57,000.00	0.002945
RUFINO, JOSEFINA PADILLA	54,292.00	0.002805
QUE, LIONG HEE G.	52,297.00	0.002702
CIPRIANO, BIENVENIDO C.	45,354.00	0.002343
REYES JR., MAURO C.	45,183.00	0.002334

Preferred stockholders

Name	No. of Shares	% to Total
ROSARIO, RODOLFO P. DEL	81,521.00	30.485397
GO, HOMER	46,355.00	17.334804
CONCEPCION, CARMENCITA	31,842.00	11.907558
OPTIMUM SECURITIES CORP.	16,666.00	6.232377
BDO SECURITIES CORP.	9,304.00	3.479301
NGO, LORETA	8,600.00	3.216035
MANDARIN SECURITIES CORPORATION	7,583.00	2.835720
TAN, LUCIANO H.	7,309.00	2.733256
ABACUS SECURITIES CORP.	6,021.00	2.251599
HWANG, HANS YAP	5,558.00	2.078456
ANG, TONY ANG &/OR ROSEMARIE	5,372.00	2.008900
SIA, JOHNSON CHUA	5,000.00	1.869788

CAMPOS LANUZA & CO. INC.	3,535.00	1.321940
ACERO, NICASIO MARIN JR., &/OR ARNOLFO O.	3,371.00	1.260611
CO, JUSTINA DY	3,258.00	1.218354
CHENG, SUSAN	2,665.00	0.996597
GLOBALINKS SEC. & STOCKS	2,454.00	0.917692
BEDAN CORPORATION	2,100.00	0.785311
LUYS SECURITIES CO. INC.	1,852.00	0.692569
GO, ROBERTO CHAN	1,367.00	0.511200

** The list of material information on the Bank's stockholders as of record date will be posted on the PSE edge and the Bank's website after May 31, 2021 (the record date).*

Security Ownership of Foreigners (as of May 15, 2021)

Title of Class	Shares	% of Total
Common	638,447,374	32.98%
Preferred	0	0.00

***(4) Cash Dividends* (from 2018 and as of December 31, 2020)**

Nature of Securities	Dividend		Record Date	Date Approved		Date Paid / Payable
	Per Share	Total Amount (in Million PhP)		By BOD	By BSP	
Preferred	P0.0919	P0.02	21-Mar-18	29-Jan-18	1-Mar-18	28-Mar-18
Common	P0.0616	P862.35	20-Apr-18	26-Mar-18	5-Apr-18	7-May-18
Preferred	P0.0616	P0.17	20-Apr-18	26-Mar-18	5-Apr-18	7-May-18
Preferred	P0.1080	P0.03	21-Jun-18	30-Apr-18	14-Jun-18	25-Jun-18
Preferred	P0.1108	P0.03	21-Sep-18	30-Jul-18	4-Sep-18	24-Sep-18
Preferred	P0.0111	P0.03	21-Dec-18	26-Nov-18	**	28-Dec-18
Preferred	P0.1205	P0.03	21-Mar-19	26-Feb-19	**	25-Mar-19
Common	P0.4460	P863.29	15-May-19	29-Apr-19	**	29-May-19
Preferred	P0.4460	P0.12	15-May-19	29-Apr-19	**	29-May-19
Preferred	P0.1166	P0.03	21-Jun-19	27-May-19	**	26-Jun-19
Preferred	P0.1121	P0.03	21-Sep-19	27-Aug-19	**	24-Sep-19
Preferred	P0.1051	P0.03	21-Dec-19	25-Nov-19	**	26-Dec-19
Preferred	P0.0993	P0.03	26-Feb-20	24-Feb-20	**	1-Apr-20
Preferred	P0.0808	P0.02	27-May-20	26-May-20	**	24-Jun-20
Common	P0.5560	P1,076.21	28-May-20	26-May-20	**	24-Jun-20
Preferred	P0.5560	P0.15	28-May-20	26-May-20	**	24-Jun-20
Preferred	P0.0589	P0.02	17-Sep-20	1-Sep-20	**	24-Sep-20
Preferred	P0.0563	P0.02	21-Dec-20	1-Dec-20	**	7-Jan-21

** Not applicable, BSP approval not anymore required

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

(I) Compliance with leading practices on Corporate Governance

Core Principles

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

The corporate governance framework of RCBC combines global best practices such as the G20/OECD Principles of Good Governance and the general principles of the ASEAN Corporate Governance Scorecard, and the regulatory requirements of SEC Memorandum Circular No. 19, series of 2016 or the *Code of Corporate Governance for Publicly-listed Companies* and BSP Circular No. 969, series of 2017 or the *Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions*. RCBC's corporate governance framework is embodied in its Corporate Governance Manual, the latest version of which was approved by the Board in March 2021.

The Board of Directors

Key Roles and Responsibilities

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

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

Board Composition

In accordance with RCBC's By-Laws and Corporate Governance Manual, its Board of Directors is comprised of fifteen (15) members, all of whom are known for their integrity, experience, education, training and competence. The Corporate Governance Committee ensures that majority of the Board are non-executive directors who possess the necessary qualifications to effectively participate and help secure objective and independent judgment on corporate affairs and to substantiate proper check and balances. Out of the 15 board members, 14 are non-executive directors including the 6 independent directors (which became 5 as of January 1, 2021), and 1 executive director.

The Board of Directors promotes diversity in its membership. It is the policy of RCBC that no person shall be disqualified to sit as member of its Board on the basis of gender, age, religion or political affiliation. The representation of women in the Board has increased from 20% in 2019 to 26.67% in 2020 or 4 female directors out of the 15-member board. Among the women in the Board are Atty. Adelita A. Vergel De Dios, an independent director and Mrs. Helen Y. Dee, the Chairperson.

Nomination and Election

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

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

Maximum Board Seats

Being a director of the Bank necessitates commitment. Thus, under the Bank's Corporate Governance Manual, a non-executive director may concurrently serve as a director in a maximum of five (5) publicly-listed companies to ensure that they have sufficient time to fully prepare for meetings, challenge Management's proposals/views, and oversee the long-term strategy of the company.

In applying this policy to concurrent directorships in entities within a conglomerate, each entity where the non-executive director is concurrently serving as director shall be separately considered in assessing compliance with this requirement.

Who Are In Our Board

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

Independent Directors

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

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

An independent director of RCBC is only allowed to serve for a maximum cumulative term of nine (9) years. After which the independent director shall be perpetually barred from serving as independent director in the Bank, but may continue to serve as a regular director. The maximum cumulative term of nine (9) years shall be reckoned from 2012. In adherence to the foregoing policy, Mr. Armando A. Medina, who has already served the Bank as an independent director for a maximum cumulative term of 9 years reckoned from 2012, has ceased to be an independent director by December 31, 2020 and has been appointed as a regular director effective January 1, 2021.

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

The Chairperson

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

To promote checks and balances, it is provided under the Bank's Corporate Governance Manual that the Chairperson of the Board of Directors shall be a non-executive director or an independent director, and must not have served as CEO of the Bank within the past three (3) years. Moreover, the Chairperson should not concurrently serve as CEO.

The Corporate Vice Chairperson

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

Lead Independent Director

The Bank's Revised Corporate Governance Manual provides that the Board should designate a lead independent director among the independent directors if the Chairman of the Board is not an independent director, including if the positions of the Chairman of the Board and Chief Executive Officer are held by one person. Mr. Juan B. Santos has been appointed by the Board as the Bank's Lead Independent Director effective March 24, 2021.

The Lead Independent Director shall perform a more enhanced function over the other Independent Directors and shall: a) lead the independent directors at BOD meetings in raising queries and pursuing matters; b) Convene and chair meetings of the non-executive directors without the presence of the executive directors; c) serve as an intermediary between the Chairperson and the other directors when necessary; and d) contribute to the performance evaluation of the Chairperson, as required.

Meetings and Quorum Requirement

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

The meetings of the Board of Directors may be conducted through modern technologies such as, but not limited to, teleconferencing and video conferencing as long as the director who is taking part in said meetings can actively participate in the deliberations on matters taken up therein. It is further required that every member shall physically attend at least twenty-five percent (25%) of all meetings of the Board of Directors every year. The absence of a director in more than fifty percent (50%) of all regular and special meetings of the board of directors during his/her incumbency is a ground for disqualification in the succeeding election. Due to the Covid-19 pandemic, the Board Meetings from March to December 2020 were held via remote communications and/or video conferencing as allowed by the BSP and SEC.

Meetings of board committees are prescribed in their respective charters. Participation of committee members may likewise be in person or through modern technologies. A director's attendance in committee meetings is considered by the Corporate Governance Committee in the assessment of the director's continuing fitness and propriety as a member of the said board-level committee and of the Board of Directors. Due to the Covid-19 pandemic, the meetings of the Board Committees from March to December 2020 were also held via remote communications and/or video conferencing as allowed by the BSP and SEC.

From the period January to December 2020, the members' attendance at Board and Committee meetings are as follows.

Directors	BOARD		EXCOM		ACC		ROC		CG		RPT		AML		TRUST		TECH		TOTAL		% of
	M	A	M	A	M	A	M	A	M	A	M	A	M	A	M	A	M	A	M	A	Attendance
Helen Y. Dee	12	12	49	48													12	12	73	72	98.63%
Eugene S. Acevedo	12	12	49	48											11	10	12	12	84	82	97.62%
Cesar E. A. Virata	12	12	49	49											11	11	12	12	84	84	100%
Gil A. Buenaventura	12	12	49	48									11	11					72	71	98.61%
RichardG.A. Westlake[1]	7	6					7	7											14	13	93%
John Law	12	12																	12	12	100%
Arnold Kai Yuen Kan	12	12																	12	12	100%
Shih-Chiao Lin	12	11							11	10	11	10							34	31	91.18%
Lilia B. Delima	12	12							11	11					11	11			34	34	100%
Armando M. Medina	12	12	49	49															61	61	100%
Laurito S. Serrano	12	12			18	18	13	13											43	43	100%
Adelita A. Vergel de Dios	12	11			18	18			11	11	11	11							52	51	98.08%
Gabriel C. Claudio	12	12							11	11	11	11	11	11					45	45	100%
Juan B. Santos	12	12													11	11			23	23	100%
Vaughn F. Montes	12	12			18	18	13	13	11	10			11	11					65	64	98.46%
Gayatri P. Bery[2]	5	5					5	5											10	10	100%

Notes:

[1] Board member until July 27, 2020

[2] Elected as new Board member on July 27, 2020

Separate meeting of the Non-Executive Directors

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

Y2020, the NEDS held a separate meeting with the heads of internal audit, compliance and risk functions and the external auditor on December 14, 2020 to discuss the control units' assessment of the business units and the Bank as a whole. The meeting was chaired by Mrs. Helen Y. Dee.

Board Performance

The Board of Directors assesses annually its performance and effectiveness as a body, as well as its various Committees, the Chairperson, Individual Directors, the CEO and senior management, which is usually facilitated by the Corporate Governance Committee. However for the Y2020 board performance evaluation, the exercise was facilitated by a 3rd party, the Institute of Corporate Directors (ICD), in compliance with the SEC recommendation that every three years, the board performance assessment be supported by an external facilitator.

The 3rd party board evaluation covered the assessment of the ongoing suitability of each board member taking into account his or her performance in the Board of Directors and Board-level Committees
.
The 3rd party board evaluation involves the following processes and criteria:

1. Directors' Self Performance Evaluation – This process employs the accomplishment of ICD-designed questionnaires by every member of the Board. The set of questionnaires encompasses the following elements: Structure and Composition, Roles and Accountabilities, Board Processes and Board Dynamics. This process allows the Directors to share their impressions on various aspects of the Board's performance and to express the extent of their agreement on various issues.
2. Interviews with Board Members – This process consists of individual interviews with each member of the Board. All the 15 directors were asked questions using the Framework of the Tricker Model for Board Functions (Strategy, Policy, Accountability and Oversight), with an additional of 3 other functions of the Board (Ethics, Social Responsibility and Sustainability). Further, the Directors were asked probing questions to provide context to the results of the questionnaire.
3. Submission of the 3rd party board evaluation report to the Board. The report includes the assessment of the performance and effectiveness Board as a body, the various Committees, the Chairperson, individual directors, the CEO and senior management, as well as the recommendations on areas for improvement

The ICD Report highlighted the following:

> "Based on its 1 Golden Arrow Recognition by the Securities and Exchange Commission (SEC) and Institute of Corporate Directors (ICD), Rizal Commercial Banking Corporation (RCBC) is considered as one of the model enterprises for corporate governance in the Philippines. Equivalent to its 1 Golden Arrow Recognition, RCBC garnered a total score of 82.85 in the latest ASEAN Corporate Governance Scorecard (ACGS) – *See Annex C (RCBC's ACGS Historical Data from 2017 to 2019)*. The rating is based on disclosures made by RCBC in its regulatory filings as well as company websites and other corporate communications."
>
> "The Third-Party Board Evaluation conducted with the RCBC Directors confirms that they, as individuals and as a body, put into practice what they disclose as policy and procedures. The assessment shows that the RCBC Board is composed of "working" directors who are able to contribute their respective expertise and competencies in their respective Board Committees, and at the Board at large. Furthermore, the assessment corroborates that the RCBC Board is ably led Chairperson Helen Y. Dee, while President & Chief Executive Officer Eugene S. Acevedo effectively leads the management of the bank."

Board of Directors Training Program

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

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

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

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

Remuneration of the Board

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

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

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

The members of the Board of Directors, the Advisory Board, the Executive Committee and the Officers of the Bank are entitled to profit sharing bonus in accordance with the By-Laws of the Bank.

For the protection of its directors from threats against the security of their persons, property, and private data, the Bank presents below the aggregate compensation of the members of the Board of Directors and Advisory Board for 2020, inclusive of bonuses received in accordance with the By-Laws. A report on the total compensation per director shall be presented to the stockholders during the Annual Stockholders' Meeting of the Bank on June 28, 2021, and a similar report will be submitted to the SEC.

Remuneration Item	**2020** (in Php '000)
(a) Per diem Allowance Non-Executive Directors, Independent Directors and members of the Advisory Board are entitled to per diem	**12,900** (aggregate amount for NEDs, IDs, for the Board and Committees for the year 2020)
(b) Directors' Bonuses Directors' bonuses are given to non-executive and independent directors based on the formula provided for in the Bank's By-Laws**.**	**47,041** (aggregate amount for NEDs, IDs, for the Board and Executive Committee for the year 2020)
TOTAL	**59,941**

Board Committees

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

1. Executive Committee

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

Members:
Helen Y. Dee - *Chairperson*
Eugene S. Acevedo - *Vice Chairperson*
Gil A. Buenaventura
Cesar E.A. Virata
Armando M. Medina (ID until December 31, 2020; regular director effective January 1, 2021)

The Executive Committee has the power to act and pass upon such matters as the Board of Directors may entrust to it for action. However, matters affecting general policy are always referred to the Board of Directors for decision. The Executive Committee has the power to review an asset or loan to ensure timely recognition and resolution of impaired assets. In 2020, the Executive Committee:

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

2. Audit and Compliance Committee

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

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

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

- Oversight of the institution's financial reporting policies, practices and controls, as well as of the internal and external audit functions. This includes responsibility for the setting up of an internal audit unit and for the appointment of the internal auditor as well as the independent external auditor who shall both report directly to the Audit and Compliance Committee. Based on its mandated assurance activities, in accordance with its authority coming from the Board of Directors through the Audit and Compliance Committee, Internal Audit provides reasonable assurance to Senior Management, the Audit and Compliance Committee and the Board of Directors that the Bank's internal control, corporate governance, and risk management systems and processes are adequate and generally effective. It collaborates with and complements the activities of the Risk Management Group, Regulatory Affairs Group, and other assurance and oversight units, as well as the Bank's external auditors.
- Investigation of any matter within its terms of reference, with full access to and cooperation by management and full discretion to invite any director or executive officer to attend its meetings and adequate resources to enable it to effectively discharge its functions.
- Ensuring that a review of the effectiveness of the institution's internal controls, including financial, operational and compliance controls, information technology security and controls, and risk management, is conducted at least annually. Through this comprehensive system of monitoring and review of risks, controls and compliance in the institution, the Board ensures that the Bank and all business units proactively manage the risk and compliance exposures impacting their respective businesses.

The Audit and Compliance Committee reports its evaluation of the effectiveness of the internal controls, financial reporting processes, information technology security and controls, risk management systems and governance process of the Bank based on the report and unqualified opinion obtained from the External Auditor, the overall assurance provided by the Chief Audit Executive and additional reports and information requested from Senior Management, and found that these are generally adequate across RCBC.

In 2020, the highlights of the Audit and Compliance Committee's actions pertaining to Internal Audit, External Audit and Compliance functions are as follows:

a. For External Audit Function

- Approval of the Fees for the Quarterly Review of the Financial Statements (FS) of RCBC and selected Subsidiaries.
- Review of Results and Endorsement for Board Approval of Punongbayan & Araullo's (P&A) Quarterly Review of the Financial Information of RCBC and selected Subsidiaries.
- Review of Results and Endorsement for Board Approval of P&A's Audit of the Financial Statements of RCBC and Subsidiaries for the year ended December 31, 2019.
- Reappointment of P&A as External Financial Auditor and corresponding Review and Approval of P&A's Plan for the Audit of the Financial Statements of RCBC and Subsidiaries for the year ending December 31, 2020.

b. For Internal Audit Function

- Engaging in discussions on the results of internal audits managed and executed by the Internal Audit Group (IAG) and those outsourced to External Service Providers (ESPs) during the monthly Audit and Compliance Committee meetings to evaluate the adequacy and effectiveness of the Bank's internal control system and risk management including financial reporting and information technology security.

- Assessing and resolving to refer to the immediate attention of the responsible business units, Board-level Committees and Bank personnel matters arising from the internal audits.
- Monthly review and notation of the status of audit plans, IAG manpower complement and vacancies, and outstanding/unresolved audit issues.
- Approval to outsource the audits of certain business units and of the External Service Providers who will execute such audits to manage the completion of the audit plan vis-à-vis IAG's capacity.
- Approval of External Service Provider to conduct the External Quality Assessment of the RCBC Internal Audit activity.
- Approval of Revised Quality Assurance and Improvement Policy and Revised Annual Audit Planning Policy effective January 17, 2020.
- Approval of additional recipients of audit reports as requested by concerned Group Heads.
- Approval to Conduct Special Audits in accordance with IAG's Special Audit and Consulting Policy.
- Approval of factors for the evaluation of the performance of the Chief Audit Executive and corresponding performance evaluation for the year 2019
- Approval of revisions on the 2020 Annual Audit Plan
- Approval of 2021 IT Annual Audit Plan
- Approval of the Revised Special Audit and Consulting Policy, Spot Audit Policy, Revised Exceptions and Management Issues for Tracking Policy, Revised Audit Examination Policy, Revised Annual Audit Planning Policy effective June 30, 2020.
- Approval of response to BSP finding related to IT Audit.
- Approval of Revised Working Paper Policies and Procedures – TeamMate Operations Manual for Division Heads, Team Leaders and Audit Examiners.
- Notation of 2019 Internal Audit Group's Annual Report
- Approval to Release the 2019 Annual Internal Audit Report to Stockholder Cathay Life Insurance Co. Ltd.

c. For Compliance Function

- Review of the extent and scope, activities, staffing, resources and organizational structure of the Compliance Function.
- Review and approval of the annual testing plan and monitoring the status thereof.
- Review of the compliance reports of the Compliance Officer to assess compliance with laws, rules and regulations. This also included the review of findings of any examinations by regulatory agencies (e.g., BSP, National Privacy Commission, etc.).
- Review and Approval of Privacy Impact Assessment Criteria for Risks and Risk Acceptance
- Notation and review of status of the Bank's compliance to the Data Privacy Act.
- Notation of Data Privacy Impact Assessment (Key Highlights and Findings)
- Notation of reports and submissions to National Privacy Commission
- Approval of Compliance Culture Change: 3-Year Road Map
- Approval of the Revised Data Privacy Policy
- Approval of Compliance Manual Updating
- Approval of Revision to the 2019 Annual Testing and Monitoring Division's Workplan
- Approval of Compliance Checklist Updating
- Approval of Change of FATCA Responsible Person
- Approval of Appointment of Temporary Associated Person
- Approval of Factors for Performance Evaluation of Chief Compliance Officer
- Approval of the Subsidiary Oversight framework
- Notation of Compliance Performance Assessment
- Notation of BSP Advance Report of Examination and corresponding BSP Examiner's Comment
- Notation of BSP Report of Examination

3. Risk Oversight Committee

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

Members:
Vaughn F. Montes (ID) – *Chairperson*
Laurito E. Serrano (ID) – *Vice Chairperson*
Gayatri P. Bery

Observers:
John Law
Eugene S. Acevedo

The ROC supports the Board with respect to oversight and management of risk exposures of the RCBC parent bank and subsidiaries (the Group). In this regard, the ROC exercises authority over all other risk committees of the Group, with the principal purpose of assisting the Board in fulfilling its risk oversight responsibilities. The ROC oversees the following: 1) The Risk Governance Framework; 2) The Risk Management Function; 3) Adherence to Risk Appetite; 4). Capital Planning and Management; and 5) Recovery Plans.

The highlights of the Risk Oversight Committee's actions in 2020 are as follows:

ROC Charter
- Approved the updated ROC Charter

Risk Governance Framework
- Approved the revisions to the Risk Governance Framework

Enterprise Risk and ICAAP
- Approved:
  - 2020 ICAAP and Recovery Plan with addendum
- Noted:
  - Enterprise Risk Reports including RCBC Group Risk Profile, Risk Dashboards, Risk Heat Maps, Reports on Asset Quality Monitoring and Capital Adequacy
  - Results of Uniform Stress Testing on Credit Risk
  - Results of Credit Rating Model Performance Review
  - Results of Market Risk Model Validation

Credit Risk
- Noted the Credit Management Reports, including Updates on Asset Quality, Key Accounts, Flagged Accounts, Problem Loan Committee, COVID-19 Assessment and Stress Testing, NPL and ECL Forecast, Impact Assessment of Taal Volcano Eruption, Earthquakes and Typhoons, Updates on CARE Program, Ratings Migration, Industry Exposure Limits, Consumer Loan Portfolio, Treasury Bond Portfolio, and Portfolio Quality of Subsidiaries.

Market & Liquidity Risk
- Approved:
  - Market & Liquidity Risk Models and Assumptions
  - 2020 Treasury Limits

- Noted:
    - 2020 Treasury Funding Plan and Balance Sheet Strategy
    - Market and Liquidity Risk Reports including Regulatory Ratios, Liquidity and Repricing Gaps, IRRBB Metrics, and other measures
    - Results of Uniform Stress Testing on Market Risk
    - Liquidity Risk Triggers and Action Plans

<u>Portfolio Quality</u>

- Approved:
    - Updated ESMS Policy
    - 2019 Sustainability Report
    - Climate Finance Scenario Analysis Advisory Engagement with IFC and 2DII
- Noted:
    - Independent Credit Review Updates and Reports
    - Green and Sustainability Bonds Allocation and Impact Reports
    - ESMS Updates and Reports

<u>Operational Risk</u>

- Approved:
    - Consolidated Key Risk Indicator Library
    - Consolidated Control Sample TestLibrary Key Risk Indicator (KRI) Library
    - Control Sample Tests (CST)
- Noted:
    - Operational Risk Reports including RCSA, KRI, and CST Library
    - KRI and CST Results
    - Business Resiliency Reports
    - COVID-19 Impact Assessment
    - Business Continuity Plans and Pandemic Plans
    - Consumer Protection Reports

<u>Enterprise Fraud Risk</u>

- Approved:
    - Updated Enterprise Fraud Management Framework
- Noted:
    - Enterprise Fraud Risk Reports
    - Fraud Diagnostic Report

<u>Information Security Governance</u>

- Approved:
    - Revisions on Information Security Charter and Information Security Program
    - Enhanced Information Security Risk Assessment Template
- Noted:
    - Information Security Reports

<u>Reputational Risk</u>

- Approved:
    - Amendments to Reputational Risk Management Framework
- Noted:
    - Reputational Risk Reports

<u>Others</u>

- Noted:
    - Economic Impact of COVID-19
    - COVID-19 Impact on Bank Financials

- BSP Regulations on COVID-19
- MOA on Distribution of Social Amelioration Program Funds through DiskarTech
- Trust Risk Reports
- Subsidiary Reports

4. The Corporate Governance Committee

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

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

The Corporate Governance Committee assists the Board of Directors in fulfilling its corporate governance responsibilities. The highlights of the actions of the Corporate Governance Committee in 2020 are as follows:

- Exercised oversight on the nomination process for members of the Board of Directors and for positions requiring board approval;
- Reviewed and recommended to the Board the assignment to Board Committees;
- Reviewed and endorsed for Board approval the interlocking positions of directors and officers;
- Reviewed and endorsed for Board approval the appointments of senior officers;
- Reviewed and endorsed for Board approval the secondment of senior officers to Subsidiary Companies;
- Exercised oversight on the continuing education program for the Board of Directors;
- Facilitated the evaluation process of the 2019 performance of the Board of Directors, the Board-level Committees, the individual members, the Chairperson and the CEO;
- Reviewed and endorsed for Board approval the revisions to the Corporate Governance Manual;
- Reviewed and approved the Charter of the Digital Enterprise Committee, a management committee;
- Reviewed and approved the 2020 Integrated Annual Corporate Governance Report (iACGR)
- Assessed and deliberated several external facilitators that will conduct the 2020 Board performance evaluation process;
- Endorsed to the Board the external facilitator that the Committee has selected that will conduct the evaluation of the 2020 performance of the Board of Directors, Board-level Committees, individual directors, the Chairperson and the CEO;
- Reviewed and endorsed for Board approval the 2021 Annual Board Plan;
- Discussed and Noted the following:
  (a) Quarterly Report on New Hires and Separated Employees, and Attrition Report
  (b) Quarterly Whistleblowing Report

5. The Related Party Transactions Committee

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

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

The RPT Committee assists the Board in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulations to protect the interest of depositors, creditors and other stakeholders. In 2020, the RPT Committee fulfilled its mandate under its charter particularly on the review and disclosure of material related party transactions. Work done by the Committee in 2020 includes the following:

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

6. The Anti-Money Laundering Committee

Composition:
The Anti-Money Laundering Committee shall be composed of at least three (3) directors, majority of whom are independent directors, including the chairperson.

Members:
Gabriel S. Claudio (ID) – *Chairperson*
Vaughn F. Montes
Gil A. Buenaventura

Observer:
Eugene S. Acevedo
The AML Committee assists the Board of Directors in its mandate to fully comply with the Anti-Money Laundering Act, as amended, its Revised Implementing Rules and Regulations and the Anti-Money Laundering Regulations under the Manual of Regulations for Banks (MORB); and to ensure that oversight on the Bank's compliance management is adequate.

In 2020, some of the crucial actions of the Committee include:

- The hiring of a third party consultant to assist the Bank in the development of its methodology for the conduct of its Institutional Risk Assessment ("IRA") covering the period 01 January 2018 to 31 December 2019. Results of the IRA were presented to the AML Committee in September 2020.

- The AML Committee closely monitored the remediation plan of the Bank on its covered transaction reporting to ensure that all regulatory issues are addressed in a manner acceptable to the Anti-Money Laundering Council.
- The AML Committee closely monitored the Bank's enhancements to its Money Laundering and Terrorist Financing Prevention Program which was assessed to be "adequately sound" by the Bangko Sentral ng Pilipinas during its last regular examination in 2019.
- The AML Committee continues to evaluate and monitor the Bank's ring-fencing activities on its Online Gaming Business (OGB) and Money Service Business clients which includes the review and approval of accounts for closure. In 2020, the Committee approved Management's recommendation to close all its OGB accounts.
- The Committee has fostered collaboration with the AMLC, and has approved the public-private partnership with the said agency in 2020.
- The Committee approved updates to the Bank's MTPP to capture recent changes in laws and regulations including the enactment of the Anti-Terrorism Act and recent amendments to the Anti-Money Laundering Act.

7. The Trust Committee

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

Members:
Juan B. Santos (ID) – Chairperson
Cesar E.A. Virata
Eugene S. Acevedo
Lilia B. De Lima
Trust Officer: Mario T. Miranda – Trust Officer (*until March 31, 2020*)
Robert B. Ramos – Trust Officer *(July 16, 2020 to present)*

The Trust Committee is a special committee which reports directly to the Board of Directors and is primarily responsible for overseeing the fiduciary activities of the Bank. Its activities in 2020 include the following:

- Formulation of new policies and guidelines
- Oversight of trust business
  - Review of Trust performance and approval business plans
  - Discussions on the monthly market updates and investment strategies of Trust
  - Approval of creation and amendments of new UITF products, and
  - Review of organization structure, succession plan for Trust and other HR matters, among others
- Evaluation and approval of management recommendations on the investment and disposition of funds or properties held in trust

- Management of risks in the conduct of the trust business
  - Monthly discussions and review of various risk management reports (market risk, credit risk, operational risk, reputation risk, strategic risk, legal risk)
  - Discussions on incident reports and issues affecting Trust
  - Monitoring of the proper implementation of approved policies and guidelines
  - Monitored resolution of various audit and compliance issues in BSP examination, internal audit and compliance reviews

8. The Technology Committee

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

Members:
Helen Y. Dee – *Chairperson*
Cesar E.A. Virata
Eugene S. Acevedo

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

- Approves major IT investments.
- Manages and aligns IT initiatives across the Group.
- Reviews status of major projects.
- Prioritizes IT initiatives, when warranted.
- Evaluates emerging IT solutions for use of the Group.
- Reviews, evaluates and resolves Cyber Security Issues, Disruptions and Disaster Recovery activities raised in the TechCom.
- Ensures compliance to BSP rules and regulations relating to Information Technology.

In 2020, highlights of the actions of the Technology Committee are as follows:

- Acquire Customer Care Solution Project
- Enhanced Security for RCBC Bankard
- Migrate Finacle Core Banking to open platform
- Salesforce for Smart Customer Acquisition
- RCBC Securities EZTrade Mobile Application
- Request for the Purchase of Guava Module for Equities
- Upgrade of CORONA Nostro Reconciliation
- Additional RSA Tokens for VPN access
- Acquire Virtual Meeting Tool
- Upgrade of DC Virtual Environment
- Remote Deposit Capture
- ATM Asset Management
- Business Recovery Plan: Avaya One – X
- RCBC Touch Digital Onboarding Project – Increase in Marketing Budget
- Acquire Collaboration Solution
- PC Requirements for the Recovery Plan
- Network Perimeter Security Capacity Upgrade
- Bulk Check Scan Service
- RCBC Bankard: Digital Onboarding 2: Agent Assisted
- Moneyware : Trust System Implementation Phase 2
- Acquire Additional TeamMate Licenses
- Acquire Additional TeamMate Licenses
- AutoLoans BPR
- Treasury Dealerboard Upgrade
- BC Connectivity: Migrate from MPLS to new FIBER Internet Technology
- Customer Information Updating for ROR Enrollment
- Data Lake & Power BI Upgrade

Advisory Board

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

Shareholdings in the Company

As of December 31, 2020, only the following stockholders own more than 5% of RCBC's common stock:

Title of Class	Name, Address of record owner and relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Held	Percent (%)
Common	**Pan Malayan Management & Investment Corporation** Address: 48/F Yuchengco Tower, RCBC Plaza 6819 Ayala Avenue Makati City Relationship with issuer: RCBC is a subsidiary of PMMIC	Pan Malayan Management & Investment Corporation *The records in the possession of the Bank show that the beneficial ownership of this company belong to the shareholders of record of said company. The Bank has not been advised otherwise.*	Filipino	807,582,173*	41.72%
Common	**Cathay Life Insurance Corporation** Address: 296 Ren Al Road Sec4 Taipei 10633 Taiwan R.O.C. Relationship with Issuer: Stockholder		Non-Filipino	452,018,582	23.35%
Common	**International Finance Corporation (IFC) & IFC Capitalization (Equity) Fund, L.P.** Address: 2121 Pennsylvania Avenue, NW Washington, DC 20433 USA Relationship with Issuer: Stockholder		Non-Filipino	107,875,642	5.57%

**Combined Direct and Indirect Shares of PMMIC*

As of December 31, 2020, the following **directors and officers** directly and indirectly own shares in RCBC:

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

Shareholders' Rights and Protection of Minority Stockholders' Interest

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

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

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

Right to Nominate Candidates for Board of Directors

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

Voting Right

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

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

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

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

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

The voting rights and procedures are also detailed in the Procedure for the Annual Stockholders' Meeting, the Proxy Form, and the Vote Ballot with Instructions and Procedures, all of which are attached to this Information Statement on the pages that follow the Notice of Meeting (before this Annex).

Conduct of Shareholders' Meeting

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

In view of the Covid-19 pandemic, the Annual Stockholders' Meeting which was held on July 27, 2020 was conducted virtually via videoconferencing as allowed by the SEC. The Bank hired an independent party, Punongbayan & Araullo, to count and validate votes cast at the said meeting. Proper and timely disclosures were made immediately after the ASM. Results of the meeting as well as minutes thereof are available in the Bank's website.

Right to Inspection

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

Right to Information

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

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

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

Dividend Policy

Article XI, Section 1 of the By-Laws of the Bank, provides that dividends shall be declared and paid out of the surplus profits of the Bank as often and at such times as the Board of Directors may determine after making provisions for the necessary reserves in accordance with law and the regulations of the Central Bank of the Philippines.

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

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

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

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

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

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

Details of the **2020 cash dividend** distribution are as follows:

Nature of Securities	Date Declared	Dividend		Record Date	Date Approved		Date Paid/ Payable
		Per Share	Total Amount		By BOD	By BSP	
Convertible Preferred	Feb. 24, 2020	0.0993	0.03	Feb. 26, 2020	Feb. 24, 2020	*	Apr. 1, 2020
Convertible Preferred	May 26, 2020	0.0808	0.02	May 27, 2020	May 26, 2020	*	June 24, 2020
Common Stock	May 26, 2020	0.5560	1,076.21	May 28, 2020	May 26, 2020	*	June 24, 2020
Preferred Stock	May 26, 2020	0.5560	0.15	May 28, 2020	May 26, 2020	*	June 24, 2020
Convertible Preferred	Sept. 1, 2020	0.0589	0.02	Sept. 17, 2020	Sept. 1, 2020	*	Sept. 24, 2020
Convertible Preferred	Dec. 1, 2020	0.0563	0.02	Dec. 2, 2020	Dec. 1, 2020	*	Jan. 7, 2021

* *Not applicable; BSP approval not anymore required during these periods.*

Appraisal Right

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

Investor Relations Program

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

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

All material information about the Bank, *i.e.*, anything that could adversely affect share price, shall be publicly disclosed. Such information and/or transactions shall include, among others, earnings results, acquisition or disposal of significant assets, related party transactions, board membership changes, shareholdings of directors and officers and any changes thereto, and such material events or information which are required to be disclosed pursuant to the SRC and its Implementing Rules and Regulations.
Other information that shall always be disclosed includes remuneration (including stock options) of all directors and senior management, corporate strategy, and off balance sheet transactions.

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

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

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

Other Stakeholders

Creditors' Rights

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

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

Supplier/Contractor Selection and Criteria

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

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

HOI's Procurement Shared Services has the following policies:

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

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

Environmentally-friendly Value Chain

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

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

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

In addition to ESMS, the Bank developed its Sustainable Finance Framework in 2019, which articulates its intention to fund loans and projects that have clear environmental and/or social benefits. Under this framework, RCBC can issue green, social or sustainable debt instruments to finance and refinance RCBC's loans to customers or its own operating activities in Eligible Green Categories and/or Eligible Social Categories.

RCBC's implementation of its ESMS and its own Sustainable Finance Framework exemplifies an early response to the BSP's call for financial institutions to be enablers of environmentally and socially responsible business decisions. This is provided for under BSP Circular 1085 on Sustainable Finance Framework that was issued in April 2020.

Internal Control

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

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

- Control Environment

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

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

- Risk Assessment

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

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

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

- Control Activities

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

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

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

- Management Reporting System

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

- Monitoring Activities and Correcting Deficiencies

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

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

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

Compliance Function

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

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

RAG shall facilitate the effective management of compliance risks by:

a. Advising the Board of Directors and senior management on relevant laws, rules and standards, including keeping them informed on developments in the area;
b. Apprising Bank personnel on compliance issues, and acting as a contact point within the Bank for compliance queries from its personnel;
c. Establishing written guidance to staff on the appropriate implementation of laws, rules and standards through policies and procedures and other documents such as compliance manuals, internal codes of conduct and practice guidelines;
d. Identifying, documenting and assessing the compliance risks associated with the Bank's business activities, including new products and business units;
e. Assessing the appropriateness of the Bank's compliance procedures and guidelines, promptly following up any identified deficiencies, and where necessary, formulating proposals for amendments;
f. Monitoring and testing compliance by performing sufficient and representative compliance testing; and
g. Maintaining a constructive working relationship with the BSP and other regulators.

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

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

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

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

Internal Audit

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

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

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

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

An independent assessment of the internal audit function is conducted every five (5) years by an external auditor through a quality assurance review. In 2015, the internal audit function underwent full external quality assessment review by an independent assessor and the latest Quality Assurance Report was released on November 25, 2015. An External Quality Assessment is currently being undertaken by an external service provider, the results of which are expected to be released by second quarter of 2021.

The External Auditor

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

The following are audit and non-audit fees paid to the bank's external auditor, Punongbayan and Araullo, in 2020 (in Million Pesos):

2020	Audit Fee	Non-Audit Fee	Total
Parent	P 7.47	P6.02	P13.49
Group	P 12.02	P7.14	P19.16

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

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure. In connection with the audits of the Bank's financial statements for the two (2) most recent years ended December 31, 2020 and 2019, there were no disagreements with Punongbayan and Araullo on any matter of accounting principles or practices, financial statement disclosures, audit scope or procedures.

Policies

Code of Conduct

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

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

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

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

Anti-Corruption Policies

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

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

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

<u>Receiving Commissions or Benefits</u>. Employees must avoid situations which may unduly influence the relationships with customers or suppliers in a position to transact business with the Bank. Employees must make sure that the procedures laid down in providing customer services or in purchasing goods and services are strictly followed. Employees who have a direct hand in

choosing companies from which purchases of the Bank's business requirements are to be made, are discouraged to use said authority to obtain commissions or leverage to purchase the same item/s for personal interests at terms not otherwise available to his/her colleagues or the public. Suppliers and customers are chosen based on merit and not on what can be gained from them.

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

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

Use of Insider Information

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

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

Whistleblowing Policy

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

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

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

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

AMLA

RCBC is committed in embedding a culture of compliance in the overall structure of Bank as this is critical in the development and ongoing administration of an effective AML/CFT Program. The Board of Directors commitment to this objective is set forth in this Money Laundering and Terrorist Financing Prevention Program (MTPP). In combating money laundering, terrorist financing, and proliferation financing, the Bank shall apply the following principles:

1. Conduct business in conformity with high ethical standards in order to protect its safety and soundness as well as the integrity of the national banking and financial system;
2. Know sufficiently your customer at all times and ensure that the financially or socially disadvantaged are not denied access to financial services while at the same time prevent suspicious individuals or entities from opening or maintaining an account or transacting with the covered person by himself or otherwise;
3. Adopt and effectively implement a sound money laundering, terrorist financing, and proliferation financing prevention risk management system that identifies, assesses, monitors and controls risks associated with money laundering and terrorist financing;
4. Comply fully with Part Nine of the MORB, existing laws, and implementing rules and regulations aimed at combating money laundering and terrorist financing by making sure that officers and employees are aware of their respective responsibilities and carry them out in accordance with superior and principled culture of compliance; and
5. Fully cooperate with the Anti-Money Laundering Council for the effective implementation and enforcement of the Anti-Money Laundering Act (AMLA), as amended, the Terrorist Financing Suppression and Prevention Act and the Anti-Terrorism Act and their respective IRRs.

The MTPP is strategically aligned with the results of the National Risk Assessment on Money Laundering (ML) and Terrorist Financing (TF) of the Philippines, a government-wide assessment of the overall exposure of the country to money laundering and its related predicate offenses, terrorism and terrorist financing. It is a comprehensive process of identifying and analyzing the ML/TF risks within the realm of the supervised sectors, financial institutions, and covered persons and entities under the AMLA, as amended.
The MTPP shall be updated at least once every two (2) years or as needed to properly adhere to the new rules and regulations of regulatory agencies, laws of the Republic of the Philippines and other countries, and policies and procedures of the Bank.

Related Party Transactions

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

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

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

The term “related parties” under the Bank’s updated RPT Policy has been expanded in scope as it broadens the definition of “close family members” to include relatives of the Bank’s Directors, Officers and Stockholders within the 4th degree of consanguinity or affinity, legitimate or common-law. Related parties also include corresponding persons in affiliated companies, those with direct or indirect linkages with the Bank, members of the Bank’s Advisory Board and subsidiaries of related parties.

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

The RPT Committee is a board-level committee that reviews material related party transactions to ensure that they are conducted in the regular course of business and not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, and collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances. On favorable review, the RPT Committee endorses material RPTs to the Board for approval.

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

On the other hand, the RPT Management Committee reviews and approves proposed RPTs below the materiality threshold or those that do not require Board approval to ensure that said RPTs are conducted in the regular course of business and not undertaken on more favorable economic terms to such related parties than similar transactions with non-related parties under similar circumstances. On favorable review, the RPT Management Committee approves the non-material RPT and submits the same to the BOD for confirmation.

Transactions with related parties involving amounts of at least Pesos: Ten Million (Php10,000,000.00) are considered as material RPTs. The said threshold shall not apply to DOSRI loans and other credit accommodations and guarantees, and other transactions requiring Board approval under the regulations, i.e., cross-selling, outsourcing, etc., which are always considered “material” regardless of amount. Where the amount involved in the transaction is at least 10% of the combined assets of the RCBC Group, the transaction shall be accompanied by a fairness opinion issued by an external independent party to be appointed by the Board of Directors.

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

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

* Not to exceed the aggregate limit for Other Contracts

The Bank submits a quarterly report to the BSP on material exposures to related parties, which include the material RPTs of non-bank financial subsidiaries and affiliates. A summary of material RPTs entered into during the reporting year is also disclosed in the Bank’s Integrated Annual Corporate Governance Report.

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Details of the Bank's major related party transactions in 2020 are described below:

- *Sale and Purchase of Securities* - The Parent Company and certain subsidiaries engage in the trading of investment securities as counterparties to the transaction. These transactions are priced similar to transactions with other counterparties outside the Group and there are no unsettled transactions as of the end of each reporting period. [Note 28.3, Notes to Financial Statements]

- *Retirement Fund* - The Parent Company and certain subsidiaries' retirement funds covered under their defined benefit post-employment plan maintained for qualified employees are administered and managed by the Parent Company's Trust and Investment Division (TIG) in accordance with the respective trust agreements covering the plan. [Note 28.4, Notes to Financial Statements]

The Group's significant transactions with its related parties as of end December 2020 include loans and receivables and deposit liabilities. The total amount of loans outstanding was at Php11.565 billion while total deposit liabilities was at Php11.620 billion as of December 31, 2020. The total amount of Parent Company DOSRI loans was at P920 million by end of December 2020 and at P416 million as of end December 2019.

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

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

- *Lease contract with RCBC Rental Corporation (RRC) and Sublease Agreements with Subsidiaries* - The Parent Company and certain subsidiaries occupy several floors of RCBC Plaza as leaseholders of RRC. The occupancy of some of subsidiaries in RCBC Plaza is covered by sublease agreements with RCBC. RCBC's lease contract with RRC is effective until December 31, 2025.
- *Service Agreement with RBSC* - The Parent Company has Service Agreement with RBSC, wherein RBSC shall provide the Parent Company with marketing, distribution, technical, collection and selling assistance and processing services in connection with the operation of the Parent Company's credit card business.
- The Bank has service agreements with RBSC for the in-sourced internal audit services. The Bank provides limited audit services to RBSC, specifically IT audit, operations audit and financial statements review. Also, the Bank has formalized the service agreements for the internal audit services being provided to subsidiaries namely: RCBC Capital Corp., RCBC Securities, Inc., RCBC Forex Brokers Corp., Merchant Savings and Loan Association, Inc. (Rizal Microbank), RCBC Leasing and Finance Corporation and Niyog Property Holdings, Inc.
- The Bank has a service agreement with RCBC Forex Brokers Corporation (RCBC Forex) for in-sourced services, rendered by the following business units: 1) business and operational risk, 2) compliance, 3) internal audit, 4) information technology, and 5) human resources. The services shall be limited to: compliance with relevant laws, rules and regulations, market, liquidity, and operational risk management, internal audit, information technology, review of salary and processing of payroll on a bi-monthly basis, and implementation of exclusive succession planning, human resources information system and database administration and organization of training programs.

- The Bank has a service agreement with RCBC Forex for the referral of money service business customers to RCBC Forex, to facilitate the purchase and/or sale of foreign currencies. The services to be rendered are relative to account opening and compliance with customer identification regulatory requirements.
- The Bank has a service agreement with RCBC International Finance Limited (RIFL) to facilitate the remittance tie-up and account solicitation arrangement agreement with RIFL which is based in Hongkong.
- The Bank has an agreement with RCBC Rentals Corp. (RRC) for the lease of 1,600 new ATMs with a lease term of 60 months. The agreement is expected to be implemented over a period of 3 years.

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

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

(J) Undertaking to Provide Annual Report

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

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

ANNEX B

P&A Grant Thornton

An instinct for growth

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Philippines

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Report of Independent Certified Public Accountants to Accompany Income Tax Return

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

We have audited the financial statements of Rizal Commercial Banking Corporation (the Bank) for the year ended December 31, 2020, on which we have rendered the attached report dated February 22, 2021.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholder of the Bank.

PUNONGBAYAN & ARAULLO

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION

Date APR 14 2021 TSIS

RECEIVED
RHEA ARAGON

By: **Anthony L. Ng**
Partner

CPA Reg. No. 0109764
TIN 230-169-270
PTR No. 8533236, January 4, 2021, Makati City
SEC Group A Accreditation
Partner - No. 109764-SEC (until Dec. 31, 2023)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-038-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

February 22, 2021

P&A
Grant Thornton

An instinct for growth™

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Report of Independent Auditors

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

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION

Date APR 14 2021 TSIS

RECEIVED
RHEA ARAGON

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Rizal Commercial Banking Corporation and subsidiaries (together hereinafter referred to as the Group) and of Rizal Commercial Banking Corporation (the Parent Company), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Group and of the Parent Company as at December 31, 2020 and 2019, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 33 to the financial statements, which describes management's assessment of the continuing impact on the Group's and Parent Company's financial statements of the business disruption brought by the COVID-19 pandemic. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

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

(a) Expected Credit Loss (ECL) Model for Loans and Receivables

Description of the Matter

As of December 31, 2020, the Group's and the Parent Company's expected credit loss (ECL) allowance for loans and receivables amounted to P19,193 million and P18,363 million, respectively, while the carrying amount of loans and receivables amounted to P491,284 million and P483,814 million, respectively. We have identified the Group's and the Parent Company's ECL model significant to our audit as this:

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

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

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

These significant judgments and estimates have further increased due to the unprecedented impacts of COVID-19 pandemic to the Group's and Parent Company's loans and receivables. In 2020, given that changing the existing ECL model will 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 management introduced post-model adjustments in the existing ECL model to reflect the impact of the COVID-19 pandemic, and the government and Group's and Parent Company's financial support program to its customers on a reasonable and supportable basis. The incorporation of post-model adjustments has considered re-segmentation of loan portfolios based on perceived and expected COVID-19 impact to the customers' businesses and industries and additional qualitative factors that would elevate COVID-19 changes to SICR.

The summary of significant accounting policies, the significant judgment, including estimation applied by the management, as those related to the credit risk assessment process of the Group and the Parent Company are disclosed in Notes 2, 3 and 4 to the financial statements, respectively.

How the Matter was Addressed in the Audit

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

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

- assessed the Group's and the Parent Company's segmentation and re-segmentation of its credit risk exposures based on homogeneity of credit risk characteristics and impact of COVID-19 pandemic and evaluated the appropriateness of the specific model and post-model adjustments applied for each loan portfolio;
- evaluated both the quantitative and qualitative criteria applied in the definition of default against historical analysis for each segment of loan portfolio and in accordance with credit risk management practices, and tested the criteria in the determination of the SICR, including assignment of a loan or group of loans into different stages of impairment;
- further evaluated additional qualitative factors considered that would elevate COVID-19 related changes to SICR;
- tested the Group's and the Parent Company's application of internal credit risk rating system for selected items of loans, and verified the mapping of the ratings to the ECL calculation;
- tested loss given default information across various types of loan by inspecting records of historical recoveries and relevant costs, including valuation and cash flows from collateral, and write-offs;
- reconciled and tested exposure at default for all outstanding loans against the relevant loan databases, including review of the potential exposures from undrawn commitments against historical drawdown and impact of loan modifications;
- assessed the appropriateness of the identification of forward-looking information (overlays) used in the ECL model and validated their reasonableness against publicly available information and our understanding of Group's and Parent Company's loan portfolios and industry where they operate; and,
- tested the effective interest rate used in discounting the ECL.

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

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

(b) Loan Modification

Description of the Matter

Alongside with government mandated reliefs in response to the COVID-19 pandemic, the Group and the Parent Company introduced a comprehensive financial support program for customers significantly affected by COVID-19 pandemic to allow them to get back in the habit of paying loans and receivables. As of December 31, 2020, the total outstanding balance of loans and receivables modified under government mandated reliefs amounted to P138,275 and P137,638 million for the Group and Parent Company, respectively, while total loans and receivables modified under the Group's and Parent Company's financial support program amounted to P26,652 and P22,817 million, respectively.

Management has assessed that these modifications were only to provide temporary relief to customers and the net economic value of the loans and receivables is not significantly affected; therefore, accounted for as non-substantial modification. The assessment to determine whether the modifications are substantial, that would result in the derecognition of the financial asset, or not is consistent with the Group's and Parent Company's own accounting policy as there is no explicit guidance in PFRS 9 for when a modification should result in derecognition. The disclosures in relation to this matter are included in Notes 2 and 4 to the financial statements. Accordingly, we have assessed the accounting for loan modification as a key audit matter.

How the Matter was Addressed in the Audit

We obtained an understanding of the Group's and Parent Company's accounting policies and procedures for loan modification and we evaluated whether those: (a) are established and implemented consistently; (b) are appropriate in the context of the Group's and Parent Company's comprehensive financial support measures and government mandated reliefs; and, (c) supported by pertinent processes and controls, including modification documentations that capture correct information of the modification mandated, introduced and agreed with customers.

We also performed the following audit procedures to address this key audit matter:

- Verified the completeness of the loan modification database used by validating and comparing the listing of all modified loans, which were prepared by management outside its loan management system, against relevant financial reporting applications and other accounting records.

- Verified the accuracy of the underlying loan modification database by agreeing a representative sample of modified loans to the related documentation made and agreed with customers or other supporting information, and checked the integrity and mathematical accuracy of the calculations through recalculation of the expected loan modification adjustments; and,

- Assessed whether the disclosures within the financial statements are appropriate and complete based on of the requirements of the relevant standards.

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

Description of the Matter

As of December 31, 2020, the Parent Company carries in its financial statements investment securities held under its hold-to-collect (HTC) business model, which are measured at amortized cost amounting to P42,513 million. In 2020, the Parent Company disposed of certain local and foreign sovereign bonds, and corporate bonds denominated in Philippine peso, US dollar, and euro under its HTC portfolio with aggregate carrying amount of P62,960 million. The disposals were determined to be significant in value but infrequent.

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

How the Matter was Addressed in the Audit

We checked the appropriateness of the Parent Company's disposals of HTC securities by reviewing the documentation of the approval of the Parent Company's Executive Committee as required by the Bangko Sentral ng Pilipinas (BSP). We assessed whether the disposals were made consistent with the permitted sale events documented in the Parent Company's business model in managing financial assets manual and with the relevant requirements of both the financial reporting standard and the BSP. We also assessed the appropriateness and reasonableness of the underlying data used and the rationale documented by the Parent Company in the determination of the amount of HTC securities disposed.

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

Description of the Matter

The Group and the Parent Company have significant investments in unquoted equity securities measured at fair value through other comprehensive income amounting to P1,570 million and P1,542 million, respectively, as of December 31, 2020. The valuation of these financial instruments involve complex valuation techniques (i.e., price-to-book value method and discounted cash flow method) and significant estimation which are highly dependent on underlying assumptions and inputs such as price-to-book ratios of selected comparable listed entities, application of a certain haircut rate, and appropriate discount rate in computing the present value of future cash flows expected from dividend or redemption payments. These inputs are considered Level 3 unobservable inputs in the fair value hierarchy under PFRS 13, *Fair Value Measurement*, as discussed in Notes 3 and 7 to the financial statements. Accordingly, we have assessed the valuation of the unquoted equity securities as a key audit matter.

How the Matter was Addressed in the Audit

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's and the Parent Company's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. As discussed in Note 26 to the financial statements, the Parent Company presented the supplementary information required by the Bureau of Internal Revenue (BIR) under Revenue Regulations (RR) 15-2010 in a supplementary schedule filed separately from the basic financial statements. RR 15-2010 requires the supplementary information to be presented in the notes to financial statements. The supplementary information for the year ended December 31, 2020 and 2019 required by the BSP as disclosed in Note 34 to the financial statements is presented for purposes of additional analysis. Such supplementary information required by the BIR and BSP is the responsibility of management and is not a required part of the basic financial statements prepared in accordance with PFRS; it is neither a required disclosure under the Revised Securities Regulation Code Rule 68 of the SEC. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

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BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
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By: **Anthony L. Ng**
Partner

CPA Reg. No. 0109764
TIN 230-169-270
PTR No. 8533236, January 4, 2021, Makati City
SEC Group A Accreditation
Partner - No. 109764-SEC (until Dec. 31, 2023)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-038-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

February 22, 2021

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019
(Amounts in Millions of Philippine Pesos)

	Notes	GROUP 2020	GROUP 2019	PARENT COMPANY 2020	PARENT COMPANY 2019
RESOURCES					
CASH AND OTHER CASH ITEMS	9	P 16,520	P 16,907	P 16,464	P 16,808
DUE FROM BANGKO SENTRAL NG PILIPINAS	9	115,467	87,255	113,949	85,453
DUE FROM OTHER BANKS	9	15,707	18,818	15,214	18,468
LOANS ARISING FROM REVERSE REPURCHASE AGREEMENTS	9	13,356	5,768	13,226	5,629
TRADING AND INVESTMENT SECURITIES - Net	10	88,064	160,719	85,141	157,444
LOANS AND RECEIVABLES - Net	11	491,284	449,219	483,814	442,093
INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES - Net	12	339	444	6,980	7,724
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT - Net	13	13,062	11,059	10,500	9,071
INVESTMENT PROPERTIES - Net	14	3,725	4,142	3,580	4,017
DEFERRED TAX ASSETS - Net	26	3,044	2,140	2,765	1,888
OTHER RESOURCES - Net	15	11,538	10,608	10,889	9,523
TOTAL RESOURCES		P 772,106	P 767,079	P 762,522	P 758,118

See Notes to Financial Statements.

	Notes	GROUP				PARENT COMPANY			
		2020		2019		2020		2019	
LIABILITIES AND EQUITY									
DEPOSIT LIABILITIES	17	P	535,788	P	456,581	P	536,748	P	456,593
BILLS PAYABLE	18		13,167		101,606		4,200		93,938
BONDS PAYABLE	19		90,439		96,814		90,439		96,814
ACCRUED INTEREST, TAXES AND OTHER EXPENSES	21		5,900		6,202		5,685		5,898
OTHER LIABILITIES	22		25,434		23,026		24,158		22,113
Total Liabilities			670,728		684,229		661,230		675,356
EQUITY	23								
Attributable to:									
Parent Company's Shareholders			101,361		82,831		101,292		82,762
Non-controlling Interests			17		19		-		-
			101,378		82,850		101,292		82,762
TOTAL LIABILITIES AND EQUITY		P	772,106	P	767,079	P	762,522	P	758,118

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Millions of Philippine Pesos, Except Per Share Data)

	Notes	GROUP 2020	GROUP 2019	GROUP 2018	PARENT COMPANY 2020	PARENT COMPANY 2019	PARENT COMPANY 2018
INTEREST INCOME							
Loans and receivables	11	P 33,909	P 32,646	P 27,037	P 33,031	P 31,748	P 26,258
Trading and investment securities	10	2,079	4,498	3,403	1,991	4,439	3,367
Others	9	964	434	493	945	415	419
		36,952	37,578	30,933	35,967	36,602	30,044
INTEREST EXPENSE							
Bills payable and other borrowings	18, 19, 20, 22, 24	5,383	6,584	4,149	4,877	6,121	3,815
Deposit liabilities	17	5,288	8,626	6,295	5,265	8,598	6,275
		10,671	15,210	10,444	10,142	14,719	10,090
NET INTEREST INCOME		26,281	22,368	20,489	25,825	21,883	19,954
IMPAIRMENT LOSSES - Net	16	9,375	7,397	1,899	8,951	7,192	1,782
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		16,906	14,971	18,590	16,874	14,691	18,172
OTHER OPERATING INCOME							
Trading and securities gains (losses) - net	10	6,084	7,492	-	6,040	7,432	(21)
Service fees and commissions		3,506	3,854	3,323	3,320	3,543	3,112
Foreign exchange gains - net	19	574	347	843	558	378	1,013
Trust fees	27	323	323	278	323	323	278
Share in net earnings (losses) of subsidiaries and associates	12	(94)	21	14	(70)	473	287
Miscellaneous - net	25	1,239	1,453	1,548	513	618	825
		11,632	13,490	6,006	10,684	12,767	5,494
TOTAL OPERATING INCOME *(Forward)*		P 28,538	P 28,461	P 24,596	P 27,558	P 27,458	P 23,666

See Notes to Financial Statements.

	Notes	GROUP 2020	GROUP 2019	GROUP 2018	PARENT COMPANY 2020	PARENT COMPANY 2019	PARENT COMPANY 2018
TOTAL OPERATING INCOME		**P 28,538**	P 28,461	P 24,596	**P 27,558**	P 27,458	P 23,666
OTHER OPERATING EXPENSES							
Employee benefits	24	**6,626**	6,833	6,562	**5,896**	6,109	5,927
Taxes and licenses	14	**3,184**	3,103	2,238	**3,062**	2,966	2,100
Depreciation and amortization	13, 14, 15	**2,924**	2,503	1,821	**2,491**	2,183	1,468
Occupancy and equipment-related	28, 29	**2,819**	2,800	3,457	**2,777**	2,756	3,366
Miscellaneous	25	**6,492**	6,559	5,325	**6,875**	6,912	5,748
		22,045	21,798	19,403	**21,101**	20,926	18,609
PROFIT BEFORE TAX		**6,493**	6,663	5,193	**6,457**	6,532	5,057
TAX EXPENSE	26	**1,475**	1,275	872	**1,437**	1,145	737
NET PROFIT		**P 5,018**	P 5,388	P 4,321	**P 5,020**	P 5,387	P 4,320
ATTRIBUTABLE TO:							
PARENT COMPANY'S SHAREHOLDERS		**P 5,020**	P 5,387	P 4,320			
NON-CONTROLLING INTERESTS		**(2)**	1	1			
		P 5,018	P 5,388	P 4,321			
Earnings Per Share							
Basic and diluted		**P 2.43**	P 2.78	P 2.62			

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Millions of Philippine Pesos)

	Notes	GROUP 2020	GROUP 2019	GROUP 2018	PARENT COMPANY 2020	PARENT COMPANY 2019	PARENT COMPANY 2018
NET PROFIT		P 5,018	P 5,388	P 4,321	P 5,020	P 5,387	P 4,320
OTHER COMPREHENSIVE INCOME (LOSS)							
Items that will not be reclassified subsequently to profit or loss							
Actuarial gains (losses) on defined benefit plan	24	361	(1,798)	(1,269)	361	(1,777)	(1,338)
Fair value losses on equity securities at fair value through other comprehensive income (FVOCI)	10, 23	(570)	(586)	(1,018)	(591)	(837)	(628)
Share in other comprehensive income (losses) of the subsidiaries and associates:							
Actuarial gains (losses) on defined benefit plan	12	(8)	-	6	(8)	(21)	75
Fair value gains (losses) on equity securities at FVOCI	12, 23	-	-	-	21	251	(390)
		(217)	(2,384)	(2,281)	(217)	(2,384)	(2,281)
Items that will be reclassified subsequently to profit or loss							
Fair value gains (losses) on debt securities at FVOCI	10, 23	339	(116)	149	339	(116)	149
Translation adjustments on foreign operations	12	1	-	-	1	-	-
Reclassification of cumulative translation adjustment on dissolution of a foreign subsidiary	12, 23	-	-	(32)	-	-	(32)
		340	(116)	117	340	(116)	117
Total Other Comprehensive Income (Loss)	23	123	(2,500)	(2,164)	123	(2,500)	(2,164)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		P 5,141	P 2,888	P 2,157	P 5,143	P 2,887	P 2,156
ATTRIBUTABLE TO:							
PARENT COMPANY'S SHAREHOLDERS		P 5,143	P 2,887	P 2,156			
NON-CONTROLLING INTERESTS		(2)	1	1			
		P 5,141	P 2,888	P 2,157			

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Millions of Philippine Pesos)

GROUP

ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDERS

	Note	COMMON STOCK	PREFERRED STOCK	CAPITAL PAID IN EXCESS OF PAR	HYBRID PERPETUAL SECURITIES	REVALUATION RESERVES	TREASURY SHARES	RESERVE FOR TRUST BUSINESS	OTHER RESERVES	GENERAL LOAN LOSS RESERVE	SURPLUS	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at January 1, 2020		P 22,509	P 3	P 42,568	P -	(P 2,193)	(P 13,719)	P 485	(P 97)	P 3,112	P 30,143	P 82,831	P 19	P 82,850
Transactions with owners:														
Issuance of hybrid perpetual securities	23	-	-	-	14,463	-	-	-	-	-	-	14,463	-	14,463
Cash dividends	23	-	-	-	-	-	-	-	-	-	(1,076)	(1,076)	-	(1,076)
Total transactions with owners		-	-	-	14,463	-	-	-	-	-	(1,076)	13,387	-	13,387
Net profit for the year		-	-	-	-	-	-	-	-	-	5,020	5,020	(2)	5,018
Other comprehensive income		-	-	-	-	123	-	-	-	-	-	123	-	123
General loan loss appropriation	22	-	-	-	-	-	-	-	-	319	(319)	-	-	-
Transfer from surplus to reserve for trust business	21	-	-	-	-	-	-	14	-	-	(14)	-	-	-
		-	-	-	-	123	-	14	-	319	4,687	5,143	(2)	5,141
Balance at December 31, 2020		P 22,509	P 3	P 42,568	P 14,463	(P 2,070)	(P 13,719)	P 499	(P 97)	P 3,451	P 33,754	P 101,361	P 17	P 101,378
Balance at January 1, 2019		P 22,509	P 3	P 42,568	P -	P 266	(P 13,719)	P 454	(P 97)	P 2,594	P 26,230	P 80,808	P 18	P 80,826
Transactions with owners - Cash dividends	30	-	-	-	-	-	-	-	-	-	(864)	(864)	-	(864)
Net profit for the year		-	-	-	-	-	-	-	-	-	5,387	5,387	1	5,388
Other comprehensive loss		-	-	-	-	(2,500)	-	-	-	-	-	(2,500)	-	(2,500)
General loan loss appropriation	21	-	-	-	-	-	-	-	-	538	(538)	-	-	-
Transfer of fair value loss on financial asset at FVOCI to surplus	10, 20	-	-	-	-	41	-	-	-	-	(41)	-	-	-
Transfer from surplus to reserve for trust business	7	-	-	-	-	-	-	31	-	-	(31)	-	-	-
		-	-	-	-	(2,459)	-	31	-	538	4,777	2,887	1	2,888
Balance at December 31, 2019		P 22,509	P 3	P 42,568	P -	(P 2,193)	(P 13,719)	P 485	(P 97)	P 3,112	P 30,143	P 82,831	P 19	P 82,850
Balance at January 1, 2018		P 17,152	P 3	P 33,142	P -	P 2,430	(P 13,719)	P 436	(P 97)	P 2,227	P 23,158	P 64,732	P 17	P 64,749
Transaction with owners:	19													
Issuance of common stock		5,357	-	9,426	-	-	-	-	-	-	-	14,783	-	14,783
Cash dividends		-	-	-	-	-	-	-	-	-	(863)	(863)	-	(863)
Total transactions with owners		5,357	-	9,426	-	-	-	-	-	-	(863)	13,920	-	13,920
Net profit for the year		-	-	-	-	-	-	-	-	-	4,320	4,320	1	4,321
Other comprehensive income		-	-	-	-	(2,164)	-	-	-	-	-	(2,164)	-	(2,164)
General loan loss appropriation	22	-	-	-	-	-	-	-	-	367	(367)	-	-	-
Transfer from surplus to reserve for trust business	20	-	-	-	-	-	-	18	-	-	(18)	-	-	-
		-	-	-	-	(2,164)	-	18	-	367	3,935	2,156	1	2,157
Balance at December 31, 2018		P 22,509	P 3	P 42,568	P -	P 266	(P 13,719)	P 454	(P 97)	P 2,594	P 26,230	P 80,808	P 18	P 80,826

See Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
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	Notes	COMMON STOCK	PREFERRED STOCK	CAPITAL PAID IN EXCESS OF PAR	HYBRID PERPETUAL SECURITIES	REVALUATION RESERVES	TREASURY SHARES	RESERVE FOR TRUST BUSINESS	GENERAL LOAN LOSS RESERVE	SURPLUS	TOTAL EQUITY
		PARENT COMPANY									
Balance at January 1, 2020		P 22,509	P 3	P 42,568	P -	(P 2,193)	(P 13,719)	P 485	P 3,130	P 29,979	P 82,762
Transactions with owners -											
Issuance of hybrid perpetual securities		-	-	-	14,463	-	-	-	-	-	14,463
Cash dividends	23	-	-	-	-	-	-	-	-	(1,076)	(1,076)
Total transactions with owners		-	-	-	14,463	-	-	-	-	(1,076)	13,387
Net profit for the year		-	-	-	-	-	-	-	-	5,020	5,020
Other comprehensive income		-	-	-	-	123	-	-	-	-	123
General loan loss appropriation	23	-	-	-	-	-	-	-	310	(310)	-
Transfer from surplus to reserve for trust business	27	-	-	-	-	-	-	14	-	(14)	-
		-	-	-	-	123	-	14	310	4,696	5,143
Balance at December 31, 2020		P 22,509	P 3	P 42,568	P 14,463	(P 2,070)	(P 13,719)	P 499	P 3,440	P 33,399	P 101,292
Balance at January 1, 2019		P 22,509	P 3	P 42,568	P -	P 266	(P 13,719)	P 454	P 2,587	P 26,071	P 80,739
Transactions with owners -	23										
Cash dividends		-	-	-	-	-	-	-	-	(864)	(864)
Net profit for the year		-	-	-		-	-	-	-	5,387	5,387
Other comprehensive loss	23	-	-	-	-	(2,500)	-	-	-	-	(2,500)
General loan loss appropriation		-	-	-		-	-	-	543	(543)	-
Transfer of fair value loss on financial asset at fair value through other comprehensive income (FVOCI) to surplus	16, 23	-	-	-		41	-	-	-	(41)	-
Transfer from surplus to reserve for trust business		-	-	-	-	-	-	31	-	(31)	-
		-	-	-	-	(2,459)	-	31	543	4,772	2,887
Balance at December 31, 2019		P 22,509	P 3	P 42,568	P -	(P 2,193)	(P 13,719)	P 485	P 3,130	P 29,979	P 82,762
Balance at January 1, 2018		P 17,152	P 3	P 33,142	P -	P 2,430	(P 13,719)	P 431	P 1,793	P 23,431	P 64,663
Transaction with owners:	23										
Issuance of common shares during the year		5,357	-	9,426		-	-	-	-	-	14,783
Cash dividends		-	-	-	-	-	-	-	-	(863)	(863)
Total transactions with owners		5,357	-	9,426	-	-	-	-	-	(863)	13,920
Net profit for the year		-	-	-		-	-	-	-	4,320	4,320
Other comprehensive loss	23	-	-	-	-	(2,164)	-	-	-	-	(2,164)
General loan loss appropriation		-	-	-		-	-	-	794	(794)	-
Transfer from surplus to reserve for trust business		-	-	-	-	-	-	23	-	(23)	-
		-	-	-	-	(2,164)	-	23	794	3,503	2,156
Balance at December 31, 2018		P 22,5[illegible]	3	P 42,568	P -	P 266	(P 13,719)	P 454	P 2,587	P 26,071	P 80,739

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Millions of Philippine Pesos)

	Notes	GROUP 2020	GROUP 2019	GROUP 2018	PARENT COMPANY 2020	PARENT COMPANY 2019	PARENT COMPANY 2018
CASH FLOWS FROM OPERATING ACTIVITIES							
Profit before tax		P 6,493	P 6,663	P 5,193	P 6,457	P 6,532	P 5,057
Adjustments for:							
Interest income	9, 10, 11	(36,952)	(37,578)	(30,933)	(35,967)	(36,602)	(30,044)
Interest received		35,607	41,050	29,528	34,780	41,050	28,000
Interest paid		(11,669)	(9,501)	(11,392)	(11,142)	(9,501)	(9,501)
Interest expense	17, 18, 19, 20, 24	10,671	15,210	10,444	10,142	14,719	10,090
Impairment losses - net	16	9,375	7,397	1,899	8,951	7,192	1,782
Depreciation and amortization	13, 14, 15	2,924	2,503	1,821	2,491	2,183	1,468
Gain on sale of financial assets at amortized cost -net	10	(2,695)	(3,685)	(68)	(2,678)	(3,685)	(69)
Recoveries from written-off assets	25	(102)	(179)	(206)	(99)	(179)	(206)
Share in net earnings of subsidiaries and associates	12	94	(21)	(14)	70	(473)	(287)
Dividend income	25	(78)	(304)	(189)	(16)	(95)	(187)
Gains on assets sold - net	25	(37)	(109)	(96)	(11)	(20)	(28)
Operating profit before working capital changes		13,631	21,446	5,987	12,978	21,121	6,075
Decrease (increase) in financial assets at fair value through profit and loss		660	2,022	(21)	985	1,893	(140)
Decrease (increase) in financial assets at fair value through other comprehensive income		13,864	(35,241)	(16,624)	13,360	(34,563)	(14,441)
Increase in loans and receivables		(25,935)	(61,164)	(34,325)	(25,969)	(51,147)	(41,930)
Decrease (increase) in investment properties		4	(630)	(329)	38	(631)	(376)
Decrease (increase) in other resources		(3,320)	(3,723)	2,058	(3,703)	(3,147)	2,946
Increase in deposit liabilities		79,207	33,182	34,987	80,155	33,064	34,399
Increase (decrease) in accrued interest, taxes and other expenses		326	(4,499)	1,037	394	(4,096)	242
Increase (decrease) in other liabilities		(31)	10,846	74	(454)	3,105	4,437
Cash generated from (used in) operations		78,406	(37,761)	(7,156)	77,784	(34,401)	(8,788)
Income taxes paid		(2,009)	(1,548)	(1,015)	(1,921)	(1,386)	(613)
Net Cash From (Used in) Operating Activities		76,397	(39,309)	(8,171)	75,863	(35,787)	(9,401)
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from disposal and maturity of securities at amoritzed cost		235,515	123,395	47,892	235,304	118,587	111,197
Additional investments in securities at amortized cost		(174,920)	(128,062)	(77,488)	(174,920)	(126,480)	(140,237)
Acquisitions of bank premises, furniture, fixtures, and equipment	13	(1,764)	(2,245)	(1,214)	(773)	(1,717)	(980)
Acquisitions of intangible assets	15	(591)	(233)	(179)	(575)	(231)	(156)
Proceeds from disposals of bank premises, furniture, fixtures and equipment	13	92	908	401	39	831	227
Cash dividends received	25	78	304	189	659	95	187
Net Cash From (Used in) Investing Activities *(Forward)*		P 58,410	(P 5,933)	(P 30,399)	P 59,734	(P 8,915)	(P 29,762)

See Notes to Financial Statements.

	Notes	GROUP 2020	GROUP 2019	GROUP 2018	PARENT COMPANY 2020	PARENT COMPANY 2019	PARENT COMPANY 2018
CASH FLOWS FROM FINANCING ACTIVITIES							
Payments of bills payable	18, 31	(P 371,858)	(P 44,388)	(P 32,790)	(P 365,298)	(P 44,177)	(P 30,912)
Proceeds from availments of bills payable	18, 31	284,718	89,737	44,522	276,859	89,100	42,769
Maturity of bonds payable	19, 31	(27,371)	-	-	(27,371)	-	-
Issuance of bonds payable	19, 31	23,670	45,697	23,520	23,670	45,697	23,520
Net proceeds from issuance of hybrid perpetual securities	23	14,463	-	-	14,463	-	-
Payment of lease liabilities	22	(1,173)	(1,186)	-	(1,113)	(1,086)	-
Dividends paid	23	(1,076)	(864)	(863)	(1,076)	(864)	(863)
Issuance of common stock	23	-	-	14,783	-	-	14,783
Redemption of subordinated debt	20	-	(9,986)	-	-	(9,986)	18
Net Cash From (Used in) Financing Activities		(78,627)	79,010	49,172	(79,866)	78,684	49,315
NET INCREASE IN CASH AND CASH EQUIVALENTS		56,180	33,768	10,602	55,731	33,982	10,152
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR							
Cash and other cash items	9	16,907	17,392	14,693	16,808	17,321	14,861
Due from Bangko Sentral ng Pilipinas	9	87,255	56,495	58,801	85,453	55,059	57,519
Due from other banks	9	18,818	20,342	19,818	18,468	19,815	19,469
Loans arising from reverse repurchase agreement	9	5,768	10,032	9,831	5,629	10,000	9,748
Interbank loans receivable	9, 11	18,803	9,522	38	19,411	9,592	38
		147,551	113,783	103,181	145,769	111,787	101,635
CASH AND CASH EQUIVALENTS AT END OF YEAR							
Cash and other cash items	9	16,520	16,907	17,392	16,464	16,808	17,321
Due from Bangko Sentral ng Pilipinas	9	115,467	87,255	56,495	113,949	85,453	55,059
Due from other banks	9	15,707	18,818	20,342	15,214	18,468	19,815
Loans arising from reverse repurchase agreement	9	13,356	5,768	10,032	13,226	5,629	10,000
Interbank loans receivable	9, 11	42,681	18,803	9,522	42,647	19,411	9,592
		P 203,731	P 147,551	P 113,783	P 201,500	P 145,769	P 111,787

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

1. CORPORATE MATTERS

1.1 Incorporation and Operations

Rizal Commercial Banking Corporation (the Parent Company, the Bank or RCBC), a universal bank engaged in all aspects of banking, was originally incorporated on September 23, 1960. The Bank renewed its corporate existence on December 10, 2009. It provides products and services related to traditional loans and deposits, trade finance, domestic and foreign fund transfers or remittance, cash management, treasury, and trust and custodianship services. Under relevant authority granted by the Bangko Sentral ng Pilipinas (BSP), the Bank is also licensed to deal in different types of derivative products such as, but not limited, to foreign currency forwards, interest rate swaps and cross currency swaps. The Parent Company and its subsidiaries (together hereinafter referred to as the Group) are engaged in all aspects of traditional banking, investment banking, retail financing (credit cards, auto loans, mortgage/housing and microfinance loans), remittance, leasing and stock brokering.

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

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

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

	Group		Parent Company	
	2020	2019	**2020**	2019
Automated teller machines (ATMs)	**1,426**	1,530	**1,426**	1,530
Branches	**440**	496	**424**	479
Extension offices	**7**	11	**5**	7

RCBC is a 41.72%-owned subsidiary of Pan Malayan Management and Investment Corporation (PMMIC), a company incorporated and domiciled in the Philippines. PMMIC is the holding company of the flagship institutions of the Yuchengco Group of Companies (YGC), with registered business address at 48th Floor, Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue cor. Sen. Gil Puyat Avenue, Makati City. As of December 31, 2020, Cathay Life Insurance Corporation (Cathay) also owns 23.35% interest in RCBC.

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

1.2 Subsidiaries and Associates

The Parent Company holds ownership interests in the following subsidiaries and associates at the end of 2020 and 2019:

Subsidiaries and Associates	Line of Business	Explanatory Notes	Effective Percentage of Ownership
Subsidiaries:			
RCBC Forex Brokers Corporation (RCBC Forex)	Foreign exchange dealing		**100.00**
RCBC Telemoney Europe (RCBC Telemoney)	Remittance		**100.00**
RCBC International Finance Limited (RCBC IFL)	Remittance		**100.00**
RCBC Investment Ltd.	Remittance	(a)	**100.00**
RCBC Capital Corporation (RCBC Capital)	Investment house		**99.96**
RCBC Securities, Inc. (RSI or RCBC Securities)	Securities brokerage and dealing	(b)	**99.96**
RCBC Bankard Services Corporation (RBSC)	Credit card management	(b)	**99.96**
RCBC-JPL Holding Company, Inc. (RCBC JPL)	Property holding		**99.41**
Rizal Microbank, Inc. (Rizal Microbank)	Thrift banking and microfinance		**98.03**
RCBC Leasing and Finance Corporation (RCBC LFC)	Financial leasing		**99.67**
RCBC Rental Corporation (RRC)	Property leasing	(c)	**99.67**
Special Purpose Companies (SPCs):	Real estate buying and selling	(d)	
Cajel Realty Corporation (Cajel)			**100.00**
Niyog Property Holdings, Inc. (NPHI)			**100.00**
Associates:			
YGC Corporate Services, Inc. (YCS)	Support services for YGC		**40.00**
Luisita Industrial Park Co. (LIPC)	Real estate buying, developing, selling and rental		**35.00**
Honda Cars Phils., Inc. (HCPI)	Sale of motor vehicles		**12.88**

Except for RCBC Telemoney (Italy), RCBC IFL (Hongkong) and RCBC Investment Ltd. (Hongkong), all other subsidiaries and associates are incorporated and conducting their businesses in the Philippines. RCBC Telemoney was operational only until March 1, 2016 and is currently in the process of liquidation.

Explanatory Notes:

(a) A wholly-owned subsidiary of RCBC IFL.
(b) Wholly-owned subsidiaries of RCBC Capital.
(c) A wholly-owned subsidiary of RCBC LFC.
(d) In 2019, SPCs other than NPHI and Cajel were liquidated pursuant to BSP recommendation and upon receipt of necessary regulatory clearance (see Note 15.3).

1.3 Approval of Financial Statements

The consolidated financial statements of RCBC and subsidiaries and the separate financial statements of RCBC as of and for the year ended December 31, 2020 (including the comparative financial statements as of December 31, 2019) were approved and authorized for issue by the Board of Directors (BOD) of the Parent Company on February 22, 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

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

(b) Presentation of Financial Statements

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

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

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Group's functional and presentation currency (see Note 2.15). All amounts are in millions, except share and per share data or when otherwise indicated.

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

2.2 Adoption of New and Amended PFRS

(a) Effective in 2020 that are Relevant to the Group

The Group adopted for the first time the following amendments and improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2020:

Conceptual Framework	:	Revised Conceptual Framework for Financial Reporting
PAS 1 and PAS 8 (Amendments)	:	Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material
PFRS 3 (Amendments)	:	Business Combinations – Definition of a Business
PFRS 7 and PFRS 9 (Amendments)	:	Financial Instruments: Disclosures and Financial Instruments – Interest Rate Benchmark Reform
PFRS 16 (Amendments)	:	Leases – COVID-19-Related Rent Concessions

Discussed below are the relevant information about these pronouncements.

(i) *Revised Conceptual Framework for Financial Reporting.* The revised conceptual framework will be used in standard-setting decisions with immediate effect. Key changes include (a) increasing the prominence of stewardship in the objective of financial reporting, (b) reinstating prudence as a component of neutrality, (c) defining a reporting entity, which may be a legal entity, or a portion of an entity, (d) revising the definitions of an asset and a liability, (e) removing the probability threshold for recognition and adding guidance on derecognition, (f) adding guidance on different measurement basis, and, (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements. The application of the revised conceptual framework had no significant impact on the Group's financial statements.

(ii) PAS 1 (Amendments), *Presentation of Financial Statements* and PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material* (effective from January 1, 2020). The amendments provide a clearer definition of 'material' in PAS 1 by including the concept of 'obscuring' material information with immaterial information as part of the new definition, and clarifying the assessment threshold (i.e., misstatement of information is material if it could reasonably be expected to influence decisions made by primary users, which consider the characteristic of those users as well as the entity's own circumstances). The definition of material in PAS 8 has been accordingly replaced by reference to the new definition in PAS 1. In addition, amendment has also been made in other standards that contain definition of material or refer to the term 'material' to ensure consistency. The application of these amendments had no significant impact on the Group's financial statements.

(iv) PFRS 3 (Amendments), *Business Combinations – Definition of Business* (effective from January 1, 2020). The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. Also, the amendments will likely result in more acquisitions being accounted for as asset acquisitions. The application of these amendments had no significant impact on the Group's financial statements.

(v) PFRS 7 (Amendments), *Financial Instruments: Disclosures*, and PFRS 9 (Amendments), *Financial Instruments – Interest Rate Benchmark Reform* (effective from January 1, 2020). The amendments clarify that an entity would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The application of these amendments had no significant impact on the Group's financial statements.

(vi) PFRS 16 (Amendments), *Leases COVID-19-Related Rent Concessions* (effective from June 30, 2020). The amendments permit lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The application of these amendments had no significant impact on the Group's financial statements since the Group did not receive any COVID-19 related rent concessions.

(b) *Effective Subsequent to 2020 but Not Adopted Early*

There are amendments to existing standards effective for annual periods subsequent to 2020, which are adopted by the FRSC. Management will adopt the following relevant pronouncements below and in the succeeding pages in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's financial statements:

(i) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use* (effective from January 1, 2022). The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

(ii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective January 1, 2022). The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

(iii) PFRS 3 (Amendments), *Business Combination – Reference to the Conceptual Framework* (effective from January 1, 2022). The amendments update an outdated reference to the Conceptual Framework in PFRS 3 without significantly changing the requirements in the standard.

(iv) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are relevant to the Group:

- PFRS 9 (Amendments), Financial Instruments – *Fees in the '10 per cent' Test for Derecognition of Liabilities*. The improvements clarify the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

- Illustrative Examples Accompanying PFRS 16 – *Lease Incentives*. The improvement merely removes potential for confusion regarding lease incentives.

(v) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective January 1, 2023). The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

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

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

The Group's consolidated financial statements comprise the accounts of the Parent Company and its subsidiaries as enumerated in Note 1.2, after the elimination of material intercompany transactions. All intercompany resources and liabilities, equity, income, expenses and cash flows relating to transactions with subsidiaries are eliminated in full. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

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

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

(a) Investments in Subsidiaries

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

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

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

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

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

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

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

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

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

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

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

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

(b) Investments in Associates

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

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

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

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

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

(c) Interest in Jointly Controlled Operations

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

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

(d) Transactions with Non-controlling Interests

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

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

In the Parent Company's financial statements, impairment loss is provided when there is objective evidence that the investments in subsidiaries and associates will not be recovered (see Note 2.16).

2.4 Segment Reporting

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

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

2.5 Financial Instruments

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

Regular purchases and sales of financial assets are recognized on their trade date (i.e., the date that the Group commits to purchase or sell the asset). Deposits, amounts due to banks and customers, and loans are recognized when cash is received by the Group or advanced to the borrowers.

(i) Classification and Measurement of Financial Assets

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

Financial Assets at Amortized Cost

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

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

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

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

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

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

The Group may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost. In 2020 and 2019, the Group has not made such designation.

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

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

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

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

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Group for trading or a contingent consideration recognized arising from a business combination. The Group has made irrevocable designation of equity instruments not held for trading into this category.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, financial assets at FVOCI are subsequently measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value, including the foreign exchange component, are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as part of Revaluation Reserves account in equity. Upon disposal, the cumulative fair value gains or losses on equity investments previously recognized in the Revaluation Reserves account is not reclassified to profit or loss, but is reclassified directly to Surplus account, while the cumulative fair value gains or losses for debt securities are reclassified to profit or loss.

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

Financial Assets at Fair Value Through Profit or Loss

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

A financial asset is considered as held for trading if:

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

Financial assets at FVTPL are 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 FVTPL category and realized gains or losses arising from disposals of these instruments are included in Trading and Securities Gains (Losses) under Other Operating Income account in the statement of profit or loss.

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

(ii) Effective Interest Rate Method and Interest Income

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

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

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset with an increase or reduction in interest income.

The Group calculates interest income by applying the effective interest rate to the gross carrying amount of the financial assets, except for those that are subsequently identified as credit-impaired and or are purchased or originated credit-impaired assets.

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

(iii) Reclassification of Financial Assets

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

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

(iv) Impairment of Financial Assets

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

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

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

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

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

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

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

The Group recognizes an impairment loss in profit or loss for all financial instruments subjected to ECL impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance account.

With respect to investments in debt securities that are measured at FVOCI, the related loss allowance account is recognized in other comprehensive income and accumulated in the Revaluation Reserves account, and does not reduce the carrying amount of the financial asset in the statement of financial position.

For loan commitments, the loss allowance is recognized as provisions (presented and included as part of Other Liabilities account in the statement of financial position). Where a financial instrument includes a drawn and undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn commitment; the Group presents a combined allowance for ECL for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as provisions.

(v) Derecognition of Financial Assets

The financial assets are 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.

(i) *Modification of Loans*

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

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

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

If the terms are substantially different, the Group derecognizes the original financial asset and recognizes a "new" asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation, including for the purpose of determining whether SICR has occurred.

However, the Group also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount between the old financial asset derecognized and the fair value of the new financial asset are recognized in profit or loss as either gain or loss on derecognition of financial assets.

As to the impact on ECL measurement, the expected fair value of the "new" financial asset is treated as the final cash flow from the existing financial asset at the date of derecognition. Such amount is included in the calculation of cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes the gain or loss arising from the modification in profit or loss.

The new gross carrying amount is recalculated by discounting the modified cash flows of the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

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

(ii) Derecognition of Financial Assets Other than Modification

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

(b) Financial Liabilities at Amortized Cost

Financial liabilities including deposit liabilities, bills payable, bonds payable, subordinated debt, accrued interest and other expenses, and other liabilities (except derivatives with negative fair value, tax-related payables, post-employment defined benefit obligation and deferred income) are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method, for those with maturities beyond one year, less settlement payments. All interest-related charges incurred on financial liabilities are recognized as an expense in the statement of profit or loss under the caption Interest Expense.

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

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

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

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

(c) *Financial Guarantees and Undrawn Loan Commitments*

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

(d) *Derivative Financial Instruments and Hedge Accounting*

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

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

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

(e) *Offsetting Financial Instruments*

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

2.6 Bank Premises, Furniture, Fixtures and Equipment

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.16).

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

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

2.7 Investment Properties

Investment properties pertain to land, buildings or condominium units acquired by the Group, in settlement of loans from defaulting borrowers through foreclosure or dacion in payment, which are either held by the Group for sale in the next 12 months or being used in the rendering of services or for administrative purposes. This also includes properties held for rental.

Investment properties are stated at cost, less accumulated depreciation and any impairment losses (see Note 2.16). The cost of an investment property comprises its purchases price and directly attributable costs incurred such as legal fees, transfer taxes and other transaction costs.

Transfers from other accounts (such as bank premises, furniture, fixtures and equipment) are made to investment properties when and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party or holding the property for capital appreciation, while transfers from investment properties are made when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use.

Depreciation and impairment loss are recognized in the same manner as in bank premises, furniture, fixtures and equipment.

Direct operating expenses related to investment properties, such as repairs and maintenance, and real estate taxes are normally charged against current operations in the period in which these costs are incurred.

Investment properties, including the related accumulated depreciation and any impairment losses, are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of investment properties is recognized in Miscellaneous income (expenses) under the Other Operating Income (Expenses) account in the statement of profit or loss, in the year of retirement or disposal.

2.8 Assets Held-for-Sale and Disposal Group

Assets held-for-sale and disposal group, which are presented as part of Other Resources account, include shares of stock and real and other properties acquired through repossession, foreclosure, exchange or purchase that the Group intends to sell within one year from the date of classification as held-for-sale and for which the Group is committed to immediately dispose through an active marketing plan. The Group classifies an asset (or disposal group) as held-for-sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

In the event that the sale of the asset is extended beyond one year, the extension of the period required to complete the sale does not preclude an asset from being classified as held-for-sale if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset.

Assets classified as held-for-sale are measured at the lower of their carrying amounts, immediately prior to their classification as held-for-sale and their fair value less costs to sell. Assets classified as held-for-sale are not subject to depreciation or amortization. Asset that ceases to be classified as held-for-sale is measured at the lower of: (a) its carrying amount before the asset was classified as held-for-sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had the asset not been classified as held-for-sale; and, (b) its recoverable amount at the date of the subsequent decision not to sell. Any adjustment to the carrying amount of an asset that ceases to be classified as held-for-sale resulting in either a gain or loss, is recognized in profit or loss. The Group recognizes an impairment loss for any initial or subsequent write-down of the assets held-for-sale to fair value less cost to sell, to the extent that it has not been previously recognized in profit or loss.

On the other hand, any gain from any subsequent increase in fair value less costs to sell of an asset up to the extent of the cumulative impairment loss that has been previously recognized is recognized in profit or loss.

The gains or losses arising from the sale or remeasurement of assets held-for-sale is recognized in Miscellaneous income (expenses) under the Other Operating Income (Expenses) account in the statement of profit or loss.

2.9 Intangible Assets

Intangible assets include goodwill, branch licenses, trading right, and computer software licenses which are accounted for under cost model and are reported under Other Resources account in the statement of financial position. The cost of the asset is the amount of cash and cash equivalents paid or the fair value of the other considerations given to acquire an asset at the time of acquisition.

Goodwill represents the excess of the cost of acquisition over the fair value of the identifiable net assets acquired at the date of acquisition (see Note 2.3).

Branch licenses represent the rights given by the BSP to the Group to establish a certain number of branches in various areas in the country.

Goodwill and branch licenses are classified as intangible assets with indefinite useful life and, thus, not subject to amortization but are tested annually for impairment (see Note 2.16). After initial recognition, goodwill and branch licenses are subsequently carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those generating units is represented by each primary reporting segment.

Trading right, included as part of Miscellaneous under Other Resources account, represents the right given to RSI, a subsidiary engaged in stock brokerage, to preserve its access to the trading facilities and to transact business at the PSE. Trading right is assessed as having an indefinite useful life. It is carried at the amount allocated from the original cost of the exchange membership seat (after a corresponding allocation was made to the value of the PSE shares) less allowance for impairment, if any. The trading right is tested annually for any impairment in value (see Note 2.16).

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on a straight line basis over the expected useful lives of the software of three to ten years.

Costs associated with developing or maintaining computer software programs are recognized as expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include employee costs incurred on software development and an appropriate portion of relevant overhead costs.

Computer software development costs recognized as assets are amortized using the straight-line method over their useful lives (not exceeding ten years).

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.10 Other Resources

Other resources (excluding items classified as intangible assets and assets held-for-sale and disposal group) pertain to other assets controlled by the Group as a result of past events. These are recognized in the financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably.

2.11 Provisions and Contingencies

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

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in provision due to passage of time is recognized as interest expense.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases, where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.12 Equity

Preferred and common stock represent the nominal value of shares of stock that have been issued.

Capital paid in excess of par includes any premiums received on the issuance of capital stock. Any transaction costs associated with the issuance of shares of stock are deducted from capital paid in excess of par, net of any related income tax benefits.

Hybrid perpetual securities are non-cumulative, unsecured, subordinated capital securities which qualify as Additional Tier 1 (AT1) capital under Basel III standards. 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. The capital securities confer a right to receive distributions on the principal amount from, and including, the issue date at the applicable distribution rate. Any distribution may only be paid out of distributable reserves. 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.

Treasury shares are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled, reissued or disposed of.

Revaluation reserves consist of:

(a) Net unrealized fair value gains or losses arising from remeasurements of financial assets at FVOCI;

(b) Reserves on remeasurements of post-employment defined benefit plan comprising of net accumulated actuarial gains or losses arising from experience adjustments and other changes in actuarial assumptions, and actual return on plan assets (excluding account included in net interest);

(c) Accumulated translation adjustments related to the cumulative gains from the translation of the financial statements of foreign subsidiaries whose functional currency is different from that of the Parent Company; and,

(d) Share in other comprehensive income or loss of subsidiaries and associates.

Reserve for trust business representing the accumulated amount set aside by the Group under existing regulations requiring the Parent Company to appropriate and transfer to surplus 10% of its net profits accruing from their trust business until the surplus shall amount to 20% of the regulatory capital. The reserve shall not be paid out in dividends, but losses accruing in the course of the trust business may be charged against this account.

General loan loss reserve pertains to the accumulated amount of appropriation from Surplus made by the Group arising from the excess of the one-percent general loan loss provisions for outstanding loans as required by the BSP under Circular No. 1011, *Guidelines on the Adoption of PFRS 9* (Circular No. 1011) over the computed allowance for ECL.

Other reserves refer to the amount attributable to the Parent Company arising from the changes in the ownership of the NCI in the Group.

Surplus represents all current and prior period results of operations as disclosed in the statement of profit or loss, reduced by the amount of dividends declared.

NCI represents the portion of the net assets and profit or loss not attributable to the Group and are presented separately in the consolidated statement of profit or loss and consolidated statement of comprehensive income and within equity in the consolidated statement of financial position and consolidated statement of changes in equity.

2.13 Other Income and Expense Recognition

Revenue is recognized when (or as) the Group satisfies a performance obligation by transferring control of the promised services to the customer. A contract with a customer that results in a recognized financial instrument in the Group's financial statements may partially be within the scope of PFRS 9 and partially within the scope of PFRS 15, *Revenue from Contracts from Customers*. In such case, the Group first applies PFRS 9 to separate and measure the part of the contract that is in-scope of PFRS 9, and then applies PFRS 15 to the residual part of the contract. Costs and expenses, if any, are recognized in profit or loss upon utilization of the assets and/or services or at the date those are incurred. All finance costs are reported in profit or loss on accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset, if any (see Note 2.18).

The Group assesses its revenue arrangements against specific criteria to determine if it is acting as a principal or agent. The Group concluded that it is acting as a principal in all its revenue arrangements except for certain brokerage transactions.

For revenues arising from various banking services which are to be accounted for under PFRS 15, the following provides information about the nature and timing of satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

(a) Charges, Fees and Commissions

The following charges, fees and commissions are recognized as follows:

(i) Commissions and fees – these income arising from loans, deposits, and other banking and brokerage transactions are recognized as income based on agreed terms and conditions with customers, which are generally when the services have been performed.

(ii) Annual membership fees – pertains to annual fees charged to credit cardholders. Revenues from membership fees are recognized over time from the date of renewal of the credit card until the validity date covered by the said renewal, usually termed as the expiry date of the issued cards. The credit card's validity period is deemed to be servicing period.

(iii) Interchange fees, net of interchange costs – are recognized as income upon presentation by member establishments of charges arising from RBSC and non-RBSC (associated with MasterCard, JCB, VISA and China UnionPay labels) credit card availments passing through the Point of Sale (POS) terminals of the Parent Company. These discounts are computed based on agreed rates and are deducted from the amounts remitted to member establishments. Interchange costs pertain to the other credit card companies' share in RBSC's merchant discounts whenever their issued credit cards transact in the Parent Company's POS terminals.

The Parent Company has a rewards program related to its credit card operations, which allows its cardholders to accumulate award credits or loyalty points that can be redeemed for free products. The loyalty points give rise to a separate performance obligation as they provide a material right to the cardholder.

Accordingly, the Parent Company allocates a portion of the interchange fee billed to participating merchants to the loyalty points granted to cardholders based on relative stand-alone selling price and recognizes liability equivalent to the estimated loyalty points until these are redeemed. Revenue is recognized upon actual redemption by the cardholder.

(iv) Loan syndication fees – are recognized as revenue when the syndication has been completed and the Group retained no part of the loan package for itself or retained a part at the same effective interest rate for the other participants.

(v) Underwriting and arrangers fees – are fees arising from negotiating, or participating in the negotiation of a transaction for a third party such as arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognized at the completion of the underlying transaction and where there are no further obligations to perform under the agreement.

(b) Trust Fees

These are service fees calculated in reference to the net asset value of the funds managed and deducted from the customer's account balance on a monthly basis which are recognized over time as the asset management services are provided. These are also applicable for wealth management and asset custody services that are continuously provided over an extended period of time.

For other income outside the scope of PFRS 15, the following provides information about the nature and the related revenue recognition policies:

(a) Trading and Securities Gains (Losses)

These are recognized when the ownership of the securities is transferred to the buyer and is computed as the difference between the selling price and the carrying amount of the securities disposed of. These also include trading gains and losses as a result of the mark-to-market valuation of investment securities classified as FVTPL.

(b) Gains on Assets Sold

Gains on assets sold arise from the disposals of bank premises, furniture, fixtures and equipment, investment properties, real estate properties for sale, and assets held-for-sale. The Group recognizes the gain on sale at the time the control of the assets is transferred to the buyer, when the Group does not retain either continuing managerial involvement to the degree usually associated with ownership, or effective control over the assets sold, and when the collectability of the entire sales price is reasonably assured. Gains on assets sold are included as part of Miscellaneous income under Other Operating Income account in the statement of profit or loss.

(c) Dividend Income

Dividend income is recognized when the Group's right to receive payment is established.

(d) Recoveries from the assets written off

These are income recognized from the increase in carrying amount of assets previously written off. The amount of reversal does not exceed the amount of impairment loss previously recognized for the related asset.

Collections from accounts, which did not qualify for revenue recognition are treated as customers' deposit included as part of Accounts payable under Other Liabilities account in the statement of financial position.

2.14 Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

The Group considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, estimates of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

Subsequently, the Group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.16).

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments include fixed payments (including in-substance fixed) less lease incentives receivable, if any, variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or to profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, Right-of-use assets and Lease liabilities have been included as part of Bank Premises, Furniture, Fixtures and Equipment, and Other Liabilities, respectively.

(b) Group as Lessor

Leases which transfer to the lessee all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented at an amount equal to the Group's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Group's net investment outstanding in respect of the finance lease, and is included as part of Interest Income on loans and receivables.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term. These are recognized as part of Miscellaneous income under Other Operating Income account in the statement of profit or loss.

2.15 Foreign Currency Transactions and Translations

The Group's transactions in foreign currencies are accounted for as follows:

(a) Transactions and Balances

Except for the foreign subsidiaries and accounts of the Group's foreign currency deposit unit (FCDU), the accounting records of the Group are maintained in Philippine pesos. Foreign currency transactions during the period are translated into the functional currency at exchange rates which approximate those prevailing at transaction dates. Resources and liabilities denominated in U.S. dollars are translated to Philippine pesos at the prevailing Philippine Dealing System closing rates (PDSCR) at the end of the reporting period.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss, except when recognized in other comprehensive income and deferred in equity as qualifying cash flow hedges and qualifying net investment hedges. Translation differences on non-monetary items, such as equity securities classified as at FVTPL, are reported as part of fair value gain or loss in profit or loss.

For financial reporting purposes, the accounts of the FCDU are translated into their equivalents in Philippine pesos based on the prevailing PDSCR at the end of each reporting period (for resources and liabilities) and at the weighted average PDSCR for the period (for income and expenses). Any foreign exchange difference is recognized in profit or loss.

Changes in the fair value of monetary financial assets (debt securities) denominated in foreign currency classified as financial assets at FVTPL and financial assets at FVOCI are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Accordingly, translation differences related to changes in amortized cost of investment in debt securities are recognized in profit or loss, and other changes in the carrying amount are recognized as gains and losses in other comprehensive income.

(b) *Translation of Financial Statements of Foreign Subsidiaries*

The results of operations and financial position of all the Group's foreign subsidiaries (none of which has the currency dependency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities at the end of each reporting period as presented in the statement of financial position are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses are translated at average exchange rates during the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transactions' dates, in which case income and expenses are translated at the dates of the transactions); and,

(iii) All resulting exchange differences are recognized as a component of equity. In consolidation, exchange differences arising from the translation of the net investment in foreign entities are recognized in other comprehensive income which form part of Revaluation Reserves account in equity. When a foreign operation is sold, the accumulated translation and exchange differences are recognized in profit or loss as part of the gain or loss on assets sold.

The translation of the financial statements into Philippine peso should not be construed as a representation that the amounts stated in currencies other than the Philippine peso could be converted in Philippine peso amounts at the translation rates or at any other rates of exchange.

2.16 Impairment of Non-financial Assets

Investments in subsidiaries and associates, bank premises, furniture, fixtures and equipment (including right-of-use asset), investment properties, and other resources (including intangible assets, and assets held for sale and disposal group) and other non-financial assets are subject to impairment testing. Intangible assets (including goodwill, branch licenses and trading right) with an indefinite useful life or those not yet available for use are tested for impairment at least annually.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows [cash-generating units (CGU)]. As a result, some assets are tested for impairment either individually or at the CGU level. Except for intangible assets with an indefinite useful life (i.e., goodwill, branch licenses and trading right) or those not yet available for use, individual assets or CGU are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill has been allocated, an impairment loss is recognized immediately in profit or loss. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods.

Other intangible assets with indefinite useful lives, branch licenses and exchange trading right, are tested for impairment either individually or at the cash generating unit level, as appropriate when circumstances indicate that the intangible asset may be impaired.

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

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

2.17 Employee Benefits

Entities under the Group provide respective post-employment benefits to employees through a defined benefit plan and defined contribution plan, as well as other benefits, which are recognized and measured as follows:

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's post-employment defined benefit plan covers all regular full-time employees. The pension plan is tax-qualified, non-contributory and administered by trustees.

The liability recognized as part of Other Liabilities account in the statement of financial position for defined benefit post-employment plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interpolated yields of government bonds as calculated by Bloomberg which used Bloomberg Valuation (BVAL) Evaluated Pricing Service to calculate the PHP BVAL Reference Rates. These yields are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and other changes in actuarial assumptions, effect of the changes to the asset ceiling, if any, and actual return on plan assets (excluding amount included in net interest), are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income (loss) in the period in which they arise. Remeasurements are not reclassified to profit or loss in the subsequent periods.

Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Other Interest Income or Interest Expense from Bills Payable and Other Borrowings accounts in the statement of profit or loss.

Past-service costs are recognized immediately in profit or loss in the period of a plan amendment or curtailment.

(b) Post-employment Defined Contribution Plan

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity such as the Social Security System. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred.

(c) Short-term Benefits

Short-term employee benefits include wages, salaries, bonuses, and non-monetary benefits provided to current employees, which are expected to be settled before twelve months after the end of the reporting period during which an employee services are rendered, but does not include termination benefits. The undiscounted amount of the benefits expected to be paid in respect of services rendered by employees in an accounting period is recognized in profit or loss during that period and any unsettled amount at the end of the reporting period is included as part of Accrued Interest, Taxes and Other Expenses in the statement of financial position.

(d) Termination Benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The Group recognizes termination benefits at the earlier of: (i) when it can no longer withdraw the offer of such benefits, and, (ii) when it recognizes costs for a restructuring that is within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(e) Bonus Plans

The Group recognizes a liability and an expense for bonuses, based on a fixed formula. The Group recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(f) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in the Accrued Interest, Taxes and Other Expenses account in the statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.18 Borrowing Costs

Borrowing costs are recognized as expense in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of the cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.19 Income Taxes

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of the assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities recognized by the entities under the Group are offset if they have a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.20 Related Party Relationships and Transactions

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

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

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

All material related party transactions shall be approved by at least two-thirds vote of the BOD, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock.

Transactions amounting to 10% or more of the consolidated total assets based on the latest audited consolidated financial statements entered into with related parties are considered material.

2.21 Earnings and Dilutive Earning Per Share

Basic earnings per share (EPS) is determined by dividing the adjusted net profit for the year attributable to common shareholders by the weighted average number of common stocks outstanding during the period, after giving retroactive effect to any stock dividends declared in the current period.

Diluted EPS is also computed by dividing net profit by the weighted average number of common stocks subscribed and issued during the period. However, net profit attributable to common stocks and the weighted average number of common stocks outstanding are adjusted to reflect the effects of potentially dilutive convertible preferred stocks. Convertible preferred stocks are deemed to have been converted into common stocks at the issuance of preferred stocks.

In cases of redemption of preference shares, the net income used in the computation of basic and diluted EPS is decreased by the excess of the fair value of consideration paid to holders of the instruments over the carrying amount of such repurchased instruments.

2.22 Trust and Fiduciary Activities

The Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. The resources, liabilities and income or loss arising thereon are excluded from these financial statements, as these are neither resources nor income of the Group.

2.23 Events After the End of the Reporting Period

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately vary from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

(a) Application of ECL to Financial Assets at Amortized Cost and Financial Assets at FVOCI

The Group uses the general approach to calculate ECL for all debt instruments carried at amortized cost and FVOCI, together with loan commitments and financial guarantee contracts. The allowance for impairment is based on the ECLs associated with the probability of default of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since origination of the financial instrument, in such case, a lifetime ECL for the instrument is recognized.

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

(b) Evaluation of Business Models Applied in Managing Financial Instruments

The Group manages its financial assets based on business models that maintain adequate level of financial assets to match its expected cash outflows, largely, its core deposit funding arising from customers' withdrawals and continuing loan disbursements to borrowers, while maintaining a strategic portfolio of financial assets for trading activities consistent with its risk appetite.

The Group's business models reflect how it manages its portfolio of financial instruments. The Group's business models need not be assessed at entity level or as a whole but applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Group) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument, the Group evaluates in which business model a financial instrument or a portfolio of financial instruments belongs to taking into consideration the objectives of each business model established by the Group (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Group's investment, trading and lending strategies.

If more than an infrequent sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Group considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with the HTC business model if the Group can explain the reasons for those sales and why those sales do not reflect a change in the Group's objective for the business model.

In 2020 and 2019, the Parent Company disposed of certain debt securities from its HTC portfolio in accordance with its investment policy and has applied these evaluation process to ensure that the disposal is consistent with the Group's HTC business model (see Note 10.3).

(c) Testing the Cash Flow Characteristics of Financial Assets and Continuing Evaluation of the Business Model

In determining the classification of financial assets, the Group assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Group assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Group considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

(d) Determination of Timing of Satisfaction of Performance Obligation

The Group determines that its revenue shall be recognized at a point in time for loan syndication and underwriting fees and commission. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Company to the customers. The services provided by the Company would need substantial reperformance from other entities. This demonstrates that the customers does not simultaneously receive and consume the benefits provided by the Group.

(e) Determination of Lease Term of Contracts with Renewal and Termination Options

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

For leases of offices and branches, the factors that are normally the most relevant are (a) if there are significant penalties should the Group pre-terminate the contract, and (b) if any leasehold improvements are expected to have a significant remaining value, the Group is reasonably certain to extend and not to terminate the lease contract.

The Group did not include renewal options as part of the lease term as the terms are renewable upon mutual agreement.

The lease term is reassessed if an option is actually exercised or not exercised or the Group becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

(f) *Distinction Between Investment Properties and Owner-occupied Properties*

The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by the Group. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production, supply process, and in the Group's banking operation.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease) then these portions can be accounted for separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in operations or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property.

As of the end of the reporting period, the Group has a certain building which comprise a portion that is held for rental and other portion is used for operations which were classified by the Group as Investment Properties or as part of Bank Premises, Furniture, Fixtures and Equipment according to its current use.

(g) *Distinction Between Operating and Finance Leases where the Group is the Lessor*

The Group has entered into various lease agreements either as a lessor or a lessee. Judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets or liabilities.

In determining whether the lease arrangements of Parent Company and RCBC LFC qualify as a finance lease, the following factors have been considered:

(i) the lease provides the lessee an option to purchase the asset; or,

(ii) the lease transfers ownership of the property at the end of the lease and the related lease terms approximate the estimate useful life of the asset being leased.

(h) *Classification and Determination of Fair Value of Acquired Properties*

The Group classifies its acquired properties as Bank Premises, Furniture, Fixtures and Equipment if used in operations, as Assets held-for-sale and disposal group presented under Other Resources account if the Group expects that the assets will be sold within one year from the date of recognition, as Investment Properties if held for rental or for currently undetermined future use and is regarded as held for capital appreciation, or as financial assets. At initial recognition, the Group determines the fair value of acquired properties through internal and external appraisal depending on the Group's threshold policy. The appraised value is determined based on the current economic and market conditions, as well as the physical condition of the property.

The Group's methodology in determining the fair value of Investment Properties are further discussed in Note 7.4.

(i) Assessment of Significant Influence on HCPI in which the Group and the Parent Company Holds Less than 20% Ownership

The management considers that the Group and the Parent Company have significant influence on HCPI even though it holds less than 20% of the ordinary shares in the latter. In making this judgment, management considered the Group's and the Parent Company's rights to commit and undertake to vote, and to regulate the conduct of voting and the relationship between them with respect to their exercise of their voting rights (see Note 12.2).

(j) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.11 and relevant disclosures are presented in Note 29. In dealing with the Group's various legal proceedings, the Group's estimate of the probable costs that may arise from claims and contingencies has been developed in consultation and coordination with the Group's internal and outside counsels acting in defense for the Group and the Parent Company's legal cases and are based upon the analysis of probable results.

Although the Group does not believe that its on-going proceedings, as disclosed in Note 29, will have material adverse effect on the Group's financial position, it is possible that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies conducted relating to those proceedings.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Estimation of Expected Credit Loss on Financial Assets

When measuring allowance for ECL for relevant categories of financial assets, management applies judgment in defining the criteria in assessing whether a financial asset has experienced SICR since initial recognition, and in the estimation of the contractual cash flows due from counterparty and those that the Group would expect to receive, taking into account the cash flows from the realization of collateral and integral credit enhancements. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions about future economic conditions and credit behaviour of counterparties (e.g., the likelihood of counterparties defaulting and the resulting losses). The computation of the ECL also considers the use of reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other that may result in different levels of loss allowance.

Significant factors affecting the estimates on the ECL model include:

- internal rating matrix which determines the PD to be assigned to a financial asset;
- criteria for assessing if there has been an SICR and when a financial asset will be transferred between the three stages;
- the Group's definition of default for different segments of credit exposures that considers the regulatory requirements;
- establishing groups of similar financial assets (i.e., segmentation) for the purposes of measuring ECL on a collective basis;
- establishment of LGD parameters based on historical recovery rates of claims against defaulted counterparties across different group of financial instruments; and,
- establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL.

The explanation of inputs, assumptions and estimation techniques used in measuring ECL (including under COVID-19 situation) and the analysis of the allowance for ECL on various groups of financial instruments is further discussed in Note 4.4.

(b) Fair Value Measurement for Financial Assets at FVTPL and at FVOCI

The Group carries certain financial assets at fair value which requires judgment and extensive use of accounting estimates. In cases when active market quotes are not available, fair value is determined by reference to the current market value of another financial instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument or other more appropriated valuation techniques (see Note 7.2).

The amount of changes in fair value would differ if the Group had utilized different valuation methods and assumptions. Any change in fair value of the financial assets and financial liabilities would affect profit or loss or other comprehensive income.

The fair value of derivative financial instruments that are not quoted in an active market is determined through valuation techniques using the net present value computation (see Note 7.2).

The carrying values of the Group's and the Parent Company's trading and investment securities and the amounts of fair value changes recognized on those financial assets are disclosed in Note 10.

(c) Estimation of Useful Lives of Bank Premises, Furniture, Fixtures and Equipment, Right-of-use Assets, Investment Properties, Computer Software, Goodwill, Branch Licenses and Trading Right

The Group estimates the useful lives of bank premises, furniture, fixtures and equipment, including right-of-use assets, investment properties and computer software based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The Group's goodwill, branch licenses and trading right were regarded as having indefinite useful lives considering there is no foreseeable limit to the period over which such assets are expected to generate net cash inflows for the Group. The assessment of having indefinite useful lives is reviewed periodically and is updated whether events and circumstances such as the period of control over these assets and legal or similar limits on the use of these assets continue to support such assessment.

The carrying amounts of bank premises, furniture, fixtures and equipment, including right-of-use assets, investment properties and computer software are analyzed in Notes 13, 14 and 15, respectively, while the carrying amounts of goodwill, branch licenses and trading right are analyzed in Note 15. Based on management's assessment as of December 31, 2020 and 2019, there are no changes in the useful lives of these assets. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(d) Determination of Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Significant judgment is applied by management to determine the amount of deferred tax assets that can be recognized based on the likely timing and level of the Group's future taxable income together with its future tax planning strategies. The Group assessed its projected performance in determining the sufficiency of the future taxable income to support the recognition of deferred tax assets.

The carrying values of recognized and unrecognized deferred tax assets as of December 31, 2020 and 2019 are disclosed in Note 26.1.

(e) Estimation of Impairment Losses of Non-financial Assets

Except for intangible assets with indefinite useful lives, PFRS requires that an impairment review be performed when certain impairment indications are present. The Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.16.

The Group assesses impairment on these non-financial assets and considers the following important indicators:

- significant changes in asset usage;
- significant decline in assets' market value;
- obsolescence or physical damage of an asset;
- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of usage of the acquired assets or the strategy for the Group's overall business; and,
- significant negative industry or economic trends.

If such indications are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Though management believes that the assumptions used in the estimation of fair values of non-financial assets are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

(f) Determination of Fair Value of Investment Properties

The Group's investment properties are composed of parcels of land, buildings and condominium units which are held for capital appreciation or held-for-lease, and are measured using cost model. The estimated fair value of investment properties disclosed in Note 7.4 is determined by either an independent or internal appraiser on the basis of current appraised values of the properties or similar properties in the same location and condition.

For investment properties with appraisal conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties.

A significant change in key inputs and sources of information used in the determination of the fair value disclosed for those assets may result in adjustment in the carrying amount of the assets reported in the financial statements if their fair value will indicate evidence of impairment.

(g) Determination of Appropriate Discount Rate in Measuring Lease Liabilities

The Group measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Group's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(h) Valuation of Post-employment Defined Benefits

The determination of the Group's obligation and cost of post-employment defined benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, and salary increase rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or loss, and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and related income or expense, and an analysis of the movements in the estimated present value of post-employment benefit obligation, as well as the significant assumptions used in estimating such obligation, are presented in Note 24.2.

4. RISK MANAGEMENT POLICIES AND OBJECTIVES

The Group is exposed to risks in relation to its operating, investing, and financing activities, and the business environment in which it operates. The Group's objectives in risk management are to ensure that it identifies, measures, monitors, and controls the various risks that arise from its business activities, and that it adheres strictly to the policies, procedures, and control systems which are established to address these risks.

A committee system is a fundamental part of the Group's process of managing risk. The following five committees of the Parent Company's BOD are relevant in this context:

- The Executive Committee, which meets weekly, has the power to act and pass upon such matters as the BOD may entrust to it for action in between BOD meetings. It may also consider and approve loans and other credit related matters, investments, purchase of shares of stock, bonds, securities and other commercial papers for the Bank's portfolio. The Executive Committee also has the power to review an asset or loan to ensure timely resolution and recognition of losses of impaired assets.

- The Risk Oversight Committee (ROC), which meets monthly, carries out the BOD's oversight responsibility for Group's capital adequacy and risk management strategy and actions covering credit, market and operational risks under Pillar I of the Basel framework; as well as the management of other material risks determined under Pillar II and the Internal Capital Adequacy Assessment Process (ICAAP) (see Note 5.2). Risk limits are reviewed and approved by the ROC.

- The Audit and Compliance Committee (ACC), which meets monthly, reviews the results of the Internal Audit examinations and recommends remedial actions to the BOD as appropriate. The ACC also performs oversight functions over the Regulatory Affairs Group on matters such as compliance risk assessment, annual testing work plan, compliance breaches, and other regulatory issues.

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

- The Anti-Money Laundering (AML) Board Committee, which meets monthly, oversees the implementation of the Bank's Money Laundering and Terrorist Financing Prevention Program (MTPP) and ensures that Money Laundering/Terrorist Financing risks are effectively managed. This Committee also ensures that infractions are immediately corrected, issues are addressed and AML training of directors, officers, and staff are regularly conducted.

Four senior management committees also provide a regular forum to take up risk issues.

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

- The Asset/Liability Committee (ALCO), chaired by the Treasurer of the Parent Company and with the participation of the CEO and key business and support unit heads meets weekly to appraise market trends, and economic and political developments. It provides direction in the management of interest rate risk, liquidity risk, foreign currency risk, and trading and investment portfolio decisions. It sets prices or rates for various asset and liability, and trading products, in light of funding costs and competitive and other market conditions. It receives confirmation that market risk limits (as described in the succeeding pages) are not breached; or if breached, it provides guidance on the handling of the relevant risk exposure in between ROC meetings.

- The Related Party Transactions Management Committee (RPT ManCom), composed of the Group Heads of the business units as specified in the charter or their respective designates. It meets monthly to review and approve proposed RPT within the materiality threshold for the purpose of determining whether or not the transaction is on terms no less favorable to the Bank than terms available to any unconnected third party under the same or similar circumstances unless the transaction requires BOD approval. On favorable review, the RPT ManCom endorses the transaction for BOD confirmation.

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

  The AML ManCom is composed of the Chief Compliance Officer as the Chairperson and Presiding Officer and the Heads of Operations Group, Retail Banking Group, Controllership Group, Legal Affairs Group, Risk Management Group or their duly appointed designates, as members, and AML Monitoring and Reporting Division (AMRD) as the Rapporteur. The AMRD, through the Chief Compliance Officer, reports to the AML Board Committee its monthly activities including the results of the AML ManCom meetings.

The Parent Company established a Risk Management Group (RMG), headed by the Chief Risk Officer, to ensure that consistent implementation of the objectives of risk identification, measurement and/or assessment, mitigation, and monitoring are pursued via practices commensurate with the group-wide risk profile.

In addition to established risk management systems and controls, the Group holds capital commensurate with the levels of risk it undertakes (see Note 5), in accordance with regulatory capital standards and internal benchmarks set by the Parent Company's BOD.

4.1 Group's Strategy in Using Financial Instruments

It is the Group's intent to generate returns mainly from the traditional financial intermediation and service-provision activities, augmented by returns from positions based on views on the financial markets. The main source of risk, therefore, remains to be that arising from credit risk exposures. Nevertheless, within BSP regulatory constraints, and subject to limits and parameters established by the BOD and/or the ROC, the Group is exposed to liquidity risk and interest rate risk inherent in the Group's operations, and other market risks, which include foreign exchange risk.

In the course of performing financial intermediation function, the Group accepts deposits from customers at fixed and floating rates, and for various periods, and seeks to earn interest margins by investing these funds in high-quality assets. The conventional strategy to enhance net interest margin is the investment of short-term funds in longer-term assets, such as fixed-income securities. While, in doing so, the Group maintains liquidity at prudent levels to meet all claims that fall due, the Group fully recognizes the consequent interest rate risk exposure.

The Group's investment portfolio is composed mainly of marketable, sovereign and corporate debt instruments.

The Parent Company was granted by the BSP additional derivatives authorities effective January 2011. Products approved under the Limited Dealer Authority (Type 2) are foreign currency forwards, non-deliverable forwards, interest rate and cross currency swaps while credit-linked notes and bond options were approved under the Limited User Authority (Type 3). In February 2012, bond forwards, non-deliverable swaps and foreign exchange options have been included under the same Type 3 license. In June 2013, the Parent Company was granted a Type 2 license non-deliverable swaps, foreign currency options, bond and interest rate options, and asset swaps. During the same period, additional Type 3 licenses for foreign exchange-option and bond-option linked notes were likewise approved. The Parent Company's derivatives portfolio consists mostly of short-term currency forward contracts and swaps, and interest rate swaps and futures.

4.2 Liquidity Risk

Liquidity risk refers to current and prospective risk to earnings or capital arising from a bank's inability to meet its obligations when they come due without incurring unacceptable losses or costs. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources. The Group manages liquidity risk by limiting the maturity mismatch between assets and liabilities, and by holding sufficient liquid assets of appropriate quality and marketability.

The Group recognizes the liquidity risk inherent in its activities, and identifies, measures, monitors and controls the liquidity risk inherent to the members of the Group which are financial intermediaries.

The Group's liquidity policy is to manage its operations to ensure that funds available are more than adequate to meet demands of its customers and to enable deposits to be repaid on maturity. The Group's liquidity policies and procedures are set out in its funding and liquidity plan which contains certain funding requirements based on assumptions and uses resources and liability maturity gap analysis.

The Group uses Maximum Cumulative Outflow (MCO) model to measure liquidity risk arising from mismatches of assets and liabilities. MCO is a liquidity gap tool to project cash flow expectations on a status quo condition. The MCO is generated by distributing the cash flows of the Group's assets, liabilities and off-balance sheet items to time buckets based cash flow expectations such as contractual maturity, nature of the account, behavioral patterns, projections on business strategies, and/or optionality of certain products.

The incorporation of behavioral cash flow assumptions and business projections or targets results in a dynamic gap report which realistically captures the behavior of the products and creates a forward-looking cash flow projection.

The Group monitors MCO regularly to ensure that it remains within the set limits. The Parent Company generates and monitors daily its MCO. The subsidiaries generate at least monthly their respective MCO reports. The liquidity profile of the Group is reported monthly to the Parent Company's ROC. To supplement the status quo scenario parameters reflected in the MCO report, the Group also conducts liquidity stress testing to determine the impact of extreme factors, scenarios and events to the Group's liquidity profile.

The gap analyses as of December 31, 2020 and 2019 are presented below.

	Group					
	2020					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-maturity	Total
Resources:						
Cash and cash equivalents	P 146,268	P 3,285	P 3,779	P -	P 50,399	P 203,731
Investments - net	25,530	18,975	12,559	26,558	4,442	88,064
Loans and receivables - net	29,916	64,658	123,306	90,347	140,376	448,603
Other resources - net	2,235	3,232	2,114	1,853	22,274	31,708
Total resources	P 203,949	P 90,150	P 141,758	P 118,758	P 217,491	P 772,106
Liabilities:						
Deposit liabilities	87,139	24,516	16,159	1	407,973	535,788
Bills payable	3,349	1,933	7,536	-	349	13,167
Bonds payable	15,482	8,000	66,957	-	-	90,439
Other liabilities	9,968	12,201	100	-	9,065	31,334
Total liabilities	115,938	46,650	90,752	1	417,387	670,728
Equity	-	-	-	-	101,378	101,378
Total liabilities and equity	115,938	46,650	90,752	1	518,765	772,106
On-book gap	88,011	43,500	51,006	118,757	(301,274)	-
Cumulative on-book gap	88,011	131,511	182,517	301,274	-	-
Contingent resources	8,726	-	-	-	-	8,726
Contingent liabilities	5,625	-	-	-	-	5,625
Off-book gap	3,101	-	-	-	-	3,101
Cumulative off-book gap	3,101	3,101	3,101	3,101	3,101	-
Periodic gap	**91,112**	**43,500**	**51,006**	**118,757**	**(301,274)**	**3,101**
Cumulative total gap	**P 91,112**	**P 134,612**	**P 185,618**	**P 304,375**	**P 3,101**	**P -**

	Group 2019					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-maturity	Total
Resources:						
Cash and cash equivalents	P 83,728	P 2,935	P 2,014	P -	P 58,874	P 147,551
Investments - net	81,467	3,965	38,843	35,077	1,367	160,719
Loans and receivables - net	27,376	73,230	110,665	97,738	121,407	430,416
Other resources - net	103	127	298	100	27,765	28,393
Total resources	P 192,674	P 80,257	P 151,820	P 132,915	P 209,413	P 767,079
Liabilities:						
Deposit liabilities	54,793	28,183	20,933	3	352,669	456,581
Bills payable	75,139	-	18,919	7,546	2	101,606
Bonds payable	12,304	15,000	69,510	-	-	96,814
Other liabilities	950	27	-	-	28,251	29,228
Total liabilities	143,186	43,210	109,362	7,549	380,922	684,229
Equity	-	-	-	-	82,850	82,850
Total liabilities and equity	143,186	43,210	109,362	7,549	463,772	767,079
On-book gap	49,488	37,047	42,458	125,366	(254,359)	-
Cumulative on-book gap	49,488	86,535	128,993	254,359	-	-
Contingent resources	18,088	-	-	-	-	18,088
Contingent liabilities	24,141	-	-	-	-	24,141
Off-book gap	(6,053)	-	-	-	-	(6,053)
Cumulative off-book gap	(6,053)	(6,053)	(6,053)	(6,053)	(6,053)	-
Periodic gap	43,435	37,047	42,458	125,366	(254,359)	(6,053)
Cumulative total gap	P 43,435	P 80,482	P 122,940	P 248,306	(P 6,053)	P -

	Parent Company 2020 One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-maturity	Total
Resources:						
Cash and cash equivalents	P 144,754	P 2,735	P 2,161	P -	P 51,850	P 201,500
Investments - net	23,552	18,975	12,559	26,558	3,497	85,141
Loans and receivables - net	28,960	63,634	117,803	90,346	140,424	441,167
Other resources - net	2,122	3,226	2,103	1,852	25,411	34,714
Total resources	P 199,388	P 88,570	P 134,626	P 118,756	P 221,182	P 762,522
Liabilities:						
Deposit liabilities	86,714	24,307	16,136	1	409,590	536,748
Bills payable	2,743	16	1,441	-	-	4,200
Bonds payable	15,482	8,000	66,957	-	-	90,439
Other liabilities	9,332	12,166	100	-	8,245	29,843
Total liabilities	114,271	44,489	84,634	1	417,835	661,230
Equity	-	-	-	-	101,292	101,292
Total liabilities and equity	114,271	44,489	84,634	1	519,127	762,522
On-book gap	85,117	44,081	49,992	118,755	(297,945)	-
Cumulative on-book gap	85,117	129,198	179,190	297,945	-	-
Contingent resources	8,722	-	-	-	-	8,722
Contingent liabilities	5,625	-	-	-	-	5,625
Off-book gap	3,097	-	-	-	-	3,097
Cumulative off-book gap	3,097	3,097	3,097	3,097	3,097	-
Periodic gap	**88,214**	**44,081**	**49,992**	**118,755**	**(297,945)**	**3,097**
Cumulative total gap	**P 88,214**	**P 132,295**	**P 182,287**	**P 301,042**	**P 3,097**	**P -**

	Parent Company 2019					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-maturity	Total
Resources:						
Cash and cash equivalents	P 83,036	P 2,434	P 1,689	P -	P 58,610	P 145,769
Investments - net	80,354	3,965	38,843	33,717	565	157,444
Loans and receivables - net	25,609	72,058	104,816	97,619	122,580	422,682
Other resources - net	47	128	297	100	31,651	32,223
Total resources	189,046	78,585	145,645	131,436	213,406	758,118
Liabilities:						
Deposit liabilities	53,178	25,283	19,449	3	358,680	456,593
Bills payable	74,530	-	18,460	946	2	93,938
Bonds payable	12,304	15,000	69,510	-	-	96,814
Other liabilities	863	-	-	-	27,148	28,011
Total liabilities	140,875	40,283	107,419	949	385,830	675,356
Equity	-	-	-	-	82,762	82,762
Total liabilities and equity	140,875	40,283	107,419	949	468,592	758,118
On-book gap	48,171	38,302	38,226	130,487	(255,186)	-
Cumulative on-book gap	48,171	86,473	124,699	255,186	-	-
Contingent resources	17,955	-	-	-	-	17,955
Contingent liabilities	24,019	-	-	-	-	24,019
Off-book gap	(6,064)	-	-	-	-	(6,064)
Cumulative off-book gap	(6,064)	(6,064)	(6,064)	(6,064)	(6,064)	-
Periodic gap	42,107	38,302	38,226	130,487	(255,186)	(6,064)
Cumulative total gap	P 42,107	P 80,409	P 118,635	P 249,122	(P 6,064)	P -

Pursuant to applicable BSP regulations, the Group is required to maintain reserves against deposit liabilities which are based on certain percentages of deposits. The required reserves against deposit liabilities shall be kept in the form of deposits placed in the Group's demand deposit accounts with the BSP. The BSP also requires the Parent Company to maintain asset cover of 100% for foreign currency-denominated liabilities of its FCDU.

4.2.1 Foreign Currency Liquidity Management

The liquidity risk management policies and objectives described also apply to the management of any foreign currency to which the Group maintains significant exposure. Specifically, the Group ensures that its measurement, monitoring, and control systems account for these exposures as well. The Group sets and regularly reviews limits on the size of the cash flow mismatches for each significant individual currency and in aggregate over appropriate time horizons. The Group also assesses its access to foreign exchange markets when setting up its risk limits.

Following BSP Circular No. 639 on ICAAP, the Group likewise calculates and maintains a level of capital needed to support unexpected losses attributable to liquidity risk (see Note 5.2).

4.2.2 Liquidity Risk Stress

To augment the effectiveness of the Group's gap analysis, the Group regularly assesses liquidity risk based on behavioral and hypothetical assumptions under stress conditions. Survivability and resilience of the Bank are assessed for a minimum stress period of 30 days for all crisis scenarios enumerated in BSP Circular No. 981: *Guidelines on Liquidity Risk Management.* The results of these liquidity stress simulations are reported monthly to ALCO and ROC.

4.3 Market Risk

The Group's exposure to market risk is the potential diminution of earnings arising from the adverse movement of market interest rates and foreign exchange rates, as well as the potential loss of market value, primarily of its holdings of foreign exchange currencies, debt securities and derivatives.

The market risks of the Group are: (a) foreign exchange risk, (b) interest rate risk and (c) equity price risk. The Group manages these risks via a process of identifying, analyzing, measuring and controlling relevant market risk factors, and establishing appropriate limits for the various exposures. The market risk metrics in use, each of which has a corresponding limit, include the following:

- Nominal Position – an open risk position that is held as of any point in time expressed in terms of the nominal amount of the exposure.

- Dollar Value of 01 (DV01) – an estimate of the price impact due to a one-basis point change in the yield of fixed income securities. It effectively captures both the nominal size of the portfolio as well as its duration. A given DV01 limit accommodates various combinations of portfolio nominal size and duration, thus providing a degree of flexibility to the trading/risk taking function, but at the same time represents a ceiling to the rate sensitivity of the exposure according to the Group's risk appetite.

- Value-at-Risk (VaR) – an estimate of the amount of loss that a given risk exposure is unlikely to exceed during a given time period, at a given level of statistical confidence. Analytically, VaR is the product of: (a) the sensitivity of the market value of the position to movements of the relevant market risk factors, and (b) the volatility of the market risk factor for the given time horizon at a specified level of statistical confidence. Typically, the Group uses a 99% confidence level for this measurement. VaR is used as a risk measure for trading positions, which are marked-to-market (as opposed to exposures resulting from banking, or accrual, book resources and liabilities). Foreign Exchange Position VaR uses a one-day holding period, while Fixed Income VaR uses a defeasance period assessed periodically as appropriate to allow an orderly unwinding of the position. VaR models are back-tested to ensure that results remain consistent with the expectations based on the chosen statistical confidence level. The Bank employs appropriate back-testing methodology to perform a "reality check" on the models used. More specifically, the current back-test procedure employs the "hypothetical P&L" method where the daily position from which the VaR was computed is marked-to-market using the closing price of that day and the closing price of the next trading day. Any change in value in excess of the day's VaR is treated as an exception.

The Parent Company use VaR as an important tool for measuring market risk, they are cognizant of its limitations, notably the following:

- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.

- VaR is based on historical volatility. Future volatility may be different due to either random, one-time events or structural changes (including changes in correlation). VaR may be unable to capture volatility due to either of these.

- The holding period assumption may not be valid in all cases, such as during periods of extremely stressed market liquidity.

- VaR is, by definition, an estimate at a specified level of confidence. Losses may occur beyond VaR. A 99% VaR implies that losses can exceed VaR 1% of the time.

- In cases where a parametric distribution is assumed to calculate VaR, the assumed distribution may not fit the actual distribution well.

- VaR assumes a static position over the holding period. In reality, trading positions change, even during the trading day.

In addition to the limits corresponding to the above measurements, the following are also in place:

- Loss Limit – represents a ceiling on accumulated month-to-date and year-to-date losses. For trading positions, a Management Action Trigger (MAT) is also usually defined to be at 50% of the Loss Limit. When MAT is breached, the risk-taking unit must consult with ALCO for approval of a course of action moving forward.

- Product Limit – the nominal position exposure for certain specific financial instruments is established.

Stress Testing, which uses more severe rate/price volatility and/or holding period assumptions, (relative to those used for VaR) is applied to marked-to-market positions to arrive at "worst case" loss estimates. This supplements the VaR measure, in recognition of its limitations mentioned above.

A summary of the VaR position of the trading portfolios at December 31 is as follows:

	Group			
	At December 31	Average	Maximum	Minimum
2020:				
Foreign currency risk	P 82	P 56	P 89	P 32
Interest rate risk	260	367	984	97
Overall	**P 342**	**P 423**	**P 1,073**	**P 129**
2019:				
Foreign currency risk	P 72	P 34	P 88	P 10
Interest rate risk	218	653	1,354	131
Overall	P 290	P 687	P 1,442	P 141

	Group			
	At December 31	Average	Maximum	Minimum
2018:				
Foreign currency risk	P 34	P 38	P 72	P 13
Interest rate risk	730	190	843	47
Overall	P 764	P 228	P 915	P 60

	Parent Company			
	At December 31	**Average**	**Maximum**	**Minimum**
2020:				
Foreign currency risk	P 82	P 56	P 89	P 32
Interest rate risk	260	367	984	97
Overall	**P 342**	**P 423**	**P 1,073**	**P 129**
2019:				
Foreign currency risk	P 72	P 34	P 88	P 10
Interest rate risk	218	653	1,354	131
Overall	P 290	P 687	P 1,442	P 141
2018:				
Foreign currency risk	P 34	P 38	P 71	P 13
Interest rate risk	672	153	773	44
Overall	P 706	P 191	P 884	P 57

4.3.1 Foreign Exchange Risk

Foreign exchange risk is the risk to earnings or capital arising from changes in foreign exchange rates. The net foreign exchange exposure, or the difference between foreign currency denominated assets and foreign currency denominated liabilities, is capped by current BSP regulations. Compliance with this ceiling by the Group and the respective foreign currency positions of its subsidiaries are reported to the BSP on a daily basis as required. Beyond this constraint, the Group manages its foreign exchange exposure by limiting it within the conservative levels justifiable from a return/risk perspective. In addition, the Group regularly calculates VaR for each currency position, which is incorporated in the foregoing market risk management discussion.

The following table sets forth the impact of reasonably possible changes in the USD exchange rate and other currencies per Philippine peso on pre-tax income and equity of the Group and Parent Company:

	Group and Parent Company					
	2020			2019		
	Change in currency rate in %	**Effect on profit before tax**	**Effect on equity**	Change in currency rate in %	Effect on profit before tax	Effect on equity
Currency:						
USD	**+1.00%**	**(P 1)**	**(P 7)**	+1.00%	(P 2)	(P 25)
	-1.00%	**1**	**7**	-1.00%	2	25
EUR	**+1.00%**	**(4)**	**-**	+1.00%	1	-
	-1.00%	**4**	**-**	-1.00%	1	-
GBP	**+1.00%**	**-**	**-**	+1.00%	(2)	-
	-1.00%	**-**	**-**	-1.00%	2	
Others	**+1.00%**	**(2)**	**-**	+1.00%	(1)	-
	-1.00%	**2**	**-**	-1.00%	1	-

Closing exchange rates and weighted average rates (WAR) of USD to Philippine peso as of and for each of the year ended December 31 are as follows:

	2020	2019	2018
Closing	**P 48.04**	P 50.74	P 52.72
WAR	**49.61**	51.79	52.68

The breakdown of the financial resources and financial liabilities as to foreign and Philippine peso-denominated balances, after elimination of intercompany accounts or transactions, as of December 31 follows:

	Group		
	Foreign Currencies	**Philippine Pesos**	**Total**
2020:			
Resources:			
Cash and other cash items	P 1,406	P 15,114	P 16,520
Due from BSP	-	115,467	115,467
Due from other banks	14,433	1,274	15,707
Loans arising from reverse repurchase agreements	-	13,356	13,356
Financial assets at FVTPL	2,653	2,235	4,888
Financial assets at FVOCI	4,090	36,060	40,150
Investment securities at amortized cost - net	22,738	20,288	43,026
Loans and receivables - net	94,505	396,779	491,284
Other resources	56	875	931
	P 139,881	**P 601,448**	**P 741,329**
Liabilities:			
Deposit liabilities	P 96,280	P 439,508	P 535,788
Bills payable	4,183	8,984	13,167
Bonds payable	51,269	39,170	90,439
Accrued interest and other expenses	541	4,852	5,393
Other liabilities	918	19,574	20,492
	P 153,191	**P 512,088**	**P 665,279**
2019:			
Resources:			
Cash and other cash items	P 1,184	P 15,723	P 16,907
Due from BSP	-	87,255	87,255
Due from other banks	17,973	845	18,818
Loans arising from reverse repurchase agreements	-	5,768	5,768
Financial assets at FVTPL	1,657	3,891	5,548
Financial assets at FVOCI	42,696	11,549	54,245
Investment securities at amortized cost - net	93,922	7,004	100,926
Loans and receivables - net	92,602	356,617	449,219
Other resources	69	829	898
	P 250,103	P 489,481	P 739,584

	Group		
	Foreign Currencies	Philippine Pesos	Total
2019:			
Liabilities:			
Deposit liabilities	P 89,630	P 366,951	P 456,581
Bills payable	93,937	7,669	101,606
Bonds payable	66,314	30,500	96,814
Accrued interest and other expenses	1,162	4,857	6,019
Other liabilities	833	17,381	18,214
	P 251,876	P 427,358	P 679,234

	Parent Company		
	Foreign Currencies	**Philippine Pesos**	**Total**
2020:			
Resources:			
Cash and other cash items	P 1,404	P 15,060	P 16,464
Due from BSP	-	113,949	113,949
Due from other banks	14,406	808	15,214
Loans arising from reverse repurchase agreements	-	13,226	13,226
Financial assets at FVTPL	2,653	1,162	3,815
Financial assets at FVOCI	4,085	34,728	38,813
Investment securities at amortized cost - net	22,130	20,383	42,513
Loans and receivables - net	94,505	389,309	483,814
Other resources	56	868	924
	P 139,239	**P 589,493**	**P 728,732**
Liabilities:			
Deposit liabilities	P 96,280	P 440,468	P 536,748
Bills payable	4,183	17	4,200
Bonds payable	51,269	39,170	90,439
Accrued interest and other expenses	541	4,655	5,196
Other liabilities	918	18,398	19,316
	P 153,191	**P 502,708**	**P 655,899**

	Parent Company		
	Foreign Currencies	Philippine Pesos	Total
2019:			
Resources:			
Cash and other cash items	P 1,167	P 15,641	P 16,808
Due from BSP	-	85,453	85,453
Due from other banks	17,919	549	18,468
Loans and receivables arising from reverse repurchase agreements	-	5,629	5,629
Financial assets at FVTPL	1,581	3,219	4,800
Financial assets at FVOCI	42,072	10,353	52,425
Investment securities at amortized cost	93,215	7,004	100,219
Loans and receivables - net	92,596	349,497	442,093
Other resources	69	827	896
	P 248,619	P 478,172	P 726,791
Liabilities:			
Deposit liabilities	P 89,630	P 366,963	P 456,593
Bills payable	93,937	1	93,938
Bonds payable	66,314	30,500	96,814
Accrued interest and other expenses	1,162	4,596	5,758
Other liabilities	833	16,583	17,416
	P 251,876	P 418,643	P 670,519

4.3.2 Interest Rate Risk in the Banking Book (IRRBB)

The interest rate risk inherent in the Group's financial statements arises from re-pricing mismatches between financial assets and financial liabilities. The IRRBB Management Framework details the Group's policy on managing its assets and liabilities to ensure that exposure to fluctuations in interest rates are kept within acceptable limits.

To aid the Group in managing IRRBB, the following measurement techniques are used. These are prepared and reported to ALCO and ROC, on a monthly basis.

Technique	Description
Interest Rate Gap or Re-pricing Gap	*Contractual Gap* Measures the sensitivity of assets, liabilities and off-balance sheet items towards changes in the market interest rates based on the re-pricing frequency of each item. *Behavioral Gap* Behavioral assumption (BeA) is applied to the contractual cash flows to reflect sensitivity to market conditions or behavioral characteristics (i.e., early redemption of deposits, prepayment of loans, etc.).
Earnings Approach Net Interest Income at Risk	Measures the sensitivity of earnings to market interest rates movements over a short- and medium-term horizon. Interest rate volatility is based on the maximum volatility of the 1-mo, 3-mo, 6-mo and 1-yr tenors over a 260-day look back.

Technique	Description
Economic Value Approach	
Earnings-at-Risk	Measures the sensitivity of capital to market interest rates given the resulting Net Interest Income (NII)-at-Risk and fair value through profit and loss portfolio value-at-risk (FVTPL VaR).
Capital-at-Risk	Measures the sensitivity of capital to market interest rates given the resulting EaR and fair value through other comprehensive income value-at-risk (FVOCI VaR).
Economic Value of Equity (EVE)	Measures the sensitivity of economic value of all non-trading book assets, liabilities and interest rate sensitive off-balance sheet products to interest rate movements over a longer time horizon.
Stress Test	Assesses the ability to withstand such changes, usually in relation to the capacity of its capital and earnings to absorb potentially significant loses. Stress testing, which includes both scenario and sensitivity analysis, is an integral part of IRR management. Scenario analysis estimates possible outcomes given an event or series of events, while sensitivity analysis estimates the impact of change in one or only a few of model's significant parameters. *Earnings approach*: NII-at-Risk Stress Test assumes gradual increase in Peso and USD interest rates to 400bps and 300bps, respectively. These are based on past local and global market events. *Economic Value approach*: The EVE Stress Test uses Basel's six interest rate scenarios to capture parallel and non-parallel gap risks. The standardized scenarios are as follows: 1) parallel shock up; 2) parallel shock down; 3) steepener shock (short rates down and long rates up); 4) flattener shock (short rates up and long rates down; 5) short rates shock up; and 6) short rates shock down.

The interest rate gap analyses of financial assets and financial liabilities as of end of the reporting period based on re-pricing maturities are shown in the succeeding pages. It should be noted that such interest rate gap analyses are based on the following key assumptions:

- Loans and time deposits are subject to re-pricing on their contractual maturity dates. Non-performing loans, however, are not re-priced;

- Debt securities at amortized cost are bucketed based on their re-pricing profile;

- Held-for-trading securities and derivatives are considered as non-rate sensitive; and,

- For financial assets and financial liabilities with no definite re-pricing schedule or maturity, slotting is based on the Group's empirical assumptions.

These assumptions are reviewed on a regular basis. Similarly, other assumptions and behavioral models used in the preparation of other IRRBB metrics are also being reviewed, annually, at the minimum.

	Group 2020					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-rate Sensitive	Total
Resources:						
Cash and cash equivalents	P 161,839	P 3,795	P 21,482	P -	P 16,615	P 203,731
Investments - net	23,130	18,353	12,018	25,930	8,633	88,064
Loans and receivables - net	189,831	58,361	106,720	37,455	56,236	448,603
Other resources - net	358	59	123	330	30,838	31,708
Total resources	375,158	80,568	140,343	63,715	112,322	772,106
Liabilities:						
Deposit liabilities	243,782	31,793	258,573	1	1,639	535,788
Bills payable	3,626	1,887	7,654	-	-	13,167
Bonds payable	15,482	8,000	66,957	-	-	90,439
Other liabilities	636	36	-	-	30,662	31,334
Total liabilities	263,526	41,716	333,184	1	32,301	670,728
Equity	-	-	-	-	101,378	101,378
Total liabilities and equity	263,526	41,716	333,184	1	133,679	772,106
On-book gap	111,632	38,852	(192,841)	63,714	(21,357)	-
Cumulative on-book gap	111,632	150,484	(42,357)	21,357	-	-
Contingent resources	8,726	-	-	-	-	8,726
Contingent liabilities	5,625	-	-	-	-	5,625
Off-book gap	3,101	-	-	-	-	3,101
Cumulative off-book gap	3,101	3,101	3,101	3,101	3,101	-
Periodic gap	**114,733**	**38,852**	**(192,841)**	**63,714**	**(21,357)**	**3,101**
Cumulative total gap	**P 114,733**	**P 153,585**	**(P 39,256)**	**P 24,458**	**(P 3,101)**	**P -**

	Group 2019					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-rate Sensitive	Total
Resources:						
Cash and cash equivalents	P 96,972	P 1,380	P 2,014	P -	P 47,185	P 147,551
Investments - net	77,604	3,965	38,843	35,077	5,230	160,719
Loans and receivables - net	195,605	58,556	78,541	38,456	59,258	430,416
Other resources - net	107	127	294	187	27,678	28,393
Total resources	370,288	64,028	119,692	73,720	139,351	767,079
Liabilities:						
Deposit liabilities	148,379	12,456	20,939	3	274,804	456,581
Bills payable	75,139	-	18,917	7,549	1	101,606
Bonds payable	12,305	15,000	69,509	-	-	96,814
Other liabilities	86	27	-	-	29,115	29,228
Total liabilities	235,909	27,483	109,365	7,552	303,920	684,229
Equity	-	-	-	-	82,850	82,850
Total liabilities and equity	235,909	27,483	109,365	7,552	386,770	767,079
On-book gap	134,379	36,545	10,327	66,168	(247,419)	-
Cumulative on-book gap	134,379	170,924	181,251	247,419	-	-
Contingent resources	18,088	-	-	-	-	18,088
Contingent liabilities	24,141	-	-	-	-	24,141
Off-book gap	(6,053)	-	-	-	-	(6,053)
Cumulative off-book gap	(6,053)	(6,053)	(6,053)	(6,053)	(6,053)	-
Periodic gap	128,326	36,545	10,327	66,168	(247,419)	(6,053)
Cumulative total gap	P 128,326	P 164,871	P 175,198	P 241,366	(P 6,053)	P -

	Parent Company 2020					
	One to Three Months	**Three Months to One Year**	**One to Five Years**	**More than Five Years**	**Non-rate Sensitive**	**Total**
Resources:						
Cash and cash equivalents	P 160,244	P 3,243	P 21,589	P -	P 16,424	P 201,500
Investments - net	21,613	18,353	12,018	25,930	7,227	85,141
Loans and receivables - net	188,876	57,331	101,207	37,453	56,300	441,167
Other resources - net	245	59	122	329	33,959	34,714
Total resources	370,978	78,986	134,936	63,712	113,910	762,522
Liabilities:						
Deposit liabilities	243,357	31,584	260,311	1	1,495	536,748
Bills payable	2,743	16	1,441	-	-	4,200
Bonds payable	15,482	8,000	66,957	-	-	90,439
Other liabilities	-	-	-	-	29,843	29,843
Total liabilities	261,582	39,600	328,709	1	31,338	661,230
Equity	-	-	-	-	101,292	101,292
Total liabilities and equity	261,582	39,600	328,709	1	132,630	762,522
On-book gap	109,396	39,386	(193,773)	63,711	(18,720)	-
Cumulative on-book gap	109,396	148,782	(44,991)	18,720	-	-
Contingent resources	8,722	-	-	-	-	8,722
Contingent liabilities	5,621	-	-	-	-	5,621
Off-book gap	3,101	-	-	-	-	3,101
Cumulative off-book gap	3,101	3,101	3,101	3,101	3,101	-
Periodic gap	**112,497**	**39,386**	**(193,773)**	**63,711**	**(18,720)**	**3,101**
Cumulative total gap	**P 112,497**	**P 151,883**	**(P 41,890)**	**P 21,821**	**P 3,101**	**P -**

	Parent Company 2019					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-rate Sensitive	Total
Resources:						
Cash and cash equivalents	P 96,281	P 879	P 1,689	P -	P 46,920	P 145,769
Investments - net	76,491	3,965	38,843	33,717	4,428	157,444
Loans and receivables - net	194,109	57,384	72,692	38,228	60,269	422,682
Other resources - net	51	127	294	187	31,564	32,223
Total resources	366,932	62,355	113,518	72,132	143,181	758,118
Liabilities:						
Deposit liabilities	146,240	9,532	19,449	3	281,369	456,593
Bills payable	74,530	-	18,460	946	2	93,938
Bonds payable	12,304	15,000	69,510	-	-	96,814
Other liabilities	-	-	-	-	28,011	28,011
Total liabilities	233,074	24,532	107,419	949	309,382	675,356
Equity	-	-	-	-	82,762	82,762
Total liabilities and equity	233,074	24,532	107,419	949	392,144	758,118
On-book gap	133,858	37,823	6,099	71,183	(248,963)	-
Cumulative on-book gap	133,858	171,681	177,780	248,963	-	-
Contingent resources	17,955	-	-	-	-	17,955
Contingent liabilities	24,019	-	-	-	-	24,019
Off-book gap	(6,064)	-	-	-	-	(6,064)
Cumulative off-book gap	(6,064)	(6,064)	(6,064)	(6,064)	(6,064)	-
Periodic gap	127,794	37,823	6,099	71,183	(248,963)	(6,064)
Cumulative total gap	P 127,794	P 165,617	P 171,716	P 242,899	(P 6,064)	P -

The table below summarizes the potential impact on the Group and the Parent Company's annual interest income of parallel rate shifts using the re-pricing.

	Changes in Interest Rates (in basis points)			
	- 100	**- 200**	**+ 100**	**+ 200**
December 31, 2020				
Group	**(P 1,241)**	**(P 2,481)**	**P 1,241**	**P 2,481**
Parent Company	**(1,220)**	**(2,441)**	**1,220**	**2,441**
December 31, 2019				
Group	(P 1,225)	(P 2,450)	P 1,225	P 2,450
Parent Company	(1,205)	(2,410)	1,205	2,410

4.3.3 Equity Price Risk

The Group's exposure to price risk on equity securities held and classified in the statement of financial position as financial assets at FVTPL or financial assets at FVOCI (under Trading and Investment Securities account) as of December 31, 2020 and 2019 is managed through diversification of portfolio and monitoring of changes in market prices. Diversification of the portfolio is done in accordance with the limits set by the Group.

Moreover, RCBC Capital and RSI estimate the potential loss and determine the market and position risk requirement on equity securities at FVTPL in the computation of the market and position risk requirement for all equity positions.

RCBC Capital uses the delta-normal approach as its VaR model to estimate the daily potential loss that can be incurred from equity securities held for trading. VaR is a key measure in the management of market price risk. VaR is defined as a statistical estimate of the maximum possible loss on a given position during a time horizon within a given confidence interval. RCBC Capital uses a 99% confidence level and a minimum 260-day observation period in VaR calculation. In addition, RSI computes its market and position risk for all equity positions, if any, in conjunction with the Risk Based Capital Adequacy ratio required to be maintained. Market and position risk requirement is calculated using position risk factor multiplied by mark-to-market value security.

4.4 Credit Risk

Credit risk is the risk that the counterparty in a transaction may default, and arises from lending, trade finance, treasury, derivatives and other activities undertaken by the Group. The Group manages credit risk through a system of policies and authorities that govern the processes and practices of all credit-originating and borrowing relationship management units.

The Enterprise Risk Division of RMG assists senior management: (a) in establishing risk concentration limits at the portfolio level; and (b) in the continuous monitoring of the actual credit risk portfolio from the perspective of those limits and other risk management objectives. The Credit Management Group (CMG), on the other hand, is responsible for: (a) the development of credit policies relating to account management; (b) the financial evaluation and credit risk rating of borrowers; and, (c) asset quality review.

At the individual borrower level, exposure to credit risk is managed via adherence to a set of policies, the most notable features of which, in this context are: (a) credit approving authority, except as noted below, is not exercised by a single individual but rather, through a hierarchy of limits that is effectively exercised collectively; (b) business center (BC) managers have limited approval authority only for credit exposure related to deposit-taking operations in the form of bills purchase, acceptance of second endorsed checks and 1:1 loan accommodations; (c) an independent credit risk assessment by the CMG of large corporate and middle-market borrowers, summarized into a borrower risk rating, is provided as input to the credit ecision-making process; and, (d) borrower credit analysis is performed at origination and at least annually thereafter or co-terminus with the renewal of the credit line. In addition, adverse economic and market conditions that may impact a certain borrower or a group of borrowers may trigger the Group to conduct a special credit review prior to expiry of credit line.

In 2018, CMG also started identifying homogenous target market and design Credit Programs that will accelerate credit processing of accounts without sacrificing underwriting quality, and, set up enhanced data framework that would deepen the Bank's ability to identify potential problem accounts earlier.

4.4.1 Concentrations of Credit Risk

Credit risk concentration in the context of banking generally denotes the risk arising from an uneven distribution of counterparties in credit or in any other business relationships, or from a concentration in business sectors or geographic regions which is capable of generating losses large enough to jeopardize an institution's solvency. The Group monitors concentrations of credit risk by sector.

An analysis of concentrations of credit risk of the loan portfolio at the end of the reporting period is shown in Note 11.1.

In the course of the Group's implementation of ICAAP (see Note 5.2), it adopts a quantification of credit risk concentration following frameworks prescribed by some of the more advanced European central banks as well as established concentration metrics. Using sector distribution as a tool, the Group performs a straightforward application of the Herfindahl-Hirshman Index (HHI) to determine the existence of credit risk concentration. The Group supplements this methodology with the use of the Comprehensive Concentration Index (CCI) to monitor and analyze name concentration.

The Group, however, recognizes the inherent limitations of the use of HHI and CCI to assess credit concentration risk. To augment this measure and to appropriately manage said risk, the Group performs an in-depth analysis of its large borrowing groups. To ensure the independence of this process, the review and analysis are done during the ROC meetings.

4.4.2 Credit Risk Assessment

The Group's credit risk assessment is performed based on the different segments of financial asset portfolio such as (a) corporate, which generally include corporate banking group loans, commercial and small-medium size segment loans, lease contract and finance receivables, and unquoted debt securities classified as loan (UDSCL), (b) retail, which include housing, auto, credit cards, and microfinance lending; and, (c) treasury, which covers credit exposures on debt securities under the Group's HTC portfolio and financial assets at FVOCI. The Group also established credit risk assessment procedures for sales contract receivables and other risk assets including accounts receivables.

i. *Corporate Loans*

Loans, regardless if the accounts have been fully paid, extended or renewed in subsequent period, are subjected to evaluation for possible losses. The Group's estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions (or industry performance), expected cash flows, and the passage of time. The assessment of credit risk of a portfolio of assets requires further estimations as to the PDs occurring, of the associated loss ratios, and of default correlations between counterparties; accordingly, such credit risk is measured using PD, LGD, and EAD, for purposes of measuring ECL.

The Group uses its internal credit risk rating system (ICRRS) to determine any evidence of potential deterioration in the quality of an instrument that take into consideration both quantitative and qualitative criteria. The rating system classifies performing accounts from a scale of AAA indicating an extremely strong capacity of the counterparty to meet financial commitments down to ratings lower than CCC demonstrating weakness in the counterparty's economic and financial condition that could lead to payment default on financial commitments. Past due accounts, accounts identified for phase-out and those that exhibit the characteristics of classified loans shall be risk-rated following the guidelines on credit classification per BSP Manual of Regulations for Banks and under the BSP Circular No. 1011, i.e., Especially Mentioned, Substandard, Doubtful or Loss. These guidelines are used by the Group to assign the individually assessed loan or a group of loans within a particular portfolio segment to a specific stage category under the PFRS 9 loan impairment standards (i.e., Stage 1, 2, 3).

In assessing accounts subject to individual assessment, the Group has established a materiality threshold of P15 for all exposures classified under Stage 3. Such threshold shall be regularly reviewed at the end of reporting period to ensure that it appropriately captures what the Parent Company considers as material items of loan for individual assessment. The provision for ECL for individually assessed exposures shall reflect consideration of the facts and circumstances that affect the repayment of each individual loan as of evaluation date.

The ICRRS is established by the Group in congruence with and with reference to the credit risk rating methodology used by Standard & Poor's (S&P) in measuring the creditworthiness of an individual borrower, whether the related borrowing is still performing or current in status. The risk ratings determined by the Group for its portfolio of loans and receivables at a given review date is updated to consider the possible shift in the economy or business environment or circumstances affecting the industry and the entity or borrower, in particular. Accordingly, a periodic assessment of credit quality may improve the borrower's rating or it could lead to one or more rating downgrades over time; hence, could lead to the transfer of credit exposure in different stages of impairment. The credit risk ratings in ICRRS are calibrated such that the risk of default increases exponentially at each higher risk rating (e.g., a difference in the PD between a risk rating of A and A- is lower than the difference in the PD between a B and B- risk rating).

In the process of applying the Group's ICRRS in determining the credit quality of loans and receivables, the Group analyzes the credit quality of the borrowers and counterparties through a set of criteria and rating scale classified into the following:

Rating Scale	Rating Description/Criteria
AAA	Extremely strong capacity to meet financial commitments
AA*	Very strong capacity to meet financial commitments
A*	Strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances
BBB*	Adequate capacity to meet financial commitments, but more subject to adverse economic conditions

Rating Scale	Rating Description/Criteria
BB*	Less vulnerable in the near-term but faces major ongoing uncertainties to adverse business, financial and economic conditions
B*	More vulnerable to adverse business, financial and economic conditions but currently has the capacity to meet financial commitments
CCC and below*	Not at risk of loss at the moment and the borrower has the financial capacity to meet its obligations but its exposure to adverse business, financial or economic conditions has weakened it and, unless present trends are reversed, could eventually lead to losses.
Especially Mentioned	Has potential weaknesses that deserve management's close attention and if left uncorrected, these weaknesses may affect the repayment of the loan.
Substandard	Have well-defined weakness(es), that may jeopardize repayment/liquidation in full, either in respect of the business, cash flow or financial position, which may include adverse trends or developments that affect willingness or repayment ability of the borrower.
Doubtful	Loans and credit accommodations that exhibit more severe weaknesses than those classified as "Substandard", whose characteristics on the basis of currently known facts, conditions and values make collection or liquidation highly improbable.
Loss	Loans considered absolutely uncollectible or worthless

** Ratings from AA to CCC are modified by a plus (+) or minus (-) sign to show relative standing within the rating categories.*

As part of credit risk assessment documentation and reporting, the Group includes financial instruments rated as AAA to B- under the "Pass" classification, while instruments rated CCC+ and below are grouped under the Watchlisted classification. Generally, "Pass" classification include loans and other credit accommodations that do not have a greater-than-normal credit risk and do not possess the characteristics of classified loans. These are credits that have the apparent ability and willingness to satisfy their obligations in full and therefore, no loss in ultimate collection is anticipated. On the other hand, watchlisted counterparties are characterized by the following:

- those that belong to an unfavorable industry or has company-specific risk factors which represent a concern;
- the operating performance and financial strength may be marginal and it is uncertain if borrower can attract alternative course of finance;
- borrower finds it hard to cope with any significant economic downturn and a default in such a case is more than a possibility; and,
- borrower incurs net losses and has salient financial weaknesses, reflected on their financial statements, specifically in profitability.

Split classification/rating may apply for non-performing secured loans and other credit accommodations, depending on the recoverability and liquidity of the collateral. The secured portion may be classified as "substandard" or "doubtful", as appropriate, while the unsecured portion shall be classified "loss" if there is no other source of payment other than the collateral.

In the case of syndicated loans, the Group shall maintain credit information on the borrower, and grade and make provision for its portion of the syndicated loan in accordance with its policy. The lead financial institution or bank shall provide participating financial institutions with the credit information on the borrower upon request by the participating financial institutions and inform the latter if the loan will be classified so as to achieve uniform classification of the syndicated loan.

(ii) Retail and Other Products

CMG is tasked to measure, control and manage credit risk on the consumer loans business of the Group through the performance of regular monitoring, reporting and recommendation of risk mitigation measures of the actual credit risk portfolio to the CRECOL and ROC, as well as accomplishment of the corresponding review and development of credit policies and guidelines to sustain asset quality.

For consumer loans, risk assessment is performed on an individual borrower through the use of a credit application scorecard for Housing, Auto and Personal Loans while for Corporate Salary Loans, rule-based credit criteria on company accreditation and borrower evaluation has been established. The credit application scorecard makes use of customer, loan and collateral characteristics which have been assigned weights based on their predictive power in determining the propensity of an account to default or maintain a satisfactory credit performance. Credit decisions are based on recommended score cut-offs.

Asset quality of the Group is monitored through a regular portfolio performance review including customer segmentation and loan concentration risk assessment to identify sources of risk and to determine risk mitigation on segments that drive delinquency or manifests triggers for default. Likewise, close monitoring and review of industry performance, economic changes and market conditions that may affect the consumer loans business is also taken into consideration to establish a holistic risk assessment process.

For the credit card portfolio of the Group, credit risk assessment is performed through segmentation process to diversify the portfolio risk into different homogeneous populations or segments. Over-all account distribution is analyzed for three different snapshots with respect to month-on-month days past due (dpd) to see consistency in the portfolio.

For microfinance and small business loans, regardless if the accounts have been fully paid, extended or renewed in subsequent period, are subjected to evaluation for possible losses. Credit risk assessment is performed based on groups of loan portfolio segmented by product type such as (a) credit accommodations to small-medium size borrowers; and, (b) agricultural and microfinance loans.

The Group classifies the consumer, microfinance and small business loans based on days past due following the categories that are consistent with the manner applied under the Group's internal credit risk assessment and regulatory reporting as follows:

Bucket	Classification	Secured	Unsecured
Current	Unclassified	Unclassified	Unclassified
One to 30 days	Especially Mentioned	Unclassified	Especially Mentioned
31 to 60 days	Especially Mentioned	Especially Mentioned	Especially Mentioned
61 to 90 days	Substandard	Especially Mentioned	Substandard
91 to 180 days	Substandard	Substandard	Substandard
181 to 365 days	Doubtful	Doubtful	Doubtful
More than 365 days	Loss	Loss	Loss

The Group assigns consumer, microfinance and small business loans based on classification into stages of impairment as follows:

Classification	Stages
Unclassified	1
Especially Mentioned	2
Defaulted	3

For purposes of the information disclosed for credit risk exposures, 'defaulted' accounts include those which are classified as Substandard, Doubtful, and Loss.

The groupings of financial instruments into a pool of shared credit quality are subject to the regular review by the Group's CMG in order to ensure that credit exposures within a particular group remain appropriately homogenous.

(iii) Debt Securities at Amortized Cost and at FVOCI

For debt securities, the Group adopts similar credit risk ratings published by reputable external rating agency (e.g., S&P). These ratings are continuously monitored and updated. The PD associated with each rating is determined based on realized default rates over the previous 12 months, as published by the rating agency.

4.4.3 Assessment of SICR

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group assesses the change in the risk of a default occurring over the remaining life of the financial instrument. In making this assessment, the Group assesses on a periodic basis both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information as appropriate. These may include macroeconomic conditions, economic sector and geographical region relevant to the counterparty or borrower and other factors that are counterparty-specific. As the Group holds various arrays of financial instruments, the extent of assessment may depend on the materiality of the financial instrument or the complexity of the portfolio being assessed.

The Group ECL model follows a three-stage impairment approach in determining the loss allowance to be recognized in the financial statements:

(i) Stage 1 – comprises of all credit exposures that are considered 'performing' and with no observed SICR since initial recognition. These include those financial instruments with low credit risk. For these financial instruments, the loss allowance is determined based on a 12-month ECL.

(ii) Stage 2 – comprises of all financial instruments assessed to have SICR since initial recognition based on the Group's quantitative and qualitative criteria, though not yet deemed to be credit-impaired. Using the Group's ICRRs, Stage 2 includes credit exposures that are considered 'under-performing' in which risk ratings were downgraded by at least three notches and/or downgraded to CCC+ to Especially Mentioned. Stage 2 financial instruments may also include those facilities where the credit risk has improved and have been reclassified from Stage 3 subject to the Group's observation period on the creditworthiness of the counterparty. A lifetime ECL is recognized for these financial instruments.

(iii) Stage 3 – comprises credit exposures which are assessed as 'credit-impaired', thus considered by the Group as 'non-performing', which is assessed consistently with the Group's definition of default. Generally, this includes accounts classified as Substandard, Doubtful and Loss. The Group recognizes a lifetime ECL for all credit-impaired financial assets.

The Group considers low credit risk for listed debt security when its credit risk rating is equivalent to a globally understood definition of 'investment grade' (which should be from at least one major rating agency); other debt securities are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Financial assets that are credit-impaired on initial recognition are classified as purchased or originated credit-impaired assets. ECL is only recognized or released to the extent that there is a subsequent change in the ECLs.

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in probabilities of default and qualitative factors, including a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's internal credit assessment, the borrower or counterparty is determined to have well-defined credit weaknesses. Under the Group's ICRRS, these are exposures rated at least Especially Mentioned. For exposures with no internal credit risk rating performed, if contractual payments are more than a specified days past due threshold, the credit risk is deemed to have increased significantly since initial recognition. Depending on the number of days past due which differ across the various retail products of the Group, a credit exposure may be transferred to Stage 2 or Stage 3. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, the Group shall revert to recognizing a 12-month ECL. As a general rule, an upgrade or transfer of credit exposure from Stage 3 to Stage 1 is allowed when there is sufficient evidence to support that full collection of principal and interest is probable, consistent with the Group's definition of curing period.

For portfolios in respect of which the Group has limited historical data, external benchmark information (e.g., Basel LGD) is used to supplement the internally available data. The portfolios for which external benchmark information represents a significant input into measurement of ECL include exposures to foreign borrowers and low default borrower segments.

4.4.4 Definition of Default and Credit-impaired Assets

i. Loans and Receivables

The Group defines a loan instrument as in default, which is aligned with the definition of credit-impaired, when the borrower is more than 90 days past due on its contractual payments, except for the 30 days past due threshold for retail loans of the Group and one day past due for microfinance loan portfolio of Rizal Microbank. As part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances and factors that may indicate unlikeliness to pay which may include (a) significant financial difficulty of the issuer or borrower; (b) the restructuring of a loan by the Group, for economic or legal reasons relating to the borrower's financial difficulty, on terms that the Group would not consider otherwise; or (c) it becoming probable that the borrower will enter bankruptcy or other financial reorganization. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

An instrument is considered to be no longer in default or have cured when the borrower is able to repay the installments in arrears and the account no longer meets any of the default criteria for a consecutive period of 180 days, observation period, within which the borrower shall make consecutive payments.

The definitions of default and observation period have been aligned with the definition used for regulatory capital purposes. Definitions of default and cure period can be rebutted and the rebuttal will be monitored and reviewed by the CMG on annual basis to ensure definitions remains appropriate.

These criteria are consistent with the definition of default used for internal credit risk management purposes that is aligned with the default criteria used for regulatory capital purposes. Such definition is consistently applied in determining PD, LGD, and EAD for each loan portfolio segment and throughout the ECL calculations of the Group.

ii. Investments in Debt Securities

Investments in debt securities is assessed as credit-impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of an event that occurred after the initial recognition of the security (a "loss event") and that loss event has impact on the estimated future cash flows of the securities. Losses expected as a result of future events, shall also be considered in estimating the ECL.

Objective evidence that the security is impaired includes observable data that comes to the attention of the holder of the security about the following loss events:

- significant financial difficulty of the issuer or obligor;
- breach of contract, such as a default or delinquency in interest or principal payments;
- the financial institution, for economic or legal reasons relating to the issuer's financial difficulty, granting to the issuer a concession that the financial institution would not otherwise consider;
- it becoming probable that the issuer will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that security because of financial difficulties; or,
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of securities since the initial recognition of those assets, although the decrease cannot yet be identified with the individual securities in the portfolio, including adverse change in the payment status of issuers in the portfolio; or national or local economic conditions that correlate with defaults on the securities in the portfolio.

The disappearance of an active market because a financial institution's held securities are no longer publicly traded is not evidence of impairment. A downgrade of an issuer's credit rating is not, by itself, evidence of impairment, although it may be evidence of impairment when considered with other available information. A decline in the fair value of a security below its cost or amortized cost is not necessarily evidence of impairment (for example, a decline in fair value of an investment in debt security that results from an increase in the risk-free interest rate).
In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors:

- the market's assessment of creditworthiness as reflected in the bond yields;
- the rating agencies' assessment of creditworthiness;
- the country's ability to access the capital markets for new debt issuance;
- the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness; or,
- the internal support mechanism in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfill the required criteria.

4.4.5 ECL Measurement Inputs

Integral in the Group's established policies in measuring and calculating ECL on financial instrument is the use of appropriate model for each segment of financial asset that applies relevant inputs and assumptions, including forward-looking information as appropriate.

(a) Key Inputs and Assumptions in the ECL Model

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment.

(i) PD represents an estimate of likelihood of a borrower defaulting on its financial obligation over a given time horizon, either over the next 12 months (12-month PD) or over the remaining lifetime (lifetime PD) of the obligation. PD is calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures which considers both quantitative and qualitative factors. In determining PD, the Group performed segmentation of its credit exposures based on homogenous characteristics [including corporate loan and retail loan (including credit-card and microfinance)] and developed a systematic PD methodology for each portfolio. Generally, if a counterparty or exposure migrates between rating classes, this will lead to a change in the estimate of the associated PD.

(ii) LGD pertains to estimate of loss related to the amount that may not be recovered after the borrower defaults. The Group estimates LGD parameters based on historical recovery rates of claims against defaulted counterparties, which takes into consideration the realization of any collateral that is integral to the financial asset. For secured credit exposure, the determination of LGD is dependent on the Group's collateral data which are available at the origination of the instrument which takes into account the amount and timing of the cash inflows (actual recovery) and outflows (actual expenses) and on the time value of money. Recoveries are calculated on a discounted cash flows basis using the effective interest rate as the discounting factor.

(iii) EAD represents the gross carrying amount of the exposure in the event of default which include the amortized cost amount of an instrument and any accrued interest receivable. For lending commitments, the EAD includes the amount of drawn and undrawn irrevocable loan commitments under the contract, which are estimated based on historical observations and forward-looking forecast. For some financial assets (e.g., credit card lending), EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical technique which considers the ability of borrowers to increase its exposure from the time of ECL calculation to the time of default (i.e., credit conversion factor).

These three components are multiplied together and adjusted for the likelihood of survival (i.e., the exposure has not been prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to and summed at the end of the reporting period. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the life of the instrument. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. Such profile is supported by a historical analysis (i.e., an observation period of five years) which uses, among others the number of rated accounts and ratings of bad accounts at the time of default. Bad accounts are defaulted accounts classified into three classes such as the non-performing loans, accounts classified as Substandard, Doubtful or Loss, and real past due accounts.

In a risk rating model applied by the Group, a better rating or score denotes less probability of default than those of a worse rating. Identifying the counterparty default is done through a computation of the portfolio's observed default frequency (ODF). In cases when ODF method and the data to be used is limited, the Group may also employ the implied probability of default frequency (IPD) and the application of overlay factors in the PD.
Using the historical defaults under the Group's ICRRS based on S&P scale, ODF is calculated per rating class using the cumulative five-year data as the basis for grouping. This represents the actual numbers of bad borrower cases that have occurred during the five-year timeframe. On the other hand, unrated account are distributed to existing S&P rating classes using normal distribution assumption. In cases when there is zero-percent ODF in any of the rating class, these are grouped together with the next rating class with at least one bad borrower using cumulative five-year data. If there is no rating class after certain rating, grouping shall be decided by management.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

For loans with periodic amortization and one-time full payment at end of the term, EAD is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment or refinancing assumptions are also incorporated into the calculation.

For revolving products (such as credit cards and credit line facilities), EAD is determined by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilization band, based on analysis of the Group's recent default data.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default, and may vary by product type. For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market or book values due to forced sales, time to repossession and recovery costs observed. For unsecured products, LGD is typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. The LGD is influenced by collection strategies.

For cash and cash equivalents and debt securities, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECL on such instruments on a 12-month basis. However, when there has been a SICR since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from S&P to determine whether the debt instrument has significantly increased in credit risk and to estimate ECL.

The assumptions underlying the ECL calculation are monitored and reviewed on an annual basis. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

The determination of the 12-month and lifetime PD, LGD, and EAD includes the overlay of forward-looking economic information discussed below.

(b) *Overlay of Forward-looking Information*

The Group incorporates forward-looking information (FLI) in its calculation of ECL. The Group has performed historical analysis and has identified the key macroeconomic variables (MEVs) impacting credit risk associated with its borrowers and/or counterparties and the ECL for relevant portfolio of debt instruments.

The MEVs and their associated impact on the PD, LGD and EAD vary by financial instrument. To project the MEVs for the full remaining life of each financial instrument, a mean reversion approach has been used, which means that MEVs tend to either a long run average rate (e.g., for unemployment) or a long run average growth rate [e.g., Gross Domestic Product (GDP)] over a period of two to five years. The impact of these economic variables on the PD, LGD and EAD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

The MEVs considered by the Group includes economic data and forecasts published by government bodies (e.g., BSP and Philippine Statistics Authority), international organizations (e.g., International Monetary Fund), and certain reputable private and academic organizations involved in forecasting. Accordingly, the Group has identified key drivers for credit risk for its corporate loans portfolio, which include among others, GDP growth rate, inflation rate unemployment rate, interest rate (i.e., based on 91-day T-bill Yield), and foreign currency exchange rates. On the other hand, the key drivers for the Group's retail and consumer loans portfolio include unemployment rate, GDP growth rate, consumer spending growth rate, and inflation rate. Using an analysis of historical data, the Group has estimated relationships between MEVs and credit risk and credit losses.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, and therefore, the actual outcomes may be significantly different to those projections. The Group considers these forecasts to represent its best estimate of the possible outcomes.

Management has also considered other FLI not incorporated within the above economic scenarios, such as any regulatory, legislative, or political changes, but are not deemed to have a significant impact on the calculation of ECL. Management reviews and monitors the appropriateness of FLIs on a regular basis and additional factors may be incorporated from time to time as deemed appropriate.

4.4.6 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 economic scenarios and forward-looking macroeconomic assumptions underpinning the ECL calculation are outlined in Note 4.4.2. As of December 31, 2020, 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 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 (see also Note 4.4.12).

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.

The impact of post-model adjustments made in estimating the reported ECL as at December 31, 2020 are disclosed in Note 4.4.9.

4.4.7 Credit Risk Exposures

An analysis of the maximum credit risk exposure relating to receivables from customers is shown below:

	2020			
	Gross Maximum Exposure	**Fair Value of Collaterals**	**Net Exposure**	**Financial Effect of Collaterals**
Group				
Loans and discounts:				
Corporate	P 319,541	P 302,815	P 16,726	P 302,815
Consumer	101,146	174,219	-	101,146
Credit card receivables	31,973	-	31,973	-
Leasing and finance	3,458	5,020	-	3,458
Microfinance and small business	1,136	4,405	-	1,136
	P 457,254	**P 486,459**	**P 48,699**	**P 408,555**
Parent Company				
Loans and discounts:				
Corporate	P 315,681	P 302,815	P 12,866	P 302,815
Consumer	101,146	174,219	-	101,146
Credit card receivables	31,973	-	31,973	-
	P 448,800	**P 477,034**	**P 44,839**	**P 403,961**

	2019			
	Gross Maximum Exposure	Fair Value of Collaterals	Net Exposure	Financial Effect of Collaterals
Group				
Loans and discounts:				
Corporate	P 302,340	P 434,427	P -	P 302,340
Consumer	95,977	162,642	-	95,977
Credit card receivables	31,043	-	31,043	-
Leasing and finance	4,445	5,512	-	4,445
Microfinance and small business	1,314	1,629	-	1,314
	P 435,119	P 604,210	P 31,043	P 404,076
Parent Company				
Loans and discounts:				
Corporate	P 299,143	P 434,277	P -	P 299,143
Consumer	95,977	162,586	-	95,977
Credit card receivables	31,043	-	31,043	-
	P 426,163	P 596,863	P 31,043	P 395,120

The table below sets out the gross carrying amounts of the exposures to credit risk on financial assets with low credit risk measured at amortized cost and debt securities at FVOCI as of December 31.

	Group		Parent Company	
	2020	2019	**2020**	2019
Cash equivalents	**P 187,211**	P 130,644	**P 185,036**	P 128,961
Debt securities:				
At amortized cost	**43,168**	101,068	**42,561**	100,268
At FVOCI	**36,720**	50,612	**36,295**	49,584
	P 267,099	P 282,324	**P 263,892**	P 278,813

Cash equivalents includes loans and advances to banks [i.e., Due from BSP, Due from Other Banks, Loans Arising from Repurchase Agreements, and Interbank Loans Receivables (see Note 9)]. Debt securities includes government and corporate bonds and bills. These are held with central bank, financial institutions and other counterparties that are reputable and with low credit risk; hence, ECL is negligible.

The information about the credit exposures on the above financial assets as well as on loan commitments by stages of impairment as of December 31, 2020 and 2019, shown at their gross carrying amounts with the corresponding allowance for ECL are shown in the succeeding pages. All instruments, which were not assessed by the Group for ECL based on individual credit risk rating were evaluated on a collective basis, applying applicable PD and LGD based on the segment of instrument.

The maximum exposure to credit risks for other financial assets is limited to their carrying values as of December 31, 2020 and 2019.

a) *Loans and receivables – Group and Parent Company*

	Corporate Loans				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased credit-impaired***	**Total**
2020					
Pass					
AAA to BBB	P 5,352	P -	P 42	P -	P 5,394
BBB- to B-	284,059	26	1,174	-	285,259
Watchlisted	400	2,584	19	-	3,003
Especially mentioned	1	2,327	465	-	2,793
Defaulted	-	-	8,212	48	8,260
Unrated	14,742	-	90	-	14,832
	304,554	4,937	10,002	48	319,541
Allowance for ECL	(2,384)	(760)	(4,853)	(36)	(8,033)
Carrying amount	**P 302,170**	**P 4,177**	**P 5,149**	**P 12**	**P 311,508**

	Corporate Loans				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired*	Total
2019					
Pass					
AAA to BBB	P 13,625	P 28	P 17	P -	P 13,670
BBB- to B-	268,269	21	266	-	268,556
Watchlisted	29	9,541	46	-	9,616
Especially mentioned	-	1,053	268	-	1,321
Defaulted	-	-	6,575	52	6,627
Unrated	2,361	83	106	-	2,550
	284,284	10,726	7,278	52	302,340
Allowance for ECL	(706)	(529)	(4,659)	(36)	(5,930)
Carrying amount	P 283,578	P 10,197	P 2,619	P 16	P 296,410

**Purchased credit-impaired financial assets pertain to the non-performing loans of RCBC JPL*

	Retail and Other Products			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2020				
Consumer loans				
Standard monitoring	P 78,060	P 11,986	P -	P 90,046
Defaulted	-	-	11,100	11,100
	78,060	11,986	11,100	101,146
Allowance for ECL	(808)	(555)	(2,601)	(3,964)
Carrying amount	**77,252**	**11,431**	**8,499**	**97,182**
Credit cards				
Current	P 25,500	P 21	P -	P 25,521
1-29 dpd	1,406	8	-	1,414
30-59 dpd	-	1,715	-	1,715
60-89 dpd	-	698	-	698
Defaulted	-	-	2,625	2,625
	26,906	2,442	2,625	31,973
Allowance for ECL	(656)	(1,499)	(2,625)	(4,780)
Carrying amount	**26,250**	**943**	**-**	**27,193**
Leasing and finance receivables*				
AAA+ to B+	P 2,153	P -	P -	P 2,153
B to B-	-	680	-	680
CCC and below	-	-	625	625
	2,153	680	625	3,458
Allowance for ECL	(18)	(76)	(204)	(298)
Carrying amount	**2,135**	**604**	**421**	**3,160**
Micro and small business loans**				
Unclassified	P 1,028	P -	P -	P 1,028
Especially mentioned	-	10	-	10
Defaulted	-	-	98	98
	1,028	10	98	1,136
Allowance for ECL	(40)	(2)	(92)	(134)
Carrying amount	**988**	**8**	**6**	**1,002**

	Retail and Other Products			
	Stage 1	Stage 2	Stage 3	Total
Total gross amount	P 108,147	P 15,118	P 14,448	P 137,713
Total allowance for ECL	(1,522)	(2,132)	(5,522)	(9,176)
Total carrying amount	P 106,625	P 12,986	P 8,926	P 128,537

**Leasing and finance receivables are from RCBC LFC*
***Micro and small business loans are from Rizal Microbank*

2019

	Stage 1	Stage 2	Stage 3	Total
Consumer loans				
Standard monitoring	P 80,056	P 11,129	P -	P 91,185
Defaulted	-	-	4,792	4,792
	80,056	11,129	4,792	95,977
Allowance for ECL	(845)	(507)	(1,018)	(2,370)
Carrying amount	79,211	10,622	3,774	93,607
Credit cards				
Current	P 28,331	P -	P -	P 28,331
1-29 dpd	779	-	-	779
30-59 dpd	-	356	-	356
60-89 dpd	-	310	-	310
Defaulted	-	-	1,267	1,267
	29,110	666	1,267	31,043
Allowance for ECL	(510)	(278)	(1,051)	(1,839)
Carrying amount	28,600	388	216	29,204
*Leasing and finance receivables**				
AAA+ to B+	P 1,891	P -	P -	P 1,891
B to B-	-	1,985	-	1,985
CCC and below	-	-	569	569
	1,891	1,985	569	4,445
Allowance for ECL	(62)	(275)	(246)	(583)
Carrying amount	1,829	1,710	323	3,862
*Micro and small business loans***				
Unclassified	P 1,142	P -	P -	P 1,142
Especially mentioned	-	29	-	29
Defaulted	-	-	143	143
	1,142	29	143	1,314
Allowance for ECL	(15)	(11)	(55)	(81)
Carrying amount	1,127	18	88	1,233
Total gross amount	P 112,199	P 13,809	P 6,771	P 132,779
Total allowance for ECL	(1,432)	(1,071)	(2,370)	(4,873)
Total carrying amount	P 110,767	P 12,738	P 4,401	P 127,906

**Leasing and finance receivables are from RCBC LFC*
***Micro and small business loans are from Rizal Microbank*

b) *Investments in debt securities at amortized cost and at FVOCI*

	Group		Parent Company	
	HTC	**FVOCI**	**HTC**	**FVOCI**
2020				
Government securities				
AAA to A+	P -	P 13,542	P -	P 13,542
BBB+ to BBB-	37,022	7,021	36,932	7,021
	37,022	20,563	36,932	20,563
Corporate debt securities				
AAA	-	268	-	268
AA+ to A+	-	257	-	257
A to A-	-	-	-	-
BBB+ to BBB-	2,771	12,803	2,771	12,799
BB+ to BB-	3,375	2,829	2,858	2,408
B+ and below	-	-	-	-
	6,146	16,157	5,629	15,732
Allowance for ECL	(142)	(1)	(48)	(1)
	6,004	16,156	5,581	15,731
	P 43,026	**P 36,719**	**P 42,513**	**P 36,294**
2019				
Government securities				
AA+ to A+	P 68,342	P 24,226	P 68,342	P 24,226
BBB+ to BBB-	23,869	19,055	23,869	19,055
	92,211	43,281	92,211	43,281
Corporate debt securities				
AAA	267	2,396	267	2,396
AA+ to A+	5,530	1,824	5,527	1,824
A to A-	1,002	999	1,002	999
BBB+ to BBB-	897	1,700	862	1,084
BB+ to BB-	636	412	399	-
B+ and below	525	-	-	-
	8,857	7,331	8,057	6,303
Allowance for ECL	(142)	(2)	(49)	(1)
	8,715	7,329	8,008	6,302
	P 100,926	P 50,610	P 100,219	P 49,583

Credit exposures for debt securities not held for trading are all classified as Stage 1.

c) Loan Commitments

The credit quality of the Group and Parent Company's irrevocable loan commitments with amounts determined after considering credit conversion factor, as of December 31 follows:

	Group and Parent Company			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2020				
Corporate loans				
Pass				
AAA to BBB	P 2,153	P -	P -	P 2,153
BBB- to B-	3,284	-	-	3,284
Watchlisted	-	12	13	25
Unrated	99	-	-	99
	5,536	12	13	5,561
ECL provisions	(18)	(1)	(5)	(24)
	5,518	11	8	5,537
Credit cards				
Current	8,501	-	-	8,501
ECL provisions	(115)	-	-	(115)
	8,386	-	-	8,386
	P 13,904	**P 11**	**P 8**	**P 13,923**
2019				
Corporate loans				
Pass				
AAA to BBB	P 2,180	P -	P -	P 2,180
BBB- to B-	3,307	-	-	3,307
Watchlisted	-	226	-	226
Unrated	101	-	13	114
	5,588	226	13	5,827
ECL provisions	(10)	(9)	(5)	(24)
	5,578	217	8	5,803
Credit cards				
Current	7,599	-	-	7,599
ECL provisions	(101)	-	-	(101)
	7,498	-	-	7,498
	P 13,076	P 217	P 8	P 13,301

4.4.8 Maximum Exposure to Credit Risk of Financial Instruments not Subject to Impairment

The following table contains analysis of the maximum credit risk exposure from financial assets not subject to impairment (i.e., FVTPL).

	Group		Parent Company	
	2020	2019	**2020**	2019
Government securities	**P 1,876**	P 3,438	**P 1,808**	P 3,438
Corporate debt securities	**710**	287	**606**	287
Derivative financial assets	**1,129**	1,075	**1,129**	1,075
	P 3,715	P 4,800	**P 3,543**	P 4,800

4.4.9 Allowance for ECL

The following tables show the reconciliation of the loss allowance for ECL by class of significant financial instruments.

a) Loans and receivables – Group and Parent Company

	Corporate Loans				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased credit-impaired**	**Total**
2020					
Balance at beginning of year	P 706	P 529	P 4,659	P 36	P 5,930
Transfers:					
Stage 1 to Stage 2	(2)	2	-	-	-
Stage 1 to Stage 3	(13)	-	13	-	-
Stage 2 to Stage 1	65	(65)	-	-	-
Stage 2 to Stage 3	-	(42)	42	-	-
Stage 3 to Stage 1	4	-	(4)	-	-
Assets derecognized or repaid	(1,483)	(232)	(144)	-	(1,859)
New assets originated:					
Remained in Stage 1	3,107	-	-	-	3,107
Moved to Stages 2 and 3	-	568	287	-	855
	1,678	231	194	-	2,103
Balance at end of year	**P 2,384**	**P 760**	**P 4,853**	**P 36**	**P 8,033**
2019					
Balance at beginning of year	P 483	P 294	P 3,145	P 36	P 3,958
Transfers:					
Stage 1 to Stage 2	(14)	14	-	-	-
Stage 1 to Stage 3	(9)	-	9	-	-
Assets derecognized or repaid	(1,352)	(20)	519	-	(853)
New assets originated:					
Remained in Stage 1	1,598	-	-	-	1,598
Moved to Stages 2 and 3	-	241	986	-	1,227
	223	235	1,514	-	1,972
Balance at end of year	P 706	P 529	P 4,659	P 36	P 5,930

	Retail and Other Products			
	Stage 1	Stage 2	Stage 3	Total
2020				
Consumer loans				
Balance at beginning of year	P 845	P 507	P 1,018	P 2,370
Transfers:				
Stage 1 to Stage 2	(104)	104	-	-
Stage 1 to Stage 3	(50)	-	50	-
Stage 2 to Stage 1	165	(165)	-	-
Stage 2 to Stage 3	-	(74)	74	-
Stage 3 to Stage 2	-	20	(20)	-
Assets derecognized or repaid	(9)	(5)	(19)	(33)
New assets originated:				
Remained in Stage 1	223	-	-	223
Moved to Stages 2 and 3	-	534	1,950	2,484
Write-offs	-	-	(907)	(907)
Others	(262)	(366)	455	(173)
	(37)	48	1,583	1,594
Balance at end of year	**808**	**555**	**2,601**	**3,964**
Credit cards				
Balance at beginning of year	P 510	P 278	P 1,051	P 1,839
Transfers:				
Stage 1 to Stage 2	(49)	49	-	-
Stage 1 to Stage 3	(74)	-	74	-
Stage 2 to Stage 1	25	(25)	-	-
Stage 2 to Stage 3	-	(69)	69	-
Stage 3 to Stage 1	21	-	(21)	-
Stage 3 to Stage 2	-	17	(17)	-
Assets derecognized or repaid	(663)	(245)	(272)	(1,180)
New assets originated:				
Remained in Stage 1	911	-	-	911
Moved to Stages 2 and 3	-	1,665	2,547	4,212
Write-offs	(25)	(171)	(806)	(1,002)
	146	1,221	1,574	2,941
Balance at end of year	**656**	**1,499**	**2,625**	**4,780**
Leasing and finance receivables*				
Balance at beginning of year	P 62	P 275	P 246	P 583
Transfers:				
Stage 1 to Stage 2	(57)	57	-	-
Stage 2 to Stage 3	-	(253)	253	-
Stage 3 to Stage 2	-	226	(226)	-
New assets originated:				
Remained in Stage 1	5	-	-	5
Moved to Stages 2 and 3	-	44	43	87
Write-offs	(27)	(120)	(107)	(254)
Others	35	(153)	(5)	(123)
	(44)	(199)	(42)	(285)
Balance at end of year	**18**	**76**	**204**	**298**

	Retail and Other Products			
	Stage 1	Stage 2	Stage 3	Total
Micro and small business loans**				
Balance at beginning of year	P 15	P 11	P 55	P 81
Transfers:				
Stage 1 to Stage 2	(1)	1	-	-
Stage 2 to Stage 3	-	(1)	1	-
Stage 3 to Stage 1	1	-	(1)	-
Assets derecognized or repaid	-	(21)	(25)	(46)
New assets originated:				
Remained in Stage 1	25	-	-	25
Moved to Stages 2 and 3	-	12	62	74
	25	(9)	37	53
Balance at end of year	**40**	**2**	**92**	**134**
	P 1,522	**P 2,132**	**P 5,522**	**P 9,176**

**Leasing and finance receivables are from RCBC LFC*
***Micro and small business loans are from Rizal Microbank*

2019

	Stage 1	Stage 2	Stage 3	Total
Consumer loans				
Balance at beginning of year	P 840	P 709	P 321	P 1,870
Transfers:				
Stage 1 to Stage 2	(84)	84	-	-
Stage 1 to Stage 3	(20)	-	20	-
Stage 2 to Stage 1	138	(138)	-	-
Stage 2 to Stage 3	-	(205)	205	-
Assets derecognized or repaid	(57)	(148)	(80)	(285)
New assets originated:				
Remained in Stage 1	53	-	-	53
Moved to Stages 2 and 3	-	192	925	1,117
Write-offs	-	(13)	(386)	(399)
Others	(25)	26	13	14
	5	(202)	697	500
Balance at end of year	845	507	1,018	2,370
Credit cards				
Balance at beginning of year	P 380	P 163	P 757	P 1,300
Transfers:				
Stage 1 to Stage 2	(15)	15	-	-
Stage 1 to Stage 3	(28)	-	28	-
Stage 2 to Stage 1	23	(23)	-	-
Stage 2 to Stage 3	-	(28)	28	-
Stage 3 to Stage 1	26	-	(26)	-
Stage 3 to Stage 2	-	17	(17)	-
Assets derecognized or repaid	(946)	(291)	(663)	(1,900)
New assets originated:				
Remained in Stage 1	1,156	-	-	1,156
Moved to Stages 2 and 3	-	395	867	1,262
Write-offs	-	-	(1,559)	(1,559)
Others	(86)	30	1,636	1,580
	130	115	294	539
Balance at end of year	510	278	1,051	1,839

	Retail and Other Products			
	Stage 1	Stage 2	Stage 3	Total
*Leasing and finance receivables**				
Balance at beginning of year	P 33	P 254	P 183	P 470
Transfers:				
Stage 1 to Stage 2	(142)	142	-	-
Stage 2 to Stage 3	-	(234)	234	-
Stage 3 to Stage 2	-	3	(3)	-
New assets originated:				
Remained in Stage 1	36	-	-	36
Moved to Stages 2 and 3	-	34	-	34
Others	135	76	(168)	43
	29	21	63	113
Balance at end of year	62	275	246	583
*Micro and small business loans***				
Balance at beginning of year	P 9	P 7	P 64	P 80
Transfers:				
Stage 1 to Stage 2	(4)	4	-	-
Stage 2 to Stage 3	-	(3)	3	-
Assets derecognized or repaid	(2)	(3)	-	(5)
New assets originated:				
Remained in Stage 1	12	-	-	12
Moved to Stages 2 and 3	-	6	-	6
Write-offs	-	-	(12)	(12)
	6	4	(9)	1
Balance at end of year	15	11	55	81
	P 1,432	P 1,071	P 2,370	P 4,873

**Leasing and finance receivables are from RCBC LFC*
***Micro and small business loans are from Rizal Microbank*

Presented below are the composition of allowance for ECL as by loan portfolio (see Note 11):

	Group		Parent Company	
	2020	2019	**2020**	2019
Corporate	**P 8,033**	P 5,930	**P 7,658**	P 5,894
Credit card receivables	**4,780**	1,839	**4,780**	1,839
Consumer	**3,964**	2,370	**3,964**	2,370
Leasing and finance	**298**	583	**-**	-
Microfinance and small business	**134**	81	**-**	-
Other receivables	**1,984**	2,627	**1,961**	2,623
	P 19,193	P 13,430	**P 18,363**	P 12,726

Post-model adjustments made in estimating the reported ECL as at December 31, 2020 are set out in the following table:

		BAU ECL		COVID-19 Overlay		Total ECL
Group						
Corporate	P	7,262	P	771	P	8,033
Consumer		3,024		940		3,964
Credit card receivables		3,739		1,041		4,780
Leasing and finance		253		45		298
Microfinance and small business		134		-		134
Other receivables		1,984		-		1,984
	P	**16,396**	**P**	**2,797**	**P**	**19,193**
Parent Company						
Corporate	P	6,887	P	771	P	7,658
Consumer		3,024		940		3,964
Credit card receivables		3,739		1,041		4,780
Other receivables		1,961		-		1,961
	P	**15,611**	**P**	**2,752**	**P**	**18,363**

b) *Investments in debt securities at amortized cost and at FVOCI*

ECL for investments in debt securities at amortized cost amounted to P1 and P4 in 2020 and 2019, respectively, for the Group. No additional provision was made in 2020 and 2019 for the Parent Company. The allowance for ECL for investments in debt securities at amortized cost amounted to P142 for the Group and P48 and P49 for the Parent Company in December 31, 2020 and 2019, respectively. No ECL was recognized for debt securities at FVOCI acquired in 2020 and 2019.

c) *Loan commitments*

Allowance for ECL recognized both by the Group and Parent Company related to undrawn loan commitments as of December 31, 2020 and 2019 amounted to P139 and P125, respectively, presented as ECL provisions on loan commitments under Other Liabilities account (see Note 22). ECL (recovery) recognized in profit or loss in 2020, 2019 and 2018 amounted to P14, P23 and (P13), respectively.

The information on how the significant changes in the gross carrying amount of the financial instruments contributed to the changes in the amount of allowance for ECL are presented in Note 4.4.10.

4.4.10 Significant Changes in Gross Carrying Amount Affecting Allowance for ECL

The tables below provides information how the significant changes in the gross carrying amount of financial instruments in 2020 and 2019 contributed to the changes in the allowance for ECL.

a) Loans and receivables – Group and Parent Company

	Corporate Loans				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased credit-impaired**	**Total**
2020					
Balance at beginning of year	P 284,284	P 10,726	P 7,278	P 52	P 302,340
Transfers:					
Stage 1 to Stage 2	(213)	213	-	-	-
Stage 1 to Stage 3	(1,174)		1,174	-	-
Stage 2 to Stage 1	678	(678)	-	-	
Stage 2 to Stage 3	-	(399)	399	-	-
Stage 3 to Stage 1	10	-	(10)	-	-
Assets derecognized or repaid	(151,639)	(8,028)	(1,559)	(4)	(161,230)
New assets originated:					
Remained in Stage 1	172,608	-	-	-	172,608
Moved to Stages 2 and 3	-	3,103	2,720	-	5,823
	20,270	(5,789)	2,724	(4)	17,201
Balance at end of year	**P 304,554**	**P 4,937**	**P 10,002**	**P 48**	**P 319,541**
2019					
Balance at beginning of year	P 262,875	P 6,645	P 8,661	P 52	P 278,233
Transfers:					
Stage 1 to Stage 2	(1,666)	1,666	-	-	-
Stage 1 to Stage 3	(831)	-	831	-	-
Stage 2 to Stage 3	-	(8)	8	-	-
Assets derecognized or repaid	(139,410)	(2,378)	(4,448)	-	(146,276)
New assets originated:					
Remained in Stage 1	163,316	-	-	-	163,316
Moved to Stages 2 and 3	-	4,801	2,266	-	7,067
	21,409	4,081	(1,383)	-	24,107
Balance at end of year	P 284,284	P 10,726	P 7,278	P 52	P 302,340

	Retail and Other Products			
	Stage 1	Stage 2	Stage 3	Total
2020				
Consumer loans				
Balance at beginning of year	P 80,056	P 11,129	P 4,792	P 95,977
Transfers:				
Stage 1 to Stage 2	(8,534)	8,534	-	-
Stage 1 to Stage 3	(4,579)	-	4,579	-
Stage 2 to Stage 1	4,155	(4,155)		-
Stage 2 to Stage 3	-	(3,264)	3,264	-
Stage 3 to Stage 2	-	380	(380)	-
Assets derecognized or repaid	(2,264)	(767)	(773)	(3,804)
New assets originated:				
Remained in Stage 1	20,471	-	-	20,471
Moved to Stages 2 and 3	-	1,429	1,274	2,703
Write-offs	-	-	(907)	(907)
Others	(11,245)	(1,300)	(749)	(13,294)
	(1,996)	857	6,308	5,169
Balance at end of year	**78,060**	**11,986**	**11,100**	**101,146**
Credit cards				
Balance at beginning of year	P 29,110	P 666	P 1,267	P 31,043
Transfers:				
Stage 1 to Stage 2	(1,679)	1,679	-	-
Stage 1 to Stage 3	(1,578)	-	1,578	-
Stage 2 to Stage 1	65	(65)	-	-
Stage 2 to Stage 3	-	(170)	170	-
Stage 3 to Stage 1	28	-	(28)	-
Stage 3 to Stage 2	-	21	(21)	-
Assets derecognized or repaid	(49,736)	(682)	(349)	(50,767)
New assets originated:				
Remained in Stage 1	50,900	-	-	50,900
Moved to Stages 2 and 3	-	1,391	994	2,385
Write-offs	(204)	(398)	(986)	(1,588)
	(2,204)	1,776	1,358	930
Balance at end of year	**26,906**	**2,442**	**2,625**	**31,973**
Leasing and finance receivables*				
Balance at beginning of year	P 1,891	P 1,985	P 569	P 4,445
Transfers:				
Stage 1 to Stage 3	(215)	-	215	-
Stage 2 to Stage 3	-	(227)	227	-
Stage 3 to Stage 2	-	65	(65)	-
Assets derecognized or repaid	(815)	(722)	(1,082)	(2,619)
New assets originated:				
Remained in Stage 1	1,676	-	-	1,676
Moved to Stages 2 and 3	-	1,758	504	2,262
Others	(384)	(2,179)	257	(2,306)
	262	(1,305)	56	(987)
Balance at end of year	**2,153**	**680**	**625**	**3,458**

	Retail and Other Products			
	Stage 1	Stage 2	Stage 3	Total
Microfinance and small business loans**				
Balance at beginning of year	P 1,142	P 29	P 143	P 1,314
Transfers:				
Stage 1 to Stage 2	(6)	6	-	-
Stage 2 to Stage 3		(1)	1	-
Stage 3 to Stage 1	1	-	(1)	-
Assets derecognized or repaid	(320)	(27)	(55)	(402)
New assets originated:				
Remained in Stage 1	211	-	-	211
Moved to Stages 2 and 3	-	3	10	13
	(114)	(19)	(45)	(178)
Balance at end of year	**1,028**	**10**	**98**	**1,136**
	P 108,147	**P 15,118**	**P 14,448**	**P 137,713**

**Leasing and finance receivables are from RCBC LFC*
***Micro and small business loans are from Rizal Microbank*

2019

	Stage 1	Stage 2	Stage 3	Total
Consumer loans				
Balance at beginning of year	P 74,029	P 9,192	P 1,523	P 84,744
Transfers:				
Stage 1 to Stage 2	(6,861)	6,861	-	-
Stage 1 to Stage 3	(1,272)	-	1,272	-
Stage 2 to Stage 1	2,161	(2,161)		-
Stage 2 to Stage 3	-	(2,296)	2,296	-
Stage 3 to Stage 2	-	7	(7)	-
Assets derecognized or repaid	(7,708)	(2,057)	(745)	(10,510)
New assets originated:				
Remained in Stage 1	19,707	-	-	19,707
Moved to Stages 2 and 3	-	1,657	778	2,435
Write-offs	-	(74)	(325)	(399)
	6,027	1,937	3,269	11,233
Balance at end of year	80,056	11,129	4,792	95,977
Credit cards				
Balance at beginning of year	P 20,245	P 413	P 892	P 21,550
Transfers:				
Stage 1 to Stage 2	(424)	424	-	-
Stage 1 to Stage 3	(678)	-	678	-
Stage 2 to Stage 1	72	(72)	-	-
Stage 2 to Stage 3	-	(71)	71	-
Stage 3 to Stage 1	34	-	(34)	-
Stage 3 to Stage 2	-	21	(21)	-
Assets derecognized or repaid	(84,167)	(769)	(892)	(85,828)
New assets originated:				
Remained in Stage 1	94,718	-	-	94,718
Moved to Stages 2 and 3	-	978	1,184	2,162
Write-offs	(690)	(258)	(611)	(1,559)
	8,865	253	375	9,493
Balance at end of year	29,110	666	1,267	31,043

	Retail and Other Products			
	Stage 1	Stage 2	Stage 3	Total
*Leasing and finance receivables**				
Balance at beginning of year	P 1,795	P 1,543	P 652	P 3,990
Transfers:				
Stage 1 to Stage 3	(205)	-	205	-
Stage 2 to Stage 3	-	(103)	103	-
Assets derecognized or repaid	(1,444)	(749)	(765)	(2,958)
New assets originated:				
Remained in Stage 1	1,745	-	-	1,745
Moved to Stages 2 and 3	-	1,294	374	1,668
	96	442	(83)	455
Balance at end of year	1,891	1,985	569	4,445
*Microfinance and small business** loans*				
Balance at beginning of year	P 1,098	P 41	P 82	P 1,221
Transfers:				
Stage 1 to Stage 2	(20)	20	-	-
Stage 1 to Stage 3	(3)	-	3	-
Stage 2 to Stage 1	9	(9)	-	-
Stage 2 to Stage 3	-	(3)	3	-
Assets derecognized or repaid	(749)	(36)	(3)	(788)
New assets originated:				
Remained in Stage 1	807	-	-	807
Moved to Stages 2 and 3	-	16	70	86
Write-offs	-	-	(12)	(12)
	44	(12)	61	93
Balance at end of year	1,142	29	143	1,314
	P 112,199	P 13,809	P 6,771	P 132,779

**Leasing and finance receivables are from RCBC LFC*
***Micro and small business loans are from Rizal Microbank*

The amounts of "Transfers to" include the changes in the ECL on the exposures transferred from one stage to another during the year.

The increase in the total ECL allowances was primarily driven by the impact of COVID-19 pandemic. The breakdown of the total ECL allowances as to BAU ECL and COVID-19 overlay is presented in Note 4.4.9.

The Group's receivables arising from salary loans are generally fully recoverable as those are collected through salary deductions, except for those receivables from resigned employees which were provided with full ECL allowance.

b) *Investment in debt securities at amortized cost and at FVOCI*

	Group		Parent Company	
	HTC	**FVOCI**	**HTC**	**FVOCI**
2020				
Balance at beginning of year	P 101,068	P 50,612	P 100,268	P 49,584
Assets purchased	174,920	200,545	174,920	200,545
Assets derecognized	(232,820)	(214,777)	(232,627)	(214,174)
Fair value gains	-	340	-	340
Balance at end of year	**P 43,168**	**P 36,720**	**P 42,561**	**P 36,295**
2019				
Balance at beginning of year	P 89,027	P 15,526	P 88,686	P 15,138
Assets purchased	128,066	143,095	126,480	140,237
Assets derecognized	(116,025)	(107,893)	(114,898)	(105,675)
Fair value gains	-	(116)	-	(116)
Balance at end of year	P 101,068	P 50,612	P 100,268	P 49,584

4.4.11 Collateral Held as Security and Other Credit Enhancements

The Group holds collateral against loans and advances to customers in the form of hold-out deposits, real estate mortgage, standby letters of credit or bank guaranty, government guaranty, chattel mortgage, assignment of receivables, pledge of equity securities, personal and corporate guaranty and other forms of security. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are generally updated annually.

Generally, collateral is not held over loans and advances to other banks, except when securities are held as part of reverse repurchase and securities borrowing arrangements. Collateral is not usually held against trading and investment securities, and no such collateral was held as of December 31, 2020 and 2019.

The estimated fair value of collateral and other security enhancements held against the loan portfolio as of December 31 are presented below.

	Group			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2020				
Real properties	P 122,910	P 14,064	P 114,694	P 251,668
Chattel	75,449	6,363	10,744	92,556
Hold-out deposits	8,419	81	81	8,581
Equity securities	7,505	-	2,243	9,748
Others	121,665	1,075	1,166	123,906
	P 335,948	**P 21,583**	**P 128,928**	**P 486,459**

	Group			
	Stage 1	Stage 2	Stage 3	Total
2019				
Real properties	P 273,269	P 19,945	P 5,185	P 298,399
Chattel	85,646	2,815	1,181	89,642
Hold-out deposits	8,465	410	16	8,891
Equity securities	23,537	395	7,072	31,004
Others	171,591	1,668	3,015	176,274
	P 562,508	P 25,233	P 16,469	P 604,210

	Parent Company			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2020				
Real properties	P 118,776	P 14,035	P 114,481	P 247,292
Chattel	73,394	6,285	10,608	90,287
Equity securities	7,505	-	2,243	9,748
Hold-out deposits	8,266	81	81	8,428
Others	119,278	948	1,053	121,279
	P 327,219	**P 21,349**	**P 128,466**	**P 477,034**
2019				
Real properties	P 272,429	P 19,930	P 5,099	P 297,458
Chattel	83,734	2,802	989	87,525
Equity securities	23,537	395	7,072	31,004
Hold-out deposits	8,465	410	16	8,891
Others	167,768	1,623	2,594	171,985
	P 555,933	P 25,160	P 15,770	P 596,863

The Group and the Parent Company have recognized certain properties arising from foreclosures in settlement of loan account amounting to P64 and P39, respectively, in 2020 and P924 and P912, respectively, in 2019 (see Note 14.1).

The Group and the Parent Company's manner of disposing the collateral for impaired loans and receivables is normally through sale of these assets after foreclosure proceedings have taken place. The Group and the Parent Company do not generally use the non-cash collateral for its own operations.

There were no changes in the Group and the Parent Company's collateral policies in 2020 and 2019.

4.4.12 Modifications of Financial Assets

(a) Financial Reliefs Provided by the Group

In certain cases, the Group modifies the terms of the loans provided to the borrowers due to commercial renegotiations, or for distressed loans, with a view of maximizing recovery of the contractual amount of obligation that the Group is owed to. Restructuring policies and practices are based on indicators or criteria which, in the management's judgment, indicate that payment will most likely continue. Such policies are continuously reviewed and updated as necessary. Restructuring is most commonly applied to term or corporate loans.

On top of the government reliefs, the Group has offered financial relief through its CARE Program, which was approved by the Executive Committee on May 4, 2020, in response to the COVID-19 situation. These relief measures were granted to eligible customers to allow them to get back into the habit of paying loans and included the following:

- payment relief including extension of contractual terms;
- principal and interest relief including lower amortization on extended term with interest payment only on the first year; and,
- extension of balloon repayment terms.

As of December 31, 2020, the total outstanding balance of loans modified under the CARE Program amounted to P26,652 and P22,817 for the Group and Parent Company, respectively.

(b) Financial Reliefs Mandated by the Government

In compliance with Republic Act No. 11469, *Bayanihan to Heal as One Act*, (BAHO Act), the Group implemented a minimum 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.

In compliance with Republic Act No. 11494, *Bayanihan to Recover as One Act,* (BARO Act), the Group granted one-time 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, subject to compliance with regulatory requirements

During the grace period or payment holiday, there were no interests on interests, penalties, or other charges but accrued interests at contractual rate for grace periods were charged based on the outstanding principal balance of loan at the time of application of the grace periods except for microfinance loans.

As of December 31, 2020, the total outstanding balance of loans modified under BAHO and BARO Acts amounted to P138,275 and P137,638, respectively, for the Group and Parent Company.

Financial reliefs provided by the Group and mandated by the government were assessed to be non-substantial modification and has not resulted to material modification loss as the present value of the original cash flows and the present value of the revised cash flows using the original effective interest rate were substantially the same.

The following tables provide a summary of the outstanding balance of modified loans resulting from the financial reliefs provided by the Group and mandated by the government as of December 31, 2020:

Group

	BAHO Act/ BARO Act	CARE Program	Total
Stage 1 (Performing)			
Corporate	P 29,614	P 15,111	P 44,725
Consumer	72,958	66	73,024
Credit card receivables	5,804	5,176	10,980
Leasing and finance	20	3,335	3,355
Microfinance and small business	423	4	427
	P 108,819	P 23,692	P 132,511
Stage 2 (Underperforming)			
Corporate	P 1,769	P 1,769	P 3,538
Consumer	12,278	138	12,416
Credit card receivables	1,002	162	1,164
Leasing and finance	177	246	423
Microfinance and small business	-	5	5
	P 15,226	P 2,320	P 17,546
Stage 3 (Nonperforming)			
Corporate	P 505	P 324	P 829
Consumer	11,335	55	11,390
Credit card receivables	2,373	16	2,389
Leasing and finance	14	237	251
Microfinance and small business	3	8	11
	P 14,230	P 640	P 14,870

Parent Company

	BAHO Act/ BARO Act	CARE Program	Total
Stage 1 (Performing)			
Corporate	P 29,614	P 15,111	P 44,725
Consumer	72,958	66	73,024
Credit card receivables	5,804	5,176	10,980
	P 108,376	P 20,353	P 128,729
Stage 2 (Underperforming)			
Corporate	P 1,769	P 1,769	P 3,538
Consumer	12,278	138	12,416
Credit card receivables	1,002	162	1,164
	P 15,049	P 2,069	P 17,118
Stage 3 (Nonperforming)			
Corporate	P 505	P 324	P 829
Consumer	11,335	55	11,390
Credit card receivables	2,373	16	2,389
	P 14,213	P 395	P 14,608

(c) Assessment of SICR

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Group monitors the performance of the financial asset subsequent to its modification.

The Group may determine that the credit risk has significantly improved after restructuring (in accordance with the new terms for six consecutive months or more), so that the assets are moved from Stage 3 or Stage 2.

The Group continues to monitor if there is a subsequent SICR in relation to such modified assets through the use of specific models for modified assets [see also Note 4.4.6(a)].

4.4.13 Write-offs

The Group and the Parent Company write off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery of the financial asset. Indicators that there is no reasonable expectation of recovery include: cessation of enforcement activity; and, where the Group and Parent Company's recovery method is through foreclosure of collateral and the value of the collateral is less than the outstanding contractual amounts of the financial assets to be written-off.

The Group and Parent Company may write off financial assets that are still subject to enforcement activity. The outstanding amounts of such assets written off in 2020 and 2019 amounted to P3,330 and P3,634, respectively, for the Group, and P3,078 and P3,516, respectively, for the Parent Company. The Group and the Parent Company still seek to recover amounts legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

4.4.14 Credit Risk Stress Test

To enhance the assessment of credit risk, the Group adopted a credit risk stress testing framework using break-even sales and cash flow debt service to determine a borrower's vulnerability and ultimately impact to the Group's capital adequacy. The Parent Company adopted a portfolio credit risk testing framework that takes into consideration the causal relationships among industry sectors.

4.4.15 Sensitivity Analysis on ECL Measurement

Set out below are the changes to the Group's ECL as of December 31, 2020 and 2019 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Group's economic variable assumptions:

	Change in MEVs		Impact on ECL	
	Upside Scenario	Downside Scenario	Upside Scenario	Downside Scenario
2020				
Credit card receivables			(P 1,178)	P 4,823
Unemployment rate	- 1.00%	+ 12.00%		
Inflation rate	- 0.50%	+ 5.00%		
Corporate loans			(279)	2,100
GDP growth rate	+ 0.70%	- 1.40%		
Inflation rate	- 0.50%	+ 5.00%		
91D TD bill	- 0.50%	+ 5.00%		
Consumer loans:				
Salary loans			(19)	44
Unemployment rate	- 2.00%	+ 9.00%		
USD-Php exchange rate	- P3.00	+ P10.50		
Inflation rate	- 1.70%	+ 3.80%		
Bank lending rate	- 0.50%	+ 5.00%		
Housing loans			(7)	44
Unemployment rate	- 2.00%	+ 9.00%		
Inflation rate	- 1.70%	+ 3.80%		
Bank lending rate	- 0.50%	+ 5.00%		
Auto loans			(1)	8
GDP	+ P26,301	- P341,915		
USD-Php exchange rate	- P3.00	+ P10.50		
Bank lending rate	- 0.50%	+ 5.00%		
Personal loans			(8)	44
GDP	+ P26,301	- P341,915		
USD-Php exchange rate	- P3.00	+ P10.50		
Bank lending rate	- 0.50%	+ 5.00%		

	Change in MEVs		Impact on ECL	
	Upside Scenario	Downside Scenario	Upside Scenario	Downside Scenario
2019				
Credit card receivables			(P 772)	P 114
Unemployment rate	- 2.75%	+ 4.25%		
Inflation rate	- 6.60%	+ 1.10%		
Corporate loans			(447)	337
GDP growth rate	+ 0.70%	- 1.40%		
Inflation rate	- 3.61%	+ 3.49%		
91D TD bill	- 3.81%	+ 1.00%		
Consumer loans:				
Salary loans			(34)	3
Unemployment rate	- 2.50%	+ 4.50%		
USD-Php exchange rate	- P10.50	+ P3.00		
Inflation rate	- 0.50%	+ 2.50%		
Bank lending rate	- 0.50%	+ 5.00%		
Housing loans			(23)	65
Unemployment rate	- 2.00%	+ 4.50%		
Inflation rate	- 0.50%	+ 2.50 %		
Bank lending rate	- 0.50%	+ 5.00%		
Auto loans			(10)	47
GDP	+ P12,470	- P162,112		
USD-Php exchange rate	- P3.00	+ P10.50		
Bank lending rate	- 0.01%	+ 0.05%		
Personal loans			(7)	28
GDP	+ P12,470	- P162,112		
USD-Php exchange rate	- P3.00	+ P10.50		
Bank lending rate	- 0.01%	+ 0.05%		

4.5 Operational Risk

Operational risks are risks arising from the potential inadequate information systems and systems, operations or transactional problems (relating to service or product delivery), breaches in internal controls, fraud, or unforeseen catastrophes that may result in unexpected loss. Operational risks include the risk of loss arising from various types of human or technical error, settlement or payments failures, business interruption, administrative and legal risks, and the risk arising from systems not performing adequately.

The Operational Risk Management Division (ORMD) assists management in meeting its responsibility to understand and manage operational risk exposures and to ensure consistent application of operational risk management tools across the Group.

The ORMD applies a number of techniques to efficiently manage operational risks. Among these are as follows:

- Each major business line has an embedded designated operational risk officer who acts as a point person for the implementation of various operational risk tools. The operational risk officers attend annual risk briefings conducted by the ORMD to keep them up-to-date with different operational risk issues, challenges and initiatives;

- With ORMD's bottom up self-assessment process, which is conducted at least annually, areas with high risk potential are highlighted and reported, and control measures are identified. The result of said self-assessment exercise also serves as one of the inputs in identifying specific key risk indicators (KRIs);

- KRIs are used to monitor the operational risk profile of the Group and of each business unit, and alert management of impending problems in a timely fashion;

- Internal loss information is collected, reported, and utilized to model operational risk; and,

- The ORMD reviews product and operating manuals, policies, procedures and circulars, thus allowing the embedding of desired operational risk management practices in all business units.

Operational Risk Management, as it relates to capital adequacy, is currently under Basic Indicator Approach (see Note 5.2).

The Group has also developed a Business Continuity Plan (BCP) based on several crisis severity levels which is tested at least annually and updated for any major changes in systems and procedures. Central to the Group's BCP is a disaster recovery plan to address the continued functioning of systems, recovery of critical data, and contingency processing requirements in the event of a disaster.

4.5.1 Reputation Risk

Reputation risk is the risk to earnings or capital arising from negative public opinion. This affects the Group's ability to establish new relationships or services, or to continue servicing existing relationships. This risk can expose the Group to litigation, financial loss, or damage to its reputation. Reputation risk arises whenever technology-based banking products, services, delivery channels, or processes may generate adverse public opinion such that it seriously affects the Group's earnings or impairs its capital. This risk is present in activities such as asset management and regulatory compliance.

The Group adopted a reputation risk monitoring and reporting framework to manage public perception. Central to the said framework is the creation of the RCBC Marketing Committee chaired by the Parent Company's Chief Marketing Officer.

4.5.2 Legal Risk and Regulatory Risk Management

Changes in laws and regulations and fiscal policies could adversely affect the Group's operations and financial reporting. In addition, the Group faces legal risks in enforcing its rights under its loan agreements, such as foreclosing of collateral. Legal risk is higher in new areas of business where the law remains untested by the courts. The Group uses a legal review process as the primary control mechanism for legal risk. Such a legal review aims to verify and validate the existence, genuineness and due execution of legal documents, and verify the capacity and authority of counterparties and customers to enter into transactions. In addition, the Group seeks to minimize its legal risk by using stringent legal documentation, imposing certain requirements designed to ensure that transactions are properly authorized, and consulting internal and external legal advisors.

Regulatory risk refers to the potential for the Group to suffer financial loss due to mid-stream changes in regulatory regime affecting current position and/or strategy. Compliance Risk is the risk of loss resulting from failure to comply with laws, regulations, rules, related self-regulatory organization standards, and codes of conduct applicable to its banking activities.

The Group's Compliance Program, the design and implementation of which is overseen and coordinated by the Chief Compliance Officer, is the primary control process for regulatory and compliance risk issues. The Compliance Office is committed to safeguard the integrity of the Group by maintaining a high level of regulatory compliance. It is responsible for communicating and disseminating new rules and regulations to all units, assessing and addressing identified compliance issues, performing periodic compliance testing an, and reporting compliance findings to the ACC and the BOD.

4.6 Anti-Money Laundering Controls

The AMLA or RA No. 9160 was passed in September 2001. It was subsequently amended by RA No. 9194, RA No. 10167, and RA No. 10365 in March 2003, June 2012 and February 2013, respectively. Together with the Terrorism Financing Prevention and Suppression Act (TFPSA) which was passed in June 2012 by virtue of RA No. 10168, these laws provide the regulatory framework for the Philippine Anti-Money Laundering and Terrorist Financing Prevention regulations.

On January 27, 2011, BSP Circular No. 706 (the Circular) was implemented superseding prior rules and regulations on AMLA. The Circular requires the Group to adopt a comprehensive and risk-based MTPP designed according to the covered institution's corporate structure and risk profile. In compliance with the risk-based approach mandated by the Circular, the Group profiles its clients based on their level of risk, specifically, Low, Normal, or High. These risk levels have their corresponding level of due diligence, specifically, Reduced, Average or Enhanced. BSP Circular No. 706 was later amended by BSP Circular Nos. 950 and 1022.

The salient changes in the MORB in light of BSP Circular No. 1022 includes the definition of a beneficial owner, expansion of the definition of Politically Exposed Persons (PEPs) to include persons who are related to a PEP within the second degree of affinity and consanguinity, mandatory conduct of an institutional risk assessment (IRA) every two years, adoption of procedures on sanctions screening, among others.

The Group's MTPP follows a risk-based approach wherein enhanced controls are applied on certain aspects of the business that pose higher ML/TF risks in order to mitigate the same.

The Bank strengthened its first line of defense by separating sales and service functions and delineated the reporting line of said functions. The Sales function is focused on marketing and sales, relationship management, cross-selling, credit-related matters and documentation, and loan-related referrals and documentation; while the Service function is focused on BC operations such as: (a) customer servicing, which includes know your customer (KYC) and account opening, account maintenance and tellering, cash and vault management and ATM servicing, (b) BC administration, (c) customer experience management such as inquiries, feedback and problem resolution, and (d) compliance and audit.

The Bank also created middle offices, Customer Information Management Division (CIMD) and Branch Operations Control Division (BOCD), tasked to review and validate KYC documents. The CIMD ensures the uniqueness of Customer Information Files and accuracy of information captured in the Credit Risk Mitigation (CRM). It also reviews the completeness of account opening documents. The BOCD, on the other hand, ensures the proper implementation of KYC, the performance of independent enhanced due diligence (EDD) based on customer risk profile, and monitoring adherence of BCs to standard operating procedures. It also acts as the additional control layer to track exceptions and decides on dispositions, recommends sanctions or additional trainings for BCs, and recommends process improvements. The key processes of the BOCD are KYC, exceptions reporting, and quality assurance.

The Bank implemented automated client risk profiling through its Finacle CRM. The risk assessment process involves a detailed analysis of the data obtained during the identification stage in order to more accurately determine whether the customer poses a low, medium or high risk for ML/TF.

The Bank also uses technology to automate its compliance activities and to equip itself with improved defenses against money laundering and terrorist financing. It uses watch list filtering, transaction monitoring and automated regulatory reporting systems.

The Group's Chief Compliance Officer, through the Testing and Monitoring Division, monitors Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) compliance by conducting regular compliance testing of the head office and business units. Results of its AML/CFT activities and compliance monitoring are regularly reported to the AML Board Committee, ACC and the BOD to ensure that all AML/CFT matters are appropriately escalated.

In summary, the Group continuously improved controls over Money Laundering risks and had implemented the necessary enhancements of the on-boarding procedures, risk profiling model, transaction processing and monitoring, covered and suspicious transaction reporting and watchlist management.

5. CAPITAL MANAGEMENT

5.1 Regulatory Capital

The Group's lead regulator, the BSP, sets and monitors the capital requirements of the Group.

In implementing the current capital requirements, the BSP requires the Group to maintain a prescribed ratio of qualifying regulatory capital to total risk-weighted assets including market risk and operational risk computed based on BSP-prescribed formula provided under its circulars.

On January 15, 2013, the BSP issued Circular No. 781, *Basel III Implementing Guidelines on Minimum Capital Requirements*, which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards. Circular No. 781 is effective on January 1, 2014.

The BSP has adopted the Basel III risk-based capital adequacy framework effective January 1, 2014, which requires the Group to maintain at all times the following:

(a) Common Equity Tier 1 (CET1) of at least 6.0% of risk-weighted assets;
(b) Tier 1 Capital of at least 7.5% of risk-weighted assets;
(c) Qualifying Capital (Tier 1 plus Tier 2 Capital) of at least 10.0% of risk-weighted assets; and,
(d) Capital Conservation Buffer of 2.5% of risk-weighted assets, comprised of CET1 Capital.

Under the relevant provisions of the current BSP regulations, the required minimum capitalization for the Parent Company, Rizal Microbank, RCBC Capital and RCBC LFC is P20,000, P400, P300 and P300, respectively.

In computing for the capital adequacy ratio (CAR), the regulatory qualifying capital is analyzed into two tiers which are: (i) Tier 1 Capital comprised of CET1 and AT1 capital, and, (ii) Tier 2 Capital, defined as follows and are subject to deductions as defined in relevant regulations:

(a) CET1 Capital includes the following:

- *(i)* paid-up common stock;
- *(ii)* common stock dividends distributable;
- *(iii)* additional paid-in capital;
- *(iv)* deposit for common stock subscription;
- *(v)* retained earnings;
- *(vi)* undivided profits;
- *(vii)* other comprehensive income from net unrealized gains or losses on financial assets at FVOCI and cumulative foreign currency translation; and,
- *(viii)* minority interest in subsidiary banks which are less than wholly-owned, subject to regulatory conditions.

(b) AT1 Capital includes:

- *(i)* instruments that do not qualify as CET1, but meet the criteria set out in Annex B of BSP Circular No. 781;
- *(ii)* financial liabilities meeting loss absorbency requirements set out in Annex E of BSP Circular No. 781;
- *(iii)* financial liabilities bearing loss absorbency features at point of non-viability as set out in Annex F of BSP Circular No. 781;
- *(iv)* additional paid-in capital resulting from issuance of AT1 capital;
- *(v)* deposit for subscription to AT1 instruments; and,
- *(vi)* minority interest in subsidiary banks which are less than wholly-owned, subject to regulatory conditions.

(c) Tier 2 Capital includes:

- *(i)* instruments issued that are not qualified as Tier 1 capital but meet the criteria set forth in Annex C of BSP Circular No. 781;
- *(ii)* financial liabilities bearing loss absorbency features at point of non-viability as set out in Annex F of BSP Circular No. 781;
- *(iii)* deposit for subscription of Tier 2 capital;
- *(iv)* appraisal increment reserve on bank premises, as authorized by the Monetary Board (MB) of the BSP;
- *(v)* general loan loss provisions; and,
- *(vi)* minority interest in subsidiary banks that are less than wholly-owned, subject to regulatory conditions.

In the calculation of Risk-based CAR, the total Qualifying Capital is expressed as a percentage of Total Risk-Weighted Assets based on book exposures, where Risk Weighted Assets is composed of Credit Risk, Market Risk and Operational Risk, net of specific provisions and exposures covered by CRM.

Banking book exposures shall be risk-weighted based on third party credit assessment of the individual exposure given by eligible external credit institutions and the corresponding external credit assessment are mapped with the corresponding risk weights following the Standardized Credit Risk Weights table as provided under BSP Circular No. 538, *Revised Risk-Based Capital Adequacy Framework*.

BSP Circular No. 856, *Implementing Guidelines on the Framework for Dealing with Domestic Systemically Important Banks under Basel III,* covers the implementing guidelines on the framework for dealing with domestic systemically important banks (D-SIBs) in accordance with the Basel III standards. Banks identified as D-SIBs shall be required to have higher loss absorbency, on top of the minimum CET1 capital and capital conservation buffer. Compliance with this requirement was phased-in starting January 1, 2017, with full compliance on January 1, 2019.

The Group and Parent Company's regulatory capital position based on the Basel III risk-based capital adequacy framework as reported to the BSP follows:

		Group		Parent Company
2020:				
Tier 1 Capital				
CET 1	**P**	**70,326**	**P**	**66,421**
AT1		**14,465**		**14,465**
		84,791		**80,886**
Tier 2 Capital		**5,017**		**4,895**
Total Qualifying Capital	**P**	**89,808**	**P**	**85,781**
Total Risk – Weighted Assets	**P**	**556,585**	**P**	**540,897**
Capital ratios:				
Total qualifying capital expressed as a percentage of total risk-weighted assets		**16.14%**		**15.86%**
Tier 1 Capital Ratio		**15.23%**		**14.95%**
Total CET 1 Ratio		**12.64%**		**12.28%**
2019**:**				
Tier 1 Capital				
CET 1	P	70,153	P	64,997
AT1		3		3
		70,156		65,000
Tier 2 Capital		4,701		4,614
Total Qualifying Capital	P	74,857	P	69,614
Total Risk – Weighted Assets	P	544,143	P	528,786
Capital ratios:				
Total qualifying capital expressed as a percentage of total risk-weighted assets		13.76%		13.16%
Tier 1 Capital Ratio		12.89%		12.29%
Total CET 1 Ratio		12.89%		12.29%

The foregoing capital ratios comply with the related BSP prescribed ratios.

5.2 Internal Capital Adequacy Assessment and Pillar 2 Risk-Weighted Assets

In January 2009, the BSP issued Circular No. 639 on the ICAAP and Supervisory Review Process covering universal and commercial banks on a group-wide basis. As a supplement to BSP Circular No. 538 on the Risk-Based Capital Adequacy Framework, ICAAP sets out the following principles:

(a) Banks must have a process for assessing capital adequacy relative to their risk profile, operating environment, and strategic/business plans;

(b) The Bank's ICAAP is the responsibility of the BOD, must be properly documented and approved and with policies and methodologies integrated into banking operations;

(c) The Bank's ICAAP should address other material risks – Pillar 2 risks – in addition to those covered by Pillar 1, with risk measurement methodologies linked to the assessment of corresponding capital requirement both on a BAU and stressed scenario;

(d) The minimum CAR prescribed by the BSP after accounting for Pillar 1 and other risks is retained at 10%; and,

(e) The Bank's ICAAP document must be submitted to the BSP every January 31 of each year, beginning 2011.

The Group identified the following Pillar 2 risks as material to its operations, and consequently set out methodologies to quantify the level of capital that it must hold.

(a) *Credit Risk Concentration* – The Group has so far limited its analysis to credit risk concentration arising from the uneven sector distribution of the Group's credit exposures. Aside from using a simplified application of the HHI, concentration is estimated using the CCI. The capital charge is estimated by calculating the change in the Economic Capital (EC) requirement of the credit portfolio as an effect of credit deterioration in the largest industry exposure.

(b) *IRRBB* – It is the current and prospective negative impact on earnings and capital arising from interest rate shifts. The Group IRRBB estimates as its NII-at-risk, and accordingly deducts the same from regulatory qualifying capital. Stressed IRRBB is calculated by applying the highest observed market volatilities over a determined timeframe.

(c) *Liquidity Risk* – The Group estimates its liquidity risk under BAU scenario using standard gap analysis. Stressed liquidity risk on the other hand assumes a repeat of a historical liquidity stress, and estimates the impact if the Group were to partially defend its deposits and partially pay-off by drawing from its reserve of liquid assets.

(d) *Information Technology (IT) Risk* – It is the current and prospective negative impact to earnings arising from failure of IT systems and realization of cyber security threats. The Group treats this risk as forming part of Operational Risk.

(e) *Compliance Risk* – It is the current and prospective negative impact on earnings and capital arising from violation of laws, regulations, ethical standards, and the like. For BAU scenario, the Group estimates compliance risk charge from historical fines and penalties as the worst-case loss determined via a frequency-severity analysis of each penalty type. The resulting compliance risk charge calculation is likewise directly deducted from earnings.

(f) *Strategic Business Risk* – It is the current and prospective negative impact on earnings and capital arising from adverse business decisions, improper implementation, and failure to respond to industry changes. The Group treats strategic business risk as a catch-all risk, and expresses its estimate as a cap on additional risk-weighted assets given other risks and the desired level of capital adequacy. The Group maintains that the assessment of strategic risk is embedded in the budget of the Group. Its capital impact therefore on a BAU case is already expressed in the amount of risk projected to be taken on in the forecast years. However, the Group does recognize the need to set up processes that would enable to put a number to the risk incurred by going into specific strategies.

(g) *Reputation Risk* – From the adoption of a theoretical measure, the Group amended its approach to reputation risk in 2011 by adopting instead a reputation risk monitoring and reporting process, run primarily by its Marketing Committee. The measurement of reputation risk under stress is folded into the Group's assessment of stressed liquidity risk.

5.3 Basel III Leverage Ratio

BSP issued Circular No. 881, *Implementing Guidelines on the Basel III Leverage Ratio Framework*, which provides the implementing guidelines on the leverage ratio framework designed to act as a supplementary measure to the risk-based capital requirements. It sets out a minimum leverage ratio of 5.00% on a solo and consolidated basis and shall be complied with at all times. The monitoring period has been set every quarter starting December 31, 2014 and extended until June 30, 2018 per BSP Circular No. 990, *Amendments to the Basel III Leverage Ratio Framework,* issued on January 22, 2018. Effective July 1, 2018, the monitoring of the leverage ratio was implemented as a Pillar I minimum requirement.

The Basel III leverage ratio intends to restrict the build-up of leverage to avoid destabilizing deleveraging processes which can damage the broader financial system and the economy. Likewise, it reinforces the risk-based requirements with a simple, non-risk based "backstop" measure. The Basel III leverage ratio is defined as the ratio of capital measure (Tier 1 Capital) and the exposure measure. Exposure measure includes: on-balance sheet exposures, securities financing transactions exposures and off-balance sheet.

The Group and Parent Company's Basel III leverage ratio as reported to the BSP are as follows:

	Group	Parent Company
2020 :		
Tier 1 Capital	**P 84,791**	**P 80,886**
Exposure measure	**769,933**	**755,631**
	11.01%	**10.70%**
2019 :		
Tier 1 Capital	P 70,156	P 65,000
Exposure measure	776,949	762,697
	9.03%	8.52%

5.4 Liquidity Coverage Ratio and Net Stable Funding Ratio

On March 10, 2016, the BSP issued Circular No. 905, *Implementation of Basel III Framework on Liquidity Standards - Liquidity Coverage Ratio and Disclosure Standards*, which provides the implementing guidelines on liquidity coverage ratio (LCR) and disclosure standards that are consistent with the Basel III framework. The LCR is the ratio of high-quality liquid assets to total net cash outflows, which should not be lower than 100.00%. Compliance with the LCR minimum requirement commenced on January 1, 2018 with the prescribed minimum ratio of 90.00% for 2018 and 100.00% effective January 1, 2019.

To promote the short-term resilience of the liquidity risk profile, the Bank maintains adequate stock of unencumbered high-quality liquid assets (HQLAs) that consists of cash or assets that can be converted into cash at little or no loss of value in private markets, to meet its liquidity needs under stressed conditions. The stock of liquid assets should enable the Bank to withstand significant liquidity shocks for at least 30 calendar days, which would give time for corrective actions to be taken by the Bank management and/or the BSP. Details of the Group's and Parent Company's LCR are summarized below.

	Group		Parent Company	
	Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value
December 31, 2020				
Total stock of HQLA	P 201,781	P 196,234	P 199,145	P 193,866
Expected Net Cash Outflows*	945,349	107,677	847,479	108,563
Liquidity Coverage Ratio		**182.24%**		**178.57%**
December 31, 2019				
Total stock of HQLA	P 177,859	P 170,908	P 175,084	P 168,288
Expected Net Cash Outflows*	860,119	120,016	858,441	115,270
Liquidity Coverage Ratio		142.40%		145.99%

**Includes Restricted Term Deposits and Deposits pledged as collateral or under hold-out arrangements*

Net Stable Funding Ratio (NSFR), as detailed in BSP Circular No. 1007, *Implementing Guidelines on the adoption of the Basel III Framework on Liquidity Standards - Net Stable Funding Ratio*, measures the availability of medium and long-term stable funding to support illiquid assets and business activities on an on-going basis. It is an assessment of the level of sustainable funding required to reduce funding risk over a one-year time horizon. The NSFR complements the LCR, which promotes short-term resilience of the Bank's liquidity profile.

To promote long-term resilience against liquidity risk, the Group maintains a stable funding profile in relation to the composition of its assets and off-balance sheet activities and seeks to meet this objective by limiting overreliance on short-term wholesale funding and promoting enhanced assessment of funding risk across all on- and off-balance sheet accounts.

Details of the Group's and Parent Company's Basel III NSFR are summarized below.

	Group		Parent Company	
December 31, 2020				
Available stable funding	P	508,987	P	503,188
Required stable funding		434,859		430,458
Basel III NSFR		**117.05%**		**116.90%**
December 31, 2019				
Available stable funding	P	466,447	P	462,545
Required stable funding		420,616		409,585
Basel III NSFR		110.90%		112.93%

The Bank has complied with the daily minimum regulatory requirement of 100% for both ratios beginning in 2019. For the Bank's subsidiaries, per BSP Memo dated March 8, 2019, the observation period for LCR and NSFR was extended up to the end of December 2019 to give sufficient time to build up liquidity position given the combined impact of these liquidity measures.

6. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

6.1 Carrying Amounts and Fair Values by Category

The following table summarizes the carrying amounts and corresponding fair values of financial assets and financial liabilities presented in the statements of financial position.

	Group							
	2020				2019			
	Carrying Amount		**Fair Value**		Carrying Amount		Fair Value	
Financial Assets								
At amortized cost:								
Cash and cash equivalents	**P**	**203,731**	**P**	**203,731**	P	147,551	P	147,551
Investment securities - net		**43,026**		**43,416**		100,926		101,455
Loans and receivables - net		**448,603**		**438,845**		430,416		449,822
Other resources		**931**		**931**		898		898
		696,291		**686,923**		679,791		699,726
At fair value:								
Investment securities at FVTPL		**4,888**		**4,888**		5,548		5,548
Investment securities at FVOCI		**40,150**		**40,150**		54,245		54,245
		45,038		**45,038**		59,793		59,793
	P	**741,329**	**P**	**731,961**	P	739,584	P	759,519

	Group			
	2020		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities				
At amortized cost:				
Deposit liabilities	P 535,788	P 536,233	P 456,581	P 458,303
Bills payable	13,167	13,167	101,606	101,606
Bonds payable	90,439	93,611	96,814	99,869
Accrued interest and other expenses	5,393	5,393	6,019	6,019
Other liabilities	19,008	19,008	17,351	17,351
	663,795	667,412	678,371	683,148
At fair value –				
Derivative financial liabilities	1,484	1,484	863	863
	P 665,279	P 668,896	P 679,234	P 684,011

	Parent Company			
	2020		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
At amortized cost:				
Cash and cash equivalents	P 201,500	P 201,500	P 145,769	P 145,769
Investment securities - net	42,513	42,902	100,219	100,682
Loans and receivables - net	441,167	431,738	422,682	442,088
Other resources	924	924	896	896
	686,104	677,064	669,566	689,435
At fair value:				
Investment securities at FVTPL	3,815	3,815	4,800	4,800
Investment securities at FVOCI	38,813	38,813	52,425	52,425
	42,628	42,628	57,225	57,225
	P 728,732	P 719,692	P 726,791	P 746,660
Financial Liabilities				
At amortized cost:				
Deposit liabilities	P 536,748	P 537,193	P 456,593	P 456,593
Bills payable	4,200	4,200	93,938	93,938
Bonds payable	90,439	93,611	96,814	99,869
Accrued interest and other expenses	5,196	5,196	5,758	5,758
Other liabilities	17,832	17,832	16,553	16,553
	654,415	658,032	669,656	672,711
At fair value –				
Derivative financial liabilities	1,484	1,484	863	863
	P 655,899	P 659,516	P 670,519	P 673,574

Except for investment securities at amortized cost, deposit liabilities, loans and receivables, and bonds payable with fair value disclosed different from their carrying amounts, management considers that the carrying amounts of other financial assets and financial liabilities presented above which are measured at amortized cost, approximate the fair values either because those instruments are short-term in nature or the effect of discounting for those with maturities of more than one year is not material. The fair value information disclosed for the Group and Parent Company's investment securities at amortized cost and other financial assets and liabilities measured at fair value on a recurring basis are determined based on the procedures and methodologies discussed in Note 7.2.

6.2 Offsetting Financial Assets and Financial Liabilities

The following financial assets presented in the statements of financial position at gross amounts are covered by enforceable master netting arrangements and similar arrangements:

	Group								
	Notes		Gross amounts recognized in the statements of financial position	Related amounts not set off in the statements of financial position – Financial instruments			Related amounts not set off in the statements of financial position – Collateral received		Net amount
December 31, 2020									
Loans and receivables – Receivable from customers	11	**P**	**456,565**	**(P**	**8,581)**	**P**	**-**	**P**	**447,984**
Trading and investment securities – Investment securities at amortized cost	10		**43,026**	**(**	**4,199)**		**-**		**38,827**
Other resources – Margin deposits	15		**17**		**-**	**(**	**17)**		**-**
December 31, 2019									
Loans and receivables – Receivable from customers	11	P	434,263	(P	8,891)	P	-	P	425,372
Trading and investment securities – Investment securities at amortized cost	10		100,926	(	75,771)		-		25,155
Other resources – Margin deposits	15		40		-	(	40)		-

	Parent Company								
	Notes		Gross amounts recognized in the statements of financial position	Related amounts not set off in the statements of financial position – Financial instruments			Related amounts not set off in the statements of financial position – Collateral received		Net amount
December 31, 2020									
Loans and receivables – Receivable from customers	11	**P**	**448,663**	**(P**	**8,428)**	**P**	**-**	**P**	**440,235**
Trading and investment securities – Investment securities at amortized cost	10		**42,513**	**(**	**4,199)**		**-**		**38,314**
Other resources – Margin deposits	15		**17**		**-**	**(**	**17)**		**-**
December 31, 2019									
Loans and receivables – Receivable from customers	11	P	426,002	(P	8,891)	P	-	P	417,111
Trading and investment securities – Investment securities at amortized cost	10		100,219	(	75,771)		-		24,448
Other resources – Margin deposits	15		40		-	(	40)		-

The following financial liabilities presented in the statements of financial position at gross amounts are covered by enforceable master netting arrangements and similar agreements:

	Group				
	Notes	Gross amounts recognized in the statements of financial position	Related amounts not set off in the statements of financial position: Financial instruments	Related amounts not set off in the statements of financial position: Collateral received	Net amount
December 31, 2020					
Deposit liabilities	17	P 535,788	(P 8,581)	P -	P 527,207
Bills payable	18	13,167	(4,199)	-	8,968
Other liabilities – Derivative financial liabilities	22	1,484	-	(17)	1,467
December 31, 2019					
Deposit liabilities	17	P 456,581	(P 8,891)	P -	P 447,690
Bills payable	18	101,606	(75,771)	-	25,835
Other liabilities – Derivative financial liabilities	22	863	-	(40)	823

	Parent Company				
	Notes	Gross amounts recognized in the statements of financial position	Related amounts not set off in the statements of financial position: Financial instruments	Related amounts not set off in the statements of financial position: Collateral received	Net amount
December 31, 2020					
Deposit liabilities	17	P 536,748	(P 8,428)	P -	P 528,320
Bills payable	18	4,200	(4,199)	-	1
Other liabilities – Derivative financial liabilities	22	1,484	-	(17)	1,467
December 31, 2019					
Deposit liabilities	17	P 456,593	(P 8,891)	P -	P 447,702
Bills payable	18	93,938	(75,771)	-	18,167
Other liabilities – Derivative financial liabilities	22	863	-	(40)	823

For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements above, each agreement between the Group and its counterparties allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis. However, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

For purposes of presenting the above information, the related amounts not set off in the statements of financial position pertains to: (a) hold-out deposits and equity securities which serve as the Group's collateral enhancement for certain loans and receivables; (b) collaterized bills payable under sale and repurchase agreements; and, (c) margin deposits which serve as security for outstanding financial market transactions and other liabilities. The financial instruments that can be set off are only disclosed to the extent of the amounts of the Group's obligations to counterparties.

7. FAIR VALUE MEASUREMENT AND DISCLOSURES

7.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value.

The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3. Changes in assumptions could also affect the reported fair value of the financial instruments. The Group uses judgment to select a variety of valuation techniques and to make assumptions that are mainly based on market conditions existing at the end of each reporting period.

7.2 Financial Instruments Measured at Fair Value

The table below shows the fair value hierarchy of the Group's classes of financial assets and financial liabilities measured at fair value in the statements of financial position on a recurring basis as of December 31, 2020 and 2019.

	Group			
	Level 1	Level 2	Level 3	Total
2020:				
Financial assets at FVTPL:				
Government securities	P 1,876	P -	P -	P 1,876
Corporate debt securities	710	-	-	710
Equity securities	1,173	-	-	1,173
Derivative assets	15	1,114	-	1,129
	3,774	1,114	-	4,888
Financial assets at FVOCI:				
Equity securities	1,573	287	1,570	3,430
Government securities	20,563	-	-	20,563
Corporate debt securities	16,157	-	-	16,157
	38,293	287	1,570	40,150
Total Resources at Fair Value	**P 42,067**	**P 1,401**	**P 1,570**	**P 45,038**
Derivative liabilities	**P 2**	**P 1,482**	**P -**	**P 1,484**
2019:				
Financial assets at FVTPL:				
Government securities	P 3,438	P -	P -	P 3,438
Corporate debt securities	287	-	-	287
Equity securities	748	-	-	748
Derivative assets	16	1,059	-	1,075
	4,489	1,059	-	5,548
Financial assets at FVOCI:				
Equity securities	1,773	248	1,612	3,633
Government securities	43,281	-	-	43,281
Corporate debt securities	7,331	-	-	7,331
	52,385	248	1,612	54,245
Total Resources at Fair Value	P 56,874	P 1,307	P 1,612	P 59,793
Derivative liabilities	P -	P 863	P -	P 863

	Parent Company			
	Level 1	Level 2	Level 3	Total
2020:				
Financial assets at FVTPL:				
Government securities	P 1,808	P -	P -	P 1,808
Corporate debt securities	606	-	-	606
Equity securities	272	-	-	272
Derivative assets	15	1,114	-	1,129
	2,701	1,114	-	3,815
Financial assets at FVOCI:				
Equity securities	689	287	1,542	2,518
Government securities	20,563	-	-	20,563
Corporate debt securities	15,732	-	-	15,732
	36,984	287	1,542	38,813
Total Resources at Fair Value	**P 39,685**	**P 1,401**	**P 1,542**	**P 42,628**
Derivative liabilities	**P 2**	**P 1,482**	**P -**	**P 1,484**
2019 :				
Financial assets at FVTPL:				
Government securities	P 3,438	P -	P -	P 3,438
Corporate debt securities	287	-	-	287
Derivative assets	16	1,059	-	1,075
	3,741	1,059	-	4,800
Financial assets at FVOCI:				
Equity securities	1,015	245	1,581	2,841
Government securities	43,281	-	-	43,281
Corporate debt securities	6,303	-	-	6,303
	50,599	245	1,581	52,425
Total Resources at Fair Value	P 54,340	P 1,304	P 1,581	P 57,225
Derivative liabilities	P -	P 863	P -	P 863

Described below are the information about how the fair values of the Group's classes of financial assets and financial liabilities were determined.

(a) Government and Corporate Debt Securities

The fair value of the Group's government and corporate debt securities are categorized within Level 1 of the fair value hierarchy.

Fair values of peso-denominated government debt securities issued by the Philippine government, are determined based on the reference price per Bloomberg which used BVAL. These BVAL reference rates are computed based on the weighted price derived using an approach based on a combined sequence of proprietary BVAL algorithms of direct observations or observed comparables.

Fair values of actively traded corporate debt securities are determined based on their market prices quoted in the Philippine Dealing Holdings System or based on the direct reference price per Bloomberg at the end of each reporting period; hence, categorized within Level 1.

(b) *Equity Securities*

The fair values of certain equity securities classified as financial assets at FVTPL and at FVOCI as of December 31, 2020 and 2019 were valued based on their market prices quoted in the PSE at the end of each reporting period; hence, categorized within Level 1.

Level 2 category includes the Group's investments in proprietary club shares as their prices are not derived from a market considered as active due to lack of trading activities among market participants at the end of each reporting period.

For equity securities which are not traded in an active market and with fair value categorized within Level 3, their fair value is determined through valuation techniques such as market-based approach (price-to-book value method) using current market values of comparable listed entities, net asset value method, or dividend discounted model.

The price-to-book value method used to value a certain equity security of the Parent Company uses the price-to-book ratio of comparable listed entities as multiple in determining the fair value adjusted by a certain valuation discount. The price-to-book ratio used in the fair value measurement as of December 31, 2020 and 2019 ranges from 0.26:1 to 1.53:1 and from 0.47:1 to 1.51:1, respectively. Increase or decrease in the price-to-book ratio and net asset value would result in higher or lower fair values, all else equal.

For a certain preferred equity security, the Group has used the discounted cash flow method applying a discount rate of 5.5% and 4.9%, which is based on the latest available weighted cost of capital of the investee company, in 2020 and 2019, respectively, to determine the present value of future cash flows from dividends or redemption expected to be received from the instrument.

A reconciliation of the carrying amounts of Level 3 FVOCI equity securities at the beginning and end of 2020 and 2019 is shown below.

	Group		Parent Company	
	2020	2019	**2020**	2019
Balance at beginning of year	**P 1,612**	P 3,989	**P 1,581**	P 1,946
Disposals	**-**	(2,001)	**-**	-
Fair value losses - net	**(42)**	(376)	**(39)**	(365)
Balance at end of year	**P 1,570**	P 1,612	**P 1,542**	P 1,581

There were neither transfers between the levels of the fair value hierarchy nor gains or losses recognized in the statements of profit or loss for Level 3 financial assets in 2020 and 2019.

(c) *Derivative Assets and Liabilities*

The fair value of the Group's derivative assets categorized within Level 1 is determined be the current mid-price based on the last trading transaction as defined by third-party market makers.

On the other hand, the fair values of certain derivative financial assets and liabilities categorized within Level 2 were determined through valuation techniques using net present value computation which makes use of the streams of cash flows related to the derivative financial instruments such as interest rate swaps and currency swaps.

7.3 Financial Instruments Measured at Amortized Cost for Which Fair Value is Disclosed

The table below summarizes the fair value hierarchy of the Group and Parent Company's financial assets and financial liabilities which are not measured at fair value in the statements of financial position but for which fair value is disclosed.

	Group			
	Level 1	**Level 2**	**Level 3**	**Total**
2020:				
Financial Assets:				
Cash and other cash items	P 16,520	P -	P -	P 16,520
Due from BSP	115,467	-	-	115,467
Due from other banks	15,707	-	-	15,707
Loans arising from reverse repurchase agreements	13,356	-	-	13,356
Interbank loans	42,681	-	-	42,681
Investment securities at amortized cost	42,908	-	508	43,416
Loans and receivables - net			438,845	438,845
Other resources	-	-	931	931
	P 246,639	**P -**	**P 440,284**	**P 686,923**
Financial Liabilities:				
Deposit liabilities	P -	P -	P 536,233	P 536,233
Bills payable	-	-	13,167	13,167
Bonds payable	-	93,611	-	93,611
Accrued interest and other expenses	-	-	5,393	5,393
Other liabilities	-	-	20,492	20,492
	P -	**P 93,611**	**P 575,285**	**P 668,896**

	Group			
	Level 1	Level 2	Level 3	Total
2019:				
Financial Assets:				
Cash and other cash items	P 16,907	P -	P -	P 16,907
Due from BSP	87,255	-	-	87,255
Due from other banks	18,818	-	-	18,818
Loans arising from reverse repurchase agreements	5,768	-	-	5,768
Interbank loans	18,803	-	-	18,803
Investment securities at amortized cost	101,455	-	-	101,455
Loans and receivables - net	-	-	449,822	449,822
Other resources	-	-	898	898
	P 249,006	P -	P 450,720	P 699,726
Financial Liabilities:				
Deposit liabilities	P -	P -	P 458,303	P 458,303
Bills payable	-	-	101,606	101,606
Bonds payable	-	99,869	-	99,869
Accrued interest and other expenses	-	-	6,019	6,019
Other liabilities	-	-	18,214	18,214
	P -	P 99,869	P 584,142	P 684,011

	Parent Company			
	Level 1	Level 2	Level 3	Total
2020:				
Financial Assets:				
Cash and other cash items	P 16,464	P -	P -	P 16,464
Due from BSP	113,949	-	-	113,949
Due from other banks	15,214	-	-	15,214
Loans arising from reverse repurchase agreements	13,226	-	-	13,226
Interbank loans	42,647	-	-	42,647
Investment securities at amortized cost	42,902	-	-	42,902
Loans and receivables - net	-	-	431,738	431,738
Other resources	-	-	924	924
	P 244,402	**P -**	**P 432,662**	**P 677,064**
Financial Liabilities:				
Deposit liabilities	P -	P -	P 537,193	P 537,193
Bills payable	-	-	4,200	4,200
Bonds payable	-	93,611	-	93,611
Accrued interest and other expenses	-	-	5,196	5,196
Other liabilities	-	-	19,316	19,316
	P -	**P 93,611**	**P 565,905**	**P 659,516**
2019:				
Financial Assets:				
Cash and other cash items	P 16,808	P -	P -	P 16,808
Due from BSP	85,453	-	-	85,453
Due from other banks	18,468	-	-	18,468
Loans arising from reverse repurchase agreements	5,629	-	-	5,629
Interbank loans	19,411	-	-	19,411
Investment securities at amortized cost	100,682	-	-	100,682
Loans and receivables - net	-	-	442,088	442,088
Other resources	-	-	896	896
	P 246,451	P -	P 442,984	P 689,435
Financial Liabilities:				
Deposit liabilities	P -	P -	P 456,593	P 456,593
Bills payable	-	-	93,938	93,938
Bonds payable	-	99,869	-	99,869
Accrued interest and other expenses	-	-	5,758	5,758
Other liabilities	-	-	17,416	17,416
	P -	P 99,869	P 573,705	P 673,574

The following are the methods used to determine the fair value of financial assets and financial liabilities not presented in the statements of financial position at their fair values:

(a) *Due from BSP and Other Banks, and Loans and Receivables Arising from Reverse Repurchase Agreements*

Due from BSP pertains to deposits made to the BSP for clearing and reserve requirements, overnight and term deposit facilities, while loans and receivables arising from reverse repurchase agreements pertain to loans and receivables from BSP arising from overnight lending from excess liquidity. Due from other banks includes items in the course of collection. The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest-bearing deposits is based on the discounted cash flows using prevailing money market interest rates for debt with similar credit risk and remaining maturity, which for short-term deposits approximate the nominal value.

(b) *Investment Securities at Amortized Cost*

The fair value of investment securities at amortized cost consisting of government securities and corporate debt securities is determined based on reference prices appearing in Bloomberg.

(c) *Deposits Liabilities and Borrowings*

The estimated fair value of demand deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of long-term fixed interest-bearing deposits and other borrowings without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity. The Level 2 fair value of bonds payable and subordinated debt is determined based on the average of ask and bid prices as appearing on Bloomberg. For bills payable categorized within Level 3, fair value is determined based on their discounted amount of estimated future cash flows expected to be received or paid, or based on their cost which management estimates to approximate their fair values.

(d) *Other Resources and Other Liabilities*

Due to their short duration, the carrying amounts of other resources and liabilities in the statements of financial position are considered to be reasonable approximation of their fair values.

7.4 Fair Value Disclosures for Investment Properties Carried at Cost

The total estimated fair values of the investment properties amounted to P10,345, P10,045 and P7,624 in the Group's financial statements and P9,880, P9,595 and P7,284 in the Parent Company's financial statements as of December 31, 2020, 2019 and 2018, respectively (see Note 14.3). The fair value hierarchy of these properties as of December 31, 2020 and 2019 is categorized as Level 3.

The fair values of the Group and Parent Company's investment properties were determined based on the following approaches:

(a) *Fair Value Measurement for Land*

The Level 2 fair value of land was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations as determined by an independent appraiser. Under this approach, when sales prices and/or actual sales transaction of comparable land in close proximity are used in the valuation of the subject property with no adjustment on the price, fair value is included in Level 2.

On the other hand, if the observable and recent prices of the reference properties were adjusted for differences in key attributes such as property size, location and zoning, and accessibility, or any physical or legal restrictions on the use of the property, the fair value will be categorized as Level 3. The most significant input into this valuation approach is the price per square feet, hence, the higher the price per square feet, the higher the fair value.

(b) *Fair Value Measurement for Buildings and Improvements*

The Level 3 fair value of the buildings was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

There has been no change in the valuation techniques for investment properties in both years.

8. SEGMENT INFORMATION

8.1 Business Segments

The Group's operating businesses are managed separately according to the nature of services provided (primary segments) and the different geographical markets served (secondary segments) with a segment representing a strategic business unit. The Group's business segments follow:

(a) *Retail* – principally handles the BCs offering a wide range of consumer banking products and services. Products offered include individual customer's deposits, credit cards, home and mortgage loans, auto, personal and microfinance loans, overdraft facilities, payment remittances and foreign exchange transactions. It also upsells bank products [unit investment trust funds (UITFs), etc.] and cross-sells bancassurance products. The segment includes the net assets of the servicing entity, RBSC, and portfolios of Rizal Microbank.

(b) *Corporate* – principally handles distinct customer segments: (i) conglomerates; (ii) large corporations; (iii) emerging corporates, which focus on large middle accounts often referred to as the "Next 500 Corporations"; (iv) Japanese multinationals with a strong presence in the country; (v) Filipino-Chinese businesses; and, (vi) Korean businesses. This segment includes portfolio of RCBC LFC.

(c) *Small and Medium Enterprises (SME)* – principally handles the financial needs of the country's small businesses or the SMEs and the Commercial Middle Market segments. The SME Banking Group provides a holistic approach serving both the financial (e.g., loans, deposits, investments, insurance, etc.) and non-financial needs (e.g., networking, financial literacy trainings, etc.) of client to help them grow their business. Clients are the entrepreneurs located in different parts of the country and spread in various industry sectors such as manufacturing, wholesale and retail trade, construction, hotels, agriculture, and healthcare, among others.

(d) *Treasury* – principally provides money market, trading and treasury services, as well as the management of the Group's funding operations by use of treasury bills, government securities and placements and acceptances with other banks, through treasury and wholesale banking.

(e) *Others* – consists of other subsidiaries except for RBSC and Rizal Microbank, which is presented as part of Retail, and RCBC LFC which is presented under Corporate.

These segments are the basis on which the Group reports its primary segment information. Other operations of the Group comprise the operations and financial control groups. Transactions between segments are conducted at estimated market rates on an arm's length basis.

Segment revenues and expenses that are directly attributable to primary business segment and the relevant portions of the Group's revenues and expenses that can be allocated to that business segment are accordingly reflected as revenues and expenses of that business segment.

For secondary segments, revenues and expenses are attributed to geographic areas based on the location of the resources producing the revenues, and in which location the expenses are incurred.

There were no changes in the Group's operating segments in 2020 and 2019.

8.2 Analysis of Primary Segment Information

Primary segment information (by business segment) on a consolidated basis as of and for the years ended December 31, 2020, 2019 and 2018 follow:

	Retail	Corporate	SME	Treasury	Others	Total
2020:						
Revenues						
From external customers						
Interest income	P 28,426	P 22,534	P 6,889	P 3,891	P 125	P 61,865
Interest expense	(10,719)	(11,742)	(2,920)	(2,814)	(12)	(28,207)
Net interest income	17,707	10,792	3,969	1,077	113	33,658
Non-interest income	5,359	1,905	142	7,022	914	15,342
	23,066	12,697	4,111	8,099	1,027	49,000
Intersegment revenues						
Interest income	-	3,539	1,913	-	11	5,463
Non-interest income	617	-	-	-	-	617
	617	3,539	1,913	-	11	6,080
Total net revenues	23,683	16,236	6,024	8,099	1,038	55,080
Expenses						
Operating expenses excluding depreciation and amortization	19,413	3,794	1,970	1,006	767	26,950
Depreciation and amortization	945	521	16	42	48	1,572
	20,358	4,315	1,986	1,048	815	28,552
Segment operating income	P 3,325	P 11,921	P 4,038	P 7,051	P 223	P 26,558
Total resources	P 13,799	P 243,528	P 66,421	P 183,579	P 5,417	P 512,744
Total liabilities	P 332,554	P 180,281	P 67,247	P 19,151	P 1,509	P 600,742
2019:						
Revenues						
From external customers						
Interest income	P 37,465	P 20,012	P 4,608	P 6,978	P 103	P 69,166
Interest expense	(17,303)	(13,879)	(3,648)	(6,164)	(42)	(41,036)
Net interest income	20,162	6,133	960	814	61	28,130
Non-interest income	4,928	2,266	171	8,207	1,163	16,735
	25,090	8,399	1,131	9,021	1,224	44,865
Intersegment revenues						
Interest income	-	3,463	1,940	-	8	5,411
Non-interest income	591	-	-	-	-	591
	591	3,463	1,940	-	8	6,002
Total net revenues	25,681	11,862	3,071	9,021	1,232	50,867
Expenses						
Operating expenses excluding depreciation and amortization	15,910	5,412	1,129	1,109	285	23,845
Depreciation and amortization	418	381	7	14	14	834
	16,328	5,793	1,136	1,123	299	24,679
Segment operating income	P 9,353	P 6,069	P 1,935	P 7,898	P 933	P 26,188
Total resources	P 150,515	P 228,346	P 52,419	P 109,199	P 5,467	P 545,946
Total liabilities	P 423,075	P 80,654	P 43,722	P 14,703	P 1,287	P 563,441
2018:						
Revenues						
From external customers						
Interest income	P 24,744	P 15,967	P 2,786	P 4,711	P 127	P 48,335
Interest expense	(7,788)	(11,419)	(2,383)	(3,178)	(12)	(24,780)
Net interest income	16,956	4,548	403	1,533	115	23,555
Non-interest income	4,249	2,455	170	1,228	837	8,939
	21,205	7,003	573	2,761	952	32,494
Intersegment revenues						
Interest income	-	3,165	955	-	6	4,126
Non-interest income	531	-	-	-	-	531
	531	3,165	955	-	6	4,657
Total net revenues	21,736	10,168	1,528	2,761	958	37,151

	Retail		Corporate		SME		Treasury		Others		Total
Expenses											
Operating expenses excluding depreciation and amortization		13,467		2,326		460		625		280	17,158
Depreciation and amortization		762		416		7		14		4	1,203
		14,229		2,742		467		639		284	18,361
Segment operating income	P	7,507	P	7,426	P	1,061	P	2,122	P	674	P 18,790
Total resources	P	149,800	P	229,525	P	42,635	P	109,199	P	5,957	P 537,116
Total liabilities	P	418,787	P	113,195	P	34,514	P	14,703	P	1,685	P 582,884

8.3 Reconciliation

Presented below is a reconciliation of the Group's segment information to the key financial information presented in its consolidated financial statements.

		2020		2019		2018
Revenue						
Total segment revenues	**P**	**55,080**	P	50,867	P	37,151
Elimination of intersegment revenues	**(**	**17,167)**	(	15,008)	(	10,656)
Net revenues as reported in profit or loss	**P**	**37,913**	P	38,858	P	26,495
Profit or loss						
Total segment operating income	**P**	**26,558**	P	26,188	P	18,790
Elimination of intersegment profit	**(**	**21,540)**	(	20,800)	(	14,469)
Group net profit as reported in profit or loss	**P**	**5,018**	P	5,388	P	4,321
Resources						
Total segment resources	**P**	**512,744**	P	545,946	P	537,116
Unallocated assets		**259,362**		221,133		107,479
Total resources	**P**	**772,106**	P	767,079	P	644,595
Liabilities						
Total segment liabilities	**P**	**600,742**	P	563,441	P	582,884
Unallocated liabilities (elimination of intersegment liabilities)		**69,986**		120,788	(	19,459)
Total liabilities	**P**	**670,728**	P	684,229	P	563,425

8.4 Analysis of Secondary Segment Information

Secondary information (by geographical locations) as of and for the years ended December 31, 2020, 2019 and 2018 follow:

	Philippines	Asia and Europe	Total
2020:			
Statement of profit or loss			
Total income	P 48,572	P 12	P 48,584
Total expenses	43,545	21	43,566
Net profit (loss)	**P 5,027**	**(P 9)**	**P 5,018**
Statement of financial position			
Total resources	**P 771,994**	**P 112**	**P 772,106**
Total liabilities	**P 670,722**	**P 6**	**P 670,728**
Other segment information			
Depreciation and amortization	**P 2,924**	**P -**	**P 2,924**
2019:			
Statement of profit or loss			
Total income	P 51,068	P -	P 51,068
Total expenses	45,666	14	45,681
Net profit (loss)	P 5,402	(P 14)	P 5,387
Statement of financial position			
Total resources	P 767,050	P 29	P 767,079
Total liabilities	P 684,155	P 74	P 684,229
Other segment information			
Depreciation and amortization	P 2,503	P -	P 2,503
2018:			
Statement of profit or loss			
Total income	P 36,930	P 9	P 36,939
Total expenses	32,580	38	32,618
Net profit (loss)	P 4,350	(P 29)	P 4,321
Statement of financial position			
Total resources	P 644,451	P 144	P 644,595
Total liabilities	P 563,355	P 70	P 563,425
Other segment information			
Depreciation and amortization	P 1,821	P -	P 1,821

9. CASH AND CASH EQUIVALENTS

The components of Cash and Cash Equivalents follow:

	Group		Parent Company	
	2020	2019	**2020**	2019
Cash and other cash items	**P 16,520**	P 16,907	**P 16,464**	P 16,808
Due from BSP	**115,467**	87,255	**113,949**	85,453
Due from other banks	**15,707**	18,818	**15,214**	18,468
Loans arising from reverse repurchase agreements	**13,356**	5,768	**13,226**	5,629
Interbank loans receivables (see Note 11)	**42,681**	18,803	**42,647**	19,411
	P 203,731	P 147,551	**P 201,500**	P 145,769

Cash consists primarily of funds in the form of Philippine currency notes and coins, and includes foreign currencies acceptable to form part of the international reserves in the Group's vault and those in the possession of tellers, including ATMs. Other cash items include cash items other than currency and coins on hand, such as checks drawn on other banks or other branches after the clearing cut-off time until the close of the regular banking hours.

Due from BSP represents the aggregate balance of deposit accounts maintained with the BSP primarily to meet reserve requirements (see Note 17), to serve as clearing account for interbank claims and to comply with existing trust regulations.

Loans arising from repurchase agreements, which normally mature within 30 days, represents overnight placements with private entities where the underlying securities cannot be sold or repledged to parties other than the contracting party.

Due from BSP includes:

	Group		Parent Company	
	2020	2019	**2020**	2019
Demand deposit and secured settlement accounts	**P 49,539**	P 53,337	**P 48,119**	P 52,353
Term deposit	**28,000**	32,643	**28,000**	32,000
Overnight deposit	**37,928**	1,275	**37,830**	1,100
	P 115,467	P 87,255	**P 113,949**	P 85,453

The balance of Due from other banks account represents regular deposits with the following:

	Group		Parent Company	
	2020	2019	**2020**	2019
Foreign banks	**P 14,422**	P 18,192	**P 14,406**	P 17,919
Local banks	**1,285**	626	**808**	549
	P 15,707	P 18,818	**P 15,214**	P 18,468

Interest on placements with BSP and other banks, which is presented as part of Interest Income on Others in the statements of profit or loss, consist of:

	Group		
	2020	2019	2018
BSP	**P 929**	P 269	P 324
Other banks	**35**	165	169
	P 964	P 434	P 493

	Parent Company		
	2020	2019	2018
BSP	**P 917**	P 262	P 324
Other banks	**28**	153	95
	P 945	P 415	P 419

Interests on loans arising from reverse repurchase agreements and interbank loan receivables are presented as part of Interest on loans and receivables (see Note 11).

The Group's deposits in other banks and in BSP arising from overnight lending from excess liquidity earn annual interest as follows:

	2020	2019	2018
BSP	**1.50% - 2.50 %**	3.50% - 4.50%	3.00% – 4.50%
Other banks	**0.00% - 2.00 %**	0.00% - 2.50%	0.00% – 2.50%

10. TRADING AND INVESTMENT SECURITIES

This account is comprised of:

	Group		Parent Company	
	2020	2019	**2020**	2019
Financial assets at FVTPL	**P 4,888**	P 5,548	**P 3,815**	P 4,800
Financial assets at FVOCI	**40,150**	54,245	**38,813**	52,425
Investment securities at amortized cost	**43,026**	100,926	**42,513**	100,219
	P 88,064	P 160,719	**P 85,141**	P 157,444

10.1 Financial Assets at Fair Value Through Profit or Loss

Financial assets at FVTPL is composed of the following:

	Group		Parent Company	
	2020	2019	**2020**	2019
Government securities	**P 1,876**	P 3,438	**P 1,808**	P 3,438
Corporate debt securities	**710**	287	**606**	287
Equity securities	**1,173**	748	**272**	-
Derivative financial assets	**1,129**	1,075	**1,129**	1,075
	P 4,888	P 5,548	**P 3,815**	P 4,800

The carrying amounts of financial assets at FVTPL are classified as follows:

	Group		Parent Company	
	2020	2019	**2020**	2019
Held-for-trading	**P 2,586**	P 3,725	**P 2,414**	P 3,725
Designated as at FVTPL	**1,173**	748	**272**	-
Derivative financial assets	**1,129**	1,075	**1,129**	1,075
	P 4,888	P 5,548	**P 3,815**	P 4,800

Equity securities are composed of listed shares of stock traded at the PSE and shares of stock designated as at FVTPL. Dividend income earned by the Group on these equity securities amounted to P20, P10 and P14 in 2020, 2019 and 2018, respectively, and P9 for the Parent Company in 2020, which are included as part of Miscellaneous income under the Other Operating Income account in the statements of profit or loss (see Note 25.1)

Treasury bills and other debt securities issued by the government and other private corporations earn annual interest as follows:

	2020	2019	2018
Peso denominated	**2.38% - 15.00%**	3.25.00% - 15.00%	3.25% - 8.13%
Foreign currency denominated	**2.46% - 10.63%**	2.05.00% - 10.63%	2.05% - 11.63%

Derivative instruments used by the Group include foreign currency short-term forwards, cross-currency swaps, debt warrants and options. Foreign currency forwards represent commitments to purchase/sell on a future date at a specific exchange rate. Foreign currency short-term swaps are simultaneous foreign currency spot and forward deals with tenor of one year.

Debt warrants attached to the bonds and other debt securities allows the Group to purchase additional debt securities from the same contracting issuer at the same price and yield as the initial purchased security. Option is a derivative financial instrument that specifies a contract between two parties for a future transaction on an asset at a reference price.

The aggregate contractual or notional amount of derivative financial instruments and the aggregative fair values of derivative financial assets and financial liabilities as of December 31 both in the Group and Parent Company's financial statements are shown below.

	Notional	Fair Values	
	Amount	Assets	Liabilities
2020:			
Currency swaps and forwards	**P 38,432**	**P 681**	**P 1,111**
Interest rate swaps and futures	**21,440**	**435**	**370**
Debt warrants	**5,051**	**10**	**-**
Credit default swap	**192**	**3**	**3**
	P 65,115	**P 1,129**	**P 1,484**

		Notional Amount		Fair Values Assets		Fair Values Liabilities
2019:						
Currency swaps and forwards	P	63,411	P	680	P	601
Interest rate swaps and futures		29,720		369		257
Debt warrants		5,326		16		-
Options		1,427		6		-
Credit default swap		253		4		5
	P	100,137	P	1,075	P	863

Derivative liabilities are shown as Derivative financial liabilities as part of Other Liabilities account in the statements of financial position (see Note 22). The significant portion of such derivative liabilities have maturity periods of less than a year.

Other information about the fair value measurement of the Group and Parent Company's financial assets at FVTPL are presented in Note 7.2.

10.2 Financial Assets at Fair Value Through Other Comprehensive Income

Financial assets at FVOCI as of December 31 consist of:

	Group				Parent Company			
		2020		2019		**2020**		2019
Quoted equity securities	**P**	**1,860**	P	2,021	**P**	**976**	P	1,260
Unquoted equity securities		**1,570**		1,612		**1,542**		1,581
Government debt securities		**20,563**		43,281		**20,563**		43,281
Corporate debt securities		**16,157**		7,331		**15,732**		6,303
	P	**40,150**	P	54,245	**P**	**38,813**	P	52,425

The Group made an irrevocable designation for the above local equity securities as at FVOCI because they are held for long-term investments and are neither held-for-trading nor designated as at FVTPL. Unquoted equity securities include investments in non-marketable equity securities of private companies.

Included in the carrying amount of the Group's financial assets at FVOCI as of December 31, 2020 and 2019 are unquoted equity securities with fair value of P1,570 and P1,612, respectively, determined using the net asset value method, dividend discounted model, or a market-based approach (price-to-book value method), hence, categorized under Level 3 of the fair value hierarchy (see Note 7.2).

As a result of the Group's disposal of certain equity securities classified as at FVOCI in 2019, the related fair value loss recognized in other comprehensive income under Revaluation Reserves account amounting to P41 were transferred to Surplus account (see Note 23.6). There were no disposal of equity securities classified as at FVOCI in 2020 and 2018.

In 2020, 2019 and 2018, dividends on these equity securities were recognized amounting to P58, P294 and P175 by the Group and, P7, P95 and P187 by the Parent Company, respectively, which are included as part of Miscellaneous income under the Other Operating Income account in the statements of profit or loss (see Note 25.1).

10.3 Investment Securities at Amortized Cost

Investment securities at amortized cost as of December 31 consist of:

	Group		Parent Company	
	2020	2019	**2020**	2019
Government securities	**P 37,022**	P 92,211	**P 36,932**	P 92,211
Corporate debt securities	**6,146**	8,857	**5,629**	8,057
	43,168	101,068	**42,561**	100,268
Allowance for impairment	**(142)**	(142)	**(48)**	(49)
	P 43,026	P 100,926	**P 42,513**	P 100,219

Interest rates per annum on government securities and corporate debt securities range from the following:

	2020	2019	2018
Peso denominated securities	**3.38% - 8.60%**	3.63% - 8.60%	3.63%-8.00%
Foreign currency-denominated securities	**0.18% - 10.63%**	1.63% - 10.63%	1.63%-10.63%

In 2020, the Parent Company disposed of certain local and foreign sovereign bonds, and corporate bonds denominated in Philippine peso, US dollar, and euro under its HTC portfolio with aggregate carrying amount of P62,960, resulting in net gains amounting to P2,678. The disposal was made in order to address the capital adequacy ratio requirements after complying with the real estate stress test.

In 2019, the Parent Company disposed of certain government and corporate debt securities denominated in Philippine peso and US dollar under its HTC portfolio with aggregate carrying amount of P101,208 resulting in net gains amounting to P3,693. The disposal was in line with the Parent Company's objective to improve its qualifying capital in augmenting its capital adequacy ratio requirements. Meanwhile, a certain US dollar-denominated corporate bond with a carrying amount of P217 was disposed in September 2019 in response to increased credit risk resulting to a loss of P8.

Management had assessed that the disposals of the investment securities under the HTC portfolio during those periods are consistent with the Group's HTC business model with the objective of collecting contractual cash flows and have qualified under the permitted sale events set forth in the Group's business model in managing financial assets manual and the requirements of PFRS 9.

The above disposals of investment securities were approved by the Executive Committee of the Parent Company in compliance with the documentation requirements of the BSP.

The Group recognized ECL on investment securities at amortized cost amounting to P1 in 2020 and P4 in 2019 (see Note 16). No provision was made by the Parent Company for 2020 and 2019.

Certain government securities are deposited with the BSP as security for the Group's faithful compliance with its fiduciary obligations in connection with its trust operations (see Note 27).

As of December 31, 2020 and 2019, certain investment securities of both the Group and Parent Company were pledged as collateral for bills payable under repurchase agreements (see Note 18).

10.4 Interest Income from Trading and Investment Securities

Interest income from trading and investment securities recognized by the Group and Parent Company in 2020, 2019 and 2018 are shown below.

	Group		
	2020	2019	2018
Financial assets at FVTPL	**P 223**	P 368	P 441
Debt securities at FVOCI	**848**	1,418	136
Investment securities at amortized cost	**1,008**	2,712	2,826
	P 2,079	P 4,498	P 3,403

	Parent		
	2020	2019	2018
Financial assets at FVTPL	**P 213**	P 358	P 338
Debt securities at FVOCI	**804**	1,397	206
Investment securities at amortized cost	**974**	2,684	2,823
	P 1,991	P 4,439	P 3,367

10.5 Trading and Securities Gains (Losses)

The Group and the Parent Company recognized trading and securities gains (losses) in its trading or disposals of investment securities, including their fair value changes, in 2020, 2019, and 2018 are as follows:

	Group		
	2020	2019	2018
Profit or loss:			
Financial assets at FVTPL	**P 286**	P 611	(P 117)
Debt securities at FVOCI	**3,103**	3,196	48
Investment securities at amortized cost	**2,695**	3,685	69
	P 6,084	P 7,492	P -
Other comprehensive income (loss):			
Equity securities at FVOCI	**(P 570)**	(P 586)	(P 1,018)
Debt securities at FVOCI	**339**	(116)	149
	(P 231)	(P 702)	(P 869)

	Parent		
	2020	2019	2018
Profit or loss:			
Financial assets at FVTPL	**P 264**	P 581	(P 137)
Debt securities at FVOCI	**3,098**	3,166	48
Investment securities at amortized cost	**2,678**	3,685	68
	P 6,040	P 7,432	(P 21)
Other comprehensive income (loss):			
Equity securities at FVOCI	**(P 591)**	(P 837)	(P 628)
Debt securities at FVOCI	**339**	(116)	149
	(P 252)	(P 953)	(P 479)

11. LOANS AND RECEIVABLES

This account consists of the following (see also Note 28.1)

	Group		Parent Company	
	2020	2019	**2020**	2019
Receivables from customers:				
Loans and discounts	**P 400,846**	P 377,947	**P 395,850**	P 373,480
Credit card receivables	**31,973**	31,043	**31,973**	31,043
Customers' liabilities on acceptances, import bills and trust receipts	**18,868**	16,869	**18,868**	16,869
Bills purchased	**2,109**	4,815	**2,109**	4,771
Lease contract receivables	**3,115**	3,767	**-**	-
Receivables financed	**343**	678	**-**	-
	457,254	435,119	**448,800**	426,163
Unearned discount	**(689)**	(856)	**(137)**	(161)
	456,565	434,263	**448,663**	426,002
Other receivables:				
Interbank loans receivables (see Note 9)	**42,681**	18,803	**42,647**	19,411
Accrued interest receivables	**5,677**	4,332	**5,505**	4,318
Accounts receivables [see Note 28.5(a)]	**3,661**	2,786	**3,631**	2,821
UDSCL	**965**	1,475	**965**	1,475
Sales contract receivables	**928**	990	**766**	792
	53,912	28,386	**53,514**	28,817
	510,477	462,649	**502,177**	454,819
Allowance for impairment (see Notes 4.4.9 and 16)	**(19,193)**	(13,430)	**(18,363)**	(12,726)
	P 491,284	P 449,219	**P 483,814**	P 442,093

Receivables from customers' portfolio earn average annual interest or range of interest as follows:

	2020	2019	2018
Loans and discounts:			
Philippine peso	**8.58%**	8.69%	5.79%
Foreign currencies	**4.62%**	4.96%	4.53%
Credit card receivables	**16.52% - 29.87%**	23.58% - 24.86%	16.00% - 24.00%
Lease contract receivables	**9.50% - 26.00%**	8.00% - 18.00%	8.00% - 19.00%
Receivables financed	**10.00% - 24.00%**	8.00% - 14.00%	8.00% - 14.00%

Effective November 3, 2020, interest rates and cash advance fees charged by the Parent Company to its credit card holders were updated to comply with BSP Circular No. 1098, *Ceiling on Interest of Finance Charges of Credit Card Receivables*. Under the new circular, interest or finance charges on all credit card transactions are not to exceed an annual interest rate of 24%, except credit card installment loans which shall be subject to monthly add-on rate not exceeding 1%. In addition, the maximum amount that can be charged for Cash Advances is capped at P200 (absolute amount) per transaction.

Included in UDSCL is a 10-year note with carrying amount of P264 and P485 as of December 31, 2020 and 2019, respectively, and bears 6.44% interest per annum. This pertains to the agreement entered into in June 2017 with a third party for the sale of various foreclosed real properties with book value of P1,127, for a total consideration of P1,385; of which P396 and P989 (with present value of P742 on date of sale) were in the form of cash and note receivable, respectively (see Note 15.3.2).

Included also in UDSCL as of December 31, 2018 is a 10-year note from Philippine Asset Growth One, Inc. with a face amount of P731, which is part of the consideration received in relation to the Parent Company's disposal in February 2013 of its non-performing assets (NPAs), consisting of non-performing loans (NPLs) with a carrying amount of P507 and non-performing investment properties with a carrying amount of P1,236. This note receivable carries a variable interest rate of 1.00% per annum during the first five years, 7.00% per annum in the sixth to seventh year, and 7.50% per annum in the last three years. This note receivable has been written off in 2019.

Also included in the Parent Company's accounts receivables is the amount due from RCBC JPL which was acquired from Rizal Microbank in 2015 amounting to P222. As of December 31, 2020 and 2019, the outstanding balance amounted to P157 and P172, respectively. The receivable amount is unsecured, noninterest-bearing and payable in cash on demand (see Note 28). The receivable has been appropriately provided with allowance for ECL.

Interest income earned by the Bank from its loans and other receivables is broken down as follows:

		Group				
		2020		2019		2018
Loans and discounts	**P**	**25,965**	P	25,529	P	21,768
Credit card receivables		**6,759**		5,939		4,509
Others		**1,185**		1,178		760
	P	**33,909**	P	32,646	P	27,037

	Parent Company		
	2020	2019	2018
Loans and discounts	**P 25,770**	P 24,644	P 20,989
Credit card receivables	**6,759**	5,939	4,509
Others	**502**	1,165	760
	P 33,031	P 31,748	P 26,258

The breakdown of the receivables from customers' portfolio as to secured and unsecured follows:

	Group		Parent Company	
	2020	2019	**2020**	2019
Secured:				
Real estate mortgage	**P 135,421**	P 178,500	**P 134,077**	P 172,226
Chattel mortgage	**53,456**	45,983	**50,990**	45,960
Hold-out deposits	**8,581**	8,891	**8,428**	8,891
Other securities	**17,181**	12,592	**13,585**	12,027
	214,639	245,966	**207,080**	239,104
Unsecured	**241,926**	188,297	**241,583**	186,898
	P 456,565	P 434,263	**P 448,663**	P 426,002

A reconciliation of the allowance for impairment on loans and receivables at the beginning and end of 2020 and 2019 is shown below (see Note 16).

	Group		Parent Company	
	2020	2019	**2020**	2019
Balance at beginning of year	**P 13,430**	P 10,291	**P 12,726**	P 9,689
Impairment losses during the year	**9,093**	6,773	**8,672**	6,553
Accounts written off and others	**(3,330)**	(3,634)	**(3,035)**	(3,516)
Balance at end of year	**P 19,193**	P 13,430	**P 18,363**	P 12,726

12. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

The components of the carrying values of investments in and advances to subsidiaries and associates are as follows (refer to Note 1.2 for the effective percentage of ownership, line of business, and country of incorporation of subsidiaries and associates):

	Group and Parent Company	
	2020	2019
Acquisition costs of associates:		
HCPI	**P 91**	P 91
LIPC	**57**	57
YCS	**4**	4
	152	152

	Group and Parent Company	
	2020	2019
Accumulated equity in net earnings:		
Balance at beginning of year	**292**	271
Share in net earnings (losses) for the year	**(94)**	21
Share in actuarial losses on defined benefit plan	**(8)**	-
Others	**(3)**	-
Balance at end of year	**187**	292
	P 339	P 444

	Note	Parent Company	
		2020	2019
Acquisition costs of subsidiaries:			
RCBC Capital		**P 2,231**	P 2,231
Rizal Microbank		**1,242**	1,242
RCBC LFC		**1,987**	1,987
NPHI		**609**	609
RCBC JPL		**403**	403
RCBC Forex		**150**	150
RCBC Telemoney		**72**	72
RCBC IFL		**58**	58
Cajel		**51**	51
Total acquisition costs		**6,803**	6,803
Accumulated equity in net earnings:			
Balance at beginning of year		**477**	614
Share in net earnings for the year		**24**	452
Share in actuarial losses on defined benefit plan		**-**	(21)
Share in fair value gains on financial assets at FVOCI		**21**	251
Cash dividends	28	**(1,243)**	(536)
Others		**559**	(283)
Balance at end of year		**(162)**	477
Investments in subsidiaries		**6,641**	7,280
Investments in associates		**339**	444
		P 6,980	P 7,724

At the end of each reporting period, the Group has no material interest in unconsolidated structured entities.

Also, the Parent Company and its subsidiaries did not enter in any contractual arrangements to provide financial support to any entities under the Group.

The Parent Company earned dividends from its subsidiaries and associates amounting to P1,243 and nil, respectively, in 2020, and P536 and nil, respectively, in 2019, and P102 and P2, respectively, in 2018 (see Note 28). Dividends receivable as of December 31, 2020 amounted to P600.

12.1 Information About Investments in Subsidiaries

In May 2018, RCBC North America, Inc. was dissolved which resulted in the reclassification of the cumulative translation gains to profit or loss amounting to P32.

In August 2018, the BOD of the Parent Company approved the additional capital infusion to RCBC LFC amounting to P800, which was paid to the latter in November 2018 after RCBC LFC's BOD approved the increase in its authorized capital stock in its meeting held in October 2018.

12.2 Information About Investments in Associates

The Parent Company, under a shareholder's agreement, agreed with another stockholder of HCPI to commit and undertake to vote, as a unit, the shares of stock thereof, which they proportionately own and hold, and to regulate the conduct of the voting and the relationship between them with respect to their exercise of their voting rights. As a result of this agreement, the Parent Company is able to exercise significant influence over the operating and financial policies of HCPI. Thus, HCPI has been considered by the Parent Company as an associate despite holding only 12.88% ownership interest.

The investments in LIPC and YCS have an aggregate carrying value of nil and P11 as of December 31, 2020 and 2019, respectively, which are insignificant to the Group.

The table below presents the summary of the unaudited financial information of HCPI as of and for the years ended December 31, 2020 and 2019. HCPI uses a fiscal year ending March 31 as its reporting period.

	2020	2019
Financial position:		
Current assets	**P 5,384**	P 4,850
Noncurrent assets	**1,297**	895
Current liabilities	**3,496**	1,956
Noncurrent liabilities	**549**	451
Financial performance:		
Revenues	**2,851**	4,829
Gross income	**937**	1,095
Operating income (loss)	**(916)**	221
Net income (loss)	**(620)**	139
Other comprehensive income (loss)	**(62)**	6
Total comprehensive income (loss)	**(682)**	145
Cash flows:		
Net cash from:		
Operating activities	**1,148**	11,954
Investing activities	**90**	(46)
Financing activities	**-**	(11,527)
Cash at the beginning	**402**	21
Cash at the end	**1,640**	402

On February 22, 2020, HCPI announced its plan to cease its production facility in Laguna in consideration of efficient allocation and distribution of its resources in Asia and Oceania. Automobile sales and after-sales services will continue through its regional network.

13. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of bank premises, furniture, fixtures and equipment at the beginning and end of 2020 and 2019 are shown below.

	Group					
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Right-of-use Asset	Total
December 31, 2020						
Cost	P 1,286	P 3,780	P 12,914	P 1,306	P 6,113	P 25,399
Accumulated depreciation and amortization	-	(1,661)	(8,281)	(339)	(2,056)	(12,337)
Net carrying amount	**P 1,286**	**P 2,119**	**P 4,633**	**P 967**	**P 4,057**	**P 13,062**
December 31, 2019						
Cost	P 1,270	P 3,673	P 10,161	P 1,094	P 3,283	P 19,481
Accumulated depreciation and amortization	-	(1,563)	(6,041)	-	(818)	(8,422)
Net carrying amount	P 1,270	P 2,110	P 4,120	P 1,094	P 2,465	P 11,059
January 1, 2019						
Cost	P 1,270	P 3,400	P 11,032	P 1,123	P -	P 16,825
Accumulated depreciation and amortization	-	(1,400)	(7,010)	-	-	(8,410)
Net carrying amount	P 1,270	P 2,000	P 4,022	P 1,123	P -	P 8,415

	Parent Company					
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Right-of-use Asset	Total
December 31, 2020						
Cost	P 1,249	P 3,733	P 8,603	P 1,214	P 5,954	P 20,753
Accumulated depreciation and amortization	-	(1,630)	(6,387)	(284)	(1,952)	(10,253)
Net carrying amount	**P 1,249**	**P 2,103**	**P 2,216**	**P 930**	**P 4,002**	**P 10,500**
December 31, 2019						
Cost	P 1,249	P 3,625	P 8,193	P 1,056	P 3,208	P 17,331
Accumulated depreciation and amortization	-	(1,534)	(5,919)	-	(807)	(8,260)
Net carrying amount	P 1,249	P 2,091	P 2,274	P 1,056	P 2,401	P 9,071
January 1, 2019						
Cost	P 1,249	P 3,355	P 7,933	P 1,058	P -	P 13,595
Accumulated depreciation and amortization	-	(1,374)	(5,540)	-	-	(6,914)
Net carrying amount	P 1,249	P 1,981	P 2,393	P 1,058	P -	P 6,681

A reconciliation of the carrying amounts of bank premises, furniture, fixtures and equipment at the beginning and end of 2020 and 2019 is shown below.

	Group					
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Right-of-Use Asset	Total
Balance at January 1, 2020, net of accumulated depreciation and amortization	P 1,270	P 2,110	P 4,120	P 1,094	P 2,465	P 11,059
Additions	17	118	1,462	167	2,789	4,553
Reclassifications	-	19	2	9	1	31
Disposals	(1)	(2)	(80)	(7)	(2)	(92)
Depreciation and amortization charges for the period	-	(126)	(871)	(296)	(1,196)	(2,489)
Balance at December 31, 2020, net of accumulated depreciation and amortization	**P 1,286**	**P 2,119**	**P 4,633**	**P 967**	**P 4,057**	**P 13,062**
Balance at January 1, 2019, net of accumulated depreciation and amortization	P 1,270	P 2,000	P 4,022	P 1,123	P -	P 8,415
Effect of PFRS 16 adoption	-	-	-	-	3,106	3,106
Additions	-	298	1,092	855	323	2,568
Disposals	-	(68)	(109)	(585)	(146)	(908)
Depreciation and amortization charges for the period	-	(120)	(885)	(299)	(818)	(2,122)
Balance at December 31, 2019, net of accumulated depreciation and amortization	P 1,270	P 2,110	P 4,120	P 1,094	P 2,465	P 11,059

	Parent Company					
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Right-of-use Asset	Total
Balance at January 1, 2020 net of accumulated depreciation and amortization	P 1,249	P 2,091	P 2,274	P 1,056	P 2,401	P 9,071
Additions	-	117	497	159	2,746	3,519
Disposals	-	(2)	(36)	(1)	-	(39)
Depreciation and amortization charges for the period	-	(122)	(519)	(284)	(1,145)	(2,070)
Reclassification	-	19	-	-	-	19
Balance at December 31, 2020, net of accumulated depreciation and amortization	**P 1,249**	**P 2,103**	**P 2,216**	**P 930**	**P 4,002**	**P 10,500**
Balance at January 1, 2019, net of accumulated depreciation and amortization	P 1,249	P 1,981	P 2,393	P 1,058	P -	P 6,681
Effect of PFRS 16 adoption	-	-	-	-	2,972	2,972
Additions	-	296	574	847	340	2,057
Disposals	-	(68)	(100)	(559)	(104)	(831)
Depreciation and amortization charges for the period	-	(118)	(593)	(290)	(807)	(1,808)
Balance at December 31, 2019, net of accumulated depreciation and amortization	P 1,249	P 2,091	P 2,274	P 1,056	P 2,401	P 9,071

Under BSP rules, investments in bank premises, furniture, fixtures and equipment should not exceed 50% of the respective unimpaired capital of the Parent Company and its bank subsidiaries. As of December 31, 2020 and 2019, the Parent Company and its bank subsidiary have satisfactorily complied with this BSP requirement.

The cost of the Group and the Parent Company's fully depreciated bank premises, furniture, fixtures and equipment that are still in use in operations is P6,812 and P6,178, respectively, as of December 31, 2020, and P7,213 and P6,476, respectively, as of December 31, 2019.

The Group has leases for certain offices and branches. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected as a right-of-use asset and a Lease liability as part of Bank Premises, Furniture, Fixtures and Equipment and Other Liabilities (see Note 22), respectively. Variable lease payments which do not depend on an index or a rate are excluded from the initial measurement of the Lease liability and Right-of-use asset.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying lease asset outright at the end of the lease, or to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over branches and offices, the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure the leased assets and incur maintenance fees on such items in accordance with the lease contracts.

The use of extension and termination options gives the Group added flexibility in the event it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the Group's regional markets strategy and the economic benefits of exercising the option exceeds the expected overall cost.

14. INVESTMENT PROPERTIES

Investment properties pertain to land, buildings or condominium units acquired by the Group, in settlement of loans from defaulting borrowers through foreclosure or dacion in payment and properties which are held for rental.

The gross carrying amounts and accumulated depreciation and impairment losses of investment properties at the beginning and end of 2020 and 2019 are shown below.

	Group			Parent Company		
	Land	Buildings	Total	Land	Buildings	Total
December 31, 2020						
Cost	P 1,783	P 3,044	P 4,827	P 1,634	P 3,021	P 4,655
Accumulated depreciation	-	(791)	(791)	-	(777)	(777)
Accumulated impairment (see Note 16)	(40)	(271)	(311)	(27)	(271)	(298)
Net carrying amount	**P 1,743**	**P 1,982**	**P 3,725**	**P 1,607**	**P 1,973**	**P 3,580**
December 31, 2019						
Cost	P 1,797	P 3,035	P 4,832	P 1,649	P 3,016	P 4,665
Accumulated depreciation	-	(638)	(638)	-	(625)	(625)
Accumulated impairment (see Note 16)	(18)	(34)	(52)	(18)	(5)	(23)
Net carrying amount	P 1,779	P 2,363	P 4,142	P 1,631	P 2,386	P 4,017
January 1, 2019						
Cost	P 1,566	P 2,659	P 4,225	P 1,414	P 2,644	P 4,058
Accumulated depreciation	-	(502)	(502)	-	(488)	(488)
Accumulated impairment (see Note 16)	(92)	-	(92)	(54)	(11)	(65)
Net carrying amount	P 1,474	P 2,157	P 3,631	P 1,360	P 2,145	P 3,505

The reconciliations of the carrying amounts of investment properties at the beginning and end of 2020 and 2019 follow:

	Group		Parent Company	
	2020	2019	**2020**	2019
Balance at January 1, net of accumulated depreciation and impairment	**P 4,142**	P 3,631	**P 4,017**	P 3,505
Additions	**64**	924	**39**	912
Disposals	**(147)**	(294)	**(144)**	(281)
Reclassification	**(20)**	-	**(20)**	-
Depreciation charges for the year	**(126)**	(105)	**(126)**	(105)
Impairment losses	**(188)**	(14)	**(186)**	(14)
Balance at December 31, net of accumulated depreciation and impairment	**P 3,725**	P 4,142	**P 3,580**	P 4,017

As of December 31, 2020 and 2019, there is no restriction on the realizability of investment properties or the remittance of income and proceeds of disposal therefrom.

14.1 Additions and Disposals of Investment Properties

The Group and the Parent Company foreclosed real and other properties totaling P64 and P39, respectively, in 2020, and P924 and P912, respectively, in 2019, in settlement of certain loan accounts.

As of December 31, 2020, and 2019, foreclosed investment properties still subject to redemption period by the borrowers amounted to P409 and P297, respectively, for the Group and P407 and P213, respectively, for the Parent Company.

The total gain recognized by the Group and the Parent Company from disposals of investment properties amounted to P23 and P20, respectively, in 2020, and P211 for both the Group and Parent Company in 2019, which is presented as part of Gains on assets sold under Miscellaneous Income account in the statements of profit or loss (see Note 25.1).

14.2 Income and Expenses from Investment Properties Held for Rental

The Group and Parent Company earned rental income from investment properties amounting to P215 in 2020, P275 in 2019 and P414 in 2018, and are presented as part of Rentals under Miscellaneous Income account in the statements of profit or loss [see Notes 25.1 and 28.5(a)]. Expenses incurred by the Group and Parent Company in relation to the investment properties include taxes and licenses amounting to P6 and P5, respectively, in 2020, P20 and P17, respectively, in 2019 and P54 and P32, respectively, in 2018.

15. OTHER RESOURCES

Other resources consist of the following:

		Group		Parent Company	
	Notes	**2020**	2019	**2020**	2019
Assets held-for-sale and disposal group	15.3	**P 4,182**	P 3,206	**P 3,648**	P 2,666
Creditable withholding taxes		**2,154**	2,393	**2,148**	2,371
Software – net	15.2	**1,184**	902	**1,175**	895
Prepaid expenses	15.4	**1,003**	883	**856**	733
Branch licenses	15.1	**1,000**	1,000	**1,000**	1,000
Refundable and other deposits		**720**	739	**713**	737
Unused stationery and supplies		**311**	354	**300**	345
Goodwill	15.5	**426**	426	**269**	269
Deferred charges		**176**	179	**153**	177
Returned checks and other cash items		**155**	90	**155**	90
Margin deposits	15.6	**17**	40	**17**	40
Miscellaneous	15.7	**1,012**	1,119	**1,125**	791
		12,340	11,331	**11,559**	10,114
Allowance for impairment	15.5, 16	**(802)**	(723)	**(670)**	(591)
		P 11,538	P 10,608	**P 10,889**	P 9,523

15.1 Branch Licenses

Branch licenses represent the rights granted by the BSP to the Parent Company in 2015 to establish a certain number of branches in the restricted areas in the country. Branch licenses are annually tested for impairment either individually or at the cash generating unit level, as appropriate when circumstances indicate that the intangible asset may be impaired. As of December 31, 2020 and 2019, the Group has assessed that the recoverable amount of these branch licenses, which is based on the last transacted price, is higher than the carrying value; hence, no impairment loss is required to be recognized in the statements of profit or loss.

15.2 Software

A reconciliation of the carrying amounts of software at the beginning and end of 2020 and 2019 is shown below.

	Group		Parent Company	
	2020	2019	**2020**	2019
Balance at beginning of year	**P 902**	P 945	**P 895**	P 934
Additions	**591**	233	**575**	231
Amortization	**(309)**	(276)	**(295)**	(270)
	P 1,184	P 902	**P 1,175**	P 895

Amortization charges for software are included as part of Depreciation and Amortization account in the statements of profit or loss.

15.3 Assets Held-for-Sale and Disposal Group

	Group		Parent Company	
	2020	2019	**2020**	2019
Equity securities	**P 1,902**	P 1,860	**P 1,902**	P 1,860
Foreclosed automobiles	**1,599**	654	**1,488**	548
Foreclosed real properties	**681**	692	**258**	258
	4,182	3,206	**3,648**	2,666
Allowance for impairment	**(652)**	(591)	**(652)**	(591)
Balance at end of year	**P 3,530**	P 2,615	**P 2,996**	P 2,075

Assets held-for-sale represents assets that are approved by management to be immediately sold in its present condition and management believes that the sale is highly probable at the time of reclassification. These mainly include real properties, automobiles, equipment and other assets foreclosed by the Parent Company and RCBC LFC in settlement of loans.

15.3.1 HHIC Equity Securities

In May 2019, RCBC, together with other local banks, entered into a Detailed Implementing Agreement with Hanjin Heavy Industries and Construction Philippines, Inc. (HHIC-Phil), a subsidiary of Hanjin Heavy Industry Co., Ltd. (HHIC), a Korean shipbuilding company, to convert a part of the former's debt into a 20% stake in HHIC (see Note 29.7). Accordingly, in June 2019, the Bank received 7,100,129 common shares representing 8.53% ownership in HHIC in settlement of HHIC-Phil's gross outstanding loan amounting to USD63.5 million or P3,286.

As of December 31, 2020, the Korean Bank shareholders of HHIC have identified a preferred bidder for a controlling stake. Negotiations are ongoing to finalize a transaction price per share. Depending on the finalized transaction price, the Bank intends to exercise its tag-along rights to be part of the transaction. In that event, the Bank expects recovery by third quarter of 2021.

The management is committed to sell the shares and believes that the disposal of the investment will occur within 12 months after the end of the reporting period. As a result, and as required under PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, the carrying amount of the investment is at the lower of their carrying amounts, immediately prior to it classification as held-for-sale and its fair value less costs to sell.

15.3.2 Other Foreclosed Assets

In 2009, in accordance with the letter received by RCBC Savings Bank, Inc. (RSB) from BSP dated March 26, 2009, RSB reclassified certain investment properties to equity investments as its investment in subsidiaries in its separate financial statements which resulted in the inclusion of the assets, liabilities, income and expenses of the SPCs of RSB in the Group's consolidated financial statements.

The approval of the BSP through the MB is subject to the following conditions: (i) RSB should immediately dissolve the SPCs once the underlying dacioned real property assets were sold or disposed of; and, (ii) the equity investments in the SPCs shall be disposed of within a reasonable period of time.

In partial compliance with the requirements of the BSP, the management of RSB resolved that certain SPCs be disposed of through the conversion of the SPCs' existing common shares into redeemable preferred shares which shall be subsequently redeemed. Accordingly, at their special meeting held on September 30, 2013, the respective BOD and the stockholders of the SPCs approved that a portion of the common shares of the SPCs owned by RSB shall be converted to redeemable preferred shares and that for such purpose, the Articles of Incorporation of the SPCs below have been amended. The amendment was approved by the SEC on November 28, 2013. The involved SPCs are as follows:

(a) Goldpath Properties Development Corporation
(b) Eight Hills Property and Development Corporation
(c) Crescent Park Property and Development Corporation
(d) Niceview Property and Development Corporation
(e) Lifeway Property and Development Corporation
(f) Gold Place Properties Development Corporation
(g) Princeway Properties Development Corporation
(h) Greatwings Properties Development Corporation
(i) Top Place Properties Development Corporation
(j) Crestview Properties Development Corporation
(k) Best Value Property and Development Corporation

On December 23, 2013, the BOD of RSB approved the foregoing SPCs' redemption of the SPCs' respective preferred shares for a total consideration of P1,555. This transaction resulted in the recognition of a redemption loss by RSB amounting to P185 which is reported in the 2013 consolidated financial statements of the Group as part of Other Reserves account pending the eventual retirement of these redeemable preferred shares. On May 30, 2014 and on October 16, 2014, the retirement of the preferred shares was approved by the BOD and SEC, respectively; hence, the retirement of shares was executed by RSB. Consequently, the amount of the redemption loss was transferred directly to Surplus account from Other Reserves account as the redemption of shares of these SPCs is considered transaction between owners within the Group (see Note 23.8).

In relation to the SPCs disposal plan and to fully comply with the requirements of the BSP, the BOD of RSB has approved in its meeting held on May 30, 2014 the shortening of the corporate life of these SPCs until December 31, 2015 which was approved by the SEC in various dates during the last quarter of 2014. In 2019, the Group has completed the liquidation of the operations of SPCs. NPHI and Cajel are retained by the Parent Company and are presented under Investment in Subsidiaries and Associates account (see Note 12).

15.4 Prepaid Expenses

Prepaid expenses include prepayments for insurance, taxes and licenses, and software maintenance.

15.5 Goodwill

The Parent Company recognized goodwill amounting to P269 which arose from its acquisition of the net assets of another bank in 1998 from which it had expected future economic benefits and synergies that will result from combining the operations of the acquired bank.

Goodwill is subject to annual impairment testing and whenever there is an indication of impairment. In 2020 and 2019, the Parent Company engaged a third party consultant to perform an independent impairment testing of goodwill. The recoverable amount of the CGU has been based on Value-in-Use (VIU) calculation using the cash flow projections from financial budgets approved by the Parent Company's senior management covering a five-year period. Key assumptions in VIU calculation of CGUs are most sensitive to discount rates and growth rates used to project cash flows. Future cash flows and growth rates were based on experience, strategies developed, and prospects.

The discount rate used for the computation of the net present value is the cost of equity and was determined by reference to comparable entities within the industry. In 2020 and 2019, the discount rate applied to cash flow projections is 8.28% and 12.89% respectively, while the growth rate used to extrapolate cash flows beyond five-year period is 6.47% and 6.41% for 2020 and 2019, respectively. On the basis of the report of the third-party consultant dated January 21, 2021 and February 4, 2020 with valuation date as of the end of 2020 and 2019 respectively, the Group has assessed that the recoverable amount of the goodwill is higher than its carrying value. Accordingly, no impairment loss is required to be recognized in the statements of profit or loss in both years.

In addition, the goodwill pertaining to the acquisition of Rizal Microbank amounting to P157 million was fully provided with impairment in 2011.

15.6 Margin Deposits

Margin deposits serve as security for outstanding financial market transactions and other liabilities. These are designed to provide additional credit risk protection for counterparty exposures.

15.7 Miscellaneous

Miscellaneous account includes various deposits, advance rentals, service provider fund, trading right and other assets.

16. ALLOWANCE FOR EXPECTED CREDIT LOSS AND IMPAIRMENT

Changes in the amounts of allowance for impairment are summarized below.

		Group		Parent Company	
	Notes	**2020**	2019	**2020**	2019
Balance at beginning of year					
Loans and receivables	11	**P 13,430**	P 10,291	**P 12,726**	P 9,689
Investment securities at amortized cost	10.3	**142**	138	**49**	49
Investment properties	14	**52**	92	**23**	65
Other resources	15	**723**	237	**591**	70
		14,347	10,758	**13,389**	9,873
Impairment losses – net:					
Loans and receivables	11	**9,093**	6,773	**8,672**	6,553
Investment securities at amortized cost	10.3	**1**	4	**-**	-
Loan commitments		**14**	4	**14**	23
Investment properties	14	**188**	14	**186**	14
Other resources	15	**79**	602	**79**	602
		9,375	7,397	**8,951**	7,192
Charge-offs and other adjustments during the year		**(3,274)**	(3,808)	**(2,961)**	(3,676)
Balance at end of year					
Loans and receivables	11	**19,193**	13,430	**18,363**	12,726
Investment securities at at amortized cost	10.3	**142**	142	**48**	49
Investment properties	14	**311**	52	**298**	23
Other resources	15	**802**	723	**670**	591
		P 20,448	P 14,347	**P 19,379**	P 13,389

17. DEPOSIT LIABILITIES

The following is the breakdown of deposit liabilities (see also Note 28.2):

	Group		Parent Company	
	2020	2019	**2020**	2019
Demand	**P 107,172**	P 70,523	**P 108,445**	P 70,971
Savings	**195,164**	179,247	**195,394**	179,418
Time	**227,370**	198,629	**226,827**	198,022
Long-term Negotiable Certificate of Deposits (LTNCD)	**6,082**	8,182	**6,082**	8,182
	P 535,788	P 456,581	**P 536,748**	P 456,593

The Parent Company's LTNCD as of December 31 are as follows:

Issuance Date	Maturity Date	Coupon Interest	Outstanding Balance 2020	Outstanding Balance 2019
September 28, 2018	March 28, 2024	5.50%	**P 3,580**	P 3,580
August 11, 2017	February 11, 2023	3.75%	**2,502**	2,502
December 19, 2014	June 19, 2020	4.13%	**-**	2,100
			P 6,082	P 8,182

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

The Group's deposit liabilities bear annual interest as follows:

	2020	2019	2018
Demand, Savings and Time deposits	**0.10% - 5.00%**	0.10% - 4.50%	0.11% - 3.28%

The total interest expense incurred by the Group and the Parent Company on deposit liabilities are as follows:

	Group		
	2020	2019	2018
Demand	**P 327**	P 217	P 199
Savings	**503**	449	491
Time	**4,118**	7,149	4,824
LTNCD	**340**	811	781
	P 5,288	P 8,626	P 6,295

	Parent Company		
	2020	2019	2018
Demand	**P 335**	P 220	P 201
Savings	**504**	451	469
Time	**4,086**	7,116	4,824
LTNCD	**340**	811	781
	P 5,265	P 8,598	P 6,275

Under existing BSP regulations, non-FCDU deposit liabilities, including tax exempt LTNCDs, of the Parent Company and Rizal Microbank is subject to reserve requirement of 18% and 8%, respectively, at the start of 2019 until May 30, 2019. In 2019, BSP reduced the reserve requirements for both the Parent Company and Rizal Microbank effective May 31, June 28, July 26, November 1 and December 6 by 100 basis points, 50 basis points, 50 basis points, 100 basis points and another 100 basis points, respectively. From December 6, 2019 until March 29, 2020, the Parent Company and Rizal Microbank are subject to reserve requirement equivalent to 14% and 4%, respectively.

BSP further cut down the reserve requirement for both the Parent Company and Rizal Microbank by 200 basis points effective March 30, 2020 and another cut of 100 basis points for Rizal Microbank effective July 31, 2020. As of December 31, 2020, reserve requirement ratio for the Parent Company and Rizal Microbank is at 12% and 3%, respectively. Peso-denominated LTNCDs of the Parent Company are subject to reserve requirement equivalent of 4% in 2020 and 2019. As of December 31, 2020 and 2019, the Group is in compliance with such regulatory reserve requirements.

Under BSP Circular No. 1063, *Reduction in Reserve Requirements*, cash in vault and regular reserve deposit accounts with BSP are excluded as eligible forms of compliance for the reserve requirements. The required reserve shall only be kept in the form of demand deposit accounts with the BSP. Available reserves consist of Due from BSP amounting to P43,002, P52,243 and P51,409 for the Group and P41,583, P51,502 and P49,975 for the Parent Company as of December 31, 2020, 2019 and 2018, respectively (see Note 9).

18. BILLS PAYABLE

This account consists of borrowings from:

	Group		Parent Company	
	2020	2019	**2020**	2019
Foreign banks	**P 4,183**	P 68,795	**P 4,183**	P 68,795
Local banks	**8,983**	32,810	**16**	25,142
Others	**1**	1	**1**	1
	P 13,167	P 101,606	**P 4,200**	P 93,938

Borrowings from foreign and local banks are subject to annual fixed interest rates as follows:

	2020	2019	2018
Group			
Peso denominated	**4.66% - 4.96%**	2.00% - 7.35%	1.06% - 4.50%
Foreign currency denominated	**0.22% - 0.54%**	0.04% - 2.68%	1.06% - 3.46%
Parent Company			
Peso denominated	**4.66% - 4.96%**	-	-
Foreign currency denominated	**0.22% - 0.54%**	0.04% - 2.68%	1.06% - 3.46%

The total interest expense incurred by the Group on the bills payable amounted to P933 in 2020, P2,069 in 2019 and P1,541 in 2018. The total interest expense incurred by the Parent Company on the bills payable amounted to P434 in 2020, P1,606 in 2019 and P1,204 in 2018.

As of December 31, 2020 and 2019, bills payable availed under repurchase agreements amounting to P4,199 and P75,771 are secured by the Group and Parent Company's investment securities.

19. BONDS PAYABLE

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

Issuance Date	Maturity Date	Coupon Interest	Face Value (in millions)		Outstanding Balance 2020	Outstanding Balance 2019
July 27, 2020	July 27, 2022	3.25%	P	16,616	**P 16,616**	P -
April 7, 2020	April 7, 2022	4.85%	P	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	3.00%	$	300	**14,362**	15,137
June 4, 2019	June 4, 2021	6.15%	P	8,000	**8,000**	8,000
February 1, 2019	August 1, 2020	6.73%	P	15,000	**-**	15,000
March 15, 2018	March 16, 2023	4.13%	$	450	**21,540**	22,681
November 2, 2015	February 2, 2021	3.45%	$	320	**15,367**	16,192
January 21, 2015	January 22, 2020	4.25%	$	243	**-**	12,304
					P 90,439	P 96,814

In July 27, 2020, the Parent Company issued unsecured Peso-denominated Senior Notes with principal amount and outstanding balance as of December 31, 2020 of P16,616 bearing an interest of 3.25% per annum, payable in arrears on January 27, April 27, July 27 and October 27. The senior notes will mature on July 27, 2022.

In April 7, 2020, the Parent Company issued unsecured Peso-denominated Senior Notes with principal amount and outstanding balance as of December 31, 2020 of P7,054 bearing an interest of 4.85% per annum, payable quarterly in arrears on January 7, April 7, July 7 and October 7. The senior notes will mature on April 7, 2022.

In November 2019, the Parent Company issued unsecured Peso-denominated Senior Notes with principal amount and outstanding balance as of December 31, 2020 and 2019, of P7,500 bearing an interest of 4.43% per annum, payable quarterly in arrears on February 13, May 13, August 13 and November 13. The senior notes will mature on November 13, 2022.

In September 2019, the Parent Company issued unsecured US$-denominated Senior Notes with principal amount of US$300 bearing an interest of 3.00% per annum, payable semi-annually in arrears every March 11 and September 1 of each year. The senior notes, unless redeemed, will mature on September 11, 2024. As of December 31, 2020 and 2019, the peso equivalent of this outstanding bond issue amounted to P14,362 and P15,137, respectively.

In June 2019, the Parent Company issued unsecured Peso-denominated Senior Notes with principal amount and outstanding balance as of December 31, 2020 and 2019 of P8,000 bearing an interest of 6.15% per annum, payable quarterly in arrears every March 4, June 4, September 4 and December 4 of each year. The senior notes, unless redeemed, will mature on June 4, 2021.

In February 2019, the Parent Company issued unsecured Peso-denominated Senior Notes with principal amount and outstanding balance as of December 31, 2019 of P15,000 bearing an interest of 6.73% per annum, payable quarterly in arrears on February 1, May 1, August 1 and November 1. The senior note matured on August 1, 2020.

In March 2018, the Parent Company issued unsecured US$-denominated Senior Notes with principal amount of US$450 bearing an interest of 4.13% per annum, payable semi-annually in arrears every March 16 and September 16 of each year. The senior notes, unless redeemed, will mature on March 16, 2023. As of December 31, 2020, and 2019, the peso equivalent of this outstanding bond issue amounted to P21,540 and P22,681, respectively.

In November 2015, the Parent Company issued unsecured US$-denominated Senior Notes with principal amount of US$320 bearing an interest of 3.45% per annum, payable semi-annually in arrears every May 2 and November 2 of each year. The senior notes, unless redeemed, will mature on February 2, 2021. As of December 31, 2020, and 2019, the peso equivalent of this outstanding bond issue amounted to P15,367 and P16,192, respectively.

In January 2015, the Parent Company issued unsecured US$ denominated Senior Notes with principal amount of US$243 bearing an interest of 4.25% per annum, payable semi-annually in arrears every January 21 and July 21 of each year, which commenced on July 21, 2015. As of December 31, 2019, the peso equivalent of this outstanding bond issue amounted to P12,304. The senior notes matured on January 22, 2020.

Unamortized bond premium/discount amounted to P116, P170, and P174 as of December 31, 2020, 2019 and 2018, respectively. The related amortization of unamortized bond premium/discounts is recorded as part of Interest Expense in the statements of profit or loss.

The interest expense incurred on these bonds payable amounted to P4,023 in 2020, P3,550 in 2019, and P1,911 in 2018. The Group and Parent Company recognized foreign currency exchange gains related to these bonds payable amounting to P2,712 and P2,031 in 2020 and 2019 while foreign currency exchange losses amounting to P1,489 was incurred in 2018. Foreign currency exchange losses are netted against Foreign exchange gains presented under Other Operating Income account in the statements of profit or loss.

20. SUBORDINATED DEBT

On June 27, 2014, the Parent Company issued P7 billion Basel III-compliant Tier 2 Capital Notes (the "Tier 2 Notes") which shall be part of the Group's regulatory capital compliance in accordance with Basel III capital guidelines of the BSP. The Parent Company re-opened the Tier 2 Notes and issued an additional P3 billion of the Notes on September 5, 2014, which constituted a further issuance of, and formed a single series with the existing P7,000 Tier 2 Notes.

The significant terms and conditions of the Tier 2 Notes with an aggregate issue amount of P10,000, are as follows:

(a) The Tier 2 Notes shall mature on September 27, 2024, provided that they are not redeemed at an earlier date.

(b) Subject to satisfaction of certain regulatory approval requirements, the Parent Company may, on September 26, 2019, and on any Interest Payment Date thereafter, redeem all of the outstanding Tier 2 Notes at redemption price equal to 100% of its face value together with accrued and unpaid interest thereon. The terms and conditions of the Tier 2 Notes also allow for early redemption upon the occurrence of a Tax Redemption Event or a Regulatory Redemption Event.

(c) The Tier 2 Notes shall initially bear interest at the rate of 5.375% per annum from and including June 27, 2014 to but excluding September 27, 2019 and shall be payable quarterly in arrears at the end of each interest period on March 27, June 27, September 27 and December 27 of each year.

(d) Unless the Tier 2 Notes are previously redeemed, the initial interest rate will be reset on September 26, 2019 at the equivalent of the five-year PDST-R2 or the relevant five-year benchmark plus the initial spread of 1.93% per annum. Such reset interest shall be payable quarterly in arrears commencing on September 27, 2019 up to and including September 27, 2024, if not otherwise redeemed earlier.

(e) The Tier 2 Notes have a loss absorption feature which means the notes are subject to a Non-Viability Write-Down in case of the occurrence of a Non-Viability Event, subject to certain conditions as set out in the terms and conditions of the notes, when the Issuer is considered non-viable as determined by the BSP. Non-Viability is defined as a deviation from a certain level of CET1 ratio or the inability of the Issuer to continue business (closure) or any other event as determined by the BSP, whichever comes earlier. Upon the occurrence of a Non-Viability Event, the Issuer shall write-down the principal amount of the notes to the extent required by the BSP, which could go as low as zero. A Non-Viability Write-Down shall have the following effects:

(i) it shall reduce the claim on the notes in liquidation;
(ii) reduce the amount re-paid when a call or redemption is properly exercised; and,
(iii) partially or fully reduce the interest payments on the notes.

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

The total interest expense incurred by the Group and Parent Company on the notes amounted to P471 in 2019 and P555 in 2018.

21. ACCRUED INTEREST, TAXES AND OTHER EXPENSES

The composition of this account follows:

	Group		Parent Company	
	2020	2019	**2020**	2019
Accrued expenses	**P 4,106**	P 3,734	**P 3,919**	P 3,481
Accrued interest	**1,287**	2,285	**1,277**	2,277
Taxes payable	**507**	183	**489**	140
	P 5,900	P 6,202	**P 5,685**	P 5,898

Accrued expenses represent mainly the accruals for utilities, employee benefits and other operating expenses. Accrued interest primarily includes unpaid interest on deposit liabilities, bills payable, bonds payable and subordinated debt at the end of each reporting period.

22. OTHER LIABILITIES

Other liabilities consist of the following:

		Group		Parent Company	
	Notes	**2020**	2019	**2020**	2019
Accounts payable	28.5(b)	**P 8,811**	P 6,684	**P 8,231**	P 6,281
Lease liabilities		**4,385**	2,877	**4,319**	2,797
Post-employment defined benefit obligation	24.2	**2,993**	3,260	**2,953**	3,243
Outstanding acceptances payable		**2,417**	1,464	**2,417**	1,464
Derivative financial liabilities	10.1	**1,484**	863	**1,484**	863
Manager's checks		**1,150**	1,434	**1,150**	1,434
Bills purchased – contra		**915**	3,383	**915**	3,383
Deposit on lease contracts		**621**	397	**91**	82
Sundry credits		**478**	210	**478**	210
Other credits		**446**	300	**446**	300
Withholding taxes payable		**220**	293	**212**	283
Payment orders payable		**194**	671	**194**	671
Unearned income		**152**	233	**135**	214
ECL provisions on loan commitments	4.4.9(c)	**139**	125	**139**	125
Advance rentals		**74**	71	**74**	71
Due to BSP		**49**	26	**49**	26
Guaranty deposits		**20**	115	**20**	115
Miscellaneous		**886**	620	**851**	551
		P 25,434	P 23,026	**P 24,158**	P 22,113

Accounts payable is mainly composed of prepaid card balances of customers, settlement billing from credit card operations and the Group's expenditure purchases which are to be settled within the next reporting period.

The Group and the Parent Company have elected not to recognize lease liabilities for short-term leases or leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred.

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities at December 31, 2020 and 2019 are as follows:

	Within 1 Year	One to Two Years	Two to Three Years	Total
2020:				
Group				
Lease payments	P 1,058	P 2,674	P 898	P 4,630
Finance charges	(101)	(103)	(41)	(245)
Net present value	**P 957**	**P 2,571**	**P 857**	**P 4,385**
Parent Company				
Lease payments	P 1,012	P 2,554	P 976	P 4,542
Finance charges	(91)	(89)	(43)	(223)
Net present value	**P 921**	**P 2,465**	**P 933**	**P 4,319**
2019:				
Group				
Lease payments	P 1,022	P 1,596	P 705	P 3,323
Finance charges	(156)	(198)	(92)	(446)
Net present value	P 866	P 1,398	P 613	P 2,877
Parent Company				
Lease payments	P 994	P 1,551	P 674	P 3,219
Finance charges	(154)	(186)	(82)	(422)
Net present value	P 840	P 1,365	P 592	P 2,797

As of December 31, 2020, the Parent Company and RCBC Realty Corporation have committed to renew the terms for the lease of RCBC Plaza's several floors. The amendments in the terms include a new rental rate and extended term of five years set to commence on January 1, 2021.

Total cash outflow in respect of leases in 2020 and 2019 amounted to P1,173 and P1,186, respectively, for the Group, and P1,113 and P1,086, respectively, for the Parent Company. Interest expense in relation to lease liabilities in 2020 and 2019 amounted to P165 and P221, respectively, for the Group, and P162 and P222, respectively, for the Parent Company and is presented as part of Interest expense in the statements of profit or loss.

Miscellaneous liabilities include unclaimed balances for deposits and other miscellaneous liabilities.

Interest expense incurred on other liabilities for 2020 and 2019 amounted to P83 and P203 for the Group, and P81 and P187 for the Parent Company, respectively.

23. EQUITY

23.1 Capital Stock

The movements in the outstanding capital stock of the Parent Company are as follows:

	Number of Shares		
	2020	2019	2018
Preferred stock – voting, non-cumulative non-redeemable, participating, convertible into common stock – P10 par value			
Authorized – 200,000,000 shares			
Issued and outstanding			
Balance at beginning of year	**267,410**	267,887	276,845
Conversion of shares during the year	**-**	(477)	(8,958)
Balance at end of year	**267,410**	267,410	267,887
Common stock – P10 par value			
Authorized:			
Balance at beginning of year	**2,600,000,000**	2,600,000,000	1,400,000,000
Increase during the year	**-**	-	1,200,000,000
Balance at end of year	**2,600,000,000**	2,600,000,000	2,600,000,000
Issued and outstanding:			
Balance at beginning of year	**1,935,628,896**	1,935,628,775	1,399,916,364
Issuance of shares during the year	**-**	-	535,710,378
Conversion of shares during the year	**-**	121	2,033
Balance at end of year	**1,935,628,896**	1,935,628,896	1,935,628,775

As of December 31, 2020, and 2019, there are 748 and 750 holders, respectively, of the Parent Company's listed shares holding an equivalent of 100.00% of the Parent Company's total issued and outstanding shares. Such listed shares closed at P18.88 per share and P23.00 per share as of December 31, 2020 and 2019, respectively.

In 1986, the Parent Company listed its common shares with the PSE. The historical information on the Parent Company's issuance of common shares arising from the initial and subsequent public offerings, including private placements is presented below.

Issuance	Subscriber	Issuance Date	Number of Shares Issued
Initial public offering	Various	November 1986	1,410,579
Stock rights offering	Various	April 1997	44,492,908
Stock rights offering	Various	July 1997	5,308,721
Stock rights offering	Various	August 1997	830,345
Stock rights offering	Various	January 2002	167,035,982
Stock rights offering	Various	June 2002	32,964,018
Follow-on offering	Various	March 2007	210,000,000
Private placement	International Finance Corporation (IFC)	March 2011	73,448,275
Private placement	Hexagon Investments B.V.	September 2011	126,551,725
Private placement	PMMIC	March 2013	63,650,000
Private placement	IFC Capitalization Fund	April 2013	71,151,505
Private placement	Cathay	April 2015	124,242,272
Stock rights offering	Various	July 2018	535,710,378

On May 29, 2006, the Parent Company's stockholders approved the issuance of up to 200,000,000 convertible preferred shares with a par value of P10 per share, subject to the approval, among others, by the PSE. The purpose of the issuance of the convertible preferred shares is to raise the Tier 1 capital pursuant to BSP regulations, thereby strengthening the capital base of the Parent Company and allowing it to expand its operations. On February 13, 2007, the PSE approved the listing application of the underlying common shares for the 105,000 convertible preferred shares, subject to the compliance of certain conditions of the PSE.

Preferred shares have the following features:

(a) Entitled to dividends at floating rate equivalent to the three-month London Interbank Offered Rate plus a spread of 2.0% per annum, calculated quarterly;

(b) Convertible to common shares at any time after the issue date at the option of the Parent Company at a conversion price using the adjusted net book value per share of the Parent Company based on the latest available financial statements prepared in accordance with PFRS, adjusted by local regulations;

(c) Non-redeemable; and,

(d) Participating as to dividends on a pro rata basis with the common stockholders in the surplus of the Parent Company after dividend payments had been made to the preferred shareholders.

On June 28, 2010, the Parent Company's stockholders owning or representing more than two-thirds of the outstanding capital stock confirmed and ratified the approval by the majority of the BOD on their Executive Session held on May 21, 2010, the proposed increase in Parent Company's authorized capital stock and removal of pre-emptive rights from holders of capital stock, whether common or preferred, to subscribe for or to purchase any shares of stock of any class, by amending the Parent Company's Articles of Incorporation.

The proposed P16,000 authorized capital stock is divided into the following classes of stocks:

(a) 1,400,000,000 common shares with a par value of ten pesos (P10.00) per share.

(b) 200,000,000 preferred shares with a par value of ten pesos (P10.00) per share.

The removal of pre-emptive rights was approved by the BSP and SEC on October 20, 2010 and November 4, 2010, respectively. On the other hand, the increase in authorized capital stock of the Parent Company was approved by the BSP and SEC on August 24, 2011 and September 16, 2011, respectively.

Common shares may be transferred to local and foreign nationals and shall, at all times, not be less than 60% and not more than 40% of the voting stock, be beneficially owned by local nationals and by foreign nationals, respectively.

23.2 Issuance of Common Shares

On July 22, 2019, the effective date of merger, the Parent Company issued 315,287,248 common shares in exchange of the transfer of net assets of RSB at carrying value. The Parent Company recognized P10,507 as additional paid-in capital, which pertains to the difference between the par value of the shares issued and the carrying value of the net assets of RSB.

On November 27, 2017, the BOD of the Parent Company approved the increase in the Parent Company's authorized capital through the increase in the authorized common stock from 1,400,000,000 shares to 2,600,000,000 shares at P10 par value per share or for a total capital stock of P14,000 to P26,000. The BOD also approved the amendment of the Parent Company's Articles of Incorporation for the principal purpose of reflecting the said increase in authorized capital. These resolutions were approved by the Parent Company's stockholders representing at least two-thirds of its outstanding capital stock in a special meeting held on January 29, 2018. In the same meeting, the Parent Company's BOD approved the stock rights offering (Rights Offer) to be subscribed out of the increase in the authorized capital. The increase in authorized capital stock and the Rights Offer were approved by the BSP and SEC on June 29, 2018 and July 4, 2018, respectively. The offering of the stock rights representing 535,710,378 common shares (with equivalent amount of P5,357) occurred from June 25 to June 29, 2018 and the shares were listed at the PSE on July 16, 2018 (see Note 27). The Rights Offer and issuance generated P15,000 proceeds, reduced by P217 issue costs; hence, resulting in P9,426 excess of consideration received over par value recognized in Capital Paid in Excess of Par account in the 2018 consolidated statement of changes in equity.

In 2015, the Parent Company issued common shares to Cathay at P64 per share for a total issue price of P7,951. This issuance resulted in the recognition of Capital Paid in Excess of Par amounting to P6,709 reduced by the total issuance cost of P222. The acquisition involves Cathay: (i) acquiring from Hexagon Investments B.V., an entity controlled by funds managed by CVC Asia Pacific Limited, 118,935,590 secondary shares at P64 per share, pursuant to a Sale and Purchase Agreement; (ii) acquiring 36,724,138 secondary common shares from IFC Capitalization Fund also at P64 per share, pursuant to a Sale and Purchase Agreement; and, (iii) entering into a shareholders agreement with PMMIC and the Parent Company.

In 2013, the Parent Company issued common shares to PMMIC and IFC Capitalization Fund at P64 and P58 per share for a total issue price of P4,074 and P4,127, respectively. These issuances resulted in the recognition of Capital Paid in Excess of Par amounting to P3,437 and P3,415, respectively, reduced by total issuance costs of P101.

23.3 Treasury Shares

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

On September 23, 2011, the Parent Company issued 5,821,548 common shares (equivalent of 18,082,311 preferred shares and with total par value of P58) from the treasury account reissuance (with total cost of P182) and an additional 120,730,177 common stock (with total par value of P1,207) from unissued portion of the increase in authorized capital stock on September 23, 2011 to Hexagon Investments B.V. that is equivalent to approximately 15.00% of the outstanding common shares. The issuance resulted in the recognition of additional Capital Paid in Excess of Par amounting to P2,264.

On March 17, 2011, the Parent Company issued 73,448,275 common shares, comprising of 50,427,931 treasury shares reissuance (with total cost of P771) and 23,020,344 unissued stock (with total par value of P230), to IFC Capitalization Fund for a total consideration of P2,130 representing 7.20% ownership interest. The issuance resulted in the recognition of additional Capital Paid in Excess of Par amounting to P1,078.

23.4 Hybrid Perpetual Securities

In 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 December 31, 2020, 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.

23.5 Surplus and Dividend Declarations

The details of the cash dividend distributions follow:

Date	Dividend			Date Approved		Date
Declared	Per Share	Total Amount	Record Date	by BOD	by BSP	Paid/Payable
January 29, 2018	0.0919	0.02	March 21, 2018	January 29, 2018	March 1, 2018	March 28, 2018
March 26, 2018	0.0616	862.35	June 21, 2018	March 26, 2018	April 5, 2018	May 7, 2018
March 26, 2018	0.0616	0.17	April 27, 2018	March 26, 2018	April 5, 2018	May 7, 2018
April 30, 2018	0.1080	0.03	April 27, 2018	April 30, 2018	June 14, 2018	June 25, 2018
July 30, 2018	0.1108	0.03	September 21, 2018	July 30, 2018	September 4, 2018	September 24, 2018
November 26, 2018	0.0111	0.03	December 21, 2018	November 26, 2018	*	December 28, 2018
February 26, 2019	0.1205	0.03	March 21, 2019	February 26, 2019	*	March 25, 2019
April 29, 2019	0.4460	863.29	May 15, 2019	April 29, 2019	*	May 29, 2019
April 29, 2019	0.4460	0.12	May 15, 2019	April 29, 2019	*	May 29, 2019
May 27, 2019	0.1166	0.03	June 21, 2019	May 27, 2019	*	June 26, 2019
August 27, 2019	0.1121	0.03	September 21, 2019	August 27, 2019	*	September 24, 2019
November 25, 2019	0.1051	0.03	December 21, 2019	November 25, 2019	*	December 26, 2019
February 24, 2020	0.0993	0.03	February 26, 2020	February 24, 2020	*	April 1, 2020
May 26, 2020	0.0808	0.02	May 27, 2020	May 26, 2020	*	June 24, 2020
May 26, 2020	0.5560	1,076.21	May 28, 2020	May 26, 2020	*	June 24, 2020
May 26, 2020	0.5560	0.15	May 28, 2020	May 26, 2020	*	June 24, 2020
September 1, 2020	0.0589	0.02	September 17, 2020	September 1, 2020	*	September 24, 2020
December 1, 2020	0.0563	0.02	December 2, 2020	December 1, 2020	*	January 7, 2021

** Not applicable; BSP approval not anymore required during these periods*

In 2015, the BSP, through the MB, approved the liberalized rules for banks and quasi-banks on dividend declaration. The policy requires that dividend declaration be immediately recognized as a liability upon the approval of the BOD and that it be disclosed in the statement of changes in equity.

A portion of the Parent Company's surplus corresponding to the equity in net earnings of certain subsidiaries and associates totaling P11,286 and P11,356 as of December 31, 2020 and 2019, respectively, and treasury shares of the Parent Company amounting to P13,719 are not currently available for distribution as dividends.

23.6 Revaluation Reserves

The components and reconciliation of items of other comprehensive income presented in the statements of changes in equity of the Group and Parent Company at their aggregate amount under Revaluation Reserves account are shown below.

	Revaluation of Financial Assets at FVOCI	Accumulated Translation Adjustments on Foreign Operations	Actuarial Gains (Losses) on Defined Benefit Plan	Total
Balance as of January 1, 2020	P 895	P 53	(P 3,141)	(P 2,193)
Actuarial gains on defined benefit plan	-	-	353	353
Fair value loss on financial assets at FVOCI	(231)	-	-	(231)
Translation adjustments on foreign operations	-	1	-	1
Other comprehensive loss	(231)	1	353	123
Balance as of December 31, 2020	**P 664**	**P 54**	**(P 2,788)**	**(P 2,070)**
Balance as of January 1, 2019	P 1,556	P 53	(P 1,343)	P 266
Actuarial losses on defined benefit plan	-	-	(1,798)	(1,798)
Fair value loss on financial assets at FVOCI	(702)	-	-	(702)
Other comprehensive loss	(702)	-	(1,798)	(2,500)
Transfer from fair value loss on financial asset at FVOCI to Surplus	41	-	-	41
Balance as of December 31, 2019	P 895	P 53	(P 3,141)	(P 2,193)
Balance as of January 1, 2018	P 2,425	P 85	(P 80)	P 2,430
Actuarial losses on defined benefit plan	-	-	(1,263)	(1,263)
Fair value loss on financial assets at FVOCI	(869)	-	-	(869)
Reversal of cumulative translation adjustment on dissolution of a foreign subsidiary	-	(32)	-	(32)
Other comprehensive loss	(869)	(32)	(1,263)	(2,164)
Balance as of December 31, 2018	P 1,556	P 53	(P 1,343)	P 266

23.7 Appropriation for General Loan Loss Reserves

Pursuant to the requirements of the BSP under Circular No. 1011, the Group shall recognize general loan loss provisions equivalent to one percent of all outstanding loans as of the end of the reporting period, except for accounts considered as credit risk-free under the existing BSP regulations. In cases when the computed allowance for ECL on those exposures is less than one percent of the general loan loss provisions required, the deficiency is recognized through appropriation from the Group's available Surplus. Such appropriation is considered as Tier 2 capital subject to the limit provided under the CAR framework. The outstanding balance of appropriation for General Loan Loss Reserves as of December 31, 2020 and 2019 amounted to P3,451 and P3,132 for the Group, and P3,440 and P3,130 for the Parent Company, respectively. The additional appropriation made in 2020 amounted to P319 and P310, for the Group and Parent Company, respectively .

23.8 Other Reserves

As of December 31, 2020 and 2019, this account consists of reserves arising from the acquisitions of RCBC LFC and Rizal Microbank for a total of P97.

24. EMPLOYEE BENEFITS

24.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and other employee benefits are shown below.

	Group					
	2020		2019		2018	
Short-term employee benefits	**P**	**6,167**	P	6,470	P	6,034
Post-employment defined benefits		**459**		363		528
	P	**6,626**	P	6,833	P	6,562

	Parent Company					
	2020		2019		2018	
Short-term employee benefits	**P**	**5,468**	P	5,782	P	5,534
Post-employment defined benefits		**428**		327		393
	P	**5,896**	P	6,109	P	5,927

24.2 Post-employment Defined Benefit Plan

(a) Characteristics of the Defined Benefit Plan

The Parent Company and certain subsidiaries maintain a funded, tax-qualified, non-contributory post-employment benefit plan that is being administered by the Parent Company's Trust and Investment Group (TIG), covering all regular full-time employees. The Parent Company's TIG manages the fund in coordination with the Parent Company's Retirement Plan Committee (RPC), Trust Committee and the respective committees of the subsidiaries which act in the best interest of the plan assets and are responsible for setting the investment policies.

The normal retirement age of the Group's employees ranges between 55 to 60 but the plan also provides for an early retirement at age 50 to 55 with a minimum of 10 to 20 years of credited service. The maximum retirement benefit is the lump sum equivalent to two months pay per year of continuous employment based on the employees' salary at retirement. Any fraction of a year shall be computed proportionately.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the post-employment benefit costs and the amount of contributions. All amounts presented below are based on the actuarial valuation reports obtained from independent actuaries in 2020 and 2019.

The amounts of post-employment benefit obligation recognized in the financial statements are determined as follows:

	Group		Parent Company	
	2020	2019	**2020**	2019
Present value of the obligation	**P 5,650**	P 6,282	**P 5,342**	P 6,029
Fair value of plan assets	**(2,657)**	(3,022)	**(2,389)**	(2,786)
Deficiency of plan assets	**P 2,993**	P 3,260	**P 2,953**	P 3,243

The Group and Parent Company's post-employment defined benefit obligation as of December 31, 2020 and 2019 are included as part of Other Liabilities account in the statements of financial position (see Note 22).

The movements in the present value of the defined benefit obligation follow:

	Group		Parent Company	
	2020	2019	**2020**	2019
Balance at beginning of year	**P 6,282**	P 4,872	**P 6,029**	P 4,556
Current and past service cost	**459**	363	**428**	327
Interest expense	**327**	311	**314**	292
Business combinations or disposals	**-**	(39)	**-**	(97)
Remeasurements – actuarial losses (gains) arising from changes in:				
– financial assumptions	**(422)**	1,418	**(443)**	1,483
– experience adjustments	**(179)**	(85)	**(172)**	(71)
– demographic assumptions	**(1)**	(6)	**-**	-
Benefits paid by the plan	**(816)**	(552)	**(814)**	(461)
Balance at end of year	**P 5,650**	P 6,282	**P 5,342**	P 6,029

The movements in the fair value of plan assets are presented below.

	Group		Parent Company	
	2020	2019	**2020**	2019
Balance at beginning of year	**P 3,022**	P 3,393	**P 2,786**	P 3,153
Interest income	**148**	241	**137**	207
Loss on plan assets (excluding amounts included in net interest)	**(241)**	(471)	**(254)**	(375)
Contributions paid into the plan	**544**	411	**534**	406
Business combinations or disposals	**-**	-	**-**	(144)
Benefits paid by the plan	**(816)**	(552)	**(814)**	(461)
Balance at end of year	**P 2,657**	P 3,022	**P 2,389**	P 2,786

The composition of the fair value of plan assets at the end of each reporting period by category and risk characteristics is shown below.

	Group		Parent Company	
	2020	2019	**2020**	2019
Cash and cash equivalents	**P 152**	P 365	**P 23**	P 315
Debt securities:				
Corporate debt securities	**509**	324	**498**	311
Government bonds	**57**	136	**-**	94
Equity securities:				
Financial intermediaries	**1,010**	1,313	**1,008**	1,224
Transportation and communication	**205**	162	**205**	155
Electricity, gas and water	**118**	128	**118**	127
Diversified holding companies	**119**	133	**94**	110
Others	**69**	12	**26**	2
Unquoted long-term equity investments	**129**	140	**129**	140
UITF	**272**	299	**272**	299
Investment properties	**4**	4	**4**	4
Loans and receivables	**6**	6	**5**	5
Others	**7**	-	**7**	-
	P 2,657	P 3,022	**P 2,389**	P 2,786

The fair values of the above debt securities and quoted equity securities are determined based on market prices in active markets. Long-term equity investments represent investment in corporations not listed in active and organized markets. Fair values are determined based on the book value per share based on latest audited financial statements of the investee company. The fair value of the UITF is determined based on the net asset value per unit of investment held in the fund.

The fair value of the plan assets is at Level 1 in the fair value hierarchy except for unquoted long-term equity investments, loans and receivables, investment properties and other investments which are at Level 3.

The net losses on plan assets are as follows:

	Group		Parent Company	
	2020	2019	**2020**	2019
Fair value losses	**(P 241)**	(P 471)	**(P 254)**	(P 375)
Interest income	**148**	241	**137**	207
Actual losses	**(P 93)**	(P 230)	**(P 117)**	(P 168)

The amounts of post-employment benefit expense recognized in the profit or loss and in other comprehensive income in respect of the defined benefit post-employment plan are determined below and in the succeeding page as follows:

	Group		
	2020	2019	2018
Reported in profit or loss:			
Current and past service cost	**P 459**	P 363	P 528
Net interest expense	**179**	70	11
	P 638	P 433	P 539

	Group		
	2020	2019	2018
Reported in other comprehensive income:			
Actuarial gains (losses) arising from changes in:			
– Financial assumptions	**P 422**	(P 1,418)	P 848
– Experience adjustments	**179**	85	(216)
– Demographic assumptions	**1**	6	9
Effect of asset ceiling test	**-**	-	(2)
Losses on plan assets (excluding amounts included in net interest)	**(241)**	(471)	(1,908)
	P 361	(P 1,798)	(P 1,269)

	Parent Company		
	2020	2019	2018
Reported in profit or loss:			
Current service costs	**P 428**	P 327	P 393
Net interest expense	**177**	85	5
	P 605	P 412	P 398
Reported in other comprehensive income:			
Actuarial gains (losses) arising from changes in:			
– Financial assumptions	**P 443**	(P 1,483)	P 690
– Experience adjustments	**172**	71	(190)
Effect of asset ceiling	**-**	-	7
Transfer from RSB	**-**	10	40
Losses on plan assets (excluding amounts included in net interest)	**(254)**	(375)	(1,885)
	P 361	(P 1,777)	(P 1,338)

Current service costs, including the effect of curtailment and past service cost, form part of Employee Benefits under the Other Operating Expenses account, while net interest expense or income is presented as part of Interest Expense – Bills Payable and Other Borrowings in the statements of profit or loss.

Amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of post-employment obligation, the following ranges of actuarial assumptions were used:

	2020	2019	2018
Group			
Discount rates	**3.67% - 4.08%**	4.95% - 5.23%	7.00% - 7.53%
Expected rate of salary increases	**2.70% - 8.00%**	3.40% - 8.00%	4.00% - 10.50%
Parent Company			
Discount rates	**3.95%**	5.23%	7.52%, 7.53%
Expected rate of salary increases	**3.00%**	5.00%	4.00%, 5.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average life expectancy of an individual retiring at the Group's normal retiring age of 60 is based on the 2001 Commissioners Standard Ordinary Mortality table, set back six years for females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to t0068e interest rates of zero coupon government bonds with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Plan

The plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) Investment and Interest Rate Risks

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan.

Currently, the plan assets of the Group are significantly invested in equity and debt securities, while the Group also invests in cash and cash equivalents and other investments. Due to the long-term nature of the plan obligation, a level of continuing equity investments is an appropriate element of the Group's long-term strategy to manage the plan efficiently.

(ii) Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants during their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Other Information

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

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31, 2020 and 2019:

	Group		
	Impact on Post-employment Defined Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
2020:			
Discount rate	**+/-1 %**	**(P 569)**	**P 663**
Salary growth rate	**+/-1 %**	**666**	**(574)**
2019:			
Discount rate	+/- 1%	(P 130)	P 746
Salary growth rate	+/- 1%	746	(646)

	Parent Company		
	Impact on Post-employment Defined Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
2020:			
Discount rate	**+/- 1%**	**(P 533)**	**P 627**
Salary growth rate	**+/- 1%**	**626**	**(542)**
2019:			
Discount rate	+/- 1%	(P 613)	P 722
Salary growth rate	+/- 1%	716	(620)

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

(ii) Asset-liability Matching Strategies

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

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

A large portion of the plan assets as of December 31, 2020 and 2019 consists of equity securities with the balance invested in fixed income securities and cash and cash equivalents. The Group believes that equity securities offer the best returns over the long term with an acceptable level of risk.

(iii) Funding Arrangements and Expected Contributions

The plan is currently underfunded by P2,993 and P2,953 for the Group and Parent Company, respectively, based on the latest funding actuarial valuations in 2020.

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

	Group		**Parent Company**	
	2020	2019	**2020**	2019
Less than one year	**P 267**	P 315	**P 264**	**P 310**
More than one year to five years	**1,256**	1,340	**1,157**	**1,230**
More than five years to ten years	**3,275**	3,604	**3,111**	**3,425**
	P 4,798	P 5,259	**P 4,532**	**P 4,965**

The Group and Parent Company expect to contribute P573 and P560, respectively, to the plan in 2021.

25. MISCELLANEOUS INCOME AND EXPENSES

These accounts consist of the following:

25.1 Miscellaneous Income

		Group		
	Notes	**2020**	2019	2018
Rentals	14.2	**P 883**	P 811	P 765
Recoveries from written off assets		**102**	179	206
Dividend income	10	**78**	304	189
Gains on assets sold – net	11, 14.1, 15.3	**37**	109	96
Others		**139**	50	292
		P 1,239	P 1,453	P 1,548

	Notes	Parent Company 2020	2019	2018
Rentals	14.2, 28.5(a)	**P 266**	P 321	P 282
Recoveries from written off assets		**99**	179	206
Dividend income	10.2	**16**	95	187
Gains on assets sold – net	14.1, 15.3	**11**	20	28
Others		**121**	3	122
		P 513	P 618	P 825

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

25.2 Miscellaneous Expenses

	Group 2020	2019	2018
Credit card-related expenses	**P 1,023**	P 1,248	P 894
Insurance	**1,017**	1,014	946
Communication and information services	**639**	596	488
Litigation/assets acquired expenses	**434**	353	228
Service and processing fees	**420**	348	223
Management and other professional fees	**413**	490	454
Advertising and publicity	**288**	278	237
Banking fees	**271**	257	227
Stationery and office supplies	**233**	223	172
Transportation and travel	**166**	264	294
Other outside services	**137**	152	139
Donation and charitable contribution	**93**	68	53
Representation and entertainment	**29**	64	43
Membership fees	**22**	26	24
Others	**1,307**	1,178	903
	P 6,492	P 6,559	P 5,325

	Parent Company		
	2020	2019	2018
Credit card-related expenses	**P 1,631**	P 1,826	P 1,486
Insurance	**1,015**	996	883
Communication and information services	**606**	569	467
Litigation/assets acquired expense	**427**	343	223
Service and processing fees	**419**	348	223
Management and other professional fees	**334**	463	421
Advertising and publicity	**286**	274	234
Banking fees	**267**	251	221
Stationery and office supplies	**228**	218	167
Transportation and travel	**155**	250	273
Other outside services	**135**	149	137
Donations and charitable contributions	**93**	68	52
Representation and entertainment	**24**	54	37
Membership fees	**16**	25	23
Others	**1,239**	1,078	901
	P 6,875	P 6,912	P 5,748

The Group's other expenses are composed of freight, various processing fees, fines and penalties, and seasonal giveaways. The Group and Parent Company's other expenses also include fees for records, facilities and management services to a related party under common control amounting to P267 and P263, P152 and P225, and P103 and P78 in 2020, 2019 and 2018, respectively (see Note 28).

26. INCOME AND OTHER TAXES

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

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

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

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

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

However, pursuant to Section 4 (bbb) of BARO Act and as implemented under Revenue Regulation 25-2020, the net operating losses of a business or enterprise incurred for taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next five consecutive taxable years following the year of such loss.

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

Interest income on deposits with other FCDUs and offshore banking units is subject to 15.0% final tax effective January 1, 2018.

In 2020, 2019 and 2018, the Group opted to continue claiming itemized deductions for income tax purposes.

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

26.1 Current and Deferred Taxes

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

	Group		
	2020	2019	2018
Current tax expense:			
Final tax	**P 1,278**	P 717	P 403
RCIT	**1,091**	611	664
Excess MCIT over RCIT	**10**	4	3
	2,379	1,332	1,070
Deferred tax income relating to origination and reversal of temporary differences	**(904)**	(57)	(198)
	P 1,475	P 1,275	P 872

	Parent Company		
	2020	2019	2018
Current tax expense:			
RCIT	**P 1,281**	P 498	P 577
Final tax	**1,033**	698	387
	2,314	1,196	964
Deferred tax income relating to origination and reversal of temporary differences	**(877)**	(51)	(227)
	P 1,437	P 1,145	P 737

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

	Group		
	2020	2019	2018
Tax on pretax profit at 30%	**P 1,948**	P 1,999	P 1,558
Adjustments for income subjected to lower income tax rates	**(348)**	(403)	(496)
Tax effects of:			
Non-deductible expenses	**2,146**	1,110	1,059
Non-taxable income	**(1,672)**	(1,391)	(1,239)
FCDU income	**(755)**	(635)	(182)
Recognition of previously unrecognized deferred tax asset	**-**	38	123
Unrecognized temporary differences	**157**	551	46
Utilization of NOLCO	**(1)**	(1)	-
Others	**-**	7	3
	P 1,475	P 1,275	P 872

	Parent Company		
	2020	2019	2018
Tax on pretax profit at 30%	**P 1,937**	P 1,956	P 1,517
Adjustments for income subjected to lower income tax rates	**(337)**	(395)	(486)
Tax effects of:			
Non-deductible expenses	**2,124**	1,096	1,107
Non-taxable income	**(1,656)**	(1,465)	(1,247)
FCDU income	**(755)**	(635)	(182)
Unrecognized temporary differences	**124**	550	28
Recognition of previously unrecognized deferred tax asset	**-**	38	-
	P 1,437	P 1,145	P 737

The deferred tax assets of the Group recognized in the consolidated statements of financial position as of December 31, 2020 and 2019 relate to the operations of the Parent Company and certain subsidiaries as shown below.

	Statements of Financial Position		Statements of Profit or Loss		
	2020	2019	**2020**	2019	2018
Allowance for impairment	**P 2,834**	P 1,725	**P 1,109**	P 79	(P 36)
Post-employment benefit obligation	**138**	86	**52**	(50)	84
NOLCO	**67**	-	**67**	(3)	3
Excess MCIT over RCIT	**5**	204	**(199)**	99	(1)
Provision for credit card reward payments	**-**	117	**(117)**	(39)	29
Others	**-**	8	**(8)**	(29)	47
Deferred tax assets – net	**P 3,044**	P 2,140			
Deferred tax income – net			**P 904**	P 57	P 198

The deferred tax assets of the Parent Company recognized in its statements of financial position as of December 31, 2020 and 2019 is shown below.

	Statement of Financial Position		Statements of Profit of Loss		
	2020	2019	**2020**	2019	2018
Allowance for impairment	**P 2,681**	P 1,550	**P 1,131**	P 54	P 136
Post-employment benefit obligation	**84**	77	**7**	12	(2)
Excess MCIT over RCIT	**-**	124	**(124)**	19	55
Provision for credit card reward payments	**-**	117	**(117)**	(39)	29
Others	**-**	20	**(20)**	5	9
Deferred tax assets	**P 2,765**	P 1,888			
Deferred tax income – net			**P 877**	P 51	P 227

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

The unrecognized deferred tax assets relate to the following:

	Group		Parent Company	
	2020	2019	**2020**	2019
Allowance for impairment	**P 3,300**	P 2,579	**P 3,133**	P 2,467
Post-employment benefit obligation	**760**	892	**802**	896
Excess MCIT over RCIT	**86**	1	**-**	-
NOLCO	**17**	12	**-**	-
Others	**8**	-	**-**	-
	P 4,171	P 3,484	**P 3,935**	P 3,363

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

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

NOLCO can be claimed as deduction from future taxable income within three and five years from the year the taxable loss was incurred. In accordance with BARO Act, NOLCO incurred in 2020 can be claimed as a deduction from the gross income until 2025. The details of the Group's NOLCO are shown below.

Inception Year	Amount	Utilized	Expired	Balance	Expiry Year
2020	P 262	P -	P -	P 262	2025
2019	7	-	-	7	2022
2018	11	-	-	11	2021
2017	22	3	19	-	
	P 302	**P 3**	**P 19**	**P 280**	

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

Inception Year	Amount	Utilized	Expired	Balance	Expiry Year
2020	P 10	P -	P -	P 10	2023
2019	99	19	-	80	2022
2018	54	53	-	1	2021
2017	52	52	-	-	
	P 215	**P 124**	**P -**	**P 91**	

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

Inception Year	Amount	Utilized	Expired	Balance	Expiry Year
2019	P 19	P 19	P -	P -	2022
2018	53	53	-	-	2021
2017	52	52	-	-	
	P 124	**P 124**	**P -**	**P -**	

26.2 Supplementary Information Required Under Revenue Regulation No. 15-2010

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

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

27. TRUST OPERATIONS

Securities and properties (other than deposits) held by the Parent Company in fiduciary or agency capacity for its customers are not included in the financial statements, since these are not resources of the Parent Company. The Group and Parent Company's total trust resources amounted to P116,652 and P94,428 as of December 31, 2020 and 2019, respectively (see Note 34).

Investment in government securities which are shown as part of Investment securities at amortized cost (see Note 10.3) with a total face value of P1,187 and P17,968 as of December 31, 2020 and 2019, respectively, for both the Group and the Parent Company are deposited with the BSP as security for faithful compliance with fiduciary obligations.

28. RELATED PARTY TRANSACTIONS

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

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

A summary of the Group and Parent Company's transactions and outstanding balances of such transactions with related parties as of and for the years ended December 31, 2020, 2019 and 2018 is presented below.

		Group					
		2020		2019		2018	
	Notes	**Amount of Transaction**	**Outstanding Balance**	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance
Stockholders							
Loans and receivables	28.1	**(P 55)**	**P 151**	(P 55)	P 206	(P 55)	P 261
Deposit liabilities	28.2	**454**	**1,255**	744	801	(423)	57
Interest expense on deposits	28.2	**17**	**-**	15	-	2	-
Cash received from issuance of shares of stock	23.2	**-**	**-**	-	-	14,783	-
Interest income from loans and receivables	28.1	**14**	**-**	19	-	17	-
Associates							
Loans and receivables	28.1	**203**	**203**	-	-	-	-
Deposit liabilities	28.2	**769**	**1,085**	181	316	(142)	135
Interest expense on deposits	28.2	**3**	**-**	2	-	6	-
Dividend	12	**-**	**-**	-	-	2	-
Related Parties Under Common Ownership							
Loans and receivables	28.1	**2,449**	**2,646**	(161)	197	344	358
Deposit liabilities	28.2	**628**	**4,516**	181	3,888	856	3,707
Interest expense on deposits	28.2	**67**	**-**	61	-	37	-
Occupancy and equipment related expenses	28.5(a)	**777**	**-**	955	-	1,187	-
Miscellaneous expenses – others	25.2	**267**	**-**	152	-	103	-
Interest income from loans and receivables	28.1	**183**	**-**	-	-	2	-

		Group					
		2020		2019		2018	
	Note	**Amount of Transaction**	**Outstanding Balance**	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance
Key Management Personnel							
Loans and receivables	28.1	**P 1**	**P 14**	P 4	P 13	(P 188)	P 9
Deposit liabilities	28.2	**42**	**244**	108	202	(192)	94
Interest income from loans and receivables	28.1	**-**	**-**	1	-	1	-
Interest expense on deposits	28.2	**4**	**-**	6	-	1	-
Salaries and employee benefits	28.5(d)	**600**	**-**	418	-	637	-
Other Related Interests							
Loans and receivables	28.1	**5,863**	**8,551**	(426)	2,688	(3,742)	3,114
Deposit liabilities	28.2	**1,552**	**4,520**	1,906	2,968	(1,232)	1,062
Interest income from loans and receivables	28.1	**370**	**-**	159	-	182	-
Interest expense on deposits	28.2	**48**	**-**	96	-	26	-

		Parent Company					
		2020		2019		2018	
	Note	**Amount of Transaction**	**Outstanding Balance**	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance
Stockholders							
Loans and receivables	28.1	**(P 55)**	**P 151**	(P 55)	P 206	(P 55)	P 261
Deposit liabilities	28.2	**296**	**1,255**	744	959	(265)	215
Interest expense on deposits	28.2	**17**	**-**	15	-	2	-
Cash received from issuance of shares of stock	23.2	**-**	**-**	-	-	14,783	-
Interest income from loans and receivables	28.1	**14**	**-**	19	-	17	-

		Parent Company					
		2020		2019		2018	
	Notes	**Amount of Transaction**	**Outstanding Balance**	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance
Subsidiaries							
Loans and receivable	28.1	**(P 13)**	**P -**	(P 987)	P 13	P 1,000	P 1,000
Deposit liabilities	28.2	**(1)**	**441**	40	442	(41)	402
Interest income from loans and receivable	28.1	**-**	**-**	-	-	7	-
Interest expense on deposits	28.2	**1**	**-**	1	-	5	-
Dividend	12	**(1,234)**	**600**	576	-	102	-
Rental income	28.5(a), 28.5(b)	**50**	**-**	40	-	200	-
Occupancy and equipment-related expenses	28.5(a)	**368**	**-**	365	-	352	-
Service and processing fees	28.5(c)	**617**	**-**	591	-	531	
Sale of investment securities	28.3	**30**	**-**	126	-	35	-
Purchase of investment securities	28.3	**1,202**	**-**	3	-	3	-
Assignment of receivables	11	**(25)**	**147**	(10)	172	(10)	182
Associates							
Loans and receivables	28.1	**203**	**203**	-	-	-	-
Deposit liabilities	28.2	**1,009**	**1,085**	53	76	(142)	23
Interest expense on deposits	28.2	**3**	**-**	2	-	6	-
Dividend	12	**-**	**-**	-	-	2	-
Related Parties Under Common Ownership							
Loans and receivables	28.1	**212**	**3,633**	293	3,421	(142)	3,128
Deposit liabilities	28.2	**1,632**	**6,396**	2,166	4,764	(142)	2,598
Interest income from loans and receivables	28.1	**176**	**-**	192	-	194	-
Interest expense on deposits	28.2	**55**	**-**	56	-	28	-
Occupancy and equipment-related expenses	28.5(a)	**775**	**-**	946	-	790	-
Miscellaneous expenses – others	25.2	**263**	**-**	225	-	78	-

		Parent Company					
		2020		2019		2018	
	Note	**Amount of Transaction**	**Outstanding Balance**	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance
Key Management Personnel							
Loans and receivables	28.1	**P 1**	**P 1**	P -	P -	(P 24)	P -
Deposit liabilities	28.2	**42**	**244**	108	202	(197)	94
Interest income from loans and receivables	28.1	**-**	**-**	-	-	1	-
Interest expense on deposits	28.2	**4**	**-**	6	-	1	-
Salaries and employee benefits	28.5(d)	**391**	**-**	329	-	298	-
Other Related Interests							
Loans and receivables	28.1	**6,171**	**8,546**	(739)	2,375	(472)	3,114
Deposit liabilities	28.2	**1,202**	**4,520**	2,622	3,318	(1,564)	696
Interest income from loans and receivables	28.1	**370**	**-**	159	-	182	-
Interest expense on deposits	28.2	**48**	**-**	96	-	26	-

28.1 Loans and Receivables

The summary of the Group and Parent Company's significant transactions and the related outstanding balances for loans and receivables with its related parties as of and for the years ended December 31, 2020, 2019 and 2018 are as follows:

	Group			
Related Party Category	Issuances	Repayments	Interest Income	Loans Outstanding
2020:				
Stockholders	P -	P 55	P 14	P 151
Associate	203	-	-	203
Related parties under common ownership	1,693	697	183	2,646
Key management personnel	1	-	-	14
Other related interests	7,257	1,423	370	8,551
	P 9,154	**P 2,175**	**P 567**	**P 11,565**
2019:				
Stockholders	P -	P 55	P 19	P 206
Related parties under common ownership	102	263	-	197
Key management personnel	-	-	1	13
Other related interests	687	1,113	158	2,688
	P 789	P 1,431	P 178	P 3,104
2018:				
Stockholders	P -	P 55	P 17	P 261
Related parties under common ownership	426	82	2	358
Key management personnel	9	197	1	9
Other related interests	2,402	6,144	182	3,114
	P 2,837	P 6,478	P 202	P 3,742

	Parent Company			
Related Party Category	Issuances	Repayments	Interest Income	Loans Outstanding
2020:				
Stockholders	P -	P 55	P 14	P 151
Subsidiaries	-	13	-	-
Associate	203	-	-	203
Related parties under common ownership	2,229	2,017	176	3,633
Key management personnel	1	-	-	1
Other related interests	7,242	1,071	370	8,546
	P 9,675	**P 3,156**	**P 560**	**P 12,534**

Related Party Category	Parent Company Issuances	Repayments	Interest Income	Loans Outstanding
2019:				
Stockholders	P -	P 55	P 19	P 206
Subsidiaries	-	987	-	13
Related parties under common ownership	390	97	192	3,421
Key management personnel	-	-	-	-
Other related interests	328	1,067	158	2,375
	P 718	P 2,206	P 369	P 6,015
2018:				
Stockholders	P -	P 55	P 17	P 261
Subsidiaries	1,000	-	7	1,000
Related parties under common ownership	50	192	194	3,128
Key management personnel	-	24	1	-
Other related interests	544	1,016	182	3,114
	P 1,594	P 1,287	P 401	P 7,503

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

As of December 31, 2020, 2019 and 2018, the Group and Parent Company is in compliance with these regulatory requirements.

As of December 31, 2018, the Group recognized impairment loss on certain loans and receivables from DOSRI amounting to P0.2 (nil in 2020 and 2019), respectively, and is recognized as part of Impairment Losses account in the statements of profit or loss.

28.2 Deposit Liabilities

The summary of the Group and Parent Company's significant transactions and the related outstanding balances for deposit liabilities with its related parties as of and for the years ended December 31, 2020, 2019 and 2018 are as follows (see Note 17):

	Group			
Related Party Category	**Deposits**	**Withdrawals**	**Interest Expense**	**Outstanding Balance**
2020:				
Stockholders	P 10,149	P 9,853	P 17	P 1,255
Associates	49,173	48,404	3	1,085
Related parties under common ownership	196,041	195,413	67	4,516
Key management personnel	815	773	4	244
Other related interests	186,607	185,405	48	4,520
	P 442,785	**P 439,848**	**P 139**	**P 11,620**
2019:				
Stockholders	P 4,465	P 3,721	P 15	P 801
Associates	20,445	20,264	2	316
Related parties under common ownership	140,566	140,385	61	3,888
Key management personnel	943	835	6	202
Other related interests	120,371	118,465	96	2,968
	P 286,790	P 283,670	P 180	P 8,175
2018:				
Stockholders	P 7,947	P 8,370	P 2	P 57
Associates	37,554	37,696	6	135
Related parties under common ownership	136,836	135,980	37	3,707
Key management personnel	539	731	1	94
Other related interests	163,957	165,189	26	1,062
	P 346,833	P 347,966	P 72	P 5,055

	Parent Company			
Related Party Category	**Deposits**	**Withdrawals**	**Interest Expense**	**Outstanding Balance**
2020:				
Stockholders	P 10,149	P 9,853	P 17	P 1,255
Subsidiaries	142,175	142,176	1	441
Associates	49,173	48,164	3	1,085
Related parties under common ownership	197,006	195,374	55	6,396
Key management personnel	815	773	4	244
Other related interests	186,607	185,405	48	4,520
	P 585,925	**P 581,745**	**P 128**	**P 13,941**

Related Party Category	Parent Company Deposits	Withdrawals	Interest Expense	Outstanding Balance
2019:				
Stockholders	P 4,465	P 3,721	P 15	P 959
Subsidiaries	124,353	124,313	1	442
Associates	20,277	20,224	2	76
Related parties under common ownership	142,381	140,215	56	4,764
Key management personnel	943	835	6	202
Other related interests	121,087	118,465	96	3,318
	P 413,506	P 407,773	P 176	P 9,761
2018:				
Stockholders	P 7,947	P 8,212	P 2	P 215
Subsidiaries	91,988	92,029	5	402
Associates	37,554	37,696	6	23
Related parties under common ownership	135,752	135,894	28	2,598
Key management personnel	535	732	1	94
Other related interests	163,957	165,521	26	696
	P 437,733	P 440,084	P 68	P 4,028

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

28.3 Sale and Purchase of Securities

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

28.4 Retirement Fund

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

The retirement funds have transactions with the Group and Parent Company as of December 31, 2020, 2019 and 2018 as follows:

	Group		Parent Company	
Nature of Transactions	**Net Amount of Transaction**	**Outstanding Balance**	**Net Amount of Transaction**	**Outstanding Balance**
2020:				
Investment in common shares of Parent Company	**(P 176)**	**P 1,017**	**(P 213)**	**P 977**
Investments in corporate debt securities of Parent Company	**238**	**562**	**187**	**498**
Deposits with the Parent Company	**(27)**	**37**	**(17)**	**23**
Fair value losses	**(190)**	**-**	**(195)**	**-**
Interest income	**19**	**-**	**18**	**-**
2019:				
Investment in common shares of Parent Company	(P 674)	P 1,193	(P 673)	P 1,190
Investments in corporate debt securities	273	324	209	311
Deposits with the Parent Company	(41)	64	(65)	40
Fair value losses	(369)	-	(375)	-
Interest income	23	-	18	-
2018:				
Investment in common shares of Parent Company	(P 855)	P 1,867	(P 853)	P 1,863
Investments in corporate debt securities	49	86	102	346
Deposits with the Parent Company	(276)	105	(276)	105
Fair value gains	(855)	-	(849)	-
Interest income	5	-	3	-

The carrying amount and the composition of the plan assets as of December 31, 2020, 2019 and 2018 are disclosed in Note 24.2. Investments in corporate debt securities include long-term negotiable certificates of deposit issued by the Parent Company.

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

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

28.5 Other Related Party Transactions

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

The Parent Company and certain subsidiaries occupy several floors of RCBC Plaza as leaseholders of RRC [see Note 29.7(b)]. Rental expense incurred by the Group related to this lease arrangement is included as part of Occupancy and Equipment-related expenses account in the 2018 statement of profit or loss. Amortization of right-of-use of asset amounted to P241 million for the years ended December 31, 2020 and 2019, and are presented as part of Depreciation and Amortization expenses account in the statement of profit or loss. The Parent Company's lease contract with RRC is effective until December 31, 2025.

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

(b) Service Agreement with RBSC

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

(c) Key Management Personnel Compensation

The breakdown of key management personnel compensation follows:

	Group		
	2020	2019	2018
Short-term employee benefits	**P 598**	P 406	P 619
Post-employment defined benefits	**2**	12	18
	P 600	P 418	P 637

	Parent Company		
	2020	2019	2018
Short-term employee benefits	**P 391**	P 329	P 405
Post-employment defined benefits	**-**	-	6
	P 391	P 329	P 411

29. COMMITMENTS AND CONTINGENCIES

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

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

29.1 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 billion, 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 Special Civil Action for Prohibition against the City of Iligan with the Court of Appeals, pointing to its illegality on account of the nullification of the public auction; and the earlier Stay Orders of the 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.

29.2 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. After VMS's attempts to introduce additional arguments via two (2) Rule 8.254 letters, the California Court of Appeals set the case for oral arguments on November 12, 2020. In a Decision dated January 13, 2021, the Court of Appeals affirmed the total monetary award of US$2, inclusive of the pre-judgment interest, in favor of VMS, and the deletion of the US$8 punitive damages award, for lack of factual and legal basis. The monetary award in favor of VMS has been fully provided for as of December 31, 2020.

29.3 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.

29.4 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. In August 2016, the Monetary Board approved the imposition of a P1 billion fine upon the Bank which it paid in full. Such fine was fully recognized as part of miscellaneous expenses in the Bank's 2016 AFS. The Bank's payment of the penalty did not affect its ability to perform its existing obligations or unduly hamper its operations.

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

On January 31, 2019, Bangladesh Bank filed a complaint with the U.S. District Court Southern District of New York ("SDNY") against the Bank, some of its current/former officers who were involved in the incident, a money service business/its principals, junket operators, and the casinos where the questioned funds passed through, 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, 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 and the Bangladesh Bank was given until April 7, 2021 to serve summons and the new Complaint in accordance with the Hague Convention. On January 11, 2021, the Bank received a Notice from the Regional Trial Court of Makati City, together with the attached copies of the Summons and Complaint filed by Bangladesh Bank before the New York State Court. On February 8, 2021, counsel of the Bank filed a motion to dismiss the complaint based on lack of personal jurisdiction, that the case should be dismissed on forum *non conveniens* grounds, and for failure to state a claim.

29.4.2 Philippine Litigation relating to the Bangladesh Bank Incident

On March 6, 2019, the Bank/the former National Sales Director ("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.

29.4.3 Specific Litigation Involving the Bank's Officers

The Anti-Money Laundering Council of the Philippines ("AMLC") initiated a second criminal complaint against five current/former officers of the Bank for alleged violation of Section 4(f) of R.A. No. 9160 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 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 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 with the Court of Appeals.

On July 2, 2020, the Prosecution sought the inhibition of the Acting Presiding Judge. This, however, became moot upon the latter's transfer to another Branch. The Petition for Review on the Judge's assailed Order however remains pending in the Court of Appeals.

The Makati Trial Court has set the promulgation of Judgment for both the former CSH and former SCRO on March 8, 2021.

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 million, 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 signified its intention to present the bank teller who processed the questioned transactions in 2016, which former BM Deguito opposed. In a Resolution dated February 28, 2020, the Makati MTC denied the Prosecution's motion to present the testimony of the bank teller; and directed the Heirs of the Centurytex Trading account owner to present their evidence. The Prosecution filed its Motion for Reconsideration, arguing that it should be allowed to present additional witnesses in the interest of greater Justice. To date, the incident remains unresolved by the Makati MTC.

The Makati MTC hearing the perjury case against the former SCRO rejected the latter's attempt to recall/cross-examine a Prosecution witness, holding that the non-appearance of her counsel at the scheduled hearing was inexcusable. At the close of the hearing on October 3, 2019, the Makati MTC set the case for further hearing during the first quarter of 2020, all of which were cancelled due to the COVID-19 pandemic. The SCRO is still in the process of presenting her evidence, and the next setting is on February 18, 2021.

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

29.5 RSI Case

In December 2011, RSI 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 Makati MTC convicted Valbuena of the crime of violation of BP 22. Valbuena's conviction has since been sustained further by the Court of Appeals, which directed her to pay RSI the amount of P8, and interest at the rate of 12% per annum from January 18, 2012 to June 30, 2013, and six percent 6% per annum from July 1, 2013 until full satisfaction. On September 21, 2020, Valbuena filed a Petition for Review with the Supreme Court seeking the reversal of the Decision of the Court of Appeals.

In May 2012, the Capital Markets Integrity Corporation ("CMIC") investigated the complaint filed by Francisco Ken Cortes against RSI. 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. ("Cognation") filed a complaint against Valbuena, RSI, 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 RSI liable for violating the Securities Regulations Code. RSI was fined and directed the amendment of its internal control procedures. In an Order dated July 16, 2019, the EIPD-SEC accepted RSI's negotiated settlement offer of P3, *sans* any finding of fault. RSI likewise submitted its BOD-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 RSI 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 has since been elevated to the SEC en banc, the Court of Appeals, and finally to 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 March 11, 2020.

On February 22, 2013, Stephen Y. Ku ("Ku") filed a complaint against RSI with the Makati Trial Court Branch 149, 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, RSI 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 remediation 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 the Ku's evidence in March 2020. Due to the COVID-19 pandemic /lockdowns, the parties could not proceed to trial. Ku's presentation of evidence, which commenced on July 14, 2020, is still on going.

29.6 HHIC-Phil Rehabilitation Proceedings

On January 9, 2019, 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 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 have since been withdrawn after the petitioners' claims were settled by HHIC-Phil/HHIC. On December 14, 2020, the Court of Appeals deemed all the certiorari cases closed and terminated.

As of December 31, 2020, the outstanding loan obligation of HHIC-Phil to the Bank remains at USD86, inclusive of accrued and compounded interest, as well as penalty on interest and principal.

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

29.7 Lease Commitments

(a) Parent Company as a Lessor

The Parent Company has entered into various lease contracts related to RSB Corporate Center, an investment property held for rental, with lease terms ranging from one to five years and with monthly rent depending on market price with 5% escalation rate every year. Total rent income earned from these leases amounted to P174, P235, and P258 in 2020, 2019, and 2018, respectively, which are presented as part of Rental under the Miscellaneous Income account in the statements of profit or loss (see Note 25.1).

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

	Parent Company		
	2020	2019	2018
Within one year	**P 470**	P 444	P 421
After one year but not more than five years	**903**	852	804
	P 1,373	P 1,296	P 1,225

(b) Group as Lessee

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

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

		Group		Parent Company
2018:				
Within one year	P	1,123	P	1,092
After one year but not more than five years		2,447		2,324
More than five years		962		933
	P	4,532	P	4,349

30. EARNINGS PER SHARE

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

		2020		2019		2018
Net profit attributable to Parent Company's shareholders	**P**	**5,020**	P	5,387	P	4,320
Dividends paid to preferred shareholders and distributions allocated to holders of hybrid perpetual securities	**(**	**320)**		-		-
		4,700		5,387		4,320
Weighted average number of outstanding common shares of stock		**1,936**		1,936		1,646
Basic and diluted EPS	**P**	**2.43**	P	2.78	P	2.62

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

31. SUPPLEMENTARY INFORMATION TO STATEMENTS OF CASH FLOWS

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

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

	Group				
	Bills Payable (see Note 18)	**Bonds Payable (see Note 19)**	**Lease Liabilities (see Note 22)**	**Hybrid Perpetual Securities (see Note 23)**	**Total Financing Activities**
Balance at January 1, 2020	P 101,606	P 96,814	P 2,877	P -	P 201,297
Cash flow from financing activities:					
Availments/proceeds from issuance	284,718	23,670	-	14,463	322,851
Payments/redemption	(371,858)	(27,371)	(1,173)	-	(400,402)
Non-cash financing activities:					
Additional lease liabilities	-	-	2,516	-	2,516
Foreign exchange gains	(1,299)	(2,712)	-	-	(4,011)
Amortization of discount and interest	-	38	165	-	203
Balance at December 31, 2020	**P 13,167**	**P 90,439**	**P 4,385**	**P 14,463**	**P 122,454**
Balance at January 1, 2019	P 56,001	P 53,090	P 3,571	P -	P 112,662
Cash flow from financing activities:					
Availments/proceeds from issuance	89,737	45,697	-	-	135,434
Payments/redemption	(44,388)	-	(1,186)	-	(45,574)
Non-cash financing activities:					
Additional lease liabilities	-	-	271	-	271
Foreign exchange losses (gains)	256	(2,031)	-	-	(1,775)
Amortization of discount and interest	-	58	221	-	279
Balance at December 31, 2019	P 101,606	P 96,814	P 2,877	P -	P 201,297
Balance at January 1, 2018	P 43,967	P 28,060	P -	P -	P 72,027
Cash flow from financing activities:					
Availments/proceeds from issuance	44,522	23,520	-	-	68,042
Payments/redemption	(32,790)	-	-	-	(32,790)
Non-cash financing activities:					
Foreign exchange losses (gains)	302	1,489	-	-	1,791
Amortization of discount and interest	-	21	-	-	21
Balance at December 31, 2018	P 56,001	P 53,090	P -	P -	P 109,091

	Parent Company				
	Bills Payable (see Note 18)	Bonds Payable (see Note 19)	Lease Liabilities (see Note 22)	Hybrid Perpetual Securities (see Note 23)	Total Financing Activities
Balance at January 1, 2020	P 93,938	P 96,814	P 2,797	P -	P 193,549
Cash flow from financing activities:					
Availments/proceeds from issuance	276,859	23,670	-	14,463	314,992
Payments/redemption	(365,298)	(27,371)	(1,113)	-	(393,782)
Non-cash financing activities:					
Additional lease liabilities	-	-	2,473	-	2,473
Foreign exchange gains	(1,299)	(2,712)	-	-	(4,011)
Amortization of discount and interest	-	38	162	-	200
Balance at December 31, 2020	**P 4,200**	**P 90,439**	**P 4,319**	**P 14,463**	**P 113,421**
Balance at January 1, 2019	P 48,759	P 53,090	P 3,382	P -	P 105,231
Cash flow from financing activities:					
Availments/proceeds from issuance	89,100	45,697	-	-	134,797
Payments/redemption	(44,177)	-	(1,086)	-	(45,263)
Non-cash financing activities:					
Additional lease liabilities	-	-	279	-	279
Foreign exchange losses (gains)	256	(2,031)	-	-	(1,775)
Amortization of discount and interest	-	58	222	-	280
Balance at December 31, 2019	P 93,938	P 96,814	P 2,797	P -	P 193,549
Balance at January 1, 2018	P 36,600	P 28,060	P -	P -	P 64,660
Cash flow from financing activities:					
Availments/proceeds from issuance	42,769	23,520	-	-	66,289
Payments/redemption	(30,912)	-	-	-	(30,912)
Non-cash financing activities:					
Foreign exchange losses (gains)	302	1,489	-	-	1,791
Amortization of discount and interest	-	21	-	-	21
Balance at December 31, 2018	P 48,759	P 53,090	P -	P -	P 101,849

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

32. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

	2020					
	Group			Parent Company		
	Within One Year	Beyond One Year	Total	Within One Year	Beyond One Year	Total
Financial Assets						
Cash and other cash items	P 16,520	P -	P 16,520	P 16,464	P -	P 16,464
Due from BSP	115,467	-	115,467	113,949	-	113,949
Due from other banks	15,707	-	15,707	15,214	-	15,214
Loans and receivables arising from reverse repurchase agreements	13,356	-	13,356	13,226	-	13,226
Interbank loans receivables	42,681	-	42,681	42,647	-	42,647
Financial assets at FVTPL	4,888	-	4,888	3,815	-	3,815
Financial assets at FVOCI - net	39,617	533	40,150	38,712	101	38,813
Investments at amortized cost - net	-	43,026	43,026	-	42,513	42,513
Loans and other receivables - net	94,574	354,029	448,603	92,594	348,573	441,167
Other resources - net	931	-	931	924	-	924
	343,741	397,588	741,329	337,545	391,187	728,732
Non Financial Assets						
Investment in subsidiaries and associates - net	P -	P 339	P 339	P -	P 6,980	P 6,980
Bank premises, furnitures, fixtures and equipment - net	-	13,062	13,062	-	10,500	10,500
Investment properties - net	-	3,725	3,725	-	3,580	3,580
Deferred tax asset-net	-	3,044	3,044	-	2,765	2,765
Intangible and other resources - net	5,467	5,140	10,607	5,348	4,617	9,965
	5,467	25,310	30,777	5,348	28,442	33,790
	P 349,208	P 422,898	P 772,106	P 342,893	P 419,629	P 762,522
Financial Liabilities						
Deposit liabilities	P 111,655	P 424,133	P 535,788	P 111,021	P 425,727	P 536,748
Bills payable	5,282	7,885	13,167	2,759	1,441	4,200
Bonds payable	23,482	66,957	90,439	23,482	66,957	90,439
Accrued interest and other expenses	1,287	4,106	5,393	1,277	3,919	5,196
Other liabilities	18,430	2,062	20,492	17,842	1,474	19,316
	160,136	505,143	665,279	156,381	499,518	655,899
Non Financial Liabilities						
Accrued interest and other expenses	P 507	P -	P 507	P 489	P -	P 489
Other liabilities	1,946	2,996	4,942	1,890	2,952	4,842
	2,453	2,996	5,449	2,379	2,952	5,331
	P 162,589	P 508,139	P 670,728	P 158,760	P 502,470	P 661,230

	2019											
	Group						Parent Company					
	Within One Year		Beyond One Year		Total		Within One Year		Beyond One Year		Total	
Financial Assets												
Cash and other cash items	P	16,907	P	-	P	16,907	P	16,808	P	-	P	16,808
Due from BSP		87,255		-		87,255		85,453		-		85,453
Due from other banks		18,818		-		18,818		18,468		-		18,468
Loans and receivables arising from reverse repurchase agreements		5,768		-		5,768		5,629		-		5,629
Interbank loans receivables		18,803		-		18,803		19,411		-		19,411
Financial assets at FVTPL		5,548		-		5,548		4,800		-		4,800
Financial assets at FVOCI - net		54,245		-		54,245		52,425		-		52,425
Investments at amortized cost - net		25,671		75,255		100,926		27,094		73,125		100,219
Loans and other receivables - net		100,606		329,810		430,416		97,667		325,015		422,682
Other resources - net		898		-		898		174		722		896
		334,519		405,065		739,584		327,929		398,862		726,791
Non Financial Assets												
Investment in subsidiaries and associates - net	P	-	P	444	P	444	P	-	P	7,724	P	7,724
Bank premises, furnitures, fixtures and equipment - net		-		11,059		11,059		-		9,071		9,071
Investment properties - net		-		4,142		4,142		-		4,017		4,017
Deferred tax asset-net		-		2,140		2,140		-		1,888		1,888
Intangible and other resources - net		1,776		7,934		9,710		1,776		6,851		8,627
		1,776		25,719		27,495		1,776		29,551		31,327
	P	336,295	P	430,784	P	767,079	P	329,705	P	428,413	P	758,118
Financial Liabilities												
Deposit liabilities	P	82,976	P	373,605	P	456,581	P	78,461	P	378,132	P	456,593
Bills payable		75,139		26,467		101,606		74,530		19,408		93,938
Bonds payable		27,304		69,510		96,814		27,304		69,510		96,814
Accrued interest and other expenses		2,285		3,734		6,019		2,277		3,481		5,758
Other liabilities		1,460		16,754		18,214		1,460		15,956		17,416
		189,164		490,070		679,234		184,032		486,487		670,519
Non Financial Liabilities												
Accrued interest and other expenses	P	183	P	-	P	183	P	140	P	-	P	140
Other liabilities		293		4,519		4,812		283		4,414		4,697
		476		4,519		4,995		423		4,414		4,837
	P	189,640	P	494,589	P	684,229	P	184,455	P	490,901	P	675,356

33. OTHER MATTERS

33.1 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 (see Note 4.4.12).

As the COVID-19 pandemic continues to pose challenges, businesses as a whole, are seen to gradually re-open as the lockdown is relaxed. Some clients will be generally stable with some still experiencing cash flow tightness. Sectors that appear to be vulnerable include unsecured consumer and small business loans as well as some accounts in certain industries, like travel and tourism related. Despite these challenges, net interest income is still seen to be stable or even post a respectable growth. Fee income, on the other hand, is expected to be lower due to business disruption particularly as a result of the slowdown in insurance, decline in volumes and fee waiver pressures for payments and information services, as well as significantly lower capital market levels and activity. Cash flow is expected to remain 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.

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 CARE Program. In accordance with regulatory guidance, the Group also implemented mandatory payment holidays to all eligible loans. 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.

The Group expects the general business environment to improve as quarantine restrictions ease and vaccination programs develop. Further, volume of transactions is expected to increase through customer acquisition to be driven by Data Science and Digital Marketing. 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 re-engineering exercises such as process reviews and digital enhancements that support efficiency, lower cost of transaction and reduced costs in product delivery. The Group expects these exercises to be completed by 2021. Lastly, the Group forecasts growth on various assets including loans in select segments as a result of implementing the CARE program.

In 2020, the Group set aside total provisions amounting to P 9,375 million. This is in anticipation of the expected disruptive economic impact of the COVID-19 pandemic and the ECQ that may lead to increased delinquencies due to the disruption in business activities, tightness in corporate liquidity, lower consumption levels, and contraction in annual gross GDP. Despite the additional provisions, the Group's total CAR and CET1 ratio as of end December 31, 2020 were 16.14% and 12.64%, respectively, and above the required minimum ratio of 10%.

33.2 CREATE Bill

As of date of issuance of the 2020 financial statements of the Group, the Corporate Recovery and Tax Incentives (CREATE) bill is yet to be enacted into a law. The effective date on the current draft of CREATE bill for the new corporate income tax rate is July 1, 2020. When enacted, the effective tax rate from January 1, 2020 to June 30, 2020 and July 1, 2020 to December 31, 2020 will be 30% and 25%, respectively, of the taxable income for the year, which will be different from the rate used in the 2020 financial statements of 30%. As a result, deferred tax assets, income tax expense and income tax payable of the Group and Parent Company are expected to decrease by the difference in tax rates (see Note 26).

34. SUPPLEMENTARY INFORMATION REQUIRED BY THE BSP

Presented below are the supplementary information required by the BSP under Section 174 (Appendix 55) of the BSP Manual of Regulations for Banks (MORB) to be disclosed as part of the notes to financial statements based on BSP Circular No. 1074, *Amendments to Regulations on Financial Audit of Banks*.

(a) Selected Financial Performance Indicators

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

	Group		
	2020	2019	2018
Return on average equity			
Net profit / Average total equity	**5.54%**	6.47%	5.78%
Return on average resources			
Net profit / Average total resources	**0.68%**	0.80%	0.73%
Net interest margin			
Net interest income / Average interest earning resources	**4.31%**	4.03%	4.00%

	Parent Company		
	2019	2019	2018
Return on average equity			
Net profit / Average total equity	**5.55%**	6.48%	5.79%
Return on average resources			
Net profit / Average total resources	**0.69%**	0.81%	0.74%
Net interest margin			
Net interest income / Average interest earning resources	**4.31%**	4.02%	4.02%

(b) *Capital Instruments Issued*

(i) Common stock

As of December 31, 2020 and 2019, the Parent Company's common stock amounted to P22,509 representing P2,250,912,426 issued and outstanding common shares.

In July 22, 2019, the effective date of merger, the Parent Company issued 315,287,248 common shares in exchange of the transfer of net assets of RSB at carrying value. Additional paid-in capital of P10,507 was recognized pertaining to the difference between the par value of the shares issued and carrying value of net assets of RSB. Subsequently the issuance, the Parent Company acquired the same number of issued common shares as a result of the merger and recognized treasury shares amounting to P13,719. The transactions did not affect the total number of issued and outstanding common shares in 2019.

(ii) Preferred stock

As of December 31, 2020 and 2019, the Parent Company's issued and outstanding preferred stock amounted to P2,674 representing 267,410 preferred shares. These preferred shares are voting, non-cumulative, non-redeemable, participating and convertible into common stock. In 2019, 477 preferred shares were converted to 121 common shares. No similar transaction occurred in 2020.

(iii) Hybrid Perpetual Securities

In August 27, 2020, the Parent Company issued US$300 non-cumulative, unsecured, subordinated AT1 capital securities. 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.

(c) Significant Credit Exposures for Loans

The Group and Bank's concentration of credit as to industry for its receivables from customers gross of allowance for ECL follows:

	Group					
	2020			2019		
		Amount	**Share**		Amount	Share
Consumer	**P**	**139,232**	**31%**	P	134,301	31%
Real estate, renting and other related activities		**67,578**	**15%**		54,244	12%
Electricity, gas and water		**67,530**	**15%**		78,553	18%
Wholesale and retail trade		**51,537**	**11%**		43,572	10%
Manufacturing (various industries)		**50,020**	**11%**		40,816	10%
Financial intermediaries		**34,034**	**7%**		38,617	9%
Transportation and communication		**25,494**	**6%**		20,505	5%
Other community, social and personal activities		**5,289**	**1%**		7,595	2%
Agriculture, fishing, and forestry		**4,967**	**1%**		5,439	1%
Hotels and restaurants		**4,132**	**1%**		4,109	1%
Mining and quarrying		**1,010**	**-**		1,293	-
Others		**5,742**	**1%**		5,219	1%
	P	**456,565**	**100%**	P	434,263	100%

	Parent Company					
	2020			2019		
		Amount	**Share**		Amount	Share
Consumer	**P**	**139,128**	**31%**	P	133,123	31%
Electricity, gas and water		**67,530**	**15%**		78,553	18%
Real estate, renting and other related activities		**60,878**	**14%**		52,881	12%
Wholesale and retail trade		**51,086**	**11%**		42,698	11%
Manufacturing (various industries)		**50,020**	**11%**		40,271	9%
Financial intermediaries		**34,008**	**8%**		38,617	9%
Transportation and communication		**25,494**	**6%**		16,963	4%
Other community, social and personal activities		**5,289**	**1%**		7,595	2%
Agriculture, fishing, and forestry		**4,427**	**1%**		5,254	2%
Hotels and restaurants		**4,132**	**1%**		4,109	1%
Mining and quarrying		**1,010**	**-**		1,082	-
Others		**5,661**	**1%**		4,856	1%
	P	**448,663**	**100%**	P	426,002	100%

The BSP considers that loan concentration exists when the total loan exposure to a particular industry exceeds 30% of the total loan portfolio plus the outstanding interbank loans receivable or 10% of Tier 1 capital.

(d) Credit Status of Loans

The breakdown of receivable from customers as to status is shown below.

Group

	2020		
	Performing	**Non-performing**	**Total Loan Portfolio**
Gross carrying amount:			
Corporate	P 311,635	P 10,675	P 322,310
Consumer	120,432	13,823	134,255
	432,067	24,498	456,565
Allowance for ECL	(6,798)	(10,411)	(17,209)
Net carrying amount	**P 425,269**	**P 14,087**	**P 439,356**

	2019		
	Performing	Non-performing	Total Loan Portfolio
Gross carrying amount:			
Corporate	P 298,030	P 7,899	P 305,929
Consumer	122,132	6,202	128,334
	420,162	14,101	434,263
Allowance for ECL	(3,738)	(7,065)	(10,803)
Net carrying amount	P 416,424	P 7,036	P 423,460

Parent Company

	2020		
	Performing	**Non-performing**	**Total Loan Portfolio**
Gross carrying amount:			
Corporate	P 305,542	P 10,002	P 315,544
Consumer	119,394	13,725	133,119
	424,936	23,727	448,663
Allowance for ECL	(6,662)	(10,079)	(16,741)
Net carrying amount	**P 418,274**	**P 13,648**	**P 431,922**

	2019		
	Performing	Non-performing	Total Loan Portfolio
Gross carrying amount:			
Corporate	P 291,704	P 7,278	P 298,982
Consumer	120,961	6,059	127,020
	412,665	13,337	426,002
Allowance for ECL	(3,375)	(6,728)	(10,103)
Net carrying amount	P 409,290	P 6,609	P 415,899

NPLs included in the total loan portfolio of the Group and the Parent Company as of December 31 as reported to the BSP are presented below.

	Group		Parent Company	
	2020	2019	**2020**	2019
Gross NPLs	**P 25,636**	P 17,679	**P 24,273**	P 16,085
Allowance for impairment	**(10,567)**	(7,810)	**(9,977)**	(7,230)
	P 15,069	P 9,869	**P 14,296**	P 8,855

Under banking regulations, loan accounts shall be considered non-performing, even without any missed contractual payments, when they are considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal or interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than 90 days from contractual due date, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement.

Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained. Moreover, NPLs shall remain classified as such until (a) there is sufficient evidence to support that full collection of principal and interests is probable and payments of interest and/or principal are received for at least 6 months; or (b) written-off. Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after they have become past due.

As of December 31, 2020, gross and net NPL ratios of the Group and the Parent Company as reported to BSP were 5.00% and 2.94%, and 4.81% and 2.83%, respectively. As of December 31, 2019, gross and net NPL ratios of the Group and the Parent Company were 3.85% and 2.15%, and 3.57% and 1.96%, respectively. Most of the NPLs are secured by real estate or chattel mortgages.

The breakdown of restructured receivables from customers follows:

	Group		Parent Company	
	2020	2019	**2020**	2019
Loans and discounts	**P 257**	P 310	**P 257**	P 310
Credit card receivables	**3**	4	**3**	4
	P 260	P 314	**P 260**	P 314

Interest income from restructured receivables from customers amounted P1, P5, P6 in 2020, 2019, 2018, respectively, for both the Group and the Parent Company.

(e) Analysis of Loan Portfolio as to Type of Security

The breakdown of the receivables from customers' portfolio as to secured and unsecured follows:

	Group		Parent Company	
	2020	2019	**2020**	2019
Secured:				
Real estate mortgage	**P 135,421**	P 178,500	**P 134,077**	P 172,226
Chattel mortgage	**53,456**	45,983	**50,990**	45,960
Hold-out deposits	**8,581**	8,891	**8,428**	8,891
Other securities	**17,181**	12,592	**13,585**	12,027
	214,639	245,966	**207,080**	239,104
Unsecured	**241,926**	188,297	**241,583**	186,898
	P 456,565	P 434,263	**P 448,663**	P 426,002

(f) Information on Related Party Loans

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

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

The following table shows the information relating to the loans, other credit accommodations and guarantees granted to DOSRI as of December 31 in accordance with BSP reporting guidelines:

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

	Group		Parent Company		
	2020	2019	**2020**	2019	2018*
Total outstanding DOSRI loans	**P 946**	P 448	**P 920**	P 416	P 469
Unsecured DOSRI	**657**	106	**649**	96	83
Past due DOSRI	**5**	3	**5**	3	2
Non-accruing DOSRI	**5**	2	**5**	2	2
Percent of DOSRI loans to total loan portfolio	**0.19%**	0.10%	**0.19%**	0.10%	0.16%
Percent of unsecured DOSRI loans to total DOSRI loans	**69.45%**	23.66%	**70.54%**	23.08%	17.70%
Percent of past due DOSRI Loans to total DOSRI	**0.53%**	0.62%	**0.54%**	0.67%	0.52%
Percent of non-accruing DOSRI loans to total DOSRI loans	**0.53%**	0.45%	**0.54%**	0.55%	0.51%

**excludes exposure from a subsidiary*

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

	Group		Parent Company	
	2020	2019	**2020**	2019
Total outstanding Related Party loans	**P 11,565**	P 3,104	**P 12,534**	P 6,015
Unsecured Related Party	**10,564**	2,753	**8,010**	2,837
Past due Related Party	**5**	3	**1**	-
Non-accruing Related Party	**5**	2	**-**	-
Percent of Related Party loans to total loan portfolio	**2.35%**	0.69%	**2.59%**	1.41%
Percent of unsecured Related Party loans to total Related Party loans	**91.34%**	88.69%	**63.91%**	47.17%
Percent of past due Related Party loans to total Related Party loans	**0.00%**	0.00%	**0.01%**	0.00%
Percent of non-accruing Related Party loans to total Related Party loans	**0.00%**	0.00%	**0.00%**	0.00%

In accordance with existing BSP regulations, the reported DOSRI performing loans exclude loans extended to certain borrowers before these borrowers became DOSRI.

Under BSP regulations, total outstanding exposures to each of the Parent Company's subsidiaries and affiliates shall not exceed 10.0% of the Group's net worth, the unsecured portion of which shall not exceed 5.0% of such net worth. Further, the total outstanding exposures to subsidiaries and affiliates shall not exceed 20.0% of the net worth of the Parent Company.

As of December 31, 2020, 2019 and 2018, the Group and Parent Company is in compliance with these regulatory requirements.

As of December 31, 2018, the Group recognized impairment loss on certain loans and receivables from DOSRI amounting to P0.2 (nil in 2020 and 2019), respectively, and is recognized as part of Impairment Losses account in the statements of profit or loss.

(g) *Secured Liabilities and Assets Pledged as Security*

Assets pledged as security for liabilities of the Group and Parent Company are shown below.

	2020	2019
Aggregate amount of secured liabilities	**P 4,199**	P 75,771
Aggregate amount of resources pledged as security	**P 8,245**	P 58,452

(h) Contingencies and Commitments Arising from Off-balance Sheet Items

The following is a summary of contingencies and commitments arising from transactions not given recognition in the statement of financial position, expressed at their equivalent peso contractual amounts as of December 31, 2020 and 2019:

		2020		2019
Trust Investment Group accounts	**P**	**116,652**	P	94,428
Outstanding guarantees issued		**67,297**		67,003
Derivative assets		**36,980**		56,251
Derivative liabilities		**28,135**		43,886
Unused commercial letters of credit		**20,495**		20,688
Spot exchange bought		**8,681**		14,210
Spot exchange sold		**8,674**		14,216
Inward bills for collection		**1,694**		2,586
Late deposits/payments received		**644**		715
Outward bills for collection		**94**		38
Others		**17**		19

P&A
Grant Thornton

ANNEX B-1

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

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

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

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Rizal Commercial Banking Corporation and subsidiaries (the Group) for the year ended December 31, 2020, on which we have rendered our report dated February 22, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of Revised Securities Regulation Code Rule 68, and is not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Group's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Anthony L. Ng
Partner

CPA Reg. No. 0109764
TIN 230-169-270
PTR No. 8533236, January 4, 2021, Makati City
SEC Group A Accreditation
Partner - No. 109764-SEC (until Dec. 31, 2023)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-038-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

February 22, 2021

Rizal Commercial Banking Corporation and Subsidiaries
List of Supplementary Information
December 31, 2020

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

Rizal Commercial Banking Corporation and Subsidiaries
Schedule A - Financial Assets
December 31, 2020
(Amount in Millions of Philippine Pesos, Except Share Data)

Name of issuing entity and association of cash issue	*Number of shares or principal amount of bonds or notes*	*Amount shown on the balance sheet*	*Value based on the market quotation at balance sheet date*	*Income received and accrued*
Financial Asset at Fair Value Through Profit or Loss				
Government securities	P 1,871	P 1,876	P 1,876	P 70
Corporate debt securities	P 700	710	710	19
Equity securities	125,206,813 shares	1,173	1,173	20
Derivative financial assets	P 65,115	1,129	1,129	134
		4,888	4,888	243
Financial Asset at Fair Value Through Other Comprehensive Income				
Quoted equity securities	73,753,056 shares	1,860	1,860	58
Unquoted equity securities	67,224,308 shares	1,570	1,570	-
Government securities	P 16,733	20,563	20,563	563
Corporate debt securities	P 15,696	16,157	16,157	285
		40,150	40,150	906
Investment Securities at Amortized Cost				
Government securities	P 35,156	37,022	37,222	881
Corporate debt securities	P 6,165	6,146	6,193	127
		43,168	43,415	1,008
Allowance for impairment		(142)	(142)	-
		43,026	43,273	1,008
		P 88,064	**P 88,311**	**P 2,157**

Rizal Commercial Banking Corporation and Subsidiaries
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2020
(Amount in Millions of Philippine Pesos)

Name and Designation of debtor	*Balance at beginning of period*	*Additions*	*Amounts collected*	*Amounts written off*	*Current*	*Not Current*	*Balance at end of period*
Rizal Commercial Banking Corporation							
Loans Receivable							
Pan Malayan Management and Investment Corp.	P 206	P -	P 55	P -	P 151	P -	P 151
House of Investments Inc.	-	564	-	-	564	-	564
Credit Card Receivables							
Bankard (Officers)	1	-	-	-	1	-	1
RCBC Capital Corporation							
Loans Receivable							
Employee Loans	1	-	-	-	1	-	1
RCBC Leasing and Finance Corp.							
Loans Receivable							
Employee Loans	-	1	-	-	1	-	1
RCBC Bankard Services Corporation							
Loans Receivable							
Employee Loans	12	-	2	-	10	-	10

Rizal Commercial Banking Corporation and Subsidiaries
Schedule C - Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
December 31, 2020
(Amount in Millions of Philippine Pesos)

Name and Designation of debtor	*Balance at beginning of period*	*Additions*	*Deductions*		*Classification*		*Balance at end of period*
			Amounts collected	*Amounts written off*	*Current*	*Not Current*	
Rizal Microbank, Inc.							
Due from other banks - RCBC	131	-	(24)	-	107	-	107
RCBC Capital Corporation							
Due from other banks - RCBC	107	-	61	-	168	-	168
Cajel Realty Corporation							
Due from other banks - RCBC	10	-	-	-	10	-	10
RCBC Leasing and Finance Corp.							
Due from other banks - RCBC	462	881	-	-	1,343	-	1,343
RCBC International Finance, Ltd.							
Due from other banks - RCBC	19	1	-	-	20	-	20
RCBC Forex Brokers Corp.							
Due from other banks - RCBC	197	-	(34)	-	163	-	163
RCBC - JPL Holding Company							
Due from other banks - RCBC	44	-	(17)	-	27	-	27
Niyog Property Holdings, Inc.							
Due from other banks - RCBC	80	-	(12)	-	68	-	68

Rizal Commercial Banking Corporation and Subsidiaries
Schedule D - Long Term Debt
December 31, 2020
(Amount in Millions)

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet
Rizal Commercial Banking Corporation			
US$ 300,000,000 Senior Notes Interest Rate: 3.00% Fixed Rate Maturity Date: 9/11/2024 Number of periodic installments: Not applicable	US$ 300	-	P 14,362
P 3,580,000,000 Long Term Negotiable Certificate of Deposit Interest Rate: 5.5% Maturity Date: 3/28/2024 Number of periodic installments: Not applicable	P 3,580	-	P 3,580
US$ 450,000,000 Senior Notes Interest Rate: 4.13% Fixed Rate Maturity Date: 3/16/2023 Number of periodic installments: Not applicable	US$ 450	-	P 21,450
P 2,502,000,000 Long Term Negotiable Certificate of Deposit Interest Rate: 3.75% Fixed Rate Maturity Date: 2/11/2023 Number of periodic installments: Not applicable	P 2,502	-	P 2,502
P 7,500,000,000 Senior Note Interest Rate: 4.43% Fixed Rate Maturity Date: 11/13/2022 Number of periodic installments: Not applicable	P 7,500	-	P 7,500
P 16,616,410,000 Senior Note Interest Rate: 3.25% Fixed Rate Maturity Date: 7/27/2022 Number of periodic installments: Not applicable	P 16,616	-	P 16,616
P 7,054,300,000 Senior Note Interest Rate: 4.85% Fixed Rate Maturity Date: 4/7/2022 Number of periodic installments: Not applicable	P 7,054	-	P 7,054
P 8,000,000,000 Senior Note Interest Rate: 6.15% Fixed Rate Maturity Date: 6/4/2021 Number of periodic installments: Not applicable	P 8,000	P 8,000	-
US$ 320,000,000 Senior Notes Interest Rate: 3.45% Fixed Rate Maturity Date: 2/2/2021 Number of periodic installments: Not applicable	US$ 320	P 15,367	-

Rizal Commercial Banking Corporation and Subsidiaries
Schedule E - Indebtedness to Related Parties (Long-Term Loans from Related Companies)
December 31, 2020
(Amount in Millions of Philippine Pesos)

Name of related party	*Balance at beginning of period*	*Balance at end of period*

Not applicable

Rizal Commercial Banking Corporation and Subsidiaries
Schedule F - Guarantees of Securities of Other Issuers
December 31, 2020
(Amount in Millions of Philippine Pesos)

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

Not applicable

Rizal Commercial Banking Corporation and Subsidiaries
Schedule G - Capital Stock
December 31, 2020
(Amount in Millions of Philippine Pesos, Except Share Data)

Title of Issue	*Number of shares authorized*	*Number of shares issued and outstanding as shown under related statement of financial position caption*	*Number of shares reserved for options, warrants, conversion and other rights*	*Number of shares held by related parties*	*Directors, officers and employees*	*Others*
Preferred Shares *voting, non-cumulative, non-redeemable, participating convertible into common shares*	200,000,000.00	267,410.00	267,410.00	-	-	-
Common Shares	2,600,000,000.00	1,935,628,896.00	-	1,420,171,230.00	55,610,119.00	-